

# 5. Information on remuneration

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In accordance with Article 85 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (hereinafter "Act 10/2014"), and article 93 of Royal Decree 84/2015, dated February 13, which implements said Act, and pursuant to the provisions of Bank of Spain Circular 2/2016, dated February 2, to credit institutions, on supervision and solvency, completing the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No.

575/2013 (hereinafter "Bank of Spain Circular 2/2016"), credit institutions shall provide the public and update, at least once a year, inter alia, information regarding their remuneration policy and practices as established in part eight of Regulation 575/2013/EU, in relation to the categories of personnel whose professional activities have a significant impact on the Group's risk profile (hereinafter, the "Identified Staff" or "Risk Takers").

## 5.1. Information on the decision-making process used to establish remuneration policy for the Identified Staff

In accordance with the provisions contained in BBVA's Bylaws, the Regulations of the Board of Directors empower the Board of Directors (hereinafter, the "Board"), among others, to approve the remuneration policy of directors, for submission to the General Meeting, that of senior managers and those employees whose professional activities have a significant impact on the risk profile of the Group, as well as the determination of the remuneration of non-executive directors and, in the case of executive directors, remuneration for their executive functions and remaining conditions to be respected in their contracts.

The Board Regulations likewise include the internal rules and procedures of the Board and its Committees, which provide assistance in matters within its remit. Among these, the Remunerations Committee is the body that assists the Board in remuneration matters, as set out in the Board Regulations, ensuring compliance with the remuneration policy established.

In accordance with Article 36 of the Board Regulations, the duties of the Remunerations Committee are as follows:

1. Propose directors' remuneration policy to the Board, for its submission to the General Meeting, as regards its items, amounts, and parameters for its determination and its vesting, likewise submitting the corresponding report, in the terms established by applicable law at any time.
2. Determine, so that they can be reflected in their contracts, the extent and amount of individual remuneration, entitlements and other economic rewards, as well as other contractual conditions of executive directors, submitting the appropriate proposals to the Board.
3. Yearly submit a proposal to the Board regarding the annual report on the remuneration of the Bank's directors, which will in turn be submitted to the Annual General Shareholders' Meeting, in accordance with the applicable legislation.

4. Propose the remuneration policy for senior managers and other Identified Staff members, for its submission to the Board.
5. Propose the basic conditions of senior managers' contracts to the Board, and directly supervise the remuneration of senior managers in charge of risk management and compliance functions within the Company.
6. Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to members of the Identified Staff, including executive directors and senior managers.
7. Verify the information on directors and senior managers' remuneration contained in the different corporate documents, including the annual report on the remuneration of directors.
8. Any other duties that may have been allocated under the Regulations or attributed by a Board resolution or by applicable legislation.

As at year-end 2018, the Remunerations Committee is composed of five members, all of them non-executive directors, with the majority being independent, including the Chair. The names, positions and status of the members of the Remunerations Committee are detailed in the following table:

**Table 88.** Composition of the Remunerations Committee

| Name and surname(s)             | Position | Status      |
|---------------------------------|----------|-------------|
| Belén Garijo López              | Chair    | Independent |
| Tomás Alfaro Drake              | Member   | External    |
| Carlos Loring Martínez de Irujo | Member   | External    |
| Lourdes Máiz Carro              | Member   | Independent |
| Ana Peralta Moreno              | Member   | Independent |

The Remunerations Committee performs its functions with full operational autonomy, meeting as often as necessary to carry out its duties, led by its Chair, having met on 5 occasions during 2018.

In order to adequately perform its duties, the Commission uses advisory services provided by the Bank's in-house staff and can further count on the external advice as necessary to establish criteria regarding matters within its remit. To this end, during 2018, the Commission has relied on the information and advice provided by the leading global consulting firm on compensation of directors and senior managers, Willis Towers Watson.

In addition, the Board's Risk Committee participates in the establishment of the remuneration policy, ensuring that it is compatible with adequate and effective risk management and that it offers no incentives to assume risks beyond the level tolerated by the Group. As at year-end 2018, the Risk Committee includes one of the members of the Remunerations Committee.

Since 2011, BBVA has a specific remuneration system applicable to members of the Identified Staff, designed within the framework of applicable regulations to credit institutions (in particular, Directive 2010/76/EU ("CRD III"), the superseding and implementing regulations) and considering best practices and recommendations at the local and international levels in this matter.

As regards the members of the Board of Directors, BBVA has a specific remuneration policy applicable to its directors (the "BBVA Directors' Remuneration Policy") which distinguishes between the remuneration system applicable to non-executive directors and that applicable to executive directors, in accordance with the provisions of the BBVA Bylaws. The remuneration system for executive directors corresponds, in general, to that applicable to the members of the Identified Staff, of which they are a part of, incorporating certain specific characteristics derived from their status as directors. The remuneration system of non-executive directors<sup>6</sup> is based on the criteria of responsibility, dedication and incompatibilities inherent to the position they hold, and consists exclusively of fixed elements, not receiving variable remuneration.

As indicated above, the Remunerations Committee has, among its functions, that of proposing to the Board, for submission to the General Meeting, the remuneration policy of directors, as regards their concepts and their amounts, parameters for its determination and distribution system. It likewise submits the corresponding report, in the terms established at any point in time by applicable law.

The BBVA Directors' Remuneration Policy applicable during 2018 was approved by the General Meeting in 2017, and is available on the Bank's corporate website ([www.bbva.com](http://www.bbva.com)).

With regard to the rest of the Identified Staff, it is likewise the responsibility of the Remunerations Committee to propose the remuneration policy of senior managers and other employees who are members of the BBVA Group's Identified Staff.

The latest update of the remuneration policy applicable to the BBVA Group's Identified Staff, including the Senior Management, took place in 2017, in order to adapt it to the requirements established in Bank of Spain Circular 2/2016 and the European Banking Authority Guidelines on sound remuneration policies, dated 27 June 2016.

This policy is integrated within the remuneration policy applicable in general to the entire staff of BBVA and the subsidiaries that form part of its consolidated group (the "BBVA Group Remuneration Policy") and includes, in a specific chapter, the special characteristics of the remuneration system applicable to Identified Staff, as well as their Identification Procedure. All in accordance with what is established in the applicable regulations, as detailed in the following sections.

