

**Annual
Corporate
Governance
Report
2019**



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Circular 2/2018 of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or "CNMV"), governing the information contained in the annual corporate governance reports required of listed companies, now allows listed companies to draw up and file their report in a free format.

Bankinter's board of directors, on the recommendation of the appointments and corporate governance committee, has decided to avail itself of this new option (as it did the previous year) now allowed under the terms of the Circular.

Bankinter has therefore released this single report to provide an end-to-end view of corporate governance practices at Bankinter Group in general and at its parent, Bankinter, S.A., in particular. It features a more streamlined and organised structure, while still broadly following the standardised format required of reporting companies, thus ensuring the utmost transparency.

1.- IMPROVEMENTS IN CORPORATE GOVERNANCE AT BANKINTER GROUP IN 2019

Bankinter fully intends to continue strengthening and improving its corporate governance framework, as it has done over the past few years, in order to meet and overcome the challenges ahead as responsibly and sustainably as possible. The following sections of this report describe some of the improvements made to the corporate governance framework in 2019.

1.1.- Changes in the composition of the governing bodies

Board of directors

Bankinter continued to enhance the composition of its board of directors in 2019 by welcoming a number of new members, illustrating its firm commitment to maintaining a balanced board composition, seeking diversity in terms of skills, experience in Spain and abroad, gender and the number of independent directors.

The main changes in the board of directors in 2019 were as follows:

María Luisa Jordá Castro and Álvaro Álvarez-Alonso Plaza were appointed independent external directors at the general meeting held in March 2019, thus covering the increase in the maximum number of board members (from 10 to 12) approved at the general meeting held in March 2018 (98,946% of votes for).

These latest arrivals have further enhanced the structure of the board of directors, making it more efficient and allowing for the effective involvement of all directors and agile decision-making.

A total of 12 directors now sit on the board of directors, distributed as follows:

- seven (7) independent non-executive directors;
- 2 executive directors;
- 2 external proprietary directors; and
- one (1) 'Other external director'.

Thus, the board's structure reflects the existing proportion between the share capital held by proprietary directors and the remainder of the share capital of Bankinter. Since 58% of its directors are independent, Bankinter complies with Spanish and international recommendations and best practices.

The latest appointments also illustrate Bankinter's firm commitment to equal opportunities for men and women and effectively show that selection processes for new directors are objective and free from any constraints or biases that might impede the selection of female directors and take in account the nominee's independence, professional merits, expertise and experience in the industry.

Women now account for 33.3% of total board membership, with three women acting as independent non-executive directors and one as an executive director and the company's chief executive.

Aside from the appointments just described, the general meeting agreed in 2019 to renew a further two positions on the board in 2019.

The following table shows the appointments and re-elections approved by the general meeting of shareholders in 2019:

Resolutions carried by the general meeting in 2019 in relation to board composition		% of votes cast in favour of the appointment or re-election	Impact on board composition
Appointment of Álvaro Álvarez-Alonso Plaza	Independent external director	98,049	Increase in the number of independent directors
Appointment of María Luisa Jordá Castro	Independent external director	98,284	
Re-election of María Teresa Pulido Mendoza	Independent external director	95,512	Diversity of knowledge and experience
Re-election of María Dolores Dancausa Treviño (renewal of chief executive officer)	Chief executive officer	97,812	Gender diversity

Board committees

The board of directors has pledged to continue strengthening the composition and performance of its committees so that they may better support the board in their respective spheres of influence, in accordance with national and international best practices. With this objective in mind, the board made the following changes to the composition of its committees in 2019:

Committee	Appointments		
	Director	Date of board resolution approving the appointment	Experience and knowledge gained
Audit and regulatory compliance committee	María Luisa Jordá Castro	22/05/2019	Audit
Risk committee	María Luisa Jordá Castro	22/05/2019	Commercial Finance
Appointments and corporate governance committee	Álvaro Álvarez-Alonso Plaza	22/05/2019	International market
Remuneration committee	Álvaro Álvarez-Alonso Plaza	22/05/2019	Human resources

There were no departures of board committee members in 2019.

1.2.- Other priorities and objectives accomplished in relation to corporate governance in 2019

- **Dedication of the board of directors to defining issues:** a board meeting was held in 2019 specifically devoted to defining the Bank's strategic priorities for the coming three-year period. The board's dedication to risk monitoring (including technology risks) was also stepped up.

- **Board committees:**

- o All duties ascribed to board committees are continuously reviewed to ensure that the matters addressed by the board have previously been scrutinised and critically assessed by the relevant committees. Further, the chairman of each committee reports at the first board meeting of the year on the main issues to have been addressed by their respective committee in the previous period. In 2019, Bankinter's board of directors also approved the Regulations of the Audit and Compliance Committee following a recommendation received from that committee. This new set of rules clearly explains the workings of the committee and its duties and responsibilities. The board fully intends to draw up similar rules and regulations for its other committees within the next few years, in line with recommendations and best practices.

The committees of Bankinter, S.A. also play an important role when it comes to coordinating and overseeing Bankinter Group companies on those matters that fall within their remit.

The committees of Bankinter, S.A. are sometimes called upon to carry out supervisory work at Group companies that do not have their own committees due to their relatively small size or composition, but still require supervision on matters that fall within the committees' remit.

More to the point, this happens at Bankinter Consumer Finance and Bankinter Luxembourg. EVO Bank and Avantcard, on the other hand, have their own supervisory committees, while Bankinter Asset Management has its own audit and control committee, on matters relating to risks, auditing and regulatory compliance.

The committee activity reports made available to shareholders ahead of general meetings explain the duties and functions performed by each committee at Group level.

- **Evaluation of the board and its committees:** the board of directors is firmly committed to improving its own operation and that of its committees. It has therefore commissioned an independent external expert to conduct an annual evaluation of both the board and its committees for 2019. The specific chapter of this report on the evaluation of the board and its committees explains both the scope and the results or findings of this evaluation process. Note that the evaluation did not reveal any deficiencies that might require the approval of a corrective action plan by the board of directors. However, certain areas for improvement were spotted that would make the company's governing bodies more efficient in their operation.

2.- CAPITAL STRUCTURE

2.1.- Share capital

At year-end 2019, the share capital of Bankinter, S.A. amounted to 269,659,846.20 euros, represented by 898,866,154 shares, each with a nominal value of 0.30 euros and all fully subscribed and paid up. All the shares are represented by book entries, are listed on the Madrid and Barcelona Stock Exchanges and are traded on the Spanish computerised trading system. All shares carry the same rights.

Bankinter made no changes to its share capital in 2019.

Bankinter has not issued securities that are not traded on a regulated EU market.

Bankinter had a total of 55,358 shareholders at 31 December 2019. The following table shows the distribution of shareholders by number of shares held and residency status.

Shareholder structure by number of shares			31/12/2019	
Bracket	No. of shareholders	%	No. of shares	%
1 to 100 shares	16,437	29.69	243,208	0.03
101 to 1,000 shares	17,595	31.78	8,671,456	0.96
1,001 to 10,000 shares	17,789	32.14	59,204,245	6.59
10,001 to 100,000 shares	3,242	5.86	76,113,605	8.47
More than 100,000 shares	295	0.53	754,633,640	83.95
Total	55,358		898,866,154	

Summary by type of shareholder	No. of shareholders	%	No. of shares	%
Resident	54,593	98.62	494,084,390	54.97
Non-resident	765	1.38	404,781,764	45.03
Total	55,358		898,866,154	

2.2.- Authorisation to increase capital

The general meeting of shareholders held on 21 March 2019 agreed to authorise the board of directors to raise capital, on one or more occasions, up to the maximum amount of 50% of the Bank's share capital at the time of the approval, including authority to disapply the preemptive subscription right. However, this power to increase capital is subject to a stricter limit of 10% of the Bank's share capital at time of approval for certain cases and situations, as explained below.

The capital increases that the board approves under this delegation of powers must be settled in the form of monetary contributions and within the maximum time frame of five years running from the resolution adopted at the general meeting. Pursuant to article 286 of the Spanish Companies Act, directors must draw up a written report justifying any proposal to amend the Corporate Bylaws.

Therefore, the board of directors considers that this delegation of powers is an appropriate and flexible mechanism enabling the Company to swiftly and efficiently meet its financing, growth or capital adequacy needs from time to time, or seize any related opportunities, in response to prevailing market conditions, business performance, growth at the Company, earnings, or the need to meet capital adequacy requirements.

After all, share capital and share premium rank among the highest level instruments among all those that can make up an entity's regulatory capital, and can be used to meet any capital adequacy requirement. Prevailing regulations on capital adequacy and own funds applicable to credit institutions, including Bankinter, stipulate that such institutions must possess different capital instruments that enable them to cover the various categories of regulatory capital that make up their own funds requirement. Accordingly, institutions must have a wide range of instruments at their disposal, enabling them to effectively capitalise on any opportunities that may arise when complying with capital adequacy and own funds requirements.

To ensure that capital increases are as efficient as possible, it is often important to act swiftly and to be able to obtain an immediate inflow of funds by choosing from whom the capital will be raised. This may require the board to disapply the pre-emptive subscription right if this proves to be in the Company's best interests and the board of directors therefore considers this to be an overriding objective. As evidenced by previous share capital transactions carried out in the market, rapid decision-making is often extremely important, with the shortest possible delay between decision and action, as this is key to successfully increasing and raising capital in the market.

If this delegation of powers entails disapplying or removing the pre-emptive subscription right, the nominal amount of the capital increases agreed upon by the board by virtue of these delegated powers may not exceed the maximum nominal amount, in cumulative terms, of 10% of the Bank's share capital at the time the delegation of powers is approved, rather than 50% of share capital,

which will remain the general limit when the pre-emptive subscription right is not disapplied. This lower ceiling is in line with international standards and recommended good practices and is there to protect the interests of shareholders, which is particularly important in this case as the Company has always had a highly stable shareholding structure and been able to rely on the full support of its shareholders when growing the business.

This 10% limit shall also extend to capital increases carried out under the terms of the resolution carried at the 2019 general meeting of shareholders (or under the terms of any other resolution on the matter carried by the general meeting) in order to meet the conversion of convertible bonds that are issued with the pre-emptive subscription right disapplied.

2.3.- Significant shareholders

The following table shows the direct and indirect holders of significant stakes in Bankinter, S.A., excluding directors who hold significant shareholders directly or indirectly (who are as shown the following point of this report) at 31 December 2019. Information based on the notifications sent by the persons concerned to the Company and the CNMV on Bankinter voting rights and financial instruments.

Name	% of shares carrying voting rights			% of voting rights through financial instruments	% of total voting rights
	% Total (A)	% Directo	% Indirecto	% (B)	(A+B)
BLACKROCK INC.	3,382	0,000	3,382	0,267	3,649

Most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of the transaction
STANDARD LIFE ABERDEEN PLC	25/01/2019	Fell below 3%
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD.	11/11/2019	Exceeded 1%
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD.	04/12/2019	Fell below 1%

Bankinter and/or the companies within its group are not aware of the existence of any family, commercial, contractual or corporate relations among the significant shareholders listed above.

At Bankinter, there is no individual or company that exercises or may exercise over the company in accordance with Article 5 of the *Ley de Mercados de Valores* ("Spanish Securities Market Act" or "LMV").

2.4.- Shareholders' agreements

The company has not been notified of any shareholders' agreements that may affect it.

2.5.- Shares held by directors

The total percentage of Bankinter shares carrying voting rights in the possession of directors was 28.89% at 31 December 2019. The following table provides further information, which has been updated on the website of the CNMV and the corporate website.

Name of director	Shares carrying voting rights		% of shares carrying voting rights	Voting rights through financial instruments (to be acquired if exercised)	% of voting rights through financial instruments	% of voting rights through financial instruments to be acquired
	Direct	Indirect				
Pedro Guerrero Guerrero	3,085,817	100,005	0,354	0	0	0,354
CARTIVAL, S.A.	205,687,428	-	22,883	52,752	0,006	22,889
María Dolores Dancausa Treviño	1,159,944	1,264	0,129	123,850	0,014	0,142
Fernando Masaveu Herrero	776,330	46,792,306 ^(*)	5,292	0	0	5,292
Marcelino Botin-Sanz Sautuola y Naveda	253,045	0	0,03	0	0	0,030
Jaime Terceiro Lomba	253,045	0	0,03	0	0	0,005
Rafael Mateu de Ros Cerezo	48,144	0	0,005	0	0	0,102
Gonzalo de la Hoz Lizcano	914,721	0	0,102	0	0	0,074
Maria Teresa Pulido Mendoza	666,106	0	0,074	0	0	0,001
Teresa Martin-Retortillo Rubio	12,009	0	0,001	0	0	0
Álvaro Álvarez-Alonso Plaza	0	0	0	0	0	0
María Luisa Jordá Castro	0	0	0	0	0	0,001

(*) Corporación Masaveu, S.A. holds 44,959,730 Bankinter shares, while other companies attached to the Masaveu Group hold 1,832,576 Bankinter shares. As discussed in previous reports, Fernando Masaveu Herrero, a proprietary director of Bankinter, notified the company on 4 March 2011 that he controlled the voting rights of the Bankinter shares held by the various companies belonging to the Masaveu Group, which had hitherto been reported as voting rights controlled directly or indirectly by the significant shareholder then known as S.A. Tudela Veguin (currently Corporación Masaveu). This information was disclosed by the director purely for good governance purposes and in order to comply with applicable regulations concerning transparency of information at listed companies, and does not entail any change of ownership or assignment of rights.

2.6.- Treasury shares

Treasury shares totalled 186,169 at 31 December 2019.

Number of shares held directly	Number of indirect shares (*)	Total percentage of share capital
36,169	150,000	0,021

(*) through:

Name of direct shareholder	Number of shares held directly
HISPAMARKET, S.A.	150,000
Total:	150,000

Significant changes (within the meaning of Royal Decree 1362/2007) during the year:

On 7 May 2019, Bankinter notified the Spanish Securities and Exchange Commission (CNMV) that the 1% threshold of treasury shares had been exceeded through consecutive share purchases, without deducting transfers, as shown below:

- Total number of direct shares acquired: 3,178,048
- Total number of indirect shares acquired: 5,915,790
- Total percentage share capital: 1.00

The general meeting of shareholders held on 18 March 2015 authorised the board of directors (with express authority to delegate such power to the executive committee) to effect the derivative acquisition of treasury shares by the Company and/or by its subsidiaries, under the terms and conditions established in applicable legislation and with express authority to sell or redeem such shares by reducing share capital accordingly. This authorisation remains in effect at the date of this report, superseding and rendering null and void similar powers granted at previous general meetings in respect of any amount that may have remained unused. A five-year renewal of this resolution will be submitted to shareholders at the general meeting to be held in March of this year, subject to the same terms and conditions as the existing authorisation.

Such acquisitions may be made at any time, and as many times as deemed appropriate and in any form or manner, including with a charge to profit for the year and/or to unrestricted reserves. The maximum number of shares to be acquired at any time may not exceed 10% of the nominal value of the Bank's share capital, or such higher amount as may be permitted by law, without prejudice to the instances described in article 144 by reference to 509 of the Spanish Companies Act. Any or all of the shares acquired by the Bank or its subsidiaries in use of this authorisation may be allocated to the Company's directors and employees when there is a recognised right, be it directly or as a result of the exercise of options held by such persons, for the purposes described in the last paragraph of

article 146.1 of the Spanish Companies Act. The minimum price per share will be the nominal price, while the maximum price for purchase and sale transactions completed on an official secondary market will be 10 per cent above the stock market price of the shares at the time the transaction is executed or agreed.

If treasury shares are acquired in fulfilment of obligations contained in option agreements, purchase and instalment purchase agreements or similar agreements previously entered into by the Bank, including those covering convertible or exchangeable shares and bonds that are, or must be delivered directly to the Bank's directors or employees, or that result from the exercise of option rights held such persons (such transactions as also covered by this authorisation), the applicable price shall be as agreed upon in the respective contract or agreement.

On the same date and by the same resolution, shareholders at the general meeting also authorised the board of directors (again with express authority to sub-delegate those powers to executive committee) to approve a reduction in share capital in order to redeem the treasury shares, set the terms and conditions and purpose of the capital reduction, agree to delist the shares, amend article 5 of the Corporate Bylaws accordingly, and modify the par value of the shares without increasing or reducing the amount of share capital. The authorisation granted is valid for five years from the date of the resolution and covers all treasury share transactions made in accordance with its terms. It remains in full force and effect at the date of this report.

Bankinter is not subject to any restrictions on the transfer of shares and/or voting rights and, in particular, restrictions that might make it difficult for a takeover bid to succeed through the acquisition of the company's shares on the market. The general meeting of shareholders has adopted no measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007, on takeover bids and issuer transparency.

2.7.- Estimated working capital

In view of the above, the estimated percentage of working capital is 67.46%, which is taken to mean the percentage of share capital that is not in the hands of significant shareholders or directors, or which Bankinter holds in treasury.

3.- DISCLOSURE OF INFORMATION AND SHAREHOLDER RIGHTS – 2019 GENERAL MEETING

3.1.- Dialogue with shareholders

In line with best corporate governance practices and its own corporate culture and values, Bankinter strives continuously to earn and retain the trust of its shareholders and institutional investors and to ensure the profitability and sustainable growth of their investments in the Bank.

Bankinter treats transparency with shareholders and institutional investors as a fundamental pillar in its relations with these stakeholders, and works continuously to live up to their expectations. This is achieved through:

- Annual interaction through the general meeting of shareholders.
- Presentations of quarterly earnings and results.
- Dialogue between board members and key investors.
- Investor roadshows, proxy advisers, sustainability analysts and other influencers and opinion leaders.

The Bank discloses information to all stakeholders equally and is fully compliant with the CNMV's guidelines on this matter. Therefore, the information on our activities and financial outlook and general information on the Bank is compliant with the CNMV's disclosure recommendations for analysts, institutional investors and other stock market professionals. The purpose of this ongoing dialogue is to provide a clearer understanding of the public information available to all investors and to directly address and understand those issues that are of the greatest interest or concern to these Bankinter stakeholders.

Our policy on communication with shareholders, institutional investors and proxy advisers, as approved by the board of directors and published on the Company's corporate website, sets out the relevant rules and practices and is fully compliant with the rules on market abuse and treats all shareholders equally.

3.2.- Shareholder rights

Bankinter's Corporate Bylaws envision a single share class conferring the same rights upon all shareholders. Therefore, each Bankinter share confers one voting right. The bylaws contain no voting caps, thus remaining true to the principle of one voting right and one dividend right per share.

The main rights of Bankinter shareholders are as follows:

- **No restrictions on voting rights of the transfer of shares**, beyond those prescribed by law. More precisely:
 - There are no legal or by-law restrictions on the exercise of voting rights, except those resulting from non-compliance with applicable legislation and regulations.
 - There are no shares without voting rights or with multiple voting rights; no special privileges when distributing dividends; no restrictions on the number of votes that can be cast by a single shareholder; and no special quorums or super-majorities beyond those provided for at law.
 - There are no restrictions on the transfer of shares above and beyond the legal restrictions.
 - There are no by-law restrictions on the exercise of voting rights, unless the shares in question were acquired in breach of the bylaws or applicable law.
 - Bankinter's bylaws contain no measures to neutralise a takeover bid as defined in the Securities Market Act.
- **There are no further restrictions on the acquisition of significant stakes beyond those provided for at law and in the Corporate Bylaws.** These legal and regulatory provisions apply due to Bankinter's status as a credit institution and listed company, meaning that the acquisition of significant holdings is subject to regulatory approval or non-objection, among other possible requirements.
- **Shareholder rights at the general meeting:**
 - **Shareholder participation at general meetings.** All holders of shares that have been registered in their name at least five days ahead of the scheduled date of the general meeting will be entitled to attend that meeting. Bankinter also allows shareholders to exercise their rights of attendance, voting and proxy voting through remote systems, which is also conducive to their full participation at general meetings. Another communication channel that the Company makes available to shareholders is the Electronic Shareholders' Forum, which can be found on Bankinter's corporate website ahead of every general meeting. This forum allows shareholders to post motions they wish to add to the meeting agenda contained in the announcement; request other shareholders to back such motions; launch initiatives to reach the percentage required to exercise a legally conferred minority right; and make offers or requests for voluntary representation.
 - **Addenda to general meeting announcements.** Shareholders representing at least 3% of share capital may insist on the publication of a supplement to the announcement of the general meeting or submit a reasoned motion in respect of business already included, or that should be included, on the agenda of a meeting that has already been called. Any such request must include the names of the shareholders exercising the right and the number of shares they hold. It must also include a description of the matters to be added to the agenda, accompanied by a justification or reasoned motion in relation to those matters and any other documentation deemed relevant. These rights shall be exercised by means of reliable notice sent to the Company's registered office within five days of the publication of the general meeting announcement.

– **Right to receive information.** From the time the general meeting announcement is published through to the fifth day before it is held on first call, shareholders may send written requests for information or clarification, or raise written questions regarding matters they consider relevant in relation to the items included on the meeting agenda. Shareholders may also use this same procedure to send written requests for clarification regarding information that the Company has disclosed to the CNMV since the last general meeting of shareholders or regarding the audit reports. The information requested by shareholders and the answers provided by the Company shall be published on its corporate website. This right to information may also be exercised during the meeting. If the Company is unable to entertain the request at the meeting itself, it may respond instead within seven days of the meeting.

