

CORPORATE GOVERNANCE

2019 INTEGRATED ANNUAL
REPORT

bankinter.



The best national and international practices



Bankinter 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.

Bankinter's Corporate Governance Policy contains the general principles that underpin the specific corporate policies and internal procedure rules regarding corporate governance. Together, these policies and rules form Bankinter Group's internal corporate governance framework and are mandatory for all group entities as well as their respective governing bodies. Furthermore, it contains the principles that define the Group's corporate structure, as well as the core rules of its internal operations for the implementation of applicable legislation and the best corporate governance practices. The details of the Corporate Governance Policy, in addition to the associated policies (Director Selection and Succession, Suitability and Training Assessment) can be found on the Bank's website, in addition to the annual disclosures in the Corporate Governance Report approved by the Board of Directors.

Information on the Board of Directors and its committees, and changes in the composition of these bodies during the year, among others, is shown below. It is also worth noting that all the entity's information on corporate governance is detailed in the Annual Corporate Governance Report, approved by the board of directors and published on its corporate website.

Composition of the board

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:

- The maximum number of board members was raised from 10 to 12 during the year. This increase in the number of directors was approved by shareholders

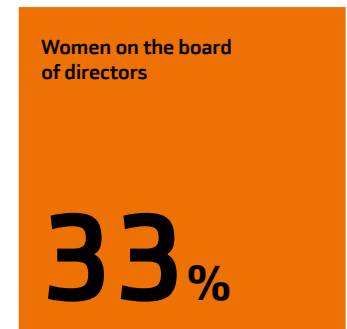
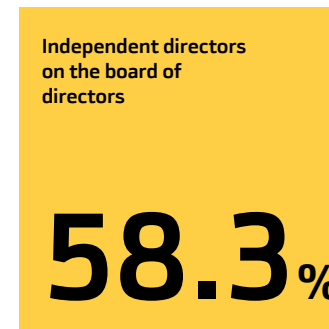
at the annual general meeting held in March 2018 (with 98.946% of votes in favour), and made effective with the appointments approved at the annual general meeting held in March 2019.

- María Luisa Jordá Castro and Álvaro Álvarez-Alonso Plaza were appointed independent external directors at the annual general meeting held in March 2019, thus covering the board openings approved at the annual general meeting held in 2018 (98.284% and 98.049% of votes in favour, respectively).

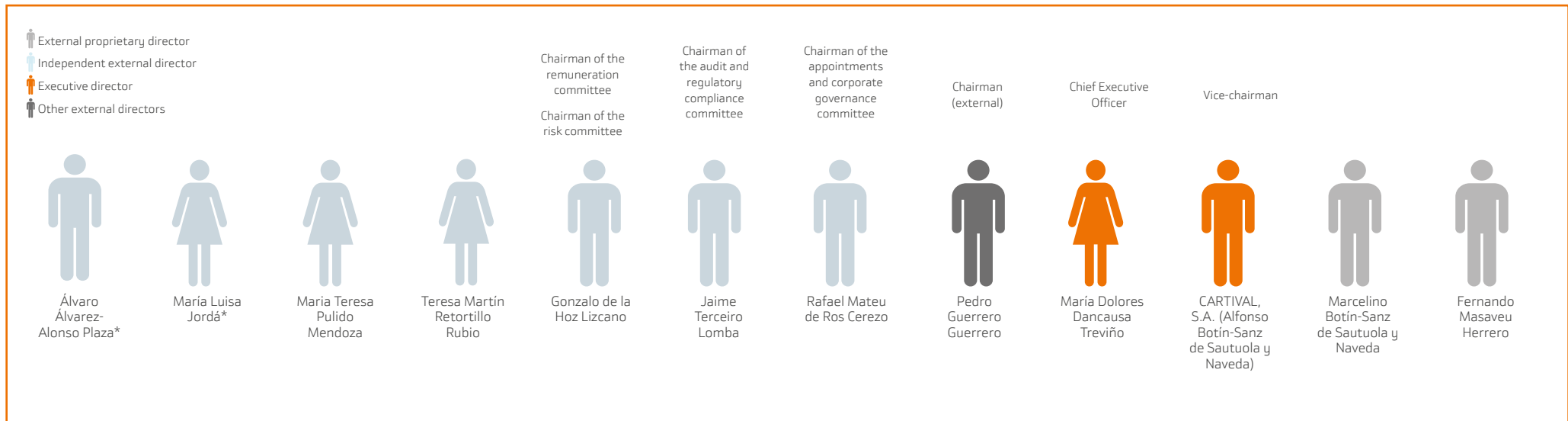
These latest arrivals have further enhanced the structure of the board of directors, making it more efficient and allowing for the effective involvement of all directors and agile decision-making.

