

BBVA

Explanatory Document on the Remuneration of BBVA Directors

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

1. Introduction

Transparency on remuneration is one of the guiding principles of BBVA's general remuneration policy.

In application of this principle, this document is made available to BBVA shareholders for information purposes, aiming to provide a simple and clear explanation of the remuneration policy applicable to the members of BBVA's Board of Directors, as well as of the specific remuneration accrued by each member in 2016, in application of this policy.

This document should be read together with the Annual Report on the Remuneration of Directors in BBVA, which will be submitted to consultative vote at the Bank's next Annual General Shareholders' Meeting, as well as with Note 54 of the Annual Report of BBVA's Consolidated Annual Accounts for the year 2016. Both documents have been made available to shareholders on the Bank's website upon notice of the General Meeting (www.bbva.com).

Additionally, a summary of the new remuneration policy for BBVA directors proposed for the years 2017, 2018 and 2019 is likewise included, which will be submitted for approval at the Bank's next Annual General Shareholders' Meeting.

2. New Remuneration Policy for BBVA Directors for 2017, 2018 and 2019

Under the framework of the remuneration policy applicable to the categories of staff whose activities have a significant impact on the Group's risk profile, among which BBVA's executive directors and senior management are included (hereinafter jointly referred to as the "**Identified Staff**"), and maintaining the general principles that guide the Group's remuneration policy, as well as the clarity and simplicity of the existing remuneration system, the Board of Directors, at the proposal of the Remunerations Committee, has approved a new remuneration policy applicable to BBVA directors for the years 2017, 2018 and 2019, which contains **exclusively for executive directors new features**, among which:

- ✓ A change in the **balance between the fixed and variable components** of remuneration, in line with the rest of the Identified Staff, to better align it with applicable regulations, providing more flexibility to variable remuneration with respect to fixed remuneration. In no case such change entails an increase in the total remuneration of the beneficiaries.
- ✓ An **increase of the deferred component of variable remuneration** (from 50% to 60%) and an **increase in the deferral period** (from 3 to 5 years).
- ✓ An **increase in the share-based component of deferred variable remuneration** (from 50% to 60%), maintaining the upfront payment at a proportion of 50% in cash and 50% in shares.

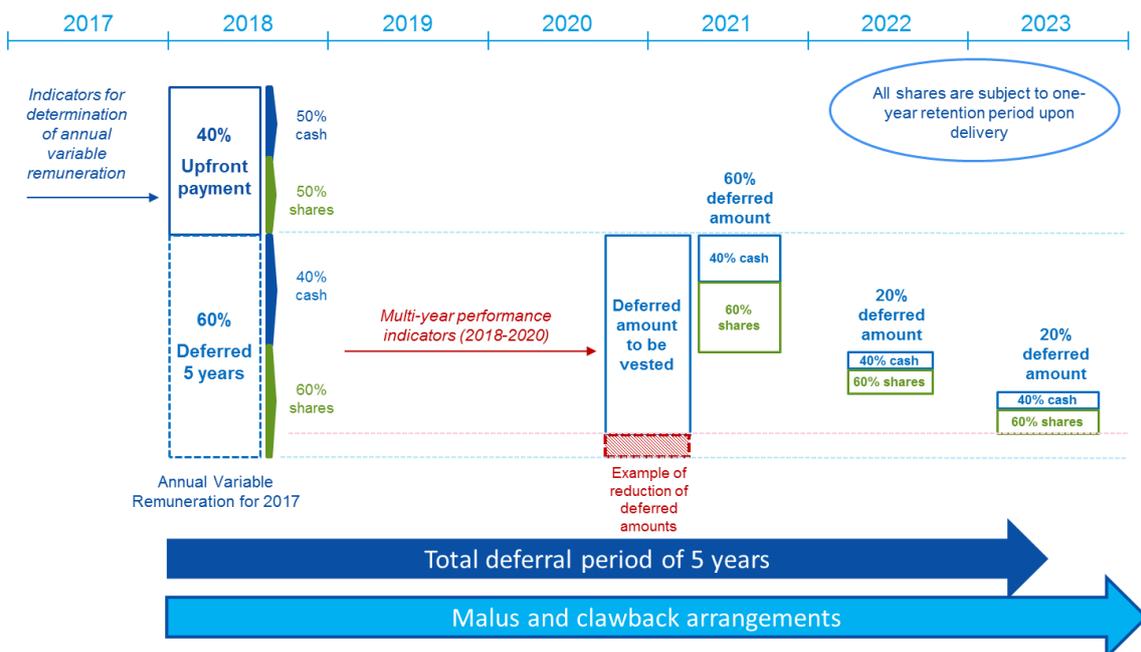
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- ✓ A **review of "malus" and "clawback" arrangements** to better align them with the criteria set forth in new regulations.
- ✓ The inclusion of the **commitment, for executive directors, to retain a number of shares equivalent to twice their annual fixed remuneration** for a period of, at least, 3 years from the time of their vesting. This shall not apply to the transfer of those shares required to honour the payment of taxes.
- ✓ The **transformation of the CEO's defined-benefit pension scheme** into a defined-contribution scheme, determining an annual fixed contribution.
- ✓ Consideration of a **15% of the annual contributions to pension schemes** as "**discretionary pension benefits**", in line with legal requirements.
- ✓ **Modification of the contractual conditions applicable to payments for termination** of contracts of the CEO and the Director of GERPA, replacing the current conditions with a **non-complete clause equivalent to twice the annual fixed remuneration**.

