

A photograph of the BBVA building, a modern structure with a curved, arched facade and a series of white, vertical, slanted panels. The building is surrounded by greenery and a paved walkway. The BBVA logo is visible on the upper part of the building.

BBVA Creating Opportunities

BBVA Corporate Governance Overview

2018

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EXECUTIVE SUMMARY

- BBVA has a **solid and effective Corporate Governance System**, which is adapted to the reality of the Bank and its circumstances and needs, and allows for the appropriate management and oversight of the Entity (section 1).
- BBVA Corporate Governance System is in constant improvement and evolution, in order to align it to the strategy and corporate culture and values of the Bank, as well as best practices and recommendations on corporate governance; taking into consideration applicable regulations, the outcome of supervisory actions and expectations, and the different points of view arising from direct contact and dialogue with shareholders, investors and proxy advisors.
 - In 2018 **BBVA Corporate Governance System** has continued to improve in its alignment with best international practices, as well as to adapt to the demanding environment, to the changes implemented in the Entity and to the challenges faced by the Bank, influenced by the digital transformation.
- The pillars of BBVA Corporate Governance System are: (i) an appropriate composition of its Board and Committees ("**Corporate Bodies**"); (ii) clear distribution of functions between the Board of Directors and its Committees, and between these and Senior Management; (iii) a sound decision-making process and a robust informational model; and (iv) a complete monitoring, oversight and control system of the management of the Entity.
- The Board of Directors has a composition that combine directors with extensive experience and knowledge in banking and finance-related matters, with profiles that have experience and knowledge in various areas of interest to the Bank and its Group, such as auditing, digital businesses and technology, allowing appropriate balance and **diversity** in its composition.
 - Said **diversity of gender, knowledge, experience and nationality** is reinforced year after year, as a result of its on-going refreshment process, incorporating new members that allow to adequate its composition to the needs of the Group at all times.
 - The Board has a **majority of independent** members. All of them have the necessary **suitability** and **reputation** to hold their positions, are subject to a strict **system of incompatibilities** and have high dedication to the Bank.
 - The Board composition allows appropriate **checks & balances** that avoid concentration of powers in one person or body, which include the existence of an Executive Chairman and a Chief Executive Officer, with separate roles and different functions; as well as the appointment of a Lead Independent Director, with board and relevant responsibilities.

- Additionally, in 2018, BBVA Board of Directors has **successfully implemented succession plans** for the Chairman and for the Chief Executive Officer, thereby ensuring an orderly transition that has not affected the Group's transformation process and implementation of the strategy.
- Along with the approval of said plans, BBVA Board of Directors has conducted an **analysis of BBVA Corporate Governance System** and adopted **measures to strengthen the System**, in order to ensure appropriate performance in light of the new environment.

- In 2018, BBVA Board of Directors adopted important decisions regarding its **composition**, concerning not only the appointment of **new directors to reinforce Board independence and diversity levels**, but also changes regarding executive directors resulting in a **new Group Executive Chairman** and a **new Chief Executive Officer** being appointed, ensuring continuity of the Group transformation process.

- The Board of Directors carries out main management functions over the Entity as well as oversight and control functions, all with the purpose of promoting the corporate interest (section 3.1).
- The Board of Directors has six **Committees: Audit and Compliance, Risk, Remuneration, Appointments, Technology and Cybersecurity and Executive Committee** (section 3.2).
 - The Board Committees have a **clear allocation of functions**, both in the Regulations of the Board of Directors and, where applicable, in their specific Regulations, and have the necessary resources as well as autonomy in their operation.
 - The Committees are exclusively **made up of external** (non-executive) **directors** and they have a **majority of independent directors**, with the exception of the Audit and Compliance Committee, which is composed exclusively of independent directors, and the Technology and Cybersecurity Committee, which has one executive director.
 - The Committees **analyze in-depth matters** that fall within their remit before they propose to the Board of Directors the adoption of the corresponding decisions, and carry out an in-depth revision of the matters submitted by Senior Management.

- The **distribution of functions** between the Board, its Committees and the different positions within the Board **has been revised in 2018** as a result of the approval of the succession plans for the Chairman and for the Chief Executive Officer, to ensure appropriate checks & balances and to avoid concentration of powers in any person or body.

■ BBVA Board of Directors has a **suitable decision-making process**, which involves the interaction among the Corporate Bodies and Senior Management, and integrates the work of the Committees and the Board (section 4).

- This decision-making process is supported by an **information model** for the Corporate Bodies that allows decisions to be made based on sufficient, complete, comprehensive and clear information.

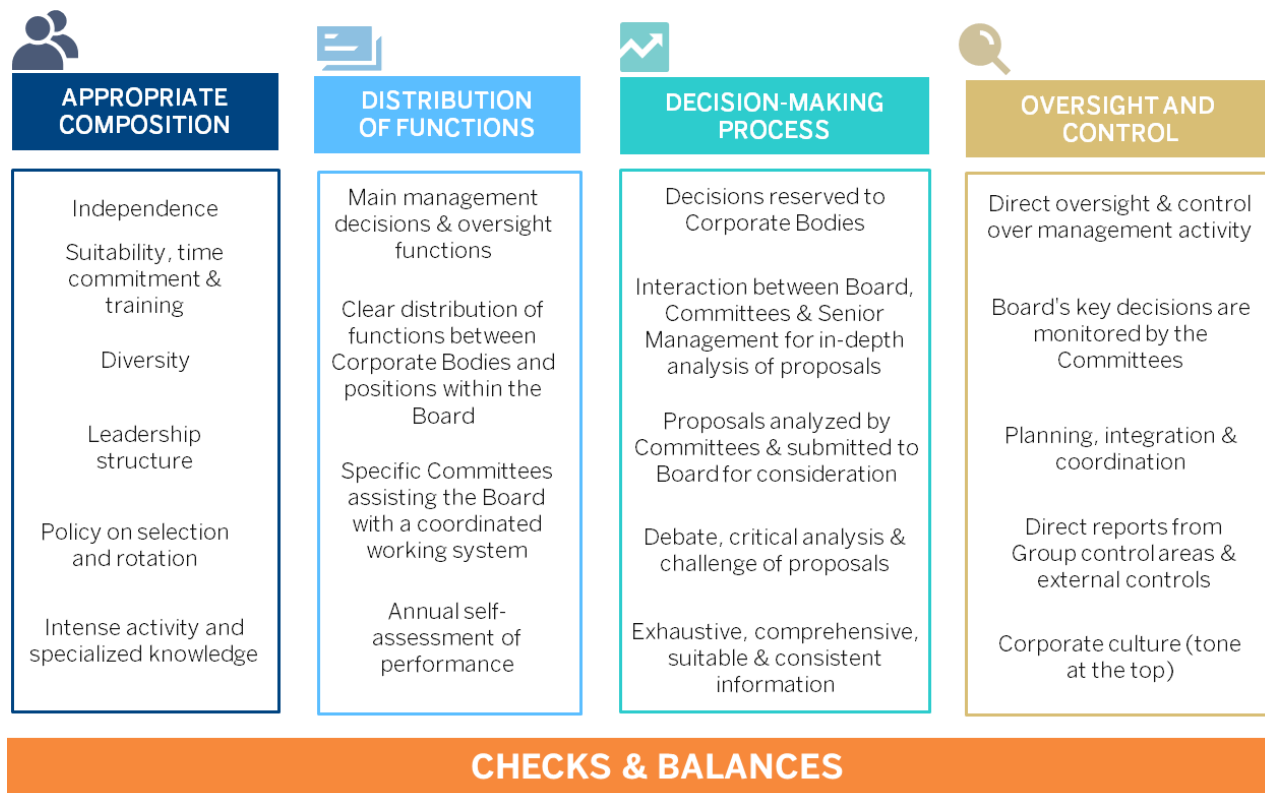
- In 2018, the **decision-making process has continued to be improved**, reinforcing the interaction between the Committees as well as their participation, aimed at improving the efficacy of the Corporate Governance System and its checks & balances.
- During 2018, the Board of Directors has **reinforced its involvement in strategic matters** that affect the Group, and has debated with the Senior Management involved in the definition of the strategy trends and technological advances that could condition its development.

■ Once the corresponding decisions have been adopted, the Board of Directors assigns the responsibility for their execution and implementation to the Senior Management and performs general **oversight and control** functions over the Entity, for which it is supported by its various Committees (section 5).

■ BBVA Corporate Governance System is in **continuous analysis and evolution**, through a self-assessment process that allows the appropriate performance of the functions of the Corporate Bodies and its evolution to adapt to their needs at any time, in accordance with the circumstances that may affect the Entity and its environment (section 6).

- In 2018, BBVA Board of Directors deemed it convenient to carry out an **in-depth analysis and assessment of the operation** of BBVA Corporate Governance System, both internally and by an independent expert.

- As a result of the above, the main pillars of BBVA Corporate Governance System, which will be described in this document, are specified in the following characteristics:

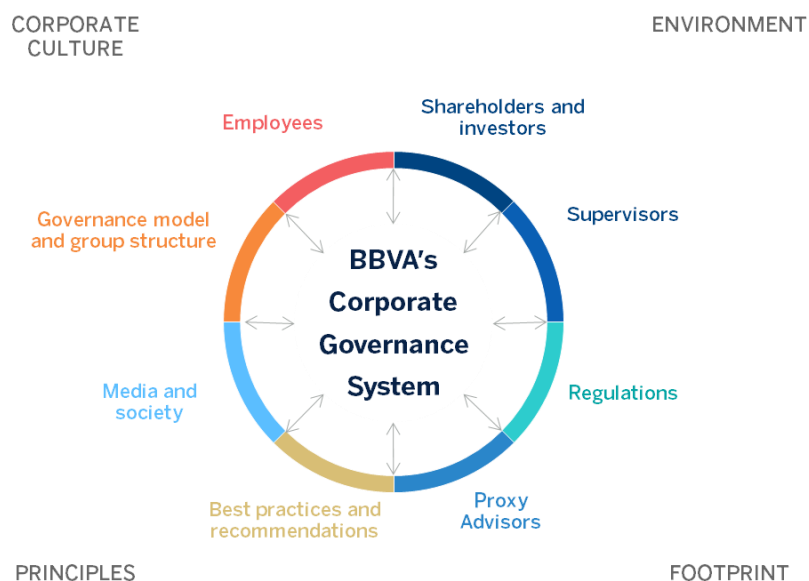


1. Principles and structure of BBVA Corporate Governance System

Banco Bilbao Vizcaya Argentaria S.A. ("BBVA," the "Entity" or the "Bank") has a **solid and effective corporate governance system**, which is **adapted to the reality** of the Bank and its circumstances and needs, and allows for the appropriate management and oversight of the Entity (the "**Corporate Governance System**").

BBVA Corporate Governance System is in **constant improvement and evolution**, in order to align it to the strategy and corporate culture and values of the Bank, as well as best practices and recommendations on corporate governance; taking into consideration applicable regulations, the outcome of supervisory actions and expectations, and the different points of view arising from direct contact and dialogue with shareholders, investors and proxy advisors.

Elements affecting BBVA Corporate Governance System

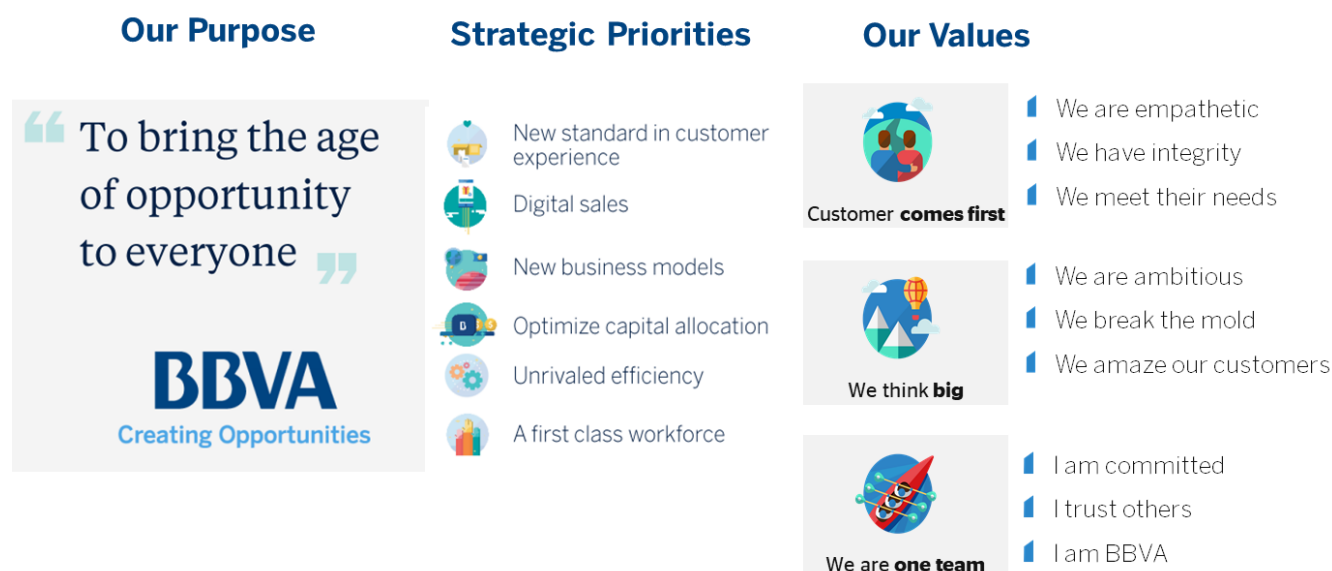


Corporate culture in BBVA

BBVA Corporate Governance System is fully aligned with the Entity's corporate culture, which has also evolved in line with the transformation process of the Group to adapt to the new environment, characterized by trends that confirm the Group's **strategic vision**.

Thus, BBVA is transforming the organization by promoting a new **corporate culture** around a set of **values and behaviours** that are promoted at the highest level and shared by the Group's employees, and which generate identity traits differentiating BBVA from other entities.

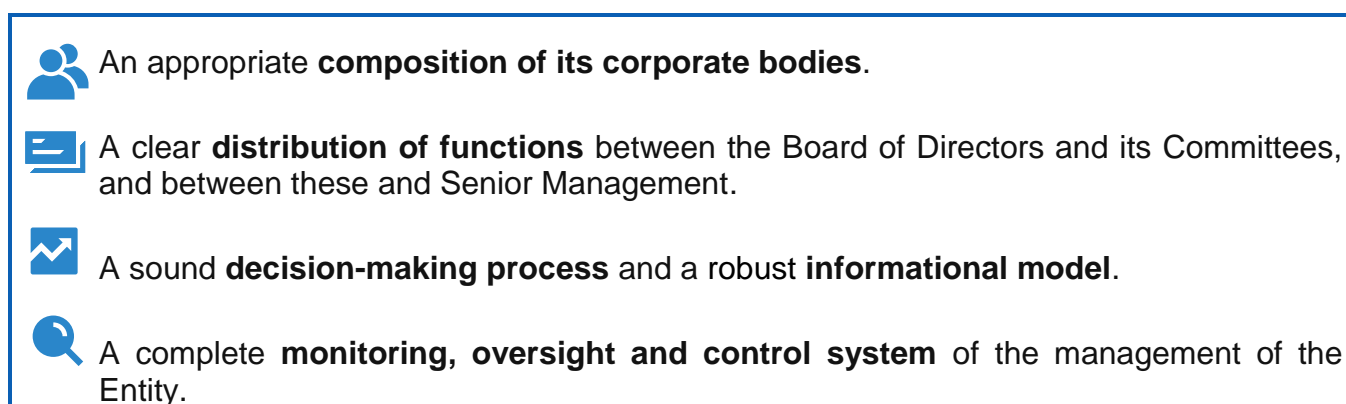
In 2018, BBVA has made significant progress in achieving its Purpose: “**To bring the age of opportunity to everyone**”, which is reflected in the slogan: “**Creating Opportunities**”. In order to continue advancing in the Bank's transformation process, important steps were taken in 2018 in the development of the Group's six **Strategic Priorities**, which are reflected in the Key Performance Indicators (KPIs), and in the definition of the **Values**, as fundamental pillars of the Entity's strategy.



