

*Report on the BBVA Board remuneration policy*

Grupo **BBVA**

4th February 2008

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## Introduction

### **Subject matter**

This report deals with the remuneration policy of Banco Bilbao Vizcaya Argentaria, S.A. for the members of its board of directors. It is presented pursuant to the principles of maximum transparency and information regarding the Bank's remuneration. The Bank applies these principles in all its documents providing public information, as established under its bylaws. It tries to separate out the remuneration of executive directors (ie, directors who have permanent powers of administration, have senior management duties and/or are employees of the Bank or its Group companies) from that of the non-executive directors, who are responsible for decision-making on the governing bodies.

The report contains a description of the principles underpinning the Bank's remuneration policy with respect to executive and non-executive board members. It presents details of the different elements comprising total remuneration. It has been drawn up on the basis of the BBVA bylaws and its board regulations.

### **Core corporate governance standards**

BBVA's Board of Directors recognises the importance of a system of corporate governance for large institutions. This system should guide the structure and operation of its governing bodies for the benefit of the Company and its shareholders. One of BBVA's main objectives is to create long-term value. A suitable system of corporate governance is one of the mainstays of such value.

Thus, the BBVA board of directors has a set of regulations reflecting the principles and other elements comprising the Bank's corporate governance. They contain the rules that apply to internal procedures and to the operation of the board and its committees and the directors' charter in the regulations describes directors' rights and duties in performing their tasks.

The board regulations reserve powers to the board to adopt resolutions on the remuneration of directors and, in the case of executive directors, any additional remuneration for their executive duties and other terms and conditions contained in their contracts.

Shareholders and investors may find the board regulations on the Bank's web site: [www.bbva.com](http://www.bbva.com).

According to best corporate governance practices worldwide, the BBVA board of directors has established several committees to help it carry out its mission most efficiently. These committees provide help on issues related to their particular area of competence.

A list of such committees is given below, with the members sitting on each of them:

### Board Committees

FULL NAME	Executive Committee	Audit & Compliance	Appointments & Remuneration	Risks
Francisco González Rodríguez	●			
José Ignacio Goirigolzarri Tellaeché	●			
José Maldonado Ramos				●
Tomás Alfaro Drake		●		
Juan Carlos Álvarez Mezquíriz	●		●	
Rafael Bermejo Blanco		●		●
Ramón Bustamante y de la Mora		●		●
José Antonio Fernández Rivero				●
Ignacio Ferrero Jordi	●		●	
Román Knörr Borrás	●			
Carlos Loring Martínez de Irujo		●	●	
Enrique Medina Fernández	●			●
Susana Rodríguez Vidarte		●	●	

This system of organisation requires a high number of meetings to be held both by the board and its committees, covering a vast body of materials. It thus demands special dedication from the board and committee members, including non-executive directors. The amount of work required, along with the responsibility inherent to the post and the regime regarding incompatibilities imposed by the Bank's board regulations, constitute the underlying elements of the remuneration scheme for the non-executive directors.

## Appointments & Remuneration committee

For the purposes of this report, the Appointments & Remuneration committee is one of the key committees, helping the board in business relating to appointing directors and to paying them. These powers are attributed to the committee under the board regulations, which state the committee must ensure enforcement of the remuneration policy that the Bank has established.

This committee is made up of a minimum of three members, who are appointed by the board of directors. All the members must be external directors and the majority of them independent. The chair must be an external, independent director.

The Appointments & Remuneration committee comprised four directors on 31<sup>st</sup> December 2007, all independent, whose names, posts and appointment- and re-election dates are given below:

FULL NAME	Post	Date of appointment	Date of latest re-election
Carlos Loring Martínez de Irujo	Chairman	30.03.2004	28.03.2007
Juan Carlos Álvarez Mezquíriz	Member	28.02.2002	28.03.2007
Ignacio Ferrero Jordi	Member	28.01.2000	28.03.2007
Susana Rodríguez Vidarte	Member	28.03.2007	

The committee meets as often as necessary to comply with its duties, convened by its chairman. During 2007 the Appointments & Remuneration committee met 7 times.

The meetings' resolutions are adopted by an absolute majority of votes present and represented. However, the authority that the board has conferred to the members of the committee states that the vote to determine the remuneration of executive directors must be unanimous.

Pursuant to article 33 of the board regulations, the Appointments & Remuneration committee has the following tasks:

- To formulate proposals to the board that it can then put to the AGM for the appointment and re-election of independent directors. And to issue the corresponding report to the board in the case of all other directors.

To such end, the committee assesses the skills, knowledge and experience required on the board and the capacities the candidates must offer to cover any vacant seats. It evaluates how much time and work members may need to carry out their duties properly as a function of the needs that the Company's governing bodies may have at any time.

The committee ensures that when vacancies occur, the selection procedures do not contain any implicit bias that may hinder the recruitment of women. It actively includes women who meet the professional profile sought after in the shortlists when there are no or few female directors.

When the committee formulates proposals for the appointment and re-election of directors, it considers requests made by members of the Board regarding potential candidates for the vacancies, to see if they can be deemed suitable.