- **Corporate website:** Bankinter’s corporate website includes information on corporate governance, as required by law. In particular, it includes: (i) Bankinter’s internal regulations (Corporate Bylaws, Rules and Regulations of the Board of Directors, committee regulations (where applicable), Rules and Regulations of General Meetings of Shareholders, etc.); (ii) information on the board of directors and its committees, and the biographies of directors; and (iii) information related to general meetings. Bankinter’s corporate website can be found here: www.bankinter.com/webcorporativa, this being the address filed at the Companies Registry.

3.3.- Dividend policy

Bankinter continues to operate a stable and uniquely attractive dividend policy, which has traditionally been cash only through quarterly payments. The Bank’s strong business performance and impressive levels of capital adequacy have allowed it to maintain a consistently high payout (percentage of earnings dedicated to dividends) in recent years. The policy is fully compliant with recommendations released by regulators to ensure the adequate preservation of capital at banks.

Four cash dividends were paid out in 2019: a final dividend for 2018 and three interim dividends for 2019, which represented approximately 50% of ordinary profit obtained in the first three quarters. The fourth and final dividend to be paid out of full-year earnings will be approved by shareholders at the 2020 general meeting.

3.4.- General meeting of shareholders

General meetings of shareholders at Bankinter are regulated by the Spanish Companies Act, the Corporate Bylaws and also its own set of regulations, as found on the Company’s corporate website. The latest amendments to the Regulations of General Meetings of Shareholders were approved by shareholders at a general meeting held on 18 March 2015.

Bankinter’s Rules and Regulations of General Meetings of Shareholders govern the process for calling, preparing for, announcing, convening and holding general meetings of shareholders of Bankinter, S.A. (the Company’s supreme council). They set out the principles for organising and conducting them based on matters regulated by law and by the Corporate Bylaws; as well as laying down shareholders’ right to obtain information, take part in meetings and vote.

▪ **Ordinary quorum and majorities for carrying resolutions at general meetings.**

The system of majorities set out in the Corporate Bylaws and in the Rules and Regulations of General Meetings of Shareholders for the valid constitution of the general meeting of shareholders and for carrying resolutions is effectively the system envisioned under the laws of Spain.

Thus, on first call, shareholders representing at least twenty-five per cent of subscribed share capital conferring the right to vote are required to attend. If this quorum is not met, the general meeting shall be held on second call, for which there is no minimum quorum. When determining whether a general meeting is quorate, shareholders who voted by mail or electronic channels prior to the meeting will be counted as shareholders present, as established in the Company’s Regulations of General Meetings of Shareholders. Broadly speaking, a resolution will be adopted when it receives more votes for than against among the share capital present or represented.

▪ **Quorum and majorities for approving amendments to the Corporate Bylaws.**

The general meeting of shareholders has authority to agree on any amendment to the Corporate Bylaws, except decisions to relocate the registered office within national territory, which can be agreed by the board of directors. In the case of by-law amendments, the directors or shareholders who tabled the amendment must draft the full text of the proposed amendment, along with a written report in support of the amendment, all of which shall be made available to shareholders upon announcing the general meeting to scrutinise such amendment. Further, the general meeting announcement must clearly state the points to be amended and remind shareholders that they are entitled to examine the full text of the proposed amendment and accompanying report at the registered office, or request that such documents be delivered or sent to them free of charge. The quorum and majorities for carrying these resolutions are therefore as follows:

- **Quorum:** if a general meeting is called to deliberate on amendments to the Corporate Bylaws, shareholders representing at least fifty per cent of the subscribed share capital carrying voting rights must attend on first call. If this quorum is not met, the general meeting shall be held upon second call, whereupon the presence of twenty-five per cent of share capital will suffice.

- **Majorities for approval:** when shareholders representing less than fifty per cent of subscribed voting capital are present, resolutions on by-law amendments may be validly carried with the favourable vote of two thirds of capital present or represented at the meeting. However, when shareholders representing fifty per cent or more of the subscribed voting capital are present, resolutions shall require an absolute majority.

When the by-law amendment imposes new obligations on shareholders, the resolution shall require the consent of all affected parties.

By-law amendments must be authorised by the competent authority. However, the following amendments are excluded from this authorisation requirement (but must still be disclosed to the competent authority): (i) those made to move the registered office within national territory; (ii) increase share capital; (iii) the verbatim inclusion in the Corporate Bylaws of mandatory legal or regulatory provisions or prohibitions, or the recasting of articles to comply with court or governmental orders; and (iv) any other amendments for which the competent authority, in response to a prior consultation made in that regard, has decided to dispense with the authorisation on the understanding that the matter is immaterial.

▪ **Other specific majorities**

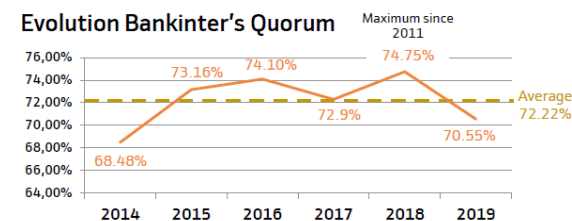
According to applicable law and regulations governing credit institutions, any motion to raise the ratio of variable to fixed remuneration components to above 100% (subject to a cap of 200%) for executive directors and other key function holders shall require a supermajority of two-thirds if the quorum exceeds 50% of shareholders and a majority of three quarters if that quorum is not reached.

Bankinter's Corporate Bylaws do not require decisions entailing the acquisition, disposal or contribution to another company of core assets or similar corporate transactions to be laid before shareholders at a general meeting for approval, except where legally required.

3.4.1.- General meeting of shareholders – 2019

Quorum and right to attend

The quorum at the 2019 general meeting of shareholders was 70.55%. The following table shows quorum changes in recent years.



According to the Rules and Regulations of General Meetings of Shareholders, holders of six hundred (600) or more shares shall be entitled to attend general meetings, provided their shares were recorded in their own name in the corresponding share ledger at least five days ahead of the meeting date, in the manner described in the Corporate Bylaws.

As attendance at general meetings is not remunerated, there is no need to establish a general long-term policy in this regard.

Details of attendance for general meetings held in recent years, including the percentages by which resolutions were carried, among other information, can be found on the corporate website. The following table shows details of attendance at general meetings held in the last three years.

Date of general meeting	Details of attendance				Total
	% physically present	% present by proxy (*)	% distance voting		
			Electronic voting	Other	
23/03/2017	0.60	70.72	0.97	0.00	72.29
Of which, free float:	0.18	30.66	0.97	0.00	31.81
22/03/2018	0.41	73.35	0.99	0.00	74.75
Of which, free float:	0.06	38.11	0.99	0.00	39.16
21/03/2019	0.68	68.85	1.02	0.00	70.55
Of which, free float:	0.33	33.66	1.02	0.00	35.01

(*) Almost all directors attending the general meeting instructed the board chairman to vote on their behalf.

Bankinter provides a live broadcast of its general meetings on its corporate website, up until the time shareholders begin to take the floor.

Voting results and general meeting resolutions in 2019

All points on the agenda were approved at the general meetings held in 2019, with the percentage of votes for exceeding 91%.

The following table shows approval figures for the different motions submitted to the general meeting of shareholders held in March 2019. This information is also available on Bankinter's corporate website.

Resolution/motion	% against vs. proxies/ in attendance	% abstaining vs. proxies / in attendance	% blank votes vs. proxies/in attendance	% approved vs. proxies / in attendance
1. Scrutiny and approval of the 2018 annual accounts	0,313%	0,074%	0,003%	99,610%
2. Scrutiny and approval of the non-financial statement for 2018	0,314%	0,108%	0,003%	99,575%
3. Approval of the board's performance in 2018	0,098%	0,329%	0,003%	99,569%
4. Scrutiny and approval of the distribution of earnings and dividend for 2018	0,038%	0,006%	0,003%	99,953%
5. Re-appointment of the external auditor for 2019	0,019%	1,156%	0,003%	98,821%
6.1.-Appointment of Álvaro Álvarez-Alonso Plaza as independent external director	0,416%	1,528%	0,005%	98,049%
6.2.- Appointment of María Luisa Jordá Castro as independent external director	0,188%	1,522%	0,005%	98,284%
6.3.- Re-election of María Dolores Dancausa Treviño as chief executive officer	0,817%	1,367%	0,003%	97,812%
6.4.- Re-election of Teresa Martín-Retortillo Rubio as independent external director	2,987%	1,493%	0,005%	95,512%
6.5.- Setting the number of directors	0,028%	1,157%	0,004%	98,810%
7.- Approval of a restricted capitalisation reserve in accordance with the Spanish Corporate Income Tax Act	0,019%	0,010%	0,003%	99,968%

Resolution/motion	% against vs. proxies/ in attendance	% abstaining vs. proxies / in attendance	% blank votes vs. proxies/in attendance	% approved vs. proxies / in attendance
8.- Authorising the board to raise capital up to the maximum amount of 50% of the company's share capital	8,212%	0,010%	0,012%	91,760%
9.-Authorising the board to issue securities exchangeable for and/or convertible into shares in the company or its group or outside the group (including warrants)	4,442%	0,015%	0,005%	95,536%
10.1.- Approval of the Director Remuneration Policy of Bankinter, S.A. for 2019, 2020 and 2021	6,961%	1,374%	0,003%	91,655%
10.2.- Delivery of shares to executive directors and senior managers as part of their annual variable remuneration for 2018	0,696%	1,282%	0,003%	98,018%
10.3.- Delivery of shares to executive directors and senior managers as part of their multi-year variable remuneration approved at the 2016 AGM	0,698%	1,280%	0,005%	98,016%
10.4.- Cap on the variable remuneration payable to certain employees whose professional activities have a material impact on the Company's risk profile	1,105%	1,147%	0,003%	97,743%
11.- Delegation of the power to act on and implement resolutions	0,015%	0,012%	0,004%	99,969%
12.- Annual director remuneration report	7,604%	1,367%	0,004%	91,019%

3.4.2.- Next annual general meeting – 2020

Bankinter's board of directors has agreed to call a general meeting of shareholders for 19 or 20 March, at first or second call, respectively, with the following motions proposed:

- Annual accounts and corporate management:
 - Annual financial statements and management reports for the Bank and its consolidated group for the year ended 31 December 2019.
 - Non-financial statement for the year ended 31 December 2019, which is part of the consolidated management report.
 - Gestión social durante el ejercicio 2019.

- Corporate management in 2019.
- Re-election of the firm PricewaterhouseCoopers as external auditor for 2020.
- Appointment of director and setting the number of board members
- In-kind distribution of the entire share premium through delivery to shareholders of the shares of Línea Directa Aseguradora ("LDA").
- Approval of a restricted capitalisation reserve.
- Authorisation to acquire treasury shares.
- Resolutions on remuneration:
 - Approval of the amendment to the director remuneration policy.
 - Delivery of shares by virtue of the annual variable remuneration accrued by executive directors and senior managers in 2019.
 - Maximum ratio of 200% between the variable and fixed components of the total remuneration of executive directors and certain employees belonging to professional categories that have a significant impact on the Group's risk profile.
 - Annual report on director remuneration submitted for an advisory vote.

The documents and information related to the motions outlined above shall be available for consultation on Bankinter's corporate website from the date the meeting announcement is posted there.

4.- BOARD OF DIRECTORS

The internal operation and workings of the board of directors and board committees are governed by the Rules and Regulations of the Board of Directors, in accordance with applicable law and the corporate Bylaws. The Rules and Regulations of the Board of Directors shall regulate such matters as the rights and duties of directors, the rules of conduct in the securities market to which directors are subject and, as the case may be, the figure of board advisor, together with the specific measures there to ensure the best possible management of the Company. The approval and any subsequent amendment of these regulations must be ratified by two thirds of the directors in the form of a resolution. The latest amendments to the Rules and Regulations of the Board of Directors agreed upon by the board are technical in nature (not substantive) and were reported to shareholders at the general meeting held in March 2019.

4.1.- Size and composition of the board of directors

The board of directors comprised 12 members at 31 December 2019, this being the number set by shareholders at the 2018 general meeting within the bounds of the Corporate Bylaws. The following table provides a more detailed breakdown, showing the specific category of each director and the year in which they joined the board.

Name of director	Representative	Director category	Position on the board	Date first appointed to board	Last re-election date	Method of selection	Date of birth
PEDRO GUERRERO GUERRERO	-	Other non-executive	CHAIRMAN	13/04/2000	23/03/2017	VOTED UPON AT A GENERAL MEETING	04/05/1953
CARTIVAL, S.A.	ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	Executive	EXECUTIVE	26/06/1997	22/03/2018	VOTED UPON AT A GENERAL MEETING	03/04/1970
MARIA DOLORES DANCAUSA TREVIÑO	-	Executive	VICE CHAIRMAN	21/10/2010	21/03/2019	VOTED UPON AT A GENERAL MEETING	(of its natural person representative)
FERNANDO MASAVEU HERRERO	-	Proprietary	CHIEF EXECUTIVE	14/09/2005	23/03/2017	VOTED UPON AT A GENERAL MEETING	21/10/1958
MARCELINO BOTIN-SANZ DE SAUTOLA Y NAVEDA	-	Proprietary	OFFICER	21/04/2005	23/03/2017	VOTED UPON AT A GENERAL MEETING	21/05/1966
TERESA MARTIN-RETORTILLO RUBIO	-	Independent	DIRECTOR	07/11/2017	22/03/2018	VOTED UPON AT A GENERAL MEETING	26/04/1962
JAIME TERCEIRO LOMBA	-	Independent	DIRECTOR	13/02/2008	17/03/2016	VOTED UPON AT A GENERAL MEETING	05/08/1967
RAFAEL MATEU DE ROS CEREZO	-	Independent	DIRECTOR	21/01/2009	23/03/2017	VOTED UPON AT A GENERAL MEETING	30/04/1946
GONZALO DE LA HOZ LIZCANO	-	Independent	DIRECTOR	13/02/2008	17/03/2016	VOTED UPON AT A GENERAL MEETING	22/01/1953
MARIA TERESA PULIDO MENDOZA	-	Independent	DIRECTOR	23/07/2014	21/03/2019	VOTED UPON AT A GENERAL MEETING	14/04/1943
ÁLVARO ÁLVAREZ-ALONSO PLAZA	-	Independent	DIRECTOR	21/03/2019	21/03/2019	VOTED UPON AT A GENERAL MEETING	24/01/1964
MARIA LUISA JORDÁ CASTRO	-	Independent	DIRECTOR	21/03/2019	21/03/2019	VOTED UPON AT A GENERAL MEETING	06/02/1941

The appointments and corporate governance committee submits motions for the appointment or re-election of independent directors, while for all other director categories the board itself makes the nominations based on a preliminary report received from the appointments and corporate governance committee.

As indicated at the start of this document, the following changes in the board's composition took place in 2019:

Álvaro Álvarez-Alonso Plaza and María Luisa Jordá Castro were appointed independent external directors, while María Dolores Dancausa Treviño was re-elected executive director and María Teresa Pulido Mendoza was re-elected independent external director.

With the board in its current state, the ratios on the board of the various director categories is as shown below:

Executive directors		Proprietary directors		Independent directors		"Other directors"	
No. of directors	Percentage of the board	No. of directors	Percentage of the board	No. of directors	Percentage of the board	No. of directors	Percentage of the board
2	16.67%	2	16.67%	7	58.33%	1	8.33%

There were no changes in director categories in 2019.

None of the independent external directors receives, from Bankinter or its group, any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

Note also that the Rules and Regulations of the Board of Directors do not set a limited term of office for independent directors beyond that prescribed by law (12 years). In 2020, two members of Bankinter's board of directors will complete their 12-year term of office on the board and will therefore relinquish their status as independent directors. To cover this eventuality, the appointments and corporate governance committee initiated a selection process to find suitable candidates for the ensuing vacancies at a meeting held on 25 July 2019. Based on the findings of this process, the appointment of Fernando Francés Pons, as an independent external director,

will be laid before shareholders at the general meeting to be held in March 2020. Information on this nominee was duly made available to shareholders upon announcing the March 2020 general meeting.

Accordingly, the board of directors will ask shareholders to reduce the size of the board to 11 members.

4.2.- Director profiles

The following section provides information on the knowledge and experience/skills and expertise of directors, as well as other information of interest, according to the board's composition at 31 December 2019.

Pedro Guerrero Guerrero

Non-executive chairman

Director category: "Other external directors"¹

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

Degree in law from the Complutense University of Madrid. State lawyer, stock broker and notary public for Madrid (on absence of leave). He was chairman of Sociedad Rectora de la Bolsa de Madrid and Sociedad de Bolsas. Founding member and vice-chairman of A.B. Asesores Bursátiles, S.A. and chairman of A.B. Asesores Gestión and A.B. Asesores Red. He sat on the board of directors of PROSEGUR, S.A. from 2015 to 2017. He currently sits on the board of directors of PROSEGUR CASH, S.A. and Línea Directa Aseguradora. He has been the Bank's chairman since March 2007.

Board committees on which he sits:

Executive committee (member)

Audit and regulatory compliance committee (member)

1. The binding definition of independent director found in the Spanish Companies Act states that one of the circumstances barring a director from qualifying as an independent director is where that director has been an employee or executive director of the company or its group, unless three or five years, respectively, have elapsed since the end of that relationship. Pedro Guerrero Guerrero served as executive chairman of Bankinter up until 31 December 2012, whereupon he ceased to discharge executive duties.

Although at 31 December 2018 five years had already passed since Mr Guerrero stepped down from his executive position, he was in fact appointed director of Bankinter on 13 April 2000, making it over 12 years of continuous service as a Bankinter director. The Ley de Sociedades de Capital (Spanish Companies Act) provides that board members who were previously directors during a continuous period of more than 12 years may not be considered independent. Accordingly, Mr Guerrero falls within the category of 'Other external directors'.

CARTIVAL, S.A. (represented on the board by Alfonso Botín-Sanz de Sautuola y Naveda)

Executive vice chairman

Director category: Executive

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

CARTIVAL, S.A. was incorporated in 1989 and is engaged in the sale, purchase and ownership of transferable securities, shares and other financial assets. The company was appointed as director of the Bank in 1997.

Alfonso Botín-Sanz de Sautuola y Naveda (representing CARTIVAL, S.A.):

Graduated magna cum laude from Boston University with a degree in economics (major) and classical civilisation (minor). He worked at the Corporate Finance and M&A department of Salomon Brothers until 1995. Since then, he has held various positions at Bankinter, including Business Manager at the Risks Division, Account Manager at Corporate Banking and Managing Director of Bankinter's venture capital subsidiary. He is also the founding shareholder of Aleph Capital SGECR, S.A. He sat on Bankinter's board in his own name from 2002 through to 2005, whereupon he was named the natural person representative of director CARTIVAL, S.A. at Bankinter. He is currently chief executive officer of CARTIVAL, S.A. and executive chairman of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros.

Board committees on which it sits:

Executive committee (chairman)

María Dolores Dancausa Treviño

Chief executive officer

Director category: Executive

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

She has been Bankinter's chief executive officer since October 2010.

She earned her degree in law from San Pablo Ceu University College and has also completed various management programmes at Harvard Business School, including an Advanced Management Programme at INSEAD Business School (Fontainebleau).

She has spent her entire career in the financial sector, first at Banco Exterior and then at Bankinter. When Línea Directa Aseguradora was created in 1994, she was appointed general secretary of the company and of the board of directors; posts she occupied until her appointment as chief executive officer in 2008. Following her appointment as Bankinter CEO, she has remained on the board of directors of Línea Directa.

Member of the governing board of the APD (Spanish Association for the Progress of Management). From 2013 to 2018, she served as independent external director of British firm ESURE, one of the UK's leading insurance companies.

Board committees on which she sits:

Executive committee (member)

Marcelino Botín-Sanz de Sautuola y Naveda

Director category: External proprietary

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

Degree in naval architecture and yacht design from the University of Southampton, United Kingdom (1994). He designs pleasure boats for his company Astilleros Mouro, S.L. He represented director CARTIVAL, S.A. on the board of directors of Bankinter from 1997 to 2005, and currently sits on the board of CARTIVAL, S.A.

Board committees on which he sits:

Appointments and corporate governance committee (member)

Fernando María Masaveu Herrero

Director category: External proprietary

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

Degree in law from the University of Navarre. He was previously a director of Banco Herrero y Rioja Alta, S.A. He was also vice chairman of OFICEMEN, the employers' association of the Spanish cement industry.

He joined the Masaveu Group in 1993 and has held various positions there, currently serving as chairman of the Group, which operates in various sectors, including energy, finance, industry, cement and real estate. He is executive chairman of Corporación Masaveu, S.A. and, within the Group, is chairman of Cementos Tudela Veguín, S.A., Masaveu Internacional, S.L., Oppidum Capital, S.L. and American company Masaveu Real Estate US Delaware LLC. He also sits on the board of American Cement Advisors Inc., EGEO Internacional and EGEO SGPS, among others. He is also a senior executive at Flicka Forestal, S.L. He sits on the general and supervisory committee of EDP, S.A. and also on the strategy and performance committee and the maturity committee. He is also chairman of Fundación María Cristina Masaveu Peterson and Fundación San Ignacio de Loyola. He represents the Masaveu Group on the boards of numerous national and international partnerships,

foundations and corporations. He is a trustee and member of the executive committee and heritage committee of Fundación Princesa de Asturias and is an international trustee of Fundación Amigos Museo del Prado.

Board committees on which he sits:

Executive committee (member)
Remuneration committee (member)

Gonzalo de la Hoz Lizcano

Director category: Independent external

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

Degree in industrial engineering and IT from the Polytechnic University of Madrid and a master's degree in electrical engineering from the University of Texas. He also has academic certificates from the Systems Research Institute in Geneva, Switzerland (various mathematical and IT disciplines), as well as in management and business administration from joint programmes of RBS and Harvard University.

