
# BBVA Directors' Remuneration Policy

February 2019

BBVA Creating Opportunities

CONTENTS

# I. Remuneration Policy

## 1. Background and regulatory framework

The remuneration policy for the directors of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "**BBVA**", the "**Bank**" or the "**Entity**") has been designed within the framework of Spanish commercial legislation, as set out in Legislative Royal Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act (the "**Corporate Enterprises Act**"), as well as in specific regulations applicable to credit institutions, mainly laid down in Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**") and its implementing legislation, and in accordance with the provisions of the Bylaws, also considering best practices and recommendations at both national and international levels.

The Bank's General Shareholders' Meeting held on 13 March 2015 approved the remuneration policy for BBVA directors for the years 2015, 2016 and 2017 (by 95.41% favourable votes). This policy was already fully in line with the requirements established by both the Corporate Enterprises Act and Act 10/2014, which transposed into Spanish law Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**"), which contains specific regulation concerning the remuneration systems of credit institutions with respect to the remuneration of certain employees with material impact on the institution's risk profile, among which members of the Board of Directors are included.

Notwithstanding the aforementioned, new regulations on remuneration matters published in 2016, along with developments in market practices, the outcome of the dialogue between BBVA and its investors and the nature of the Bank's Corporate Governance System, which is under constant development and improvement, led the Remunerations Committee to conduct a review of the applicable remuneration policy and the overall compensation system, assessing the convenience of adopting a new policy.

Based on the foregoing, the Board of Directors, at the proposal of the Remunerations Committee, submitted to the General Meeting, held on 17 March 2017, the approval of a new remuneration policy applicable to BBVA directors for the years 2017, 2018 and 2019. This policy was approved by 96.54% favourable votes.

In 2019, the Board of Directors, at the proposal of the Remunerations Committee, has deemed it convenient to submit an update of the policy approved in 2017 to consideration by the General Meeting, which maintains the same remuneration system that was established therein and includes the adjustments made in the contractual conditions of the new Group Executive Chairman and Chief Executive Officer, arising from their positions and functions, and likewise including certain technical improvements, all with the aim of offering shareholders and the market the highest level of transparency and clarity in the remuneration scheme applicable to directors.

This Remuneration Policy for BBVA Directors (hereinafter, the "**BBVA Directors' Remuneration Policy**" or the "**Policy**") shall be applicable for the years 2019, 2020 and 2021.

## 2. Decision-making process

Within the framework of BBVA's Bylaws, the Board Regulations empower the Board to adopt decisions pertaining directors' remuneration, as well as, in the case of executive directors, the remuneration for their executive functions and the remaining conditions to be respected in their contracts.

Among the elements that make up the Bank's Corporate Governance System, BBVA's Board of Directors has set up different Committees to assist it in matters falling within its remit, in order to better perform its functions. Amongst these, the Remunerations Committee is the body that assists the Board in matters related to remuneration, as set out in the Board Regulations, ensuring observance to the remuneration policy established by the Bank.

The Remunerations Committee comprises a minimum of three members appointed by the Board of Directors. All members must be non-executive directors and the majority must be independent directors, including the Chair.

This Committee meets as often as necessary to perform its functions, as convened by its Chair; and its functions are set out in the Regulations of the Board of Directors.

Thus, BBVA's Corporate Governance System is configured so that remuneration proposals submitted to the Bank's Board of Directors for consideration generally originate from the Remunerations Committee, which previously analyses, debates and determines them.

As part of the decision-making process for remuneration matters, the Remunerations Committee is assisted by the Board's Risk Committee, which, in accordance with the Board Regulations, participates in the process of establishing the remuneration policy, verifying that it is consistent with sound and effective risk management and that it does not provide incentives to undertake risks exceeding the levels tolerated by the Entity.

In any case, decisions regarding directors' remuneration will be submitted to the Bank's General Shareholders' Meeting for approval if so required by law.

## 3. General principles of the BBVA Group Remuneration Policy

The BBVA Directors' Remuneration Policy is based on the same principles contained in the BBVA Group Remuneration Policy, which is geared towards the recurring creation of value for the Group, seeking at the same time alignment between the interests of its employees and shareholders with sound risk management.

The policy is one of the elements devised by the Board of Directors as part of BBVA's Corporate Governance System to guarantee adequate management of the Group, and it is based on the following principles:

- long-term value creation;
- reward achievement of results on the basis of sound and responsible risk-assumption;
- attract and retain the best professionals;
- reward the level of responsibility and professional track record;
- ensure internal equity and external competitiveness; and
- ensure transparency of the remuneration model.

