



BBVA Creando
Oportunidades

Explanatory Document on the Remuneration of BBVA Directors

2018

EXECUTIVE SUMMARY

Non-executive directors' remuneration

Membership of the Board and its Committees (€ thousand):

Non-executive directors	Board of Directors	Executive Committee	Audit & Compliance Committee	Risk Committee	Remuneration Committee	Appointments Committee	Technology & Cyber-Security Committee	Total
Tomás Alfaro Drake	129	-	18	-	43	25	43	258
José Miguel Andrés Torrecillas	129	-	179	107	-	71	-	485
Jaime Félix Caruana Lacorte	75	83	-	53	-	-	25	237
Belén Garijo López	129	-	71	-	107	20	-	328
Sunir Kumar Kapoor	129	-	-	-	-	-	43	172
Carlos Loring Martínez de Irujo	129	167	-	107	43	-	-	445
Lourdes Máiz Carro	129	-	71	-	43	41	-	284
José Maldonado Ramos	129	167	-	53	-	41	-	390
Ana Peralta Moreno	86	-	36	-	21	-	-	143
Juan Pi Llorens	129	-	71	214	-	-	43	457
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
Jan Verplancke	107	-	-	-	-	-	25	132
Total	1,427	584	446	642	257	239	179	3,773

System of fixed remuneration with deferred delivery of BBVA shares:

Non-executive directors	Theoretical shares allocated in 2018	Accumulated theoretical shares as at 31 Dec. 2018
Tomás Alfaro Drake	10,367	83,449
José Miguel Andrés Torrecillas	12,755	36,565
Belén Garijo López	7,865	34,641
Sunir Kumar Kapoor	4,811	8,976
Carlos Loring Martínez de Irujo	11,985	98,876
Lourdes Máiz Carro	7,454	23,160
José Maldonado Ramos	11,176	78,995
Juan Pi Llorens	11,562	54,171
Susana Rodríguez Vidarte	12,425	104,983
Total	90,400	523,816

These shares vest upon termination of directorship not due to serious breach of duties.

Executive directors' remuneration

2018 Annual Fixed Remuneration (€ thousand)	
Francisco González Rodríguez	2,475
Carlos Torres Vila	1,965
José Manuel González-Páramo Martínez-Murillo	834

Onur Genç, appointed as CEO by the Board on 20 December 2018, has not received remuneration in 2018 for this position.

2018 Annual Variable Remuneration – Pay for performance

Annual financial performance indicators 2018 AVR	Results		Level of achievement	
	2018	2017 (*)	Target	%
Net Attributable Profit excluding corporate transactions	€4,701 million	€4,286 million	●	84.03%
Return on Regulatory Capital (RORC)	8.59%	7.96%	●	82.04%
Risk Adjusted Return on Economic Capital (RAROEC)	16.38%	10.40%	●	102.77%
Efficiency Ratio	49.28%	49.92%	●	78.02%

(*) Results approved for remuneration purposes, adjusted for corporate transactions and other.

Non-financial indicators: The level of achievement of the **Net Promoter Score (NPS)** has been 99.1.

Executive directors	2018 AVR (€ thousand) (*)	% change 2017 AVR
Francisco González Rodríguez	2,641	-19.9%
Carlos Torres Vila	2,393	-14.8%
José Manuel González-Páramo Martínez-Murillo	397	-9.1%

(*) Only 40% AVR to vest in the first quarter of 2019.

2015 Deferred Annual Variable Remuneration vesting on 2019 (Performance period 2016-2018)

Multi-year performance indicators 2015 AVR	Results	Level of achievement Target	% reduction in deferred AVR
Economic Adequacy (Economic Capital/ERC)	143%	●	0%
LTSCD (Loan to stable customer deposits)	111%	●	0%
Cost of Risk	0.97%	●	0%
Return on Equity (ROE)	8.0%	●	0%
Relative Total Shareholder Return (TSR)	9 th position	●	10%

Executive directors	Final amount of Deferred Portion 2015 AVR	
	Cash (€ thousand)	BBVA shares
Francisco González Rodríguez	888	133,947
Carlos Torres Vila	525	79,157
José Manuel González-Páramo Martínez-Murillo	97	14,667

At the date of this report, these variable remunerations have not been paid.

Additionally, the Bank has made the **annual contributions to pension schemes**, as set out in page [14](#).

1. INTRODUCTION

Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Company**" or the "**Bank**"), makes available to BBVA shareholders this document, for information purposes, aiming at providing a clear and detailed explanation of the remuneration policy applicable to the members of BBVA's Board of Directors, as well as the specific remuneration resulting from the implementation of said policy.

BBVA has a remuneration policy which applies in general to all employees of the Bank and of its subsidiaries that form part of the consolidated group (the "**BBVA Group Remuneration Policy**"), which is geared towards the recurring generation of value for the Group, likewise seeking to align the interests of its employees and shareholders with sound risk management.

As part of the BBVA Group Remuneration Policy, BBVA has defined a specific remuneration policy applicable to those categories of staff whose activities have a significant impact on the Group's risk profile (the "**Identified Staff**"), which is in line with the regulations and recommendations applicable to remuneration schemes for this group.

In the framework of the above, BBVA has a specific remuneration policy applicable to its directors. The remuneration policy applicable to BBVA directors in 2018 had been approved by the Bank's General Shareholders' Meeting held on 17 March 2017, by 96.54% of the votes (the "**BBVA Directors' Remuneration Policy**" or the "**Policy approved in 2017**"). This Policy is available at the Company's corporate website (link [\[a\]](#)).

