BBVA

Creating Opportunities

BBVA Directors' Remuneration Policy

Banco Bilbao Vizcaya Argentaria, S.A.

February 2021

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1. Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "**BBVA**", the "**Company**", the "**Institution**" or the "**Bank**") is the parent company of an international financial group, composed of legally autonomous companies, primarily dedicated to banking activity (hereinafter the "**BBVA Group**" or the "**Group**").

Article 529 *novodecies* of Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act (the "**Spanish Corporate Enterprises Act**"), establishes that the directors' remuneration policy shall be approved by the General Shareholders' Meeting.

On the other hand, Article 29 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**Act 10/2014**"), through which Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions ("**CRD IV**") was transposed into the Spanish legal system, attributes to the Board of Directors the function of defining a corporate governance system that ensures sound and prudent management of the institution; which includes, inter alia, compensation policies and practices that are compatible with and promote appropriate and effective risk management.

In line with the abovementioned regulations, the guidelines issued by the European Banking Authority on sound remuneration policies dated 27 June 2016 ("**EBA Guidelines**"), adopted by the Bank of Spain, develop the requirements applicable to the remuneration of credit institutions' employees, providing detail of the established in CRD IV, and in particular the requirements applicable to those categories of staff who have a material impact on the risk profile, including members of the institutions' Board of Directors.

The BBVA directors' remuneration policy has been designed within the framework of the regulations indicated, and in accordance with the Bylaws' provisions, taking also into account best practices and recommendations at both local and international level. This policy, last updated in 2019, is fully aligned with the requirements established in both the Spanish Corporate Enterprises Act and Act 10/2014. However, the new regulations regarding remuneration, whose entry into force is expected for 2021, together with the developments in market practices, the result of the dialogue between BBVA and its investors, and the nature of the Bank's Corporate Governance System, which is constantly evolving and improving, has led the Remunerations Committee to review the remuneration policy currently in force and the remuneration system as a whole.

This update of the remuneration policy is posed in a particularly difficult moment, marked by the crisis caused by the COVID-19, which significantly affects the societies in which the Group entities carry out their activity and in the light of which BBVA has carried out an especially active support role to the whole of its stakeholders. In the remuneration field, this has been materialised in the decision of its 330 main executives of waiving, the whole or part, of the annual variable remuneration that they could have accrued in 2020, as a gesture of identification with the Bank's Purpose and values and of solidarity with society.

In this context of exceptionality, the need to try to maintain the remuneration conditions of those whom, through their daily work, drive the business and the creation of value within the BBVA Group has especially been taken into consideration. To this effect, it has been considered essential to establish a directors' remuneration policy which is competitive and adequate for the purposes of attracting and retaining the best professionals, and that, without losing sight of the need to tend to the alignment with the workforce's conditions, includes the particularities which are necessary to reflect, from a remuneration point of view, the high level of responsibility and the complexity of the duties that directors carry out.

In the definition of this policy, the alignment with the same general principles that inspire the BBVA Group Remuneration Policy, which includes the Remuneration Policy for Identified Staff, that governs the remuneration of those categories of stall whose activities have a significant impact on the risk profile (hereinafter, the "**Identified Staff**"), has been maintained. Likewise, the remuneration scheme of executive directors is consistent, from a structural perspective, with that of the rest of the workforce, including, as main compensation elements, an annual fixed salary and an annual variable remuneration, with very similar characteristics to those established in the corporate annual variable remuneration model of the BBVA Group. In particular, for the accrual of the annual variable remuneration of the executive directors, the same thresholds of profits and capital ratio must be met as for the accrual of the annual variable remuneration of the rest of the Group's employees. Likewise, the annual performance indicators which measure the Group's results for the calculation of the variable remuneration of the executive directors are the same as those of the rest of the employees.

Additionally, the new policy regards as one of its fundamental features the progress in the alignment with the Group's strategy and with long-term value creation. With this aim, the policy maintains an adequate balance between fixed and variable remuneration components; provides for elements that ensure prudent risk management, the sustainability and the strength of the business model, as well as solvent growth and its profitability. This shall be developed through a series of indicators for the calculation of the annual variable remuneration which are aligned with the strategic priorities defined by the Group, including sustainability indicators linked to the direct action of the Institution with regard to climate change.

In this regard, the Board of Directors and the Remunerations Committee have considered the increasing significance of sustainability and climate change risks, to both the Bank and to society as a whole. To this end, and in a manner consistent with BBVA's Strategic Plan, which establishes sustainability as one of its strategic priorities, the Board of Directors is driving the integration of sustainability and the fight against climate change into the Group's day-to-day business and activities, establishing objectives that facilitate their implementation, and the supervision and monitoring of their evolution. In this context, with regard to remuneration, the Bank is also promoting the incorporation of sustainability and ESG metrics into the variable remuneration schemes of its employees, Senior Management and executive directors.

As a result, and within the framework of the functions of the Remunerations Committee regarding the periodic review of the policy and the proposal for appropriate amendments, in order to ensure, inter alia, that they are adequate to attract and retain the best professionals, that they contribute to the creation of long-term value and adequate risk management and control, as well as to pay equity, the Board of Directors, on the proposal of the Remunerations Committee, has evaluated the convenience of submitting a new policy to the General Shareholders' Meeting (hereinafter, the "**BBVA Directors' Remuneration Policy**", the "**Remuneration Policy**" or the "**Policy**"), which introduces the following main developments.

On one hand, it makes progress in the inclusion of certain remuneration developments set out in the Code of Good Governance for listed companies of the Spanish National Securities Market Commission, revised in June 2020, and in Directive (EU) 2017/828 on the encouragement of long-term shareholder engagement ("**SRD II**"), which will foreseeably lead to the amendment of the corresponding articles of the Spanish Corporate Enterprises Act. In addition, Directive (EU) 2019/878 ("**CRD V**") and the EBA Guidelines, currently being amended by the European Banking Authority, have also been taken into account in its review, which strengthen the need to have remuneration policies that are gender neutral and that ensure gender pay equality, by establishing equal compensation for the same functions or for functions of equal value, without providing for any difference or discrimination on the basis of gender.

On the other hand, it also seeks to strengthen BBVA's alignment with market standards and recommendations in respect of remuneration, which started in previous years through certain changes to the Chairman's pension system to align it with best practices. To these effects, when the current Chairman was appointed Chief Executive Officer (*Consejero Delegado*) in 2015, the Board reached an agreement with him to modify the contractual rights to which he was entitled as member of the Senior Management.

By means of this agreement the current Chairman waived part of the pension amounts he could have accrued in the event of early retirement, limiting the amount of this pension to the sum of the contributions made by the Bank up to said date to honour commitments to cover retirement contingency, without the Bank having to make any additional contributions.

After this, in 2017, a new agreement was reached with the Chairman to establish a new pension framework, with the aim of transforming the defined-benefit system he had until that moment into a defined-contribution system, in line with the changes established for the Senior Management. Thus eliminating the possibility of receiving the retirement pension in the event of early retirement and establishing a fixed annual contribution to cover retirement contingency of EUR 1,642 thousand (representing approximately 67% of his annual fixed remuneration). This amount was established taking into account the amount of the rights to which he was entitled under the previous defined-benefit system and the contributions made by the Bank until said date to honor such commitment.

In the current context, taking into consideration the evolution of the market trends, this Policy provides for a new transformation of the Chairman's pension system, in order to align it with best market practices, by significantly reducing the contributions to be made by the Bank to his pension, which will now represent 15% of his annual fixed remuneration, thus corresponding to a more aligned percentage with that of the contributions to pension systems of the rest of the members of the Senior Management.