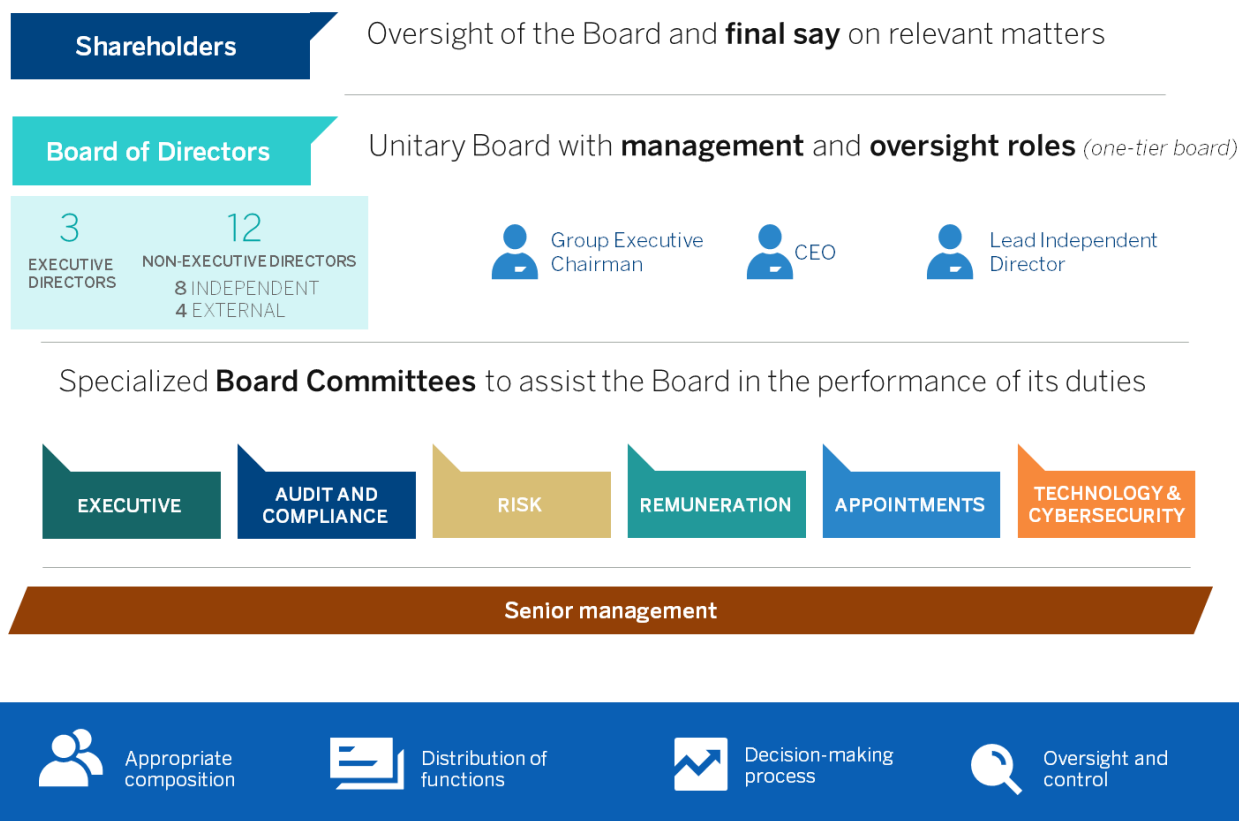
More information on BBVA's Strategic Priorities and Values are available in the “Report on Non-financial information” in this [link](#).

BBVA Corporate Governance structure

BBVA Corporate Governance System has been shaped over time based on the following **pillars**, which materialize in the characteristics and elements laid out in this document:



As a result of the foregoing, BBVA Corporate Governance System has the following **organizational structure**, with the characteristics and elements set out herein:



BBVA Corporate Governance System is expressed in different documents, internal regulations, procedures and practices that are adapted to the strategy and needs of the Entity, to the regulatory and supervisory context and to the best market practices. Specifically, the Bank's Corporate Governance System is laid down in the Bylaws, the Regulations of the General Shareholders' Meeting, in Regulations of the Board of Directors; and, for certain Board Committees, their own regulations. All of these documents are available on the Bank's corporate website (www.bbva.com).

BBVA's corporate website contains complete and updated information on BBVA, in particular, institutional, financial and economic information on the Group's activity and results, as well as any information legally required by applicable regulations and by best practices and recommendations.

In 2018 BBVA introduced **changes in its Corporate Governance System**, to continue advancing in its alignment with best international practices, as well as to adapt to the demanding environment, to the changes implemented in the Entity and to the challenges faced by the Bank, influenced by the digital transformation, which are described in this document.

2. Shareholders

BBVA Group has a **diversified shareholding base** in terms of both geography and structure, of which the international institutional stake represents more than 50% of the share capital. The free float of the Bank is 100% and none of the shareholders has a material or controlling stake.

Considering said shareholding structure, the relationship model between BBVA and its shareholders is based on the following pillars:

| | | |
|-----------|--|---|
| 01 | General Meeting | <ul style="list-style-type: none"> Has the power to decide on matters of utmost relevance for the Bank |
| 02 | "One share, one vote" principle | <ul style="list-style-type: none"> There are no limitations on the exercise of shareholders' rights or on the acquisition or transfer of shares Equal treatment and same rights for all shareholders in the same position |
| 03 | Policy on shareholders and investors' communication and contact | <ul style="list-style-type: none"> Approved by the Board of Directors and published on BBVA corporate website (link) Based on the principles of transparency, veracity, immediacy and consistency in disclosure of information Encourages participation and exercise of the right to vote in General Shareholders' Meetings Transparency and disclosure of information for the appropriate exercise of shareholders' rights Development of an active engagement policy with both institutional and retail shareholders |

The Bank has been obtaining over the past years **attendance quorums** in excess of **62%** at its General Meetings. In turn, shareholders have repeatedly shown a very significant **percentage of support** for the issues submitted for their consideration, in matters such as composition of the Board of Directors, corporate management and annual financial statements, remuneration policy and financial resolutions.

The Regulations of the General Shareholders' Meeting, available on the Bank's corporate website at the following [link](#), include the main functions, organization and operation of the General Meeting.

3. Corporate Bodies

3.1 Board of Directors

In line with Spanish regulations and market practice, BBVA has a **"one-tier" board system**, which entails the existence of a unique collegiate body, the Board of Directors, which is collectively responsible for the highest functions of **management** of the Entity (definition and approval of decisions) and of **oversight and control** of the management (monitoring and review of proper implementation), all with the purpose of promoting the corporate interest.

a) Functions

BBVA Board of Directors combine **oversight functions over the Bank and its Group**, with **management functions** of the Entity, in the form of the adoption of the most relevant decisions, delegating the day-to-day management of the business and the execution of the strategy to the executive level, except for those matters which cannot be delegated by law.

The most relevant functions, set out in the Regulations of the Board of Directors ([link](#)), are related to the following matters:

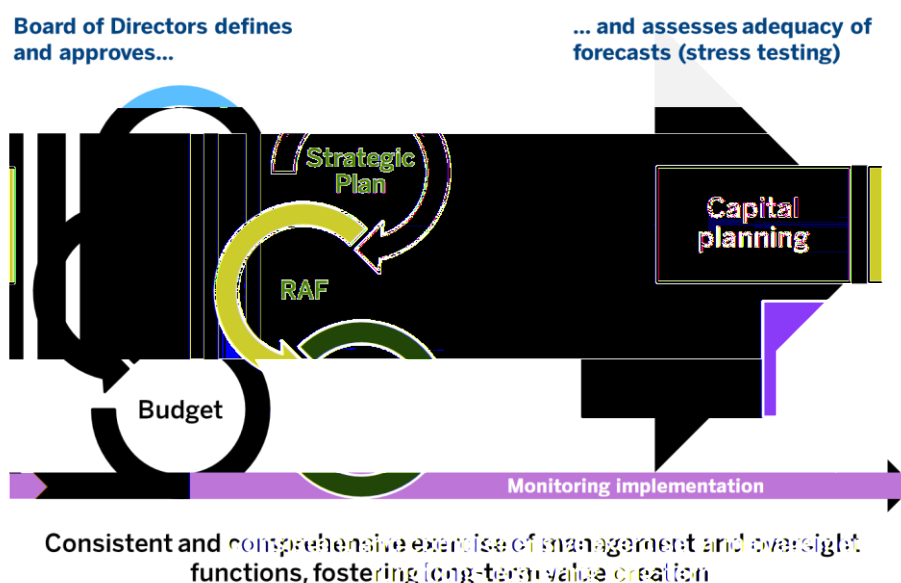
| | |
|-----------------------------------|--|
| Strategy and general policies | Remuneration policy |
| Control and risk management (RAF) | Financial and accounting information |
| Annual budgets | Appointment and removal of Senior Management |
| Capital and liquidity | Oversight of Senior Management |
| Strategic transactions | Internal organization and annual self-assessment |

The fact that these functions are reserved to the Board, without the possibility of delegating them, is a **key element of balance and control of management**, ensuring that the most relevant matters affecting the Entity are analyzed and decided by the Board of Directors.

Furthermore, on the basis on the above, for a better performance of the management and oversight functions and to promote the checks and balances, BBVA Board of Directors has established **specific Committees** that assist it in matters falling within their remit, with a coordinated working system among Corporate Bodies.

The joint work carried out by the Board of Directors and its Committees, in interaction with the Bank's Senior Management, ensures an adequate analysis of the matters submitted for their consideration, through the analysis and critical review of the approaches and proposals submitted. It also strengthens the monitoring and oversight of the adopted decisions, which are implemented by the executive level.

The approval of the overall strategy of the Group is one of the functions assigned to the Board of Directors. Thus, the Board of Directors **defines and approves the Strategic Plan of BBVA Group**, which includes the strategy to be followed by the Entity in the medium- and long-term, defining the guidelines through which the Group aims to reach its goals. For this purpose, the Strategic Plan is integrated in the decision-making process for the core strategic-prospective decisions regarding the management and control of the Group, such as (i) the risk appetite framework, (ii) the annual budget, (iii) the capital and liquidity self-assessment exercises (i.e. ICAAP and ILAAP), and (iv) the Group's recovery plan; all with the purpose of creating long-term value.



Additionally, within the framework of the Corporate Governance System, the Board of Directors carries out a **monitoring, oversight and control of the implementation of the defined strategy** by: (i) the definition and oversight of the implementation of strategic indicators (Key Performance Indicators or KPIs) that measure the degree of achievement of the strategic objectives and their integration into management; (ii) the oversight of the management actions conducted by Senior Management, ensuring that they are in line with the defined strategy, budget and risk appetite framework; and (iii) the review and update of the Strategic Plan and remaining strategic-prospective decisions, adapting them to the needs and changes of the business and the environment, if required.

As a result, as mentioned in section 1 above, the definition of these strategic-prospective decisions also allows the Board of Directors to define the guidelines for behaviour, values and principles that govern the Entity, setting the **“tone at the top”** and **promoting the Group’s corporate culture** from the highest level. This ensures that these guidelines are transmitted through the entire Bank and promotes conduct based on the principles of transparency and business ethics.

As described in this document, BBVA Corporate Governance System is designed so that the Board of Directors has set up Committees that, based on a solid decision-making process and

an adequate distribution of functions, **assist the Board in the adoption of the relevant decisions and the oversight and control of the strategy** and ensure suitable coordination and interaction both between the different strategic decisions and between the different Corporate Bodies, according to their functions.

Section 5 herein includes a reference to the oversight and control functions over management that correspond to the Board of Directors.


During **2018**, the Board of Directors has **reinforced its involvement in strategic matters** that affect the Group, and has debated with the Senior Management participating in the definition of the strategy trends and technological advances that could condition its development.

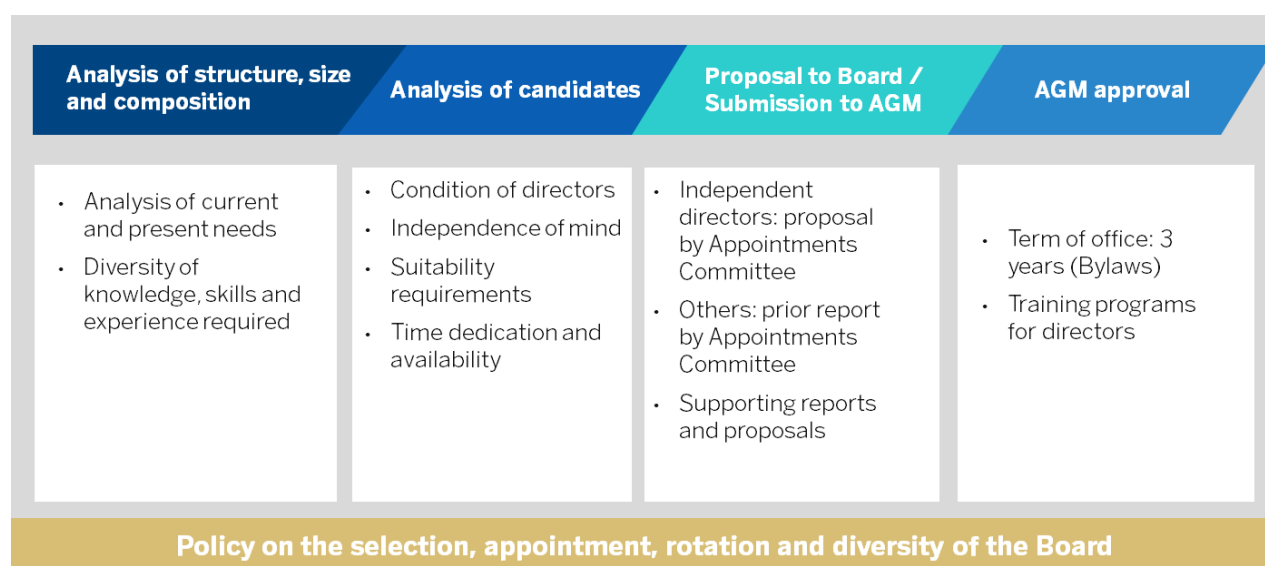
b) Composition

The composition of the Board of Directors is one of the key elements of BBVA Corporate Governance System and, as such, must allow Corporate Bodies to carry out their management and oversight functions with different perspectives and opinions, ensuring the **debate, analysis and challenge** of the proposals submitted for their consideration, along with the necessary **consensus** in the decision-making.

■ Board refreshment process

The Bank undertakes, on an on-going basis, a **well-ordered refreshment process** of its Corporate Bodies, which involves identifying the needs and thus the most suitable candidates to be appointed, ensuring an appropriate Board composition at any given time.