The BBVA Directors' Remuneration Policy is fully aligned with legal requirements and best market practices, and incorporates the result of the dialogue between BBVA and its investors as well as the evolution of the Bank's Corporate Governance System.

In 2019, the Board of Directors, at the proposal of the Remunerations Committee, has deemed it convenient to submit for the consideration of the General Shareholders' Meeting an update of the BBVA Directors' Remuneration Policy, which maintains the same remuneration system that was established in the Policy approved in 2017, but includes the adjustments made in the contractual conditions of the Group Executive Chairman and Chief Executive Officer arising from their new positions and functions, as well as certain technical improvements, all in view of offering the shareholders and the market the highest level of transparency and clarity in the remuneration scheme applicable to directors.

This document should be read together with the **Annual Report on the Remuneration of BBVA Directors** (link [\[a\]](#)), 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 Financial Statements for the 2018** (link [\[a\]](#)). Both documents have been made available to shareholders on the Bank's website upon notice of the General Meeting (www.bbva.com).

Results of remuneration resolutions submitted to past AGMs:

Remuneration Policy		Remuneration Report		Ratio 1:2	
AGM	% votes in favour	AGM	% votes in favour	AGM	% votes in favour
2015	95.41%	2015	96.92%	2015	97.94%
2017	96.54%	2016	95.04%	2017	98.39%
		2017	97.40%	2018	97.96%
		2018	95.40%		

As observed, shareholders have repeatedly shown a very significant **percentage of support** for remuneration matters submitted by the Board of Directors; as a result, in light of the support shown by shareholders to the remuneration policy and the remunerations awarded to BBVA Directors, BBVA continues improving the transparency and simplicity of its remuneration schemes, in order to maintain a remuneration policy that is geared to recurring value creation for the Group and for its employees and shareholders.

2. IMPLEMENTATION OF THE BBVA DIRECTORS' REMUNERATION POLICY IN 2018

Below is a description of the remuneration system applicable to BBVA directors in 2018, as well as a breakdown of the individual remuneration corresponding to each director in execution of the Policy approved in 2017, along with, in the case of variable remuneration of executive directors, the link between the Bank's results.

The BBVA Directors' Remuneration Policy distinguishes between the remuneration system applicable to non-executive directors and the system applicable to executive directors.

2.1 Non-executive directors

The remuneration system for non-executive directors, in accordance with article 33 bis of the Bank's Bylaws and the Policy approved in 2017, is based on the criteria of responsibility, dedication and incompatibilities inherent to their role, and consists exclusively of fixed remuneration, which comprises the following components:

Concept	Allocation criteria	Payment	Maximum amount	Adjustments / Condition	Remuneration component
Annual fixed amount for the role of director and, where applicable, for membership of Committees	Relative amount based on the nature of the functions attributed, dedication and responsibility required, as determined by the Board	Cash, monthly payment	Maximum aggregated annual amount of €6 million, approved by the 2012 AGM	N/A	Fixed
Remuneration in kind (e.g. healthcare and casualty insurance policies)	Applicable to all non-executive directors	The Bank pays the relevant premiums, which are attributed to the directors as remuneration in kind		N/A	Fixed
Deferred delivery of BBVA shares	Applicable to all non-executive directors	Fixed compensation based on annual allocation of a number of "theoretical shares" Vesting after termination of directorship	20% of the total annual cash remuneration received in the previous year	Vesting is conditional upon termination of directorship not due to serious breach of duties	Fixed

Concept	Aggregate annual amounts in 2018
Annual fixed amount for role of director and member of Committees	€3,773 thousand
Remuneration in kind	€107 thousand
Allocation of "theoretical shares" (not vested)	90,400 "theoretical shares"

Breakdown

Remuneration received in 2018 for the membership of the Board and its Committees (€ thousand):

Non-executive directors	Board of Directors	Executive Committee	Audit & Compliance Committee	Risk Committee	Remuneration Committee	Appointments Committee	Technology & Cyber-Security Committee	Total
Tomás Alfaro Drake (Ext.)	129	-	18	-	43	25	43	258
José Miguel Andrés Torrecillas (Ind.)	129	-	179	107	-	71	-	485
Jaime Félix Caruana Lacorte (Ind.) (*)	75	83	-	53	-	-	25	237
Belén Garijo López (Ind.)	129	-	71	-	107	20	-	328
Sunir Kumar Kapoor (Ind.)	129	-	-	-	-	-	43	172
Carlos Loring Martínez de Irujo (Ext.)	129	167	-	107	43	-	-	445
Lourdes Máiz Carro (Ind.)	129	-	71	-	43	41	-	284
José Maldonado Ramos (Ext.)	129	167	-	53	-	41	-	390
Ana Peralta Moreno (Ind.) (*)	86	-	36	-	21	-	-	143
Juan Pi Llorens (Ind.)	129	-	71	214	-	-	43	457
Susana Rodríguez Vidarte (Ext.)	129	167	-	107	-	41	-	443
Jan Verplancke (Ind.) (*)	107	-	-	-	-	-	25	132
Total ³	1,427	584	446	642	257	239	179	3,773

(*) Directors appointed by the AGM held on 16 March 2018. Remunerations paid based on the date on which the appointment was accepted.