As a consequence of the above, the rest of the contribution to the pension, established in the former Policy, will be integrated in part in his annual fixed remuneration and in part in his target annual variable remuneration, which, in each case, respect the current balance between these elements set by the Board of Directors (45% and 55%, respectively), with a reduction in the total amount to transfer of EUR 157 thousand[1], which leads to a reduction of the total remuneration of the Chairman with respect to the one established in the former Policy. All of this, under the terms detailed in this Policy.

Likewise, in addition to the changes previously referred to with regard to the retirement contingency, the Chairman and the Board of Directors have reached an agreement to modify the commitments made by the Bank to cover the death and disability contingencies, reducing the coverage levels for these contingencies with respect to what was established in this regard in the former Policy.

Moreover, changes are made in relation to the payment schedule of the deferred parts of the annual variable remuneration of executive directors, in line with those foreseen for the Identified Staff and with general market practices. Certain developments are also introduced with respect to malus and clawback clauses, to reflect a new scenario in which such arrangements may be triggered in the event of reputational damage to the Bank. Additionally, other technical improvements to further advance in transparency and to facilitate a greater understanding of the remuneration system for the Bank's directors are included.

In the analysis of the aforementioned amendments, both the result of the votes at the last General Shareholders' Meeting, which reflect that the majority of shareholders support the remuneration issues raised, and the constant dialogue maintained by the Company with its shareholders and investors, which has helped BBVA to continue evolving the Group's remuneration policies, year after year, in line with best market trends, were taken into account.

The specific details of the amendments to the Policy are contained in the corresponding sections.

Both the full text of this Policy and the results of its vote by the General Shareholders' Meeting will be available on the Company's website (www.bbva.com).

[1] Which represents a reduction of the amount transferred into the Annual Fixed Remuneration of 25%.

2. Purpose and scope of application

The purpose of this Policy is to govern the remunerations applicable to the members of the Board of Directors of BBVA.

The Policy describes, in a clear and comprehensible way, the various components of directors' remuneration, in any form, and distinguishes between the remuneration system applicable to directors in their capacity as such (non-executive directors), and that applicable to executive directors, who perform managerial functions within the Company, regardless of the legal relationship they maintain with it. All of this, within the framework of Articles 33º bis and 50º bis of the Bank's Bylaws, respectively.

The Policy also describes the criteria for the awarding of variable remuneration to executive directors, the way in which these criteria contribute to achievement of the objectives established by the Board of Directors, and the methods to be applied in order to determine the extent to which they have been met. It also incorporates the rules for the award, vesting and payment of this variable remuneration, which apply to the executive directors, as members of the Identified Staff.

In addition, the Policy describes the main conditions of executive directors' contracts, including the main characteristics of pension systems and termination conditions.

This Policy shall apply to the remunerations of all members of the Company's Board of Directors (hereinafter the "**Board of Directors**" or the "**Board**") and, if approved by the General Shareholders' Meeting, it shall apply to financial years 2021, 2022 and 2023.

3. General principles

The BBVA Directors' Remuneration Policy is based on the same principles as the BBVA Group Remuneration Policy, which is geared towards the recurring generation of value for the Group, the alignment of the interests of its employees and shareholders with prudent risk management and the development of the strategy defined by the Group.

These policies constitute elements devised by the Board of Directors, as part of the Bank's Corporate Governance System, to promote proper management and oversight of the Institution and its Group, and are based on the following principles:

- Long-term value creation;
- Results attained through sound and responsible risk-taking;
- Attracting and retaining the best professionals;
- Rewarding level of responsibility and professional career;
- Ensuring internal equity and external competitiveness;
- Ensuring equal pay for men and women; and
- Ensuring transparency of the remuneration model.

BBVA has defined its remuneration policies on the basis of these general principles, taking into consideration the need to comply with the legal requirements applicable to credit institutions and to the different sectors in which it operates, as well as alignment with best market practices. It also includes arrangements devised to reduce exposure to excessive risks and align remuneration to the Group's strategy, objectives, values and long-term interests.

In the development of the above, the BBVA Group has a specific policy applicable to the Identified Staff, which is aligned with the regulations and recommendations applicable to the remuneration schemes of these categories of staff. This policy is integrated into the BBVA Group Remuneration Policy, mentioned above, and is disclosed to all BBVA Group employees.

The principles set out in this section materialise in the following:

- The BBVA Directors' Remuneration Policy contributes to the business strategy of BBVA and its Group, and to the achievement of the objectives, values, interests, value creation and long-term sustainability, both through the structure and design of the remuneration system, which includes an exclusively fixed remuneration for non-executive directors and an adequate balance between fixed and variable components for executive directors, with the variable part subject to specific rules pertaining to its award, vesting and payment for its alignment with the long term (including: the payment of a portion in shares, the deferral of more than 50% over a period of 5 years, various risk adjustments, and the ability to reduce or recover the entire annual variable remuneration when its payment is not sustainable).

  Likewise, the contribution to the strategy is achieved through the selection of indicators and metrics that seek the alignment between the strategic priorities defined by the Board of Directors for the Group and variable remuneration. In this sense, the remuneration model is directly linked to the Group's strategic objectives, ensuring the alignment of annual variable remuneration with BBVA's Purpose and financial and non-financial objectives.

- In addition, the Policy is compatible with and promotes sound and effective risk management, and does not provide incentives to assume risks that exceed the level tolerated by the Institution, in a manner that is consistent with BBVA Group's risk strategy and culture, through the establishment of deferral rules for variable remuneration and *ex-post* risk adjustments linked to the result of multi-year performance indicators related to the Group's core metrics for risk management and control (included in the Risk Appetite Framework).

- Likewise, the Policy:

  - Is clear, comprehensible and transparent, with a simple wording that enables the understanding of the different components that comprise the existing remuneration systems and the conditions for their award, vesting and payment. To that end, distinguishes clearly between the criteria for determining fixed remuneration and variable remuneration;

  - Is gender neutral, as it reflects an equal compensation for the same duties or duties of equal value and does not establish any difference or discrimination on the basis of gender;

  - Includes measures to avoid conflicts of interest; promoting the independence of judgement of persons involved in the decision-making and in the oversight and control of management and the establishment of remuneration systems which do not include variable remunerations in the case of non-executive directors, incorporating predetermined calculation rules that avoid discretion in their application; and

  - It also pursues that remuneration is not based solely or primarily on quantitative criteria, taking into account appropriate qualitative criteria, which reflect compliance with applicable regulations.

4. Provisions of the Policy

4.1. Decision-making process regarding remuneration

The remuneration of BBVA's directors complies with the system established in the Bylaws, the Remuneration Policy approved pursuant to the provisions of the Law and, in the case of executive directors, with the contracts approved by the Board of Directors.

Within the framework of the Bank's Bylaws, the Regulations of BBVA’s Board provide that this body shall be responsible for adopting decisions regarding remuneration of directors in their capacity as such and, as well as, in the case of executive directors, regarding remunerations for their executive duties and the remaining conditions to be respected in their contracts.

Among the elements that make up BBVA's Corporate Governance System, BBVA's Board of Directors has set up different Committees to assist it in matters within their 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 attributed to it in the Regulations of the Board of Directors and in its own regulations, ensuring, in particular, observance to the remuneration policies established by the Bank.

In accordance with the provisions of its Regulations, the Committee is a permanent internal body of the Board of Directors, of an advisory nature, with no executive functions, with powers of information, supervision, advice and proposal within its scope of action.

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

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 is necessary for the performance of its functions, as convened by its Chair, and its functions are set out in Article 5 of its Regulations (available on the Company's website www.bbva.com). Amongst these functions, the Committee proposes to the Board of Directors the directors’ remuneration policy for its submission to the General Shareholders' Meeting and also its corresponding report; all in accordance with the terms established by applicable regulations at any given time.