This process involves the Appointments Committee periodically analyzing the **structure, size and composition** of the Board; considering the **diversity of gender, knowledge, skills and experience** required; the results of the **assessment of the status** of the directors, their **independence** of mind and **suitability**, as well as the **dedication** required for the appropriate performance of the role; all of this according to the needs of the Corporate Bodies at all times and taking into consideration the Policy on the selection, appointment, rotation and diversity of the Board of Directors, approved by this body in 2016 ([link](#) ).



As a result of the Board refreshment process, the 2018 AGM approved the re-election and appointment of different directors, which allowed: (i) to complete the knowledge and experience of the Corporate Bodies, especially in the areas of **finance** and **regulation and supervision of the banking sector**, as well as **technology**, and (ii) to increase **diversity** in terms of **gender** and **international experience**.

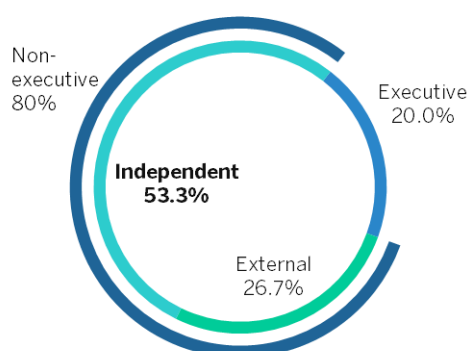
Additionally, as described in section 3.1.c), in 2018, the BBVA Board of Directors approved important decisions regarding executive directors, resulting in a new **Executive Chairman** and a new **Chief Executive Officer** being appointed, in the framework of their respective succession plans; along with the adoption of certain measures to reinforce BBVA Corporate Governance System, with the purpose to ensure its adequate performance within the new environment.

2018 refreshment process: changes in Board composition

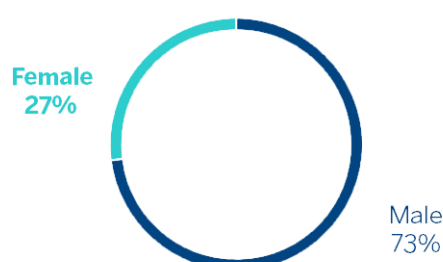
| | |
|----------------------------|---|
| Re-elections | The AGM held on March 2018 approved the re-election of non-executive directors: José Miguel Andrés Torrecillas (98.83%), Belén Garijo López (98.57%), José Maldonado Ramos (93.63%) y Juan Pi Llorens (98.87%) |
| Appointments | <p>The AGM held on March 2018 approved the appointments of independent directors: Jaime Félix Caruana Lacorte (99.10%), Ana Peralta Moreno (99.74%) y Jan Verplancke (99.11%)</p> <p>Furthermore, the Board of Directors, in its meeting held on 20 December 2018, appointed by co-option Onur Genç as executive director and Chief Executive Officer, in execution of the succession plan approved by the Board in November 2018 (see section 3.1.c))</p> |
| Changes in position | The Board of Directors, in its meeting held on 20 December 2018, appointed Carlos Torres as Group Executive Chairman , ceasing in his position as CEO, in execution of the succession plan approved by the Board in September 2018 (see section 3.1.c)) |

The abovementioned appointments have directly contributed to achieve the objectives established in the **Policy on the selection, appointment, rotation and diversity of the Board of Directors** ([link ↗](#)), which provides for a number of independent directors of at least 50% of the total Board and a gender diversity target of 30% in 2020; as well as diversity of knowledge, experience and nationality in the Board.

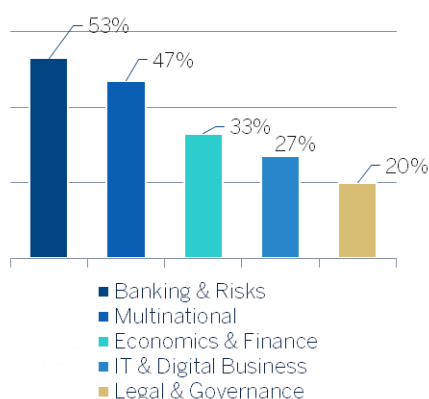
Board independence levels



Gender diversity



Board expertise and background



Following 2018 AGM:

- **Independence** levels increased from 46% to **53%**
- **Gender** diversity levels increased from 23% to **27%**
- Diverse **background** of the Board enhanced: 3 new directors with expertise in **risks, IT & banking**

Current composition of the Board

In 2018, BBVA's Board of Directors adopted very important decisions regarding its composition, concerning not only the incorporation of **new directors to strengthen independence and diversity**, as well as changes regarding executive directors resulting in a **new Group Executive Chairman** and a **new Chief Executive Officer** being appointed.

At the end of 2018, Board composition was as follows:

| Director | Position on the Board | Status | Date of appointment/last re-appointment | Other positions |
|--|--------------------------|-------------|---|--|
| Carlos Torres Vila (*) | Group Executive Chairman | Executive | 11-03-2016 | Director in BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer y Grupo Financiero BBVA Bancomer, S.A. de C.V. |
| Onur Genç (*) | Chief Executive Officer | Executive | 20-12-2018 | Director in BBVA Compass Bancshares |
| Tomás Alfaro Drake | Director | External | 17-03-2017 | - |
| José Miguel Andrés Torrecillas | Lead Director | Independent | 16-03-2018 | Director in Zardoya Otis |
| Jaime Félix Caruana Lacorte | Director | Independent | 16-03-2018 | |
| Belén Garijo López | Director | Independent | 16-03-2018 | Director in L'Oréal |
| José Manuel González-Páramo Martínez-Murillo | Director | Executive | 17-03-2017 | - |
| Sunir Kumar Kapoor (*) | Director | Independent | 11-03-2016 | - |
| Carlos Loring Martínez de Irujo | Director | External | 17-03-2017 | - |
| Lourdes Máiz Carro | Director | Independent | 17-03-2017 | - |
| José Maldonado Ramos | Director | External | 16-03-2018 | - |
| Ana Peralta Moreno | Director | Independent | 16-03-2018 | Director in Grenergy Renovables |
| Juan Pi Llorens | Director | Independent | 16-03-2018 | Chairman of Ecolumber |
| Susana Rodríguez Vidarte | Director | External | 17-03-2017 | - |
| Jan Verplancke | Director | Independent | 16-03-2018 | |

(*)These director are subject re-election/appointment by next General Shareholders' Meeting to be held 15 March 2019.

The profiles of BBVA's directors are available on the corporate website at the following [link](#).

Main features of the composition of BBVA Board of Directors

Independence

Pursuant to the Policy on the selection, appointment, rotation and diversity of the Board of Directors, the Board's composition shall ensure that has an appropriate balance between the different categories of Board members, that non-executive directors represent an ample majority over executive directors, and that the **number of independent directors accounts for, at least, 50% of the total board members**.

In application of this principle, **independence levels at the Board currently exceed the 50% target established in the Policy**. This high level of independence on the Board and Committees promotes the appropriate performance of the management, oversight and control functions, as well as objective and independent judgment in the decisions adopted by the Corporate Bodies.

Diversity

The Board of Directors has a **diverse composition**, combining directors with extensive experience and knowledge in banking and finance-related matters, with profiles that have experience and knowledge in various areas of interest to the Bank and its Group, such as auditing, legal and academic fields, multinational business, digital businesses and technology, both national and internationally.

In addition, the Board, in its on-going refreshment process, has been reinforcing, year after year, **diversity of gender, knowledge, experience and nationality**, incorporating new members that allow to adapt its composition to the needs of the Group at all times.

This enables the Board, as a whole, to have an **appropriate balance in its composition and suitable knowledge** of the Bank and the Group's **environment, activities, strategy and risks**, contributing to a better performance of its functions.

Alongside this combination of profiles and expertise, the Board has members with extensive experience in the Bank's Board of Directors, which provides them with extensive knowledge of the Group and its businesses, both nationally and internationally, and facilitates the progressive refreshment process of the corporate bodies so that the addition of new profiles, with less knowledge of the Entity, takes place without affecting the correct operation of the Board.

Directors' background

| Director | Background |
|--|---|
| Carlos Torres Vila | Banking, Multinational, Digital Businesses |
| Onur Genç | Banking, Multinational, Consultancy |
| Tomás Alfaro Drake | Academic, Finance, Marketing |
| José Miguel Andrés Torrecillas | Accounting, Audit, Multinational |
| Jaime Félix Caruana Lacorte | Banking, Finance, International supervision |
| Belén Garijo López | Multinational, Pharmaceutical |
| José Manuel González-Páramo Martínez-Murillo | Economics, Banking, International supervision |
| Sunir Kumar Kapoor | Technology, Digital Businesses, Multinational |
| Carlos Loring Martínez de Irujo | Legal, Banking, Governance |
| Lourdes Máiz Carro | Legal, Public administration |
| José Maldonado Ramos | Legal, Banking, Governance |
| Ana Peralta Moreno | Finance, Banking |
| Juan Pi Llorens | Multinational, Technology |
| Susana Rodríguez Vidarte | Academic, Economics, Banking |
| Jan Verplancke | Technology, Multinational |

Suitability and dedication

The Board of Directors, in accordance with the provisions set out in its Regulations and in applicable law, requires that its members have the **necessary suitability and reputation** to hold their positions. For these purposes, BBVA directors have the repute, skills, experience and necessary training to hold their position and the availability to devote the time required to discharge their responsibilities. The Appointments Committee assesses the suitability of the Bank's directors on an ongoing basis. No circumstances came to light in 2018 that could affect the suitability of the directors in performing their duties.

BBVA directors are also subject to a strict **system of incompatibilities and limitations** established by the Board Regulations and applicable regulations, which includes, among other aspects, that they may only hold up to four non-executive directorships or one executive and two non-executive directorships.

The structure and operation of BBVA Corporate Governance System requires a **high level of activity of the Board and its Committees** and, therefore, high **dedication** as regards both the conduct of meetings and their preparation. Therefore, all directors are **highly dedicated** to the Bank, participating actively in the deliberations, discussions and debates on matters submitted for their consideration:

| Corporate body | Nº meetings in 2018 | % attendance (including proxies granted) | % attendance (excluding proxies) |
|--|---------------------|--|----------------------------------|
| Board of Directors | 13 | 100% | 99% |
| Executive Committee | 19 | 99% | 98% |
| Audit and Compliance Committee | 12 | 100% | 95% |
| Appointments Committee | 10 | 98% | 94% |
| Risk Committee | 21 | 100% | 97% |
| Remuneration Committee | 5 | 100% | 100% |
| Technology and Cybersecurity Committee | 7 | 100% | 100% |

| Director | % attendance (including proxies granted) | % attendance (excluding proxies) |
|--|--|----------------------------------|
| Carlos Torres Vila | 100% | 97% |
| Tomás Alfaro Drake | 100% | 100% |
| José Miguel Andrés Torrecillas | 100% | 100% |
| Jaime Félix Caruana Lacorte | 97% | 93% |
| Belén Garijo López | 98% | 87% |
| José Manuel González-Páramo Martínez-Murillo | 100% | 92% |
| Sunir Kumar Kapoor | 100% | 100% |
| Carlos Loring Martínez de Irujo | 100% | 100% |
| Lourdes Máiz Carro | 100% | 98% |
| José Maldonado Ramos | 100% | 100% |
| Ana Peralta Moreno | 100% | 100% |
| Juan Pi Llorens | 100% | 96% |
| Susana Rodríguez Vidarte | 100% | 98% |
| Jan Verplancke | 100% | 100% |

Directors' training

To support the decision-making system of the Board and its Committees and the informational model, the **director training program** continued in 2018 with a number of sessions addressing specific topics that may be considered appropriate to complete the knowledge that BBVA directors may require for a better performance of their functions, **focusing** particularly on topics related to the **banking business** and **technology**.

Specific training plans were also defined for the directors who joined the Board in 2018. These comprised various individual sessions with individuals in the Group who have an in-depth knowledge of aspects regarding the Group's businesses and its environment.

In 2018, the training program was conducted with open participation by all directors. At these training sessions, directors were provided with extensive information and presentations given by the Group's experts in each topic.

■ **Checks & balances**

The Board composition allows for the implementation of a system for the **distribution of powers** among the different Corporate Bodies and its members, to ensure appropriate **checks & balances** at all times and, accordingly, prevent the concentration of powers in one person or body.

The checks & balances structure achieved at Corporate Bodies-level through an adequate composition and distribution of functions is rounded off, at the executive level, with the existence of an **Executive Chairman** and a **Chief Executive Officer**. Under this model, both roles and functions of the Chairman and Chief Executive Officer are separate, ensuring the appropriate oversight and control of management by the Corporate Bodies, as well as driving the Bank's strategy from the executive level throughout the entire Bank.

The **checks & balances structure** has been **revised in 2018** in the framework of the approval the succession plans for the Chairman and Chief Executive Officer, establishing a direct **report** of the Chief Executive Officer to the Board and a **new distribution of functions** among them; to ensure that adequate balance of powers is maintained at all times and therefore avoid the concentration of powers in any one person or corporate body.

As a result of the execution of said succession plans, as described in more detail below, the Board of Directors, in its meeting held on 20 December 2018, approved the following distribution of functions:

Group Executive Chairman

- Board leadership functions: effective operation and organization
- Leads and fosters strategy and Transformation process
- Management oversight
- Institutional relations

Chief Executive Officer

- Responsible for the day-to-day management of the business
- Responsible for the implementation and execution of approved strategy
- Direct report to the Board
- Leadership of business areas

Moreover, to strengthen the structure of checks and balances, the Board of Directors has designated, among the independent directors, a **Lead Independent Director**, who has all the functions conferred both by law and by good governance recommendations, following best national and international practices.

| Lead Independent Director | |
|--|---|
| <p>Relevant functions</p> <ul style="list-style-type: none"> Request meetings of the Board of Directors or the inclusion of new items on the agenda Coordinate and meet with non-executive directors Direct the assessment of the Chairman of the Board Chair meetings of the Board in absence of the Chairman Coordinate, with the Appointments Committee, the succession of the Chairman Maintain contacts with investors and shareholders to form an opinion on their concerns | <p>Relevant position in the Bank</p> <ul style="list-style-type: none"> Chair of Appointments Committee and of Audit & Compliance Committee, and member of Risk Committee Constant interaction with CEO / Chairman / NEDs Direct contact with investors and supervisors Contributes to the best performance of the Corporate Bodies Key role for the control of the Bank and promotes checks & balances |

In 2018, the Lead Independent Director played a relevant role in the correct performance of BBVA's Corporate Bodies, allowing the Board of Directors to **organize in an adequate and orderly manner the succession of the Chairman and the Chief Executive Officer**. Therefore, the Lead Independent Director: (i) led the succession process for the Chairman; (ii) increased contact with the Bank's institutional investors and supervisors to ascertain their opinion of BBVA Corporate Governance System and the progress in the succession plan of the Board; reporting to the Board in this regard.

c) Succession plans for the Chairman and the Chief Executive Officer

In 2018, BBVA Board of Directors has successfully completed the succession of the Chairman and the Chief Executive Officer of the Bank, carrying out a decision-making process that began with the approval of two succession plans, for the Group Executive Chairman in September 2018 and for the Chief Executive Officer in November 2018, respectively, leading to the appointment of Carlos Torres Vila as Group Executive Chairman and Onur Genç as Chief Executive Officer.