This new policy will be submitted to BBVA's next **Annual General Shareholder's Meeting**, under agenda item six, accompanied by the Remunerations Committee's Report and including the request to the General Meeting of an authorisation to deliver an overall maximum total of 3 million BBVA shares to executive directors to allow for the implementation of the Policy.

Should the new Policy be approved, it will be applicable to the remuneration accrued as of the financial year 2017, with the exception of *malus* and *clawback* arrangements, which will already be applicable from the year 2016, inclusive.

The new remuneration Policy for Directors entails a new scheme for the settlement and payment of variable remuneration of BBVA executive directors, as described in the following **graphic example**, which takes the year 2017 as reference:



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This Policy likewise includes a **description of the remuneration system** applicable to both types of board members, executive and non-executive directors, detailing the different elements that compose each system.

For more information on the new Remuneration Policy for Directors for the years 2017, 2018 and 2019, the full text of the policy proposed, along with the Report issued by the Bank's Remunerations Committee, are available in the company's website (www.bbva.com).

Moreover, the final section of this document includes a comparative chart between the current Policy, applicable to the remuneration awarded in 2016, and the new Policy proposed for 2017, 2018 and 2019.

3. Application of the Remuneration Policy for BBVA Directors in 2016

The Remuneration Policy applicable to BBVA Directors in 2016 was approved by the Annual General Shareholders' Meeting held on 13 March 2015, for the years 2015, 2016 and 2017, by 95.41% of the votes (hereinafter, the "**Policy**" or the "**Remuneration Policy for BBVA Directors**").

A description of the remuneration system applicable to BBVA directors in 2016 in accordance with said Policy is provided hereunder, as well as a breakdown of the individual remuneration awarded to each board member in application of the Policy.

a) Remuneration system applicable to BBVA directors in 2016

Non-executive directors

The remuneration scheme for non-executive directors consists of a **fixed remuneration** which comprises the following elements:

- (i) An annual remuneration in cash for carrying out the role of director and, where applicable, as member of the different Committees;
- (ii) A deferred remuneration in shares, which shall be delivered, where applicable, on the date on which they cease to be directors for any grounds other than serious breach of their duties; and
- (iii) Remuneration in kind.