Likewise, the Committee’s functions include ensuring compliance with the remuneration policies established by the Company and reviewing them periodically, proposing, where appropriate, any modifications that it deems necessary to ensure, inter alia, that they are adequate for the purposes of attracting and retaining the best professionals, and that they contribute to the creation of long-term value and adequate risk management and control, and that they address the principle of equal pay. In particular, the Committee shall ensure that the remuneration policies established by the Company are subject to internal, central and independent review at least once a year.

In addition, as part of the decision-making process in remuneration matters, the Remunerations Committee is assisted by the **Risk and Compliance Committee**, which, in accordance with its Regulations, participates in the establishment of the remuneration policy, ascertaining that it is compatible with adequate and effective risk management and does not offer incentives to assume risks that exceed the level tolerated by the Institution.

In any case, decisions regarding directors' remuneration will be submitted to the Bank's General Shareholders' Meeting for approval if so required by Law, as is the case with this Policy.

4.2. Bylaws framework for the remuneration of directors

BBVA's Bylaws distinguish between the remuneration system applicable to non-executive directors and that applicable to executive directors.

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

- A annual fixed allowance, that shall be distributed by the Board of Directors in the manner that it determines, in view of the conditions applicable to each director and the duties and responsibilities attributed to them by the Board and their membership of the various Committees, which may give rise to different amounts of remuneration for each of them. The Board is also responsible for determining the frequency and method of payment of this allowance. The amount of the maximum annual allowance is included in this Policy, and will remain in force until the General Shareholders' Meetings resolves its amendment, although the Board of Directors may reduce this amount in those financial years in which it deems it fit.

- The insurance and pension schemes[2] established at any given time.

- In addition, the remuneration of non-executive directors may also comprise the delivery of shares, or share options or amounts indexed to the share price.

The **executive directors** are excluded from the remuneration system above mentioned and have their own system, defined in accordance with best market practices, the concepts of which are set out in Article 50º bis of the Bylaws[3] and are detailed below. The elements that comprise the remuneration system for executive directors, which correspond to those generally applicable to members of the Bank's Senior Management are the following:

- A fixed remuneration, which shall take into account the level of responsibility and the functions carried out and shall constitute a significant proportion of the total compensation. The fixed remuneration shall comprise the annual fixed remuneration or salary, and may include other fixed components, such as allowances, benefits or remuneration in kind, in line with those that may be awarded to BBVA's Senior Management.

- An additional variable remuneration, which shall comprise the annual variable remuneration, the amount of which shall be determined on the basis of the level of achievement of pre-established financial and non-financial targets, linked to the Group's results, to long-term value creation and to the performance of the functions carried out. This annual variable remuneration shall be subject to the rules of award, vesting and payment of the variable remuneration applicable to the Identified Staff, with the specific characteristics applicable to the executive directors as described in this Policy, in a manner that is compatible with effective risk management.

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[2] Without prejudice to the Bylaws, the Bank has not assumed any pension commitments with non-executive directors.

[3] In addition to the components established in this Policy, Article 50º bis of the Bylaws provides for the right to severance payments in the event of termination for reasons other than breach of duty. However, neither the current remuneration system for executive directors nor their contracts provide for this right.

- Incentive schemes that are established on a general basis for the Bank's Senior Management, which may include the delivery of shares, or share options or remuneration indexed to the share price, subject to the legal requirements in force at any given time.

- A welfare portion, which may include appropriate insurance and pension systems.

Below is a detailed explanation of the various elements that comprise, as of the date of this Policy, the remuneration system of the members of the Board of Directors.

4.3. Remuneration system for non-executive directors

In accordance with the Bylaws framework described above and in order to avoid potential conflicts of interest and excessive risk-taking, the remuneration system for non-executive directors **consists of an exclusively fixed remuneration and does not provide for the payment of variable remunerations**.

The specific elements of the remuneration system applicable to all non-executive directors are as follows:

Fixed remuneration

The remuneration for non-executive directors consists of the following components:

a) Annual fixed allowance

In accordance with Article 33º bis of the Bylaws, the General Shareholders’ Meeting shall set the total annual allowance payable by the Bank to all directors acting in such capacity. However, the Board of Directors is responsible for setting the individual remuneration of each director in line with the bylaws framework and this Policy, in accordance with the criteria set out below. The Board of Directors may, however, reduce the amount of the total annual allowance in the financial years in which it deems it fit.

For these purposes, the General Shareholders' Meeting[4] resolved to set the amount of the total annual allowance that the Bank can pay to all its directors acting in such capacity, at EUR 6,000 thousand. This amount will remain in force until the General Shareholders’ Meeting resolves its amendment. Expressly excluded from this maximum amount is the remuneration of the Bank’s executive directors, which is governed by the provisions of Article 50º bis of the Bylaws.

Non-executive directors will therefore receive an annual fixed allowance in cash for the role of member of the Board and, when applicable, of member of the various Committees, as well as for performing any other duties or responsibilities that may be assigned to them under the framework of the Bank's Corporate Governance System.

In line with the above, the Board of Directors, at the proposal of the Remunerations Committee, has established different remuneration for the roles of chair and member of the various Committees, as well as for the roles of Deputy Chairman of the Board of Directors and of Lead Independent Director.

The amount of the annual allowance for each of these roles or duties is determined by the Board of Directors, at the proposal of the Remunerations Committee, according to the nature of the duties assigned to and the dedication and responsibility required of each director.

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

As of the date of this Policy, the annual gross amount of remuneration set by the Board of Directors, at the proposal of the Remunerations Committee, for each of the roles and duties of the non-executive directors, is as follows:

Role	**Amount** (thousands of euro)
Member of the Board of Directors	129
Member of the Executive Committee	167
Chair of the Audit Committee	165
Member of the Audit Committee	66
Chair of the Risk and Compliance Committee	214
Member of the Risk and Compliance Committee	107
Chair of the Remunerations Committee	107
Member of the Remunerations Committee	43
Chair of the Appointments and Corporate Governance Committee	115
Member of the Appointments and Corporate Governance Committee	46
Chair of the Technology and Cybersecurity Committee	107
Member of the Technology and Cybersecurity Committee	43
Deputy Chairman of the Board of Directors	50
Lead Independent Director	80

These amounts may be modified, within the bylaws framework and this Policy, by resolution of the Board of Directors, at the proposal of the Remunerations Committee, during the term of the Policy.

In any case, the amounts of remuneration of non-executive directors corresponding to each financial year will be disclosed in the Annual Report on the Remuneration of Directors of BBVA, which is submitted annually to the General Shareholders' Meeting for consideration.

b) Remuneration in kind

Non-executive directors may also be beneficiaries of healthcare and accident insurance policies taken out by the Bank, who shall pay the relevant premiums that are attributed to the directors' remuneration as fixed remuneration in kind. These remunerations in kind will be included in the amount of the total annual allowance that the Bank may pay to all its directors acting in such capacity, mentioned in the preceding section.

The breakdown of the amounts paid to non-executive directors for these concepts during each financial year will be disclosed in the Annual Report on the Remuneration of Directors of BBVA.

c) Fixed remuneration system with deferred delivery of shares

In addition, the Bank has a fixed remuneration system with deferred delivery of BBVA shares for its non-executive directors, in accordance with Article 33º bis of the Bylaws, approved by the General Shareholders' Meeting[5]. The specific conditions for the implementation of this system, which are applicable during the term of this Policy and include the maximum number of shares needed for its implementation, are set forth in **Part II**.

This system consists of the annual allocation to non-executive directors of a number of the Bank's "theoretical shares", for effective delivery after the date on which they cease to be directors, provided that this is not due to serious breach of duties.