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

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



At 31 December 2019



Accordingly, 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, which is comfortably compliant with Spanish and international recommendations since 58% of its directors are now independent.

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 into 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 external directors and one as an executive director and the company's chief executive.

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

Information on each of the board members can be found in the Annual Corporate Governance Report and the Bank's website.

It should also be noted with regard to the composition of the board of directors and potential changes in 2020, the appointments and corporate governance committee, at a meeting held on 25 July 2019, initiated the selection process to fill the vacancies that will arise when two of its directors no longer qualify as independent in 2020, having served their 12 year mandate on Bankinter's board of directors. Therefore, on that date and under 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 annual general meeting to be held in March 2020.

A motion shall also be submitted to the annual general meeting to establish the number of directors at 11. Therefore, if, at the annual general meeting held in March 2020, the proposed appointment is approved, in addition to the proposal to set the number of directors on the board of directors at eleven (11), the composition of the board will change compared to 31 December 2019.

Separation of powers

Bankinter, in its firm belief in the importance of a balance of power in decision-making processes, has established a clear separation of functions between the non-executive chairman and the chief executive officer.

While Bankinter has separated the two functions, its corporate bylaws and the Rules and Regulations of the Board of Directors allow the appointment of a coordinating or lead director from among its independent directors and of establishing his or her duties and powers. A coordinating director shall be appointed when the chairman of the board of directors is executive. In its current format, the board of directors has not needed to appoint a coordinating director from among its independent directors, with the abstention of the executive directors.

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Committees of the board of directors

The board of directors has created an executive committee with delegated authority. Furthermore, it has a range of committees with supervisory, reporting, advisory and proposal powers. They are the following:

- Audit and Regulatory Compliance committee
- Risk committee
- Remuneration committee
- Appointments and Corporate Governance committee.

The Rules and Regulations of the Board of Directors defines the functions and powers designated to each committee. Furthermore, in January 2019, the board of directors approved a specific regulation for the Audit and Regulatory Compliance committee,

following the recommendations defined by the regulator and to equip it with greater functional independence. These regulations are available on the Company's corporate website. Further, the board intends to draw up similar rules and regulations for its other committees within the next few years.

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, according to national and international best practices. With this objective in mind, the board incorporated the new directors at the 2019 annual general meeting on the basis of their knowledge and experience. There were no departures of board committee members in 2019.

The current composition of each committee can be consulted on the Bank's website.

Assessment 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 asked an independent external expert to conduct their annual evaluation for 2019, as it was decided in 2015 that this evaluation process would be entrusted to an external expert every three years. This report contains a specific chapter on the evaluation of the board and its committees, explaining changes in their membership and remit, as well as the result or impact of those changes. No deficiencies have been detected that would have otherwise prompted the board of directors to approve an action plan to remedy them. However, certain areas for improvement were spotted that would make the governing bodies more efficient in their operation.

Director remuneration

The main principles and components of director remuneration are detailed in the director remuneration policy for 2019, 2020 and 2021, approved at the annual general meeting held in March 2019. A description is also found in the annual director remuneration report that is submitted for consultation at the annual general meeting each year.

Both the director remuneration report and the annual report provide individualised information on the remuneration received by each director, showing the amounts corresponding to each remuneration item. These items appear also individually in the report as well as the remuneration that corresponds to the executive duties entrusted to the Bank's executive directors.