- When the post of chairman of the board and/or chief executive officer (CEO) falls vacant, it must examine and organise the succession of the chairman and/or CEO in the manner it deems fit, putting proposals to the board to ensure that the handover takes place in an orderly, well-planned fashion.
- It proposes the remuneration system for the board of directors as a whole, within the framework established under the bylaws. It considers which items this should use, the amounts payable for such items and the way they should be paid.
- It determines the extent and amount of the remuneration, rights and other economic rewards of the chairman & CEO, the president & COO and other executive directors of the Bank. Its conclusions are put to the board as proposals that can then be incorporated in the corresponding contracts.
- It puts an annual report on the BBVA directors' remuneration policy to the board of directors.
- It reports on the appointments and severances of senior managers and proposes the senior management remuneration policy to the board and the basic terms and conditions that their employment contracts should contain.
- It carries out all other duties allocated to it under the board regulations or under board resolutions. These include the procedure for assessing the committee's performance and the performance of the chairman of the board and the appointment and severance of the secretary of the board.

The chairman of the Appointments & Remuneration committee consults with the chairman of the board as part of the committee's mission, especially with respect to matters concerning executive directors and senior managers.

In accordance with the BBVA board regulations, the committee may ask people with knowledge or responsibilities related to its business within the Group to attend its meetings. It may also receive help from external advisors when this is required to form an informed opinion on issues falling within its scope.

With these duties, the Appointments & Remuneration committee plays an essential role with respect to remuneration issues for the Bank's board of directors. This is further explained in the following sections:

In reaching its decisions on remuneration issues, the Appointments & Remuneration committee and the board of directors in 2007 have received advice from the in-house BBVA services and market information and advice from the big global consultancy firms working on directors' and senior-managers' remuneration, such as Watson Wyatt Worldwide and Towers Perrin. Watson Wyatt has also helped the Appointments & Remuneration committee to draw up this report.

## General principles informing the remuneration policy for directors

BBVA considers that the remuneration system is a key element in creating value. It thus has a remuneration scheme based on the reciprocity of value for employees and for the Group in line with the interests of shareholders. The system reflects the very latest standards and principles of best Spanish and international practices in good governance, which have been suitably adapted to the Bank's specific structure and circumstances.

BBVA's remuneration system is informed by the following principles:

- Reward the level of responsibility and the achievement of results.
- Ensure internal equity and external competitiveness.
- Benchmark performance against the market using analyses from prestigious human-resource consultancy firms.
- Attract and retain the best professionals.

The remuneration system is applied to the entire BBVA staff, adapted to different posts according to their levels of responsibility and professional development. The characteristics of the members of BBVA governing bodies and senior management are taken into account.

Thus, BBVA's remuneration policy for members of the board of directors distinguishes between the remuneration of executive directors and non-executive directors.

### Remuneration policy for executive directors

The system established to remunerate executive directors places a premium on their executive duties. It applies remuneration items used worldwide by the big listed international corporations to pay their senior staff.

These items are included in article 50.b of the BBVA bylaws and correspond with those applicable to its senior management as a whole.

The remuneration policy for executive directors is aligned with the Group's general remuneration policy for all staff. It is structured to reflect the prevailing context in which the Bank operates and the Bank's performance. It considers the following factors, amongst others:

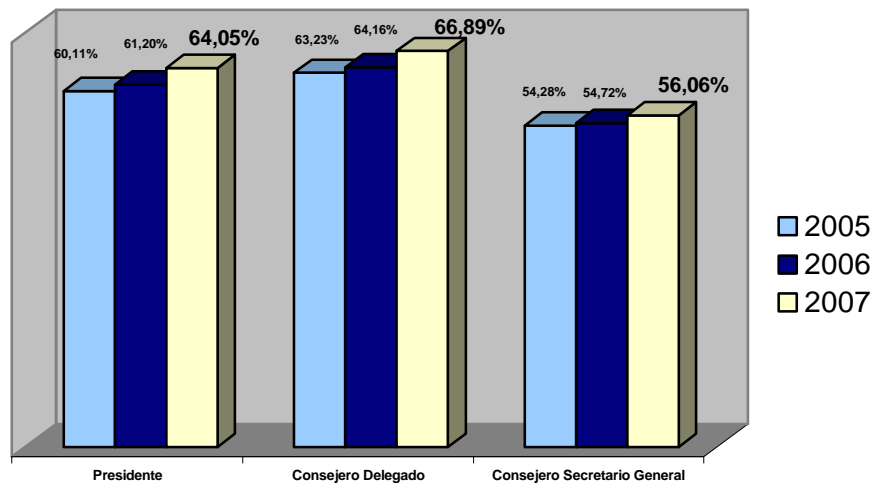
- Fixed remuneration, taking into account the level of responsibility the post's duties entail and ensuring this remuneration is competitive with remuneration paid for equivalent posts in the main international banks in Europe and the USA.



- Variable annual remuneration linked to the Group's results. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders' interests.
- A long-term incentive linked to targets for medium- and long-term value creation for the Group.

The tendency pursued in the total remuneration of executive directors over recent years has been to reflect best practices in the market, increasing the weight of the variable remuneration over that of the fixed remuneration each year.

The following graph shows the relative weight of fixed and variable remuneration within the total remuneration of executive directors over the last three years:



### Remuneration policy for non-executive directors

The remuneration policy for non-executive directors is not intended to reward attendance at meetings via per diem payments. Rather, it is based on criteria measuring responsibility, dedication and incompatibilities inherent to the post. There are two elements to said policy:

- Fixed annual remuneration for occupying a seat on the board and another for belonging to the different committees. Greater weighting is applied to chairing committees, and the relative nature of the duties of each committee is also weighted.
- A scheme comprising deferred delivery of shares. Beneficiaries are allocated a number of theoretical shares to be delivered to them, where applicable, on the date on which they leave the board for any cause other than dereliction of duties. This scheme is in line with best international practices in corporate governance.