The number of "theoretical shares" to be allocated to each non-executive director in each financial year will be equivalent to 20% of the total annual fixed allowance in cash received by each one of them in the previous financial year, taking as reference for the calculation of the number of "theoretical shares" to be allocated each year, the average closing prices of the BBVA share during the 60 trading sessions prior to the date of the Annual General Shareholders' Meeting that approves the financial statements for each financial year.

The breakdown of the "theoretical shares" assigned to each non-executive director under this system, will also be disclosed in the Annual Report on the Remuneration of Directors of BBVA.

Incorporation of new non-executive Board members

The remuneration system described in this section shall apply to any new non-executive director who may be appointed as member of the Board of Directors during the term of this Policy.

4.4. Remuneration system for executive directors

It shall be ensured that the remunerations, rights and other economic rewards for each executive director are adequate to remunerate the responsibilities associated to each role and competitive with the remuneration applied to equivalent functions in the main peer institutions. These will be reflected in their respective contracts, which are approved by the Board of Directors, at the proposal of the Remunerations Committee, in accordance with the provisions of this Policy and within the framework of Article 50º bis of the Bylaws.

The specific elements that comprise the remuneration system for executive directors as of the date of this Policy are detailed below.

[5] This system was first approved by resolution of the General Shareholders' Meeting held on 18 March 2006, having been extended by resolutions of the General Shareholders' Meeting held on 11 March 2011 and 2016.

4.4.1. System elements

A. Fixed remuneration

The fixed remuneration of the executive directors consists of the following elements:

a) Annual fixed remuneration

The annual fixed remuneration of each executive director corresponds to the annual gross salary associated with the performance of their executive functions. This remuneration reflects the level of responsibility of these functions and constitutes a fixed element of remuneration which is in no case linked to variable parameters or to results (hereinafter, "**Annual Fixed Remuneration**" or "**Salary**").

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

- For the purposes of determining the Annual Fixed Remuneration and any possible updates to it, the Remunerations Committee shall take into account the assigned functions and the level of responsibility of each executive director. Market analyses carried out by leading independent consultancy firms in the field shall also be considered, in order to establish remunerations that are appropriate for the functions performed, competitive in the market and aligned with that of peer institutions. Other factors will also be considered, such as average increases of the remuneration of members of Senior Management. In the event that said updates arise, they would be disclosed in the corresponding Annual Report on the Remuneration of Directors of BBVA which is submitted each year to the General Shareholders' Meeting for consideration.

In application of the above, the Board of Directors, at the proposal of the Remunerations Committee, has resolved to approve the following amounts of Annual Fixed Remuneration for each executive director, which in the case of the Chairman's takes into account the transformation of his pension system described in section 1 and in the following sections of this Policy:

Executive Directors	**Annual Fixed Remuneration** (€ thousand)
Chairman (Carlos Torres Vila)	2,924
Chief Executive Officer (Onur Genc)	2,179

These amounts shall remain fixed until 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 disclosed in the Annual Report on the Remuneration of Directors, which is submitted each year to the General Shareholders' Meeting for consideration.

b) Remuneration in kind

In addition to the Annual Fixed Remuneration, the executive directors are beneficiaries of healthcare insurance policies taken out by the Bank, who pays the corresponding premiums that are attributed to the directors as remuneration in kind.

The Bank also compensates executive directors with other benefits in kind applicable to its Senior Management, the amounts of which are disclosed every year in the Annual Report on the Remuneration of Directors.

c) Contributions to pension systems and other benefits

Executive directors shall be entitled to pension systems and any other fixed benefits or allowances that, in general, may be part of the remunerations of Senior Management, in the terms set out in section 4.4.2. Their amounts will be disclosed annually in the Annual Report on the Remuneration of Directors.

B. Variable remuneration

a) Annual variable remuneration

As of the date of this Policy, the variable remuneration of the executive directors, in line with the corporate variable remuneration model applicable to the rest of the Group's employees, consists of a variable incentive awarded on an annual basis. This incentive reflects their performance, being measured through the achievement of a set of targets established to assess the results obtained in each financial year for a series of indicators that take into account the strategic priorities established by the Group and the risk incurred (hereinafter, the "**Annual Variable Remuneration**", "**AVR**" or "**Bonus**").

This variable remuneration shall be calculated for each executive director on the basis of a "target" annual variable remuneration, determined for each executive director by the Board of Directors, at the proposal of the Remuneration Committee, which represents the amount of the Annual Variable Remuneration if 100% of the pre-established targets are achieved ("**Target Annual Variable Remuneration**" or "**Target Bonus**").

The resulting amount in each financial year shall constitute the Annual Variable Remuneration of each executive director. This shall be determined by the Remunerations Committee and submitted for approval to the Board of Directors. This remuneration is subject to the rules on the award, vesting and payment established for the Annual Variable Remuneration of the Identified Staff, with the particularities and detail set forth below.

Rules for Annual Variable Remuneration:

The Annual Variable Remuneration of each executive director shall be subject to the rules for the accrual, award, vesting and payment applicable to the Identified Staff in accordance with the regulations applicable to the Bank as a credit institution, in the following terms:

1) Conditions for the accrual of Annual Variable Remuneration

For the purposes of ensuring alignment with results and the long-term sustainability of the Institution, the Annual Variable Remuneration of executive directors will not accrue, or will accrue in a reduced amount, should a certain level of profit and capital ratio not be achieved.

To this end, the Board of Directors, at the proposal of the Remunerations Committee, shall annually approve the minimum profit and capital ratio thresholds to be achieved by the Group for the accrual of the Annual Variable Remuneration of executive directors. These conditions shall constitute *ex ante* adjustments to the Annual Variable Remuneration for the purposes set out in the applicable regulations.

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

2) Rules for the award of Annual Variable Remuneration

As indicated above, the Annual Variable Remuneration of each executive director shall be calculated on the basis of the Target Annual Variable Remuneration determined for each of them and linked to:

- Annual performance metrics or indicators (financial and non-financial), which take into account the strategic priorities established by the Group, as well as current and future risks (the "**Annual Performance Indicators**"); and

- The corresponding scales of achievement, according to the weighting assigned to each Annual Performance Indicator; and based on the targets set for each of them.

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

Thus, each financial year, the Board of Directors, at the proposal of the Remunerations Committee, establishes the Annual Performance Indicators that are used to calculate the amount of the Annual Variable Remuneration on the basis of the Target Annual Variable Remuneration, and sets the targets for each of them. In order to determine to what extent the performance criteria have been met in the financial year to which the Annual Variable Remuneration corresponds, after year end, the result of each Annual Performance Indicator for that financial year will be compared with its target and, depending on the level of achievement, the Annual Variable Remuneration will be calculated by applying the corresponding scales, according to the weighting associated with each indicator.

The financial Annual Performance Indicators shall be aligned with the Group's most significant management metrics, adapted to the respective duties of each executive director and related, amongst others, to:

- The ability to generate profits;
- Efficiency;
- Return on capital;
- Value creation; and
- The current and future risks implicit in results.

The non-financial Annual Performance Indicators shall be aligned with the Group's strategic priorities and with the duties of each executive director and, as such, they may consider, among others, the following factors:

- The degree of client satisfaction;
- Digital sales volume;
- Sustainable development and climate change;
- Individual indicators specific to each executive director related to their roles and responsibilities, among which indicators related to strategic transformation, ESG targets and others are included.

The detail of Annual Performance Indicators approved by the Board of Directors for the calculation of 2021 Annual Variable Remuneration of executive directors is set forth in **Appendix I** to this Policy.

This system, together with the selection of Annual Performance Indicators and their alignment with the areas above mentioned contribute to the business strategy, value creation, and to the Company's long-term interests, directly linking the variable remuneration of the executive directors with the Group's results.