Concept	Allocation / Updating criteria	Form and time of payment	Maximum annual amount	Adjustments / Condition	Remuneration element
Annual remuneration for carrying out the role of director and, where applicable, as member of a Committee	Responsibility, dedication and incompatibilities inherent to the role The relative amount is set by the Board based on the specific nature duties attributed to each Committee and the dedication required, with greater weight allocated to the role of chairman of each Committee. Art. 33 bis of the Company Bylaws	Cash, monthly payment.	Aggregated annual limit of €6 million, approved by the 2012 AGM	N/A	Fixed
Deferred delivery of BBVA shares	Applicable to all non-executive directors Art. 33 bis of the Company Bylaws	Annual allocation of a number of the Bank's "theoretical shares" Vesting when they cease to be directors	20% of the total annual cash remuneration received in the previous year	Not vested if they cease to be directors due to serious breach of duties	Fixed
Remuneration in kind (e.g. health and accident insurance policies)	Applicable to all directors Article 14 of the Board of Directors Regulations	The Bank pays the relevant premiums, which are attributed to the directors as remuneration in kind	N/A	N/A	Fixed

Executive directors

Concept	Allocation / Update criteria	Form and time of payment	Maximum amount / Contribution	Adjustments / Condition	Remuneration element
Annual Fixed Remuneration	Professional experience, level of responsibility of functions and dedication required	Cash, monthly payment.	Group Executive Chairman: €1,966 thousand	N/A	Fixed
	Competitive within the market		CEO: €1,923 thousand		
			Director of GERPA: €800 thousand		
Remuneration in kind and other social benefits or allowances	Under the framework of article 50 bis of the Company Bylaws and in line with those applicable to senior management	Premiums or payments made by the Bank, as remuneration in kind and/or allowances in cash	N/A	N/A	Fixed
Pension scheme contributions	Contractually arranged for executive directors in accordance with article 50 bis of the Company Bylaws, in line with those applicable to senior management	The Bank makes the corresponding contributions to pension schemes and payments of premiums, as appropriate, to cover the contractually recognised contingencies	Group Executive Chairman: N/A CEO: Defined-benefit based on length of tenure, capped at 85% of the Pensionable Salary ³ . Director of GERPA: Defined-contribution of 20% of his Annual Fixed Remuneration	Conditions provided for in their contracts and, in general, provided that they cease to be directors for any reasons other than serious breach of their duties	Fixed²
Annual Variable Remuneration (AVR)	Result of annual (financial and non-financial) performance indicators according to the corresponding scales of achievement and the weights allocated Targets linked to the results of the Group, long-term value creation, performance of functions carried out	50% AVR in the year following accrual, in equal portions in cash and shares	100% of the fixed component / 200% upon approval by the General Meeting	<ul style="list-style-type: none"> Clawback arrangements Withholding of shares for a one-year period after delivery Hedging prohibition 	Variable
		50% deferred for three years, in equal portions in cash and shares			
Multi-year assessment (3 years)	Targets linked to the Group's fundamental risk metrics, profitability and TSR	Result of the deferred portion (50% AVR) to vest after multi-year assessment after the 3-year deferral period	50% AVR	<ul style="list-style-type: none"> Malus and clawback arrangements Withholding of shares for a one-year period after delivery Hedging prohibition 	Variable

² Notwithstanding Bank of Spain Circular 2/2016, on the supervision and solvency of credit institutions, under which 15% of the annual contributions to pension systems agreed from 2016 with executive directors and BBVA's Senior Management shall be based on variable components and be considered **discretionary pension benefits**, deemed as deferred variable remuneration

³ Calculated on the basis of the average gross annual remuneration received in the previous 24 months as fixed remuneration, plus the average figure of reference for the purposes of the pension corresponding to this same period (**Pensionable Salary**).