BBVA has defined its remuneration policy on the basis of these general principles, taking into consideration compliance with legal requirements applicable to credit institutions and in the different sectors in which it operates, as well as alignment with best market practices, while including mechanisms devised to reduce exposure to excessive risks and to adjust remuneration to the Group's objectives, values and long-term interests.

Therefore, the BBVA Group Remuneration Policy is guided by the following premises:

- ✓ it is consistent with and promotes sound and effective risk management, and does not provide incentives to encourage risk-taking that exceed the levels tolerated by BBVA Group;
- ✓ it is in line with BBVA Group's business strategy, objectives, values and long-term interests, and will include measures to prevent conflicts of interest;
- ✓ it provides a clear distinction between the criteria for determining fixed remuneration and variable remuneration.

On the basis of these principles, BBVA has a specific remuneration policy applicable to those categories of staff whose activities have a significant impact on the Group's risk profile (hereinafter, the "**Identified Staff**"), which is in line with the regulations and recommendations applicable to remuneration schemes for this staff.

## 4. BBVA Directors' Remuneration Policy

### 4.1 General framework

In accordance with BBVA's Bylaws, the BBVA Directors' Remuneration Policy distinguishes between the remuneration system applicable to non-executive directors and the system applicable to executive directors.

The remuneration system for **non-executive directors**, in accordance with article 33º bis of the Bylaws, is based on the criteria of responsibility, dedication and incompatibilities inherent to the role that they undertake, and consists of a **fixed remuneration** which comprises the following elements:

- An annual allocation in cash, to be determined by the Board of Directors, taking into account the conditions of each director, the functions and responsibilities attributed by the Board and their membership to the various Committees, which may give rise to different remunerations for each non-executive director; the Board likewise being responsible for determining the frequency and method of payment of the remuneration.
- Insurance and pension systems established at any given time.
- A deferred remuneration in shares, approved by the General Meeting, which is implemented through the annual allocation to each non-executive director of a number of BBVA "theoretical shares", equivalent to 20% their annual cash remuneration received the previous year. These BBVA shares will vest, where applicable, after they leave directorship on grounds other than serious breach of duties.

As regards **executive directors**, they have a remuneration system of their own, defined in accordance with best market practices, which concepts are set forth in article 50º bis of the Bylaws and which correspond to those generally applicable to members of the Bank's Senior Management.

Therefore, the remuneration system for executive directors comprises the following elements:

- A fixed remuneration, which takes into account the level of responsibility and the functions carried out and constitutes a significant portion of their total compensation. Fixed remuneration shall include the salary (or annual fixed remuneration) and may include other fixed components, such as allowances or remuneration in kind, in line with those that may be recognized to the Senior Management.
- A variable remuneration, the amount of which will be determined on the basis of the level of achievement of pre-established targets, linked to the Group's results, to long-term value creation and to the performance of the functions carried out. This remuneration will be subject to the settlement and payment system applicable to the remaining Identified Staff members, in a manner compatible with effective risk management, and with the specific features applicable to executive directors, as set out in this Policy.
- Incentive schemes that may generally be established for Senior Management.
- A welfare portion, which may include appropriate pension systems and insurance.

The remunerations, entitlements and economic rewards of each executive director, which will strive to be competitive in relation to the remuneration applied to equivalent functions in leading peer institutions, will be reflected in their respective contracts, which are approved by the Board of Directors. The main conditions of the contracts of the executive directors are the following:

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

Below is a detailed explanation of the different components comprising, as of the date of this Policy, the remuneration system of members of BBVA's Board of Directors.

## 4.2 Remuneration system applicable to non-executive directors

The remuneration system for non-executive directors, in accordance with the general framework described above, consists of a fixed remuneration and does envisage payment of variable remunerations. Their remuneration system is made up of the following components:

### a) Annual fixed remuneration in cash

Pursuant to article 33º bis of the Bylaws, the General Meeting shall set the total annual allocation that the Bank may grant to directors in such capacity, and the Board of Directors is, in turn, responsible for distributing this amount, according to the criteria described below, with powers to reduce the amount any year if deemed appropriate.

To this end, the General Meeting[1] resolved to set the aggregate annual allocation, payable by the Bank to directors in their conditions as such, at six million euro (€ 6,000,000). This amount shall remain in force until the General Meeting resolves to change it, and expressly excludes the remuneration of the Bank's executive directors, which will be governed by what is established in article 50º bis of the Bylaws.

Non-executive directors will therefore receive a fixed annual amount in cash as member of the Board and of the various Committees, where applicable, as well as for the performance of any other functions or responsibilities that they may be attributed in the framework of the Bank's Corporate Governance System.

In accordance with the foregoing, the Board of Directors, at the proposal of the Remunerations Committee, may establish a different remuneration associated to membership of the various

[1] Resolution of the General Shareholders' Meeting held on 16 March 2012.