He served as chief executive officer at Línea Directa Aseguradora (LDA) from May 1995 to February 2008, when LDA was not yet a Bankinter Group company.

He was previously head of operations (Media) at Bankinter, where he spent his career from 1989 to 1995, making significant improvements to the control environment for the operational arm of Bankinter S.A.

He held several managerial positions at IBM Spain, at IBM's head office in White Plains, New York (1979-1981), and at IBM Europe (Paris 1984-1987). At the latter location, he directed activities in the Development of European Products for Banking and Insurance.

He has been chairman of the remuneration committee and risk committee of Bankinter since 2013. He is also a director of Línea Directa Aseguradora and Bankinter Global Services, both Bankinter Group companies.

Board committees on which he sits:

Risk committee (chairman)
Remuneration chairman (chairman)
Audit and regulatory compliance committee (member)
Appointments and corporate governance committee (member)

Jaime Terceiro Lomba

Director category: Independent external

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

Engineering degree and PhD in aeronautical engineering from the Polytechnic University of Madrid, Summa Cum Laude, and degree in economics from the Autonomous University of Madrid, Summa Cum Laude. Professor of economic analysis at the Complutense University of Madrid (1980), of which he was vice-chancellor and head of the quantitative economics department. Full member of the Royal Academy of Moral and Political Sciences (1996). King Juan Carlos Economics Award (2012). Chairman of the social sciences board of Fundación Ramón Areces and member of the board of trustees of various foundations. Previously Diplom Ingenieur at the simulation and control department of Messerschmitt-Bölkow-Blohm (MBB) in Munich (1970-1974). General manager of expansion and general manager of planning and investment at Banco Hipotecario de España (1981-1983). He was executive chairman of CajaMadrid for nine years (1988-1996). He has been an independent director of various listed and unlisted companies. He is currently independent director at AENA SME, S.A. and sits on its executive committee.

He is currently chairman of Bankinter's audit and regulatory compliance committee.

Board committees on which he sits:

Executive committee (member)
Audit and regulatory compliance committee (chairman)
Remuneration committee (member)
Risk committee (member)
Appointments and corporate governance committee (member)

Rafael Mateu de Ros Cerezo

Director category: Independent external

Nationality: Spanish

Information on knowledge and experience / skills and expertise:

Degree in law. Summa Cum Laude. PhD in law from the Complutense University of Madrid. Harvard PMD. State lawyer (on leave of absence). He is currently a director of Línea Directa Aseguradora, S.A. and a trustee of Bankinter's Fundación para la Innovación. He is also a partner of the Ramón & Cajal Abogados SLP law firm and a member of the Madrid Bar Association. He specialises in the areas of Commercial Law, Corporate Governance, National and International Tax Law, Litigation and Arbitration. He is the author of many works on Company Law, Banking Law, New Technology Law and Corporate Governance.

He is currently the chairman of the appointments and corporate governance committee of Bankinter.

Board committees on which he sits:

Executive committee (member)
Appointments and corporate governance committee (chairman)
Remuneration committee (member)
Risk committee (member)
Audit and regulatory compliance committee (member)

María Teresa Pulido Mendoza**Director category:** Independent external**Nationality:** North American**Information on knowledge and experience / skills and expertise:**

Degree in Economics from Columbia University and a MBA from MIT - Sloan School of Management. María Teresa Pulido Mendoza has more than twenty years of professional experience in both strategic consultancy (McKinsey & Co) and private and corporate banking (Citi and Deutsche Bank). At these companies, she worked mainly on business development, strategy, organisation and change management projects. In 2011, she joined Ferrovial as head of corporate strategy, expanding her experience in the infrastructure sector, and she has sat on the executive committee of Ferrovial since 2014. María Teresa is also part of MIT - Sloan EMSAEB (Executive Board).

Board committees on which she sits:

—

Teresa Martín-Retortillo Rubio**Director category:** Independent external**Nationality:** Spanish**Information on knowledge and experience / skills and expertise:**

Graduated from Colegio Universitario de Estudios Financieros (CUNEF) affiliated with the Complutense University of Madrid, with a degree in business administration and a double specialisation in auditing and finance. MBA from Harvard Business School (1995). Executive president of IE Exponential Learning (including IE's executive education division) since September 2016. Prior to this, she was senior vice-president of strategy and business development at McGraw-Hill Education in the United States. Prior to that, she had been a partner at global management consulting firm, Bain & Company, where she worked for 19 years and held several positions of responsibility in both Madrid and the United States, though focusing on investment advice (risk capital and M&A). She also worked at Goldman Sachs as a corporate finance analyst in London. She has an eminently international profile, given her past and current track record.

Board committees on which she sits:

Remuneration committee (member)
Appointments and corporate governance committee (member)

Álvaro Álvarez-Alonso Plaza**Director category:** Independent external**Nationality:** Spanish**Information on knowledge and experience / skills and expertise:**

He has extensive experience on the boards of such companies as FOCSA (now FCC), FILO (listed company operating in the real estate sector); HEINEKEN ESPAÑA and Cervezas EL ÁGUILA (as board chairman); Europistas, Eurovías and Autopistas del Sol (as proprietary director of JOHN LAING INVESTMENTS). He also has extensive experience in the realm of investment banking, as president for Spain of MERRILL LYNCH, at which he worked for over 15 years, with responsibilities in various areas and departments, including international stock market services, corporate finance and asset management. While serving as co-director of the Madrid office of E.F. HUTTON & CO., the company introduced the very first financial futures transactions in Spain. He also founded IBERMER, a firm specialising in investment banking and capital development operations, focusing in the audiovisuals sector, having advised CANAL+ on how best to enter the Spanish market; he served as vice chairman of the board of directors of BANCAPITAL up until its sale to BANQUE INDOSUEZ; and he sits on the board of directors of BARÓN DE LEY, S.A. He was also consultant and adviser to TEXACO (oil company since merged with CHEVRON Inc) for its businesses in Spain.

Board committees on which he sits:

Remuneration committee (member)
Appointments and corporate governance committee (member)

María Luisa Jordá Castro**Director category:** Independent external**Nationality:** Spanish**Information on knowledge and experience / skills and expertise:**

She holds a degree in Business Science and a master's degree in Business Leadership from IE Business School, as well as an Internal Audit Degree, among other qualifications. She has extensive experience and a long track record in auditing, control and finance, having served as CFO, head of investment and board member at various financial companies and enterprises operating within the real estate, consumer and telecoms sectors, and at organisations such as Corporación ONCE. She has also accumulated a wealth of experience in corporate governance at international and

listed companies, in relation to auditing, strategy and control; and in telecommunications, having previously sat on the board of JAZZTEL and currently serving as independent director at ORANGE Spain. She is also an independent director at MERLIN, where she chaired the audit committee for four years and amassed extensive international experience and knowledge of other markets. She has also sat on the board of BANCO EUROPEA DE FINANZAS (wholly-owned by Unicaja).

Board committees on which she sits:

Audit and regulatory compliance committee (member)

Risk committee (member)

4.2.1.- Information on positions held by directors on other boards

Since it is a financial institution, Bankinter is subject to the restrictions set out by Law 10/014, of 26 June, on the organisation, supervision and solvency of credit institutions, regarding the number of boards on which its directors may sit. Bankinter has included this restriction in its Rules and Regulations of the Board of Directors.

Bankinter's board of directors has approved a **policy on incompatibilities and restrictions for Bankinter senior officers and other executives**, following a recommendation from the appointments and corporate governance committee. Board members may not hold, in tandem, more positions than those resulting under any of the following combinations: i) one executive position together with two non-executive positions, or ii) four non-executive positions. An executive position is where the incumbent discharges managerial functions, no matter the legal relationship ascribing them those functions. For this purpose, executive or non-executive positions held within the same group, as well as those held at companies in which Bankinter is a major shareholder, will be counted as a single position. Moreover, positions held at non profit or non-commercial organisations or entities will not count towards the maximum number.

Board members who serve as director or senior executive at other Bankinter Group companies:

Name of director	Name of group member	Position	Does the director have executive powers?
PEDRO GUERRERO GUERRERO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR external	No
MARIA DOLORES DANCAUSA TREVIÑO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR Proprietary	No
	EVO BANCO, S.A.	CHAIRMAN Proprietary	No
	BANKINTER GLOBAL SERVICES, S.A.	CHAIRMAN Proprietary	No
RAFAEL MATEU DE ROS CEREZO	BANKINTER CONSUMER FINANCE, EFC, S.A.	CHAIRMAN Proprietary	No
	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR Independent	No
GONZALO DE LA HOZ LIZCANO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR Independent	No
	BANKINTER GLOBAL SERVICES, S.A.	DIRECTOR Independent	No
TERESA MARTÍN-RETORTILLO RUBIO	EVO BANCO, S.A.	DIRECTOR Independent	No

As mentioned above, Alfonso Botín-Sanz de Sautuola y Naveda, the natural person representative of director CARTIVAL, S.A. on Bankinter's board of directors is, in a personal capacity, executive chairman of the board of directors of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, currently a wholly-owned subsidiary of the Bank.

Bankinter board members (directors and representatives of legal person directors) who are members of the board of directors of other companies listed on official national securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
PEDRO GUERRERO GUERRERO	PROSEGUR CASH, S.A.	Non-executive vice chairman (Also sits on the appointments and remuneration committee)
JAIME TERCEIRO LOMBA	AENA SME, S.A.	Gonzalo de la Hoz Lizcano (member of the executive committee)
MARIA LUISA JORDÁ CASTRO	MERLIN PROPERTIES, SOCIMI, S.A.	Independent external director (Also sits on the audit and control committee)
	BIMBO GROUP	Independent external director

Board members who are also board members of companies of significant shareholders and/or group companies:

Name of director	Name of significant shareholder	Position
MARCELINO BOTIN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.	Director
FERNANDO MASAVEU HERRERO	CORPORACIÓN MASAVEU, S.A.	Chairman

4.3.- Gender diversity

The following table shows changes in the number of female directors sitting on Bankinter's board of directors, as well as the category of each.

	Number of female directors				% of directors for each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive	1	1	1	1	50	50	50	50
Proprietary	0	0	0	0	0	0	0	0
Independent	3	2	2	2	42,85	40	40	40
Other external	0	0	0	0	0	0	0	0
Total	4	3	3	3	33.33	30	30	30

The above table shows Bankinter's firm commitment to equal opportunities for men and women, for every time it appoints members to its board of directors, it engages in an objective selection

process that is free from any determining conditions or biases that might hinder the access of women to positions as independent directors on the board, evaluating in each case the nominee's independence and professional merits, capacity and experience in the industry. The selection process seeks to ensure that women are always included among the nominees.

In accordance with article 529 *quindecies* of the Spanish Companies Act, in October 2014 Bankinter's board of directors, on the recommendation of the appointments and corporate governance committee, devised a representation objective for the less represented gender on the board and prepared a document containing guidelines on how to accomplish that objective. After commissioning a preliminary study on changes in the weighting of the less represented gender on the board of directors in recent years, the board set a representative target of 30% women, along with the deadline and guidelines on how to achieve this, a description of the desired composition of board committees and how this will be achieved at other Bankinter Group companies.

Thanks to these guidelines, Bankinter successfully met its target following the latest director appointments approved in 2015 by the general meeting, which brought the proportion of women on the board of directors to 30% for the first time.

This ratio climbed to 33% in 2019 following the appointment of María Luisa Jordá Castro as independent external director on 21 March 2019.

It should also be noted that María Dolores Dancausa Treviño was appointed executive director and the Company's chief executive officer in 2010.

The appointments and corporate governance committee imposes no constraints or biases on the selection of female directors when entrusting external advisers with selection processes and actively encourages the inclusion of women in the lists of candidates to be evaluated.

Bankinter prioritises the professional merits and experience of its directors, without placing any constraints in relation to the gender of the nominees. The fact that female directors currently account for 33% of the board is proof of this.

4.4.- Director selection

On 18 November 2015, Bankinter's board of directors approved the **director selection and succession policy**, according to which director selection and succession processes must adhere to the following general principles:

- i. These processes shall comply with applicable law and regulations at all times and will be carried out in accordance with the board composition set out in the Corporate Bylaws and the Rules and Regulations of the Board of Directors.

- ii. They shall seek to ensure that there is a clear majority of independent directors on the board of directors and that the number of executive directors remains at a bare minimum, in view of the Group's complexity.
- iii. They shall ensure that there is an adequate balance between proprietary and independent directors, reflecting, wherever possible, the proportion between share capital carrying voting rights represented by proprietary directors and the rest of the share capital.
- iv. They shall ensure diversity of nationality, gender and experience, such that decision-making is enriched and a variety of standpoints are heard when debating matters that fall within the board's remit.
- v. They will guarantee the stability of the board of directors in line with the measures taken by the Company to ensure, wherever possible, that the appointment or re-election of directors does not affect more than one fourth of total board members in any given year.

Further, the board of directors, by virtue of the EBA and ESMA joint guidelines on suitability assessments released on 30 June 2018, approved a **policy on the suitability assessment of directors and key function holders at Bankinter**.

To ensure that the director selection and succession policy is suitably aligned with the suitability assessment policy mentioned in the preceding paragraph, the appointments and corporate governance committee asked the board of directors on that same date to approve a number of amendments to the selection and succession policy. These amendments include a succession system for the chairmen of the various board committees.

Director selection processes invariably start with an analysis of the Company's needs and those of the companies belonging to its group. The board of directors carries out such analysis while relying on the advice of the appointments and corporate governance committee.

As a general rule, candidates for directorships at the Company must also be persons of integrity, good name and suitability and have recognised expertise, skill, experience, qualifications, training, availability and commitment to their duties.

The appointments and corporate governance committee assesses the balance of competencies, expertise, diversity and experience necessary for the board of directors. For this purpose, it defines the functions and aptitudes required of candidates for each vacancy, and assesses the time and dedication needed for them to properly discharge their duties.

Practical illustration of the director selection process in 2019:

As discussed previously, the appointments and corporate governance committee, at a meeting held on 25 July 2019, initiated a selection process to fill the vacancies that will arise when two of its directors no longer qualify as independent in 2020 upon reaching the end of their 12-year term of office on Bankinter's board of directors.

Pursuant to Bankinter's director selection and succession policy, the appointments and corporate governance committee launched an internal selection process while relying on the support of an independent external recruiting firm. After appraising various nominees, the committee advised the board of directors to appoint Fernando Francés Pons. The suitability procedure was then initiated with the European Central Bank, whose response supporting his appointment and raising no objections was communicated to Bankinter on 13 December 2019. As a result, his appointment will be laid before the general meeting of shareholders to be held in March 2020.

In this process, the appointments and corporate governance committee appraised the balance of competencies, capacity, expertise, diversity and experience needed on the board of directors, in accordance with the director selection and succession policy.

In doing so, the committee defined the duties and aptitudes required of nominees for the vacancy or vacancies, and assessed the time and commitment required for them to properly discharge their duties: i) gender diversity, ii) experience in business management, iii) international training and experience, iv) strategy skills, v) technological and digital expertise, and vi) medium-/long-term commitment.

In short, the appointments and corporate governance committee has confirmed that the candidate for Company director is a suitable person of good standing and possesses the merits, expertise, experience, qualifications, training, availability and commitment to his or her function, seeking a suitable profile preferably in areas such as technology and digital environments, which would contribute great value to the board as a whole.

4.5.- Appointment, re-election and removal of directors

Legal or natural persons, whether or not Company shareholders, may be **appointed/re-elected as directors**.

Article 9 of the Rules and Regulations of the Board of Directors states that persons caught by any the prohibitions prescribed by applicable law or regulations or any by-law incompatibility may not be appointed director, nor may individuals who, either directly or through a related party, encounter a conflict of interest with the Company or another Bankinter Group company, or those proposed by one or more shareholders to have encountered any such conflict of interest. No persons or legal entities, whether national or foreign and whether operating in the financial sector

or in other industries, who compete with the Company or any other Bankinter Group company may be appointed director, nor may their directors or senior managers or any other person who may have been proposed by any of them in their capacity as shareholders.

The board may not co-opt or submit proposals or motions to the general meeting regarding the appointment, re-election or ratification of directors where the person in question is caught by any of the circumstances just described and must oppose other proposals or motions that run contrary to article 9 of those Regulations.

The appointment of directors rests with the general meeting of shareholders or, where appropriate, with the board of directors by co-option if a position falls vacant, in accordance with the Spanish Companies Act, the Corporate Bylaws and the Rules and Regulations of the Board of Directors.

Proposals submitted by the board of directors to the general meeting regarding the appointment, ratification or re-election of directors shall require a preliminary recommendation or report from the appointments and corporate governance committee (depending on the category of director concerned), following a formal and transparent procedure. If the board decides not to follow the recommendation of the appointments and corporate governance committee, it must give specific reasons in its decision.

Because Bankinter is a financial institution, the appointment of new board members requires, among other matters, compliance with the procedures and requirements set forth in Act 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, and in Royal Decree 84/2015 of 13 February, enacting that Act.

The Corporate Bylaws state that the Rules and Regulations of the Board of Directors shall govern the grounds and procedure for the **removal and resignation of directors**. The board regulations therefore explain the situations in which directors must tender their resignation: if they step down from their executive post at the Bank or as the representative of shareholders on whose behalf they were appointed director; or, in the case of independent directors, if they fall within any situation that causes them to lose their independence; if they fall within any situation of incompatibility, prohibition or where they are required by law to step down or resign, including conflict of competition or interest as provided for in article 9 of the Rules and Regulations of the Board of Directors; or if they engage in acts or omissions that fall short of the duty of care and efficacy with which they are required to hold office; or if they seriously breach their duties as director, or cause, for any other reason, serious damage or loss to the Company's interests, good name and reputation or to the operation of the board; or where they lose the confidence of the board for justifiable reasons.

They must also step down where their continued presence on the board may threaten the Company's interests, whether directly or through the director's relationship with related persons.

In any of the cases just described, the board of directors may propose the resignation of the director and, previously, require the director to tender his or her resignation. Resolutions of the board of directors confirming that valid reasons exist warranting the director's resignation, as provided for in the Regulations, and accepting the resignation tendered of the director, shall be carried following a recommendation from the appointments and corporate governance committee, unless the matter is urgent and there is no time to await such a report.

On 22 April 2015, Bankinter's board of directors approved a policy to prevent conflicts of interest affecting senior managers, which, among other matters, defines the general principles of conduct for preventing conflicts of interest among senior officers. This policy was reviewed and updated by the board of directors at a meeting held on 16 November 2016. The resulting change was purely technical in nature, without making any substantive change to the policy.

4.6.- Director succession plans

Pursuant to the policy approved by the board, as described above, director succession processes must be suitably planned and coordinated so as to ensure the continuity of the business without any delay or setback.

The appointments and corporate governance committee seeks to ensure the existence of up-to-date succession plans for the Company's chairman and executive directors. It may also be required to submit proposals to the board of directors so as to ensure that the succession process proceeds in a planned and orderly manner.

The policy has the following to say on the succession of the chairman and the chief executive officer:

i. Succession plan for the chairman of the board:

When the chairman steps down, the vice chairman of the board of directors shall call a board meeting (as required under the Rules and Regulations of the Board of Directors) to decide upon which of its members will take up the position. The board shall ensure that it has a sufficient number of qualified members capable of serving as chairman. If the board decides at the meeting that the nominees should be external, it shall instruct the appointments and corporate governance committee to initiate a selection process to fill the vacancy.

ii. Succession plan for the chief executive officer:

Each year, the chief executive officer shall present the appointments and corporate governance committee with a list of candidates for the position of chief executive officer. The committee shall then appraise the list to find the most suitable candidate and submit the resulting succession plan to the board of directors for approval.

The committee shall appraise the special personal and professional merits of each nominee, including their ability to lead and steer the Company's strategy.

The Rules and Regulations of the Board of Directors shall govern the occasional absence of the chairman of the board or the chief executive officer.

Meanwhile, the director selection and succession policy contains a provisional succession system for the chairmen of the various committees attached to the board.

The director succession and selection policy is available on the Company's corporate website.

4.7.- Positions held on Bankinter's board of directors

4.7.1.- Non-executive chairman of the board of directors

According to article 26 of the Corporate Bylaws and article 27 of the Rules and Regulations of the Board of Directors, the board of directors shall appoint a chairman from among its ranks, based on a recommendation received from the appointments and corporate governance committee.

Pedro Guerrero Guerrero was appointed chairman of Bankinter's board of directors on 19 April 2007, under the category of executive director. As of 1 January 2013, Pedro Guerrero Guerrero is no longer an executive director.

Pursuant to Bankinter's Corporate By-Laws and the Rules and Regulations of the Board of Directors, the chairman of the board of directors is ultimately responsible for the effective operation and working of the board. His or her functions and duties include the following, none of which are executive in nature:

1.- Duties of the chairman of the board of directors

The chairman of the board is tasked with the following duties, among others:

- a) ensuring the board's effective operation and working;
- b) convening and presiding over board meetings;
- c) steering the board and its discussions and ensuring that these are meaningful;
- d) preparing and submitting the time table and business to be discussed to the board of directors;
- e) promoting debate on the Bank's strategic objectives;
- f) maintaining relations with directors, facilitating the exercise of their duties;
- g) organising and coordinating regular assessments of the board and, when necessary, its chief executive; and

h) approving and reviewing programmes to update and refresh the skills of each director as and when required..

