Report by the Remuneration Committee

Banco Bilbao Vizcaya Argentaria, S.A.

Report by the Remuneration Committee in accordance with Article 529 *novodecies* of the Corporate Enterprises Act, in relation to the proposed resolution for approval of the Banco Bilbao Vizcaya Argentaria, S.A. Directors' Remuneration Policy

February 2023

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1. Background and regulatory framework

Article 529 *novodecies* of the Consolidated text of the Corporate Enterprises Act approved by the Royal Legislative Decree 1/2010, of 2 July, (the "**Corporate Enterprises Act**"), stipulates that the remuneration policy for directors will be approved by the General Shareholders' Meeting and that the remuneration policy proposal from the Board of Directors will be reasoned and accompanied by a specific report issued by the Remuneration Committee.

In this regard, Article 17 of the Regulations of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**", the "**Institution**", the "**Company**" or the "**Bank**"), establishes that the competencies of the Board of Directors include the approval of the directors' remuneration policy, for the purposes of its submission to the General Shareholders' Meeting, as stipulated in the applicable regulations.

Likewise, Article 5.1 of the Regulations of the Remuneration Committee stipulates that the functions of said Committee include proposing the remuneration policy for BBVA directors to the Board of Directors for its submission to the General Shareholders' Meeting and also submitting to the Board its corresponding report, all in accordance with the terms established by the applicable regulations.

The BBVA directors' remuneration policy was approved for the last time in financial year 2021, to be applied during financial years 2021, 2022 and 2023. As provided in article 529 *novodecies* of the Corporate Enterprises Act, as amended by Act 5/2021, of 12 April, which amends the Consolidated text of the Corporate Enterprises Act, once the last financial year foreseen for its application has arrived, a new policy must be submitted to the General Shareholders' Meeting for consideration before the end of said financial year. This new policy will be applicable, if approved, from the financial year 2023 itself, replacing the previous policy.

In view of the above, the Remuneration Committee has carried out an in-depth review of the current BBVA directors' remuneration policy and of the remuneration system as a whole, taking into consideration the suggestions received within the framework of the constant and constructive dialogue that BBVA maintains with its shareholders, investors and other stakeholders.

The above, together with the very nature of BBVA's Corporate Governance System, which is permanently evolving and improving, has enabled the Remuneration Committee to identify the necessary amendments to be made to the remuneration system so as to ensure that the directors' remuneration policy is fully aligned not only with the applicable law and regulations, but also with prevailing best practices and standards.

In particular, during the 2022 financial year, the Remuneration Committee carried out a strategic reflection on the variable remuneration model, both for executive directors and the rest of the Identified Staff, with the main aim of ensuring that remuneration is more closely aligned with the creation of value and long-term sustainable performance and with sound and effective risk management, thus also allowing the Group to attract, motivate and retain the best talent.

As a result of the foregoing, and within the framework of the powers of the Remuneration Committee to periodically review the policy, the Committee has submitted to the Board of Directors a proposal for a new directors' remuneration policy which includes the new features described in detail in this report and which, if approved by the Board of Directors, will be submitted to the next General Shareholders' Meeting for approval.

In view of the above, and pursuant to the previously mentioned regulations, the Remuneration Committee has resolved to, likewise, submit this report concerning the new BBVA directors' remuneration policy (the "**BBVA Directors' Remuneration Policy**", the "**Remuneration Policy**" or the "**Policy**") to the Board of Directors, so that it may be made available to the shareholders when the General Meeting is called (the "**Report**").

2. Governance model for the BBVA Directors' Remuneration Policy

2.1. BBVA's Corporate Governance System

BBVA is aware of the importance of large institutions having a system that guides the structure and functioning of their corporate bodies in the best interests of the Institution and its stakeholders.

Having a sound and effective **Corporate Governance System aligned with the reality of the Bank** that enables adequate management and supervision is fundamental to the proper development of the Bank's strategic priorities, which are geared towards long-term value creation and the sustainability of the business model.