Board Committees, to the role of Chair of said Committees, or to the role of Lead Independent Director.

The relative amount will be set by the Board, at the proposal of the Remunerations Committee, according to the nature of the functions attributed and the dedication and responsibility required in each case.

Non-executive directors may also be beneficiaries of healthcare and accident insurance policies taken out by the Bank, which pays the relevant premiums, and which are attributed to the directors as remuneration in kind.

In any event, breakdown of the amounts paid to non-executive directors during the corresponding financial year will be included in Annual Report on the Remuneration of Directors, which is submitted each year to consideration by the General Meeting.

### b) Remuneration system with deferred delivery of shares

The Bank also has a remuneration system in BBVA shares with deferred delivery to non-executive directors, which has been approved by the General Meeting[2].

This system comprises the annual allocation to non-executive directors, as part of their fixed remuneration, of a number of "theoretical shares" of the Bank, which will vest, where applicable, after they leave directorship on grounds other than serious breach of duties.

The annual number of "theoretical shares" to be allocated to each non-executive director shall be equivalent to 20% their total remuneration in cash received the previous year, according to the average closing prices of the BBVA share during the 60 trading sessions prior to the Annual General Shareholders' Meetings approving the corresponding financial statements for each financial year.

Breakdown of the "theoretical shares" allocated to each non-executive director under this system are included in Annual Report on the Remuneration of Directors, which is submitted each year to the General Meeting for consideration.

### New non-executive directors

This same remuneration system will apply to any new non-executive directors that may be appointed during the term of this Policy.

[2] Approved by the General Meeting held on 18 March 2006, initially extended by the General Meeting held on 11 March 2011 and, subsequently, for a further 5-year term, by the General Meeting held on 11 March 2016.

## 4.3 Remuneration system applicable to executive directors

Of the 15 members that comprise BBVA's Board of Directors on the date of this Policy, the following three members hold executive directorships:

| Executive Director | Position |
|---|---|
| **Carlos Torres Vila** | Group Executive Chairman |
| **Onur Genç** | Chief Executive Officer (*Consejero Delegado*) |
| **José Manuel González-Páramo Martínez-Murillo** | Head of Global Economics & Public Affairs ("**Head of GE&PA**") |

The remuneration system for executive directors has the following components:

### a) Annual fixed remuneration

The annual fixed remuneration of each executive director corresponds to the salary or basic remuneration received annually for the performance of their executive functions. This remuneration reflects the level of responsibility of said functions and is not in any way linked to variable parameters or to the results achieved (hereinafter, the "**Annual Fixed Remuneration**").

- The Annual Fixed Remuneration of each executive director will be set by the Remunerations Committee and submitted to the Board of Directors for subsequent approval.

- For the purposes of determining this remuneration and its potential updates, the Remuneration Committee shall take into account the assigned functions and level of responsibility of each executive director. It shall likewise consider market analysis carried out by leading independent consultancy firms in order to establish compensations which are appropriate to the functions performed, are competitive in the market, and are aligned with those of peer institutions. Other factors shall also be considered, such as average increases of the remuneration of members of Senior Management.

Pursuant to the above, the Board of Directors, at the proposal of the Remunerations Committee, has resolved to approve the following Annual Fixed Remuneration amounts for each executive director:

| Executive Director | Annual Fixed Remuneration (in euro) |
|---|---|
| **Group Executive Chairman** | 2,453,000 |
| **Chief Executive Officer** | 2,179,000 |
| **Head of GE&PA** | 833,970 |

These amounts shall remain fixed unless the Board of Directors resolves to update them, where applicable, pursuant to the aforementioned criteria. In the event that such updates take place, these will be stated in the Annual Report on the Remuneration of Directors, which is yearly submitted to consideration by the General Meeting.

In any case, the Annual Fixed Remuneration of each executive director may not be subject to an increase greater than an average, during the term of the Policy, of an annual 5% with respect to the Annual Fixed Remuneration established in this Policy. Notwithstanding the foregoing, the indicated increase may be higher for one or more executive directors when, in application of the relevant regulation or supervisory requirements or recommendations that may applicable, and at the proposal of the Remunerations Committee, an adjustment of their remuneration mix is deemed necessary and, in particular, their Target Annual Variable Remuneration[3], in view of the functions performed; without these determining an increase in their total remuneration.

### b) Variable remuneration

The variable remuneration of each executive director is based on an incentive, which is granted annually and which reflects their performance measured on the basis of the level of achievement of objectives established to measure the results achieved in each year, according to the strategic priorities defined by the Group and considering also the risk incurred.