2.- Institutional representation duties on Bankinter's behalf

In addition to his duties as board chairman, the chairman discharges specific duties relating to institutional relations, without prejudice to Bankinter's legal representation, which rests with the relevant individuals appointed for that purpose. These institutional duties never entail managerial or other executive powers, which correspond exclusively to those persons the board has appointed executive directors.

The chairman therefore performs the following activities, without limitation:

- a) maintaining institutional relations with Spanish and international supervisory bodies and sectoral bodies and, as the case may be, establishing regular contact with them;
- b) assisting in Bankinter's relations with Spanish and foreign investors, credit rating agencies, and so forth; and maintaining contact with them in coordination with the departments and areas responsible for Bankinter's institutional relations;
- c) helping to strengthen institutional relations with Spanish and international bodies that represent sectoral interests;
- d) maintaining institutional relations with market regulators, clearing houses and other similar institutions; and
- e) assisting the various business units of Bankinter and its subsidiaries, at their request, in their institutional relations with customers, suppliers or any other commercial partners.

3.- Duties relating to corporate social responsibility

When it comes to corporate social responsibility, and in accordance with Bankinter's policy, the chairman is charged with certain duties, notably:

- a. ensuring the coordination of the activities of Fundación para la Innovación with the various departments of Bankinter; assessing its director and setting objectives; and proposing his or her remuneration to the board of trustees;
- b. presiding over the sustainability committee;
- c. proposing, coordinating and overseeing the sustainability committee's activities to:
 - i. amend Bankinter's sustainability policy and related plans, lines and programmes, ensuring their dissemination and seeking the involvement of all Bankinter stakeholders (especially strategic stakeholders such as employees, shareholders and customers);
 - ii. devise the sustainability strategy and master plan, and monitor the initiatives set out in them;

- iii. effectively integrate the principles found in Bankinter's sustainability policy and strategy into the management of each area at the company, in a manner that is both consistent and cohesive with Bankinter's global strategy.
 - iv. ensure available resources and tools as needed in order to implement and improve sustainability management at Bankinter while fostering innovation and the use of the best available technologies.
 - v. manage the information needed to extend and maintain management systems, thus helping improve Bankinter's financial, social and environmental efficiency.
 - vi. prepare the sustainability report and reviewing it before it is submitted to the board of directors by way of the appointments and corporate governance committee.
 - vii. analyse the impacts of possible organisational changes regarding sustainability management, and establishing appropriate measures to ensure the continuity and efficiency of Bankinter's management system.
 - viii. participate in the review of the progress and performance of sustainability management in order to ensure that it operates properly.
- d. regularly report to the board of directors, by way of its appointments and corporate governance committee, on the sustainability committee's oversight of the sustainability strategy and its main advances.
- e. carry out any other activities that the board may vote to assign to the chairman.

4.- Duties of the internal audit division

Under article 38 of the Rules and Regulations of the Board of Directors, Bankinter's internal audit division (which reports to the audit and regulatory compliance committee) is functionally subordinate to the chairman. Accordingly, it has the following duties:

- a) proposing the targets and remuneration of the head of the internal audit division for approval by the audit and regulatory compliance committee;
- b) performing the ordinary monitoring of the division's activities, irrespective of the exclusive authority of the board's audit and regulatory compliance committee, to which it directly reports.

There was no change in his contract with the Company in 2019.

4.7.2.- Executive directors

Articles 26 and 27 of the Corporate Bylaws and articles 29 and 30 of the Rules and Regulations of the Board of Directors govern the positions of executive directors.

At present, the vice chairman of the board, CARTIVAL, S.A., and the Bank's chief executive officer, María Dolores Dancausa Treviño, both discharge executive duties.

The Rules and Regulations of the Board of Directors allows for the permanent delegation of powers upon the executive directors. The following powers have been conferred upon the executive directors:

4.7.2.1.- Executive vice chairman

The executive vice chairman chairs the executive committee, the executive risk committee and the ALCO (assets and liabilities committee), with duties related directly to the risk management of the institution. The Bank's investment banking department also reports to him.

4.7.2.2.- Chief executive officer

The chief executive officer is tasked with the day-to-day management of the business and discharges the highest management and executive duties at the Company.

Contracts of the executive directors

There were no significant changes in 2019 in the commercial contracts entered into between the executive directors and the Company.

In relation to these contracts, it should be noted that the contract signed with the chief executive officer contains a post-contractual non-compete clause whereby, for a period of 18 months following termination of her contract, she undertakes not to engage in professional services that compete with those performed by the Bank or group companies. Compensation for this non-compete undertaking amounts to 50% of her latest fixed remuneration.

The other terms and conditions of the contracts of the executive directors are described in the annual report on director remuneration, which is released in tandem with this report and which will be laid before the general meeting for an advisory vote among shareholders.

4.7.3.- Segregation of functions

Bankinter staunchly defends the importance of a proper balance of power in decision-making processes and, to this end, has established a clear segregation of duties between the non-executive chairman, the executive vice chairman and the chief executive officer, as explained in the preceding sections of this report. Significantly, the 2019 evaluation of the Board and its committees conducted by an independent external expert states that this clear segregation of duties is one of the board's strong points.

Meanwhile, Bankinter's Corporate Bylaws and the Rules and Regulations of the Board of Directors envision the possibility of appointing a coordinating director; which would happen if and when the

board chairman becomes executive. In its current guise, the board of directors has not needed to appoint a coordinating director from among its independent directors.

4.7.4.- Secretary of the board of directors

Article 32 of the Rules and Regulations of the Board of Directors states that the duties of secretary of the board shall be held by the person appointed by the board for that purpose, who may or may not be a director.

To ensure the independence, impartiality and professionalism of this post:

- The secretary of the board, acting in his or her position as such, shall only report to the board of directors and its chairman.
- The appointment and removal of the secretary of the board will be subject to a preliminary report from the appointments and corporate governance committee and must be approved by all board members.

In addition to the duties ascribed by law, the Corporate Bylaws and the Rules and Regulations of the Board of Directors, the secretary shall also:

- a) safeguard the documentation of the board of directors, take minutes of all business discussed at board meetings and issue certificates confirming the business discussed at meetings and the resolutions carried;
- b) ensure that all actions of the board of directors comply with prevailing legislation, the Corporate Bylaws and all other internal rules and regulations;
- c) assist the chairman in ensuring that directors receive sufficient information in due course so that they may discharge their duties.

At present, the secretary of the board (non-director) is Bankinter's general secretary, namely Gloria Calvo Díaz.

In 2019, the board of directors, on the recommendation of the appointments and corporate governance committee, agreed to appoint Lucía Calvo Vergez as vice secretary of the board of directors so that she may stand in for the secretary of the board of directors if the latter is absent or ill, or is caught by a conflict of interest in accordance with the Rules and Regulations of the Board of Directors, or if the post falls vacant.

4.8.- Director training plans

On 25 October 2017, the board of directors approved the policy on the training of board members. This policy aims to define the required principles and planning for guaranteeing that board members' qualifications are up to date through training in order to ensure that they have, at all times, the abilities required to perform their supervisory duties objectively and with independent judgement. This policy sets out two training scenarios:

- i. When board members are selected, to ensure that they have sufficient specialised knowledge to fulfil their duties efficiently, and to familiarise them with the organisational structure of Bankinter and its group, focusing especially on the regulations that apply to their business activity and on any topics considered important for new board members to know to perform their duties while serving on the board. This training plan is to be delivered to new board members and will be launched once again in 2020 following the arrival of new director Fernando Francés; and
- ii. A continuous training plan, at the request of the board members themselves or following an analysis conducted by Bankinter, so that board members may access group and/or personalised training programmes based on their individual skill set and role on the board, bearing in mind the diverse profiles, training, experience and expertise that Bankinter may require. Thanks to this training schedule, board members received specific training in 2019, focusing on the Risk Appetite Framework, ICAAP and ILAAP, and anti-money laundering.

The policy on the training of board members is available on Bankinter's corporate website.

4.9.- Board meeting announcements, preparation and workings and director dedication

In accordance with the Rules and Regulations of the Board of Directors, the board shall approve, before the start of each financial year, a calendar of meetings for the following year and a provisional agenda for each meeting. Directors are entitled to propose additional items to be added to the agenda. Calendars and agendas may be amended via a board resolution or a decision by the chairman, who shall make the amendment known to directors sufficiently in advance, unless the urgency of the amendment renders this impossible. The minimum number of meetings will be 10 per year (well above the legal requirement to hold meetings once a quarter).

Accordingly, Bankinter's board of directors met 12 times in 2019, comprising 11 ordinary meetings and one extraordinary meeting, as follows:

Number of board meetings	12
Number of board meetings without the chairman	0

The board of directors also held a written meeting and a session dedicated to strategic matters.

On 16 December 2015, Bankinter's board of directors approved a procedure for preparing for meetings of the board of directors of Bankinter, S.A. and its committees, in compliance with the rules set out above, so as to ensure that board and committee members are fully aware of the business being discussed and resolutions being carried and have sufficient time ahead of the meeting to scrutinise each matter.

4.9.1.- Preparing for meetings

Announcements must be delivered sufficiently ahead of the date of meetings, except this proves impossible due to the urgency of the matter or some other pressing need. The procedure for preparing for meetings of the board and its committees includes the following aspects, among others:

- Calendar of meetings for the board and its committees.
- The method and venue for holding meetings.
- The notice and agenda for each meeting.
- The time and means for making the documentation available that will be the subject of analysis and debate at each meeting.
- Channels and media for communicating with the directors responsible for compliance with this procedure.

The Bank guarantees the right of directors to receive the necessary information in order to adequately assess the corresponding transactions or decisions before the board or committee meeting is held, so that they may reasonably prepare for the meetings and actively take part in discussions.

In addition, as already indicated in other reports, Bankinter set up a director website in 2007, where directors can access all the information needed to grant a grant and give instructions on how to vote.

The board secretary will be responsible for managing and providing the information and communication to board members, through online services, the director website and by maintaining and regularly updating such information. It shall also ensure that the relevant deadlines are observed.

Furthermore, the procedure approved in 2015 provides that "Directors may ask the chairman, doing so through the secretary's office, for any documentation or information they may need in order to properly prepare for meetings, enjoying full access to the minutes, reports and presentations relating to meetings held."

During the external and internal assessment processes conducted in recent years, directors confirmed that they had received enough information sufficiently ahead of the meetings.

4.9.2.- Course of meetings

Conduct of meetings:

The board of directors, either directly or through its committees, fully exercised its supervisory function in 2019. It was kept well informed of the workings and activities of Bankinter Group's various business areas and of general matters that fall within the scope of its supervisory functions. Most notably, the board continued to monitor the Bank's strategic objectives, which have been periodically discussed under specific items on the respective agendas. Similarly, board members have been informed about the conclusions of the various internal and external audit reports, among many other matters to have been addressed, including risk management and control at Bankinter Group.

Voting on motions:

Resolutions shall be carried in meetings by an absolute majority of directors in attendance (either in person or by proxy), unless the law or the Corporate Bylaws call for a supermajority

The chairman is authorised to hold secret ballots when the board of directors is to vote on directors' appointment, re-election or removal from office, or any other matters deemed of particular importance.

Directors affected by a conflict of interest in connection with an order of business must abstain from discussing and voting on the related motion.

If there is any doubt, the chairman shall decide whether the proxies granted by the directors are valid. The chairman shall also steer proceedings, give the floor, end discussions and ask the meeting to vote as, when and in any order he or she sees fit.

Granting of voting proxies on other board members:

The Rules and Regulations of the Board of Directors of Bankinter provide that for each meeting, the directors may grant their right to vote, and issue instructions with regard to how that right to vote is to be exercised, to any other director by letter, fax, telegram, e-mail, or any other means considered to be valid by the Regulations. Proxies must be delivered to the chairman or secretary of the board before the start of the meeting. One director may hold a number of proxies.

Since the amendments to the Spanish Companies Act became effective, non-executive directors at listed companies may not give their proxy to an executive director; they may only give the proxy to a fellow non-executive director.

Under all circumstances, failure to attend by directors should be limited to unavoidable cases only.

In 2019, a director unable to attend delegated his vote with specific instructions, as discussed in the following section.

External advice:

The Rules and Regulations of the Board of Directors provide that in those matters that fall within the remit of the board and the board's committees, the directors may ask the Company to engage the services of auditors, consultants, advisers or other independent experts, in order to assist the board or the committee concerned in relation to such matters.

Dedication to Board tasks:

Directors are required to devote the necessary time and effort in order to effectively discharge their duties and must, in all cases, comply with legal limits on the maximum number of boards on which they may sit.

Directors shall ensure that absences from meetings of the board of directors and the committees on which they sit are limited to unavoidable cases only.

These requirements have been adequately met by all members of Bankinter's board of directors, with an attendance rate of 96.4% (100%, if attendance via proxy with specific instructions is included) and who displayed full commitment to analysing and discussing the issues that were placed before them by scrutinising the supporting documentation and any other information required for such purpose.

If a director fails to attend a board or committee meeting, they shall forfeit their attendance allowance even if they granted a proxy.

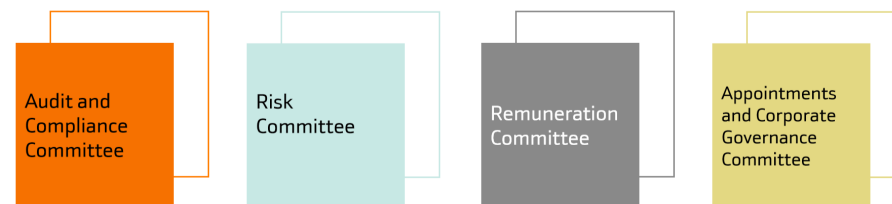
The following table shows attendance at board meetings held in 2019.

Number of meetings when at least 80% of directors attended	12
% of attendance over total votes during the year	96,4
Number of meetings in situ or representations made with specific instructions of all directors	12
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100

4.10.- Board committees

The board has set up an **executive committee**, with delegated powers.

The board of directors also has the following committees with supervisory, reporting and advisory powers and authority to issue proposals and recommendations:



The composition of all committees was as follows at 31 December 2019:



At the date of approval of this report, there were no changes in the composition of the board's committees.

The rules governing the committees are included in the Rules and Regulations of the Board of Directors, which are available on the company's website: www.bankinter.com/webcorporativa.

At a meeting held on 23 January 2019, the board of directors approved a set of specific internal regulations for the audit and regulatory compliance meeting, following recommendation to such effect from the committee itself. These regulations are available on the corporate website. The aim of these regulations is to help ensure the committee's independence and set out the principles of action and basis rules regulating its composition, workings and remit, all while observing best good governance practices in the commercial and corporate realm. They are an integral part of the internal corporate governance regulations of Bankinter Group.

All board committees with non-executive oversight duties draw up an annual report on their activities, which is then made available to shareholders at the time the general meeting is announced. All such reports are available on the Company's corporate website: www.bankinter.com/webcorporativa.

4.10.1.- Executive committee

Committee composition by director category:

% of executive directors	33.3
% of proprietary directors	16.7
% of independent directors	33.3
% of other external directors	16.7

Duties and remit:

Under article 37 of the Rules and Regulations of the Board of Directors (available on the corporate website), the permanent delegation of powers from the board of directors to the executive committee shall extend to all powers vested in the board, except those that may not be delegated by law or under the terms of the Corporate Bylaws or the Rules and Regulations of the Board of Directors.

Irrespective of this delegation of powers, the executive committee is expressly and permanently empowered to:

- 1.- Authorise credit transactions in general, up to the limit set by the board of directors. Transactions involving directors, senior officers and other related transactions are excluded from this delegation of powers and must be approved by a fully-formed board of directors.

- 2.- Authorise new businesses and individual transactions, provided they are non-strategic and do not carry any special tax risk for the Company or its group.
- 3.- Monitor the different businesses, types of customers and their segmentation across the Bank, the Bank's sales networks and organisations, as well as the products and services offered, all in line with the strategic plan or business plan approved by the board of directors for such purpose.
- 4.- Monitor any significant changes in the shareholding structure.

The Rules and Regulations of the Board of Directors provide that the executive committee shall consist of no fewer than three and no more than seven directors. The proportion of the various categories of director will be similar to that of the board of directors. The committee's chairmen shall be named by the board of directors from among its ranks, while the secretary of the board of directors shall act as the committee's secretary. The executive committee shall meet as often as is convened by its chairman. The executive committee may also be called at the request of three or more directors sitting on the committee. The Executive Committee shall report to the Board of Directors on the matters discussed and the decisions taken in its meetings, and shall make copies of the minutes of such meetings available to the Board members.

The executive held 11 meetings in 2019, in which it scrutinised and authorised credit transactions that were later submitted to the board of directors for approval; and monitored Bankinter's business units and other matters related to its delegated functions.

4.10.2.- Audit and regulatory compliance committee:

Committee composition by director category:

% of executive directors	0
% of proprietary directors	0
% of independent directors	80
% of other external directors	20

Duties and remit:

Article 38 of the Rules and Regulations of the Board of Directors of Bankinter (available on the corporate website) describes the functions and rules of organisation and operation of the audit and regulatory compliance committee.

As mentioned previously, the board of directors, at a meeting held on 23 January 2019, approved a specific set of regulations for the audit and regulatory compliance committee (available on the corporate website), following a recommendation to such effect from that same committee. These

regulations are there to ensure the committee's independence and establish the principles of action and basic rules governing its composition, workings and remit.

The audit and regulatory compliance committee has the following remit, among other duties:

- The Committee safeguards the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, verifies on a regular basis the integrity and consistency of the financial statements of the Bank and of the Group, as well as the annual accounts, annual report and management report, prior to their approval or proposal by the Board of Directors and to their publication.
- To regularly improve and monitor internal control systems and procedures in relation to the risks inherent in the Bank's activities, while also reviewing the general risks map for the Bank and its group.
- To carry out annual assessments of the performance of the head of Internal Audit and take part in the process of determining his or her remuneration, the allocation of audit staff, and approval of the unit's budget, including IT development, since the commission is the corporate body to which the Internal Audit function reports hierarchically.
- To safeguard the confidential whistle-blowing channel established and regulated in the Code of Ethics of Bankinter Group approved by the board of directors at its meeting of 25 January 2017.
- The Rules and Regulations of the Board of Directors expressly ascribe the committee functions relating directly to the duties of fidelity and loyalty of directors and with the Bank's regulatory compliance. Thus, directors must report to the committee on any direct or indirect conflicts of interest that may affect them in accordance with the provisions of the Spanish Companies Act, the Spanish Securities Market Act and the Company's internal rules. The committee is the competent body for resolving any issues arising in this regard and is likewise authorised to waive or release directors from their fiduciary duties and their obligation to comply with the rules of conduct in the securities market.
- The committee approves an annual report that is made available to all shareholders upon announcing the general meeting of shareholders, and which is included on the corporate website of Bankinter S.A.

The audit and regulatory compliance committee comprises no fewer than three and no more than seven directors, all of them non-executive and most of them independent, and all appointed by the board of directors on the recommendation of the appointments and corporate governance committee. The committee chairman shall be an independent director and must be replaced every

four years at least. The committee chairman may be re-elected once one year has passed from the time he or she stepped down. Pursuant to the Rules and Regulations of the Board of Directors, committee members shall possess knowledge and experience in accounting, auditing or risk management. The secretary of the committee shall be the secretary of the board of directors. The committee's meetings may be attended, as speakers but not as members, by the head of internal audit and by the head of regulatory compliance, who shall attend whenever they are invited by the committee. The external auditors shall attend committee meetings whenever the chairman sees fit and, in any event, they shall attend all meetings at which the report by said auditors on the financial statements and management report of the Bank and the Group is examined, as well as any other meetings called to verify half-yearly and quarterly results prior to their publication.

Broadly speaking, the committee shall meet as often as the board of directors. The audit committee held a total of 11 ordinary meetings and eight written meetings in 2019.

Among other activities, the audit and regulatory compliance committee: (i) proposed its own internal regulations to the board of directors; (ii) approved the set of activities to be performed by Internal Audit over the year; (iii) verified the key management information, the business report and the corporate governance report; and (iii) heard and taken note of the different internal audit reports relating to the Bank's main subsidiaries. All of the committee's activities are included in the annual activity report for 2018, approved by the committee in February 2019 and posted on Bankinter's corporate website.

All members of the audit and regulatory compliance committee have been appointed on the basis of their knowledge and/or experience in the field of accounting, auditing or both.

The current chairman of the audit and regulatory compliance committee was appointed on 26 April 2017, as disclosed to the Spanish National Securities Market Commission (Comisión Nacional de Mercado de Valores, or CNMV) on that same date as price sensitive information.

4.10.3.- Risk Committee

Committee composition by director category:

% of executive directors	0
% of proprietary directors	0
% of independent directors	100
% of other external directors	0

Duties and remit:

Article 39 of the Rules and Regulations of the Board of Directors of Bankinter (available on the corporate website) describes the functions and organisational and operational rules of the risk committee.