The BBVA's Corporate Governance System has been designed taking into consideration the following elements:

- The reality of the Bank, its circumstances and its needs.
- BBVA's strategy and corporate culture.
- The regulations to which it is subject as a financial institution listed on both national and international markets.
- The outcome of supervisory actions and expectations and of the engagement with shareholders, investors and proxy advisors; and
- The best practices and recommendations on corporate governance.

As such, the BBVA Corporate Governance System has taken shape over time based on the following **principles**:

- A suitable **composition of its corporate bodies**.
- A clear **distribution of functions and interactions** between the Board of Directors and its Committees, and between them and Senior Management.
- A solid **decision-making process** and a robust informational model.
- A **comprehensive monitoring, oversight and control system** of the management of the Institution.
- An integrated **parent-subsidiary relationship** model, ensuring the coherence of internal governance at Group level.

In line with these principles, the BBVA's Corporate Governance System is reflected in various corporate documents, including in the Regulations of the Board of Directors, which detail the rules that comprise the Directors' Statute and the rules governing the organisation and functioning of the Board and its committees, which in turn have their own Regulations. The Regulations of the Board and the Regulations of the various Board Committees can be found on the Institution's website (www.bbva.com).

Regarding remuneration matters, and in accordance with Article 17 of its Regulations, the Board of Directors has the following functions:

- **Approve the remuneration policy for directors, for the purposes of its submission to the General Shareholders' Meeting in the terms established under applicable regulations.**
- Determine the directors' remuneration in their condition as such and, in the case of executive directors, the remuneration corresponding to their executive duties as well as other conditions that are incumbent in their contracts.
- Establish the basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination, based on the proposals submitted by the Remuneration Committee.
- Approve the remuneration policy for senior managers and employees whose professional activities have a significant impact on the Group's risk profile.
- Approve the Group's remuneration policy, which may include the policy for senior managers and the policy for employees whose professional activities have a significant impact on the Group's risk profile, stated in the previous paragraph.

In order to better perform its management and supervision functions, with the aid of an appropriate decision-making process, and to promote a balance of power and the non-occurrence of conflicts of interest, BBVA's Board of Directors, in accordance with Article 31 of the Regulations of the Board, has established specific committees that assist it in matters falling within its remit, having established a coordinated work scheme between these corporate bodies to enable the proper exercise of their functions.

Of the Board of Directors' Committees, the Remuneration Committee is particularly relevant for the purposes of this Report given that it assists the Board in matters regarding remuneration attributed to it by the Regulations of the Board of Directors, its own Regulations and other laws and regulations applicable to it at any given time.

2.2. Remuneration Committee

In accordance with Article 34 of the Regulations of the Board and its own Regulations, the Remuneration Committee has the following characteristics:

Number of members	• The Remuneration Committee will consist of a **minimum of three directors**.
Appointment of its members	• Remuneration Committee members are **appointed by the Board of Directors**, which will also appoint its Chair, seeking to ensure that they possess the **necessary dedication, skills and experience** to carry out their duties.
Status of its members	• **All** members of the Remuneration Committee must be **non-executive** directors. • The majority of its members must be **independent directors, including the Chair**.
Frequency of meetings	• The Remuneration Committee meets **whenever it is convened by its Chair** and will endeavour to establish an **annual calendar of meetings**, considering the amount of time to be devoted to its different functions.

The Remuneration Committee may request the attendance at its meetings of individuals who, within the Group's organisation, have roles related to the functions of the Remunerations Committee. It may also seek advice, where necessary, in order to form an opinion about matters within its remit.

As of the date of this Report, the Remuneration Committee comprises five directors, all of whom are non-executives, with the majority being independent, including the Chair:

Name	Role	Status
Belén Garijo López	Chair	Independent
Lourdes Máiz Carro	Member	Independent
Ana Peralta Moreno	Member	Independent
Carlos Salazar Lomelín	Member	External
Jan Verplancke	Member	Independent

In accordance with Article 5 of the Regulations of the Remuneration Committee, the Committee shall perform the functions set out below, without prejudice to any others assigned to it either by law, the Bylaws, the Regulations of the Board of Directors of the Bank, the Regulations of the Committee itself or by decision of the Board:

1. **Propose to the Board of Directors, for submission to the General Meeting, the remuneration policy for directors, and also submit to the Board its corresponding report,** all in accordance with the terms established by applicable regulations at any given moment.
2. Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, and submit the corresponding proposals to the Board of Directors.
3. Determine the extent and amount of individual remuneration, rights and compensation of a financial nature, as well as the other contractual conditions of executive directors, in accordance with the remuneration policy for directors, submitting the corresponding proposals to the Board, so that they may be contractually agreed.
4. Determine and propose to the Board the objectives and criteria for measuring the variable remuneration of the executive directors, and evaluate their degree of achievement.
5. Analyse, where appropriate, the need to make *ex ante* or *ex post* adjustments to variable remuneration, including the application of reduction or recovery arrangements for variable remuneration, submitting the corresponding proposals to the Board, based on the report from the relevant committees in each case.
6. Present an annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Annual General Shareholders' Meeting, in accordance with the provisions of the applicable law.
7. Propose to the Board of Directors the remuneration policy for senior managers and employees whose professional activities have a significant impact on the Group's risk profile. In addition, monitor its implementation, including monitoring the process for identifying such employees.

8. Propose to the Board of Directors, and supervise the implementation of, the remuneration policy for the Group, which may include the policy for senior managers and the policy for any employees whose professional activities have a significant impact on the Group's risk profile, stated in the previous section.

9. Submit to the Board of Directors the proposals for basic contractual conditions for senior managers, including their remuneration and compensation in the event they leave their role.

10. Directly oversee the remuneration of senior managers and, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring the variable remuneration of the heads of the Regulation & Internal Control area and the Internal Audit area, and submit the corresponding proposals to the Board of Directors, based on those submitted to it in turn by the Risk and Compliance Committee and the Audit Committee, respectively.

11. Ensure compliance with the remuneration policies established by the Company and review them periodically, proposing, where appropriate, any modifications that it deems necessary to ensure, among other things, that they are adequate for attracting and retaining the best professionals, and that they contribute to long-term value creation and the adequate control and management of risks, as well as address the principle of equal pay. In particular, the Committee shall ensure that the remuneration policies set out in the Company are subject to internal, central and independent review at least once a year.

12. Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the Annual Report on the Remuneration of Directors.

13. Supervise the selection of external advisers, whose advice or support is required for the performance of their duties in remuneration matters, ensuring that any conflicts of interest do not impair the independence of the advice provided.

BBVA's Corporate Governance System has been structured in such a way that, as a general rule, proposals on remuneration matters submitted for consideration by the Bank's Board of Directors originate in the Remuneration Committee, which analyses and shapes them beforehand, subject, where appropriate, to prior analysis by other Board Committees.

As part of the decision-making process in remuneration matters, the Remuneration Committee **works with the Board's Risk and Compliance Committee**, which, in accordance with Article 5 of its Regulations, **participates in defining the remuneration policy by** verifying that it is consistent with a sound and effective risk management and does not offer incentives for taking risks in excess of the level tolerated by the Institution.

In any case, decisions regarding directors' remuneration are submitted to the Bank's **General Shareholders' Meeting** for approval when required by the applicable regulations.

2.3. Decision-making process for the approval of the BBVA Directors' Remuneration Policy

Pursuant to the provisions of Articles 511 bis and 529 *novodecies* of the Corporate Enterprises Act, the directors' remuneration policy must be submitted, as a separate item on the agenda, for approval by the General Shareholders' Meeting.

In this sense, in accordance with article 17 of the Regulations of the Board of Directors, one of the Board's functions is to approve the directors' remuneration policy so that it may be submitted to the General Shareholders' Meeting.

Meanwhile, the Remuneration Committee assists the Board in matters of remuneration, and is responsible for proposing to the Board of Directors, for its submission to the General Shareholders' Meeting, the director's remuneration policy, together with its corresponding report.

In addition, as part of the decision-making process in remuneration matters, the Remuneration Committee works alongside the Risk and Compliance Committee, which is also involved in defining the remuneration policy to ensure that it is consistent with sound and effective risk management and does not provide incentives for risk-taking that exceeds the level tolerated by the Institution.

The Remuneration Committee is also tasked with 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 talent, 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.