The annual variable remuneration for each executive director shall be calculated on the basis of:

- annual performance indicators (financial and non-financial) which take into account strategic priorities defined by the Group, as well as current and future risks;
- the corresponding scales of achievement, according to the weighting assigned to each indicator and based on the targets associated; and
- a target annual variable remuneration, which represents the amount of annual variable remuneration if 100% of the pre-established targets are met ("**Target Annual Variable Remuneration**");

All of the above as established annually by the Board of Directors, at the proposal of the Remunerations Committee.

The annual financial performance indicators will be aligned with the Group's most relevant management metrics, appropriate to their respective functions, related, among others, to the capacity to generate profits, efficiency, return on capital, value creation and current and future risks implicit in results. As regards non-financial indicators, they will be related to strategic targets defined at Group level, such as the degree of customer satisfaction or digital sales, and, where applicable, individual of each executive director (hereinafter, the "**Annual Performance Indicators**").

[3] The Target Annual Variable Remuneration is defined in the following section.

The amount resulting each year shall constitute the annual variable remuneration of each executive director, which shall be determined by the Remunerations Committee and submitted to the Board of Directors for approval (hereinafter, the "**Annual Variable Remuneration**").

Ex ante adjustments to the Annual Variable Remuneration

- ✓ The Annual Variable Remuneration for each executive director will not accrue, or will accrue in a reduced amount, should a certain level of profit and capital ratio not be obtained.

- ✓ Likewise, the Annual Variable Remuneration will be reduced at the time performance is measured, in the event of a downturn in the Group's results or other parameters, such as the level of achievement of budgeted targets.

In the event of ceasing functions as executive director before the close of the financial year to which the Annual Variable Remuneration corresponds, the executive director will have the right to receive, as a general rule and if conditions are met, the proportional amount of said Annual Variable Remuneration, calculated pro rata for the length of service in said financial year; and will be subject, in all cases, to the same settlement and payment system that would apply had the executive director remained in his position, as specified in the terms in this Policy. The above will not be applicable in the event of termination due to serious breach of duties, in which case no Annual Variable Remuneration will be awarded, all pursuant to the terms established in each case by the Board of Directors.

## Balance between fixed and variable remuneration

The Board of Directors has established "target" ratios between the Annual Fixed Remuneration and the Target Annual Variable Remuneration for BBVA's executive directors, which take into account the functions carried out by each executive director and their impact on the Group's risk profile, and are aligned with the ratios established, in general terms, for the remaining Identified Staff members.

The "target" ratios established for executive directors for the term of this Policy, are as follows:

| Executive Director | Annual Fixed Remuneration | Target Annual Variable Remuneration |
|---|---|---|
| **Group Executive Chairman** | 45% | 55% |
| **Chief Executive Officer** | 45% | 55% |
| **Head of GE&PA** | 70% | 30% |

## Settlement and payment system of the variable remuneration of executive directors

The Annual Variable Remuneration of each executive director, determined as set out above, shall be subject to the settlement and payment system applicable to the Identified Staff, with certain particularities applicable to executive directors.

Thus, the settlement and payment system of executive directors includes the following features:

Deferral rules

- 60% of the Annual Variable Remuneration will be deferred for a period of five (5) years, pursuant to the scheme described hereunder.

Payment in shares

- The upfront portion of the Annual Variable Remuneration will be divided in equal portions in cash and in BBVA shares, while the deferred portion will be divided 60% in BBVA shares and the 40% in cash.

Ex-post adjustments

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

Malus and clawback arrangements

- The entire Annual Variable Remuneration will be subject to malus and clawback arrangements, in the same terms applicable to the remaining Identified Staff members, as stipulated hereunder.

Updating criteria

- The deferred amounts of Annual Variable Remuneration in cash and subject to Multi-year Performance Indicators which finally vest will be subject to updating, applying the Consumer Price Index (CPI), measured as the year-on-year change in prices, or any other criteria established for such purpose by the Board of Directors.

Retention period for shares

- Shares received as Annual Variable Remuneration will be withheld for a one-year period after delivery, except for those shares which sale would be required to honour the payment of taxes accruing on the shares delivered.