The risk committee has the following remit:

- Advising the board of directors on the Company's overall current and future risk exposure and propensity, and on its strategy in this regard, while aiding the board of directors with the effective implementation of that strategy. However, the board of directors will remain ultimately responsible for all matters relating to risk.
- Assessing whether the prices for the assets and liabilities offered to customers fully take into account the institution's business model and risk strategy. If this is not the case, the risk committee shall submit a corrective plan to the board of directors.
- Determining, together with the board of directors, the nature, quantity, format and frequency of the information on risk to be received by the committee itself and the board of directors.
- Jointly establishing rational remuneration policies and practices. To this end, and without prejudice to the duties of the remuneration committee, the risk committee shall examine whether the incentives envisaged in the remuneration system take into account risk, capital, liquidity, and probability and opportunity for profit.
- Approving the appointment or replacement of the chief risk officer, on the recommendation of the chairman of the board, the vice-chairman (if executive) or the chief executive officer.
- Reviewing the general risk map for the Bank and the Group, and submitting the corresponding recommendations to the board.
- At the recommendation of the chairman of the board, the vice chairman (if executive) or the chief executive officer, authorising the appointment or replacement of the head of the Risk Control Unit.
- Approving or amending the charter of the risk control function, which shall set out its duties and remit.
- Overseeing the activities of the Risk Control Unit of the Bank and Group, which must report to the committee on a regular basis.

- Submitting the annual report of the risk committee to the board of directors for its approval.
- Any other functions ascribed to the committee by the Rules and Regulations of the Board of Directors or by the board of directors itself.

The risk committee shall comprise a minimum of three, and a maximum of seven, directors appointed by the board of directors on the recommendation of the appointments and corporate governance committee. For the proper performance of its duties, the risk committee shall meet as often as it is convened by the committee itself or by its chairman. Any person belonging to the Company may attend committee meetings if the committee sees fit.

To discharge its duties properly, the risk committee shall have unhindered access to information on Bankinter's risk situation and (if necessary) to the risk management unit and specialised external advice.

The risk committee shall report through its chairman to the board on its activities and work, doing so at meetings held for that specific purpose or at the next board meeting if the chairman deems this necessary.

All of the activities performed by the committee are discussed in the annual activity report for 2019, which the committee approved in February 2020 and which is posted on the Bank's corporate website. The activities discussed in this report include: the committee's involvement in modifying the risk management and control framework and the risk appetite framework, and in monitoring the various metrics and indicators used within this framework.

4.10.4.- Remuneration committee

Committee composition by director category:

% of executive directors	0
% of proprietary directors	17
% of independent directors	83
% of other external directors	0

Duties and remit:

Article 40 of the Rules and Regulations of the Board of Directors of Bankinter (available on the corporate website) describes the functions and organisational and operational rules of the remuneration committee.

The functions of the remuneration committee include those listed below:

- Submitting proposals to the board of directors on the director remuneration policy and their individual remuneration, along with the corresponding annual director remuneration report, which the board shall then lay before the general meeting for a consultative vote among shareholders.
- Submitting a proposal to the board of directors on the individual remuneration of executive directors and, as the case may be, external directors, for the performance of duties other than those of a director and other terms and conditions of their contracts. .
- Proposing the remuneration policy for senior managers, including managing directors or those who perform senior management duties and report directly to the board, to executive committees or to chief executive officers, as well as their individual remuneration and other basic terms and conditions of their contracts.
- Setting the remuneration of members who are not considered senior managers but who receive significant remuneration (especially variable remuneration), and whose activities may have a significant impact on the Group's risk profile.
- Verifying the extent of compliance with the remuneration policy in general during the financial year and enforcing compliance.
- Conducting regular reviews of remuneration programmes; assessing their implementation and effectiveness; and ensuring that director remuneration conforms to standards of moderation and the Bank's results.
- Ensuring transparent remuneration and seeing to it that information is disclosed in the notes to the annual financial statements and in any other annual report on director remuneration and, to that end, providing the board with any information that may prove pertinent
- Reporting on incentive plans for senior managers or employees that are pegged to the performance of the Bank's listed share price or other variable indices, as well as on remuneration systems for the Bank's management team based on collective insurance systems or deferred remuneration systems, if applicable.
- Any other functions ascribed to the committee by the Rules and Regulations of the Board of Directors or by the board of directors itself.

The remuneration committee shall comprise a minimum of three and a maximum of seven directors, to be appointed by the board of directors on the recommendation of the appointments and corporate governance committee.

In order to fully discharge its duties, the remuneration committee shall meet as often as it or its chairman agrees to convene a meeting. The remuneration committee held a total of five ordinary meetings in 2019.

The committee may instruct its own chairman to invite the Bank's chairman, vice-chairman (if executive), chief executive officer, or any other executive directors or senior officers to attend committee meetings called to discuss and vote on executive directors or senior members other than those in attendance, or to discuss matters concerning the remuneration of senior officers. The committee must always consult the chairman, vice chairman (if executive) and chief executive officer before carrying any resolution or drawing up any report in relation to those matters.

The remuneration committee shall have access to all information and documentation needed to properly discharge its duties, and may seek the assistance of advisers, consultants, experts and other independent professionals.

The chairman of the remuneration committee shall report to the board of directors on all activities and work performed by the committee, whether at specific meetings scheduled for that purpose or at the next board meeting if the chairman deems this necessary. The committee shall provide board members with copies of the minutes of such meetings.

All of the activities of the Committee are included in the annual activity report for financial year 2019, which the Committee approved in February 2020 and which is published on the Institution's corporate website. The activities discussed in this report include the following: advising the board on the remuneration of executive directors and senior management members (individuals), and advising on the approval of the remuneration of the board of directors for its oversight duties; submitting a proposed annual report on director remuneration; verifying information on the remuneration of directors and senior management members contained in corporate documents; monitoring compliance with the remuneration policy established by the Company and conducting regular reviews, among other matters.

4.10.5.- Appointments and corporate governance committee

Committee composition by director category:

% of executive directors	0
% of proprietary directors	17
% of independent directors	83
% of other external directors	0

Duties and remit:

Article 41 of the Rules and Regulations of the Board of Directors of Bankinter (available on the corporate website) describes the functions and organisational and operational rules of the appointments and corporate governance committee.

These include:

- Proposing the appointment, ratification, re-election and removal of independent directors and board advisers, indicating, for the former, the category for which they are appointed. As regards the appointment of directors, the committee shall ensure that selection procedures for filling vacancies are free from implicit biases that might hinder the selection of female directors, seeking to find and include, among potential candidates, women who meet the desired professional profile when the number of female directors is already low or non-existent.
- Proposing the appointment, re-election and removal of the chairmen and members of committees attached to the board of directors.
- Determining whether a suitable and necessary balance of powers, expertise, diversity and experience exists within the board of directors. For this purpose, it shall define the functions and aptitudes necessary in the nominees who are to fill each vacancy, and assess the time and commitment required for them to properly discharge their duties.
- Assessing the suitability of the various members of the board of directors and of the board as a whole at least once a year; and reporting its findings to the board of directors.
- Setting a representation target for the less represented gender on the board of directors, and drawing up guidelines on how to achieve that target. .
- Analysing the existence of succession plans for the chairman, vice-chairman (where appropriate), chief executive officer and the company's senior managers, updating those plans where necessary, and submitting proposals to the board of directors to ensure an organised and planned succession.
- Reporting on proposals for the appointment, discharge and removal of the Company's senior officers.
- Regularly reviewing the board of directors' policy on the selection and appointment of the members of senior management and submitting recommendations.

- Reporting on appointments and removals of directors or senior managers at subsidiaries or affiliates who act on behalf of, or who have been nominated by the Bank.
- Reviewing the company's corporate social responsibility policy and ensuring that it is aimed at creating value.
- Monitoring the corporate social responsibility strategy and practices and assessing compliance.
- Exercising any other functions set out in that same article of the Rules and Regulations of the Board of Directors.

The appointments and corporate governance committee shall comprise a minimum of three, and a maximum of seven, directors appointed by the board of directors on the committee's own recommendation.

In order to perform its duties correctly, the appointments and corporate governance committee will meet as often as it is called via resolution of the committee itself or the committee chairman. The appointments and corporate governance committee held a total of five ordinary meetings and three written meetings in 2019.

The committee may instruct its chairman to invite the Bank's chairman, vice-chairman (if executive), chief executive officer or any other executives or senior managers to attend committee meetings. In general terms, the chairman, vice chairman (if executive) and/or chief executive officer shall be called to attend committee meetings addressing matters relating to executive directors or senior managers other than the attendees or relating to the appointment and remuneration of senior managers. The committee must always consult the chairman, vice-chairman (if executive) and the chief executive officer before carrying any resolution or drawing up any report in relation to those matters.

The appointments and corporate governance committee shall have unhindered access to all the information and documentation necessary in order to exercise its functions, and it may seek the assistance of advisers, consultants, experts and other independent professionals.

The chairman of the appointments and corporate governance committee shall report to the board of directors on all activity and work performed by the committee, whether at meetings scheduled for that specific purpose or at the very next meeting if the chairman considers this necessary. It shall also provide board members with a copy of the minutes of all such meetings.

All of the activities performed by the committee are discussed in the annual activity report for 2019, which the committee approved in January 2020 and which is posted on the Bank's corporate website.

4.10.6.- Dedication to board committees

Number of meetings of the various board committees held during the year:

	In situ (ordinary/ extraordinary)	In writing
Number of meetings of the executive committee	11	0
Number of meetings of the audit and regulatory compliance committee	11	8
Number of meetings of the appointments and corporate governance committee	5	3
Number of meetings of the remuneration committee	5	0
Number of meetings of the risk committee	5	0

Attendance rates for ordinary and extraordinary meetings of the various committees attached to the board (in situ) are as follows:

Committee	% of attendance over total votes during the year	% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year
Executive committee	89.4	100
Audit and regulatory compliance committee	100	100
Appointments and corporate governance committee	92.9	100
Remuneration committee	89.3	100
Risk committee	94.4	100

This high level of personal attendance –with very little in the way of proxy voting and always with specific voting instructions given– illustrates the full commitment shown by committee members in analysing and deliberating on the matters laid before the committees and scrutinising all supporting documentation and any other information the committee members may have requested.

4.11.- Account auditing

The board of directors, through its audit and regulatory compliance committee, controls the entire process of drawing up and authorising the annual accounts of the Bank and its Group, along with quarterly and half-yearly financial reporting.

This ultimate purpose of this control process, coupled with permanent contact with the auditor, is to avoid qualifications in the audit report.

At 31 December 2019, the powers of the audit and regulatory compliance committee as set out in the Rules and Regulations of the Board of Directors include the following:

- a. Defining the selection procedure for the external auditor, specifying the criteria to be taken into account, among others, the training, experience, independence and resources of the external auditor, as well as the fees, quality and effectiveness of its services, without assessing the auditor's capacity to provide non-audit services and audit services.
- b. Submitting a recommendation to the Board of Directors, after weighing the different criteria with respect to each candidate, for subsequent submission to the annual general meeting of shareholders, regarding the appointment, re-election or replacement of the auditor for Bankinter and the Group, together with the terms and scope of their engagement, all in accordance with the law.
- c. Safeguarding the independence of the external auditor, while ensuring that the auditor's fees for its work do not compromise the auditor's independence or the quality of its work. The committee shall also receive and scrutinise information from the auditor on matters that may jeopardize the latter's independence, and on any others matters relating to the process of auditing the accounts, as well as all other communications envisaged in applicable legislation on accounts auditing and technical auditing rules.

Each year, the committee must also receive a written statement from the account auditor confirming its independence from the Company or companies related directly or indirectly to the Company, with information on any non-audit services the auditor, or any persons or entities related to the auditor in accordance with applicable legislation on accounts auditing, may have provided to those companies.
- d. Acting as a channel of communication between the board of directors and the auditor, ensuring that the board holds an annual meeting with the auditor to remain abreast of its work, including changes and developments in the company's accounting position and risks.

- e. Regularly obtaining information on the audit plan and its implementation from the accounts auditor, including information on any other matters related to the audit process, and any other communications envisaged in auditing legislation and regulations.
- f. Evaluating the results of each audit and the management team's responses to its observations. .
- g. Conducting an annual evaluation of the work performed by the external auditor, in accordance with the terms of their engagement.
- h. Supervising the content of the audit reports before they are released and, where appropriate, of the limited review reports on the interim accounts, ensuring that said content and the opinion on the annual accounts are drafted clearly, precisely and without limitations or qualifications on the part of the auditor, explaining these to shareholders, if any. In this regard, the Committee must supervise with the accounts auditor the significant findings arising from its work and, if appropriate, propose to the Board of Directors the measures it deems appropriate to remedy the deficiencies identified by the accounts auditor.
- i. Ensuring adequate and satisfactory relations and collaboration between senior management and the financial department with the external auditor so as to guarantee the full and proper performance of the audit functions.
- j. Seeing to it that the external auditor of the consolidated group also audits the accounts of that companies that make up the group.

The firm PricewaterhouseCoopers, S.L. was appointed auditor of the separate and consolidated financial statements of Bankinter Group for 2019, following a resolution carried by shareholders at the general meeting held on 21 March 2019 (with an approval percentage of 98,821%).

PricewaterhouseCoopers has been the Group auditor without interruption since 2016 and is one of the leading audit firms in Spain and worldwide. The board of directors has decided that the auditor should be engaged for a further year, based among other circumstances on the reasons outlined in the annual report of the audit and regulatory compliance committee (posted on the Bank's corporate website), specifically in the section on auditor independence.

The following table shows the number of consecutive years over which PricewaterhouseCoopers has been auditing Bankinter's separate and/or consolidated financial statements, and the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited.

	Individual	Consolidated
Number of consecutive years	4	4

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	56,41	56,41

The external auditor attends meetings of the audit and regulatory compliance committee if the committee's chairman considers it to be in the committee's interests and whenever a meeting is called to scrutinise the report drawn up by the external auditor on the annual and half-yearly financial statements, as well as meetings to verify quarterly results prior to their release. The external auditor attended all meetings of the audit and regulatory compliance committee in 2019, on those points that the committee's chairman saw fit to invite the auditor.

To date, the individual and consolidated financial statements have never been submitted for approval at the general meeting of shareholders with qualifications in the audit report.

Note also that Bankinter's board of directors, on the recommendation of the audit and regulatory compliance committee, will submit a motion to the general meeting of shareholders to be held in March 2020, asking shareholders to re-elect audit firm PricewaterhouseCoopers as auditor of the separate and consolidated accounts for 2020.

4.11.1.- Independence of the auditor

The board of directors, acting through its audit and compliance committee, oversees the objectivity of relations between the Company and its Group and the external auditors, ensuring their complete independence. Specifically, the board ensures that auditors are rotated, that conflicts of interest are prevented and that the information included in the annual report regarding the remuneration paid to auditors as such and for other reasons (if any) is transparent. The legal note to the financial statements indicates and breaks down all the remuneration received by the external auditor.

The remit of the audit and regulatory compliance committee includes the duty to uphold and safeguard the independence of the external auditor. This committee is responsible for proposing the appointment, re-election or replacement of external auditors to the board and determining their terms and scope of their engagement, and overseeing activities that are unrelated to account auditing. In exercising these functions, the committee is responsible for:

- Approving the annual budget for the fees to be paid for the services of auditing the accounts of both the Bank and the Group, setting the maximum percentage of the total invoice that may be represented by billing for non-audit services and, in accordance with generally accepted customs, applying a protocol adopted by the committee to ensure that the engagement of these services is always authorised by the committee beforehand and overseen at all times by the Group's internal audit unit.
- Overseeing the rotation of the team auditing the accounts in compliance with applicable law and regulations.

The audit and regulatory compliance committee, in compliance with the Spanish Companies Act, also issues an annual report containing an opinion on whether the independence of the external auditor has been compromised. This report is always released prior to the issuance of the audit report. The report examined whether the appropriate relations and channels of communication had been established with the auditors in order to receive, for scrutiny by the committee, information on any issues that may threaten their independence, and any other matters related to the process of auditing the accounts, as well as other communications provided for in applicable legislation and in technical auditing standards. The chairman of the audit and regulatory compliance committee reports to the general meeting on the findings contained in this report.

Meanwhile, the external auditors provide the board of directors with an annual report on the findings of the audit and on the status of risk management at the Bank and the Group, before delivering their report to the audit and regulatory compliance committee.

This report details the remuneration received by PricewaterhouseCoopers for all audit and non-audit work carried out for Bankinter. The following table shows what this non-audit work represents out of the total amount invoiced by PricewaterhouseCoopers in 2019.

	Company	Group	Total
Amount invoiced for non-audit services (thousand euros)	141,3	63,1	204,4
Amount invoiced for non-audit services/Amount for audit work (in %)	7,7%	3,4%	11,1%

In 2019, the external auditor completed six non-audit engagements for Bankinter Group, with fees ranging from 5,100 to 58,000 euros and representing 11.1% of the total amount invoiced by the external auditor.

For all such work, the Bank ensured the non-existence of any threats to the independence of the external auditor that might have required safeguards and could have led to incompatibilities. In addition, all such work was previously authorised by the audit and regulatory compliance committee.

4.11.2.- Preliminary certification of the annual accounts

The individual and consolidated financial statements are certified by the chief executive officer and the chief financial officer before being submitted to the board of directors.

The individual and consolidated financial statements for 2019 were certified by:

Name	Position
María Dolores Dancausa Treviño	Chief executive officer
Jacobo Díaz García	Chief financial officer

4.12.- Evaluation of the board and its committees

Article 5 of the Rules and Regulations of the Board of Directors requires the board to conduct an annual assessment of its own performance and that of its committees, its chairman and its executive directors, and to draw up an action plan to correct any shortcomings detected based on a report from the appointments and corporate governance committee.

On 21 October 2015, the board of directors decided that this assessment would be carried out by an independent external expert at least once every three years. Accordingly, the assessment of the functions of the board of directors and its committees was conducted in 2016 by an independent external expert. The evaluations for 2017 and 2018 were conducted internally, while the 2019 evaluation was once again entrusted to an external expert. The last two evaluations were as follows:

Evaluation of the operation of the board and its committees in 2018 (evaluation performed in 2019):

The evaluation of the board of directors for 2018 was conducted internally, under the coordination of the appointments and corporate governance committee. The findings were presented at the board meeting held in February 2019.

The following aspects were evaluated as part of this process:

- a) the quality and efficiency of the workings and operation of the board of directors and its committees;
- b) the size, composition and diversity of the board and its committees;
- c) the performance of the chairman of the board of directors and the executive directors;

- d) the performance and contribution made by each director, paying close attention to the chairmen of the board committees;
- e) meeting frequency and length;
- f) the content of the agenda and the adequacy of the time devoted to dealing with the various items, according to their importance (taking into account specific examples or cases);
- g) the quality of the information received;
- h) the scope and extent of debates, avoiding groupthink;
- i) whether the decision-making process on the board is dominated or strongly influenced by one member or a small group of members.

The board did not detect any deficiencies or shortcomings that would require the implementation of an action plan under any of the areas evaluated in 2018: i) quality and efficiency of the board of directors; ii) operation and composition of its committees; iii) diversity in the composition and duties of the board of directors; iv) performance of the chairman of the board of directors and the Company's chief executive; and v) performance and contribution of each director (especially the chairmen of the committees).

However, the findings of the evaluation process did reveal certain improvements, which have been analysed by the appointments and corporate governance committee and will be constantly monitored in subsequent evaluation processes.

Evaluation of the performance of the board and its committees in 2019, the findings of which were presented to the board of directors in January 2020:

The board of directors, on the recommendation of the appointments and corporate governance committee, decided that an external independent expert (finReg360) would support the evaluation of the operation of the board and its committees for 2019, thus following best corporate governance practices. When selecting the independent external expert, the appointments and corporate governance committee appraised its independence and made sure that it has not provided advice to Bankinter on the appointment of directors or senior managers or on the subject of remuneration systems.

The scope of the evaluation included: (i) the board of directors as a whole and its committees – executive committee, appointments and corporate governance committee, audit and regulatory compliance committee, risk committee and remuneration committee– as collegiate bodies; and (ii) the following individual members or positions on the board: the chief executive officer, the chairman of the board and the vice chairman and the chairmen of the various committees.

The external expert analysed Bankinter's policies and procedures, and conducted written questionnaires and a face-to-face interview with most of the board members.

In conclusion, the evaluations did not detect any deficiencies or shortcomings that would require the implementation of an action plan to correct any of the areas analysed: i) quality and efficiency of the board of directors; ii) operation and composition of its committees; iii) diversity in the composition and duties of the board of directors; iv) performance of the chairman of the board of directors and the Company's chief executive; and v) performance and contribution of each director (especially the chairmen of the committees). However, the findings of the external evaluation did include a number of suggested improvements (which will be scrutinised by the appointments and corporate governance committee in due course).

4.13.- Global remuneration of the board of directors

Remuneration accrued by directors (thousand euros)	4,600
Amount of vested pension interests for current directors (thousand euros)	1,657
Amount of vested pension interests for former members (thousand euros)	0

4.14.- Composition of the senior management (excluding executive directors) and their total remuneration:

Name	Position
Fernando Moreno Marcos	Head of corporate banking
Eduardo Ozaita Vega	Head of commercial retail banking
Marta Centeno Robles	Head of corporate development, markets and products
Jacobo Díaz García	Chief financial officer
Gloria Ortiz Portero	Head of digital banking
Gloria Calvo Díaz	General secretary and secretary of the board of directors
Íñigo Guerra Azcona	Head of investment banking
Julio Gabriel Zapatero Gaviria	Chief risk officer/CRO
Francisco Martínez García	Head of internal audit
Total senior management remuneration (thousand euros)	4,433

This amount includes the contributions paid to the employee benefits system in 2019 in favour of the senior management members.

At Bankinter there are no agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction. Therefore, no information on this matter is reported to the board or the general meeting.