The BBVA Group Remuneration Policy, approved by the Board upon the proposal of the Remunerations Committee, is coordinated at the corporate level by BBVA's Talent and Culture department, and the Bank's control functions actively and regularly cooperate in its design and oversight, in accordance with the attributions conferred by applicable regulations.

The remuneration system applicable to Identified Staff members aims to deepen the alignment of BBVA's remuneration practices with applicable regulations, good governance recommendations, and best practices in the matter. This system is generally applicable to the executive directors of BBVA, as members of said Staff, although they are subject to the provisions of BBVA Directors' Remuneration Policy approved by the General Meeting and not to the Group Policy, as has been detailed.

Over the course of financial year 2018, the Remunerations Committee has analysed the remuneration proposals necessary for the development and implementation of these remuneration policies, and, in particular, for the implementation of the special system for the settlement and payment of the annual variable remuneration of Identified Staff members.

<sup>6</sup> Regarding non-executive directors, these are defined as Risk Takers by virtue of the provisions of Article 3 of Delegated Regulation 604/2014, although, as detailed in section 5.3, below, they are subject to a specific remuneration system, different from that applicable to executive directors, and do not receive variable remuneration.

Thus, the Remunerations Committee has analysed the adequacy of the annual performance indicators used for the calculation of the annual variable remuneration for executive directors during 2018 and their corresponding weightings, as well as the targets and scales of achievement associated with these indicators, submitting the corresponding resolutions to the Board for approval.

Furthermore, the Commission has analysed the minimum thresholds of Attributed Profit and Capital Ratio established as ex ante adjustments to the variable remuneration of the Identified Staff, as well as their corresponding scales, established to determine the accrual of annual variable remuneration of executive directors for financial year 2018 and the rest of the Identified Staff.

Likewise, the Remunerations Committee has determined, for its submission to the Board, the multi-year performance indicators established as ex-post adjustments, applicable to the deferred annual variable remuneration for financial year 2018 of the executive directors and the rest of the Identified Staff, including Senior Management. For this purpose, the Remunerations Committee counted on the previous analysis carried out by the Board's Risk Committee, which ensured the adequacy of the aforementioned with the Bank's risk profile.

On the other hand, within the framework of the function attributed to the Remunerations Committee for the observance and periodic review of the remuneration policy applicable to the Identified Staff, it has carried out the review of the 2017 BBVA Group Remuneration Policy, in accordance with applicable regulations and recommendations. To this end, this review has analysed the BBVA Group's Remuneration Policy, which includes the remuneration policy of the Identified Staff, as well as their identification process, based on the central and independent internal review carried out by the Bank's Internal Audit department, with the foregoing duly reported to the Board.

The Commission has also received information on the application of the Identification Process for Risk Takers in the BBVA Group in 2018 from the Bank's technical areas, in accordance with the criteria established under the applicable regulations and the internal criteria established by the Bank, including both the number of persons identified and the information regarding the excluded members, duly reporting the aforementioned to the Board.

In addition, in 2018 the Remunerations Committee has submitted the proposal to the Board, for its submission

to the 2018 General Shareholders' Meeting, regarding the increase of the maximum variable remuneration level of up to 200% of the fixed component of the total remuneration for a certain group of employees whose professional activities have a significant impact on the Group's risk profile. Likewise, the Commission submitted to the Board the Report that accompanies this agreement and which was made available to the Bank's shareholders.

Lastly, in accordance with the proposal raised by the Remunerations Committee, the Board approved the Annual Report on Remuneration of the Directors of BBVA, according to the model established by the National Securities Market Commission, which is annually submitted to an advisory vote on the Board General Meeting of Shareholders, pursuant to Article 541 of the Corporate Enterprises Act, and which is available on the Bank's corporate website ([www.bbva.com](http://www.bbva.com)) from the date on which the General Meeting was convened.

The Annual Report on the Remuneration of Directors of BBVA contains a description of the basic principles of the remuneration policy of the Bank as regards Board members, both executive and non-executive, as well as a detailed presentation of the various elements and amounts that make up their remuneration.

All of the issues discussed above, along with other matters within its remit, are detailed in the Remunerations Committee Activity Report for financial year 2018, published on the Bank's corporate website at the time the General Meeting was convened ([www.bbva.com](http://www.bbva.com)).

Thus, as indicated above, BBVA has a decision-making system in the field of remuneration, which features the Remunerations Committee as its central element, in charge of determining the remuneration policy applicable to the Identified Staff, and submitting the corresponding resolutions for approval by the Board. All of the above ensures an adequate decision-making process in the field of remuneration.

The members of the Remunerations Committee who have held such position during financial year 2018 have received a total amount of €268 thousand for their membership. In addition, the Annual Report on the Remuneration of BBVA Directors pertaining to said year includes the individual remuneration of each director.

## 5.2. Description of the different types of employees included in the Identified Staff

In accordance with the BBVA Group Remuneration Policy, the selection of the persons who make up the Group's Identified Staff is part of an annual process, the determination of which is based on the qualitative and quantitative criteria established by Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative criteria and appropriate quantitative criteria to identify categories of staff whose professional activities have material impact on an institution's risk profile (the "Delegated Regulation 604/2014"). This process also includes internal criteria established by BBVA, complementary to those indicated in said Regulation, in compliance with Rule 38 of Circular 2/2016 of the Bank of Spain (hereinafter, the "Identification Process").

The qualitative criteria established in the Identification Process are defined based on the responsibility of the position (for example, members of BBVA's management body, members of BBVA's Senior Management, personnel responsible for control functions and other key functions or significant business units within the Group), as well as on the basis of the staff's capacity or responsibility to assume or manage risks.

The quantitative criteria establish that employees have a significant impact on the Group's risk profile based on total remuneration granted, unless BBVA determines that, in fact, the activity of such personnel has no significant impact on the risk profile, in accordance with the provisions contained in Article 4 of Delegated Regulation 604/2014.

The Identification Process is updated during the year and takes all BBVA Group personnel into consideration, allowing the inclusion of personnel in the Identified Staff who meet or are likely to meet the qualitative criteria established under

Article 3 of Delegated Regulation 604/2014 for at least three months in a given financial year.

All the companies that form part of the BBVA Group will actively participate in the Identification Process carried out by BBVA, providing all information necessary in order to adequately identify the personnel having a significant impact on the Group's risk profile.