<u>Hedging prohibitions</u>

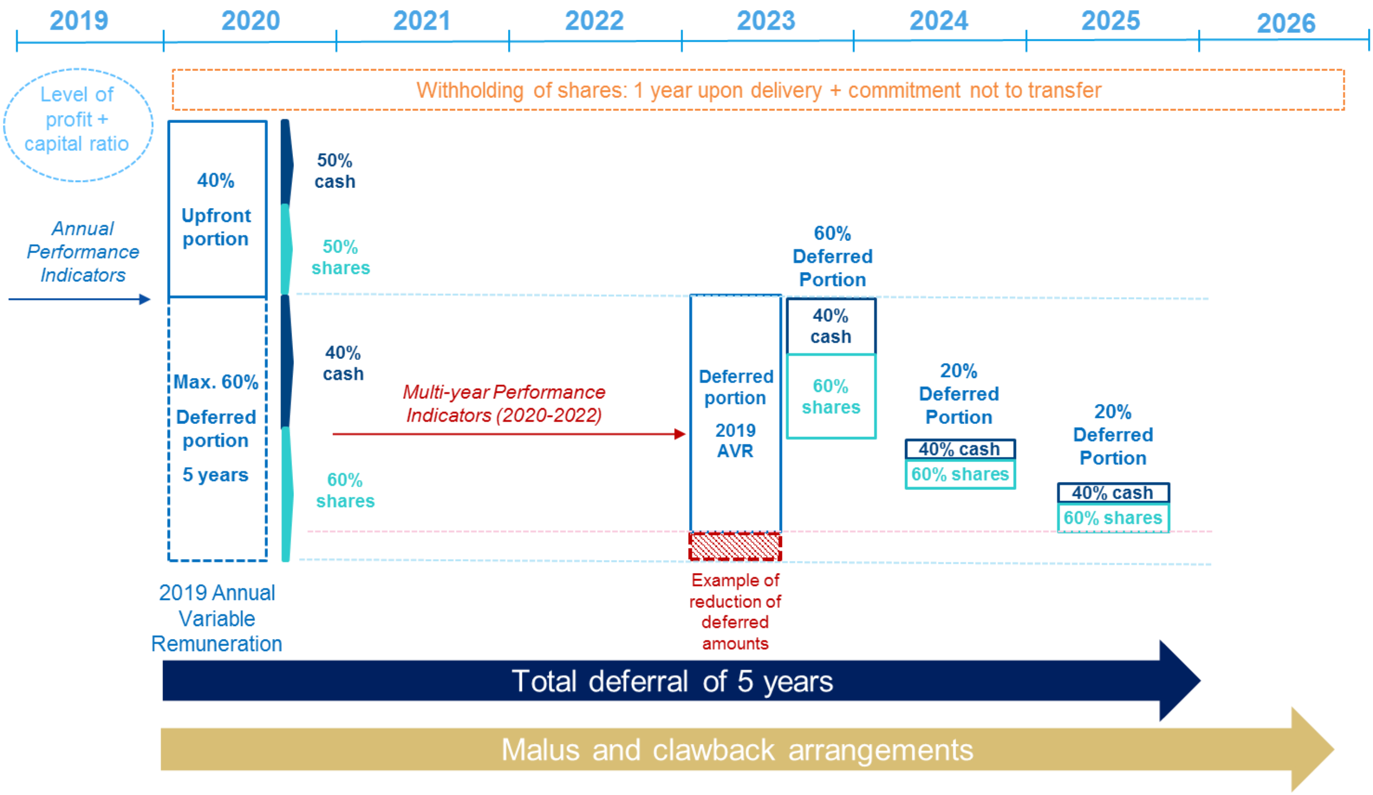
- No hedging strategies or insurance may be carried out by executive directors in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management.

<u>Limitation of variable remuneration</u>

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

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

A graphic example of the settlement and payment system for the Annual Variable Remuneration of BBVA's executive directors, as described in this Policy, is represented below, taking the year 2019 as reference:




Under this system, the upfront payment of the Annual Variable Remuneration shall be made, if conditions are met, upon approval by the Board of Directors and, as a general rule, in the first quarter of year following the year of accrual, and the shares delivered will be subject to a one-year retention period.

The deferred portion of the Annual Variable Remuneration for each executive director will be subject to ex-post adjustments, based on the results of the Multi-year Performance Indicators established for each financial year, to be calculated over the first three (3) years of the deferral period.

The Multi-year Performance Indicators will have scales of achievement associated, which will be established by the Board of Directors, at the proposal of the Remunerations Committee and following analysis by the Risk Committee, once the Annual Variable Remuneration has been determined for each financial year.

In the event that the targets set for each of the Multi-year Performance Indicators are not achieved, the deferred portion of the Annual Variable Remuneration may be reduced, even in its entirety, yet never be increased.

Thus, the result of the Multi-year Performance Indicators will determine whether or not a downward ex-post adjustment shall be made to the deferred portion of Annual Variable Remuneration and, therefore, the final amount of the deferred Annual Variable Remuneration to be paid to each executive director, if conditions are met, which will vest under the following schedule:

- 60% after the third year of deferral;
- 20% after the fourth year of deferral; and
- 20% after the fifth year of deferral.