5.- RELATED-PARTY AND INTRAGROUP TRANSACTIONS

5.1.- Related-party transactions with significant shareholders, directors and senior managers:

The Rules and Regulations of the Board of Directors ascribe the following duties to the board of directors, among others: *“To approve the Company’s related transactions with directors, significant shareholders, or shareholders represented on the board, or with persons related thereto, within the terms laid down in these Regulations and based on the recommendation of the audit and regulatory compliance committee”.*

The director affected, either directly or indirectly, must refrain from intervening in the debates and decisions related to the transaction in respect of which a request for authorisation is being made.

In relation to any loans/sureties or guarantees that the senior executives or their related parties may request from Bankinter, the board of directors approved, at a meeting held on 22 April 2015, the *Procedure for authorising and disclosing information on loans, sureties and guarantees granted to senior officers of Bankinter*. This is consistent with the principles and criteria set out in the policy to prevent conflicts of interest affecting senior officers, as approved by the Board of Directors on the same date, which is described below.

This procedure governs the internal procedures for approving loans/sureties and guarantees granted to Bankinter’s senior officers, whether or not prior to seeking authorisation from the competent supervisory authority as required under Act 10/2014 of June 26, on the regulation, supervision and solvency of credit institutions, and its implementing regulations.

This procedure was revised and updated on 16 November 2016. The revisions to it were technical in nature.

The Company is currently reviewing this procedure, together with its policy on conflicts of interest, and the resulting amendments will be submitted to the board of directors in the first quarter of 2020.

Mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

On 22 April 2015 the Board of Directors of Bankinter approved:

- **The Bankinter Senior Management Conflict of Interest Prevention Policy:** as an essential part of its supervisory function, the board is responsible for addressing any matters likely to

give rise to conflicts of interest and specifically monitors any related transactions between Bankinter and its senior managers that require authorisation in accordance with the law or the internal regulations of Bankinter.

This policy was reviewed and updated on 16 November 2016. The modifications introduced are purely technical and not substantive. The Company is currently reviewing this policy and any resulting amendments will be submitted to the board of directors in the first quarter of 2020 for its approval.

This section discusses transactions with directors, executives and significant shareholders that qualify as high-amount or material transactions, all of which fall within the Company’s normal course of business and were arranged on an arm’s length basis.

The following table shows the total amounts of the most significant financing transactions (due to the amount involved or type of transaction) between the company or group companies and the significant shareholders, directors or executives of the company.

Name of the directors or executives	Name of the related party	Relationship	Nature of the transaction	Amount (thousand euros)
PEDRO GUERRERO GUERRERO	BANKINTER, S.A.	Member of the board of directors	Finance	3,500
MARIA DOLORES DANCAUSA TREVIÑO	BANKINTER, S.A.	Member of the board of directors	Finance	3,443
FERNANDO MASAVEU HERRERO	BANKINTER, S.A.	Member of the board of directors	Financing	4,000
MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	BANKINTER, S.A.	Member of the board of directors	Finance	60
RAFAEL MATEU DE ROS CEREZO	BANKINTER, S.A.	Member of the board of directors	Finance	1,877
FERNANDO MORENO MARCOS	BANKINTER, S.A.	General manager	Finance	1,080
GREGORIO EDUARDO OZAITA VEGA	BANKINTER, S.A.	General manager	Finance	946
IÑIGO GUERRA AZCONA	BANKINTER, S.A.	General manager	Finance	1,648
GLORIA ORTIZ PORTERO	BANKINTER, S.A.	Member of the management committee	Finance	238
JULIO GABRIEL ZAPATERO GAVIRIA	BANKINTER, S.A.	General manager	Finance	140
MARTA CENTENO ROBLES	BANKINTER, S.A.	Member of the management committee	Finance	776

The annual accounts also provide aggregate information on transactions between Bankinter and other related parties.

5.2.- Intragroup transactions and other related parties

Transactions between the Company and other companies belonging to its group, and other related parties, fall within the Company's normal course of business in terms of their nature and terms and conditions, which are also compliant with the law and market requirements and standards. The 2019 annual financial statements contain clear, specific and concrete information on the most significant intragroup transactions and transactions with other related parties not mentioned in the preceding points of this report.

Of all the companies belonging to Bankinter Group, only Bankinter, as its parent, is a listed company. For that reason, no information is provided on mechanisms for resolving potential conflicts of interest between Group companies.

6.- RISK MANAGEMENT AND CONTROL SYSTEMS

6.1.- Risk management system at the company:

Adequately identifying, measuring, managing and controlling the relevant risks of all the Group's businesses is a key priority for the board of directors. It therefore establishes basic mechanisms and principles for properly managing these risks so as to ensure that Bankinter Group can attain its strategic objectives, protect its earnings and reputation, defend the interests of its shareholders, customers, other stakeholders and of society in general, and guarantee sustainable business stability and financial strength over time.

The board of directors annually approves the Risk Appetite Framework, in which it defines the risk appetite and tolerance that Bankinter is prepared to assume in its activities. The framework contains a set of key metrics for the levels of the various risks, quality and frequency of the results, liquidity and solvency. Risk tolerance levels that Bankinter Group is willing to assume are defined for each metric. The appropriateness of the metrics and levels is reviewed by the risk committee on a quarterly basis, based on a recommendation from the chief risk officer (CRO). It is the committee's task to propose possible updates to the board and seek its approval if any change is made. These metrics are monitored on a quarterly basis. Where a negative trend is seen in any of them, action plans are drawn up and monitored until the metrics return to appropriate levels.

Further information may be found in the "Risk management policies and objectives" section of the Prudential Relevance Report, which is available on Bankinter's corporate website (www.bankinter.com/webcorporativa), under the section "Shareholders and investors. Financial Reporting".

For **tax risks**, and in accordance with article 529 ter 1b) of Royal Legislative Decree 1/2010 of 2 July, which enacted the restated text of the Spanish Companies Act, the tax risk control policy is listed as a non-delegable power vested in the company's board of directors. It is implemented through the office of the general secretary of Bankinter and through its tax advisory department (which is assigned to and subordinate to the office of the general secretary).

In this regard, in compliance with article 529 ter 1b) of Royal Legislative Decree 1/2010 of 2 July, enacting the restated text of the Spanish Companies Act, on 20 May 2015 the board of directors of Bankinter, S.A. was informed that KPMG Abogados, S.L. had been commissioned to draw up a report containing an assessment of the tax risk control policies of Bankinter Group. As a result of this analysis, a recommendations report dated 23 October 2015 and the executive summary of the recommendations report dated 16 November 2015 were issued along with a report on "Diagnostics on existing internal control processes and systems at Bankinter Group" dated 4 February 2016, accompanied by a letter with the key findings, according to which KPMG considers that "no significant issues have been detected that might imply the existence of relevant failings at the tax function", limiting itself to the recommendations carried out to improve operational

functioning of tax-related activity at the Group, where material risks within the scope of the Bank's tax functioning were not detected.

On 10 January 2018, KPMG issued a report on the implementation of tax risk recommendations, in which it considered that practically all the recommendations it gave had been implemented. Specifically, this report shows that as a result of the recommendations made, the protocols describing the workings of the tax function in the areas of tax compliance, tax procedures, tax advice and its relationship with all the bank's departments have all been approved by the Bank. It also shows that the corresponding adjustments to financial and accounting processes with tax relevance have been duly executed.

Meanwhile, the board of directors of Bankinter, S.A. carried a resolution at its 18 September 2019 meeting to approve Bankinter's tax risk control policy, in accordance with article 529 ter of the Spanish Companies Act, which states that the task of defining a company's risk management and control policy, including tax risks, is a **non-delegable power vested in the board of directors alone**.

The policy sets forth the principles and internal rules of governance of Bankinter's Tax Function, notably:

- i. Obligations and responsibilities within the organisation.
- ii. Description of the measures in place to mitigate tax risks.
- iii. The ex-ante preventive controls and ex-post controls entailing the identification, measurement, analysis, monitoring and reporting of tax risks in line with Bankinter's Risk Management and Control Policy, Risk Appetite Framework (RAF) and Risk Map.

On the subject of **anti-corruption and bribery**, the Bank must achieve its business objectives while complying not only with applicable law and regulations, but also the best practices and standards required of its business. Therefore, regulatory compliance is more than a legal obligation to Bankinter; it is also an ethical obligation. This area's purpose is to assess and provide guidelines for the business areas that help to define the strategy, ensuring compliance with applicable legislation at all times. With this purpose, all areas in the compliance functions go to great lengths to train commercial staff.

6.2.- Bodies in the entity responsible for preparing and implementing the risk management system

The board of directors, in accordance with the Rules and Regulations of the Board of Directors, is responsible for approving the risk control and management policy and regularly monitoring the internal information and risk control systems.

To perform these functions, the board of directors is supported by the following board committees:

▪ Executive committee

The executive committee is vested with all of the functions of the board, except that cannot be delegated by law or under the Corporate Bylaws or the Rules and Regulations of the Board of Directors. It takes decisions for managing and monitoring all manner of risks and, in turn, delegates such powers to the following internal committees:

- Credit risk: in the executive risk committee, which in turn sets the limits on the delegation of powers to lower-ranking internal bodies, within the limits set by the board of directors. (the executive risk committee is the top risk committee, except for risks that fall within the remit of the management committee and the assets and liabilities committee).
- Business risk: to the management committee.
- Structural risk (liquidity, interest rate, foreign currency) and market risk: to the assets and liabilities committee (ALCO).

▪ Risk committee

The risk committee, which is an advisory body, is in charge of the Bank's risk supervision functions, while also providing advice on risks to the board of directors. The risk committee is also entrusted with monitoring the Risk Appetite Framework.

▪ Audit and regulatory compliance committee

The audit and regulatory compliance committee directs and steers internal audit activity. Its annual plan focuses closely on work related to the measurement, monitoring and management of risks.

6.3.- Organisation of the risk function

The risk control and management function is distributed between the risk division, the finance and capital markets division, internal audit and regulatory compliance.

Bankinter's organisational structure is based on the principle of independence and separation of functions between the various units that assume and manage risks and those that monitor and control risks.

The board of directors is ultimately responsible for the management and control of Bankinter's risks.

The head of risk is known as the CRO (Chief Risk Officer), in accordance with current law and regulations. The board's risk committee appoints and removes the chief risk officer on the recommendation of the Bank's chairman, vice-chairman (if executive) or chief executive officer.

Two differentiated and separate functions report to the CRO:

- Risk Management function.
- Risk control and internal validation.

The organisation of these functions is described below.

Risk management

The risk management function covers that main risks (credit and counterparty, market, liquidity, structural, operational and model), with global and corporate-wide responsibilities and support to Bankinter Group's governance bodies. It is charged with defining the methods and executing the risk controls as the first line of defence. It is also geared towards executing and integration the risk function into the management of the various businesses of Bankinter and Bankinter Group. It comprises the following first-line divisions and units:

- **Credit risk:** tasked with defining the risk policies associated with each of the segments. Its delegated powers include that of authorising customer transactions. It oversees the entire risk process, from approval (which requires IT support capable of achieving the utmost efficiency) to monitoring and recovery.
- **Global Risk Management:** responsible for developing, improving, controlling, implementing and regularly monitoring statistical and risk parameter models for the various credit portfolios, and enhancing the integration of these models into management. The internal models perform a key role in the approval process, in the calculation of regulatory and internal capital, in the collective estimation of provisions, in recovery processes and in the establishment of risk-adjusted return measures (RARORAC). It also oversees, together with the Global Risk division, the development of the specific policies and procedures that must be included in the management framework for model risk. Its responsibilities also include supervisor relations, official announcements and regulatory reporting in regard to models, and monitoring the sequentially implementation plan for IRB models in the Bank.
- **Global Risk:** coordinates the different Risk areas in activities and projects related to methodologies, policies, procedures and regulations, seeking to adopt industry best practices in the measurement and management of risks and, in particular, management of the Group's global risk profile.

- **Market Risk and Institutional Control:** reporting to the managing director of risk/chief risk officer, its function is to control and monitor structural risks (liquidity, interest rate and foreign currency) and market risks arising from the Entity's institutional and trading operations.

- As discussed in due course, the balance sheet management area and the trading department, which report to the general capital markets division, are responsible, respectively, for managing liquidity, interest and foreign currency risks (structural risks) and market risk. Market Risk has the independent function of measuring, monitoring and controlling changes in interest rate, liquidity, foreign currency, market and counterparty risks in 'institutional' positions; i.e., those taken by the assets and liabilities committee (ALCO) and by the Treasury department for trading purposes.

- **Operational Risk:** responsible for promoting and coordinating the procedures and tools for the identification, measurement, control and reporting of operational risks, providing the organisation with a uniform vision of operational risk. First-line management of operational risk is delegated to the Group's various subsidiaries, support areas and business units. Operational risk is occasionally managed by specialised or centralised departments when necessary given the circumstances (complexity, size, cross-sector corporate processes, etc.).

- **Non-performing loans and impact:** responsible for running and managing the process for recovering outstanding loans in early stages of default, by implementing and promoting internal and external tools and actions for this purpose with a view to minimising new non-performing loans. It is also tasked with running and managing the control, monitoring and non-amicable recovery of loans in accordance with prevailing legislation by creating and developing automatic systems that make management more efficient and by implementing more efficient and effective mechanisms and processes to improve the recovery of past-due transactions. It is also responsible for all matters related to the policy, analysis, approval and monitoring of refinancing and forbearance arrangements.

- **Real Estate Assets:** sets and updates the price of foreclosed real estate assets and decides how they should be used. Its responsibilities include ensuring the technical and legal adequacy of these assets and monitoring them to prevent impairment. Its purpose and main responsibility is to proactively seek out buyers by advertising and managing assets in accordance with principles of transparency, sufficient publicity, competition and effectiveness in order to fetch the highest price possible, while prioritising rapid selling.

Risk Control and Internal Validation

The risk control and validation unit, as the second line of defence, has corporate responsibilities extending to all areas and provides support to the Group's governance bodies. It is organised into the following units with the following responsibilities:

Risk control unit: the purpose of this area is to oversee the quality of Bankinter Group's risk management. More specifically, it seeks to guarantee that the systems for managing and controlling the various risks involved in its activity meet the most demanding criteria and the best practices in the banking sector and/or required by regulators, overseeing that the actual risk profile assumed is in line with that established by senior management.

Organisations and subsidiaries control unit: this unit oversees credit risk management at regional organisations and the second line of defence for the various risks of Group subsidiaries.

Technical division: this area is in charge of procedural aspects of the risk appetite framework and the corporate risk map, and oversight of the second line of defence of certain specific risks (e.g. reputational risk).

Internal validation unit: in charge of validating the advanced risk models and their results. To do so, it analyses them and issues reports with opinions on their validity for risk management and on their use in managing risks, and issues the related recommendations.

Other risks managed indirectly by the CRO

- Structural risks

The board of directors sets the strategy and policy for structural risks (interest rate, liquidity and foreign currency risks) and market risks and designates various bodies to manage, monitor and control them. It also sets the risks profile to be assumed by Bankinter, setting maximum limits that it delegates to such bodies, as defined in the risk control and management framework.

The board of directors confers powers upon the assets and liabilities committee (ALCO), authorising it to continuously monitor decisions regarding structural balance sheet risks (interest and liquidity risk), stock market risk and the exchange rates of the Bank's institutional positions, while also establishing financing policies. It reviews and approves the relevant limits for the management of all such risks every year and delegates such powers to the ALCO.

The ALCO is directly responsible for managing global interest rate and liquidity risks, as well as stock market risk and the risk of institutional change or changes in the Company financing policies, although Capital Markets (within its powers or following the instructions of the chairman, chief executive officer or chief financial officer and head of capital markets) may pursue action to protect the Bank from its risks or take advantage of any trading opportunities that may arise.

The board of directors reviews the framework and policies for managing these risks and the appropriateness of changing the operating limits established therein as often as it deems necessary and at least once a year.

The balance sheet management unit or, on its instructions, trading and capital markets, implements decisions taken by the ALCO in relation to the Bank's institutional positions. Depending on the circumstances, it may act immediately to protect the Bank from potential adverse market movements, subsequently reporting its actions to the ALCO.

- Technology risks

These risks are supervised by the technology risk and IT security area, which is part of Bankinter Global Services and reports directly to its managing director. Functionally, it regularly reports to Bankinter's CRO. Its main responsibilities regarding the management of these risks include: training and awareness-raising on information security; coordination of technology environment improvement plans; management of system vulnerabilities; coordination of certified risk management systems; cryptographic key custody; identification and definition of the security requirements for new projects and developments; definition, approval and maintenance of business continuity plans, technological contingency and incident response plans; implementation of security measures on operating systems, databases and middleware; identification and management of vulnerabilities detected.

- Reputational risk

The first-line management of this risk is delegated to the various subsidiaries, support areas and business units, operating within the scope of the policies and guidelines issued by the corporate reputation unit. This unit is part of the wider corporate communications and responsibility division and draws up reputational risk metrics, while overseeing the preventive management of this risk and mitigating potential reputational risks by taking part in crisis response actions.

Other units in the second line of defence

- Regulatory compliance unit and anti money-laundering

The board of directors is responsible for overseeing compliance with the Group's general code of conduct, the general anti-money laundering and terrorist financing policy and the products and services marketing policy.

The audit and regulatory compliance committee is charged with functions that include overseeing compliance with legal requirements, supervising the effectiveness of internal control and risk management systems, supervising compliance with the Group's code of conduct in securities markets, anti-money laundering manuals and procedures and, in general, the Bank's governance and compliance rules, and making any necessary proposals for their improvement, as well as reviewing fulfilment of any actions and measures arising from reports or actions by government supervisory and control authorities.

The **regulatory compliance unit** reports hierarchically to the audit and regulatory compliance committee, but is functionally attached to the Bank's Office of the General Secretary. Its functions include the following: advising the Group's senior management, employees, and business and operating areas; supervising and monitoring compliance with rules of conduct; detecting and managing non-compliance risks; and liaising with regulatory and supervisory bodies and authorities on any matters within its remit.

The regulatory compliance function is integrated within Bankinter through an internal institutional framework. The head of the regulatory compliance, regulation and corporate governance division reports to the audit and regulatory compliance committee of Bankinter's board of directors. It is attached to the office of the Bank's general secretary's office, through which it is integrated with the rest of the organisation, thereby guaranteeing close cooperation with the rest of the senior management areas (especially Risks) and with Legal department on all matters that fall within their remit. In particular, it serves on the following bodies of the Bank:

- **Regulatory compliance committee.** Senior management body tasked with monitoring all of the Bank's compliance policies.
- **Products committee.** Approves the launch, modification or cancellation of products and services offered to customers.
- **Internal control body.** Establishes, and ensures compliance with, anti-money laundering and counter terrorist financing policies, in accordance with Act 10/2010.

This organisational structure enables the Bank to adequately manage the risk of failing to comply with regulations, which also entails significant reputational risk, with a potentially adverse impact on relations with customers, markets, employees and the authorities. In particular, failure to comply with regulations may lead to sanctions, damages or cancellation of contracts, thereby hurting the Bank's image.

Under this regulatory and institutional framework, the Bank developed the basic areas of the compliance function in 2019: control and advisory services regarding regulatory compliance in relation to investment and banking products, and the prevention of money laundering and the financing of terrorism

More precisely, and in relation to regulatory compliance activities, its remit was extended in 2019 to cover the subject of banking transparency, thus including regulatory advisory functions in this realm and coordination of requirements emanating from Banco de España in terms of rules of conduct and advertising of banking services and products. Meanwhile, the scope of the function's regulatory compliance activity was reinforced in 2019 in line with its annual plan,

specifically for those services and businesses carried out with institutional clients. A dedicated area was also created for that purpose.

The regulatory unit was also reinstated in 2019. This function is tasked with managing and providing advice on regulatory changes, in collaboration with other competent areas and departments at the Bank. It also reported information on the Regulatory Map in accordance with its annual plan.

- **Anti-money laundering unit**

Under the Compliance, Regulations and Corporate Governance division, the purpose of this unit is to guarantee adequate coverage of risks arising from money laundering and terrorist financing, complying with all related legislation.

In relation to anti-money laundering and counter terrorist financing, the unit focused on risk analysis work in order to determine the Bank's risk appetite, while developing a new model and associated money laundering risk factors in line with the Bank's framework, and drawing up a supervision plan to identify critical areas of action (Governance; Due Diligence; Detection, Analysis and Communication; Contact with Regulatory Bodies; Training). It also developed suitable IT tools for the function in accordance with applicable standards and regulations.

Preventing these practices is a strategic objective for Bankinter Group and an ethical commitment to society at large and to compliance with control standards. In line with this objective, in 2019, Bankinter enhanced its IT tools for this function.

- **Financial control and analysis unit**

Operating under the general capital markets and finance division, the unit reports to the audit and regulatory compliance committee and its functions include tracking the general internal financial control framework regarding the reliability of the Group's financial information. This includes the implementation and development of the internal control over financial reporting (ICFR) system.

- **Privacy and data protection**

The **board of directors** shall ensure that the company has a genuine culture of compliance in place when it comes to privacy and protecting the personal data of customers, shareholders and employees. With this objective in mind, the board of directors has approved the following organisational structure:

A **privacy committee** has been set up, comprising mainly the Bank's senior management and entrusted with the following duties:

- Approving initiatives that affect the right to privacy and the protection of personal data of strategic importance to the Bank.
- Approving the internal procedures necessary to ensure that the right to privacy is duly respected.
- Approving the control system and measures to remedy any deficiencies detected.
- Regularly verifying the measures approved by the committee.
- Fostering the culture of compliance.
- Making decisions on the disclosure of security breaches that pose a high risk to the rights and freedoms of data subjects.