## Remuneration system for BBVA executive directors

As indicated above, the structure of executive-directors' remuneration is regulated under article 50.b of the Bank's bylaws. It is in line with the general policy for senior-management remuneration.

BBVA's executive directors are entitled to be remunerated for performance of their duties with a fixed sum reflecting the services and responsibilities of their posts. They are also entitled to a variable supplementary amount and to the bonuses paid under reward systems for the Bank's senior management as a whole. These may include the delivery of shares or share options or remuneration indexed to the share performance. Article 50 also establishes that the director shall be beneficiary of pension and annuity schemes, insurance policies and social security. In the event of severance not due to dereliction of duties, the directors will be entitled to indemnity.

In the contracts that the independent directors on the Appointments & Remuneration committee sign with each of the executive directors, exercising the authority conferred on them by the board of directors, determine their respective remunerations, entitlements and economic rewards, comprising the items established under said article 50.b of the bylaws. Below is a detailed analysis of such items:

### **Fixed remuneration**

The fixed remuneration of executive directors, as indicated, was determined under their respective contracts. The chairman & CEO and the company secretary signed their contracts on 10th May 2001, and the president & COO on 29th January 2002.

The contracts state that these shall be updated as determined by the Appointments & Remuneration committee, applying the parameters from article 50.b of the bylaws, and on the basis of analyses and studies for benchmarking remuneration against best international practices. These must then be approved by the board of directors.

The committee takes other factors into account, such as the average increase in the remuneration of Management committee members and the specific characteristics of each post, as well as the remuneration information supplied by the main consultancy firms working in management-remuneration policy worldwide:

- Report on market practices in remunerating executive directors in Spain, UK, France, Switzerland and the USA.
- Analysis of market practices for remunerating executive directors, including a ranking of BBVA executive directors against market practices, ie, amongst its peer banks in USA, Europe and the Eurotop 100.

Each year, the committee determines the fixed remuneration payable to each executive directors for the current year, and then puts its proposal to the board for approval, with the acquiescence of the executive directors.

The figures for the executive directors' fixed remuneration over three years are given below:

	2008	2007	2006
Chairman & CEO	€1,927,706	€1,827,209	€1,740,199
President & COO	€1,425,448	€1,351,136	€1,286,796
Director & Secretary	€665,693	€622,143	€581,442

### Variable remuneration

The standards for variable incentives applicable to executive directors were approved by the board of directors on the basis of an analysis provided by the Appointments & Remuneration committee. They use the same elements established under the general system for the Group's senior management. The specificities of each executive director's situation makes it impossible to apply a totally standardised system, so a scheme had to be established for each case, using a corporate framework in which targets are established and the individual performance of each executive director is evaluated accordingly. Where applicable, the multipliers applicable to senior management are added with the bonuses to which the executive director is entitled.

The board also approved the targets applicable to the variable remuneration of its executive directors.

The targets and indicators to be considered and the performance of the variable remuneration of the executive directors as a function of their achievement of these were determined by the Appointments & Remuneration committee on the basis of the following information:

- Study of the metrics used by the big European banks, analysing the indicators used by BBVA's European peers to determine the variable remuneration of their executive directors.
- Analysis of the trends in variable annual remuneration and the attributable profit obtained over the period 2003-2006 in BBVA's peer group of European banks. The percentages for the variable in like-for-like annual terms for this period is given below:

	Incremento Anual Equivalente		
	Beneficio Atribuido	Bonus Anual del Primer Ejecutivo	Retribución Total (*) del Primer Ejecutivo
Mediana	26%	22%	16%
Media	30%	28%	18%
<b>BBVA</b>	<b>29%</b>	<b>16%</b>	<b>12%</b>

(\*) Retribución Total = Salario + Bonus Anual

The indicators considered in 2007 for determining the variable annual remuneration of the executive directors is linked to target earnings for the Group, its cost-income ratio and

indicators suitable to the growth plans and specific plans for each director's area of duties. The distribution for each executive director is given below:

	Group earnings targets	Group cost-income ratio target	Specific targets
Chairman & CEO	70%	30%	
President & COO	70%	20%	10%
Director & Secretary	50%		50%

BBVA chose economic profit (EP) as the main indicator for measuring the Group's earnings performance for remuneration purposes. It considered it provides the most suitable measurement of the value obtained by shareholders in each of the Group's 30 businesses. Returns are corrected on a standardised basis in this benchmark to reflect the real risks incurred in each business and the market cost of said risk. This makes it possible to bring the interests of the management even closer into line with those of the Group's shareholders.

Technically speaking, the economic profit is obtained by subtracting from the adjusted profit (AP) the product of the capital employed in each business divided by the cost of said capital, or the expected rate of return for investors. The adjusted profit is different from the profit booked, as it uses market criteria rather than the regulatory accrual criteria for certain kinds of transaction. Conceptually speaking, the economic profit is the profit generated over and above the market expectations regarding return on capital.

In order to determine the variable annual remuneration as a function of achievement of these targets, scales have been established for each indicator on the basis of market data. These track the growth of the most moderate variable remuneration used in general market practices for equivalent earnings growth, as reflected in the analytical studies mentioned above.

To such end, and in the same manner as for other senior management staff, a multiplier is applied to reward performance that has surpassed the targets allocated.

Considering all the above elements, the table below gives details of the variable annual remuneration payable to executive directors in 2006, 2007 and 2008.