The approved indicators, along with amount of the Annual Variable Remuneration and its link with performance will be disclosed in the Annual Report on the Remuneration of Directors that is annually submitted to the Annual General Shareholders' Meeting for consideration.

- **Limitation of variable remuneration:**

In the total remuneration of executive directors, fixed components and variable components are adequately balanced, representing fixed remuneration a sufficiently high portion of the total remuneration. The Annual Variable Remuneration determined for each executive director, in accordance with the rules stated above, shall form part of the variable component of their total remuneration for the purposes of the annual limit established in the applicable regulations.

In this regard, the variable component of the remuneration for executive directors for a financial year (understood as the sum of all variable remuneration) shall be limited to a maximum amount of 100% of the fixed component of the total remuneration (understood as the sum of all fixed remuneration), unless the General Shareholders' Meeting resolves to increase this percentage up to a maximum of 200%.

As of the date of this Policy, the theoretical relative ratio between the main fixed and variable components of the remuneration for executive directors is as follows:

Executive Director	Annual Fixed Remuneration	Target Annual Variable Remuneration[6]
Chairman	45%	55%
Chief Executive Officer	45%	55%

3) Rules for the vesting and payment of Annual Variable Remuneration

Once the amount of the Annual Variable Remuneration has been determined by applying the calculation rules described in the preceding section, 40% shall be vested and paid, if conditions are met, as a general rule, in the first quarter of the financial year following that to which the Annual Variable Remuneration corresponds (the "**Upfront Portion**" of the Annual Variable Remuneration).

- **Deferral rules:**

The remaining 60% of the Annual Variable Remuneration shall be deferred for a period of five years (the "**Deferred Portion**" of the Annual Variable Remuneration or the "**Deferred Annual Variable Remuneration**"). Payment of these amounts, if conditions are met, will take place on a pro-rata basis, after each of the five years of deferral, in an amount equivalent to 20% of the Deferred Annual Variable Remuneration each year.

[6] The Annual Variable Remuneration awarded to executive directors may not be the same as the Target Annual Variable Remuneration, since it depends on the performance of the indicators established by the Board, as it has been stated above. This remuneration is also subject to the rules on award, vesting and payment set forth in this Policy.

Payment in shares:

The Upfront Portion of the Annual Variable Remuneration will be divided 50% in cash and in BBVA shares, while the Deferred Portion will be divided 60% in BBVA shares and the other 40% in cash.

In order to calculate the shares portion of the Annual Variable Remuneration, both of the Upfront Portion and the Deferred Portion, 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 corresponds and 15 January of the following year (both inclusive).

For the purposes of implementing this form of payment, the maximum number of shares that may be delivered to executive directors during each financial year is included in **Part III** of this Policy.

Withholding period:

The shares received as Annual Variable Remuneration, both from the Upfront Portion and the Deferred Portion, will be withheld for a one-year period after delivery.

The above will not apply to those shares which sale would be required to honour the payment of taxes accruing on the shares delivered.

Ex-post adjustments to the Deferred Portion of the Annual Variable Remuneration:

In order to ensure that the assessment process of the results to which the Annual Variable Remuneration is linked falls within a multi-year framework, considering long-term results, and that the effective payment is made over a period that takes into account the economic cycle of the Institution and its risks, the Annual Variable Remuneration for executive directors, as well as that for all other Identified Staff, shall be subject to deferral rules and *ex-post* risk adjustments linked to the result of multi-year performance indicators.

In this sense, the Deferred Portion of the Annual Variable Remuneration for each executive director may be reduced, but never increased, depending on the results of multi-year performance indicators which are aligned with the Group's core metrics for risk management and control ("**Multi-year Performance Indicators**"). These Multi-year Performance Indicators promote that the remuneration system for executive directors is consistent with the Group's long-term risk strategy and performance, and will be related to:

- Solvency
- Liquidity
- Profitability; or
- Value creation

The Multi-year Performance Indicators shall be subject to annual approval by the Board of Directors, at the proposal of the Remunerations Committee and upon prior analysis by the Risk and Compliance Committee, which shall ensure that they are compatible with adequate and effective risk management.

The detail of Multi-year Performance Indicators approved for the Deferred Part of the 2021 Annual Variable Remuneration of executive directors is set forth in **Appendix I** to this Policy.

Once the financial year corresponding to the third year of deferral of the Annual Variable Remuneration has ended, the result of the Multi-year Performance Indicators established for each financial year shall determine the application of the *ex-post* adjustments that, if the case may be, should be made on the outstanding amount of the Deferred Portion of the Annual Variable Remuneration.

To that end, each Multi-year Performance Indicator shall have associated scales of achievement for the targets set for each of them, which are determined by the Board of Directors, at the proposal of the Remunerations Committee and following analysis by the Risk and Compliance Committee, after the award of Annual Variable Remuneration for each financial year has been determined. Thus, if the pre-established thresholds set for each of the Multi-year Performance Indicators are not met, the outstanding amount of the Deferred Portion of the Annual Variable Remuneration shall be adjusted, and may be reduced, in the terms indicated in the preceding paragraph.

- **Payment schedule for the Deferred Portion of the Annual Variable Remuneration:**

As set out above, the Deferred Annual Variable Remuneration shall be paid, if conditions are met, after each of the five years of deferral, in an amount equivalent to 20% of the Deferred Annual Variable Remuneration each year.

- **Malus and clawback arrangements:**

The entire Annual Variable Remuneration of each executive director will be subject to malus and clawback clauses, in the same conditions that those applicable to the rest of the Identified Staff, and therefore:

1. Up to 100% of the Annual Variable Remuneration of each executive director corresponding to each financial year will be subject to arrangements for the reduction of variable remuneration (malus) and arrangements for the recovery of variable remuneration already paid (clawback), both of which are linked to a downturn in financial performance of the Bank as a whole, or of a specific unit or area, or of the exposures created 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 regulations by the executive director;

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

   c) Significant failure in 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 financial statements, except where such restatement is due to a change in the 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 arrangements will apply to the Annual Variable Remuneration for the financial year in which the event giving rise to application of the arrangement occurred. They will remain in force during the applicable deferral and withholding period of the shares delivered for said Annual Variable Remuneration.

2. Nevertheless, in the event that the above circumstances 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 from previous financial years pending payment on the date of the decision of termination, in the light of the extend of the damage caused.

3. Moreover, malus and clawback arrangements shall also be applicable in the event that the above circumstances (set forth in paragraph 1), regardless of the financial impact caused, create a relevant reputational damage to the Bank. These arrangements shall be applicable to the Annual Variable Remuneration, including to the deferred amounts of previous financial years, the payment of which corresponds or has taken place in the financial year in which the damage is revealed.

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

The Board of Directors, following the report from the Remunerations Committee and the analysis of the Committees concerned within the scope of their respective functions, shall be responsible for determining whether the circumstances leading to application of malus and clawback arrangements of the Annual Variable Remuneration for executive directors have occurred under the above terms and, if this is the case, depending on the impact of the event in question, the amount of the Annual Variable Remuneration to be reduced or recovered and the manner in which this is to take place.