“Theoretical shares” allocated in 2018 to non-executive directors benefiting from the remuneration system in BBVA shares with deferred delivery⁴:

Non-executive directors	Theoretical shares allocated in 2018	Accumulated theoretical shares as at 31 Dec. 2018	Non-executive directors	Theoretical shares allocated in 2018	Accumulated theoretical shares as at 31 Dec. 2018
Tomás Alfaro Drake	10,367	83,449	Lourdes Máiz Carro	7,454	23,160
José Miguel Andrés Torrecillas	12,755	36,565	José Maldonado Ramos	11,176	78,995
Belén Garijo López	7,865	34,641	Juan Pi Llorens	11,562	54,171
Sunir Kumar Kapoor	4,811	8,976	Susana Rodríguez Vidarte	12,425	104,983
Carlos Loring Martínez de Irujo	11,985	98,876	Total ³	90,400	523,816

Along with each director's name, the respective condition in the Board is indicated: **Ind.**: independent director; **Ext.**: external director.

³ In addition, José Antonio Fernández Rivero, who ceased as director on 16 March 2018, received a total amount of €95 thousand in 2018, for membership of the Board and Committees and he was allocated 10,188 theoretical shares.

⁴ Approved by the AGM held on 18 March 2006, initially extended by the AGM held on 11 March 2011 and subsequently, for a further 5-year term, by the AGM held on 11 March 2016.

2.2 Executive directors

Executive directors have a remuneration system defined in accordance with best market practices, which includes the concepts set forth in article 50 bis of the Bylaws, in line to those generally applicable to members of BBVA's Senior Management:

Concept	Allocation criteria	Payment	Annual amount for 2018	Adjustments / Condition	Remuneration component
Annual Fixed Remuneration	Functions assigned and level of responsibility Competitive within the market	Cash, monthly payment	Francisco González: €2,475 thousand Carlos Torres: €1,965 thousand José Manuel González-Páramo: €834 thousand	N/A	Fixed
Benefits and remuneration in kind (e.g. healthcare and other benefits)	In line with those applicable to Senior Management	Premiums or payments made by the Bank, attributed as remuneration in kind	Francisco González: €20 thousand Carlos Torres: €154 thousand José Manuel González-Páramo: €82 thousand	N/A	Fixed
Annual Variable Remuneration ("AVR") (See Section 1)	Result of annual performance indicators (financial and non-financial), according to the level of achievement of pre-established targets, on the basis of a "target" AVR	40% AVR in the first quarter of the following year (" Upfront Portion ") and 60% AVR deferred for 5 years and subject to multi-year indicators (" Deferred Portion ")	Maximum 200% of fixed remuneration , as approved by 2018 AGM	<div> <div>Ex ante adjustments: levels of profit and capital ratio/other parameters such as level achievement of budgeted targets</div> <div>Ex post adjustments: result of multi-year performance indicators (downward adjustments only)</div> <div>1-year retention period for shares</div> <div>Malus and Clawback</div> <div>Hedging or insurance prohibitions</div> <div>Updates of Deferred Portion in cash</div> <div>(*) Shareholding guidelines</div> </div>	Variable
<i>Annual assessment</i>	Targets aligned with Group management metrics, strategic priorities and targets specific to each executive director	<u>Upfront Portion:</u> 50% in cash and 50% in BBVA shares	40% AVR		
<i>Multi-year assessment of Deferred Portion</i> (See Section 2)	Targets aligned with the Group's core risk management and control metrics, related to solvency, capital, liquidity, funding, profitability, share performance and recurring results, measured over a 3-year period	<u>Result of Deferred Portion</u> , 40% in cash and 60% in BBVA shares, to be awarded after multi-year assessment (after 3-years of deferral): 60% after 3 rd year, 20% after 4 th year, and remaining 20% after 5 th year of deferral	Maximum 60% AVR		
Pension scheme contributions and insurance (See Section 3)	Set forth contractually and in the Policy (to cover retirement, death and disability) Aligned with those applicable to Senior Management	Upon occurrence of contingency, payment as lump sum or income	Francisco González: N/A Carlos Torres: Annual defined contribution of €1,642 thousand, plus premiums José Manuel González-Páramo: Annual defined contribution of 30% Annual Fixed Remuneration, plus premiums	Conditions provided for in their contracts and, in any case, provided that they do not cease as directors for serious breach of their duties	Fixed (except for 15%, considered as "discretionary pension benefits")

(*) Upon vesting 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 vesting.

During 2018, the following executive directors were members of the Board:

Executive director	Position
Francisco González Rodríguez	Group Executive Chairman
Carlos Torres Vila	Chief Executive Officer
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics, Regulations & Public Affairs ("GER&PA")

Francisco González Rodríguez resigned as executive director of BBVA and as Group Executive Chairman at the Board Meeting held on 20 December 2018. On that date, the Board of Directors appointed Carlos Torres Vila as Group Executive Chairman and Onur Genç as Chief Executive Officer. These appointments were effective on 21 December 2018.

Notwithstanding the above, Carlos Torres and Onur Genç have not accrued remuneration in 2018 for their new offices. Their remunerations in 2018 are those linked to their former positions as BBVA's Chief Executive Officer and President & CEO of BBVA Compass, respectively; and, in the case of their variable remunerations, these will be subject to the settlement and payment system applicable to those positions.

(*) Disclosure on Onur Genç's remuneration for 2018 is shown in Euros for information purposes.