In accordance with the detailed Identification Process, a total of 578 Risk Takers were identified at year-end 2018, including:

- Members of BBVA's Board of Directors.<sup>7</sup>
- Members of BBVA's Senior Management.
- Risk Takers by function: collective defined by the functions that correspond to the qualitative criteria established under Article 3 of Delegated Regulation 604/2014, between points 4 and 15, both inclusive, as well as those Risk Takers identified according to Bank's internal criteria.
- Risk Takers by remuneration: composed of those employees who met the quantitative criteria of Article 4 of the aforementioned Delegated Regulation 604/2014.

The total number of Risk Takers identified in financial year 2018 has remained at a level similar to the previous year, in which the total number of members identified amounted to 572 persons, with the figure thus not having experienced significant changes.

Notwithstanding the foregoing, BBVA will adapt the definition of the Identified Staff, including the categories of professionals deemed necessary at any time, in accordance with the requirements established for that purpose in applicable regulations.

## 5.3. Key features of the remuneration system

As detailed in section 5.1, at the proposal of the Remunerations Committee, the Board approved the Remuneration Policy of the BBVA Group in 2017, which includes the remuneration system applicable to Identified Staff, as well as the Identification Process detailed in section 5.2 above.

The BBVA Group Remuneration Policy is geared towards the recurrent generation of value for the Group, seeking, at the same time, alignment of the interests of its employees and shareholders with sound risk management.

<sup>7</sup> Regarding non-executive directors, these are defined as Risk Takers by virtue of the provisions of Article 3 of Delegated Regulation 604/2014, although, as detailed in section 5.3, below, they are subject to a specific remuneration system, different from that applicable to executive directors, and do not receive variable remuneration.

This policy is one of the elements designed by the Board as part of BBVA's corporate governance system to ensure proper management of the Group, and is based on the following principles:

- the creation of long-term value;
- rewarding the achievement of results based on sound and responsible risk-assumption;
- attracting and retaining the best professionals;
- reward the level of responsibility and professional track record;
- ensuring internal equity and external competitiveness; and
- ensuring transparency of the remuneration model.

BBVA has defined the Group Remuneration Policy on the basis of the general principles outlined above, taking into consideration the need to comply with legal requirements for credit institutions and those applicable in the different sectors in which it carries out its business, as well as alignment with best market practices, while including items devised to reduce exposure to excessive risks and adjust remuneration to the targets, values and long-term interests of the Group. To this end, the Policy is guided by the following premises:

- it is compatible with and promotes sound and effective risk-management, not offering incentives to take risks that exceed levels tolerated by the BBVA Group;
- it is in line with BBVA Group's business strategy, objectives, values and long-term interests and will include measures to avoid conflicts of interest;
- it provides a clear distinction between the criteria for the establishment of fixed remuneration and variable remuneration;
- it promotes equal treatment for all staff, not discriminating due to gender or other personal characteristics; and
- it seeks to ensure that remuneration is not based exclusively or primarily on quantitative criteria and that it takes into account adequate qualitative criteria, which reflect compliance with the applicable regulations.

In accordance with the above, the remuneration model of general application to the entire staff is implemented through the following elements:

- a. A fixed remuneration, which takes into account levels of responsibility, functions performed, and the professional trajectory of each employee, as well as the principles of

internal equity and the value of the function in the market, constituting a relevant part of the total compensation.

The award and the amount of the fixed remuneration are based on predetermined and non-discretionary objective criteria.

- b. Variable remuneration, constituted by those payments or benefits additional to the fixed remuneration, monetary or not, based on variable parameters. Variable remuneration shall not limit the ability of the Group to strengthen its capital base in any way in accordance with regulatory requirements and shall take into account current and future risks as well as the necessary capital and liquidity costs reflecting sustainable income and adapted to risk.

Guaranteed variable remuneration, in any of its forms, will not be part of the Group's variable remuneration models. BBVA may only grant guaranteed variable remuneration on an exceptional basis, and solely within the framework of the conditions established under applicable regulations.

Within this generally applicable remuneration model, the BBVA Group Remuneration Policy includes certain special characteristics applicable, on the one hand, to personnel who exercise supervisory functions and, on the other hand, to personnel involved in the provision of services to clients. Thus:

- i. Personnel who perform control functions are independent of the business units that they supervise, have the necessary authority, and are remunerated according to the achievement of certain objectives related to their functions, regardless of the results of the business areas that they supervise.

In order to reinforce the independence and objectivity of these functions, the fixed components of their remuneration have a greater weight than that of the variable components, the latter being related, for the most part, to the objectives of the function.

In addition, the remuneration of BBVA senior managers in independent control functions, including compliance and risk management functions, is directly overseen by the BBVA Remunerations Committee, as in the case of the remaining members of Senior Management.

- ii. In designing and establishing the remuneration of the personnel involved in the provision of services to clients, care must be taken to protect their interests and the quality of the services provided, so that:
  - responsible business conduct and fair treatment of clients is encouraged;

- no incentives are established that could induce staff to put their own interests or those of the BBVA Group in a possible opposition to the interests of their clients;
- remuneration is not linked primarily or exclusively with the sale of a product or a particular category or type of products, such as certain products that are more profitable for the entity or the employee, where there are others more appropriate with customer needs; or that such objective is assigned as the one with greatest weight in the determination of remuneration; and
- an adequate balance is maintained between the fixed and variable components of remuneration.

