

Annual Corporate Governance Report

2018

bankinter.

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On 25 October 2017, the board of directors of Bankinter approved the Corporate governance policy of Bankinter Group in accordance with capital adequacy regulations, the Good Governance Code of Listed Companies, and international corporate governance guidelines and recommendations.

It 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, the corporate governance policy contains the principles that define the corporate structure of Bankinter Group as well as the core rules of its internal operations, based on and for the implementation of current regulations and the best corporate governance practices.

The corporate governance policy is available on Bankinter's corporate website.

A. OWNERSHIP STRUCTURE

At the end of 2018, as shown under Table A.1 of the statistical model attached to this report, Bankinter, S.A.'s share capital was represented by 898,866,154 fully subscribed and paid shares with a par value of 0.30 euros each. 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 bear the same inherent rights.

Bankinter has not issued securities that are not traded in a regulated market in the European Union:

As of 31 December 2018, the number of shareholders was 55,122. The distribution of shareholders by number of shares and by type of residence is as follows:

Shareholder structure by number of shares					31/12/2018
Groups	No of		No. of shares	%	
	shareholders	%			
From 1 to 100 shares	17,159	31.13	246,885	0.03	
From 101 to 1,000 shares	17,120	31.06	8,348,349	0.93	
From 1,001 to 10,000 shares	17,350	31.47	57,553,670	6.40	
From 10,001 to 100,000 shares	3,207	5.82	75,110,364	8.35	
More than 100,000 shares	286	0.52	757,606,886	84.29	
Total	55,122		898,866,154		

Summary by type of shareholder	No of		No. of shares	%	
	shareholders	%			
Residents	54,423	98.73	487,438,679	54.23	
Non-residents	699	1.27	411,427,475	45.77	
Total	55,122		898,866,154		

1.1. Significant shareholders.

The direct and indirect owners of significant shareholdings in Bankinter, S.A. (not including board members at the end of 2018) are described below:

Name of shareholder	Voting rights assigned to shares			Voting rights through financial instruments		% of total voting rights
	Direct	Indirect (*)		Direct	Indirect	
STANDARD LIFE ABERDEEN PLC	-	OTROS ACCIONIST AS DE LA SOCIEDAD	27,722,071	-	-	3.084%
BLACKROCK INC.	-	OTROS ACCIONIST AS DE LA SOCIEDAD	32,795,447	-	-	3.649%

(*) Pursuant to the provisions of National Securities Market Commission Circular 5/2013 approving the standard annual report on corporate governance for listed companies, and as regards indirect interests (the breakdown of which is provided in the table), direct holders of voting shares are only identified when they represent 3% of the total voting rights of the issuer, or 1% if they are residents of a tax haven.

Most significant changes in the shareholding structure during the year:

One of the most significant changes to the shareholding structure in 2018 is that, on 21 September, Jaime Botín-Sanz de Sautuola y García de los Ríos announced to the CNMV and Bankinter that he would lose the status of controlling shareholder of CARTIVAL, S.A. a board member in Bankinter. The board of directors of CARTIVAL, S.A. will exercise the company’s control as well as the political rights of any shares it has in Bankinter, S.A.

Name of shareholder	Date of the transaction	Description of the transaction
JANUS HENDERSON GROUP PLC.	22/01/2018	Fell below 3%

Bankinter does not know of any existing familial, business, contractual or corporate relations between significant shareholders. Bankinter and/or the companies comprising its group also have no familial, business, contractual or corporate relations with its significant shareholders other than those stemming from its regular business operations.

Moreover, Bankinter has not been informed of any shareholders’ agreements between its shareholders.

No natural or legal person currently exercises or may exercise control over Bankinter, pursuant to article 5 of the Ley del Mercado de Valores [Spanish Securities Market Act].

1.2. Share capital held by the board of directors.

As of 31 December 2018, members of the board of directors held, in total, 28.847% of the voting rights of Bankinter shares. This information, described below, is updated on the CNMV website and the corporate website of the company:

Name (person or company)	Voting rights assigned to shares		Voting rights through financial instruments		% of total voting rights	Voting rights non-transferable through financial instruments (%)
	Direct	Indirect	Direct	Indirect		
Pedro Guerrero Guerrero	3,085,817	5	-	-	0.343	-
CARTIVAL, S.A.	205,610,753	-	9,945	0.001	22.875	-
María Dolores Dancausa Treviño	1,096,250	1,264	14,197	0.002	0.124	-
Fernando Masaveu Herrero	776,330	44,959,730 (*)	-	-	5.292	-
Marcelino Botín-Sanz Sautuola y Naveda	253,045	-	-	-	0.028	-
Jaime Terceiro Lomba	48,144	-	-	-	0.005	-
Rafael Mateu de Ros Cerezo	964,721	-	-	-	0.107	-
Gonzalo de la Hoz Lizcano	666,106	-	-	-	0.074	-
María Teresa Pulido Mendoza	1,509	-	-	-	0.000	-
Teresa Martín-Retortillo Rubio	-	-	-	-	-	-

(*) 44,959,730 Bankinter shares are held by Corporación Masaveu, S.A., 1,832,576 Bankinter shares are held by other Masaveu Group companies. On 4 March 2011, Bankinter proprietary director, Fernando Masaveu Herrero, announced that he controlled the voting rights of the Bankinter shares that are held by the various companies of the Masaveu group and were previously attributed as voting rights controlled directly or indirectly by the major shareholder then known as S.A. Tudela Veguin (currently Corporación Masaveu). Such fact was stated by the director solely for purposes of good governance and in order to comply with applicable regulations concerning transparency of information at listed companies, and does not entail a change of ownership or a financial benefit derived from the rights of the holders thereof.