2018 Annual Fixed Remuneration

2018 Annual Fixed Remuneration (€ thousand)	
Francisco González Rodríguez	2,475
Carlos Torres Vila	1,965
José Manuel González-Páramo Martínez-Murillo	834

These amounts are established in BBVA Directors' Remuneration Policy approved in 2017.

Onur Genç was awarded Annual Fixed Remuneration in 2018 for his former role as President & CEO of BBVA Compass of €2,240 thousand.

Balance between fixed and variable remuneration

The Bank has set **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 and their impact on the Group's risk profile, in line with those of the Identified Staff.

The target ratios for executive directors in 2018, as established in BBVA Directors' Remuneration Policy were the following:

Executive director	Annual Fixed Remuneration	Target Annual Variable Remuneration
Group Executive Chairman	45%	55%
Chief Executive Director	45%	55%
Head of GER&PA	70%	30%

Section 1: 2018 Annual Variable Remuneration

The Annual Variable Remuneration for executive directors corresponding to each year is based on an incentive which is 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 present and future risks; depending on the corresponding scales of achievement, according to the weighting assigned to each indicator and the targets associated; and a Target Annual Variable Remuneration, which represents the amount of Annual Variable Remuneration if 100% of the pre-established targets were achieved.

In order to calculate 2018 Annual Variable Remuneration, the following annual performance indicators and their respective weightings were established at the beginning of the year by the Board of Directors, at the proposal of the Remuneration Committee:

Annual Performance Indicators for 2018 Annual Variable Remuneration

Type	Annual Performance Indicators	Weightings		
		Francisco González	Carlos Torres	José Manuel González-Páramo
Financial indicators	Net Attributable Profit excluding corporate transactions	30%	30%	15%
	Return on Regulatory Capital (RORC)	15%	10%	10%
	Risk Adjusted Return on Economic Capital (RAROEC)	15%	10%	10%
	Efficiency Ratio	25%	15%	10%
Non-financial indicators	Net Promoter Score (NPS)	15%	15%	15%
	Non-financial indicators	-	20%	40%

These indicators are linked to scales of achievement, which are approved by the Board and take into account budgetary compliance in the case of financial indicators. These scales are determined on the basis of the Target AVR associated to each indicator. The amount of the AVR to vest in application of said scales can range between 0% and 150% of the Target AVR.

Following year-end 2018, and having met the minimum thresholds for Attributable Profit and Capital Ratio established by the Board for the accrual of 2018 Annual Variable Remuneration, the Board, at the proposal of the Remuneration Committee, has determined the amount of 2018 Annual Variable Remuneration for each executive director, as indicated below.

Link between pay and performance 2018

The Annual Variable Remuneration of the executive directors is linked to BBVA Group's performance and varies accordingly.

During 2018, BBVA Group generated an Attributable Profit of €5,324 million, a 51.3% increase with respect to the previous financial year. This Attributed Profit includes the profit resulting from corporate transactions through capital gains and other expenses related to the sale of BBVA Chile, amounting to €623 million net of taxes. To calculate the Annual Variable Remuneration on the basis of the result of the above financial performance indicators, the capital gains resulting from

the above have not been considered, as it resulted from transactions or circumstances outside of the Group's ordinary management.

The results and evolution of the annual performance indicators for 2018 AVR for executive directors has therefore been positive, representing increases compared to the previous year in the financial indicators (i.e. Attributable Profit, RORC, RAROE and Efficiency Ratio). Of particular note is the good performance of recurring revenue and lower loan-loss provisions, which offset the reduced contribution from net trading income compared with the previous year.

Despite increases in the four financial indicators, the level of achievement of Attributable Profit, RORC and Efficiency Ratio are below the target set by the Board for the financial year. This is mainly due to the economic instability in Turkey and Argentina, whose behaviour is affected by changes to of exchange rates and the negative impact hyperinflation accounting in Argentina.

With regard to the NPS indicator, there was improvement in nearly all geographies in relation to competing financial entities.

The result obtained in 2018 for each indicator has determined the following level of achievement:

Annual financial performance indicators	Results		Level of achievement	
	2018	2017 ^(*)	Target	%
Net Attributable Profit excluding corporate transactions	€4,701 million	€4,286 million	●	84.03%
Return on Regulatory Capital (RORC)	8.59%	7.96%	●	82.04%
Risk Adjusted Return on Economic Capital (RAROE)	16.38%	10.40%	●	102.77%
Efficiency Ratio	49.28%	49.92%	●	78.02%

^(*) Results approved for remuneration purposes, adjusted for corporate transactions and other.

The level of achievement obtained for **Net Promoter Score (NPS)** has been 99.1. Regarding **other non-financial indicators**, these have been assessed by the Board upon proposal of the Remuneration Committee, taking into account among others, the leadership of the Group's transformation process and corporate values, in the case of Carlos Torres, and the strategic impact of the units within the scope of GER&PA area, in the case of José Manuel González-Páramo. The assessment of each of them was positive, exceeding the objectives set for the year.

Result of 2018 Annual Variable Remuneration for executive directors

Executive directors	2018 AVR (€ thousand)	% 2017 AVR
Francisco González Rodríguez	2,641	-19.9%
Carlos Torres Vila	2,393	-14.8%
José Manuel González-Páramo Martínez-Murillo	397	-9.1%

Onur Genç's Annual Variable Remuneration for 2018 as President & CEO of BBVA Compass amounts to €980 thousand.