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b) Remuneration accrued by BBVA directors in 2016

Non-executive directors

Pursuant to the Policy, the General Meeting shall set the global annual amount that the Bank may grant to directors acting in such capacity. The Board of Directors is responsible for distributing said amount and may reduce it if it deems appropriate. To this end, the Bank's General Shareholders' Meeting held in 2012 resolved to set the aggregated annual amount payable by the Bank to directors acting in their capacity as such at six million euros (€6,000,000). This amount shall remain in force until the General Meeting resolves to change it.

Below is a detail of the **remuneration received by non-executive directors in 2016** in this regard, individually (in thousands of euros):

Remuneration of non-executive directors								
Non-executive directors	Board of Directors	Executive Committee	Audit & Compliance Committee	Risk Committee	Remunerations Committee	Appointments Committee	Technology & Cyber-Security Committee	Total
Tomás Alfaro Drake	129	-	71	-	11	102	25	338
José Miguel Andrés Torrecillas	129	-	179	107	-	31	-	445
José Antonio Fernández Rivero	129	125	-	53	32	10	-	350
Belén Garijo López	129	-	71	-	32	-	-	232
Sunir Kumar Kapoor (1)	107	-	-	-	-	-	25	132
Carlos Loring Martínez de Irujo	129	125	18	80	27	-	-	379
Lourdes Máiz Carro	129	-	71	-	-	31	-	231
José Maldonado Ramos	129	167	-	-	-	41	-	336
José Luis Palao García-Suelto	129	-	-	107	32	10	-	278
Juan Pi Llorens	129	-	54	27	91	-	25	325
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
James Andrew Stott (1)	107	-	-	160	32	-	25	325
Total (2)								3,813

(1) Sunir Kumar Kapoor and James Andrew Stott were appointed directors upon resolution of the Annual General Shareholders' Meeting held on 11 March 2016.

(2) These amounts include the changes in the composition of the Committees during 2016.

In addition, Ramón Bustamante y de la Mora and Ignacio Ferrero Jordi, who ceased as directors on 11 March 2016, received a total amount of €70 thousand and €85 thousand, respectively, as members of the Board of Directors and the different Board Committees.

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Moreover, as indicated, the Policy establishes a **remuneration system in BBVA shares with deferred delivery** to non-executive directors, based on the annual allocation of a number of "theoretical shares" equivalent to 20% of their annual cash remuneration received in the previous year, according to the average closing prices of BBVA share during the 60 trading sessions prior to the dates of the respective Annual General Shareholders' Meeting approving the corresponding financial statements for each year.

The shares will be vested, where applicable, to each beneficiary on the date they cease in their position as directors for any reason other than serious breach of their duties.

The following **"theoretical shares" were allocated in 2016** to non-executive directors who benefited from the remuneration system with deferred delivery of shares:

Non-executive directors	Theoretical shares allocated in 2016	Accumulated theoretical shares as of 31 December 2016
Tomás Alfaro Drake	11,363	62,452
José Miguel Andrés Torrecillas	9,808	9,808
José Antonio Fernández Rivero	12,633	91,046
Belén Garijo López	6,597	19,463
Sunir Kumar Kapoor (1)	-	-
Carlos Loring Martínez de Irujo	10,127	74,970
Lourdes Máiz Carro	5,812	8,443
José Maldonado Ramos	11,669	57,233
José Luis Palao García-Suelto	11,070	51,385
Juan Pi Llorens	9,179	32,374
Susana Rodríguez Vidarte	14,605	78,606
James Andrew Stott (1)	-	-
Total (2)	102,863	485,780

(1) Sunir Kumar Kapoor and James Andrew Stott were appointed directors upon resolution of the Annual General Shareholders' Meeting held on 11 March 2016.

(2) Additionally, Ramón Bustamante y de la Mora and Ignacio Ferrero Jordi, who ceased as directors on 11 March 2016, were allocated 8,709 and 11,151 theoretical shares, respectively.

Finally, during 2016, €132 thousand was paid in **healthcare and accident insurance premiums** for non-executive directors.