Therefore, the Board has conducted a change at top management level, in an orderly manner, setting as a priority the continuity with the strategy and the transformation process of the Group.

Along with the approval of said plans, the Board of Directors has also carried out an analysis of BBVA Corporate Governance System and has adopted several measures to reinforce the System, in order to ensure its appropriate performance in the new environment of the Bank. Said measures are described in section 6 below.

Succession plan for the Chairman

The succession process for the Chairman, in accordance with the Regulations of the Board of Directors, has been led by the Appointments Committee, which, chaired by the Lead Independent Director, is responsible for examining and organizing this process, leading to the relevant proposal to designate Carlos Torres as Chairman.

The Appointments Committee has carried out during 2018, a process for the **analysis and elaboration of the succession plan** for the Chairman of the Board, which included:

- (i) the analysis of the executive chairmanship model, as well as those of international banking institutions;
- (ii) the revision of BBVA Corporate Governance System in order to ensure appropriate operation is maintained; and
- (iii) the analysis of the profile of the required candidate, stating the conditions that must be met to hold the position of Chairman of the Board of Directors, including, as especially relevant, continuity of the Group's transformation process.

As a result, the Board considered:

- that the executive chairmanship model, in which the executive functions are clearly distributed between the Chairman and the Chief Executive Officer, with a direct report to the Board of Directors, together with the Lead Independent Director and the chairmen of the different Committees, guaranteed adequate checks & balances and avoided concentration of powers in any person or body, ensuring the best governance of the Entity;
- regarding the selection of the person to succeed the former Chairman, the need to ensure the stability of the Entity and continuity of the strategy and the transformation process; considering therefore the need to carry out an internal search; and
- Carlos Torres Vila's broad academic background, expertise, professional experience and his capabilities and skills, highlighting his strategic vision, his management and execution capabilities, his understanding and alignment with the Group's values, his ability to manage teams and large organizations, and his knowledge and experience in the banking sector, both Spanish and internationally, in financial markets and in the field of technology, as well as his understanding of the technological disruption that is taking place globally and its impact on the banking sector.

In execution of the succession plan for the Chairman, the Board approved: (i) to **maintain the current executive chairmanship model**, which was considered appropriate in the framework of BBVA Corporate Governance System; and (ii) to **appoint Carlos Torres Vila as Group Executive Chairman**, as he was considered the ideal person in view of his expertise and knowledge.


Detailed information on the profile of Carlos Torres Vila can be accessed in the report of the Appointments Committee, available at the corporate website in the [link](#) .

Succession plan for the Chief Executive Officer

In view of the approval of the Chairman's succession plan and given that the person appointed to succeed the former Chairman was the Chief Executive Officer at that date, the Appointments Committee proceeded to examine the succession of the Chief Executive Officer, which included the **definition of a profile** with the skills required to hold this position.

In execution of the succession plan for the Chief Executive Officer, the Board approved the appointment, by co-option, of Onur Genç, as director and Chief Executive Officer, in view of his expertise and knowledge.

To this end, the Board particularly valued his excellent knowledge, his proven experience in the international financial sector, developed in several countries, his deep knowledge of the Group, his principles, values and strategy; and his proven execution capacity in those organizations in which he has developed his professional career.

Detailed information on the profile of Onur Genç can be accessed in the report of the Appointments Committee, available at the corporate website in the [link](#) .

Therefore, in 2018, BBVA Board of Directors prepared, approved and successfully implemented succession plans for the Executive Chairman and Chief Executive Officer, thereby facilitating an **orderly transition that has not affected the Group's transformation process**, and conducting a **review of its Corporate Governance System**, with the support of an external independent expert, to ensure its appropriate performance in the context of the decisions taken, resulting in measures to reinforce the System, which will continue in 2019.

In view of the Board composition and as described above:

- The Board, as a whole, has the **appropriate balance and diversity in its composition and boasts sufficient knowledge, skills and experience** to adequately understand the Bank's activities, including the main risks that affect it, considering the business model, the Risk Appetite Framework, the Bank's transformation strategy and the markets and geographies in which it operates, which ensure proper operation and the effective ability of the Board of Directors to make decisions independently and autonomously in the best corporate interest.
- The Bank's directors have the **required suitability and reputation** to hold their position, the skills required and the availability to devote the time required to discharge their responsibilities, according to the information available to the Bank.
- The Board's composition allows for the a **distribution of functions** among its members and Committees, defined to ensure adequate checks & balances at all times and, accordingly, prevent any concentration of powers in any of them.
- All of this gives the **Board Committees** the appropriate **composition** to ensure their correct and efficient operation at all times, as described in the following section.

3.2 Board Committees

One of the core elements of BBVA's Corporate Governance System is the existence of Board Committees, set up to assist the Board with matters falling within their remit, based on an adequate distribution of functions. The Board determines the Committees' composition, appoints their members and determines their functions, in accordance with the provisions of the Bylaws, Board Regulations and/or the own Regulations of the different Committees.

These Committees are essential to **ensure the correct performance of the management oversight and control functions of the Corporate Bodies**, which are carried out based on a system that guarantees full independence from the executive level, thereby strengthening the checks & balances structure of BBVA Corporate Governance System.

For the best performance of its functions, the Board of Directors has set up **six specific Committees** with broad and relevant functions:

| | | | | | |
|---------------------|--------------------|------|--------------|--------------|----------------------------|
| EXECUTIVE COMMITTEE | AUDIT & COMPLIANCE | RISK | REMUNERATION | APPOINTMENTS | TECHNOLOGY & CYBERSECURITY |
|---------------------|--------------------|------|--------------|--------------|----------------------------|

Functions

The Board Committees have a **clear allocation of functions**, both in the Board Regulations and, where applicable, in their specific Regulations, and have the necessary resources for their operation, free access to the Group's Senior Management, and the ability to engage external advisors when deemed necessary.

| | |
|----------------------------|---|
| EXECUTIVE COMMITTEE | Oversight and monitoring functions and decision-making functions (not corresponding to the Board) |
| AUDIT & COMPLIANCE | Oversight of both financial information and performance of control function over the Group |
| RISK | Determining and monitoring risk control and management policy and related strategy of the Group |
| REMUNERATION | Matters related to remuneration policy of directors, senior management and risk takers, ensuring compliance with said policies |
| APPOINTMENTS | Matters related to the selection and appointment of directors, among others (e.g. self-assessment of performance of Board and Committees) |
| TECHNOLOGY & CYBERSECURITY | Definition, oversight and control of IT Group strategy and understanding and acknowledgement of related risk (especially cybersecurity) |

Therefore, Board Committees contribute to a suitable decision-making process, analyzing in detail the proposals submitted for consideration and challenging the approaches of the Senior Management through the direct interaction with them.

Composition

The Committees which assist the Board in its oversight and control functions are exclusively made up of external (non-executive) directors. They have a majority of **independent directors**, with the exception of the Audit and Compliance Committee, which is composed exclusively of independent directors, and the Technology and Cybersecurity Committee, which is composed of a majority of external directors and has one executive director.

The Bank's executive directors do not sit on any of these committees, they are neither members nor do they attend the meetings, save for the Technology and Cybersecurity Committee.

The **chairs** of the Board Committees direct their operation with independence, as they see fit to fulfill the duties assigned to them. In this respect, the chairs of the Committees determine the items to be included in the meeting agendas and can request attendance by the pertinent Group's Senior Management so that issues are properly addressed. They receive the information they consider necessary in each case, hold preparatory meetings with the Group personnel as considered appropriate and may engage the assistance of external experts as deemed convenient.

For a better performance of the Corporate Bodies, it is essential not only the distribution of the functions between the Board and the different Committees, but also a **suitable coordination** between them, based on their functions, which is strengthened by the **cross-membership** of the different members of the Board sitting on different Committees. This facilitates the decision-making process, the exchange of information between the Committees and the discharge of the oversight and control functions, while ensuring that the Board adopts decisions with complete and adequate information. Cross-membership also guarantees that each of the Committees has the knowledge and experience that is required at all times and ensures that all issues submitted to the Corporate Bodies are analyzed from all perspectives by the specialized Committees.

In 2018, the Board of Directors has revised the **composition of its Committees**, carrying out a refreshment process that takes into account the knowledge, skills, experience and availability necessary for the better performance of their functions. Likewise, in 2019, BBVA Board of Directors plans to review its Board Committees to ensure that they are able to support the Board in the discharge of its functions.

Cross-membership of Committees

| Directors | Executive Committee | Audit and Compliance | Appointments | Remunerations | Risk | Technology and Cybersecurity |
|----------------------------------|---------------------|----------------------|--------------|---------------|------|------------------------------|
| Torres Vila, Carlos | X | | | | | X |
| Genç, Onur | X | | | | | |
| Alfaro Drake, Tomás | | | | X | | X |
| Andrés Torrecillas, José Miguel | | X | X | | X | |
| Caruana Lacorte, Jaime Félix | X | | | | X | X |
| Garijo López, Belén | | X | X | X | | |
| González-Páramo, José Manuel | | | | | | |
| Kapoor, Sunir Kumar | | | | | | X |
| Loring Martínez de Irujo, Carlos | X | | | X | X | |
| Máiz Carro, Lourdes | | X | X | X | | |
| Maldonado Ramos, José | X | | X | | | |
| Peralta Moreno, Ana | | X | | X | | |
| Pi Llorens, Juan | | X | | | X | X |
| Rodríguez Vidarte, Susana | X | | X | | X | |
| Verplancke, Jan | | | | | | X |

Accordingly, the Committees **propose or inform** the Board, prior to its consideration, about specific issues that fall within the Board's remit. Some matters may be analyzed by more than one Committee and from different perspectives, in order to provide the Board with adequate and detailed information about the issues it decides on or considers. In addition to this prior proposal or report, the Committees carry out in-depth **monitoring and oversight** of those matters within their remit, and there are issues which are monitored by the different Committees from different points of view.

Board Committees

Functions:

- ▮ Assist the Board in the performance of its duties
- ▮ Broad and relevant functions, especially of oversight and control
- ▮ Analyze and propose decisions to the Board prior to approval
- ▮ Review in a constructive manner (challenge)
- ▮ Direct oversight to Senior Management
- ▮ Access and interaction with management, external expert and among them
- ▮ Direct report to the Board
- ▮ Autonomy in operation

Composition:

- ▮ Appropriate composition: high level of independence
- ▮ Committees for oversight and control:
 - Comprised of non-executive directors
 - Majority of independent directors (*)
 - Chaired by independent directors with relevant and broad functions
 - No participation of executive directors
- ▮ Cross-membership
- ▮ Autonomy and independence from management
- ▮ Specialized knowledge and expertise

(*) The Audit and Compliance Committee comprises exclusively independent directors

4. Decision-making process of Corporate Bodies

The operation and BBVA's Corporate Bodies is based on a **sound decision-making process**, which is in constant evolution, and which involves the **interaction** among Corporate Bodies, and with the Bank's Senior Management, integrating the work carried out in the Committees and the Board of Directors. This decision-making process entails the involvement of the Board Committees in matters falling within their remit, reinforcing the analysis and review of the matters to be considered by the Corporate Bodies.

In this regard, these Committees play a key role in the decision-making system, given that:

- (i) they **analyze in-depth** matters that fall within their remit and they **report to the Board the outcome of their activity**, before they propose to the Board of Directors the adoption of the corresponding decisions;
- (ii) they carry out a **comprehensively review** of the matters submitted by Senior Management, so that proposals to be submitted to the Board for consideration are in line with the strategies and policies approved by the Board of Directors; and
- (iii) they facilitate the Corporate Bodies' **oversight and control functions** in an independent fashion;

The main elements of this decision-making process are:

- All decisions must be adopted based on the corporate interest.
- The decisions must be adopted by bodies and/or individuals with the necessary authority and powers to do so, in accordance with regulations and internal procedures.
- All proposals submitted for consideration by the Corporate Bodies must take into account the corporate policies in force and the risk appetite framework, and be aligned with the Entity's strategy.
- Proposals must be accompanied by suitable, complete and consistent information to enable an analysis of the proposed issue considering all aspects that may affect it.
- Before they are considered by the Board of Directors, the proposals are analyzed and debated, as required, by the Board Committees, depending on the matter in question. The Committees therefore provide for a specific forum for critical review and search for consensus in the proposals to be raised to the Board of Directors.

Likewise, as a key element of the decision-making process, BBVA also has an **information model** for the corporate bodies that allows decisions to be made based on sufficient, complete

and comprehensive information that is available in advance. This model contributes to ensure that all the issues submitted to the Corporate Bodies are analyzed from all perspectives by the specialist Committees and that the Board adopts decisions based on complete and suitable information.

The **decision-making process has continued to improve** in 2018, reinforcing the interaction between the Committees, regarding preparation of the decisions on management oversight and control, aimed at improving the efficacy of the Corporate Governance System and the checks & balances.

Example of the decision-making process in BBVA

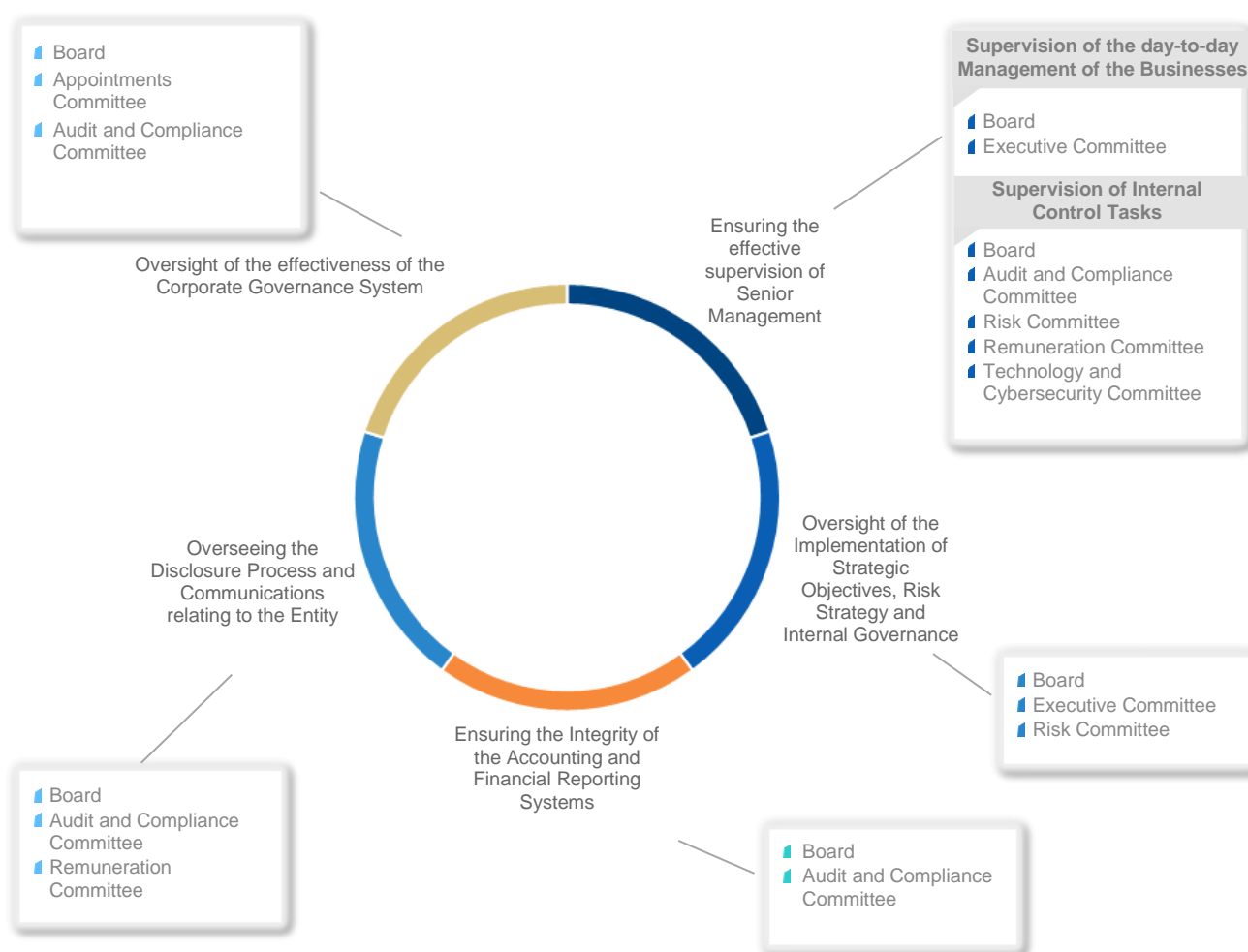


Therefore, one of the basic pillars of the decision-making process of BBVA's Corporate Bodies is the **interaction between the Board and its Committees**, and between these and the Senior Management, through direct, regular and recurrent access, enabling these bodies to effectively exercise **control and oversight** the Group's main management actions and decisions, as well as their subsequent **monitoring**.