Notwithstanding the foregoing, the entire Annual Variable Remuneration of each executive director will be subject to **malus** and **clawback** arrangements, in the same terms as for the rest of the Identified Staff, and as follows:

Up to 100% of the variable remuneration of each executive director corresponding to each financial year shall be subject to malus and clawback arrangements, both linked to a downturn in financial performance of the Bank as a whole, or of a specific unit or area, or of exposures generated by an executive director, when such downturn in financial performance arises from any of the following circumstances:

a) Misconduct, fraud or serious infringement of the Code of Conduct and other applicable internal rules by the executive director;

b) Regulatory sanctions or judicial convictions due to events that could be attributable to the executive director;

c) Significant failure of risk management committed by the Bank or by a business or risk control unit, to which the wilful misconduct or gross negligence of the executive director was a contributing factor;

d) Restatement of the Bank's annual accounts, except where such restatement is due to a change in applicable accounting legislation.

For these purposes, the Bank will compare the performance assessment carried out for the executive director with the ex post behaviour of some of the criteria that contributed to achieve the targets. Both malus and clawback will apply to the Annual Variable Remuneration of the financial year in which the event giving rise to application of the arrangement occurred, and they shall be in force during the entire deferral and retention period applicable to the Annual Variable Remuneration.

Notwithstanding the foregoing, in the event that the above scenarios give rise to termination due to serious and guilty breach of duties of the executive director, malus arrangements may apply to the entire deferred Annual Variable Remuneration pending payment as at the date the termination decision is taken, in light of the extent of the damage caused.

In any case, the variable remuneration will be paid or will vest only if it is sustainable according to the situation of the BBVA Group as a whole, and if justified based on the Bank's results, the business unit and the executive director concerned.

The Board of Directors, prior report of the Remunerations Committee and, where applicable, by the Audit and Compliance Committee, shall determine whether the circumstances leading to the application of malus and clawback arrangements of variable remuneration of executive directors have arisen, and, in this case, and light of the level of achievement of such circumstances the variable remuneration to be reduced or recovered and the manner in which the reduction or the recovery shall apply.

### c) Other fixed remunerations

Other fixed components of the remuneration of executive directors include remunerations in kind, contributions to pension plans[4], where applicable, and any other benefits or allowances which, in general, may be part of the remunerations of Senior Management and are not based on variable parameters.

Executive directors are beneficiaries of healthcare insurance policies taken out by the Bank, which pays the corresponding premiums and which are allocated to the directors as remuneration in kind.

The Bank also pays executive directors other allowances applicable to the Bank's Senior Management, the amounts of which are included in the Annual Report on the Remuneration of Directors.

[4] The portion that does not constitute "discretionary pension benefits" pursuant to this Policy and applicable regulations.

## Benefit schemes

### Retirement

The Bank has undertaken pension commitments to cover the retirement contingencies of Carlos Torres Vila and José Manuel González-Páramo Martínez-Murillo. These include the following main features, which are in line with those applicable to the rest of the Senior Management:

- They are established as defined-contribution schemes, according to which the annual contributions to be made to cover retirement are set in advance.
- They do not provide for the possibility of receiving the retirement pension in advance.
- 15% of the agreed annual contributions will be considered "discretionary pension benefits", pursuant to applicable regulations.

With regard to the Group Executive Chairman **Carlos Torres Vila**, the Board of Directors, at the proposal of the Remunerations Committee, has resolved to maintain the pension framework to which he was entitled to as Chief Executive Officer to cover the retirement, having agreed not to update the amount of the annual contribution. This framework consists of the following:

**Retirement pension**:

- He is entitled to a retirement benefit when he reaches the legally established retirement age, which amount shall result from the sum of the contributions made by the Bank and their corresponding yields up to said date; to be paid as either income or capital, provided that his leave is not due to serious breach of his duties. In the event the contractual relationship terminates before he reaches retirement age for reason other than the aforementioned, he will retain the right to this benefit, which will be calculated on the basis of the total contributions made by the Bank to that date, plus the corresponding cumulative yield, without the Bank having to make any additional contributions.
- The annual contribution to this system, which was determined on the basis of the benefits committed under his previous defined-benefit system and taking into consideration the provision made by the Bank up to 2016 to cover said commitment, amounts to EUR 1,642 thousand.
- The Board of Directors may update the amount of the annual contribution to this retirement benefit during the term of this Policy, as established for the update of the Annual Fixed Remuneration in this Policy.
- 15% of the aforementioned agreed annual contributions to pension commitments shall be based on variable components and be considered "discretionary pension benefits", subject to share delivery, retention and clawback conditions established for these types of benefits in

applicable regulations, as well as those conditions concerning variable remuneration that may be applicable in accordance with this Policy.