Executive directors

2016 Fixed Remuneration

The Board of Directors resolved, at the beginning of the year, to maintain the Fixed Annual Remuneration of executive directors for 2016 in the same amounts of the previous year.

In application of the above, the individual **remuneration received by executive directors in 2016** is as follows:

Executive directors	Annual Fixed Remuneration (thousands of euros)
Group Executive Chairman	1,966
Chief Executive Officer	1,923
Director of GERPA	800

BBVA's executive directors have further received in 2016 the following amounts as **remuneration in kind** and other allowances established generally for the Bank's senior management, such as vehicle renting, insurance, ADSL and other social benefits:

Executive directors	Remuneration in kind and other (thousands of euros)
Group Executive Chairman	17
Chief Executive Officer	139
Director of GERPA	84

The **contributions to the pension schemes** of the CEO and the Director of GERPA in 2016 are detailed in section "Basic contractual conditions of executive directors" below.

2016 Variable Remuneration

The annual variable remuneration of executive directors corresponding to each year is based on one incentive which reflects their performance measured through the level of achievement of objectives that are in line with the risk incurred (the "**Annual Variable Remuneration**").

The Annual Variable Remuneration **for 2016** was calculated based on the **Annual Performance Indicators** and their weights that were established at the beginning of the year by the Board of Directors, at the proposal of the Remunerations Committee. These indicators are the same for all three executive directors except for the strategic indicators, which are not part of the incentive of the Group Executive Chairman.

Annual Performance Indicators for executive directors in 2016

Indicator	Weight		
	Group Executive Chairman	Chief Executive Officer	Director of GERPA
Net Attributable Profit excluding corporate transactions	20%	15%	10%
Risk-adjusted Return on Economic Capital (RAROEC)	20%	15%	10%
Return on Regulatory Capital (RORC)	30%	20%	20%
Efficiency ratio	15%	15%	10%
Operating Income	5%	5%	-
Customer Satisfaction Index (IreNe)	10%	10%	10%
Strategic Indicators	-	20%	40%

The amount of the Annual Variable Remuneration corresponding to the year 2016 was obtained according to the level of achievement of the aforementioned indicators and to the weight allocated to each indicator, and based on the scales of achievement approved for each indicator by the Board of Directors, at the proposal of the Remunerations Committee. These scales take into account budget compliance and the year-on-year variation of the results of each indicator with respect to those obtained in the previous year.

Explanation of the link between 2016 Annual Variable Remuneration and results

In 2016, Net Attributable Profit excluding corporate transactions was affected by the relative impact of "floor clauses" (€404 million) and fluctuations in exchange rates. Both factors have influenced year-on-year comparisons, with Net Attributable Profit down 7.4% from 2015 (+3.6% in constant euros). Excluding the impact of floor clauses, the year-on-year variation would have had a positive increase of 3% (+15.6% in constant euros).

The negative impact of floor clauses and exchange rates on earnings also had a negative effect on capital ratios (RORC and RAROEC) despite the good performance of capital levels.

Thus, risk-weighted assets declined as a result of capital management measures in 2016.

Likewise, the consumption of economic capital has been reduced, offsetting the negative effect of earnings on the RAROEC indicator.

Meanwhile, the Efficiency Ratio improved compared to 2015, supported by the cost-control effort and the restructuring processes.

Finally, Operating Income has been affected by the negative performance of the exchange rate and the lower fees and commissions associated with market activity.