5. Oversight, control and monitoring system

BBVA Board of Directors, as indicated in this document, has functions related to the oversight, monitoring and control of the Entity, with a special focus on compliance with said functions.

BBVA Corporate Governance System has an oversight and control model that determines the way said functions are performed, which is based on the following:



As can be seen in the diagram above, monitoring, oversight and control are handled by BBVA's Corporate Bodies as a whole, i.e. directly by the Board, but also with the support of the Committees that have been set up for this purpose.

Without prejudice of the foregoing, the fact that some functions are reserved to the Board, such as the approval of general policies, the appointment of Senior Management or the approval of corporate transactions, add control to the Board.

The Board Regulations include, among the Board functions (art. 17), the functions that the law grants, including also oversight and control functions, which provides the Bank with a top-down control environment.

These monitoring, oversight and control functions performed directly by the Board of Directors and, in a more specific and detailed way, by its Committees, combined with their management functions, provide the Board with a comprehensive view of the Bank's position and businesses and of the work carried out by the Senior Management, adopting the decisions deemed appropriate at any given time.

6. Assessment of performance of Corporate Bodies

The Board of Directors carries out annually a self-assessment process, which constitute a core element in the analysis of the efficiency of BBVA Corporate Governance System as it ensures the adequate performance of the Corporate Bodies. Accordingly, it allows for a continuous evolution of the System to adapt it to their needs at any time, in accordance with the circumstances that may affect the Entity and its environment.

In order to assess the Board's performance, the Appointments Committee may engage, when necessary, renowned independent experts.

As anticipated, as a result of the succession plans for the Chairman and the Chief Executive Officer, the Board deemed it appropriate to **conduct an in-depth analysis and assessment of the operation of its corporate governance structures**, both internally and by an independent expert, to identify potential improvements in BBVA Corporate Governance System and, if applicable, specific measures to be implemented to improve the performance of their functions. This work was carried out by the U.S. firm Promontory Financial Group ("**Promontory**"), the conclusions of which were taken into consideration within the self-assessment performance of the Corporate Bodies in 2018.

Consequently, BBVA Board of Directors addressed its annual activity assessment having carried out, within the framework of the succession processes for the Chairman and the Chief Executive Officer, a **review of the effectiveness of its Corporate Governance System**, intended to continue ensuring sound checks and balances and its adequate operation in the existing changing environment.

Self-assessment of performance of the Board and its Committees

The quality and efficiency of the performance of the Board of Directors is evaluated annually by the Board through a process directed and coordinated by the Chairman of the Board and the chairs of the Committees, based on a report submitted by the Appointments Committee, all in accordance with the procedure set out in the Regulations of the Board of Directors.

The Board of Directors is also responsible for assessing the quality and efficiency of its Committees. This assessment begins with the reports submitted to the Board by the respective chairs of the Committees, which include a description of the work performed throughout the year in the discharge of the functions assigned. In this regard, summaries of the activities carried out by the Committees in 2018 are included as [Annex](#) to this document.

As a result of the foregoing, in 2018, BBVA introduced a series of **measures designed to continue developing its Corporate Governance System**, in accordance with the context in which BBVA carries out its activity and with its own reality and strategy, which include:

- The appointment of **new directors**, which has directly contributed to comply with the objectives established in the Policy on the selection, appointment, rotation and diversity of the Board of Directors, in terms of independent and gender diversity, increasing also the number of directors with knowledge and experience in matters related to banking and the regulation and supervision of the financial sector as well as knowledge in the technological field, and with international profile.
- Approval, by the Board of Directors, of **succession plans** for the Chairman of the Board of Directors and the Chief Executive Officer, allowing an orderly and organized transition that facilitates the continuity of the Bank's transformation process.
- The implementation of the approved succession plans and the **appointment** of Carlos Torres Vila as **Chairman of the Board** and Onur Genç as **Chief Executive Officer**.
- The **reinforcement of the separation of functions and responsibilities** between the Chairman of the Board of Directors and the Chief Executive Officer:
 - Establishing direct **report** of the Chief Executive Officer to the Board, removing the previous report to the Chairman;
 - Establishing new **distribution of functions**, according to which the Chairman will be responsible for the effective operation and organization of the Board of Directors, management oversight, institutional representation of the Entity and the leadership and promotion of the Group's strategy and its transformation process; and the Chief Executive Officer will be responsible for the day-to-day management of the Group's business.
- The reinforcement of the **independence of certain control functions of the Group** (in particular, Internal Audit and Compliance), establishing direct report of the heads of these areas to the Board, through the corresponding Committees.
- The strengthening of the **Corporate Bodies' decision-making process**, to include greater involvement by the Board Committees and interaction among the Corporate Bodies, enabling to carry out an analysis and review process of key issues considered by the Corporate Bodies and the challenge by directors.
- The **ongoing improvement of the informational model for Corporate Bodies**, allowing for decisions to be made based on sufficient, complete, adequate and consistent information, also facilitating appropriate oversight of management.
- **Greater involvement** of the Corporate Bodies, and in particular the Board of Directors, in matters regarding the definition, monitoring and control of the **Entity's strategy**.

Additionally, the Board has resolved to continue working on the **evolution of the Corporate Governance System** and its structure, and is therefore conducting an in-depth revision, which will result in a plan which will materialize in 2019.

7. Corporate Governance for BBVA Group

BBVA Group has a **decentralized management model**, based on legally independent subsidiaries which operate in different geographical areas, 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 management guidelines set by BBVA's Corporate Bodies for the whole Group, and is specified by the different heads of the global business areas and the transversal corporate areas, on which the local counterpart areas depend. These are responsible for applying the common framework in each geographical 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 sound 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 geographical areas and in an organization with transversal areas and control functions, with reporting lines from local areas to corporate areas, and from corporate areas to BBVA Corporate Bodies, making it possible to monitor the Group activities as a whole and to oversee compliance with the common management framework.

ANNEX

ACTIVITY OF THE BOARD COMMITTEES 2018

Activity of the Audit and Compliance Committee

In accordance with the provisions of Article 48 of the Bylaws, the Board of Directors of BBVA, in order to better perform its functions, has set up an Audit and Compliance Committee to assist the Board of Directors in monitoring financial information as well as the activity of the Group's control function.

The regulations for this Committee are established in Articles 29, 30 and 31 of the Regulations of the Board of Directors, in addition to those established by the Bylaws and current legislation. This Committee also has specific Regulations that regulate its operation and functions, among other matters (both Regulations are accessible on the Bank's website, www.bbva.com).

In order to better carry out its functions, the Audit and Compliance Committee also takes into account existing best practices and recommendations on the matter, issued by both national and international bodies, and more specifically by the Spanish National Securities Market Commission Technical Guide 3/2017 on audit committees at public interest entities.

Composition

In accordance with the Regulations of the Board of Directors, the Audit and Compliance Committee will be exclusively composed of independent directors. At the close of 2018, the Audit and Compliance Committee comprised the following directors, all of whom were independent:

| Director | Position | Status | Date of appointment to the Board |
|--------------------------------|----------|-------------|----------------------------------|
| José Miguel Andrés Torrecillas | Chair | Independent | 13/03/2015 |
| Belén Garijo López | Member | Independent | 16/03/2012 |
| Lourdes Máiz Carro | Member | Independent | 14/03/2014 |
| Ana Peralta Moreno | Member | Independent | 16/03/2018 |
| Juan Pi Llorens | Member | Independent | 27/07/2011 |

The Bank's Audit and Compliance Committee has directors who have extensive experience and knowledge in accounting, audit as well as in the financial field in general. In this regard, the profiles of each Committee member, including information about their education and experience, can be found on the Entity's website, www.bbva.com.

Operation

In accordance with the provisions of the Regulations of the Board of Directors and Article 6 of its specific Regulations, the Audit and Compliance Committee will meet as often as necessary in order to perform its functions. The meetings may also be attended by the Directors to whom the Accounting, Internal Audit and Compliance areas report, as well as other employees working in these areas with knowledge of or responsibility for the matters on the agenda may also be invited to attend.

Furthermore, the Committee may hire external advisory services and solicit personal co-operation and reports from any employees or members of the Group's Senior Management if deemed necessary in order to comply with its functions in relevant matters.

The Committee operates with full autonomy in performing its functions and is led by its Chair who is responsible for convening meetings, deciding the matters to be included on the agenda, and requesting the assistance of any of the Bank's employees, members of Senior Management or third parties necessary to better perform its functions. In any event, the Committee relies on the full co-operation of

the Bank's executive areas and on the support of the Board of Directors, to which it reports its activities on a regular basis.

The Audit and Compliance Committee met on twelve occasions over the course of 2018, with all of its members participating in the meetings either in person or duly represented. Similarly, as indicated above, top executives from the areas responsible for the matters submitted for the Committee's consideration participated in the Committee's meetings when necessary and upon prior invitation to do so. They only intervened on the points of the agenda for which they were invited, along with the external advisers that the Committee deemed necessary to hire in order to best fulfil its functions.

Functions

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

- To oversee the effectiveness of the Entity's internal control, internal auditing and risk management systems in the process of preparing and reporting financial information, including tax-related risks.
- To oversee the process of preparing and reporting financial information, and to submit recommendations or proposals to the Board of Directors on safeguarding its integrity.
- To submit proposals for the selection, appointment, re-appointment and replacement of the external auditor to the Board of Directors, taking responsibility for the selection process in accordance with the applicable regulations, as well as for the conditions of its contract, and to periodically obtain information on the audit plan and its execution from the external auditor, in addition to preserving its independence in performing its duties.
- To establish appropriate relations with the external auditor in order to receive information on any matters that may jeopardise its independence, for review by the Committee, and any other matters relating to the account auditing process, as well as any other communications stipulated in account auditing legislation and auditing standards.
- To annually issue, before the audit report is issued, a report expressing an opinion on whether the Auditor's independence in relation to the Entity, or entities that are directly or indirectly linked to the Entity, has been compromised.
- To oversee compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of the Group's activities with respect to competition, as well as to ensure that any requests for action or information made by the official bodies responsible for these matters are dealt with in due time and form.
- To ensure that ethics and conduct codes, both internal and vis-à-vis the securities markets, applicable to Group's personnel, are adequate and comply with regulatory requirements.
- To oversee compliance with the provisions applicable to directors that are stipulated in BBVA's Regulations of the Board of Directors, as well as directors' compliance with the applicable regulations regarding rules of conduct in securities markets.
- To report in advance on the decisions that the Board of Directors is to adopt in each case on matters provided for by law, the Bylaws and these Regulations, and in particular on: a) the financial information that the Entity must periodically make public; b) the creation or acquisition of shares in special-purpose entities or entities domiciled in tax havens, or territories considered to be tax havens; and c) related-party transactions.
- To be informed of any relevant corporate operations and structural changes that the Entity plans to carry out, for its analysis and preliminary report to the Board of Directors on their economic

circumstances, accounting impact and, in particular, the proposed exchange rate, where necessary.

- To also inform the General Shareholders' Meeting about any issues raised in relation to matters within the Committee's remit.

Activity of the Committee

The main issues that were raised in relation to matters within the Committee's remit, as well as the Committee's main activities conducted over the course of 2018, are listed below:

- **Financial information — accounting**

In accordance with the functions stipulated in the Regulations of the Audit and Compliance Committee, prior to submission to the Board with sufficient depth to ensure their accuracy, reliability, sufficiency and clarity, in 2018 the Committee analysed and monitored the process of preparing and submitting the financial statements and management reports of both the Bank and of its consolidated Group that were contained in the annual, six-monthly and quarterly reports. The Committee had all of the information that it required, with the level of aggregation deemed appropriate, and also had the necessary support from the Group's Senior Management, especially from the area responsible for Accounting functions, as well as from the Entity and Group Auditor, the manner of which will be described below.

In accordance with the above, the Committee was made aware of and complied with, during the 2018 fiscal year, the accounting policies, practices and principles and with the valuation criteria followed by the Bank and the Group during the process of preparing and submitting financial information, and verified that said principles, practices and criteria corresponded to those stipulated by the relevant regulators and supervisors and that they were applied correctly, also reviewing the accurate demarcation of the consolidation perimeter.

In 2018, the Committee was also made aware, among other matters, of the new features of the financial statements that were introduced as a result of the entry into force of IFRS 9 which requires changes to be implemented when calculating the Group's accounting provisions and the Bank's need to obtain the new internal models that have been developed and on which the Committee has performed adequate control and monitoring in order to ensure their proper implementation.

Similarly, the Committee performed a detailed review of the information of prudential relevance and of the registration documents drafted by the Bank, prior to their submission to the relevant domestic and international regulators.

Furthermore, the Committee monitored the evolution of the main figures of the balance sheet, profit and loss account, and capital ratios of the Bank and of the Group on a monthly basis, and analysed any additional information deemed appropriate in order to clarify any doubts that may have arisen during its reviews, prior to submitting the information for consideration by the Board of Directors.

It should be noted that the Committee offered its opinion to the Board of Directors on the Annual Financial Statements of the Bank and of the consolidated Group for the 2018 fiscal year. The Committee opinion was that, with regard to content and form, the statements comply with all of the requirements stipulated by the regulatory authorities and have been prepared in accordance with the best domestic and international practices and recommendations on this matter and with current legislation.

The Committee also expressed its favourable opinion on the contents of the Management Report for BBVA and for the companies that make up the BBVA Group, which included an accurate analysis of the business evolution and results of the Bank and its Group, along with a description of the main risks and uncertainties that they face, as well as the non-financial information required by the applicable regulations.

Also, the Management Report of the Bank and its consolidated Group includes the non-financial information required by the applicable legislation, namely, Law 11/2018, of December 28, which in general terms includes such information that is necessary to understand the trend, the results and the Group's situation and the impact of its activity, regarding environmental and social matters, employment, human rights and measures against corruption and bribery, amongst others.