The BBVA directors' remuneration policy currently in force was approved by the General Meeting held on 20 April 2021 for its application during 2021, 2022 and 2023 financial years. Pursuant to Article 529 *novodecies* of the Corporate Enterprises Act, upon reaching the final year of the foreseen term of the policy a new policy shall be submitted for approval to the General Meeting before the end of that financial year.

In the light of the above, during the 2022 financial year, the Remuneration Committee conducted an exhaustive analysis and in-depth review of the remuneration policy approved in 2021 and of the remuneration system as a whole, in order to identify the new aspects and amendments that should be incorporated into the new policy with the fundamental aim of strengthening the alignment of the remuneration system with the performance and long-term interests of the Entity, while ensuring its compliance with applicable regulations and its alignment with appropriate and effective risk management.

Accordingly, the Remuneration Committee carried out a strategic reflection of the variable remuneration model for the Identified Staff, including executive directors, within the framework of which, the Remuneration Committee has devoted several dedicated sessions to analysing and debating the different options available to evolve the variable remuneration model, assessing the various pros and cons of the different approaches and alternatives, relying for this purposes on technical advice of the Group's Global Talent & Culture area. All of it, with the ultimate objective of ensuring that BBVA has a variable remuneration model that applies to executive directors and the rest of the Identified Staff that complies with applicable regulations, is focused on the creation of value and the long-term sustainability of the business model, promotes appropriate and effective risk management, is competitive and capable of attracting and retaining the best professionals, and is aligned with the expectations of investors and the market and with best practices.

Following this reflection by the Remuneration Committee, for which it also relied on the independent expert advice of the external firms **WTW** (for market analysis and comparisons) and **J&A Garrigues, S.L.P.** (for legal matters), as well as the support of the Bank's own internal services, the decision was reached to implement a new variable remuneration model for executive directors, to apply also to the rest of the Identified Staff, including BBVA's Senior Management, which introduces the key changes to BBVA's remuneration policies that are explained below.

As a result of the foregoing, the Board of Directors, at the recommendation of the Remuneration Committee, is expected to approve the new **BBVA Directors' Remuneration Policy** which, if approved by the General Meeting, **will apply from 2023 inclusive (replacing the policy approved in 2021) and for the following three financial years, pursuant to the provisions of article 529 *novodecies* of the Corporate Enterprises Act**.

3. BBVA Directors' Remuneration Policy

3.1. Main developments

As a result of the strategic reflection carried out by the Remuneration Committee during the 2022 financial year on the variable remuneration model for the Identified Staff of BBVA and its Group, which includes BBVA's executive directors, and in response to expectations from shareholders, investors and other stakeholders, it has been deemed appropriate to implement a new model in which **the annual variable remuneration is now made up of two components: a short-term incentive and a long-term incentive**, without this entailing an increase in the target annual variable remuneration of executive directors established with respect to the previous policy.

Therefore, a **long-term remuneration component** will be introduced in the variable remuneration scheme, which will form part of the annual variable remuneration. The final determination and vesting of this component will be conditional on the result of a series of financial and non-financial indicators with challenging targets set to be met at the end of three years, which will take into account the Group's performance in a multi-year framework and will be aligned with its strategic priorities.

Specifically, the **long-term indicators** that will be used to calculate the final amount of the long-term incentive that will form part of the annual variable remuneration of 2023 financial year **will prioritise the creation of value and profitability** for the shareholder and for the Group in the long term, as well as the progressive achievement of the Bank's sustainability goals and commitments.

Thus, the indicators of the long-term incentive for the 2023 financial year include a portfolio **decarbonisation indicator**, which will measure the degree of compliance with the decarbonisation targets of certain sectors for which the Bank publishes specific targets, and which will therefore be directly related to the BBVA Group's strategic priority of helping clients in the transition to a sustainable future and with the commitments assumed by the Bank in the area of climate action.

The indicators for the long-term incentive also include a **social indicator** to measure the trend in the percentage of women in management positions at BBVA Group. This indicator is fully aligned with the strategic priority of having the best, most engaged and diverse team, guided by the Bank's Purpose and its values and behaviours, and with a talent development model that provides growth opportunities for all.