Accordingly, the results of the aforementioned indicators, combined with the targets established at the beginning of the year, have determined the following Annual Variable Remuneration for executive directors:

Indicators	Result 2016	Fulfilment		% over maximum remuneration associated with this indicator
		Goal		
Net Attributable Profit excluding corporate transactions	3,475 thousand euros	●		73.11%
Risk-adjusted Return on Economic Capital (RAROEC)	10.86%	●		84.01%
Return on Regulatory Capital (RORC)	6.45%	●		75.21%
Efficiency ratio	51.89%		●	122.08%
Operating Income	11,862 thousand euros	●		92.06%
Customer Satisfaction Index (IreNe)	77.39	●		77.39%

Based on the results obtained by each indicator and in accordance with the scales of achievement, the breakdown of the Annual Variable Remuneration of executive director for 2016 is as follows:

Result of 2016 Annual Variable Remuneration for executive directors

Executive directors	Annual Variable Remuneration in 2016		% compared to 2015 AVR
	Cash (thousands of euros)	Shares	
Group Executive Chairman	1,469	228,408	-18.2%
Chief Executive Officer	1,182	183,830	11.5% (*)
Director of GERPA	177	27,536	-9.9%

As a result of the application of the scales defined to the results obtained in 2016, the Annual Variable Remuneration for 2016 of the **Group Executive Chairman** and of the **Director of GERPA** have resulted in a negative evolution with respect to 2015, -18.2% and -9.9%, respectively.

(*) For the **Chief Executive Officer**, the variation of his Annual Variable Remuneration was +11.5%. However, his appointment took place in May 2015, thus the Annual Variable Remuneration for 2015 does not correspond, in its full amount, to the position of Chief Executive Officer. In uniform terms, under the hypothesis that he had held the position of Chief Executive Officer for the full financial year 2015, his Annual Variable Remuneration for 2016 would have also decreased by 12.9% compared with the previous year.

This remuneration, in accordance with the applicable settlement and payment system, must be paid **in equal portions in cash and BBVA shares**⁴, with **50%** of the amount **deferred for a period of 3 years** and subject to the Multi-year Performance Indicators approved in 2016 by the Board of Directors, in accordance with the following breakdown:

Director	50% Annual Variable Remuneration (to be received in 2017)		Maximum amount of Annual Variable Remuneration (to vest in 2020)	
	Cash (thousands of €)	Shares	Cash (thousands of €)	Shares
Group Executive Chairman	734	114,204	734	114,204
Chief Executive Officer	591	91,915	591	91,915
Director of GERPA	89	13,768	89	13,768

100% of the Annual Variable Remuneration for 2016 will be subject to the **malus** and **clawback** arrangements established in the Remuneration Policy for BBVA Directors for the years 2017, 2018 and 2019, if approved by the General Shareholders' Meeting, in accordance with the terms established therein.

Deferred 2016 Annual Variable Remuneration

50% of the Annual Variable Remuneration for 2016 of executive directors, in both cash and shares, shall be deferred for a period of 3 years, with accrual and payment subject to the following **Multi-year Performance Indicators**, which may reduce the Annual Variable Remuneration initially deferred even in its entirety, but in no case they shall increase it.

The Multi-year Performance Indicators, approved by the Board of Directors at the proposal of the Remunerations Committee, for the 3-year period beginning 1 January 2017 and ending 31 December 2019 are the following:

Indicator	Weight
Economic adequacy (Economic capital/ERC)	20%
CET 1 Fully Loaded (CET 1: Core Tier 1 capital ratio)	20%
LTSCD (Loan-to-stable customer deposits)	20%
ROE	20%
(Operating Income/Average Total Assets) - (Cost of Risk / Average Total Assets)	10%
TSR	10%

The result of these indicators, **measured over the 3-year deferral period**, in accordance with the weight allocated to each indicator and their scales of achievement, shall

⁴ The share price taken as a reference for the calculation of the Annual Variable Remuneration for 2016, in accordance with the Policy, has been €6.43.

determine the final amount of the deferred portion of Annual Variable Remuneration, which shall be payable in the first quarter of 2020.