	2008 <sup>(*)</sup>	2007 <sup>(*)</sup>	2006 <sup>(*)</sup>
Chairman & CEO	3,801,565 €	3,254,892 €	2,744,450 €
President & COO	3,183,304 €	2,730,163 €	2,303,980 €
Director & Secretary	886,435 €	793,771 €	702,756 €

<sup>(\*)</sup> 2008 data correspond to the variable remuneration accrued in 2007 and payable in February 2008.

<sup>(\*)</sup> 2007 data correspond to the variable remuneration accrued in 2006 and payable in February 2007.

<sup>(\*)</sup> 2006 data correspond to the variable remuneration accrued in 2005 and payable in February 2006.

The variable remuneration system proposed for 2008 is the same as the one used in 2007.

For comparative purposes, the table below contains the most significant financial ratios and the variable remuneration accruing each year for the executive directors:

The relationship over time between the earnings and the variable remuneration has been as follows:

	2007	2006	% change 06-07
Attributable profit	6,126,369 €	4,735,879 €	29.4%
Economic profit	4,814,043 €	3,599,491 €	33.7%
Variable remuneration: Chairman & CEO <sup>(*)</sup>	3,801 €	3,255 €	16.8%
Variable remuneration: President & COO <sup>(*)</sup>	3,183 €	2,730 €	16.6%
Variable remuneration: Director & company secretary <sup>(*)</sup>	886 €	794 €	11.6%

All figures in thousand euros (€k).

<sup>(\*)</sup> Variable remuneration figures reflect the amounts accruing in each year.

### Long-term incentives

In order to motivate and reward members of the management team, making them more loyal to the Group, and focus them on medium- and long-term value creation targets, BBVA has established a long-term incentive plan for 2006-2008. Its content and application were approved by the Company's AGM, 18<sup>th</sup> March 2006.

The plan is addressed to the BBVA management team, including the executive directors and the members of the Management committee as of 1st January 2006, although new members may be incorporated and earlier beneficiaries leave the scheme whilst it is in force.

At the beginning, the plan allocated each beneficiary a number of theoretical shares, which will be used as proxy for the BBVA shares to be delivered at the end of the plan. These theoretical shares are not considered shares for legal purposes, and they in no case grant voting or economic rights over Bank shares. Not until the plan is settled will BBVA shares be given to the plan's beneficiaries.

The number of BBVA shares given to the beneficiaries at the end of the plan will depend on the performance of the Bank's total shareholder return (TSR) during the 2006-2008 period, benchmarked against the TSR of the European peer banks selected at the beginning of the plan. These banks were selected in view of their market cap, diversification of their business and geographical positioning.

The AGM resolution approving the long-term incentive plan empowered the board of directors to adapt its contents to the context and any corporate transaction that could arise whilst it was in force, both with respect to BBVA and its peer banks. Given some corporate transactions that have impacted some of the peer banks, the board has accordingly resolved to amend the peer-group list, so that the plan can be applied under the terms and conditions initially approved.

Thus, the list of peer banks now stands as follows:

Bank	Country
BNP Paribas	France
Société Générale	France
Deutsche Bank	Germany
Unicredito Italiano	Italy
Santander	Spain
Intesa Sanpaolo	Italy
Credit Agricole	France
Barclays	UK
Halifax Bank of Scotland	UK
Lloyds TSB Group	UK
Royal Bank of Scotland	UK
UBS	Switzerland
Credit Suisse	Switzerland

The TSR target reflects the importance that BBVA places on aligning the remuneration of its management team with the value it generates for shareholders.

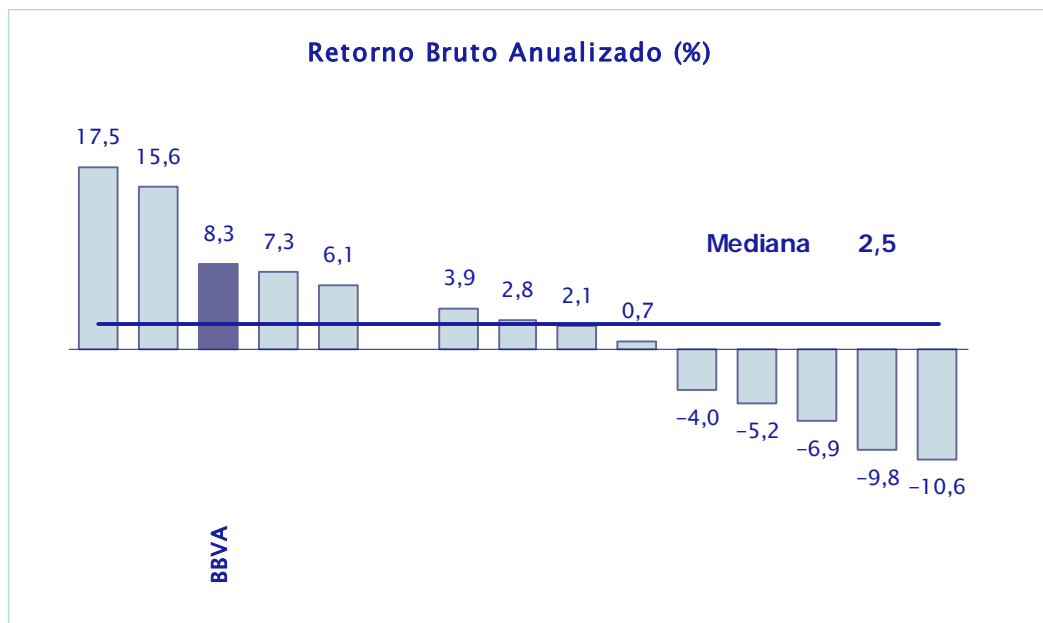
To determine TSR and in order to avoid atypical fluctuations in the indicator, the benchmark at the beginning and at the end of the plan is the rolling average of the listed price of the banks' shares over 31 trading sessions. These trading sessions shall include the session on the initial date and the final date of the plan, and the 15 sessions prior to and the 15 session following these dates.