The choice of indicators aligned with the aspects indicated above and the structure of the annual variable remuneration model itself will help to accomplish BBVA Group's strategy, to create value and achieve the Company's long-term interests by directly linking the variable remuneration of executive directors to the Group's results and to sound and prudent risk management.

Moreover, as a new development, in the interests of easing the following up by shareholders of the evolution of the indicators used to calculate the annual variable remuneration, **the individual indicators for each executive director (related to their roles and responsibilities) have been removed**. The results of these indicators were assessed overall, based on the Bank's progress towards the strategic aspects to be pursued by each executive director. In this way, full traceability of the performance of the indicators, their results and their impact in the calculation of variable remuneration will be ensured.

Furthermore, in order to seek greater alignment with the creation of value and in accordance with applicable regulations, executive directors may now receive part of their annual variable remuneration in the form of **BBVA share options or other instruments linked to BBVA shares**.

The new variable remuneration model also includes **new *ex post* adjustments for risk** that may reduce, even to zero, the deferred annual variable remuneration awarded pursuant to the Policy and payable in each year, if certain liquidity and capital thresholds are not met.

A **new scenario has also been added to the *malus* and *clawback*** clause for executive directors, which the Board of Directors will implement in due course, on the proposal of the Remuneration Committee, in order to comply with recent US regulations applicable to the Bank in relation to this matter[1].

Finally, **other technical improvements** have been introduced to further enhance transparency and a better understanding of the Policy, as for example, reinforcing the alignment of the terminology included in the Policy with the concepts and definitions used by prevailing prudential regulations.

[1] New rule adopted by the U.S. Securities and Exchange Commission to implement Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and which applies to the Bank as a foreign private issuer listed on the New York Stock Exchange. As at the date of approval of this Policy by the Board of Directors, the New York Stock Exchange has yet to implement this rule by approving a listing standard that will apply to issuers listed there. However, this listing standard is expected to be approved and published prior to the date on which the General Meeting is due to vote on the Policy.

The Policy, which has been drawn up with due regard to best practices and recommendations in the field of corporate governance, continues to strike an appropriate balance between fixed and variable components of remuneration (which are unchanged in respect of previous policies) so as to ensure prudent risk management, the strength of the business model and profitable growth.

All of the above, without losing sight of the need to motivate and retain the best human team, whose daily work develops the business and drives the creation of value in the BBVA Group. On this point, the Board of Directors and the Remuneration Committee are acutely aware of the need to establish a directors' remuneration policy that is competitive and adequate for the purposes of attracting and retaining the best talent. While taking into account the remuneration terms of other employees, the policy should also include specific aspects to reflect the impact of the decisions made by the directors, the high degree of responsibility entrusted to them and the complexity of the duties they fulfil.

Legal advice was provided by the law firm **J&A Garrigues, S.L.P.** in the analysis of the advisability of incorporating these new features in the Policy, together with the other technical improvements made. **It has issued an opinion concluding on the legality of the Policy,** which has been analysed by the Remuneration Committee.

3.2. Policy structure

The BBVA Directors' Remuneration Policy is structured in a clear, comprehensible and transparent manner, and in accordance with the regulatory taxonomy approved by the BBVA Group for the drafting of its internal regulations.

In particular, it includes (i) firstly an introductory section detailing the main issues that have led to the revision of the Policy, as well as a breakdown of the main developments contained therein; (ii) a second section describing the Policy's purpose and scope of application; (iii) a third section outlining the general principles on which the Policy is based and which are subsequently embodied in their specific provisions; (iv) a fourth section including said provisions that govern the decision-making process with regard to remuneration, the bylaws framework for directors' remuneration and the remuneration system for both executive and non-executive directors, as well as the specific amounts of their remunerations and main contractual conditions of the executive directors; (v) transitional provisions; and (vi) finally, a section regulating the model for the governance and oversight of the Policy, which, among other issues, sets out the possibility of applying temporary derogations to the Policy, as well as the procedure to be used, the circumstances in which they could be used, and the components that could be subject to derogation. All of it, in accordance with the provisions of article 529 *novodecies* of the Corporate Enterprises Act, which establishes the requirements to be met by the directors' remuneration policy, and with the other regulations applicable to the Bank.