In particular, regarding the **TSR (“Total Shareholder Return”) indicator**, the evolution of total return for the Bank's shareholder will be compared with the evolution of that same indicator during the same period for the following **peer group**:

TSR Peer group for 2016 Annual Variable Remuneration	
Banco Santander	Spain
BNP Paribas	France
Société Générale	France
Barclays	United Kingdom
HSBC	United Kingdom
Lloyds	United Kingdom
Deutsche Bank	Germany
Commerzbank	Germany
Unicredito Italiano	Italy
Intesa SanPaolo	Italy
Bank of America	USA
Citigroup	USA
Wells Fargo	USA
Scotiabank	Canada
ING Group	Netherlands

In any case, the Annual Variable Remuneration for 2016 will vest provided that none of the circumstances established in the Policy arise that limit, reduce or prevent its payment (**malus and clawback arrangements**). Shares vested will be subject to the **retention criteria** contained in the Policy and the hedging prohibitions, and the deferred portion will be subject to the corresponding **updating criteria**, all in accordance with the settlement and payment system of Annual Variable Remuneration applicable to BBVA's executive directors.

Basic contractual conditions of executive directors

The contractual conditions **applicable during 2016** to pension commitments with the **Chief Executive Officer** to cover retirement, disability and death, were as follows:

Contingency	Contractual conditions in 2016
Retirement	<p>Annual retirement benefit calculated on the basis of the average gross annual remuneration paid over the previous 24 months before retirement as fixed remuneration, plus the average figure of reference for the purposes of the pension corresponding to this same period ("Pensionable Salary").</p> <p>Amount depending on the effective length of tenure, capped at 85% on the Pensionable Salary.</p> <p>If the CEO had ceased to hold his position for any reason other than his own will, retirement, disability or serious breach of duty, he could have taken early retirement with a pension calculated on the basis of the provisions that, according to current actuarial criteria applicable at that moment, the Bank might have made to said date in fulfillment of the pension commitments for retirement, though in no case whatsoever would this commitment have bound the Bank to make additional provisions. Additionally, this pension could have not exceeded 75% on the pensionable salary should this had occurred before he is 55, and 85% should it had occurred after he had reached said age. This pension may have been paid through a lifelong annuity pension, or by payment of a lump sum.</p>
Death	<p>Annual widow's pension of 50% of the Pensionable Salary for retirement.</p> <p>Annual orphans' pension for children up to the age of 25; 20% of the Pensionable Salary for each child. In no event may the sum of the widow's and orphans' pension may have exceeded 100% of the Pensionable Salary of the CEO at the time of death.</p>
Disability	<p>Same amount as would correspond on reaching the age of retirement should the director become permanently or totally disabled while in performance of his professional duties.</p>

Similarly, the contractual conditions **applicable during 2016** to pension commitments assumed with the **Director of GERPA** to cover retirement, disability and death, were as follows:

Contingency	Contractual conditions in 2016
Retirement	Defined-contribution of 20% of Annual Fixed Remuneration.
Disability	Annual pension of 46% of the Annual Fixed Remuneration over the previous 12 months.
Death	Annual widow's pension of 50% of the Annual Fixed Remuneration of the previous 12 months and annual orphans' pension for children until they reach the age of 25 of 20% of the Annual Fixed Remuneration over the previous 12 months.

Pursuant to the referred conditions, the Bank has made the following provisions (thousands of euros) **in 2016** to cover the contingencies contractually recognised:

Director	Pension payments in 2016 (*) (**)	Accumulated funds as of 31/12/2016
Chief Executive Officer	3,178	16,051
Director of GERPA	310	609

(*) These provisions cover the benefit accrued over the financial year as well as those provisions required by accounting regulations in force, as stated in Note 54 of BBVA's Consolidated Annual Accounts for 2016.

(**) Contains a variable component (in accordance with "discretionary pension benefits" binding rules), which shall vest in the same way as the Annual Variable Remuneration corresponding to 2016, once the result of the corresponding Multi-year Performance Indicators are known, in all case subject to malus and clawback arrangements and other conditions applicable to the variable remuneration pursuant to the Policy in force at any given time.