As such, at the meeting held on 8 February 2019, the Audit and Compliance Committee proposed to the Bank's Board of Directors that it prepare BBVA's Annual Financial Statements and Management Reports, both individual and consolidated, under the same terms for which they are submitted to vote at the Bank's General Shareholders' Meeting, and that they be accompanied by the corresponding audit report issued by the Auditor, KPMG Auditores, S.L., wherein it expresses its favourable and unqualified opinion.

Furthermore, in accordance with the best practices and provisions of Article 3 of its Regulations, the Committee has ensured that the external auditor would meet with the Board of Directors in person to present its audit opinion on the aforementioned Annual Financial Statements and on the evolution of the accounting, financial and risk situation of the Bank and its Group.

Lastly, over the course of the 2018 fiscal year, the Audit and Compliance Committee has closely monitored the application of the new accounting regulations with regard to accounting provisions and their impact on the Group's financial statements, specifically ensuring monthly monitoring of the implementation of the IFRS 9 accounting standard within the Group, which has been described in the preceding paragraphs.

- **Internal control systems**

The Committee has also been informed of internal control systems established by the BBVA Group, the internal audit and the risk management systems on the process of preparing the required financial information, including tax risks.

Furthermore, the Committee supervised and was made aware of the different reports prepared, both internally and by the Group's external auditor, on the effectiveness of the internal control on the Financial Information Systems.

The Committee has taken a favourable view of its conclusions that the BBVA Group has a sound and reliable financial information internal control model, compliant with the requirements stipulated by applicable regulations, which guarantees that financial information is prepared correctly, using the necessary procedures and controls to that effect.

- **Relations with the external auditor**

Given that the external audit is one of the core elements in the chain of controls established to ensure the quality and integrity of financial information, the Audit and Compliance Committee has established appropriate relations with the Auditor, KPMG Auditores, S.L.

In all Committee meetings held during 2018, the external auditor provided the Audit and Compliance Committee with first-hand information about its strategy and work plan, degree of progress in the development of its activities, and its significant findings.

Furthermore, with regard to auditing work, the Committee:

- Has been informed of and followed the progress of the work carried out by the external auditor over the course of the fiscal year, including the planning of the external audit, the scope of the tests performed, the proposed work schedules, the auditor's judgments regarding the quality and applicability of accounting criteria and principles, the auditor's opinion on the handling of relevant corporate operations, the materiality figures for the audit, the results of the work carried out reflected in reports submitted to the Committee, as well as the 2018 fee proposal.

- Has also relied on the participation of those in charge of the external auditor at all Committee meetings over the course of the fiscal year, and has also held business meetings with the external auditor in order to analyse certain specific issues related to the information subject to audit.

- Has ensured that internal procedures are implemented to safeguard against situations that may give rise to conflicts of the independence and objectivity required by the external auditor, and has also guaranteed that the external auditor had access to all of the information it needed to perform its work and that it received full co-operation from all of the Group's areas. In addition, the Committee has verified the declarations made by the external auditor with regard to confirmation of its independence and access to any information that it may have required pertaining to the entity or its associated entities, and has issued the corresponding report on the Auditor's independence, pursuant to the requirements stipulated by applicable regulations, which are attached to this report in accordance with good corporate governance best practices.

It should also be noted that the Committee has maintained permanent contact with those in charge of the external auditor in order to facilitate the Bank's response to any potential incident that may have arisen during the course of its work. The Committee has also been made aware of the external auditor's recommendations and of the plans adopted by the Group's entities for their implementation.

- **Internal Audit**

With regard to the functions performed by the Group's Internal Audit area, on which the area's head reports directly to the Audit and Compliance Committee in all of its meetings, the Committee analysed and approved the annual work plan for the 2018 fiscal year, which was prepared by the area itself, regularly monitored its deployment, and was directly informed of any incidents regarding its development.

In terms of monitoring the effectiveness of the Internal Audit area, it has been informed of the results of its most relevant work, of any weaknesses and possibilities for improvement, as well as of the reports issued by this area upon completion of its actions.

Furthermore, the Committee was also made aware of the recommendations made by the Internal Audit as a result of its review work, as well as of the specific action plans defined and implemented for their resolution, and regularly monitored those that are most relevant to the Bank.

The Committee was also made aware of the results of the evaluation on the Internal Audit function made by an external consultant, at the request of the Audit and Compliance Committee in order to identify opportunities for improvement and incorporate best practices on the matter.

Similarly, the Committee has analysed and, where appropriate, ratified the engagements of the so-called additional audit services, which had been pre-approved by the Chairman of the Committee and submitted by the Internal Audit area to the Committee, relating to the independence requirements provided for by the regulations governing account auditing activities and the provisions of the Regulations of the Board and the Committee's own Regulations in respect thereof.

Likewise, in exercise of the functions attributed by the Board Regulations, and in the framework of the approval of a new organizational structure for the Group, the Committee has analyzed and assessed the possibility of replacing the responsible of the Group's Internal Audit Area. After this analysis and assessment, the Committee resolved to submit to the Board the proposal for the appointment of a new Head of the Internal Audit Area.

Lastly, the person responsible for the Internal Audit function has been present at all meetings held by the Audit and Compliance Committee over the course of the fiscal year and has provided timely information on the degree of progress of the established annual work plan and of the results of its work.

- **Regulators**

The Committee was also aware of the communications sent to the Group's entities by domestic and foreign supervisors, including by the European Central Bank, the Bank of Spain and the National Securities Market Commission. The Committee monitored the issues that gave rise to these communications and, where appropriate, acknowledged the responses given to them, the corresponding action plans in order to carry out the requirements received and, where applicable, implement said requirements in the financial information.

Over the course of this fiscal year, the Committee has paid particular attention to communications related to the Supervisory Review and Evaluation Process (SREP), as well as to the thematic reviews on various matters within its remit.

- **Regulatory Compliance**

The Audit and Compliance Committee pays close and continuous supervisory attention to all matters relating to regulatory compliance and disciplinary proceedings on this matter, both from the Bank and from the entities that form the BBVA Group, on matters relating, amongst others, to money laundering and the financing of terrorism, conduct on the securities markets, data protection, monitoring of the crime prevention Model and the scope of the Group's activities with respect to competition, as well as requests for information or action by the official bodies responsible for these matters, ensuring that all matters are dealt with in due time and form given their particular significance for the Group's provision of services across the different countries in which it operates.

To this end, the Committee was informed of and approved the annual plan of the Group's Compliance area for 2018, which was prepared by said area and contains the annual plan of its activities, as well as the organizational resources it has in order to accomplish its goals.

Furthermore, during 2018, the Committee was made aware of the most relevant aspects to the Compliance Area's management. The Committee was also informed of the reviews and examinations conducted, of any identified weaknesses, of the results of open inspections, and of the degree of progress in implementing the measures and plans in progress during the 2018 fiscal year.

Lastly, it should also be noted that the Committee monitored: Compliance area reports derived from the United States Volcker Rule and the MiFID II regulations on the framework of the provision of investment services and activities and services relating to markets in financial instruments, on the Group's crime prevention model, as well as policies relating to the MiFID II regulatory framework and the new anti-corruption policy.

- **Tax policy and strategy and legal risk**

On a quarterly basis during 2018, the Committee supervised and monitored the Group's tax management, including the main tax figures and total tax contribution. Furthermore, the Committee monitored the implementation of the Group's tax policy and strategy. Also, the Committee continuously monitored the main issues relating to the Group's legal risks, derived from regulatory changes or ongoing litigations and, where applicable, analyzed their potential impact on the financial statements. Finally, the Committee was made aware of and monitored the progress of the work performed in the project to implement the General Data Protection Regulation at the Group.

- **Corporate transactions**

In accordance with the provisions of Article 3.9 of its Regulations relating to the Committee's duty to be informed of any relevant corporate transactions and structural changes that the Entity plans to carry out for analysis and preliminary report to the Board of Directors on their economic conditions, accounting

impact and, in particular, the proposed exchange rate, the Committee reviews and, where applicable, submits its favourable report on the accounting considerations of relevant corporate operations agreed during the fiscal year to the Board of Directors. To this end, in order to best carry out its functions, it relies on the information and analysis from the Bank's executive areas and, where applicable, the co-operation of any external experts that it has deemed appropriate.

- **Related-party transactions**

In accordance with the provisions of Article 7 of its Regulations, prior to the decisions to be adopted by the Board of Directors, one of the Audit and Compliance Committee's functions is to report on the related-party transactions that BBVA, or the companies in its Group, carry out with directors or shareholders who hold a significant shareholding.

In performing its previous supervisory function, over the course of the 2018 fiscal year, the Audit and Compliance Committee was not aware of the execution of any related-party transactions, pertaining to the Entity's ordinary trading or exchange activities, that were not executed under normal market conditions and that are of little relevance to the Bank and its Group.

All of the aforementioned issues, together with other matters within its remit, were analyzed by the Audit and Compliance Committee during its meeting on 8 February 2019, and were also included in the corresponding report on the activities of the Committee regarding 2018, which in compliance with the Bank's Regulations of the Board of Directors, the Audit and Compliance Committee submitted to the Board for the purposes of assessing its performance.

After the review of the foregoing activities report, the Board of Directors assessed the quality of the work carried out by the Committee in compliance with the functions assigned, concluding that it had satisfactorily discharged the functions entrusted to it, with a favourable assessment of the quality and efficiency of its performance.

ANNEX**REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE ON THE INDEPENDENCE
OF KPMG AUDITORES, S.L. AS EXTERNAL AUDITOR****INTRODUCTION**

In accordance with Article 529 quaterdecies 4 f) of Royal Legislative Decree 1/2010 of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act (hereinafter, the "Corporate Enterprises Act"), and Article 30.6 of the Regulations of the Board of Directors of BBVA, the Audit and Compliance Committee issues this report on the independence of KPMG Auditores, S.A., the auditor of the accounts of BBVA and of its Group, prior to issuing the audit report for the annual financial statements for financial year 2018. (KPMG Auditores, S.A. shall hereinafter, "KPMG" or the "External Auditor").

ANALYSIS OF THE INDEPENDENCE OF THE EXTERNAL AUDITOR

In accordance with the functions set out in Article 30 of the Regulations of the Board and in Article 3 of the Regulations of the Audit and Compliance Committee, for the purposes of ascertaining the accuracy, reliability, sufficiency and clarity of the financial statements of the Bank and of its consolidated Group, the Audit and Compliance Committee continuously monitors the process of preparing the financial statements with the support of the Bank's Senior Management and, in particular, the management team of the Accounting area, as well as of the External Auditor.

The Committee also monitored the independence of the External Auditor in two ways; (i) by preventing conditions being applied to the auditors' warnings, opinions and recommendations; and (ii) by establishing the incompatibility between the provision of audit services and of consulting services, except when related to work required by the supervisors or work that the accounts auditor is permitted by the applicable legislation to provide, and when there are no alternatives of equal value in content, quality or efficiency on the market that could provide said services to the audit firm or the Group companies. Such a case would require the approval of the Committee, which may be issued in advance by delegation of its Chairman.

To this end, the Audit and Compliance Committee maintains the appropriate relationships with the External Auditor in order to receive information about any such issues that may pose a threat to its independence and about any other issues related to the account audit process.

The Committee therefore maintains direct contact with the External Auditor, which attends all of the Audit and Compliance Committee's meetings during the financial year that are not attended by the Bank's Senior Managers.

In relation to the provisions of the aforementioned Article 529 quaterdecies 4 f) of the Corporate Enterprises Act, on 8 February 2019, the BBVA Audit and Compliance Committee received a written declaration from KPMG—the External Auditor of BBVA and of its Group—confirming its independence from BBVA and from the entities that are directly or indirectly linked to the Bank (the BBVA Group). This was received prior to the issuance of the account audit report, in accordance with the requirements of the regulations of the account audit activity and, specifically, with the provisions of Act 22/2015 of 20 July on the audit of financial statements. In view of this, and in the absence of any additional information casting doubt on this declaration, the Audit and Compliance Committee understands that there are no objective reasons to question the confirmation of independence given by KPMG.

Moreover, the Committee states that the additional services provided by the External Auditor in 2018, are those described in Appendix I of the independence statement issued by KPMG on 8 February 2019, for the amount and according to the breakdown mentioned therein, and that the External Auditor has not

provided any additional service to the BBVA Group other than those listed in Appendix I, as confirmed in the corresponding report issued by the Group's Internal Audit unit that has been sent to this Committee.

CONCLUSION

Pursuant to the foregoing and in compliance with the provisions of Article 30 of the Regulations of the Board of Directors, the Audit and Compliance Committee declares its favourable opinion of the independence of the External Auditor, having taken into account the additional services provided by the auditors in the financial year 2018, considered individually and as a whole, given that they meet the independence requirements set out by the applicable legislation concerning account auditing, as shown by the analyses conducted by both the External Auditor and by the Bank's Internal Audit unit.

Activity of the Risk Committee

In accordance with Article 48 of the Bylaws, and in order to better perform its functions, the Board of Directors of BBVA has set up a Risk Committee, without executive functions, to assist the Board of Directors in performing its decision-making, monitoring, supervision and control functions regarding risks.

The regulations for this Committee are set out in Articles 38, 39 and 40 of the Regulations of the Board of Directors, in addition to those established by the Bylaws and current legislation. This Committee also has specific Regulations that regulate its purpose and functions, among other matters (both documents are accessible on the Bank's website, www.bbva.com).

Composition

The Risk Committee is composed exclusively of non-executive directors, the majority of which — including its chair— are independent.

At the end of 2018, after some changes in its composition during the financial year, the Risk Committee was made up of the following directors:

| Director | Position | Status |
|---------------------------------|----------|-------------|
| Juan Pi Llorens | Chair | Independent |
| José Miguel Andrés Torrecillas | Member | Independent |
| Jaime Félix Caruana Lacorte | Member | Independent |
| Carlos Loring Martínez de Irujo | Member | External |
| Susana Rodríguez Vidarte | Member | External |

Operation

In accordance with the provisions of the Regulations of the Board of Directors and of its specific Regulations, the Risk Committee meets as often as necessary in order to perform its functions, establishing a meeting schedule in accordance with the tasks to be carried out.

The Committee can request that persons who are in charge of each type of corporate risk, chief risk officers of the Group's main entities, and people within the Group's organization who carry out tasks related to the Committee's functions attend meetings with the Group's Head of Global Risk Management. It can also conduct both internal and external assessments that are necessary for it to form opinions within its remit.

The Committee operates with full autonomy in the performance of its functions and is led by its Chair who is responsible for setting the meeting schedule and, where applicable, convening any unplanned meetings; deciding the matters to be included on the agenda; and requesting the attendance of any of the Bank's employees, members of Senior Management or third parties whose presence is deemed necessary by the Chairman in order to better perform its functions.

In any event, in performing its functions, this Committee has the full co-operation of the Bank's executive and support areas, and has the support of the Board of Directors, to which it reports its activities on a regular basis.

The Risk Committee is also assisted by the Technical Secretariat, which is integrated into the Risk area and oversees and co-ordinates the information made available to the Committee by the various areas of the Bank.

The Risk Committee held 21 meetings in 2018, with all of its members attending all of the meetings held, either in person or duly represented.

Similarly, executives from the areas responsible for the matters addressed attended all of the meetings; the Group's Head of Global Risk Management appeared before the Committee at least once per month; and, depending on the meeting agenda, the people responsible for each type of corporate risk or the chief risk officers for the Group's main business and geographical areas also attended the meetings.