Other conditions applicable to Annual Variable Remuneration:

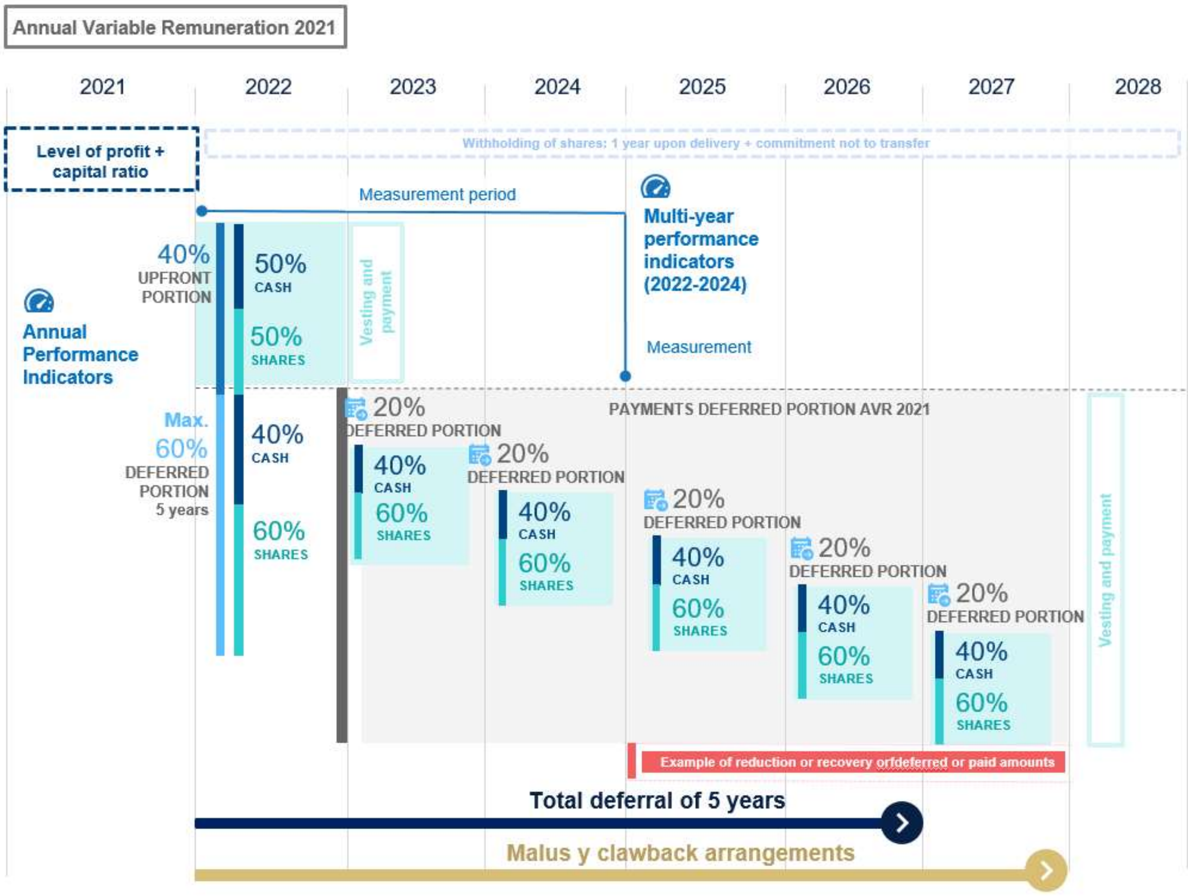
- The cash amounts of the Deferred Annual Variable Remuneration finally vested will be updated by applying the consumer price index (CPI) measured as year-on-year change in prices, or any other criteria established for such purposes by the Board of Directors.

- Executive directors may not use personal hedging strategies or insurance in connection with the Annual Variable Remuneration and responsibility that may undermine the effects of alignment with prudent risk management.

- In the event that an executive director ceases to hold office prior to the award of the Annual Variable Remuneration, in general terms and providing that the conditions to that effect have been met, the director will have the right to receive the proportional amount of the Annual Variable Remuneration. This amount will be calculated pro rata, in accordance with the time spent in office in that financial year and will, in any case, be subject to the same award, vesting and payment system that would apply had the director remained in the role, as specified in the terms in this Policy.

  The above shall not apply in cases of termination for serious breach of duties, in which the right to the Annual Variable Remuneration shall not accrue, all under the terms established in each case by the Board of Directors.

An **illustrative example of the rules for the award, vesting and payment of the Annual Variable Remuneration** for BBVA's executive directors contained in this Policy is represented below, using the 2021 financial year as reference:



b) Other variable remuneration[7]

Notwithstanding the provisions of the preceding section, in accordance with the Bylaws, the executive directors shall be beneficiaries of the incentive schemes in place generally for the Bank's Senior Management, which may include the delivery of shares, or share options or remuneration indexed to the share price, subject to the legal requirements in force at any given time. In the event that the Board of Directors deems it appropriate to establish an incentive of this nature during the term of this Policy, it shall be submitted for approval to the General Shareholders' Meeting, in accordance with the provisions of the applicable regulations.

In the event that, in accordance with this Policy or a resolution of the General Shareholders' Meeting, the directors of the Bank are entitled to receive any variable remuneration other than the Annual Variable Remuneration, such variable remuneration shall be subject to the rules regarding award, vesting and payment applicable in accordance with the type and nature of the remuneration component itself and, in any case, shall comply with the applicable regulations in force at any given time.

[7]As indicated below in section 4.4.2, 15% of the pension contribution of executive directors shall be considered as variable remuneration in the form of "**discretionary pension benefits**" in accordance with the established in the Circular 2/2016 of the Bank of Spain.

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Additional restrictions on the transferability of shares derived from variable remuneration:

Following the award of BBVA shares derived from the settlement of the variable remuneration of executive directors, they shall not be able to transfer their ownership until a period of at least three years has elapsed. Except for the case in which the director maintains, at the time of the transfer, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice their Annual Fixed Remuneration through the ownership of shares, options or other financial instruments. The foregoing shall not apply to the shares that the director needs to sell of to meet the costs related to their acquisition or, upon favourable assessment of the Remunerations Committee, to address an extraordinary situation[8].

4.4.2. Main terms and conditions of the executive directors' contracts

In accordance with the regulations applicable to the Bank, contracts entered into between the Bank and its executive directors must set forth all of the concepts under which the executive directors may receive remuneration for the performance of executive functions. These contracts are approved by the Board of Directors, at the proposal of the Remunerations Committee, and their terms and conditions must comply with the Policy, once approved by the General Shareholders' Meeting.

The main terms and conditions of the executive directors' contracts are as follows:

- They have an indefinite duration.
- They do not establish any prior 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 do not include severance payment commitments.
- They include a two-year post-contractual non-compete clause.

a) Pension commitments in favour of the Chairman

The Bank has pension commitments in favour of the Chairman, Carlos Torres Vila, to cover the contingencies of retirement, disability and death, in the terms detailed below.

The commitments made by the Bank to cover the **retirement contingency** in favour of the Chairman has the following characteristics, in line with the commitments made in favour of the rest of the Senior Management:

- It is part of an established system with a defined-contribution regime, for which the annual contributions to be made are established in advance;
- It does not provide for the possibility of receiving the retirement pension in advance;
- It is stipulated that 15% of the agreed annual contributions shall be considered "discretionary pension benefits," pursuant to the provisions of Bank of Spain Circular 2/2016.

[8] All of it, as provided for in the Recommendation 62 of the Code of Good Governance for listed companies of the Spanish National Securities Market Commission.

The pension scheme to cover commitments agreed with the Chairman's for the retirement contingency materialises in the following:

- The Chairman is entitled to receive a retirement pension when he reaches the retirement age established by law. The amount he is entitled to receive shall be the sum of the contributions made by the Bank and its corresponding yields up to that date, which may be paid either in the form of income or capital, provided that he does not leave his position as a result of serious breach of his duties. If the contractual relationship is terminated before he reaches retirement age for reason other than the aforementioned, he will retain his right to this pension, which will be calculated on the basis of the Bank's total contributions made until that date, plus the corresponding cumulative yield, without the Bank having to make any additional contributions.