Settlement and payment system of 2018 Annual Variable Remuneration

Once these amounts have been determined by the Board, at the proposal of the Remuneration Committee, the rules of the settlement and payment system shall apply, as described in the BBVA Directors' Remuneration Policy ([link](#)):

- **Upfront Portion:** 40% of 2018 Annual Variable Remuneration, in equal portions of cash and BBVA shares, shall vest, if conditions are met, in the first quarter of 2019.
- **Deferred Portion:** the remaining 60% of 2018 Annual Variable Remuneration, 40% in cash and 60% in BBVA shares, will be deferred for a period of 5 years and will be subject to compliance with the multi-year performance indicators established by the Board at the beginning of 2018, which can reduce the Deferred Portion. Vesting of the resulting amounts, if conditions are met, shall take place: 60% in 2022; 20% in 2023; and 20% in 2024.


To determine the share component of both the Upfront Portion and the Deferred Portion, following the Policy, the Board has used the average closing price of the BBVA share during the trading sessions comprised between 15 December 2018 and 15 January 2019, both inclusive, which was €4.77 per share.

Accordingly, the breakdown of the **Upfront Portion** and the **Deferred Portion** of **2018 Annual Variable Remuneration** are as follows:

Executive director	UPFRONT PORTION: 40%		DEFERRED PORTION: Maximum 60%					
	Cash (50%) (€ thousand)	Shares (50%)	Cash (40%) (€ thousand)			Shares (60%)		
			2022	2023	2024	2022	2023	2024
Francisco González	528	110,814	380	127	127	119,680	39,894	39,894
Carlos Torres	479	100,436	345	115	115	108,471	36,157	36,157
José Manuel González-Páramo	79	16,641	57	19	19	17,972	5,991	5,991

Onur Genç, as a member of the Identified Staff in 2018, has the following vesting schedule: 40% of **2018 AVR** shall vest, if conditions are met, in Q1 of 2019, 50% in cash and 50% in shares: (€196 thousand and 41,267 shares) and the remaining 60% (50% in cash and 50% in shares) will be deferred for 3 years and subject to compliance with multi-year performance indicators.

Section 2: Deferred Portion of 2018 Annual Variable Remuneration

The Deferred Portion of 2018 Annual Variable Remuneration will be subject to the **ex post adjustments** set out in the BBVA Directors' Remuneration Policy ([link](#) ) , and, thus, the final amount to vest will depend on the level of compliance with the multi-year performance indicators detailed below, approved by the Board, at the proposal of the Remuneration Committee and prior analysis of the Risk Committee, to ensure that they are appropriate in terms of aligning deferred remuneration with prudent risk management.

As a result, should the pre-established targets for each indicators not be achieved over the first three years of the deferral period, **the Deferred Portion may be reduced, even in its entirety, but in no case may be increased** with respect to the amounts included above.

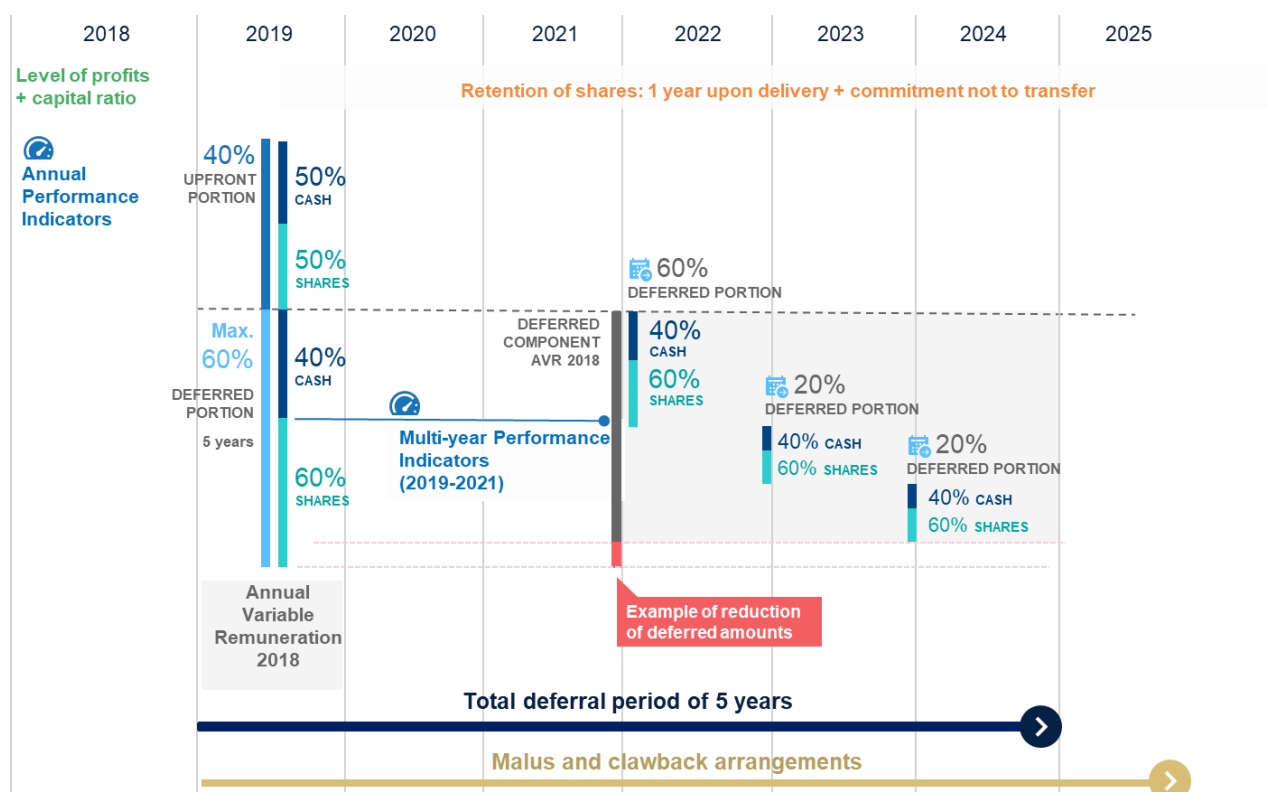
Multi-year performance indicators for 2018 AVR	Weighting
Economic adequacy (Economic Equity / Economic Capital at Risk)	20%
Common Equity Tier 1 (CET 1) Fully Loaded	20%
Loan to Stable Customer Deposits (LtSCD)	10%
Liquidity Coverage Ratio (LCR)	10%
Return on Equity (ROE)	20%
(Operating Income – Loan-loss provisions) / Average Total Assets	10%
Total Shareholder Return (TSR)	10%