The privacy committee is governed by its own internal rules and regulations.

As a further show of its commitment to proactive responsibility, the Bank has appointed a **corporate data protection officer**, who has been assigned the following duties:

- Coordinating the privacy and data protection officers of Group companies, to guarantee that they apply the same criteria in matters of privacy and personal data protection.
- Approving new initiatives that affect the right to privacy and personal data protection that are different to those already approved in the organisation the responsibility for which exceeds that of the privacy and data protection officers of the Group entities.

Meanwhile, all Bankinter Group companies that process personal data have appointed their own **privacy and data protection officer**, who is entrusted with the following minimum functions:

- Advising the data controller of their obligations in relation to data privacy and protection.
- Approving initiatives that affect the right to privacy and the protection of data similar to those already approved at corporate level.
- Overseeing compliance with applicable and regulations governing privacy and data protection.

The privacy and data protection officer has the support of a specific office and/or a unit when discharging his or her duties.

6.4.- Primary risks which may affect the achievement of business objectives

Bankinter carries out almost all of its lending activity in Spain and Portugal. As such, it is subject to the normal risks in the banking and financial sector, such as: credit, counterparty, market, balance sheet exchange and interest rate, liquidity, operational, business, reputational and compliance risks.

Bankinter has traditionally maintained a prudent risk policy, which has allowed it to outperform within the industry over the years and across different cycles of the economy.

For credit risk, the Group concentrates on lending to individuals with moderately-high and high income with a solid residential mortgage portfolio and significant advisory and asset management activities. In recent years, the Bank has developed its consumer financing business with a limited risk appetite. As regards target companies, the focus is on medium-sized and large businesses that have performed relatively well during crises and have higher international growth potential.

For market risk, the exposure is very limited and as far as structural risks are concerned, the institution follows a policy of neutralising interest rate and exchange rate risks deriving from the Group's businesses.

The risks that may affect the achievement of business objectives are those inherent to banking activities in Spain and Portugal. Following several years of strong economic growth, business prospects across all strategic segments are now positive, despite the prevailing climate of low interest rates, relatively weak investor demand and fierce levels of competition. Risk factors escalated over the latter half of 2019, including rising trade tensions and geopolitical uncertainties, which have had the effect of dampening global and domestic economic growth and cause a fresh wave of lax monetary policy and rock-bottom interest rates. These circumstances are affecting returns across the entire banking sector. The debt leveraging process among economic agents continued in Spain throughout 2019 and Europe is likely to see weaker growth in the medium term. Within this landscape, non-performing loans will continue to have a significant impact on income statements in Spain. Bankinter closed 2019 with a non-performing loan ratio of 2.51%, down 39 basis points (-13%) on the previous year. Its non-performing loan ratio at year-end was 51% of the average for the sector. The quality of Bankinter's assets and its traditional policy of prudence allow it to face the developments and future management of credit risk with confidence.

Market risk, interest rate risk, exchange rate risk and liquidity risk might emerge from new systemic episodes such as those experienced in 2012 during the eurozone financial crisis, although this appears to be remote at the date of this report given the absence of any particularly adverse political events. Bankinter actively manages these risks and pays continual attention to them.

On the subject of **tax risks**, and based on the analysis conducted by KPMG, S.L. (as contained in the documents described in the preceding section), it is not believed that the risks to have been detected will have any impact on the Bank's business objectives.

In relation to **corruption and bribery**, the measures and response plans described in section 6.7 have effectively diluted their impact on the business objectives.

6.5.- Risk tolerance level

The risk appetite and tolerance that the Group assumes in performing its activity are subject to the following principles:

- Strategies, policies, organisation and management systems are prudent and adjusted to the size, environment and complexity of the Institution's activities, based on high-quality banking practices.
- The Institution's respect for and conformance to established requirements, limits and regulatory restrictions, ensuring proper compliance with current regulatory documents at all times.
- Maintenance of a low or moderate exposure to risk, with a non-performing loan ratio in the lowest range of the Spanish financial system.
- Appropriate hedging of problem assets.
- The return on capital investment is proper, with profitability over the risk-free rate being kept to a minimum over the cycle.
- Maintenance of a low level of market risk, so that in stress scenarios the losses generated have a reduced impact on the Institution's income statement.
- Growth in the priority strategic SMEs segments.
- Balance of the loan portfolio between individuals and legal entities.
- Balanced growth in retail funds.
- Diversification of wholesale funding sources, from the viewpoint of both instruments and markets, and the maintenance of a balanced maturity profile.
- Optimisation of retail funding costs, maintaining a balance between the return on the loan and market interest rates.

- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for the Institution.
- Limitation on activities in sensitive industries that might pose a risk to the Institution's sustainability, such as industries associated with development or construction, or might have a negative impact on its reputation and/or respectability.
- Moderate appetite for interest rate risk.
- Maintaining a very small balance sheet position in foreign currencies.
- Strengthened control of the reputational positioning of the Bank (good corporate governance and systemic risks, etc.).
- Desire to round out the level of services level that Bankinter offers its customers, both in private banking and merchant banking, offering limited-risk investment banking services.
- Optimising the cost-to-income ratio.
- Maximising value generation for shareholders across all cycles both through dividends and an increase in the share price, all rooted in a strong capital and liquidity base.
- Maintaining a Common Equity Tier 1 (CET1) ratio within the range set by the Bank (always clear of minimum regulatory requirements).

In addition, the Risk Control and Management Framework established by the board (the "Framework") clearly describes the Bank's risk policies and the systems of limits and powers for all material risks ensure that the policies are implemented within the established tolerance margins. This Framework and the provisions developed internally establish precise metrics and limits for each type of risk and organisational unit, which are summarised below:

- For credit risk, quantitative limits are assigned in the Framework and developed under the delegated powers system to the amount of risk approved, based on organisational level and the nature and duration of the transaction.
- For structural and market risks, there are specific metrics (exposure level, value at risk (VaR), maturity mismatches, liquidity mismatches) and limits are established for the various management levels.
- For operating risk, the Framework establishes the risk control environments, adjusting them to the amount of risk (higher inherent risk requires a better control environment). An estimate of

potential risks is made in the risk map to prioritise risk management and losses from operating risks events are tracked in detail.

For **tax risks**, it should be noted that by means of a resolution dated 20 May 2015, the Bank's board of directors approved the final version of Bankinter Group's tax strategy, stating that the policy is primarily aimed at ensuring responsible compliance with tax rules, while best serving the Group's corporate interests and supporting its business strategies. For these purposes, within the framework of its social and corporate responsibility, BANKINTER recognises the social value and worth of the tax system and therefore aims to ensure that its own tax function serves the Group's best interests and those of its stakeholders, while also ensuring that the local community believes and trusts in the Group.

On 22 April 2014, the board of directors of Bankinter, S.A. approved such items as an agreement to adhere to the entire Code of Best Tax Practices sponsored by the Spanish Tax Administration Agency (Agencia Estatal de la Administración Tributaria), both in Bankinter's own name and as the parent company of a 13/01 tax group to file consolidated corporate income tax returns and a 128/09 tax group for purposes of the value added tax (VAT) regime for groups of companies.

6.6.- Risks that materialised during the year

Trade and geopolitical tensions in 2019 (US-China trade dispute, Brexit, the situation in the Middle East) undermined the international economic landscape to some extent. The global economy lost steam and monetary policies were eased further. Spain also saw economic growth slow. Once again, private sector indebtedness decreased for both individuals and businesses, with the growth of new loans to the private sector easing throughout the year.

Against this backdrop, lending at Bankinter continued to show moderate growth. Loans and advances to customers rose by 7.1% and eligible exposures (which include off-balance-sheet exposures) by 8.9% (5% in Spain excluding the acquisition of EVO Banco).

The non-performing loan ratio ended the year at 2.51%, down 39 basis points or 13% from the year before. This is 51% of the sector average (5.00% according to Banco de España data from November 2019). The balance of foreclosed asset decreased by 17% in the year to 291 million euros at 31 December 2019, equal to 0.4% of total credit risk.

The portfolio of forbearance transactions at the end of 2019 was 930 million euros, considering as forbearance any modifications in the credit risk conditions.

For more information about the impact of these risks on the Bank's accounts, please see the sections on "Risk policies and management", "Loans and receivables", "Non-current assets for sale" and "Additional information on risks: refinancing and restructuring transactions" in the Legal Report

(available on Bankinter's corporate website under the section titled "Shareholders and Investors" – Financial reporting".

Bankinter believes that the control and monitoring systems are functioning properly, as indicated by having one of the lowest non-performing loan ratios in the sector.

For more information about the impact of these risks on the Bank's accounts, please see the sections on "Risk policies and management", "Loans and receivables", "Non-current assets for sale" and "Additional information on risks: refinancing and restructuring transactions" in the Legal Report (available on Bankinter's corporate website under the section titled "Shareholders and Investors" – Financial reporting".

Bankinter believes that the control and monitoring systems are functioning properly, as indicated by having one of the lowest non-performing loan ratios in the sector.

No tax risks materialised during the year that might have affected the business objectives.

As concerns tax proceedings affecting Bankinter Group—currently pending since the Bank's income statements were challenged before the tax appeal boards and other competent bodies—we would refer readers to the notes to the Group's financial statements. In any event, there are adequate provisions in place for any tax-related liability that might derive from these proceedings, based on figures for 2019 and previous years.

6.7.- Response and monitoring plans for the major risks to which the company is exposed

As mentioned in previous sections, Bankinter actively manages these risks using various pillars, which are essentially as follows:

- A clear organisational structure that is independent of the business function, which starts at the board of directors and features a specific structure and functions for identifying, measuring, controlling and managing the various risks.
- Risk policies clearly established by the board that have become crystallised in specific structures involving limits, powers and internal reporting and decision-making processes.
- Specific control systems and procedures, strongly supported by IT information, control and management systems.
- A solid risk culture established over years.

Bankinter's capacity to respond to major risks (as demonstrated during the crisis and anticipated for the immediate future) can be summarised as follows:

- The risk acceptance policy is prudent and business plans are primarily aimed at low to moderate-risk customer segments, both for individuals and legal entities. The credit risk control, monitoring and recovery systems are continually strengthened and supported by investments in IT systems. All these measures and actions are reflected in an NPL ratio of 2.51% at year-end 2019, which is 51% of the industry average (Banco de España figures for November 2019).
- There is active management of structural interest rate risk aimed at protecting the financial margin and the Bank's economic value vis-à-vis changed in interest rates.
- Liquidity risk is monitored and actively managed, working primarily on liquid asset cushions, concentration on wholesale financing, diversification of funding sources and improvement of the resulting balances on commercial transactions. The deposit-to-loan ratio was 98.3% at year-end 2019.
- Operating risk is actively managed using self-evaluations, risk maps, specific improvement plans, key operating risk indicators and contingency plans for the most relevant risks.
- The Institution maintains certain solvency levels above the regulatory minimums. At year-end 2019, the fully-loaded CET1 (Common Equity Tier I) ratio was 11.61%.

As an additional risk supervision level, the audit and regulatory compliance committee is vested with the following powers, among others:

- Regularly promoting and reviewing the operation of adequate internal control systems to ensure that the Company's risks are adequately managed.
- Supervising the Bank's and the Group's internal auditing activities, and therefore approving its annual work plan and annual activity report, and ensuring that the main risk areas and internal control systems and procedures are reviewed.
- Remaining abreast of significant irregularities, breaches or risks observed during the control actions carried out by the compliance unit.

As regards **tax risks**, and based on the operational improvements found in the documents prepared by KPMG, S.L., Bankinter's tax advisory department has implemented an action plan. KPMG, S.L. and Bankinter's audit division are responsible for verifying that the plan is duly implemented. On 10 January 2018, KPMG issued a report on the implementation of tax-risk recommendations, in which it considered that practically all the recommendations it gave had been implemented.

This circumstance was reported to the board of directors through the Bank's audit and regulatory compliance committee.

In 2019, the regulatory compliance and corporate governance division implemented the annual plan previously laid before the audit and regulatory compliance committee. Status updates on compliance with the plan and quarterly activity reports are presented to the audit and regulatory compliance committee. Reports were also delivered to the committee on requests for key information received from the Spanish National Securities Market Commission and Banco de España and on the status and progress of the various inspection proceedings to which the Bank is currently subject in relation to the provision of investment services or on matters of regulatory compliance.

Last but not least, and in accordance with the annual compliance plan the regulation division reported to the committee in 2019 on the Bank's regulatory map and on the initiatives undertaken to protect the Bank against a no-deal Brexit and the Bank's plans to adapt the transition of the different interbank offered rates (IBORs) to the risk-free interest rates or methodological changes.

A total of 5,466 employees received anti-money laundering (AML) training in the form of a new course, for a total of 6,508 training hours.

Internal audit control

The Internal Audit department performs corruption risk and anti-money laundering controls. All Bankinter centres in Spain were assessed in 2019 through the automatic auditing programmes. Internal audit audited and reviewed control procedures at 10 business units attached to the branch network in Spain, equivalent to 2.2% of the total. In Portugal, it performed on-site audits and control procedures at 23 centres of the branch network, which is approximately 26.1% of the total. It also analysed all of the agencies through the automatic auditing process.

In regard to the whistleblowing channel, a total of 10 confidential reports were received in the period, of which four were rejected.

Professional ethics

Over the years Bankinter has demonstrated its zero-tolerance policy toward crime, having adopted all measures necessary to convey this commitment and the obligation to prevent, detect and persecute crime in all its forms and to the fullest extent across all levels of the Bank's structure.

On 21 October 2015, the board of directors of Bankinter, S.A., in accordance with the reform of the Criminal Code, approved by Organic Law 1/2015, of 30 March, which entered into force on 1 July 2015, approved the creation of the crime prevention and professional ethics committee, which is

responsible for overseeing the functioning and compliance of the criminal risk prevention model and has autonomous powers of initiative and control.

This committee reports directly to the board of directors on an annual basis through the audit and regulatory compliance committee.

Currently, Bankinter has:

- Code of Professional Ethics for Bankinter Group employees
- Code of Professional Ethics for agents
- Supplier Code of Conduct
- Confidential whistle-blowing channel

In 2018, Bankinter's crime prevention and professional ethics committee handled a total of 33 cases of breach of rules and regulations enshrined in the codes of ethics (24 relating to employees in Spain, two for employees of Bankinter Portugal and seven agents). Of these, seven were resolved by dismissal (in the case of Spain), and one by termination of contract for the agents segment.

Contributions to foundations and NGOs

Bankinter Group awards most of its welfare projects funding to two Group foundations: Fundación Innovación Bankinter, with entrepreneurship programmes, an innovation think-tank and training programmes; and Fundación Línea Directa, which focuses on matters of road safety.

Bankinter Group also forges strategic alliances with the third sector across the communities in which it operates, working alongside them to identify and respond to local community needs.

In a bid to make its external social management more effective, the Bank has embraced the London Benchmarking Group (LBG) methodology for measuring, managing, assessing and communicating contributions, achievements and impacts of the Bank's social action on the community and the environment. Based on this methodology—which encompasses financial and in-kind donations and management costs—contributions to foundations and NGOs made by the Group in 2019 amounted to 3,552,564 euros.

When it comes to the responsible management of the supply chain, environmental, social and governance criteria are now part of the supplier approval process. It is also worth noting that Bankinter includes environmental, social and ethical management clauses in its contracts with suppliers, in which they undertake to prevent corruption, ensure data protection, avoid child labour and guarantee stable employment, among other requirements.

7.- INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE ISSUE OF FINANCIAL REPORTING (ICFR)

7.1.- The entity's control environment over financial reporting

Bankinter's board of directors is ultimately responsible for the reliability of the financial information and for maintaining an adequate internal control system over financial reporting. In addition, article 38 of the Regulations of the Board of Directors has delegated to the Audit and Regulatory Compliance Committee the duty to:

'To safeguard the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, to verify the quarterly and half-yearly financial statements of the Bank and the Group, as well as the annual financial statements, annual report and management report prior to their approval by or submission to the Board of Directors and their publication, and to supervise the Bank's policy in relation to prospectuses and other forms of public information.'

Bankinter has a **manual of accounting policies and financial reporting procedures** (the "Manual of Accounting Policies"), which the board of directors approves on the recommendation of the audit and regulatory compliance committee.

Article 5 of the Board of Directors Regulations provides that, among other responsibilities, the Board of Directors is responsible for *"approving the risk control and management policy, as well as regularly monitoring the internal information and control systems..."*. Section 11.6 of Article 38 of the Rules and Regulations of the Board of Directors further provides that the audit and regulatory compliance committee has the duty to *"supervise the effectiveness of internal control, the internal auditing services at the Company and the risk control systems, and to safeguard the independence and effectiveness of the said function."*

The Bank's chief executive also supervises the process of designing control systems over financial reporting at Bankinter Group.

Meanwhile, the effective implementation of the control systems over financial reporting is the direct responsibility of the financial control division, which was set up to ensure the reliability and transparency of the Bank's information. It is also the responsibility of the finance division of the Bank and of each Group subsidiary, as well as the various sub-divisions and departments that are involved in or otherwise have an impact on the quality and reliability of the financial information used to draw up the Group's financial statements.

The audit and regulatory compliance committee addresses, among other matters, possible weaknesses in the control system, as well as the reliability and accuracy of the financial statements, in order to evaluate possible corrections, after receiving the necessary information and clarifications from the areas responsible for or otherwise involved in preparing such statements. When attempting to detect these weaknesses, the audit and regulatory compliance committee relies on the support of the Group's external auditor and the internal audit division, both of which verify the effectiveness of the system put in place to control the quality of financial information and detect possible deviations that might ultimately lead to material errors in such information.

Bankinter's board of directors is responsible for approving and reviewing Bankinter's organisational structure, on the recommendation of the appointments and corporate governance committee. On 18 November 2015, Bankinter's board of directors approved the policy on the organisational structure of Bankinter Group, which lays the foundations for the optimal organisation and governance of both the Company and its Group in view of its multi-company structure and presence across different businesses and sectors. The policy also responds to current demands and expectations of the Company and its Group in terms of corporate purpose and interests.

The existing organisational structure of Bankinter Group claims to ensure a sound internal control model for financial reporting.

Bankinter Group's manual of accounting policies and financial reporting procedures (as approved by the board of directors on the recommendation of the audit and regulatory compliance committee) lays down the lines of responsibility and authority when it comes to financial reporting. It also contains a set of ethical principles applicable to all persons with accounting and financial reporting responsibilities and functions. This manual provides a detailed description of the ethical principles and the procedures to be observed when recording transactions and in the preparation and communication of financial information.

In summary, applicable ethical principles are independence, integrity, responsibility, professionalism, dedication and confidentiality.

General guidelines for conduct also provide that all transactions must be recorded in accordance with generally accepted accounting principles, specifically, in accordance with the applicable rules set forth in the accounting policies manual.

Other direct responsibilities of employees with financial and accounting duties are the following:

- Maintain up-to-date knowledge of accounting regulations and the policies and procedures of Bankinter Group, and perform their duties in accordance with them. Employees have the duty to request professional advice internally if they deem it necessary.

- Be on the alert for possible violations of Bankinter's financial and accounting policies that may be detected in financial reporting analyses and report them immediately.
- Communicate and report financial information in a fully transparent manner.
- Keep the documents supporting accounting records under custody, in accordance with Bankinter Group's policy.
- Immediately report any pressures from management to manipulate estimates and/or accounting valuations in order to alter financial results.

In addition, senior management with responsibility for financial reporting must:

- Ensure that all accounting employees have adequate professional experience and resources to perform their duties properly.
- Prevent and detect pressures to alter accounting valuations or estimates in order to wrongfully influence or alter financial results.
- Take the necessary measures to reasonably ensure that the financial statements and communications concerning financial matters made by the institution are complete and correct.
- Specifically, measures will be put in place to warn of:
 - i. Accounting records that improperly reflect the nature of the transaction.
 - ii. Pressure to produce incorrect book earnings/losses.
 - iii. Resistance from persons or heads of processes with financial and accounting duties to avoid such processes being reviewed or audited
 - iv. Existence of unreported funds or unrecorded assets or liabilities
 - v. Estimates of valuations, allowances, reserves, etc. not supported by facts and by proper documentation.

The Group has a **confidential whistle-blowing channel in place**, providing direct contact with the audit committee.

The existence of and access to this channel are made known to all members of the organisation so they may use it to report financial, accounting and other irregularities.

This channel is a channel of communication at Bankinter to receive complaints or reports on a confidential basis in connection with bad practices in financial and accounting matters that may

be potentially significant for the company, protecting the identity of the whistle-blower. It was also created to preserve the Bankinter Group's corporate values, in addition to the mere personal liability for individual actions, and requires the commitment of employees to report, through their timely communication, those situations which, while not related to their actions or area of responsibility, they consider to be ethically questionable in accordance with the content of the Code of Ethics.

Such reports shall be sent to an e-mail address provided for such purpose, and the recipient of such report shall be the head of the internal audit division under the authority of the audit committee, or by writing to the head of the internal audit division, thus ensuring absolute and strict confidentiality both in the reporting process and in any investigation process. Reports are reviewed in the order in which they are received, provided they meet the requirements established in the procedures governing them.

All Bankinter Group employees involved in the various processes of drawing up the financial information regularly take part in **training and refresher programmes so as to allow them to perform their duties effectively**.

Training plans for financial and accounting personnel are designed and approved by the financial divisions of the Bank and its subsidiaries, as well as the various general divisions involved in drawing up the financial information. All such training plans are supervised and managed by the people management division.