Functions

The scope of its competencies is as follows:

- To analyze and assess proposals on the Group's risk control and management strategy, as well as on specific corporate policies related to each type of risk, and to submit them to the Board of Directors and the Executive Committee, respectively, for approval.
- To monitor the development of the risks faced by the Group and their compatibility with the established risk strategy.
- To participate in the process of establishing the remuneration policy, checking that it is consistent with adequate and effective risk management.
- To ensure that the Group has adequate means, systems, structures, organization and resources in place to manage its risks.
- To promote establishing a risk culture that ensures the consistency of the 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 outlined in Article 39 of the Regulations of the Board of Directors, and in Article 3 of the Committee's own Regulations.

Activity of the Committee

The main activities carried out by BBVA's Risk Committee throughout the 2018 financial year, which enabled it to fulfil all of its assigned duties, are detailed below:

• **Proposals on strategy and risk control**

One of the functions established in the Risk Committee's Regulations is to analyze and assess proposals on risk strategy, control and management, including analysis, among other matters: of the risk appetite statement, the core metrics (concerning solvency, liquidity and funding, and profitability and income recurrence) and the basic limit structure; all of it, before it is presented to the Board or the Executive Committee, as appropriate.

This function has been carried out by the Risk Committee with the necessary scope and detail for verifying its accuracy and appropriateness. This process took into account all of the necessary information, with the appropriate level of detail, and received support from the Head of Global Risk Management, Senior Management and the various areas of the Group participating in these processes, particularly the Risk area.

In particular, the Committee conducted an in-depth analysis of the various proposals made by the Risk Area to establish a new Risk Appetite Framework for the Group. This entailed evaluating the statements, metrics and limits that the framework comprises, taking into account the behaviour of the current appetite framework, the macroeconomic prospects of the respective regions and many other factors. This analysis was conducted before submitting the proposals for the consideration and, if appropriate, the approval of the Executive Committee and of the Board, respectively.

- **Analysis of corporate policies**

In performing its functions, the Risk Committee analyzed the corporate policies proposed by the Risk Area for each type of risk, prior to submitting them to the Executive Committee. In 2018, it played a role in the processes to modify the corporate policies for the following types of risk: retail risk, wholesale risk, liquidity risk and funding risk, structural interest-rate risk, structural exchange-rate risk, structural risk in the equity portfolio, market risk in market and insurance activities, model risk and operational risk. Together, these form the strategy and allow the Group's risk culture to be strengthened. For this, it had the information necessary to adequately analyze the proposed modifications.

- **Periodic monitoring of the evolution of the Group's risks and compliance with the metrics and limits. Monitoring of sectors**

Throughout the 2018 financial year, the Risk Committee monitored the evolution of the different risks to which the Group is exposed —both financial (credit risk, structural risks, market risk, insurance risk etc.) and non-financial (such as operational risks)— as part of the BBVA Group General Risk Management and Control Model and in accordance with the Risk Appetite Framework approved by the Corporate Bodies.

The Committee therefore received and analyzed information from the Risk Area suitably frequently, received the support of the Group's Head of Global Risk Management, those in charge of each type of corporate risk and the chief risk officers of the Group's main entities, and spoke directly with each one to discuss this topic.

All of this afforded the Committee direct knowledge of the Group's risks, both globally and locally, allowing it to perform its duty of monitoring the evaluation of the Group's risks, regardless of the type of risk, the business area in which it originates and even the sector or portfolio to which it belongs.

As part of this important duty, the Risk Committee also regularly monitored compliance with the metrics and limits within the Risk Appetite Framework approved for the 2018 financial year, with the necessary detail and frequency to ensure adequate control of said indicators. To complete its control of the Risk Appetite Framework, the Committee received information about the key internal and external variables which, even not being part of the Risk Appetite Framework, may affect its compliance. This was done prior and in greater depth to its monitoring by the Executive Committee and the Board of Directors.

Furthermore, throughout the financial year, the Risk Committee analyzed the performance of the main sectors of the economy. In this regard, it considered information received on the situation from the Group's main customers operating in these sectors, as well as macroeconomic information. This analysis enabled the Committee, together with the Risk Area, to analyze the convenience of establishing specific action strategies for those sectors and/or customers, in order to preserve the Group's credit quality and comply with its risk profile.

- **Periodic monitoring of transactions seen by the Risk Area committees**

Each month during the 2018 financial year, the committees of the Corporate Risk Area informed the Risk Committee of the main credit risk transactions in their respective areas of competency, enabling the Committee to monitor the Group's largest exposures, as well as the main risks classified as non-performing or those under surveillance.

Similarly, the Risk Committee also had access to information about the qualitative risk transactions authorized by the Risk Area.

- **Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports**

During the 2018 financial year, the Risk Committee reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) Reports to monitor the drafting of the stress scenarios and confirm that they were aligned with the Risk Appetite Framework.

To perform this function, the Committee received the support and collaboration of the Risk Area and other Group areas involved in drawing up these documents, which enabled it to ensure that the documents accurately reflected the Group's situation in the fields analyzed.

Once the Risk Committee deemed them to be compliant, reports with the conclusions from both processes (ICAAP and ILAAP) were submitted to the Executive Committee and the Board of Directors for their consideration and, where appropriate, their approval and subsequent referral to the supervisor.

- **Recovery plan**

In 2018, the Risk Committee participated in the review of the Group's Recovery Plan with the aim of evaluating its alignment with the Group's Risk Appetite Framework, with the help of the Risk and Finance Areas.

The aim 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 measures, all based on the risk policies defined.

Once the Risk Committee deemed them to be compliant, the Recovery Plan was submitted to the Executive Committee and the Board of Directors for their consideration and, where appropriate, their approval and subsequent referral to the supervisor.

- **Credit risk transactions in favour of members of the Board of Directors and Senior Management**

The Risk Committee analyzed the credit risk proposals that, due to the nature of the requestor (members of the BBVA Board of Directors or Senior Management), had previously been submitted to the Board of Directors for consideration.

- **Review of the Remuneration Policy**

The Committee verified that the variable remuneration proposed in line with the Group's remuneration policy is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Group.

- **Additional control functions**

One of the Risk Committee's functions expressly set out in its Regulations is to ensure that the pricing policy for the assets and liabilities offered to customers fully takes into account the Bank's business model and risk strategy. In this regard, in 2018, the Committee received recurring information on the evolution of metrics and analysis in terms of profitability and capital, which evaluate the resulting pricing alignment in financing and credit activity against the risk strategy and risk transfer in the Group.

Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Risk Appetite Framework. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

The Committee also confirmed that the Group's risk management and control model is adequate and has been informed on the structure, resources and remuneration framework of the Risk Area; being also informed on the means, systems, structures, organization and resources of that department (including those being currently developed).

All the above-mentioned has enabled the Commission to check that the Group has the appropriate resources in relation to its strategy, and proves that the Risk department functions correctly and that it provides the Committee with the information required to understand the Group's risk exposure at any time, which enables the Committee to fulfil its monitoring, supervision and control functions.

Furthermore, the Committee received regular information about the asset valuation and risk classification systems from both the model development and validation perspectives. This information is accompanied by a recurring report of the status of the different tools and projects developed at corporate level and for each geographical and/or business area, as well as their existing classification levels. In addition, with regard to the asset valuation system, the Committee receives information about the cost of risk and the hedging cost, as well as the trends of the portfolios of risk in market activities.

- **Other matters**

During the 2018 financial year, the Committee verified the progress and effectiveness of the various actions drawn up by the Risk Area to strengthen the risk culture in the Group, to enable employees to perform their functions in a secure environment, and to encourage the mitigation of risks to which their activities are exposed. Moreover, the Committee received one-off information about current relevant matters that had arisen over the financial year and that may have affected the Group's situation.

All of the aforementioned issues, together with other matters within its remit, were included in the activity report of the Committee in 2018, which, along with the quarterly presentations by the Committee Chair to the Board of Directors during the year, enabled the Board of Directors to be informed of the activity performed by the Committee and, ultimately, assess its performance.

The Board of Directors assessed the quality of the work carried out by the Risk Committee in compliance with the functions assigned, concluding that it had satisfactorily discharged the functions entrusted to it, with a favourable assessment of the quality and efficiency of its performance.

Activity of the Appointments Committee

Among the Committees set up by the Board for a better performance of its functions, the Appointments Committee assists it in matters attributed to it under the Regulations of the Board of Directors.

Its regulations, in addition to those established by the current legislation, are established in the Regulations of the Board of Directors, mainly in Articles 32, 33 and 34 thereof, which set out the rules governing its composition, functions, organization and operation (available on the Bank's website www.bbva.com).

Composition

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

At the end of 2018, the Appointments Committee was comprised of the following directors:

| Director | Position | Status |
|--------------------------------|----------|-------------|
| José Miguel Andrés Torrecillas | Chair | Independent |
| Belén Garijo López | Member | Independent |
| Lourdes Máiz Carro | Member | Independent |
| José Maldonado Ramos | Member | External |
| Susana Rodríguez Vidarte | Member | External |

Operation

As set out in the Regulations of the Board of Directors, the Appointments Committee will meet as often as necessary to perform its duties. In 2018, the Appointments Committee met on a total of ten occasions, with an average attendance of Committee members, either in person or duly represented, of 98%.

The Appointments Committee may request attendance at its meetings of individuals with duties within the Group that are related to the functions of this Committee. It may also avail itself of any external advice that may be necessary to form a judgment about the matters within its remit.

Functions

The main task of the Appointments Committee is to assist the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors.

Additionally, the Committee is responsible for the functions detailed in Article 33 of the Regulations of the Board of Directors, as well as in other articles thereof.

Activity of the Committee

The main activities carried out by BBVA's Appointments Committee in 2018 are described below:

- **Appointment and re-appointment of directors**

The Appointments Committee has performed, on a recurrent basis an analysis of the structure, size and composition of the Board that enables a better performance of its duties, in compliance with the Regulations of the Board of Directors, the Bylaws and the applicable regulation.

Also, BBVA has a Policy on the selection, appointment, rotation and diversity of the Board, which sets forth the criteria and targets for the selection and appointment of the directors of the Bank.

For this purpose, the Appointments Committee has established, and is continuing with, a refreshment process for the Board of Directors, with the aim of achieving a composition that includes directors with experience and knowledge of the financial sector and of the Group's culture and businesses, and that progressively brings on board individuals with different profiles and professional experience so as to increase diversity in the Bank's Corporate Bodies, in compliance with the Regulations of the Board of Directors and the Policy on the selection, appointment, rotation and diversity of Board.

Furthermore, this gradual refreshment process takes into consideration the fact that independent directors must account for at least 50% of the Board, in accordance with the objective set out in the Board of Directors' policy on the selection, appointment, rotation and diversity thereof; this also provides the Board with diversity in terms of international experience and gender and brings the Board closer to meeting the objective set out in the above-mentioned Policy to have at least 30% female directors by 2020.

Implementation of all of the foregoing will always take into account the system concerning directors' incompatibilities, limitations, suitability and the absence of conflicts of interest set out in the Regulations of the Board of Directors, in applicable legislation and in the best practices on the matter, as well as the needs of the Corporate Bodies at any given time, in consideration of the corporate interest.

In view of the foregoing, the Committee evaluated the possibility of the re-appointment of the directors whose mandates will expire at the General Shareholders' Meeting in 2019. Therefore, it took into consideration the current needs of the Corporate Bodies of BBVA; the Board's structure, size and composition; the Board of Directors' policy on selection, appointment, rotation and diversity of directors; and the knowledge, skills and experience of the directors, as well as the remaining enforceable suitability requirements.

The Committee thus resolved to report favourably or provide the Board with the proposals relating to the re-appointment of directors to be submitted to the General Shareholders' Meeting in 2019, so that the Board could make the corresponding proposals at the Bank's General Shareholders' Meeting.

Furthermore, the Committee considered the appointment by co-option of the Bank's current Chief Executive Officer as a director, which took place in December 2018. Therefore, after the relevant analysis and consideration of all of the matters indicated, the Committee agreed to report favourably to the Board, so that the Board would make the corresponding proposal to the Bank's General Shareholders' Meeting regarding the ratification and appointment of the Chief Executive Officer as a director, a proposal that was also raised at the General Shareholders' Meeting in 2019.

- **Review and co-ordination of the succession of the Group Executive Chairman and appointment of the Chief Executive Officer**

In accordance with its duty to review and arrange the succession of the Group Executive Chairman, the Appointments Committee, in conjunction with the Lead Director, considered it appropriate to arrange the succession of the Chairman of the Board in 2018.

As a result, in 2018 the Committee launched the succession plan for the Group Executive Chairman, analyzing, among other issues, the required profile of the candidate and the suitability requirements for the position.

After carrying out the pertinent analyses, the Committee deemed that the Chief Executive Officer, Carlos Torres Vila, was the most suitable candidate to succeed the former Group Executive Chairman. The Committee therefore agreed to inform the Board of the approval of the succession plan for the Group Executive Chairman and the appointment of Carlos Torres Vila as successor to the former Group Executive Chairman when the latter resigns from the position.

Furthermore, as the individual designated to succeed the former Group Executive Chairman was the Bank's Chief Executive Officer, in 2018 the Appointments Committee reviewed the succession of the latter (in preparation for when he takes over from the Group Executive Chairman) so that it takes place in an orderly manner and in compliance with the Committee's competence as set out in the Regulations of the Board of Directors.

Thus, the Committee prepared the required profile for the candidate and, after due analysis of the issue, concluded that Onur Genç was the most suitable candidate for the position of Chief Executive Officer; submitting to the Board its favourable report regarding the succession plan for the Chief Executive Officer and the designation of Onur Genç to hold this role.

- **Assessment of the performance of the Board of Directors**

The Appointments Committee, in accordance with its competencies set out in the Regulations of the Board of Directors, has proceeded to analyze the structure, size and composition of the Board, as well as to inform the Board on the assessment of the quality and efficiency of the performance of the Board.

Also, the Board of Directors has carried out, as part of the succession plans for the Group Executive Chairman and the Chief Executive Officer referred to above, various actions to update and review the effectiveness of its corporate governance system. These actions were intended to ensure the Bank's continued adequate operation and effectiveness during significant changes to both its structure and organization as well as to the environment in which it operates, thereby allowing the Bank to constantly evolve and adapt to the needs of the Corporate Bodies at all times.

In addition, with regard to the 2018 financial year, the Appointments Committee has deemed it appropriate that the performance assessment process be aided by an independent expert of international prestige, complying with Recommendation 36 of the Good Governance Code of Listed Companies an in-depth analysis and assessment of the Bank's corporate governance structures, thereby identifying potential areas for improvement to the Bank's corporate governance and, where appropriate, specific measures that may be implemented in order to better perform its functions. This task was entrusted to and performed by US firm, Promontory, which presented its findings report to the Appointments Committee and the Board of Directors.

In relation to the above, the Bank's Appointments Committee conducted an ongoing analysis of the structure, size and composition of the Board, which included gender diversity as well as the knowledge, skills and experience required by its members; the results of the assessment on the status of the directors, their independence and suitability, as well as the level of dedication of the Board members, particularly the Chair for each Committee, which are required by the Bank for the proper performance of the role of director and for the Corporate Bodies; all of this in accordance with the needs of Corporate

Bodies at any time and taking into consideration the Board of Directors' Policy on selection, appointment, rotation and diversity, submitting its findings report to the Board of Directors.