The evolution of total return for the Bank's shareholders will be compared with the evolution of said indicator during the 3-year period (1 January 2019 – 31 December 2021) for the **peer group** approved by the Board, at the proposal of the Remuneration Committee (see page 20).

The vesting scale of the TSR indicator shall determine the reduction of deferred portions associated with this indicator when its result, after the measurement period, determines that **BBVA's position is below the median of the peer group**.

In any case, 2018 Annual Variable Remuneration will be subject to the remaining conditions of the settlement and payment system provided for in the BBVA Directors' Remuneration Policy ([link](#)), and specifically: (i) mandatory unavailability periods for shares; (ii) hedging prohibitions; (iii) malus and clawback arrangements; and (iv) criteria for the update of the Deferred Portion in cash.

Graphic example:



Section 3: Contributions to benefits systems

In 2018, the Bank has undertaken pension commitments to cover retirement, death and disability contingencies in favour of Carlos Torres Vila and José Manuel González-Páramo Martínez-Murillo, whose main features are described in the BBVA Directors' Remuneration Policy ([link ↗](#)).

Pursuant to said system, the Bank has made the following contributions in 2018 to cover the contractually-recognized benefits system:

Executive director	Benefits contributions in 2018 (€ thousand)				Accumulated funds as at 31 Dec. 2018
	Pension (1)	Premiums	Adjustments (2)	Total	
Carlos Torres Vila	1,642	212	42	1,896	18,581
José Manuel González-Páramo	250	147	8	405	1,067

(1) Pursuant to the Policy approved in 2017, 15% of this annual contribution (i.e. €246 thousand for Carlos Torres and €38 thousand for José Manuel González-Páramo) has been registered in 2018 as "discretionary pension benefits". Following year-end 2018, the amount of the "discretionary pension benefits" has been adjusted under the same criteria for the determination of 2018 Annual Variable Remuneration for each executive director. As a result, the "discretionary pension benefits" for 2018 have been determined in €245 thousand for Carlos Torres and €42 thousand for José Manuel González-Páramo, to be included in the accumulated fund in 2019 and subject to the same conditions as the Deferred Portion of 2018 Annual Variable Remuneration, as well as the remaining conditions of the Policy approved in 2017.

(2) Adjustments of "discretionary pension benefits" from 2017, as declared at 2017 year-end and which had to be registered in the accumulated fund in 2018.

Other awards in 2019

Deferred Portion of 2015 Annual Variable Remuneration

Pursuant to the remuneration policy applicable to BBVA Directors for 2015, 2016 and 2017, as approved by the Annual General Shareholders' Meeting held in 13 March 2015, the Deferred Portion (50%) of 2015 Annual Variable Remuneration (AVR) for executive directors was deferred for 3 years (2016, 2017 and 2018), in cash and in shares:

Executive directors	Maximum amount of Deferred Portion of AVR 2015	
	Cash (€ thousand)	Shares
Francisco González Rodríguez	897	135,299
Carlos Torres Vila	530	79,956
José Manuel González-Páramo	98	14,815

These amounts were subject to compliance with the following **multi-year performance indicators**, approved by the Board in 2015 and measured during the 3-year deferral period:

Multi-year performance indicators 2015 AVR		Weighting
SOLVENCY	Economic Adequacy (Economic Capital/ERC)	30%
LIQUIDITY	LTSCD (Loan to stable customer deposits)	30%
PROFITABILITY	Cost of Risk	20%
	Return on Equity (ROE)	10%
	Relative Total Shareholder Return (TSR)	10%

With respect to the TSR indicator, the evolution of the total return for the Bank's shareholder between 1 January 2016 and 31 December 2018 has been compared with the evolution of the same indicator during the same period for the following **peer group**: Banco Santander (Spain), BNP Paribas (France), Société Générale (France), Barclays (United Kingdom), HSBC (United Kingdom), Lloyds Banking Group (United Kingdom), Deutsche Bank (Germany), Commerzbank (Germany), Unicredit (Italy), Intesa SanPaolo (Italy), Bank of America (USA), Citigroup (USA), Wells Fargo (USA), Bank of Nova Scotia (Canada).