Likewise, the Policy includes in its **Sections II and III**, in compliance with the provisions of article 219 of the Corporate Enterprises Act, the specific conditions of the remuneration systems involving the delivery of shares to non-executive and executive directors, respectively, and/or instruments link to shares in the case of the latter, including a maximum number of shares to be allocated to these systems in the implementation of the Policy.

3.3. Scope of application and term

The Policy, the approval of which is subject to the General Meeting, will apply **to all members of the BBVA Board of Directors** and, if approved by the General Meeting, it will be applicable to the financial years **2023, 2024, 2025 and 2026**. Therefore, if approved, this new Policy will replace the previous one during the 2023 financial year.

3.4. General principles

The BBVA Directors' Remuneration Policy continues to be based on the same general principles governing the BBVA Group's General Remuneration Policy, which is applicable to all Group employees and members of Senior Management, and aimed at the **recurrent creation of value for the Group, the alignment of the interests of its employees and shareholders, prudent risk management, and the development of the strategy defined by the Group**.

The Policy has been defined based on the aforementioned general principles, taking into consideration not only the need to comply with the legal requirements applicable to credit institutions and the different sectors in which it operates but also the alignment with best market practices.

The Policy therefore contributes to the business strategy of BBVA and its Group, and to achieving its objectives, values, value creation, interests and long-term sustainability; while being compatible with and promoting prudent and effective risk management by not offering incentives to take risks beyond the level tolerated by the Institution.

3.5. Provisions of the Policy

3.5.1. Bylaws framework for the remuneration of directors

In accordance with the BBVA Bylaws, the BBVA Directors' Remuneration Policy **distinguishes** between the **remuneration system applicable to non-executive directors** (set out in Article 33º bis of the Bylaws) and the system applicable to **executive directors** (set out in Article 50º bis of the Bylaws). The Policy contains a clear description of both, outlining the nature and amount of their remuneration.

In the case of non-executive directors, the Policy also details the maximum amount of annual remuneration to be paid to all directors in their capacity as such and the criteria for its distribution based on the duties and responsibilities attributed to each of them, in accordance with the provisions of article 529 *septdecies* of the Corporate Enterprises Act.

With regard to executive directors, in accordance with the provisions of article 529 *octodecies* of the Corporate Enterprises Act, the Policy includes the amount of their fixed annual remuneration for the performance of their executive duties, as well as the other provisions set forth in article 529 *novodecies* of the Corporate Enterprises Act, including the criteria for awarding variable remuneration, as well as the main terms and conditions of their contracts.

3.5.2. Remuneration system for non-executive directors

The Policy establishes the **specific elements** that make up the remuneration system applicable to all **non-executive directors**, which have not been modified with regard to the previous Policy, and therefore are still the following:

a. An annual fixed allowance for the role of member of the Board and 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.

b. A remuneration in kind, which includes the healthcare and accident insurance policies taken out by the Bank.

c. A fixed remuneration system through the deferred delivery of BBVA shares, comprising an annual allocation of a number of the Bank’s "theoretical shares" to non-executive directors. These shares will be effectively delivered, as applicable, after the date on which they cease to be directors, provided that this is on any grounds other than serious breach of duties.

   The specific conditions of this system for the term of the Policy and, in particular, the maximum number of shares that may be allocated to non-executive directors to implement this system are set out in its Section II.

3.5.3. Remuneration system for executive directors

3.5.3.1. System elements

The Policy also details the remuneration and economic rights corresponding to each **executive director**, which are reflected in their respective contracts and, as of the date of the Policy, are as follows:

A. Fixed Remuneration

Comprising the following elements, the structure and description of which is included in the Policy:

a. **Annual Fixed Remuneration** which reflects the level of responsibility of their duties and it is in no case linked to variable parameters or results.

b. **Remuneration in kind**, which includes the healthcare and accident insurance policies taken out by the Bank, as well as other remuneration in kind applicable to the Bank's Senior Management.

c. **Contributions to pension systems** and other fixed incentives or allowances which, in general, may be part of the remuneration of the Bank's Senior Management.