Based on the principles and premises mentioned above, and in compliance with the regulatory requirements established in Act 10/2014 and its implementing regulations, BBVA has defined the particularities of the remuneration policy applicable to Identified Staff, designing an incentive system specifically oriented to maintain the alignment of their remuneration with risks, as well as with the Group's long-term objectives and interests. The result is a remuneration scheme for the Identified Staff based on the following fundamental characteristics:

- Balance between the fixed components and the variable components of the overall remuneration, in line with that established in the applicable regulations, allowing a fully flexible policy regarding the payment of variable components, which may cause them to be reduced, depending on the situation, up to their entirety. The proportion between the two components has been established taking into account the type of functions carried out by each beneficiary (business, support or supervision) and, consequently, their impact on the risk profile, adapted in each case to the reality existing in the different countries or functions..
  - The variable remuneration of the members of the Identified Staff will be based on an effective management of the risks and linked to the degree of achievement of previously established financial and non-financial objectives, as defined at the Group, Area and Individual level, taking into account current and future risks assumed and the Group's long-term interests.
  - Variable remuneration of Identified Staff members for each financial year shall not accrue, or will accrue in a reduced amount, should certain level of profits and capital ratios not be achieved. It will also be subject to ex ante adjustments, so that it shall be reduced at the time of the performance assessment in the event of negative performance of the Group's results or other parameters such as the level of achievements of budgeted targets.
  - The annual variable remuneration for each Identified Staff member shall be calculated on the basis of: (i) annual performance indicators for the Group, area and individual (financial and non-financial); (ii) scales of achievement, as per the weightings allocated to each indicator; and (iii) a "target" annual variable remuneration, representing the amount of annual variable remuneration if 100% of the pre-established targets are met. The resulting amount shall constitute the annual variable remuneration of each beneficiary (hereinafter the "Annual Variable Remuneration").
- In the event of termination of contractual relationship of an Identified Staff member before the closing of the financial year to which the Annual Variable Remuneration corresponds, the member will have the right to receive the proportional amount of said Annual Variable Remuneration, pro-rated for the length of service provided in the financial year and subject, in any case, to the same settlement and payment system applicable had the member remained active, in accordance with the rules set out below. The above shall not be applicable to cases where the termination of contractual relationship is due to a voluntary resignation or lawful dismissal, where the right to receive the Annual Variable Remuneration shall not accrue.
- The Annual Variable Remuneration for Identified Staff members shall be subject to specific rules for settlement and payment, specifically:
    - 60% of the Annual Variable Remuneration will be paid, if conditions are met, in the year following that to which it corresponds (the "Upfront Portion"). For executive directors, members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter, the "Deferred Component").
    - The deferral period will be 5 years for executive directors and members of Senior Management, and 3 years for the remaining Risk Takers.
    - 50% of the Annual Variable Remuneration, both of the Upfront Portion and Deferred Component, shall be established in BBVA shares. As regards executive directors and Senior Management, a larger proportion of the Deferred Component shall be established in shares (60%).
    - Shares received as Annual Variable Remuneration shall be withheld for a one-year period after delivery, except for the transfer of those shares required to honor the payment of taxes.
- As regards executive directors, the Remuneration

Policy for BBVA Directors additionally includes a commitment of the executive directors not to transfer a number of shares equivalent to twice their annual fixed remuneration for a period of, at least, three years from the time of their vesting, on top of the general one-year retention period applicable to all the shares. The aforementioned shall not apply to the transfer of those shares required to honor the payment of taxes.

- The Deferred Component of the Annual Variable Remuneration may be reduced in its entirety, but never increased, based on the result of multi-year performance indicators aligned with the Group’s core risk management and control metrics related to the solvency, capital, liquidity, profitability or to the share performance and the recurring results of the Group, measured over a period of three years.

These multi-year performance indicators are approved by the Board at the proposal of the Remunerations Committee, following an analysis by the Risk Committee, which ensures they are appropriate to align deferred remuneration with sound risk management.

These multi-year performance indicators to which the Deferred Component of Annual Variable Remuneration for 2018 will be subject, approved by the Board at the proposal of the Remunerations Committee, are as follows:

**Table 89.** Settlement and payment system for Annual Variable Remuneration

| Indicator  | Weight |
|--|--------|
| Economic Adequacy (Economic Equity/Economic Capital at Risk)     | 20%    |
| Common Equity Tier (CET ) 1 Fully Loaded                         | 20%    |
| Liquidity Coverage Ratio (LCR)                                   | 10%    |
| Loan to Stable Customer Deposits (LtSCD)                         | 10%    |
| Return on Equity (ROE)   | 20%    |
| (Operating Income - Loan-loss provisions) / Average Total Assets | 10%    |
| Total Shareholder Return (TSR)                                   | 10%    |

These multi-year performance indicators have certain scales of achievement associated, approved by the Board at the proposal of the Remunerations Committee. Thus, if the targets set for each indicator in the 3-year measurement period from the start of the deferral period are not achieved, the Deferred Component of Annual Variable Remuneration for 2018 may be reduced, even in its entirety, but never increased.

In the case of executive directors and Senior Management, the Deferred Component of Annual Variable Remuneration payable subject to the multi-year performance indicators shall be delivered, if the conditions are met, according to the following schedule:

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

- Resulting cash portions of the Deferred Component of Annual Variable Remuneration finally vested, subject to the multi-year performance indicators, shall be updated in accordance with the Consumer Price Index, measured as the year-on-year change in prices, or any other established for such purposes by the Board of Directors.
- The entire Annual Variable Remuneration shall be subject to malus and clawback arrangements during the whole deferral and withholding period, under the terms indicated below.
- No personal hedging strategies or insurance may be used in connection with remuneration or liability that may undermine the effects of alignment with sound risk management.
- The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolves to increase this percentage up to a maximum of 200%. As explained in detail in section 5.7 of this report, the General Shareholders’ Meeting held on March 16, 2018 authorized a raise of the maximum limit to 200%, for a maximum of 238 Risk Takers.

In addition, as indicated above, up to 100% of the Annual Variable Remuneration of each Identified Staff member corresponding to each financial year shall be subject to malus and clawback arrangements, both linked to a downturn in financial performance of the Bank as a whole, or of a specific unit or area, or of exposures generated by an Identified Staff member, when such downturn in financial performance arises from any of the following circumstances:

- a. Misconduct, fraud or serious infringement of the Code of Conduct and other applicable internal rules by an Identified Staff member.
- b. Regulatory sanctions or judicial convictions due to events that could be attributed to a specific unit or to the staff responsible for such events.
- c. Significant failure of risk management committed by the Bank or by a business or risk control unit, to which the willful misconduct or gross negligence of an Identified Staff member contributed.
- d. Restatement of the Bank’s annual accounts, except where such restatement is due to a change in applicable accounting legislation

For these purposes, the Bank will compare the performance assessment carried out for the Identified Staff member with



the ex post behavior of some of the criteria that contributed to achieve the targets. Both malus and clawback will apply to the Annual Variable Remuneration of the financial year in which the event giving rise to application of the arrangement occurred, and they shall be in force during the entire period of deferral and retention applicable to the Annual Variable Remuneration.