With respect to **José Manuel González-Páramo Martínez-Murillo**, he likewise maintains his pension framework in the same terms as were applicable under the previous policy. Thus, as regards the compromises undertaken for retirement:

**Retirement pension**:

- He is acknowledged the right to receive a retirement pension when he reaches the legal retirement age, which amount shall result from the cumulative annual contributions and their corresponding yields up to said date. For this purpose, the contributions regime for each financial year will be the result of applying 30% to the Annual Fixed Remuneration.

- He will be entitled to receive, when he reaches retirement age, as either income or capital, the benefits resulting from the contributions made by the Bank in the terms mentioned above, provided that his leave is not due to serious breach of his duties. In the event that contractual termination is due to voluntary leave before retirement, the benefits will be limited to 50% of the contributions made by the Bank to that date. The Bank's contributions will, in any case, cease at the time of termination.

- 15% of the aforementioned agreed annual contributions to pension commitments shall be based on variable components and be considered "discretionary pension benefits", subject to share delivery, retention and clawback conditions established for these types of benefits in applicable regulations, as well as those conditions concerning variable remuneration that may be applicable in accordance with this Policy.

## Death and disability

The Bank has undertaken welfare commitments to cover disability and death with the three executive directors, in the terms established hereunder.

As regards the Group Executive Chairman, **Carlos Torres**, he maintains the welfare framework he had been acknowledged as Chief Executive Officer, which consist of:

**Widow's and orphan's pension**:

- In the event of death while in office, he is acknowledged an annual widow's pension and an annual orphan's pension for each of his children until they reach the age of 25, of an amount equivalent to 70% and 25% (40% in the event of total orphanhood), respectively, of the Annual Fixed Remuneration, paid from the total fund accumulated for the retirement pension at that time, with the Bank assuming the corresponding annual insurance premiums to top up the benefits coverage.

– The cumulative benefits of the widow’s and orphan’s pensions may not exceed 150% of the Annual Fixed Remuneration.

**Disability pension**:

– He is also acknowledged the right to receive an annual pension in the event of total or absolute permanent disability while in office, of an amount equivalent to the Annual Fixed Remuneration, which will revert to his spouse and children in the event of death in the percentages described above, and with said reversion limited in any case to the disability pension itself. Payment shall be made firstly from the total fund accumulated for the retirement pension at that time, with the Bank assuming the corresponding annual insurance premiums in order to top up the benefits coverage.

**José Manuel González-Páramo Martínez-Murillo** also maintains his pension framework to cover death and disability contingencies, as follows:

**Widow's and orphan's pension**:

– In the event of death while in office, he is acknowledged the right to an annual widow’s pension and an annual orphan’s pension for each of his children until they reach the age of 25, of an amount equivalent to 50% and 20% (30% in the event of total orphanhood) respectively, of the Annual Fixed Remuneration of the previous 12 months, to be paid from the total fund accumulated for the retirement pension at that time, with the Bank assuming the corresponding annual insurance premiums in order to top up the benefits coverage.

– The cumulative benefits of the widow’s and orphan’s pensions may not exceed 100% of the Annual Fixed Remuneration of the previous 12 months.

**Disability pension**:

– He is also acknowledged the right to receive an annual pension in the event of total or absolute permanent disability while in office, of an amount equivalent to 46% of the Annual Fixed Remuneration of the previous 12 months, which will revert to his spouse and children in the event of death in the percentages described above, and with said reversion limited in any case to the disability pension itself. Payment will be made firstly from the total fund accumulated for the retirement pension at that time, with the Bank assuming the corresponding annual insurance premiums to top up the benefits coverage.

As regards **Onur Genç**, the Bank has not undertaken any retirement commitments, but has made commitments to cover disability and death contingencies, in the terms detailed below:

**Widow’s and orphan’s pension**:

– In the event of death while in office, he is acknowledged the right to an annual widow’s pension and an annual orphan’s pension for each of his children until they reach 25 years of age, of an amount equivalent of 50% and 20% (30% in the event of total orphanhood) respectively, of the

Annual Fixed Remuneration of the previous 12 months, with the Bank assuming the corresponding annual insurance premiums to guarantee the benefits coverage.

- The cumulative benefits of the widow's and orphan's pensions may not exceed 100% of the Annual Fixed Remuneration of the previous 12 months.

**Disability pension**:

- He is also acknowledged the right to receive an annual pension in the event of total or absolute permanent disability while in office, of an amount equivalent to 62% of the Annual Fixed Remuneration of the previous 12 months, which will revert to his spouse and children in the event of death in the percentages described above, and with said reversion limited in any case to the disability pension itself, with the Bank assuming the corresponding annual insurance premiums in order to guarantee the benefits coverage.