- In this financial year, as has been set out in section 1 of this Policy, the Board of Directors, at the proposal of the Remunerations Committee, in agreement with the Chairman, has resolved to modify his pension scheme to cover the retirement contingency, the conditions of which were established in accordance with the remuneration policies in force at the time of his appointment as Chief Executive Officer. In execution of this transformation, the annual contribution to cover retirement contingency is significantly reduced –this was established in 2017 in the fixed amount of EUR 1,642 thousand (representing approximately 67% of his annual fixed remuneration), taking into consideration his contractual rights at that time– to an annual contribution that represents an amount equivalent to **15% of the Annual Fixed Remuneration** established in this Policy, in order to align it with the latest recommendations and international standards in this field. Consequently, the amount of the annual contribution to this system has been set at **EUR 439 thousand.**

- The foregoing shall not affect the provisions and contributions made by the Bank to meet its commitments in favour of the Chairman prior to the entry into force of this Policy.

- The amount of the annual contribution to this pension system may be updated by the Board of Directors during the term of this Policy to the same extent as his Annual Fixed Remuneration is updated, in the terms establish herein.

On the other hand, 15% of the agreed annual contributions to this system will be considered as "**discretionary pension benefits**" to the effects established in Circular 2/2016 of the Bank of Spain, and will therefore be based on variable components, subject to the conditions set out in the Circular for these instruments.

In order to comply with the foregoing, the amount of the "discretionary pension benefits" shall be determined by reference to the Annual Variable Remuneration accrued by the Chairman in each financial year and the following rules will apply:

- They shall form part of the total amount of variable remuneration for the purposes of the maximum limit between fixed and variable remuneration;
- They shall be paid in full in BBVA shares;
- They shall be subject to a five-year withholding period from the date on which the Chairman ceases to render his services to the Bank for any reason,;
- BBVA may apply during such withholding period the same malus and clawback arrangements set out in this Policy for the Annual Variable Remuneration.

In addition, as set out in section 1 of this Policy, the Chairman and the Board of Directors have reached an agreement to modify the commitments made by the Bank to cover the death and disability contingencies, reducing the coverage levels for these contingencies with respect to that established in the former Policy.

Accordingly, the commitments made by the Bank in favour of the Chairman to cover the death and disability contingencies materialise in the following:

- In the event of **death** while in office, he is entitled 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% (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 pension coverage. The cumulative benefits of the widow's and orphan's pension may not exceed 150% of the Annual Fixed Remuneration.

- He is also entitled to receive an annual pension, of an amount equivalent to 60% of the Annual Fixed Remuneration, in the event of total or absolute permanent **disability** while in office. Payment of this pension 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 to top up the pension coverage.

- In the event of **death while in disability**, he is entitled 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 85% and 35% (40% in the event of total orphanhood), respectively, of the disability pension that the deceased was receiving at that time. Such reversion will be in any case limited to 150% of the disability pension itself.

Coverages variation in terms of equivalence over the Annual Fixed Remuneration 2020/2021:

Contingency	Former Policy coverage level	New Policy coverage level
Death (widow’s pension)	70%	50%
Death (orphan’s pension)	25%	20%
Permanent disability (while in office)	100%	60%
Death while in disability (widow’s pension)	70%	51%
Death while in disability (orphan’s pension)	25%	21%

b) Pension commitments in favour of the Chief Executive Officer

The Bank has not undertaken any retirement pension commitments in favour of its Chief Executive Officer, Onur Genç, although he is entitled to receive an annual amount in cash in place of a retirement pension (**cash in lieu of pension**), in an amount equal to 30% of the Annual Fixed Remuneration.

For its part, the Bank has made the following commitments in favour of the Chief Executive Officer to cover the death and disability contingencies:

- In the event of **death** while in office, he is entitled 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, with the Bank assuming the corresponding annual insurance premiums to guarantee the benefit coverage. The cumulative benefits of the widow's and orphan's pension may not exceed 100% of the Annual Fixed Remuneration for the previous 12 months.

- He is also entitled to an annual pension, of an amount equivalent to 62% of the Annual Fixed Remuneration for the previous 12 months, in the event of total or absolute permanent **disability** while in office, which will revert to his spouse and children in the event of death in the same percentages previously set out, and with said reversion limited in any case to 100% of the disability pension, with the Bank assuming the corresponding annual insurance premiums to guarantee the benefits coverage.

c) Other terms and conditions of the executive directors' contracts

Additional allowance to the Chief Executive Officer's fixed remuneration

In view of his status as a senior international executive, the Chief Executive Officer's contract establishes his entitlement to an annual amount in cash as a mobility allowance, in line with commitments made in favour of other expatriate members of the Bank's Senior Management, for an amount of EUR 600 thousand for the term of this Policy.

Severance payment clauses

The contracts of the executive directors do not include the right to a severance payment in the event of the termination of their contractual relationship.

Post-contractual non-compete agreement

The contractual framework defined for the executive directors establishes a post-contractual non-compete clause, effective for a two-year period of duration after they cease to be BBVA' executive directors, provided that they do not leave due to retirement, disability or serious breach of their duties. In compensation for this agreement, executive directors will receive a remuneration from the Bank of an amount equivalent to their Annual Fixed Remuneration for each year of its duration, which will be awarded monthly over the course of the two-year duration of the non-compete agreement.

Incorporation of new executive Board members

The remuneration system for executive directors that is described in this Policy shall also apply to any new executive directors who may be appointed as members of the Board of Directors during the term of this Policy. The remuneration system shall be tailored according to their functions, responsibilities and professional experience.

In this respect, the Board of Directors shall set a remuneration that adequately reflects the characteristics mentioned above, in line with the Annual Fixed Remuneration of the current executive directors and taking into consideration the competition environment comprising the main peer institutions. The variable remuneration system contained in this Policy and any other pertinent contractual conditions will also be applicable.

The foregoing shall likewise apply in the event of modifications to the conditions stipulated in the contracts with current executive directors, as a result of changes in their roles, duties or responsibilities.

The main terms and conditions of contracts with potential new executive directors or changes to the conditions stipulated in contracts with current executive directors shall, in any case, be disclosed in the Annual Report on the Remuneration of Directors of BBVA for the financial year in which they arise.

5. Transitional provisions

This Policy will apply to the remuneration of BBVA directors for financial years 2021, 2022 and 2023, unless a new Policy is approved.

In any case, this Policy will apply without prejudice to any payments to be made during these years to executive directors deriving from the deferred part of the Annual Variable Remuneration of previous financial years, which will be subject to the conditions and policies established for those remunerations.

6. Governance and supervision model of the Policy

This Policy has been approved by the BBVA Board of Directors on 8 February 2021, at the proposal of the Remunerations Committee, which has also issued its corresponding report to be made available to shareholders, and following prior analysis by the Risk and Compliance Committee. Its approval corresponds to the General Shareholders' Meeting of the Company.

The Board of Directors, as the Company's highest supervisory body, shall conduct, directly or through the Remunerations Committee, the supervision of the Policy's implementation, on the basis of periodic or *ad hoc* reports received from the competent executive areas.

The Remunerations Committee, in accordance with its own regulations, shall ensure compliance with the Policy and periodically review it, proposing any appropriate amendments. The Remunerations Committee shall propose to the Board of Directors, for approval or, where appropriate, for submission to the General Shareholders' Meeting, when this is legally required, all such amendments or derogations to the Policy that may be necessary to make during its term.

Specifically, the Board of Directors, prior analysis and at the proposal of the Remunerations Committee, may:

- Interpret the Policy and, in particular, the rules for the award, vesting and payment of the Annual Variable Remuneration for executive directors, adapting them where necessary to the applicable regulations, recommendations or best practices in the field or to the specific requirements made by the supervisors.

- Resolve the application of temporary derogations to the Policy in connection with the award, vesting and/or payment of all components provided for in this Policy in the event that it is necessary to serve the long-term interests and sustainability of the Company as a whole or to ensure its viability.