Notwithstanding the foregoing, in the event that these scenarios give rise to a dismissal or termination of contract of the Identified Staff member due to serious and guilty breach of duties, malus arrangements may apply to the entire deferred Annual Variable Remuneration pending payment at the date of the dismissal or termination of contract, in light of the extent of the damage caused.

In any case, the variable remuneration is paid or vests only if it is sustainable according to the Group's situation as a whole, and justified on the basis of the performance of the Bank, the business unit and of the Identified Staff member concerned.

Regarding payments for the early termination of contracts for Identified Staff members, in accordance with the provisions of the BBVA Group Remuneration Policy and in line with the applicable regulations, they shall be based on the results obtained over time. In no case shall bad results or inappropriate conduct be rewarded, and payments shall not be awarded in cases where there have been clear and serious infringements that justify the immediate termination of contract or the dismissal of the Identified Staff member. As regards BBVA directors, the Bank has no commitments to pay severance indemnity.

As regards the pension policy, it shall be compatible with the entity's long-term business strategy, objectives, values and interests. In accordance with the foregoing, BBVA has a pension system in place, arranged on the basis of geographic areas and coverage offered to different groups of employees. In general, the Bank's pension schemes are defined-contribution. The contributions to pension schemes of the Group's employees are made within the framework of applicable labor law and individual or group agreements applicable in each entity, sector or geographic area. BBVA will determine the characteristics of the pension commitments with the different professional categories of employees, including the pensionable salary.

The basis for the calculation of the benefits (commitments for retirement, death and disability) reflect fixed annual amounts; no temporary fluctuations exist derived from variable components or individual results.

As regards executive directors and members of the Senior Management, they are subject to the specificities included in applicable regulations regarding "discretionary pension benefits." Thus, 15% of the annual contributions agreed to cover the pension commitments will be based on variable components and be considered "discretionary pension benefits", subject to the conditions established in the applicable regulations and remuneration policies. Detailed information on the implementation of pension commitments accrued in the year ended may be consulted in Note 54 of the Annual Report corresponding to the Consolidated Financial Statements of the Bank for 2018, available on the Bank's corporate website ([www.bbva.com](http://www.bbva.com)).

As regards non-executive directors, the Remuneration Policy for BBVA Directors distinguishes between the remuneration system applicable to executive directors and the system applicable to non-executive directors, as set out in the Bank's Bylaws. A detailed description of the remuneration system for non-executive BBVA directors is included in the mentioned Policy, and the implementation of this system has been explained in the Annual Report on the Remuneration of BBVA Directors corresponding to 2018. Both documents are available on the Bank's corporate website ([www.bbva.com](http://www.bbva.com)).

As set out in those documents, non-executive directors do not receive variable remuneration; they receive a fixed annual amount in cash for holding the position of director and as members of the various committees, with greater weight allocated to the role as chair of each committee, and the amount depending on the nature and duties of the functions attributed to each committee.

In addition, the Bank has a remuneration system in shares with deferred delivery for its non-executive directors, approved by the General Meeting, which also constitutes fixed remuneration. It comprises an annual allocation to non-executive directors, as part of their remuneration, of a number of "theoretical shares" of the Bank that will be delivered, where appropriate, after they leave directorship for any reason other than serious breach of their duties. The number of "theoretical shares" annually allotted to each non-executive director will be equivalent to 20% of their total remuneration in cash received the previous year, calculated according to the average closing prices of the BBVA share during the 60 trading sessions prior to the dates of the Annual General Shareholders' Meetings that approve the financial statements for each year.

## 5.4. Information on the link between the remuneration of Identified Staff and the performance of the Group

As explained in the above sections, the BBVA Group Remuneration Policy includes the entitlement by Identified Staff members to an Annual Variable Remuneration, payment of which is subject to ex ante adjustments and the amount of which is calculated according to compliance with the objectives established at the start of the year for each of the annual performance indicators, in accordance with the scales and weightings associated to each indicator. Thus, the amount of variable remuneration received by Identified Staff is linked to the results of the BBVA Group and varies in accordance with them.

Thus, the application of the scales of achievement defined for each indicator, on the basis on the targets established, has determined the amount of the Annual Variable Remuneration for executive directors. For the remaining Identified Staff members, along with the result of the Group's annual performance indicators, the amount of Annual Variable Remuneration has been determined in accordance with the level of achievement of the financial and non-financial strategic targets set for the area and for each individual, according to the weightings associated with each indicator which, as was already indicated, have been set according to the type of function carried out by each beneficiary (business, support or control).

During financial year 2018, the BBVA Group generated an Attributable Profit of €5.324 billion, an increase of 51.3% over the previous year. That attributed profit includes the result of corporate transactions generated by capital gains and other associated expenses from the sale of BBVA Chile for an amount of €623 million, net of taxes.

For the calculation of the result of the annual financial performance indicators that are part of the remuneration system applicable to the Identified Staff, as indicated in section 5.3 of this report, the aforementioned impact was not considered in the determination of the Annual

Variable Remuneration for 2018, in light of it being caused by operations or circumstances that were considered by the Bank to be outside the ordinary management of the Group. In this regard, the results and evolution of the annual performance indicators established for the determination of the Annual Variable Remuneration for 2018 of the executive directors, which are also included as Group indicators for the remaining members of the Identified Staff, has been positive, representing increases with respect to the previous year in the four financial indicators (Attributed Profit, RORC, RAROE and Efficiency Ratio). Of particular note is the good performance of recurring revenue, and lower loan-loss provisions, which offset the lower contribution from net trading income (NTI) compared to the same period the previous year.

Despite increases in the four financial indicators compared to the previous year, the attainment levels of Attributable Profit, RORC and Efficiency Ratio have been below the target established for the year. This is mainly a result of economic instability in Turkey and Argentina, whose behaviour is affected by the changes of exchange rates and the negative impact of hyperinflation accounting in Argentina.

Regarding the Customer Satisfaction indicator (IreNe), which is part of the non-financial indicators, an improvement has been observed in almost all regions compared to the other competing financial institutions, resulting in a level of achievement of 99.1.

Accordingly, the Annual Variable Remuneration of the members of the Identified Staff is linked to the Group's financial and non-financial results, all within the framework and in accordance with the rules of the remuneration system detailed in section 5.3 of this report.