B. Variable Remuneration

a. Annual Variable Remuneration

The main new element of the new Policy is the inclusion of two incentives in the annual variable remuneration ("**Annual Variable Remuneration**" or "**AVR**") of the executive directors: a short-term incentive and a long-term incentive.

The short-term incentive is awarded annually and reflects performance, measured through the achievement of targets set to assess the results obtained in each year for a series of indicators aligned with the most relevant management metrics and with the strategic priorities defined by the Group.

The long-term incentive reflects performance over a multi-year horizon and the calculation of its final amount is conditional on the achievement of targets set to be met at the end of three years from the initial award, for a series of, financial and non-financial, indicators, that allow assessment of the results and compliance with the Group's long-term strategy. The long-term indicators which will be used to determine the final amount of this incentive will prioritise the creation of value and profitability for the shareholders and for the Group in the long term, as well as the progressive achievement of the Bank's sustainability goals and commitments.

In line with the terminology used in the applicable regulations, the Policy establishes a description of the rules for the accrual, award, vesting and payment of this variable remuneration:

- **Conditions for the accrual of Annual Variable Remuneration**

  The Annual Variable Remuneration must be aligned with the applicable regulatory framework, as well as the principles governing the Policy. Under no circumstances will it involve limiting the Group's capacity to have a solid capital base in accordance with regulatory requirements, and it will take into account current and future risks as well as the cost of the capital and liquidity needed at all times, to ensure a level of performance that is sustainable and commensurate to prevailing risks.

  To ensure alignment and linkage with the results and long-term sustainability of the Bank, the Annual Variable Remuneration of executive directors (consisting of the short-term incentive and the long-term incentive) will not accrue, or will be reduced upon accrual, if certain profit and capital ratio levels are not achieved.

- **Rules for the award and calculation of Annual Variable Remuneration**

  The short-term incentive will be awarded once the financial year for the measurement of the annual indicators' has elapsed, comparing the result of each indicator with its target and according to its degree of achievement, based on the weighting attributed to each indicator.

Meanwhile, the long-term incentive will initially be awarded at its maximum theoretical amount after the end of the financial year to which it corresponds, following verification of the level reached with respect to the profit and capital ratio thresholds approved annually by the Board of Directors for the accrual of the Annual Variable Remuneration. For the determination of its final amount, once the measurement period of the long-term indicators has elapsed, the result of each indicator will be compared with its target and its degree of achievement, according to the weighting attributed to each indicator.

The short-term incentive and the long-term incentive comprising the Annual Variable Remuneration of each executive director will therefore be calculated on the basis of their corresponding "target" bonuses, the sum of which represents the "Target" Annual Variable Remuneration, and on the basis of a series of annual and long-term indicators (financial and non-financial), with targets, scales of achievement and weightings associated with each of them.

Depending on the degree of achievement of the annual and long-term indicators, the amount of the short-term incentive and the long-term incentive may range between 0% and 150% of their respective target bonuses.

Within the framework of the strategic reflection on the variable remuneration model, the Remuneration Committee has assessed and discussed, among other issues, the relative weight that the short-term incentive and the long-term incentive should represent in the total AVR, taking into account the other characteristics of the model as well as market and industry practice, having concluded that it is adequate that they represent 64% and 36% of the Target AVR, respectively.

Likewise, the Commission has analysed in detail the selection of the **indicators, both annual and long-term**, for the determination of the **AVR for the 2023 financial year**, the details of which are included as Appendix 1 to the Policy. Accordingly, the Committee considered it appropriate to give greater weight to financial indicators with respect to non-financial ones, to include two long-term indicators directly related to the Bank's social and climate action strategy, and to eliminate from the set of indicators the individual indicators for each executive director (related to their roles and responsibilities), the result of which was determined taking into account an overall assessment based on the Bank's progress in the strategic dimensions to be promoted by each executive director. All of it, with the aim of selecting those indicators that best align the variable remuneration of the executive directors with the performance and achievement of the Bank's strategic priorities as well as easing the following up by shareholders of the evolution of the indicators used to calculate the AVR.