- Analyse, periodically, both the Annual and Multi-year Performance Indicators applicable to the Annual Variable Remuneration and their effect on any component of the beneficiaries' variable remuneration, so that adjustments can be made to them on the basis of any exceptional circumstances that may arise during the term of this Policy.

- Alter the rules of award, vesting and payment of the remuneration provided for in this Policy, in case of any event, circumstance or corporate transaction that, in the opinion of the Board of Directors, may significantly affect the collection, in particular, of the Deferred Portion of the Annual Variable Remuneration or other components of deferred variable remuneration. Specifically, in the event of a takeover or change in control at BBVA as the result of a public takeover bid, the outstanding deferred portion of any variable remuneration component in shares will be settled early and beneficiaries will receive, instead of shares, their equivalent in cash, based on the price offered in the public takeover bid.

In no case shall any derogations that may apply to this Policy be based on gender considerations or other aspects that may be considered discriminatory, they shall be supported by a sound justification and comply with the provisions of the applicable regulations in force at any given time.

Part II. Resolution for the delivery of BBVA shares to non-executive directors

In accordance with this Policy, among the fixed remuneration components of the non-executives directors, they have a fixed remuneration system with deferred delivery of BBVA shares, to be delivered after termination of office, provided that it does not occur due to serious breach of their duties (hereinafter the "**System**").

To enable the implementation of this System, in the terms established in the Policy, the General Shareholders' Meeting is expressly requested hereby to authorise to raise the maximum number of shares to be delivered to non-executive directors under this System, which was approved by the General Shareholders' Meeting held on 18 March 2006, as item 8º of its Agenda, extended for additional periods by the General Shareholders' Meeting. All of it, in accordance with the provisions of Article 33º bis of the BBVA Bylaws and the BBVA Directors' Remuneration Policy, in accordance with the following:

The System consists of the annual allocation to non-executive directors of the Bank, as part of their remuneration, of BBVA's "theoretical shares", which are to be delivered, as the case may be, after the date on which they cease to be directors, on any grounds other than serious breach of duties. For these purposes, a number of "theoretical shares" shall be assigned annually to non-executive directors designated as beneficiaries of the System by the Bank's Board of Directors, of a value equivalent to 20% of their total annual fixed allowance in cash received in the previous financial year using the average of the closing prices of the BBVA share during the sixty trading sessions prior to the dates of the respective Ordinary General Shareholders' Meetings that approve the financial statements for each financial year during which the System remains in force.

Beneficiaries: The System is aimed at BBVA non-executive directors, at any given time, and who are designated as beneficiaries by the Board of Directors.

Duration: The duration of the System is extended for an additional period of three years from the date of entry into force of this Policy, without prejudice to the partial settlements made in the terms and conditions mentioned above, and the fact that the remuneration System may be further extended by resolution of the General Shareholders' Meeting.

Number of shares: The number of shares established for the System by resolution of former General Shareholders' Meetings (of 1,600,000 shares), is extended by an additional **700,000 Banco Bilbao Vizcaya Argentaria, S.A. shares**, representing 0.01% of the share capital as of the date of this Policy, bringing the total number of shares allocated to the System since its inception in 2006 to 2,300,000, which represents 0.03% of the Bank's share capital as of this date. This number of shares includes those assigned and delivered to directors beneficiaries of the System that have ceased as such.

Coverage: The Company may use shares comprising its treasury stock to cover the System, or use any other suitable financial system that it determines to that end.

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

Part III. Resolution for the delivery of BBVA shares to executive directors

Pursuant to this Policy, a substantial portion of the Annual Variable Remuneration for executive directors for each financial year, whether of the Upfront Portion or the Deferred Portion, will be paid in shares, provided that the conditions established are met.

Number of shares: 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 of **6 million shares of Banco Bilbao Vizcaya Argentaria, S.A**., representing 0.09% of the Bank's share capital as of the date of this Policy, to the Bank's executive directors over the three-year term of the Policy (allocating a maximum of 2 million shares per each year of the Policy's term).

For the purposes of the calculation of the shares corresponding to 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).

Coverage: The Institution may use shares that comprise or may comprise its treasury shares stock or use any other suitable financial system that it establishes to that end.

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

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Appendix 1. Information on indicators for the calculation of 2021 AVR of executive directors

Annual Performance Indicators 2021 AVR

Type		Annual Performance Indicators 2021 AVR	Chairman	CEO
			Weighting	Weighting
Financial Indicators	Earnings	Attributable profit excluding corporate transactions	10%	15%
		(TBV) Tangible Book Value per share	15%	10%
	Profitability	RORC	10%	10%
	Efficiency	Efficiency ratio	10%	15%
Non-Financial Indicators	Client Satisfaction	NPS	10%	15%
	Sustainable Development	Mobilization of sustainable financing	10%	10%
	Transformation	Digital Sales	10%	10%
		Individual indicators	25%	15%

Multi-year Performance Indicators 2021 AVR

	Muti-year Performance Indicators Deferred 2021 AVR	Weighting
Capital	Common Equity Tier 1 (CET 1) Fully Loaded	40%
Liquidity	Liquidity Coverage Ratio (LCR)	20%
Profitability	Return On Tangible equity (ROTE)	30%
Value creation	Total Shareholder Return (TSR)	10%

Appendix 2. Glossary

Definitions

The terms defined in this Policy shall have the following meaning:

- **BBVA, the Company, the Institution or the Bank**: Banco Bilbao Vizcaya Argentaria, S.A. (the parent company of the BBVA Group).
- **Identified Staff**: categories of staff whose activities have a material impact on the risk profile of the BBVA Group.
- **CRD IV**: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
- **CRD V**: Directive 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.
- **BBVA Group or the Group**: an international financial group comprising BBVA, as the parent company and other legally autonomous companies, mainly dedicated to the banking activities.
- **EBA Guidelines**: Guidelines on sound remuneration policies of 27 June 2016, issued by the European Banking Authority.
- **Annual Performance Indicators**: performance indicators with an annual measurement period, on the basis of which the Annual Variable Remuneration of executive directors is calculated.
- **Multi-year Performance Indicators**: performance indicators with a multi-year measurement period on the basis of which the ex post adjustments to the outstanding part of the Deferred Portion of the Annual Variable Remuneration are determined, if appropriate.
- **Spanish Corporate Enterprises Act**: Spanish Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Spanish Corporate Enterprises Act.
- **Act 10/2014**: Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions.
- **Deferred Portion of the Annual Variable Remuneration**: the 60% of the Annual Variable Remuneration for executive directors which will be deferred for a period of five (5) years.
- **Upfront Portion of the Annual Variable Remuneration**: the 40% of the Annual Variable Remuneration for executive directors which will vest and be paid, as a general rule, in the first quarter of the financial year following that to which the Annual Variable Remuneration corresponds.
- **Remuneration Policy for BBVA Directors**: this policy.
- **Annual Variable Remuneration, AVR or Bonus**: a variable bonus or incentive, with an annual period of accrual, awarded to executive directors which reflects their performance measured through the attainment of objectives established in order to assess the results obtained in each financial year for a series of indicators that take into account the strategic priorities defined by the Group and consider the risk incurred.

- **Target Annual Variable Remuneration or Target Bonus**: the amount of the Annual Variable Remuneration for executive directors if 100% of the pre-established objectives are achieved.

- **Annual Fixed Remuneration**: the annual gross salary received by executive directors for performing their executive functions.

- **Senior Management:** for the purposes of this Policy, the persons fulfilling senior management duties with general management powers and who report directly to the management body or any of its members, as well as the heads of the Group's significant business areas.

- **SRD II**: Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.