## 5.5. Description of the criteria used to take into consideration present and future risks in the remuneration processes

In line with what is detailed in section 5.3 of this report, the remuneration policy applicable to Risk Takers in 2018 has featured the following elements:

- Balance between the fixed components and the variable components of total remuneration.
- *Ex-ante* adjustments, which have been verified prior to the determination of the Annual Variable Remuneration.
- Use of indicators for the evaluation of results, incorporating current and future risk adjustments. Among the financial indicators defined at the Group level are RAROE, an indicator that takes present and future risks into account and considers profit obtained in relation to the economic capital necessary to obtain those benefits, and which applies to all employees in general. In addition, this indicator is also included at the area level in the business areas.
- When measuring the performance of financial and non-financial indicators, consideration is given to both individual management aspects and to the targets set at the area and Group levels.
- Upon measurement of performance of staff members performing control functions, greater weighting is given to objectives related to their specific functions, to strengthen the independence and objectivity of these functions.
- At least 50% of Annual Variable Remuneration is established in shares (60% in the case of the Deferred Component of the executive directors and Senior Management).
- Deferral clauses, designed so that a substantial portion of variable remuneration – 60% in the case of executive directors, Senior Management and Risk Takers with particularly high variable remuneration, 40% for the remaining cases – is deferred in time, thus taking into account the economic cycle and the business risks. The deferral period established for 2018 Annual Variable Remuneration is 5 years for executive directors and Senior Management, and 3 years for the remaining Risk Takers.
- Inclusion of multi-year performance indicators, measured for the 3-year period from the start of the deferral period, to which weightings have been attributed, and for which scales of achievement have been established, so that in the event that the targets set for each indicator are not obtained, the Deferred Component of the Annual Variable Remuneration may be reduced, even in its entirety, yet never increased.
- Obligatory withholding periods of any shares delivered as Annual Variable Remuneration, so that beneficiaries may not freely dispose of them until one year after their delivery date, except for those that should be divested to pay tax obligations.
- Prohibition of the use of personal hedging strategies or insurance related to remuneration and liability.
- Limitation of the variable component of remuneration for the year to 100% of the fixed component of the total remuneration, except for the maximum of 238 employees for whom BBVA's General Meeting held on March 16, 2018, authorized the application of a maximum ratio of 200%, as explained in detail in section 5.7 of this report.
- Submission of the entire Annual Variable Remuneration to malus and clawback arrangements during the whole deferral and withholding period, under the terms indicated in section 5.3 of this report.

## 5.6. Main parameters and reasons for any component of the possible variable remuneration plans and other non-cash benefits

The main parameters of and motivation behind the components of the variable remuneration plans of the

Identified Staff have been set out in the previous sections of this report.

## 5.7. Ratios between the fixed and variable remuneration of Identified Staff

As specified in section 5.3 above, in the total remuneration for Identified Staff the fixed and variable components must be appropriately balanced, in line with applicable regulations, to ensure a policy that is fully flexible with regard to payment of the variable components, allowing for such components to be reduced even in their entirety, where appropriate.

The proportion between both components is established taking into account the type of functions developed by each beneficiary (business, support or control) and, as a result, their impact on the risk profile, adapted in each case to the existing reality in the different countries where the Identified Staff members carry out their activity or functions.

For these purposes, the Bank has defined “target” ratios between fixed and target variable remuneration, which take into account both the function carried out by each Identified Staff member and the impact on the risk profile.

Notwithstanding the above, pursuant to applicable law, the variable component of Identified Staff members’ remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of total remuneration, except for the functions for which the General Meeting agrees to raise this percentage to a maximum of 200%.

For these purposes, the General Meeting held on 16 March 2018 agreed to raise the maximum level of the variable component of remuneration up to a maximum of 200% of the fixed component of the total remuneration for certain members of the Identified Staff, all according to the Report issued by the Board for these purposes on 12 February 2018. Thus, the Bank submitted the following resolution to the General Meeting:

*“For the purposes of the provisions of Article 34.1 g) of Act 10/2014 of June 26, on the regulation, supervision and solvency of credit institutions, to approve a maximum level of variable remuneration of up to 200% of the fixed component*

*of total remuneration for a group of employees whose professional activities have significant impact on the Group’s risk profile, enabling subsidiaries of Banco Bilbao Vizcaya Argentaria, S.A., to likewise apply said maximum level to their professionals, pursuant to the Recommendations Report issued in this regard by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., on 12 February 2018, and which has been made available to shareholders as of the date on which this General Meeting was convened”.*

This resolution was approved by the General Meeting for a maximum of 238 Risk Takers, with a favourable vote of 97.96% on 64.38% of the capital present or represented at said General Meeting.

The proposal submitted to the General Meeting included the detailed recommendation of the Board, explaining the reasons and scope of the decision proposed to the General Meeting and included the number of persons affected, as well as the expected effect on the maintenance of a sound capital base, taking into account the considerations established by the competent authority as regards dividend distribution policies.

As reflected in the Report of the Board, the persons for whom the higher level of remuneration was requested for financial year 2018 had one of the following functions:

- Executive members of BBVA’s Board of Directors.
- Members of BBVA’s Senior Management.
- Personnel who perform their functions in the business areas of Spain, the United States, Mexico, Turkey, countries of South America, and Corporate and Investment Banking (CIB).
- Personnel who perform their functions in corporate support areas, which include members of the Identified Staff who work on a global basis for the Group as a whole, without being assigned to a particular business area.

## 5.8. Quantitative information on remuneration of the Identified Staff

After year-end 2018, and in accordance with the results obtained (described in section 5.4 above), the Annual Variable Remuneration for Identified Staff members corresponding to said year was calculated.

In accordance with the settlement and payment system established for 2018 Annual Variable Remuneration of Identified Staff members:

- The Upfront Portion will be paid, where applicable, in 2019, 40% in the case of executive directors, members of Senior Management and Identified Staff members with variable remuneration of particularly high amounts, and 60% for the

remaining Identified Staff members.

- The Deferred Component will be subject to the multi-year performance indicators mentioned in section 5.3 of this report, to be paid, if conditions are met, in 2022. For executive directors and members of the Senior Management, the Deferred Component will be paid, where applicable, according to the following schedule: 60% in 2022; 20% in 2023 and the remaining 20% in 2024.