The vesting scale for the TSR indicator for the Deferred Portion of 2015 AVR, as approved by the Board in 2016, was the following:

BBVA's position in the ranking	% reduction of deferred amounts
1 st to 8 th	0%
9 th	10%
10 th	20%
11 th	30%
12 th	40%
13 th	50%
14 th	75%
15 th	100%

Following 2018 year-end and once the deferral and measurement period for the multi-year performance indicators have elapsed, the Board, at the proposal of the Remuneration Committee, has determined the Deferred Portion of 2015 AVR of the executive directors.

In the 2016-2018 period, the solvency, liquidity and profitability indicators mentioned above have achieved the objectives established; with the exception of the TSR indicator, whose vesting scale has determined a 10% reduction of the deferred amount associated with this indicator, as a result of BBVA ranking 9th in the established scale.

The result of the multi-year performance indicators has determined the following level of achievement:

Multi-year performance indicators AVR 2015		Result	Level of achievement	% reduction in deferred AVR
SOLVENCY	Economic Adequacy (Economic Capital/ERC)	143%	●	0%
LIQUIDITY	LTSCD (Loan to stable customer deposits)	111%	●	0%
	Cost of Risk	0.97%	●	0%
PROFITABILITY	Return on Equity (ROE)	8.0%	●	0%
	Relative Total Shareholder Return (TSR)	9 th position	●	10%

As a consequence of the foregoing, based on the results of these multi-year performance indicators and in application of the associated scales of achievement and their corresponding targets and weightings, **a downward adjustment has been made to the Deferred Portion of 2015 AVR for executive directors.**

Result of the Deferred Portion of 2015 AVR for executive directors

Executive directors	Final deferred AVR 2015 (*)	
	Cash (€ thousand)	BBVA shares
Francisco González Rodríguez	888	133,947
Carlos Torres Vila	525	79,157
José Manuel González-Páramo Martínez-Murillo	97	14,667

(*) After applying the corresponding updates and adjustments for dividends, these amounts are: €1,035 thousand and 133,947 BBVA shares in the case of Francisco González; €612 thousand and 79,157 BBVA shares in the case of Carlos Torres Vila; and €113 thousand and 14,667 BBVA shares in the case of José Manuel González-Páramo Martínez-Murillo.

Onur Genç is not entitled to this remuneration.

Finally, in application of the conditions established in the remuneration policies applicable in each financial year, 50% and 60% of executive directors' **Annual Variable Remuneration** from years **2016 and 2017 is deferred** and subject to compliance with multi-year indicators, vesting in future years, if conditions are met, in accordance with the policies applicable in those financial years.

3. BBVA DIRECTORS' REMUNERATION POLICY FOR 2019

As a result of the changes in the composition of the Board of Directors, approved on 20 December 2018, the Board comprises the following executive directors:

Executive director	Position
Carlos Torres Vila	Group Executive Chairman
Onur Genç	Chief Executive Officer
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics & Public Affairs

The Board of Directors has deemed it convenient to submit for the consideration of the next General Shareholders' Meeting an **update of the BBVA Directors' Remuneration Policy**, maintaining the same remuneration scheme. This Policy will apply for 2019, 2020 and 2021 and is available at the corporate website in the link [\[link\]](#) ("**Policy applicable in 2019**"). The main features of this Policy are highlighted below.

Remuneration system for non-executive directors: same system as the Policy approved in 2017 (*only fixed components*):

- **Annual fixed remuneration in cash:** determined by the Board in light of conditions, functions and responsibilities of each director. A different remuneration may be established associated with the membership to the various Board Committees, the role of Chair of said Committees, or the role of Lead Independent Director.
- **Remuneration in kind:** other fixed remuneration (e.g. healthcare and accident insurance).
- **Remuneration system with deferred delivery of shares:** Allocation of an amount of "theoretical shares" equivalent to 20% of the total remuneration in cash received by each director in the previous year, to be delivered after termination of directorship.

Remuneration system for executive directors: the system set out in the Policy approved in 2017 is maintained. The Policy applicable in 2019 reflects the adjustments made in the contractual conditions of Carlos Torres and Onur Genç as a result of their new roles and responsibilities and other technical improvements.

2019 Annual Fixed Remuneration

Amounts have been updated in light of new roles and responsibilities of executive directors:

Executive director	2019 Annual Fixed Remuneration (€ thousand)
Carlos Torres Vila	2,453
Onur Genç	2,179
José Manuel González-Páramo Martínez-Murillo	834

2019 Annual Variable Remuneration

The system of variable remuneration established in the Policy approved in 2017 is maintained.

Annual Performance Indicators for 2019 AVR:

To determine the Annual Variable Remuneration (AVR) for 2019, at the proposal of the Remuneration Committee, the Board has established the same **annual performance indicators** as determined for 2018, with the changes indicated below:

Type	Annual performance indicators	Weighting		
		Carlos Torres Vila	Onur Genç	José Manuel González-Páramo
Financial indicators	Net Attributable Profit excluding corporate operations	10%	20%	10%
	Tangible Book Value	10%	10%	10%
	Return on Regulatory Capital (RORC)	15%	15%	15%
	Efficiency Ratio	15%	15%	10%
Non-financial indicators	Net Promoter Score	10%	15%	15%
	Digital Sales	10%	10%	10%
	Individual indicators	30%	15%	30%

Financial indicators are aligned with the Group's most relevant **management metrics**, appropriate to their respective functions, and related, among others, to the capacity to generate profits, efficiency, return on capital, and current and future risks implicit in results.