Fixed components and variable components are suitably balanced within the total remuneration of executive directors, with fixed remuneration accounting, in accordance with regulatory requirements, for a sufficiently high portion of total remuneration. As of the date of the Policy, the theoretical relative proportion between the main fixed and variable components of executive directors' remuneration remains unchanged from that approved in the previous policy: 45% Annual Fixed Remuneration and 55% "Target" Annual Variable Remuneration.

The variable element of the remuneration will in any case be limited to a maximum amount of 100% of the fixed element of the total remuneration, unless the General Meeting resolves to increase this percentage up to 200%.

- **Rules for the vesting and payment of Annual Variable Remuneration**

  Under the **new model** envisaged in the Policy, the Annual Variable Remuneration is subject to the following vesting and payment rules:

  - A significant percentage of the AVR for each financial year (at least 60%) will be deferred over a period of 5 years.

    Within this deferral period, the part of the AVR corresponding to the long-term incentive will only start to be paid after the targets' measurement period of the long-term indicators (on the result of which its final amount is conditional) has elapsed.

  - A substantial portion of this AVR (50% of the upfront portion and 60% of the deferred portion) will be paid in BBVA shares.

    As a **new element**, the Board of Directors may determine that the portion of the Annual Variable Remuneration deferred in shares be delivered in instruments linked to BBVA shares and, specifically, in BBVA share options.

    The number of shares required to cover this system, including those derived from the exercise of any share options that may be delivered, is set out in **Section III** of the Policy.

  - Shares or instruments received as AVR shall be withheld for one year running from date of delivery. The foregoing shall not apply to those shares that are sold in order to meet the payment of taxes accruing on delivery of the shares and/or instruments.

  - To ensure that the Annual Variable Remuneration is commensurate to the Group's risks, the deferred portion of the AVR awarded under the Policy will be subject, as a **new** development, to possible ***ex post* risk adjustments**, so that it will not be vested or may be reduced if certain **capital and liquidity thresholds are not met at the time of payment**.

- Throughout the whole share deferral and retention periods, AVR will be subject to ***malus and clawback clauses***.

  The Policy includes a new event that may trigger the malus and clawback clause for executive directors, which the Board of Directors will develop in due course, at the proposal of the Remuneration Committee, in order to comply with **recent US regulations** applicable to the Bank in relation to this matter.

- The deferred cash amounts finally paid shall be updated by applying the consumer price index (CPI) measured as a year-on-year change in prices, or any other criteria established for this purpose by the Board of Directors of the Bank.

- No personal hedging strategies or insurance may be used in connection with the remuneration and responsibility that may undermine the effects of alignment with prudent risk management.

b. Other variable remuneration

The Policy maintains the provision establishing that in the event that the directors of the Bank are entitled to receive, pursuant to the Policy or a resolution of the General Meeting, any other remuneration item, other than the Annual Variable Remuneration, which also has the consideration of variable remuneration, such variable remuneration shall be subject to the rules for accrual, award, vesting and payment applicable thereto 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.

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

There have been no changes to the main terms and conditions of executive directors' contracts, which remain as set out in the previous policy, namely:

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

Amongst the main terms and conditions of the executive directors' contracts, the Policy stipulates the detail of the commitments made by the Bank in favour of each of the executive directors regarding pension systems.

3.6. Conclusion

In accordance with the foregoing, **the Remuneration Committee of the BBVA Board of Directors considers the proposed amendments to the BBVA Directors' Remuneration Policy** to be appropriate, as they are the result of the analysis following a thorough strategic reflection carried out by the Committee in relation to the variable remuneration model for the Identified Staff and, in particular, for executive directors, and considers that they contribute to strengthening the alignment of remuneration with the creation of value and long-term sustainable performance, while maintaining alignment with appropriate risk management.

In light of the foregoing, **the Remuneration Committee has concluded that the BBVA Directors' Remuneration Policy for the 2023, 2024, 2025 and 2026 financial years,** which is expected to be submitted by the Board of Directors to the General Meeting for approval, **is in accordance with the applicable regulations and aligned with the interests of its shareholders, with long-term value creation for the BBVA Group and with sound and efficient risk management**.

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Madrid, 7 February 2023.