A total of 12 courses on financial reporting were delivered in 2019 to personnel attached to the banking business. A total of 818 training hours were given. The main areas receiving this training were:

- Financial control and analysis
- Financial reporting and accounting
- Operations
- Cash and trading
- Internal audit

At Línea Directa Aseguradora, 2 courses were given in 2019 to a total of 122 people, with 298 hours of training on financial and accounting matters.

7.2.- Assessment of financial reporting risks

The **process of identifying risks in financial reporting** is described and set out in Bankinter Group's manual of accounting policies.

The control system over financial reporting must establish a balance between the effective level of control and the related cost. In line therewith, the Group's Accounting Policies Manual establishes

a process for the identification of risks in financial reporting that is designed following a standard of relative importance and taking into account all the reported and published financial reporting.

The risk identification system for financial reporting at Bankinter Group follows a "top down" process framed within the criteria of relative importance approved by the board of directors and culminating in the monitoring of the financial reporting risks including: Group Companies and relevant processes and sub-processes.

The financial control area is responsible for checking, at least once a year, that the financial reporting risks it monitors have not undergone any significant change.

All business processes flagged as significant have been assigned a responsible area, which is in charge of documenting the process, identifying the associated risks and evaluating existing controls, while also establishing and implementing new controls if deemed necessary.

Both the procedures to identify financial information risks and the controls designed to control significant processes and activity take into account all the financial reporting objectives, following materiality and qualitative standards, focusing on the areas and processes carrying the greatest risk of fraud and error in estimates, and taking into account the principles of occurrence, integrity, breakdown and comparability. Specifically, the Manual of Accounting Policies sets out the following objectives:

- **Existence:** all assets (rights) and liabilities (obligations) recorded in the bank's balance sheet exist, and the transactions posted have been made in the respective period.
- **Completeness:** not only do they exist, but all assets and liabilities as of the end of the period covered by the balance sheet and the transactions made during the period are recorded.
- **Valuation:** the carrying amount of the assets and liabilities, as well as revenues and expenses, have been determined in accordance with generally accepted principles.
- **Presentation:** the information is sufficient, adequate, and is correctly described and classified.

The finance area includes the Group's financial reporting function, which is tasked with determining the scope of consolidation of the Group.

The full consolidation procedure will be applied for the annual accounts of subsidiaries. Accordingly, all significant balances and transactions made between consolidated institutions shall be eliminated in the consolidation process.

The profits and losses generated by entities that Bankinter Group may acquire during a reporting period will be consolidated based solely on the profits and losses they generated from the time they are acquired until the end of the relevant accounting period. Furthermore, the profits and losses generated by entities that Bankinter Group may sell in a year will be consolidated based solely on profits and losses generated from the beginning of relevant accounting period to date on which they are sold.

The equity method will be applied in such process for the accounts of jointly controlled entities, with the exceptions provided in current accounting regulations. The equity method will also be applied at associates.

Once the financial department is informed of the acquisition of a company in which Bankinter Group is a shareholder, its inclusion within the scope of consolidation is analysed and determined in the manner described above.

Note 13 in the consolidated annual accounts includes important information on shareholdings in subsidiaries, jointly controlled entities and affiliates, as well as any changes in the scope of consolidation. The same note also includes information about the most significant acquisitions and disposals during the year. The finance division shall be responsible for reviewing, at least on an annual basis, whether there have been any changes in the risks identified in drawing up the consolidated financial statements and shall report any changes therein to the audit division.

Bankinter Group's manual of accounting policies establishes standards for assessing the significant influence and/or the concept of control that are essential for deciding on consolidation and method for consolidating its many affiliates, subsidiaries and special purpose vehicles.

A detailed description of its main accounting policies, including those relating to the identification of Bankinter Group's scope, is provided in the annual report.

The Bank monitors all the risks to which it is exposed, which includes an assessment of the financial reporting risks to which it is exposed.

When assessing each financial reporting process and associated control, the Bank is mindful of whether valuation risk exists or whether estimates made by the managers have been relied on when calculating the information.

The board of directors, through the audit and regulatory compliance committee, is ultimately responsible for supervising the process, with the support of the internal audit division.

7.3.- Financial reporting control activities

As already mentioned, the board of directors delegates to the audit and regulatory compliance committee the duty of "Ensuring the reliability and transparency of all internal and external information on the Bank's earnings and operations; verifying, in particular, the integrity and consistency of the Bank's and the Group's quarterly and half-yearly financial statements, as well as the annual accounts, annual report and management report prior to their approval by or submission to the board of directors and subsequent release; and supervising the Bank's policy in relation to prospectuses and other forms of public information."

The audit committee, through the external auditor and the internal audit function, reviews the quarterly and half-yearly financial statements of both the Bank and its Group, as well as the annual financial statements, annual report and management report, prior to their approval.

Internal Control over Financial Reporting (ICFR) at Bankinter focuses on ensuring the proper recording, valuation, presentation and breakdown of transactions of relative importance and that may therefore affect financial reporting. The Accounting Policies Manual provides a detailed description of the types of transactions covered and establishes the necessary procedures for the updating thereof.

All the Group's critical processes and activities that, because of their significance, could have an impact on financial reporting are documented in the Manual of Accounting Policies. Such documentation establishes the procedures and controls that must be observed at all times by employees responsible for them.

The accounting of the Bank and its subsidiaries is automated practically in its entirety and is triggered automatically by the recording of the transaction. For that reason, the ICSFI pays particular attention to manual accounting processes and to the launching of new products, operations or special operations.

As regards manual accounting operations, it should be noted that accounting through manual entries is limited to users specialising in the operations and accounting area, client care, BK Consumer Finance and Life Insurance and Market Risks. Most of the entries made are perfectly traceable, as they are recorded together with the user who made them and the description thereof.

New products and services released on the market or the beginning of a new activity, special operations or any other event that has an impact on financial statements must be recorded, from an accounting and tax perspective, to ensure that financial information is reliable and compliant with current accounting laws and regulations. In this sense, the finance division is advised by the

departments and areas undertaking the different initiatives, as are the operational areas, so that they may review and determine the applicable accounting policies, required accounting treatment, inventories, and regulatory information and any other aspect that might have an impact on the financial statements.

Bankinter has set up a new product launching committee to ensure a strict mechanism for the supervision and control of operational and reputational risks that might arise in the ordinary course of banking activities with customers. In particular, the committee approves the launch of new products and services, adjust and fine-tunes business practices, establishes marketing policies and controls business agreements with other entities or possible partners; ultimately ensuring that legal requirements and operational and reputational standards established by the Bank are duly met.

In addition to controls at the process and activity levels, second-level controls are performed in order to detect material errors that could affect financial reporting. Worth noting among such controls are the reconciliation of inventories and accounting databases, controls of input-output and other accounts, control of items pending allocation, reconciliation of checking accounts, fairness of changes in balances, yields and costs in relation to changes in interest rates and activities, budgetary deviations, control of allocations of sizeable amounts, etc.

As regards the process for the closing of accounts and the review of litigation and significant estimates, valuations and projections, updates on this matter are made in accordance with the provisions of the Group's Accounting Policies Manual, which are described in detail in the Group's legal report, and they are made by the areas specialising in each of the issues and checked by the Financial Division of the Bank or of each subsidiary, as the case may be.

In addition, in all quarterly closings, the results are reviewed by the audit and regulatory compliance committee, for ultimate approval by the board of directors. When performing these duties, it draws on the reviews and considerations in that regard of the internal audit unit and the external auditor.

7.4.- Main characteristics of the process for reviewing and authorising the financial information

i. Performance of analytical procedures that make it possible to assess aspects of the income statement, such as:

- Consistency of financial reporting with the performance and growth of Bankinter Group's business and of the wider financial system.
- Analytical procedures designed to identify unusual operations and items, which include:
 - Comparisons with income statements from previous periods.

- Comparison of actual results with budgeted results where these have been defined.
- Comparisons of income statement items with those expected based on the past experience of Bankinter Group and the financial system.
- Effect of resolutions adopted by the shareholders at the Annual General Meeting, by the board of directors, etc., on the income statement.

▪ Meetings with senior officers responsible for financial and accounting matters in order to, based on the information obtained from the aforementioned analytical procedures, evaluate matters such as:

- whether the income statement was prepared in accordance with current accounting standards.
- changes that may have occurred in the activities of Bankinter Group or when implementing accounting standards.
- Significant aspects relating to changes in activities, new products or new lines of business that may affect the income statement.
- Statements concerning changes in the income statement and changes in certain line items, especially any unexpected or unusual changes.
- information, documentation and/or data obtained to assess the fairness of the statements given.

ii. Review and performance of calculations and comparisons of a similar nature.

The above procedures are implemented on the basis of relative importance. Accordingly, the Bank does not analyse items or transactions for low amounts on the income statement, those that do not merit the scrutiny of the audit and regulatory compliance committee, and those whose performance is consistent with the changes seen in their underlying variables.

Furthermore, a system based on the key processes and controls identified to ensure the accuracy and reliability of monthly financial reporting is implemented.

The control system has been designed following quantitative and qualitative materiality standards, focusing on the areas and processes with the greatest risk (fraud, estimates, valuations, errors, etc.). All business processes identified as significant have been assigned a responsible area, which is in charge of documenting the process, identifying the risks thereof and evaluating existing controls, as well as of establishing and implementing new controls if deemed necessary.

The financial control and analysis area designs an agile, dynamic and efficient system for controls established by those responsible for them.

The process is essentially as follows:

- On a monthly basis:
 - Each of the areas and/or heads is sent a report with the controls that must be checked ahead of the close date for earnings and results.
 - This report must be returned by the person responsible for such control, along with a status description, ahead of the final close date of the Bank's earnings and results. There are a number of controls performed at intervals that are different from those mentioned due to their respective types, since they would not have an impact on Bankinter's earnings.
 - All this information is grouped and sent to the heads of the financial area for information and control of the situation prior to the closing of results of the current month, which will allow them to act to resolve possible incidents and/or circumstances, if any, that may have occurred, preventing an incorrect impact on results.

A total of 397 controls have been sent to date (December 2019), the status of which, as reported by those responsible for them, has been favourable, given that they have all been reviewed and classified as without noteworthy qualifications.

- On an annual basis:
 - A report sent to each area and/or manager with the processes and controls established by them for review.
 - Such report must be returned by the person responsible for such processes/controls validating, modifying and/or increasing all processes and/or controls that have been modified and/or altered which modify both the structure of the process and the control performed, achieving a dynamic control system.

7.4.1.- Internal control policies and procedures for financial reporting systems

Bankinter's information systems relating to the processes for preparing financial reporting, be it directly or indirectly, ensure at all times that financial reporting is properly prepared and published using a specific internal control system. Bankinter has an information security policy that sets out regulations to identify, develop and implement the necessary technical and organisational measures for guaranteeing the security of the information and information reporting systems, in accordance with technology risk analyses, good practices within the financial system and legal and contractual requirements to which Bankinter Group is bound.

In June 2016, the ISP was formalised as Bank Circular # 4323 at the request of the Bank's information security and business continuity committee (S&C committee). The ISP was updated in September 2019 to include a description of the specific functions of the Bank's three lines of defence and to entrench the principle of information security, which is considered part and parcel of the normal course of business and the responsibility of everyone. Bankinter's risk management and control model is based on three lines of defence:

- The first line of defence is formed by the business units and support areas in Group companies which originate risk exposure. These units manage, monitor and report their risks correctly. These risks must conform to the risk appetite framework and authorised risk limits and powers. The information security unit (ISU) is the most visible head of this first line of defence.
- The second line of defence consists of specialist control and oversight units, located within the risk control and validation unit, the regulatory compliance unit and the financial control unit. The risk control and internal validation unit oversees the effective control of all risks relating to: the Bank's risk culture and policies, compliance with established operating procedures, and law and regulations. It also guarantees that risks are managed as per the defined risk appetite. The charter of the risk control function (approved by the board of directors) sets forth the principles, organisation, structure, powers and responsibilities of the risk control function.
- The third line of defence consists of internal audit, which conducts independent reviews of the risk management and control model.

Bankinter has specific internal controls governing the application and reporting system access management based on a profile system adapted to the duties of each post

Application and reporting system access management is clearly established and standardised. Access is provided by the technical administration management department. Every year, usernames created in the main systems are reviewed to determine if they remain active. Bankinter has specific controls for data processing centres to ensure security. User names authorised to access these centres are revised on a quarterly basis and recertified by managers.

The technology risk area within the information security department is responsible for preparing and maintaining the business continuity plan (BCP) for Bankinter.

Such BCP is divided by business processes, each of which has its specific plan. In particular, these plans include a plan for technological continuity and recovery in disaster situations. The main measure of the technological continuity plan is based on the availability of two data processing

centres in geographical locations sufficiently distant from each other. Their data are replicated simultaneously.

This makes it possible to recover data and information systems in the event of contingency without a significant loss of information. The plan is tested at least once a year to check that it is functioning properly.

Existing applications or the implementation of new applications are modified according to established internal procedures and Bankinter's application development method. Applications are developed in environments separate from production environments. Technical and functional user tests are performed in a pre-production environment, so that they will not affect the actual operations of Bankinter. New applications, changes or software are moved to the real environment once they have been tested by all areas involved.

7.4.2.- Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements

As a general rule, it is the Bank's policy not to outsource any activity that is considered significant because of its impact on financial reporting. Almost no valuation processes, lawsuits or calculations to be made for the preparation and publication of the financial statements have been outsourced.

Outsourcing of activities is always supported by a services agreement clearly determining the services provided and the required service quality levels.

Processes and procedures outsourced to third parties can be audited and are subject to regular audits by the Internal Audit division, which verifies the suitability of the services and controls in place.

On 16 December 2015, Bankinter's board of directors approved an outsourcing policy, which establishes, among other things, the principles, the services that may be outsourced, the persons responsible for outsourcing, limitations and the outsourcing procedure.

On 24 January 2018, Bankinter's board of directors approved the supplier code of conduct, following the recommendation of the audit and regulatory compliance committee.

In February 2019, Bankinter's board of directors approved an updated outsourcing code, on the recommendation of the audit and regulatory compliance committee.

7.5.- Information and communication

7.5.1.- Specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation

The finance area works alongside the audit area in ensuring the quality, transparency and timeliness of the separate financial information of Bankinter S.A. and the consolidated financial information of Bankinter Group, in accordance with appropriate accounting methods.

In order to achieve these basic financial reporting objectives, it has been deemed necessary to formally set up a specific function tasked with developing and updating Bankinter's accounting policies, while resolving all queries or conflicts arising from the interpretation of accounting laws and regulations.

This function is assumed by the financial reporting division, which will be responsible for resolving any conflict of interest that may arise among the various areas and divisions of the Bank, and for deciding how to include or interpret the financial information in the various reports that must be drawn up, in accordance with applicable law and regulations and the accounting principles and policies set out in the Manual of Accounting Policies. It will submit any significant changes in standards to the audit and regulatory compliance committee. The manual of accounting policies and procedures is updated annually. If there are substantial changes in current legislation, it must be updated immediately.

7.5.2.- Measures for capturing and preparing financial information

Bankinter Group's systems are fully integrated for the most part. Once transactions are recognised, they are automatically recorded in accounting records and inventories are updated accordingly.

The automated accounting is parametrised and defined following review and verification, by the accounting definition department (part of the financial division) so as to ensure compliance with applicable laws and regulations and with the Group's own accounting policies.

The consolidation of the Group's financial statements is a fully automated process that is based on the use of a standard tool that is fully integrated within the internal systems.

All the subsidiaries included within the perimeter of Bankinter Group report their financial statements to the finance department of its parent company on a monthly basis in accordance with its charts of accounts.

The Hyperion tool, which standardises and harmonises accounting information and consolidation of the Perimeter of the Consolidated Group, is used for accounting consolidation purposes.

7.6.- Supervision of system performance

7.6.1. Supervision of ICFR and scope

Pursuant to the Rules and Regulations of the Board of Directors of Bankinter, S.A., the internal audit division reports to the audit and regulatory compliance committee but is functionally attached to the chairman of the board of directors, thus ensuring the independence, autonomy and Group-wide remit of the internal audit function.

In accordance with these regulations and the Corporate Bylaws of Bankinter, S.A., the remit of the audit and regulatory compliance committee includes the supervision and control of the Company's activities and of the truthfulness, objectivity and transparency of its corporate accounting records; as well as supervision of the process of drawing up and presenting regulated financial information; and ensuring compliance with regulatory requirements and accounting rules and standards. It also has the duty to promote and periodically review the sound operation of adequate internal control systems to ensure the proper management of Company risks; and to verify the integrity and consistency of the quarterly and half-yearly financial statements of the Bank and the Group, and the annual financial statements, annual report and management report prior to their approval by or submission to the board of directors and their eventual release.

Significantly, internal audit presents the audit and regulatory compliance committee with a quarterly report verifying the accuracy of Bankinter Group's consolidated income statement, with the support of the external auditor. The same applies to the half-yearly report on the income statement.

In accordance with the internal audit charter approved by the audit and regulatory compliance committee, internal audit is responsible for assessing the effectiveness of risk management and control, internal control, regulatory compliance and corporate governance processes, among others, providing added value and raising alarms if any changes need to be made, while recommending operational and organisational improvements. One of its main functions is to provide added value for the management bodies and other areas of the organisation with control functions, so as to further improve and consolidate the internal control system, control activities and procedures applied, without prejudice to the independence and autonomy of the internal audit function.

In relation to the internal control over financial report (ICFR) system, the Regulations of the Audit and Regulatory Compliance Committee of Bankinter, S.A. (approved in January 2019 by the board of directors), states that the committee's remit also includes supervising the effectiveness

of the Company's internal control, knowing, understanding and supervising the effectiveness of the internal control over financial information (ICFR) system and discussing with the auditor any significant weaknesses in the internal control system.

The audit plan of Bankinter Group's internal audit function envisions a Group-wide review and audit of ICFR over a three-year period. The 2019 audit plan, which includes a review of the internal control over financial reporting (ICFR) system, was approved by the audit and regulatory compliance committee at a meeting held on 17 December 2018.

At 31 December 2019, internal audit's annual review of internal control over financial reporting had been completed. The field work was carried out in October and December of 2019 and focused on reviewing the design and implementation of a sample of controls included within the ICFR system, with the aim of evaluating its effectiveness. The scope of this work was as follows:

- Receiving and reviewing the controls via the second level of control
- Independent review of the design and implementation of a sample of controls
- Reporting on the second level of control
- Monitoring the recommendations contained in the 2018 report

The final report was released on 19 December 2019. The review process reveals that the process of receiving, reviewing and reporting on controls, included within the internal control over financial reporting (ICFR) system, comes with an adequate and duly documented methodology and clearly defined responsibilities. However, the audit did reveal certain areas for improvement, which are now being addressed in accordance with the action plans rolled out.

The findings of the review process have been reported to Bankinter Group's management team and submitted to the Group's audit and regulatory compliance committee. The observations arising from the audit are to be monitored closely in accordance with internal rules and regulations. Note that a monthly follow-up report on the status of the observations and recommendations given as a result of both external and internal audit reports, is made available to all audit and regulatory compliance committee members on the director website.

7.6.2.- Discussion procedure for significant weaknesses encountered and action plan

Article 38 of the Rules and Regulations of the Board of Directors states that the remit of the audit and regulatory compliance committee includes the duty to discuss with the auditors any significant weaknesses to have detected in the internal control system over the course of the audit. It also states that the external auditors shall attend meetings of the audit and regulatory compliance committee whenever the committee's chairman sees fit to invite them. They must always attend any meeting held to scrutinise their audit report on the Bank and the Group's

annual and half-yearly financial statements and annual control report, as well as any other meetings that may be held to verify earnings before the relevant reports are released.

In accordance with the law and the Rules and Regulations of the Board of Directors, the audit and regulatory compliance committee shall also serve as a channel of communication between the board of directors and the external and internal auditors; evaluate the results of audit reports and compliance with the qualifications and conclusions found therein; and discuss with the auditors any significant weaknesses to have been detected in the internal control system over the course of the audit.

The Regulations of the Audit and Regulatory Compliance Committee of Bankinter also state that the Committee shall supervise internal audit, controlling, among other things, the adequacy of the conclusions reached by internal audit, the effective implementation of action plans as agreed, and timely reporting to the audit and regulatory compliance committee on such ongoing implementation.

We would highlight that the action plans put in place to resolve the observations and recommendations given by both the internal and external auditor, are subject to strict oversight and monitoring in accordance with the Internal Circular on Internal Audit Reports, the latest version of which was approved by the audit and regulatory compliance committee at its meeting of 17 June 2019. This Circular contains the general framework governing the management process for reports issued by Bankinter Group's internal audit function and the observations and recommendations included in those reports, as well as the binding action plans rolled out to mitigate the risks observed.

7.7.- Other relevant information: review by the auditor of information about the ICFR model

Audit firm PricewaterhouseCoopers Auditores, S.L., as auditor of the financial statements of the Bank and of Bankinter Group, conducts an annual review of the information sent to the market through the financial reporting system model described above. Attached hereto is the report of the auditor titled "Information relating to the Internal Control over Financial Reporting (ICFR) System" of Bankinter Group for 2019.

Adherence to codes of ethics and good practices

At the board meeting held on 22 April 2014, the shareholders resolved that Bankinter and its Group should adhere to the entire Code of Best Tax Practices, approved at the Large Businesses Forum on 20 July 2010.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 18 February 2020.

State whether any directors voted against or abstained from voting on this report.

Yes	No	X
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