Non-financial indicators will be related to **strategic targets** defined at Group level and, where applicable, to **targets specific** to each executive director.

Changes introduced as a result of the feedback received by BBVA shareholders:

- ✓ New key management indicators have been included, such as **Tangible Book Value** and **Digital Sales**; to reflect the value creation for shareholders and KPIs for the Group's transformation.
- ✓ **Individual indicators** established for each executive director take into account their different responsibilities and functions, which include indicators linked to employee satisfaction, internal client, sustainability and others related to the Bank's strategic transformation.
- ✓ As a result, the weighting of each indicators have been modified accordingly.

In addition, RAROE indicator has been removed to avoid duplication with the RORC indicator following the entry into force of IFRS 9.

The resulting amount will constitute the 2019 AVR of each executive director. This will be subject to the conditions of the settlement and payment system set out in the Policy applicable in 2019 ([link ↗](#)), which remains in the same terms as the one applicable in 2018, including, inter alia, **deferral and retention periods** and **ex post adjustments** therein described.

Ex post adjustments: Multi-year Performance Indicators for 2019 AVR

60% of 2019 AVR (Deferred Portion), 40% in cash and 60% in shares, will be subject to the **multi-year performance indicators** approved by the Board, following the proposal of the Remuneration Committee and prior analysis by the Risk Committee. These remain the same in respect of those approved for the 2018 AVR, save for the changes indicated below:

Multi-Year Performance Indicators	Weighting
Common Equity Tier 1 (CET1) Fully Loaded	40%
Loan to Stable Customer Deposits (LtSCD)	10%
Liquidity Coverage Ratio (LCR)	10%
Return on Equity (ROE)	20%
(Operating Income — Loan-Loss Provisions)/Average Total Assets	10%
Total Shareholder Return (TSR)	10%

Said indicators are aligned with the Group's core risk management and control metrics, related to the solvency, capital, liquidity, funding and profitability, and to the share performance and Group's recurring results.

Changes introduced as a result of the feedback received by BBVA shareholders:

- ✓ The number of indicators is reduced to further **simplify** the scheme, by removing the "Economic Adequacy" indicator, as it correlated to another indicator (CET 1 fully loaded), and consequently modifying the associated weightings.

These indicators will have associated scales of achievement, to be approved in 2020 once the 2019 AVR is determined. If the targets established for each indicator are not obtained in the 3-year period, these indicators may reduce the Deferred Portion of the 2019 AVR, even in its entirety, but in no case may be increased.

In addition, the remaining conditions of the AVR settlement and payment system will apply: (i) retention and unavailability periods for shares; (ii) hedging prohibitions; (iii) criteria to update the cash component; (iv) malus and clawback arrangements; and (v) limitation of the variable component of remuneration to 100% of the fixed component of total remuneration (unless AGM resolves to increase this percentage up to 200%, as proposed under item three of the Agenda of the next General Shareholders' Meeting – link [21](#) -).

Other contractual conditions for executive directors 2019

The BBVA Directors' Remuneration Policy to be submitted for the next AGM contains the main contractual conditions for executive directors (link [22](#)). Specifically, regarding their welfare system:

Retirement:

- **Carlos Torres Vila:** maintains his pension framework to which he was entitled as Chief Executive Officer. The annual contribution amount has not been updated (€1,642 thousand).
- **José Manuel González-Páramo:** maintains his pension framework in the same terms as the Policy approved in 2017 (30% of his Annual Fixed Remuneration).
- **Onur Genç:** he is not entitled to a retirement pension.

Death and disability:

- The Bank has pension commitments to cover death and disability contingencies in favour of the three executive directors, under the same terms as the Policy applicable in 2017.

Other commitments:

In view of his role as international senior executive, **Onur Genç** is entitled to the following supplementary fixed remunerations:

- Annual cash allowance in lieu of retirement pension (30% of his Annual Fixed Remuneration)
- Annual cash allowance, as mobility benefit (€600 thousand).

The Bank has no commitments to pay severance indemnity to any of its 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 termination of office 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.

The BBVA Directors' Remuneration Policy has been submitted to the General Shareholders' Meeting to be held next 15 March 2019, under item three of the Agenda.

OTHER INFORMATION

Peer group for remuneration purposes

In order to establish compensations that are appropriate to the function performed by directors and competitive with those applied in equivalent functions across the main peer institutions, the following **peer group** has been used **for remuneration purposes**:

Peer group for remuneration purposes	
Banco Santander	Spain
BNP Paribas	France
Société Générale	France
Barclays	United Kingdom
HSBC Holdings	United Kingdom
Lloyds Banking Group	United Kingdom
Deutsche Bank	Germany
Commerzbank	Germany
UniCredit	Italy
Intesa SanPaolo	Italy
Bank of America Corporation	United States
Citigroup	United States
Wells Fargo & Company	United States
The Bank of Nova Scotia	Canada
ING Groep	Netherlands

Said peer group was taken into account to establish the BBVA Directors' Remuneration Policy, and is the same as that approved by the Board of Directors, following the proposal of the Remunerations Committee, for the calculation of the TSR (Total Shareholder Return) indicator of the Deferred Portion of Annual Variable Remuneration of executive directors for 2018.