A multiplier coefficient will be used, reflecting the ranking BBVA achieves on the benchmarking tables alongside its peer banks at the end of the plan. This multiplier will be applied to the number of theoretical shares initially allocated to each beneficiary, in order to determine how many BBVA shares will be given to them.

This multiplier, determined at the outset of the plan, has been amended under a board resolution, due to the changes in the peer group explained above. It now stands as follows:

Ranking TSR 2006-2008	Multiplier coefficient
1st	2
2nd	1.56
3rd	1.42
4th	1.33
5th	1.14
6th	1.04
7th	0.95
8th	0.85
9th	0.76
10th	0.62
11th	0.48
12th	0.44
13th	0
14th	0

The graph below gives an idea of BBVA's TSR performance relative to that of its European peers since the plan came into force and up until 31<sup>st</sup> December 2007:



Source: Drawn up by BBVA Finance department on the basis of published data

The plan also establishes a set of requirements to be met before the beneficiaries can receive their shares at the end of the plan:

1. The beneficiary must still be a BBVA employee (or executive director) at the date on which the plan is settled (except in the event of early retirement or registered disability or death), and
2. The beneficiary must obtain, using the evaluation method followed for Group management, an average score of 100 points for performance over the period 2006-2008.

Information regarding the long-term remuneration plan based on the delivery of BBVA shares is available on the Bank's website ([www.bbva.com](http://www.bbva.com)) and in the information filed with the regulator, which can be accessed on its website ([www.cnmv.es](http://www.cnmv.es)).

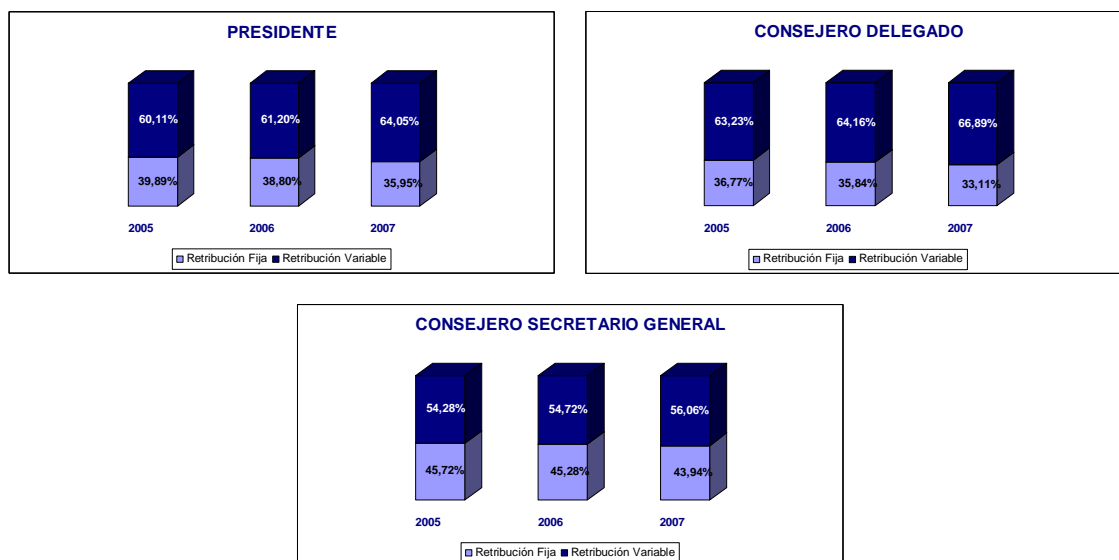
The number of theoretical shares allocated to executive directors is as follows:

	Number of theoretical shares
Chairman & CEO	320,000
President & COO	270,000
Director & secretary	100,000



## Distribution of total annual remuneration (fixed and variable remuneration)

The relative amounts of annual variable remuneration compared to annual fixed remuneration over the last three years is given below for the three executive directors (chairman & CEO, president & COO and director & company secretary): (\*)



(\*) Variable remuneration figures reflect the amounts actually paid to each director in each year. The remuneration for 2006 does not include the amount from the 2003-2006 incentive plan paid to executive directors in 2006.

The relative weight of fixed remuneration and variable remuneration within the total remuneration of BBVA Group executive directors is in line with market practices in Europe.

### Corporate annuity scheme

Article 51.b of the bylaws and article 14 of the board regulations establish a corporate pension scheme for executive directors. It is a defined-benefit scheme to cover retirement, invalidity and death. The benefits are payable in lifelong annuities, whose amount will be calculated as a function of pre-defined parameters based on the contractual terms and conditions.

#### a) Retirement

Executive directors are entitled to receive an annual retirement pension whose amount will be calculated on the basis of the annual average total remuneration payable over the last two years prior to their retirement. (Total remuneration here includes their fixed and part of their variable remuneration.).

The amount of the pension, in the case of the president & COO, would be the total amount resulting, whilst in the case of the chairman & CEO and the director & company secretary, it will be determined as a function of how long each one has worked in the Bank up to the ages of 65 and 62, respectively. There will be a minimum pension of 65% in both cases and a maximum of 100% in the case of the chairman & CEO and 85% in the case of the director & company secretary.