This gives rise, among others, to the amounts that are detailed in the following table, broken down by types of employees:

Table 90. Total remuneration of Identified Staff in 2018 (Thousand Euro or number of shares)

| Remuneration for Identified Staff in 2018                                       | Executive Directors <sup>(1)</sup> | Non-executive Directors | Senior Management <sup>(2)</sup> | Rest of Identified Staff | Total Identified Staff |
|---|------------------------------------|-------------------------|----------------------------------|--------------------------|------------------------|
| Number of beneficiaries of fixed remuneration                                   | 3                                  | 12                      | 15                               | 548                      | 578                    |
| Amount of total fixed remuneration for 2018 <sup>(3)</sup>                      | 5,530                              | 3,867                   | 17,005                           | 200,884                  | 227,285                |
| Number of beneficiaries of variable remuneration                                | 3                                  | -                       | 15                               | 505                      | 523                    |
| Amount of total variable remuneration for 2018 <sup>(4)</sup>                   | 5,431                              | -                       | 7,074                            | 75,663                   | 88,167                 |
| In cash   | 2,389                              | -                       | 3,112                            | 37,831                   | 43,333                 |
| Number of BBVA shares   | 638,098                            | -                       | 833,880                          | 8,028,391                | 9,500,369              |
| Variable remuneration corresponding to 2018 payable in 2019                     | 2,172                              | -                       | 2,829                            | 44,689                   | 49,691                 |
| In cash   | 1,086                              | -                       | 1,415                            | 22,345                   | 24,845                 |
| Number of BBVA shares   | 227,891                            | -                       | 297,809                          | 4,741,516                | 5,267,216              |
| Outstanding deferred variable remuneration corresponding to 2018 <sup>(5)</sup> | 3,258                              | -                       | 4,244                            | 30,974                   | 38,476                 |
| In cash   | 1,303                              | -                       | 1,698                            | 15,487                   | 18,488                 |
| Number of BBVA shares   | 410,207                            | -                       | 536,071                          | 3,286,875                | 4,233,153              |

(1) Includes the 2018 remuneration of Carlos Torres Vila, José Manuel González-Páramo Martínez-Murillo and Francisco González Rodríguez. The current CEO, Onur Genç, appointed by the Board of Directors on December 20th, 2018, has not received any remuneration for his tenure in 2018, being his remuneration included in "Other Identified Staff". Note 54 of the Annual Report of BBVA's Consolidated Financial Statements details individualized information for each one of them

(2) Includes information of the members of Senior Management, excluding executive directors, that had such condition until December 20th, 2018. Members of Senior Management appointed by the Board of Directors on December 20th, 2018, (5 members) have not received any remuneration for such condition and their remuneration is included under "Rest of Identified Staff". Note 54 of the Annual Report of BBVA's Consolidated Financial Statements details the aggregated information of each of these group's remuneration

(3) Fixed compensation received in 2018, including cash and in kind, except as regards benefit schemes.

In the case of executive directors and members of the Senior Management, contributions made by the Bank in 2018 in relation to agreed upon benefit schemes are detailed in Note 54 of the Annual Report of BBVA's Consolidated Financial Statements.

In the case of non-executive directors, their remuneration system includes, in addition, a fixed remuneration with deferred delivery of shares after leave of directorship. Information regarding such system, including the number of "theoretical shares" allocated in 2018 (corresponding to 20% their fixed compensation received the previous year), is displayed in Note 54 of the Annual Report of BBVA's Consolidated Financial Statements

(4) According to applicable regulations, 15% of annual contributions agreed to cover retirement contingencies of executive directors and members of the Senior Management will be based on variable remuneration. Detailed information regarding the implementation of benefit-scheme entitlements in 2018 can be found in Note 54 of the Annual Report of BBVA's Consolidated Financial Statements

(5) The variable remuneration corresponding to 2018 that is deferred and outstanding is subject to multi-year performance indicators related to the Risk Appetite Framework and shareholder profitability that can reduce, even in its entirety (but never increase), the outstanding deferred amounts

Table 91. Extraordinary remuneration of the Identified Staff in 2018 (Thousand Euro)

| Extraordinary remuneration                                      | Executive Directors | Non-executive directors | Senior Management | Rest of Identified Staff | Total Identified Staff |
|---|---------------------|-------------------------|-------------------|--------------------------|------------------------|
| Number of beneficiaries of guaranteed bonuses                   | -                   | -                       | -                 | 1                        | 1                      |
| Total amount of guaranteed bonuses granted in 2018              | -                   | -                       | -                 | 92                       | 92                     |
| Number of beneficiaries of hiring incentives                    | -                   | -                       | -                 | 2                        | 2                      |
| Total amount of hiring incentives paid in 2018                  | -                   | -                       | -                 | 319                      | 319                    |
| Number of beneficiaries of severance indemnity                  | -                   | -                       | -                 | 23                       | 23                     |
| Total amount of severance indemnity paid in 2018 <sup>(1)</sup> | -                   | -                       | -                 | 13,208                   | 13,208                 |
| Paid in 2018  | -                   | -                       | -                 | 10,098                   | 10,098                 |
| Deferred amount   | -                   | -                       | -                 | 3,110                    | 3,110                  |

(1) At the time of disengagement of severance indemnity beneficiaries, non-competition agreements have been signed with some staff members, for a total amount of 10,917 thousand euro, which will be paid periodically over the course of the non-competition period. In line with applicable regulations, neither legal indemnity amounts nor the aforementioned amounts linked to non-competition agreements have been taken into account for the purposes of calculating the fixed/variable ratio, the application of deferral and payment in instruments

Of the total indemnities paid, the highest paid to a single member amounts to €2,620 thousand.

In addition, in accordance with Rule 40.1 of Circular 2/2016 of the Bank of Spain, indication is given that, of the 23 cases of payments for early termination of contracts, there is one case in which the amount paid has exceeded two annuities of the fixed remuneration.