In this regard, the Appointments Committee has concluded, among other things and as it reported to the Board by virtue of the corresponding report, that this body, as a whole, had an appropriate balance in its composition and adequate knowledge of the environment, activities, strategies and risks of the Bank and its Group, helping it to better perform its functions.

Furthermore, based on the analysis carried out on the quality and efficiency of the operation of the Board of Directors that the Committee has addressed in its Reports on the Assessment of the Board and the Executive Committee and on the quality and efficiency of the Board's operations (which have been submitted to the Board), the Committee has concluded that the Board's operation in 2018 was very positive, as it performed all of the functions attributed to it by law, the Bylaws and its own Regulations; and that its composition and organization, as well as its planning and conduct of meetings, were suitable for facilitating the optimal performance of its functions.

- **Review of the suitability of directors**

Within the framework of the assessment of the performance of the members of their management body, credit institutions must continuously assess the suitability of the members of their Board of Directors.

For the purpose of conducting this ongoing assessment, the Appointments Committee analyzed the suitability of the members of the BBVA Board of Directors to perform their functions and also assessed whether there were circumstances that might affect the commercial and professional reputation of BBVA directors.

As a result of the assessment conducted, the Appointments Committee reported favourably to the Board of Directors on the analysis of the suitability of the Bank's directors to perform their functions, the outcome of which was positive.

- **Review of directors' independent status**

In accordance with Regulations of the Board of Directors, the Appointments Committee is responsible for reviewing the status of each director annually so that it can be reflected in the Bank's 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 Regulations of the Board of Directors, had this status upon closing of the fiscal year; it analyzed possible changes in their personal circumstances and concluded that these directors could maintain their status as independent. The Committee informed the Board of Directors so that the conclusions could be included in the Annual Corporate Governance Report.

- **Changes in the composition of Senior Management**

In 2018, the Committee analyzed the proposals for the appointment and dismissal of members of the Bank's Senior Management that were presented to it during the fiscal year. The Committee issued its favourable report on the proposed changes, which were subsequently approved by the Board of Directors.

All of the above issues, along with other matters within its remit, were included in the activity report of the Committee for 2018, which, as set out in the Regulations of the Board of Directors of the Bank, was submitted by the Appointments Committee to the Board for the purpose of assessing the Committee's operation.

The Board of Directors assessed the quality of the work carried out by the Committee in accordance with the functions assigned to it and concluded that it had performed these functions in a satisfactory manner, with a favourable assessment of the quality and efficiency of its operation.

Activity of the Remuneration Committee

Among the Committees set up by the Board to better perform its functions, the Remuneration Committee assists it in remuneration matters falling within its remit.

In addition to the legal provisions, the functions, rules of operation and composition of the Committee are listed in articles 35, 36 and 37 of the Regulations of the Board of Directors of BBVA, available on the Bank's website (www.bbva.com).

Composition

The Remuneration Committee, in accordance with the Board Regulations, comprises at least three members appointed by the Board of Directors. All its members must be non-executive directors and the majority must be independent, including its Chair.

During 2018, the Board of Directors approved changes in the composition of the Remuneration Committee, which, since June 2018, comprises the following directors:

| Director | Position | Status |
|---------------------------------|----------|-------------|
| 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 |

(*) Appointed as member of the Committee by the Board on 27 June 2018, to fill the vacancy resulting from the cease of directorship of José Antonio Fernández Rivero.

Operation

The Regulations of the Board of Directors provide that the Remuneration Committee shall meet as often as necessary for the fulfillment of its functions. In 2018, it met on five occasions, with all its members in attendance at all the meetings held.

The Committee performs its duties with full independence and is directed by its Chair, who is responsible for convening the meetings, deciding the items to be included on the agenda and requesting the attendance of those Bank employees or third parties necessary to carry out its duties to the best of its ability. For this, it has the full cooperation of the Bank's internal services and the support of the Board of Directors, who reports regularly on its activities.

In addition, the Committee may request any advice necessary from external experts to form an opinion on the matters within its remit and may request the attendance at the meetings of any Group employee who carries out tasks related to its functions. [In addition to the advice received from BBVA's internal services, in 2018, the Committee received independent advice from two leading consultancy firms in matters concerning remuneration of directors and senior managers: Willis Towers Watson, regarding market analyzes and comparisons, and J&A Garrigues, S.L.P., regarding a legal analysis of the update of the BBVA directors' remuneration policy. The senior executives of the areas responsible for the matters submitted for consideration participated in all the meetings held.

In addition, in the performance of its functions, the Remuneration Committee can call on the Risk Committee, which participates in the process of the remuneration policy, to ensure that it is compatible with adequate and effective risk management and that it does not provide incentives for risk taking above the Bank's risk tolerance level.

1 Functions

The mission of the Appointments Committee will be to assist the Board of Directors in matters relating to the remuneration policy for directors, senior managers and employees whose professional activities have a material impact on the Bank's risk profile (the **Identified Staff**), ensuring the observance of these policies.

1 Activity of the Committee

The work of the Remuneration Committee focused on carrying out the functions attributed under the Board Regulations, within the framework established by: (i) the BBVA Directors' Remuneration Policy, which was approved by the 2017 General Shareholders' Meeting (the "**Directors' Remuneration Policy**") with 96.54% of votes in favour; and the (ii) remuneration policy generally applicable to all Bank employees and subsidiaries forming part of the consolidated group (the "**BBVA Group Remuneration Policy**"), approved by the Board of Directors in November 2017 which, in turn, contains the remuneration policy for Identified Staff.

Thus, the Remuneration Committee carried out the actions described below in 2018, submitting to the Board of Directors, where appropriate, the pertinent proposals:

– Remuneration issues concerning non-executive directors

The Remuneration Committee analyzed the remuneration of non-executive directors established as member of the Board and of Board Committees, proposing to the Board not to update in 2018 the amounts agreed by it at previous meetings. This amount has not been updated since 2007.

– Remuneration issues concerning executive directors

The Committee has submitted the corresponding proposals in execution of the BBVA Directors' Remuneration Policy for:

- The settlement and payment of the 2017 annual variable remuneration in accordance with the level of achievement of the annual performance indicators and application of the targets, scales and weightings previously approved by the Board in 2017.
- The update and payment of the last deferred third of the 2014 annual variable remuneration payable in the first quarter of 2018.
- The determination, after analysis by the Risk Committee, of the scales of achievement of the multi-year performance indicators for 2017 annual variable remuneration, as well as the peer group for the TSR indicator (Total Shareholder Return) which is included as part of these indicators, being said conditions also applicable to all Identified Staff.
- The review of the remuneration conditions (fixed and target variable) for 2018, proposing to the Board of Directors not to update the amounts outlined in the Directors' Remuneration Policy.
- The determination of the minimum thresholds of Attributable Profit and Capital Ratio established in the BBVA Directors' Remuneration Policy for accrual of 2018 annual variable remuneration of executive directors, as well as the following proposals regarding their variable remuneration system:

- The determination of the annual performance indicators for calculation of the annual variable remuneration for 2018 and related weightings, as well as the targets and scales of achievement related to those indicators.
- The determination of the multi-year performance indicators for the annual variable remuneration for 2018, which are applicable also to the rest of the Identified Staff, including members of Senior Management, in line with those of the year before, upon prior analysis by the Risk Committee, which verified that they are adapted to the Bank's risk profile.
- The determination of the criteria applicable for the update and payment of the deferred portion of the 2018 annual variable remuneration.

– **Remuneration issues of Senior Management and Identified Staff**

The Committee reviewed the remuneration conditions of BBVA's Senior Management, based on the market comparisons for similar positions provided by the independent external Willis Towers Watson.

It has also received information on the settlement of the annual variable remuneration corresponding to 2017 of the members of Senior Management and on the annual performance indicators for Senior Management, which served as the basis for the calculation of the annual variable remuneration for 2018.

– **Assistance to the Board in overseeing the application of approved remuneration policies**

The Committee has reviewed application of the remuneration policy in 2017, in accordance with the regulations and applicable recommendations. This review covered the BBVA Group Remuneration Policy, which includes the remuneration policy for the identified staff, as well as the identification procedure, all based on the internal, central and independent review carried out by the Bank's Internal Audit.

In addition, the Committee supervised the information on the identification process of BBVA Group identified staff in 2018, in accordance with the criteria established in the applicable regulations and the Bank's internal criteria, including the number of people comprising this group in 2018.

– **Other activities**

In compliance with its functions, the Remuneration Committee carried out other activities in 2018 and submitted the following proposals to the Board which were then put to shareholders at the General Meeting:

- The 2017 Annual Report on the Remuneration of Directors of BBVA, which was submitted to a consultative vote at the General Meeting held on 16 March 2018, and that was approved by a majority of 95.4%.
- The increase in the maximum variable remuneration level up to 200% of the fixed component applicable to a certain number of members of Identified Staff, and that was approved by the General Meeting held on 16 March 2018, by a majority of 97.6%. Likewise, the Committee proposed to the Board the report that accompanies this agreement which was made available to the Bank's shareholders.

Finally, in 2019, the Committee has analysed, among other activities, for submission to the Board, the update of BBVA Directors' Remuneration Policy for 2019, 2020 and 2021; the 2018 Annual Report on the Remuneration of Directors of BBVA and the increase of the maximum level of variable remuneration of up to 200% of the fixed component of total compensation; for subsequent submission to the next General Shareholders' Meeting to be held on 15 March 2019.

All the above issues, together with other matters within its remit, have been included in the Activity Report of the Remuneration Committee for 2018, which, in compliance with the provisions of the Regulations of the Board of Directors, the Committee submitted to the Board to assess the Committee's operation.

The Board of Directors has analyzed the work carried out by the Remuneration Committee, in compliance with the functions assigned, concluding that it has satisfactorily carried out the functions entrusted to it and evaluating favourably the quality and efficiency of its operation.

Activity of the Technology and Cybersecurity Committee

In accordance with Article 48 of its Bylaws, the Board of Directors of BBVA has a Technology and Cybersecurity Committee, with no executive functions, to assist the Board to better perform its functions in this area.

The Committee is regulated by the provisions of the Bylaws and current legislation as well as its own specific Regulations, which govern, inter alia, its purpose and duties (both documents are available on the Bank's website, www.bbva.com).

1 Composition

The Technology and Cybersecurity Committee is currently composed of six members, all with knowledge and experience in technology, information systems and/or cybersecurity, four of whom are independent directors.

After changes in its composition during the financial year, the composition of the Technology and Cybersecurity Committee at the close of 2018 was as follows:

| Director | Position | Status |
|-----------------------------|----------|-------------|
| Carlos Torres Vila | Chair | Executive |
| Tomás Alfaro Drake | Member | External |
| Jaime Félix Caruana Lacorte | Member | Independent |
| Sunir Kumar Kapoor | Member | Independent |
| Juan Pi Llorens | Member | Independent |
| Jan Verplancke | Member | Independent |

1 Operation

As set forth in its specific Regulations, the Technology and Cybersecurity Committee meets as often as required to perform its functions, drawing up a meeting schedule in line with its tasks. The Technology and Cybersecurity Committee held seven meetings in 2018. All of its members attended all the meetings held, either in person or duly represented.

The Committee operates with autonomy in the performance of its duties, led by its Chair, who: sets the meeting schedule and calls any unscheduled meetings as applicable; decides which matters to include on the agenda; and requests attendance from any employees, members of the Bank's Senior Management or third parties whose presence is deemed necessary, in his/her view, for optimal performance of its functions.

In this regard, the Committee may request that the Group's Global Head of Engineering & Organization, managers from the various constituent units of the Engineering & Organization area, and any individuals who carry out tasks related to its duties within the Entity, attend its meetings, and may also seek advice where necessary to form opinions on matters within its remit. In 2018, executives from various units of the Engineering & Organization area and the Group's Global Head of Engineering & Organization were present at all meetings.

The Committee has the full co-operation of the executive areas and the Bank's support in the performance of its duties, and is supported by the Board of Directors, to which it reports regularly on its activities.

■ Functions

Its remit is to assist the Board in:

- The understanding and acknowledgment of the risks associated with the technology and information systems related to the Group's activity and the supervision of its management and control, particularly with regard to the cybersecurity strategy.
- The acknowledgment and supervision of the Group's infrastructure and technological strategy and how this is integrated into the development of its overall strategy.
- The task of ensuring that BBVA has plans and policies in place and appropriate resources for managing the above matters.
- Any matters and responsibilities that may be assigned by the Board at any time in this area.

Notwithstanding the above, the Committee's duties are detailed in its own Regulations.

■ Activity of the Committee

The main activities carried out by the Technology and Cybersecurity Committee in 2018 are described below:

– Review of the Group's exposure to technological risk

As set forth in the Technology and Cybersecurity Committee Regulations, the Committee has reviewed the Bank's and the Group's exposure to the main technological risks, including risks relating to information security and cybersecurity, ensuring that the executive area is equipped with procedures for monitoring and controlling this exposure.

– Risk evaluation, management and control

The Committee has monitored the Group's technological infrastructures and risks, and has been informed of the cyberattack response and recovery plans, as well as the business continuity plans concerning the Group's main technological infrastructures.

Furthermore, the Committee has been informed of the compliance risks associated with information technology, such as those derived from managing data with regard to the regulation on personal data protection and the new regulation on payment services, as well as the procedures established to identify, manage, control and, if necessary, mitigate these types of risks.

– Cybersecurity

The Committee has been informed of the Group's cybersecurity strategy and of the systems and tools that the Group possesses in this regard.

Likewise, the Committee has been informed of any significant events that have occurred in relation to cybersecurity, including those that have directly affected the Bank or the Group's companies, as well as those that have affected important (national or international) entities or companies, so that the Committee is aware of the threats to which the Group is (or may be) exposed and of the technological defences that BBVA possesses at any time to combat possible attacks.

– Technology strategy

The Committee has been informed by the Engineering & Organization area of the Group's technology strategy, as well as the progress and status of the different constituent projects, systems, tools and developments, and receives a periodic report on the key performance indicators (KPIs) in this regard. The Committee has also been informed of the number of employees and level of investment required to effectively implement this strategy.

With regards to the development of new digital products and services targeted at the Group's wholesale and retail customers, the Committee has been informed of the main projects that the Engineering & Organization area, together with the Group's business areas and the Client Solutions area, has implemented or is planning to implement.

In addition to information on technology strategy, the Committee has received information regarding the main technological trends in the industry, and even in other important sectors, especially with regards to trends that may affect the Bank's strategic plans.

– Other matters

Over the course of 2018, the Committee has been informed of the structure, organisation and resources of the Group's Engineering & Organization area, both at corporate level and throughout the different countries in which the Group operates, and of the main changes that have occurred in the area, ensuring that it has sufficient resources to implement the Group's technological transformation strategy.

The Committee has also monitored the internal control activity of the Engineering & Organization area, and has been informed of the principal actions undertaken by that unit throughout the financial year.

All of the matters described above, together with other matters within its remit, have been included in the Activity Report of the Committee for 2018, which, in compliance with the provisions of the Regulations of the Board of Directors, the Technology and Cybersecurity Committee submitted to the Board to assess its performance.

The Board of Directors has analyzed the work carried out by the Technology and Cybersecurity Committee, in compliance with the functions assigned to it, concluding that it has satisfactorily carried out the functions entrusted to it and evaluating favourably the quality and efficiency of its operation.