#### b) Invalidity

On the same bases as the retirement pension, the executive directors will be entitled to an invalidity pension for an amount equal to the maximum amount of their retirement pension should they become permanently, totally or absolutely unable to work whilst performing their duties.

### c) Death

In the event of an executive director's death, his widow will be entitled to a pension of 70% of the maximum amount of the retirement pension in the cases of the chairman & CEO and the director & company secretary, and 55% in the case of the president & COO. Each of their children aged up to and including 26 will be entitled to an orphan's pension of 20% of the maximum retirement pension in each case. However, the sum of the widow's pension plus the orphans' pensions may never surpass 100% of the executive director's pensionable benefits at the moment of death.

All the amounts mentioned above shall be reduced by the amount payable from Social Security benefits in each case.

The provisions filed at year-end 2007 to cover these commitments for executive directors are as follows:

	2007
Chairman & CEO	61,318,661 €
President & COO	46,399,795 €
Director & Secretary	7,713,629 €

Against this total aggregate amount, €12,503,892 have been charged against the 2007 earnings. Most of these commitments are secured by insurance policies with BBVA as beneficiary, underwritten by an insurance company belonging to the Group.

### Other remuneration

All the executive directors together have also received other remuneration during 2007, eg, for car rentals and insurance. The total amount is listed below.

	2007	2006
Chairman & CEO	7,753 €	7,648 €
President & COO	14,459 €	13,975 €
Director & Secretary	10,553 €	15,048 €

On the date of this report, neither BBVA nor any of its Group companies have granted any loans or guarantees to the executive directors.

## Main characteristics of the executive directors' contracts

The contracts that the executive directors signed in 2001 and 2002 are open-ended, *ad personam* and reflect the terms and conditions for salaries and the remuneration items mentioned in article 50.b of the BBVA bylaws. These were described above in the corresponding section, and contain no pre-established period of notice.

The chairman of the board will be entitled to retire as an executive director at any time after his 65th birthday and the president & COO and the director & company secretary after their 62nd birthday. Reaching this age they will all be entitled to the maximum percentage established under their contracts for retirement pension, and on vesting their right to the pension once they reach said ages they will render the indemnity agreed under their contracts null and void.

In application of article 50.b of the bylaws, the contracts that the executive directors sign with the members of the Appointments & Remuneration committee determine their right to be paid indemnity if they leave for a cause other than their own wish to leave, retirement, invalidity or dereliction of duty. This indemnity would amount to the product of multiplying by five the sum determined for the gross remuneration payable over the year prior to leaving their post(s) as executive director(s) in the cases of the chairman & CEO and the director & company secretary, and the average from the two years prior to this in the case of the president & COO, on the basis of the items of their fixed remuneration and part of the variable annual remuneration.

Additionally to this, and under the same conditions, each executive director is entitled to receive a sum determined by the amount at which their acquired rights are valued according the actuarial calculations and in compliance with the requirements regarding pensions at the moment the contract is terminated.

Moreover, at the moment the executive director stands down, he will be unable to provide services to other financial institutions competing with the Bank or its subsidiaries for two years, as established in the board regulations.

With these guidelines and conditions, the Appointments & Remuneration board quantified the indemnities payable to the executive directors if the severance had occurred during 2007. The amounts were €70,513,248 for the chairman & CEO, €57,407,470 for the president & COO and €13,469,633 for the director & company secretary.

In the event of severance not due to their own wish to leave, retirement, invalidity or dereliction of duty in 2008, the amounts payable for indemnity would be as follows: €80,832,585 for the chairman & CEO; €60,990,715 for the president & COO, and €13,957,831 for the director & company secretary.

BBVA has set up a remuneration system tailored to the posts of non-executive BBVA directors, different from the system for the executive directors. It is based on their responsibilities, dedication and incompatibilities as a function of the post they hold.

The duties of BBVA board members require a lot of time and work, as the Group's governing bodies are intensely active. There is a high number of meetings held both by the board of directors and the various committees helping it in the performance of its duties. The number of meetings held in 2007 was:

	No. of meetings
Board of directors	15
Executive committee	22
Audit & Compliance committee	13
Risks committee	74
Appointments & Remuneration committee	7

Directors are also subject to a strict regime of incompatibilities with respect to sitting on governing bodies of Group companies or associated undertakings. Thus, except for executive directors with express authorisation, board members may not take up directorships in subsidiaries or associated undertakings, when the directorship arises from the Group's shareholding in such company.

Directors who cease to be members of the Bank's board may not offer their services to any other financial institution competing with the Bank or of its subsidiaries, for two years after leaving, unless expressly authorised by the board. Such authorisation may be denied on the grounds of corporate interest.

Non-executive directors are subject to a system regulating possible conflicts of interest between their private activity and the performance of their duties as BBVA director. The system is governed by the board regulations.

The remuneration system for non-executive directors, bearing in mind the above, comprises the following elements:

### Fixed remuneration

Non-executive directors receive a fixed annual amount for sitting on the BBVA board, and another fixed amount for their membership of different committees. Chairing a committee is given a higher weighting, and the amount for all committee members reflects the different duties of each committee.

The board of directors periodically reviews these fixed components in order to ensure they keep up with changing market circumstances and any changes in the kind of duties that the BBVA directors perform.