### Other commitments undertaken with the Chief Executive Officer

In light of his role as senior international executive, **Onur Genç** is entitled to the following fixed allowances:

- An annual amount in cash, in lieu of pension, equivalent to 30% of the Annual Fixed Remuneration in force at any time; and

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

In any case, the amounts of executive directors' remuneration corresponding to a financial year will be included in Annual Report on the Remuneration of Directors, which is yearly submitted to consideration by the General Meeting.

### d) Payments for the termination of contracts

The Bank has no commitments to pay severance indemnity to executive directors.

The contractual framework defined for executive directors establishes a post-contract non-compete agreement for a two-year period after they cease as BBVA executive directors, provided that said leave is not due to retirement, disability or serious breach of duties. As compensation for this agreement, executive directors will receive remuneration of an amount equivalent to one Annual Fixed Remuneration per year of duration, which shall be paid monthly over the course of the two-year duration of the non-compete agreement.

### New executive directors

This remuneration system shall likewise be applicable to any new executive director that may be appointed as member of BBVA's Board of Directors during the term of this Policy, albeit adapted to the functions attributed, the responsibilities undertaken and their professional experience.

In this regard, the Board of Directors shall set a fixed remuneration suitable to these characteristics, in line with the fixed remunerations of current executive directors and in due consideration of the competitive environment comprised by main peer institutions, applying the same variable remuneration system contained in this Policy and other contractual conditions that may be applicable.

The above will also be applicable in the event of amendments to contractual conditions established with current executive directors, in the event of changes in their positions, functions or responsibilities.

The main contractual conditions with potential new executive directors or amendments to the conditions stipulated in the contracts with current executive directors will, in any case, be disclosed in Annual Report on the Remuneration of Directors of BBVA corresponding to the financial year in which they take place.

## 5. Final considerations

The amount of the Annual Variable Remuneration and its link to results shall be yearly included in the Annual Report on the Remuneration of Directors submitted to consideration by the Ordinary General Shareholders' Meeting.

To calculate the share-based portion of the Annual Variable Remuneration, the reference price will be the average closing price of the BBVA share between 15 December of the year to which the Annual Variable Remuneration refers and 15 January of the following year (both inclusive).

The Board of Directors, at the proposal of the Remunerations Committee, shall conduct a regular analysis of the annual and multi-year indicators and their effect on the variable remuneration of beneficiaries, and may make adjustments based on any exceptional circumstances that may arise in the financial years covered by this Policy.

Should any event, circumstance or corporate transaction occur in BBVA that, in the opinion of the Board of Directors, could significantly affect the payment of the deferred portion of the Annual Variable Remuneration, the Board may alter the settlement rules and the payment schedule described in this Policy.

In particular, in the event of a takeover or change in control at BBVA as the result of a public tender offer, the outstanding deferred portion of the Annual Variable Remuneration in shares will be subject to early settlement, with beneficiaries receiving the equivalent of the shares in cash, based on the price offered in the public tender offer.

## 6. Term of the Policy

This Policy will be applicable for the remuneration of BBVA directors for financial years 2019, 2020 and 2021, unless a new resolution is adopted by the General Meeting.

In any event, this Policy will be without prejudice to any payments due to executive directors during these years, corresponding to deferred portions of variable remuneration for prior financial years, which will be subject to the conditions and policies established for said remuneration.

The Board of Directors may interpret this Policy and, in particular, the settlement and payment system for the Annual Variable Remuneration applicable to executive directors, adapting it, where necessary, at the proposal of the Remunerations Committee, to the rules established in applicable regulations, recommendations or best practices or to specific requirements made by supervisors.

## II. Resolution for the delivery of BBVA shares to executive directors

Pursuant to this Policy, a substantial amount of the variable remuneration for executive directors for each financial year, whether deferred or not, shall be paid in shares, provided that the conditions established in this regard have been met.

For the implementation of this Policy in the terms set forth herein, the General Shareholders' Meeting is expressly requested to authorise the delivery of an overall maximum aggregate amount of 4.5 million shares of Banco Bilbao Vizcaya Argentaria, S.A., representing 0.067% of the Bank's current share capital, to the executive directors and for the three-year term of the Policy (allocating a maximum of 1.5 million shares per year of the Policy's term).

For the purposes of delivering the shares, the reference price shall be the average closing price of the BBVA share between 15 December of the year to which the Annual Variable Remuneration refers and 15 January of the following year (both inclusive). The Bank may use any shares that comprise or may comprise its treasury shares, or resort to any other suitable financial system that it determines, to cover these shares.

In any case, receipt of these shares is unconnected to share price trends.