In 2018, payment has also been made of the amounts deferred from years prior to 2018. The following table shows the amounts paid in both cash and shares, as well as the amounts that remain outstanding as at December 31, 2018:

Table 92. Deferred variable remuneration from periods prior to 2018 (Thousand Euro or number of shares)

| Deferred variable remuneration for years prior to 2018 for the Identified Staff | Executive Directors <sup>(3)</sup> | Non-executive directors | Senior Management | Rest of Identified Staff | Total Identified Staff |
|---|------------------------------------|-------------------------|-------------------|--------------------------|------------------------|
| <b>Vested <sup>(1)</sup></b>  |                                    |                         |                   |                          |                        |
| In cash   | 470                                | -                       | 573               | 7,104                    | 8,147                  |
| Number of BBVA shares   | 52,834                             | -                       | 64,853            | 821,126                  | 938,813                |
| <b>Outstanding <sup>(2)</sup></b>   |                                    |                         |                   |                          |                        |
| In cash   | 4,510                              | -                       | 7,123             | 61,715                   | 73,348                 |
| Number of BBVA shares   | 774,779                            | -                       | 1,189,564         | 9,471,193                | 11,435,536             |
| <b>Implicit ex-post adjustments applied in the year</b>                         | -                                  | -                       | -                 | -                        | -                      |
| <b>Explicit ex-post adjustments applied in the year</b>                         | -                                  | -                       | -                 | -                        | -                      |

(1) Includes deferred amounts of variable remuneration from previous years paid in 2018 and their update (last third of the 2014 deferred variable remuneration)

(2) Includes deferred variable remuneration corresponding to years prior to 2018 pending payment at December 31st 2018 (full deferred variable remuneration for 2015, 2016 and 2017)

(3) The amounts of deferred variable remuneration corresponding to previous years, paid in 2018, are detailed, individually for each executive director, in Note 54 of the Annual Report of BBVA's Consolidated Financial Statements. As regards outstanding deferred variable remuneration at the end of 2018, the amounts corresponding to each executive director are as follows:

- The entire 2015 deferred annual variable remuneration: 897 thousand euro and 135,299 BBVA shares in the case of Francisco González Rodríguez; 530 thousand euro and 79,956 BBVA shares in the case of Carlos Torres Vila; and 98 thousand euro and 14,815 BBVA shares in the case of José Manuel González-Páramo Martínez-Murillo
- The entire 2016 deferred annual variable remuneration: 734 thousand euro and 114,204 BBVA shares in the case of Francisco González Rodríguez; 591 thousand euro and 91,915 BBVA shares in the case of Carlos Torres Vila and 89 thousand euro and 13,768 BBVA shares in the case of José Manuel González-Páramo Martínez-Murillo
- The entire 2017 deferred annual variable remuneration: 792 thousand euro and 163,680 BBVA shares in the case of Francisco González Rodríguez; 675 thousand euro and 139,488 BBVA shares in the case of Carlos Torres Vila and 105 thousand euro and 21,654 BBVA shares in the case of José Manuel González-Páramo Martínez-Murillo

The following table shows the total remuneration of the Identified Staff in 2018 by activity area:

**Table 93.** Remunerations of the identified staff in 2018 by activity areas (Thousand Euro)

| Activity area                      | Number of people | 2018 total remuneration <sup>(1)</sup> | Average variable/fixed ratio |
|------------------------------------|------------------|--|------------------------------|
| Executive Directors <sup>(2)</sup> | 3                | 10,960                                 | 87%                          |
| Non-executive Directors            | 12               | 3,867                                  | 0%                           |
| Senior Management <sup>(3)</sup>   | 15               | 24,078                                 | 41%                          |
| Commercial Banking <sup>(4)</sup>  | 184              | 107,519                                | 41%                          |
| Investment Banking <sup>(5)</sup>  | 90               | 51,333                                 | 55%                          |
| Asset Management <sup>(6)</sup>    | 25               | 12,636                                 | 61%                          |
| Corporate functions <sup>(7)</sup> | 130              | 66,584                                 | 31%                          |
| Control functions <sup>(8)</sup>   | 119              | 38,474                                 | 21%                          |
| Others <sup>(9)</sup>              | -                | -                                      | -                            |
| <b>Total Identified Staff</b>      | <b>578</b>       | <b>315,452</b>                         | <b>-</b>                     |

(1) Fixed remuneration paid in 2018 and variable remuneration accrued in 2018

(2) Includes the 2018 compensation received by Carlos Torres Vila, José Manuel González-Páramo Martínez-Murillo and Francisco González Rodríguez. The current CEO, Onur Genç, appointed by the Board of Directors on December 20th, 2018, has not received any compensation for his tenure in 2018. Note 54 of the Annual Report of BBVA's Consolidated Financial Statements displays individualized information for each one of them

(3) Includes information of the members of Senior Management, excluding executive directors, that had such condition until December 20th, 2018. Members of the Senior Management appointed by the Board of Directors on December 20th, 2018, (5 members) have not received any compensation for such condition and their remuneration is included in the corresponding area. Note 54 of the Annual Report of BBVA's Consolidated Financial Statements displays aggregated information of the remuneration for each of these groups

(4) Includes Retail, Business, Corporate and Insurance activities

(5) Includes trading and other Investment Banking activities

(6) Includes Asset Management and Private Banking activities

(7) Includes support areas of the BBVA Group and business support areas (Finance, Legal, Human Resources, etc.)

(8) Includes Risk Management, Internal Audit and Compliance activities

(9) Rest of activities not included in previous categories

On the other hand, the number of employees with a remuneration equal to or greater than €1 million is as follows:

**Table 94.** Number of individuals with total remuneration in excess of €1 million in 2018

| Total remuneration in 2018 <sup>(1)</sup> | Number of individuals |
|---|-----------------------|
| Between 6 million and 7 million euro      | 1                     |
| Between 5 million and 6 million euro      | 1                     |
| Between 4.5 million and 5 million euro    | 1                     |
| Between 4 million and 4.5 million euro    | 0                     |
| Between 3.5 million and 4 million euro    | 1                     |
| Between 3 million and 3.5 million euro    | 0                     |
| Between 2.5 million and 3 million euro    | 2                     |
| Between 2 million and 2.5 million euro    | 3                     |
| Between 1.5 million and 2 million euro    | 7                     |
| Between 1 million and 1.5 million euro    | 30                    |
| <b>Total</b>                              | <b>46</b>             |

(1) Sum of fixed compensation for the year 2018 and variable compensation accrued in 2018. The deferred component of variable compensation is subject to multi-year indicators and targets which could reduce (never increase) such deferred component and, therefore, total compensation for the year 2018