The amounts are given below:

ITEMS	2007	2006
For belonging to the board of directors	128,717 €	119,183 €
For belonging to the Executive committee	166,741 €	151,583 €
For chairing the Audit & Compliance committee	178,501 €	162,273 €
For chairing the Risk committee	213,840 €	194,400 €
For chairing the Audit & Compliance committee	107,100 €	97,364 €
For membership of the Audit & Compliance Committee	71,400 €	64,909 €
For membership of the Risks committee	106,920 €	97,200 €
For membership of the Appointments & Remuneration committee	42,840 €	38,946 €

The remuneration payable to the non-executive directors during 2007 is detailed below, broken down by their respective committee membership and posts.

Non-executive director	Board	Executive committee	Audit & Compliance committee	Risks Committee	Appointments & Remuneration committee	Total 2007
Tomás Alfaro Drake	123,954 €	0 €	68,154 €	0 €	0 €	192,108 €
Juan Carlos Álvarez Mezquiriz	123,954 €	159,168 €	0 €	0 €	40,890 €	324,012 €
Rafael Bermejo Blanco	104,090 €	0 €	129,825 €	77,760 €	0 €	311,675 €
Richard C. Breeden	336,960 €	0 €	0 €	0 €	0 €	336,960 €
Ramón Bustamante y de la Mora	123,954 €		68,154 €	102,060 €	0 €	294,168 €
José Antonio Fernández Rivero <sup>(1)</sup>	123,954 €	0 €	0 €	204,120 €	0 €	328,074 €
Ignacio Ferrero Jordi	123,954 €	159,168 €	0 €	0 €	40,890 €	324,012 €
Román Knörr Borrás	123,954 €	159,168 €	0 €	0 €	0 €	283,122 €
Carlos Loring Martínez de Irujo	123,954 €	0 €	68,154 €	0 €	102,240 €	294,348 €
Enrique Medina Fernández	123,954 €	159,168 €	0 €	102,060 €	0 €	385,182 €
Susana Rodríguez Vidarte	123,954 €	0 €	68,154 €	0 €	31,155 €	223,263 €
<b>T O T A L<sup>(2)</sup></b>						<b>3,296,924 €</b>

<sup>(1)</sup> José Antonio Fernández Rivero in 2007, apart from the amounts detailed in the table above, also received € 652,000 for early retirement from his previous management responsibilities in BBVA.

<sup>(2)</sup> Moreover, Ricardo Lacasa Suárez and Telefónica de España, S.A., left their directorships on 28th March 2007 and 16th March 2007, respectively. During the year, they received € 95,000 and €30,000, respectively in remuneration of their board membership.

The remunerations payable to non-executive directors during 2006 under the same items was €3,244,192.

During 2007, €85,535 was paid in insurance premiums for policies with the non-executive directors as beneficiaries.

### **Scheme for remuneration with deferred delivery of shares**

As mentioned above, this system of remuneration with deferred delivery of shares was approved by the BBVA AGM, 18<sup>th</sup> March 2006. As part of the non-executives' remuneration, it allocates them a number of theoretical shares each year, which will be effectively delivered to them as BBVA shares on the date on which they leave the board for any cause other than dereliction of duties.

The annual number of theoretical shares allocated to non-executive directors as beneficiaries of the system shall be equivalent to 20% of the total remuneration payable the previous year to the non-executive director, according to the average closing price of BBVA stock over the 60 stock-exchange trading sessions prior to the dates of the respective AGMs that approve the financial statements for each year.

This system substituted the previous scheme the BBVA had. The aforementioned AGM resolved, when it established the remuneration system with deferred delivery of shares, to allow the non-executive directors with entitlements acquired under the previous scheme to convert them into theoretical shares at a price of €15,306, ie, the average closing price of the BBVA share during the 60 trading sessions prior to the date on which the board of directors called the AGM that approved the system.

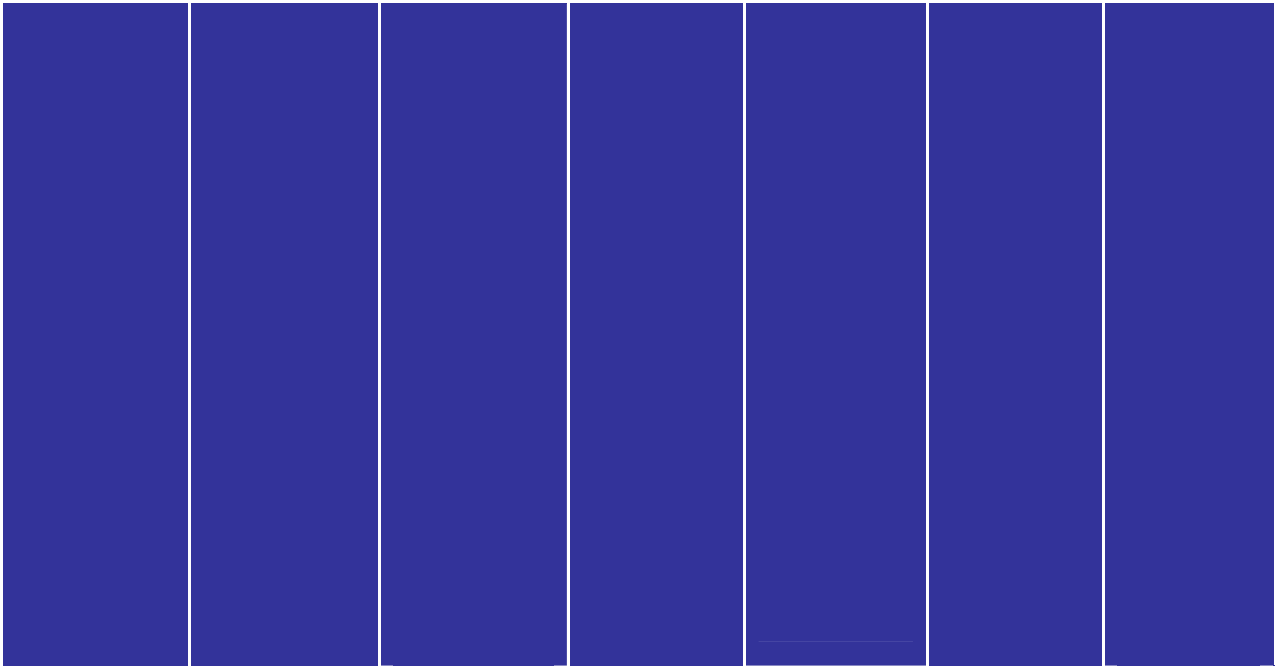
The number of theoretical shares allocated to each of the non-executive directors in 2007 as beneficiaries of the system, and the total number of theoretical shares accumulated are shown in the following table:

Director	Theoretical shares 2007	Theoretical shares accumulated
Tomás Alfaro Drake	1,407	1,407
Juan Carlos Álvarez Mezquiriz	3,283	19,491
Ramón Bustamante y de la Mora	2,982	19,923
José Antonio Fernández Rivero	3,324	9,919
Ignacio Ferrero Jordi	3,184	20,063
Román Knörr Borrás	2,871	15,591
Carlos Loring Martínez de Irujo	2,778	7,684
Enrique Medina Fernández	3,901	28,035
Susana Rodríguez Vidarte	1,952	10,511
Total	25,682	132,624

This long-term remuneration system is in line with international tendencies in corporate governance, since the theoretical shares allocated to the directors are not materialised until the moment they leave their post, providing this is not due to a breach of duty. Where there is such breach, the director would not receive any payment under this item.







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All figures in thousand euros (€k).

(\*) *Executive directors:* Total remuneration is the sum of annual fixed remuneration and variable remuneration paid in any year. The part corresponding to the pluri-annual Incentive for 2003, 2004 and 2005 paid in 2006 has not been included in these figures. The amounts in question were: chairman & CEO (€5,294,000); president & COO (€4,438,000); company secretary (€1,351,000), which when annualised is equivalent to 0,234% of the 2006 net attributable profit..

	2007	2006	2005
Attributable profit	6,126,369 €	4,735,879 €	3,806,425 €

All figures in thousand euros (€k).

## Executive summary of the annual remuneration items payable to the members of the Board of Directors

### Executive directors

<sup>(\*)</sup> The variable remuneration figure for 2007 did not include the part corresponding to 2007 from the pluri-annual incentive 2006 – 2008, which will be paid in 2009.

<sup>(\*\*)</sup> The figure for the 2006 remuneration does not include the part corresponding to 2007 from the pluri-annual incentive 203, 2004 and 2005, paid in 2009. This figure was € 5,294,000 for the chairman & CEO; €4,438,000 for

Director	Fixed remuneration	Variable remuneration (*)	Total 2007	Total 2006 <sup>(**)</sup>
<b>Francisco González Rodríguez</b>	1,827,209 €	3,254,892 €	5,082,101 €	4,484,649 €
<b>José Ignacio Goirigolzarri Tellaache</b>	1,351,136 €	2,730,163 €	4,081,299 €	3,590,776 €
<b>José Maldonado Ramos</b>	622,143 €	793,771 €	1,415,914 €	1,284,198 €

the president & COO and €1,351,000 for the company secretary.

Director	Other benefits 2007	Other benefits 2006
<b>Francisco González Rodríguez</b>	7,753 €	7,648 €
<b>José Ignacio Goirigolzarri Tellaache</b>	14,459 €	13,975 €
<b>José Maldonado Ramos</b>	10,534 €	15,048 €

## Non-executive directors

Non-executive director	Board	Executive committee	Audit & Compliance committee	Risks Committee	Appointments & Remuneration committee	TOTAL 2007
Tomás Alfaro Drake	123,954 €	0 €	68,154 €	0 €	0 €	192,108 €
Juan Carlos Álvarez Mezquiriz	123,954 €	159,168 €	0 €	0 €	40,890 €	324,012 €
Rafael Bermejo Blanco	104,090 €	0 €	129,825 €	77,760 €	0 €	311,675 €
Richard C. Breeden	336,960 €	0 €	0 €	0 €	0 €	336,960 €
Ramón Bustamante y de la Mora	123,954 €	0 €	68,154 €	102,060 €	0 €	294,168 €
José Antonio Fernández Rivero(*)	123,954 €	0 €	0 €	204,120 €	0 €	328,074 €
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Román Knörr Borrás	123,954 €	159,168 €	0 €	0 €	0 €	283,122 €
Carlos Loring Martínez de Irujo	123,954 €	0 €	68,154 €	0 €	102,240 €	294,348 €
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Susana Rodríguez Vidarte	123,954 €	0 €	68,154 €	0 €	31,155 €	223,263 €
<b>T O T A L(**)</b>						<b>3,296,924 €</b>

<sup>d)</sup> José Antonio Fernández Rivero in 2007, apart from the amounts detailed in the table above, also received € 652,000 for early retirement from his previous management responsibilities in BBVA.

<sup>(\*)</sup> Moreover, Ricardo Lacasa Suárez and Telefónica de España, S.A. left their directorships on 28th March 2007 and 16th March 2007, respectively. During the year, they received €95,000 and €30,000, respectively in remuneration of their board membership.

The remuneration paid to non-executive directors during 2006 was €3,244,192.