Changes in the new Policy for 2017, 2018 and 2019

The Remuneration Policy for BBVA Directors that will be submitted to the General Meeting for approval establishes a **new benefits framework** for the Chief Executive Officer and for the Director of GERPA in order to adapt the frameworks in their current contracts to the new regulatory requirements and improve their alignment with best market practices.

- ✓ The "defined-benefit" scheme for the **CEO** has been changed into a **new "defined-contribution" scheme**.
- ✓ The **possibility for the CEO of receiving the retirement pension in advance has been eliminated**.
- ✓ Since 2016, 15% of the annual contributions to benefits systems agreed with the CEO and the Director of GERPA will be considered **"discretionary pension benefits"**.
- ✓ A **2-year non-compete clause** is established, entailing remuneration in an amount equivalent to **twice the Annual Fixed Remuneration**, provided the termination of directorship is not due to death, retirement, disability or serious breach of duties.

Policy for 2017-2019	Amendments to the contractual framework for the Chief Executive Officer
Retirement	Defined-contribution scheme: <ul style="list-style-type: none"> • Entitlement to a retirement benefit, when he reaches the legal retirement age, which shall be the amount arising from the annual contributions made by the Bank and applicable yields at that date. • Annual contribution: €1,642 thousand (subject to update to the same extent as the Annual Fixed Remuneration), determined on the basis of the benefit committed under the previous defined-benefit scheme and taking into consideration the provision made by the Bank to date to cover such commitment. • Entitlement to receive the benefit ("vesting"), upon reaching the age of retirement provided he does not leave his position as CEO due to serious breach of duties. The amount of the benefit shall be the contributions made by the Bank to that date under such terms. • Application of rules on discretionary pension benefits to 15% of the annual contribution.
Death	An annual widow's pension, as well as an orphan's pension for each child until they reach the age of 25, of an amount equivalent to 70% and 25% (40% in the event of total orphaning), respectively, of the Annual Fixed Remuneration.
Disability	Annual pension in an amount equivalent to the Annual Fixed Remuneration, which would revert to his spouse and children in the event of death in the percentages described above.
Post-contractual non-compete clause	Duration: 2 years Amount: Two (2) times Annual Fixed Remuneration

Policy for 2017-2019	Amendments to the contractual framework for the Director of GERPA
Retirement	<ul style="list-style-type: none"> • Defined-contribution of 30% of Annual Fixed Remuneration. • Application of rules on discretionary pension benefits to 15% of the annual contribution.
Post-contractual non-compete clause	Duration: 2 years Amount: Two (2) times Annual Fixed Remuneration

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Comparison between the current Policy (2016) and the new Policy (2017, 2018 and 2019)

	Current Policy	New Policy
Deferral	50% Annual Variable Remuneration	60% Annual Variable Remuneration
	3 years	5 years
Payment in shares	50% Annual Variable Remuneration, both upfront and deferred portions	<ul style="list-style-type: none"> – Upfront payment: 50% in shares and 50% in cash – Deferred portion: 60% in shares and 40% in cash
Retention of shares / Shareholding guidelines	1 year (net of taxes)	<ul style="list-style-type: none"> – 1-year withholding (net of taxes) – Retention of shares equivalent to 2 times Annual Fixed Remuneration for 3 years (net of taxes)
Hedging prohibitions	Over shares	Over shares and cash
Ex ante adjustments	Annual Performance Indicators	<ul style="list-style-type: none"> – Target levels of profit and capital – Annual Performance Indicators
Ex post adjustments	Multi-year Performance Indicators	Multi-year Performance Indicators
	Malus	Malus and Clawback
Pension scheme	Defined-benefit (CEO) Defined-contribution (Director of GERPA)	<ul style="list-style-type: none"> – Defined-contribution (both) – 15% contribution: discretionary pension benefits (both)
Payments for extinction of contractual relationship	Early retirement pension (CEO) Severance payment (Director of GERPA)	Post-contractual non-compete clause: 2 years, 2 times Annual Fixed Remuneration (both)