1.3. Treasury shares.

As of 31 December 2018, there were 99,110 treasury shares.

Number of direct shares	Number of indirect shares (*)	Total % of share capital
83,021	16,089	0.011

(*)Through:

Name of direct owner of shareholding (person or)	Number of direct shares
HISPAMARKET, S.A.	16,089
Total:	16,089

Significant changes during the year, according to Royal Decree 1362/2007:

On 26 October 2018, Bankinter notified the National Securities Market Commission (CNMV) that it had reached 1% threshold of own shares through consecutive share purchases, without deducting transfers, according to the following breakdown:

- Total number of direct shares acquired: 1,670,588
- Total number of indirect shares acquired: 7,318,557
- % of share capital represented by total: 1.00.

At the Annual General Meeting held on 18 March 2015, the shareholders voted to authorise the board of directors, with express authority to delegate such power to the executive committee, to buy back treasury shares for Bankinter and/or its subsidiaries, in the terms and conditions established by law, with express power to dispose of or cancel such shares, reducing the amount of share capital and rescinding the authorisation approved by the shareholders at annual general meetings in prior financial years to the extent of the unused amount.

Such acquisitions may be made at any time, and as many times as is deemed appropriate, in any form or manner, including with a charge to the profits of the financial 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 Bankinter's share capital, or any higher amount as permitted by law, irrespective of the instances described in Article 144, in accordance with Art. 509 of the Ley de Sociedades de Capital [Spanish Corporations Act]. The shares acquired by Bankinter or its subsidiaries by virtue of this authorisation may be used, in whole or in part, to deliver them to Bankinter directors and employees when there is a

recognised right directly or through the exercise of options held by them, for the purposes described in the final paragraph of section 146, subsection 1, of the Ley de Sociedades de Capital [Spanish Corporations Act]. The minimum share price will be the nominal amount, and the maximum price for trading transactions in an official secondary market will be the amount corresponding to up to 10 percent above the shares' listing price at the time a given transaction is authorised or executed.

If Bankinter buys back its own shares in fulfilment of obligations established in option agreements, purchase and instalment purchase agreements or similar agreements previously formalised by Bankinter, including those covering convertible or exchangeable shares and debentures that are or must be delivered directly to Bankinter directors or employees, or that result from the exercise of option rights held by them (transactions which are likewise authorised), the applicable price shall be that which was arranged in the respective contract or agreement.

On the same date and by the same resolution, the shareholders at the Annual General Meeting voted to authorise the board of directors to approve a reduction in share capital in order to repurchase and cancel its own shares and set the terms and conditions for share capital; to determine the use to be made thereof; to vote to de-list the shares and amend article 5 of the By-Laws; and to modify the par value of shares without increasing or reducing the amount of share capital. The authorisation granted shall be valid for five years from the date of adoption of the resolution, covers all treasury stock transactions made in accordance with its terms, and is in full force and effect as from the date of this report.

1.4. Estimated floating capital.

Based on the above, estimated floating capital is 64.41%. This is the share capital that is not held by significant shareholders or board members, or by Bankinter as treasury shares.

Bankinter is not subject to restrictions on the transferability of shares and/or voting rights. More specifically, it does not have any restrictions that may obstruct a takeover of the company through a purchase of its shares in the market. Furthermore, no resolution on any measure to neutralise any tender offer, pursuant to Act 6/2007 on the regime of tender offers and issuer transparency, was adopted in the Annual General Meeting.

B. GENERAL MEETING

Bankinter's general meetings are regulated by the Ley de Sociedades de Capital [Spanish Corporations Act], its company by-laws and its own general meeting rules and regulations, which are available on its corporate website. Amendments to these rules and regulations were last adopted on 15 March 2015 in the Annual General Meeting.

According to Bankinter's company by-laws and the Ley de Sociedades de Capital [Spanish Corporations Act], general meetings are authorised to:

- approve the annual accounts, allocate earnings and approve the corporate management.
- appoint and remove the directors, liquidators and, if appropriate, account auditors; and carry out actions of social responsibility taken against any of them.
- amend the company by-laws.
- increase or reduce share capital.
- exclude or limit pre-emptive rights.
- acquire, transfer or contribute the company's operating assets to another company.
- transfer to dependent entities of essential activities performed up to that time by the Company, even when the Company maintains full control over them.

For the purpose of the two previous paragraphs, the essential character of the assets is presumed when operation amounts exceeds the twenty-five percent of value of assets shown on the latest approved balance sheet.

- h) The transformation of the Company, the merger, the spin-off or the global assignment of assets and liabilities and the transfer of the registered office abroad.
- i) The liquidation of the company.
- j) The approval of the final liquidation balance sheet.
- k) Operations whose effect is equivalent to that of Company's liquidation.
- The director remuneration policy in terms established by this law.
- m) Any other matters established by law or bylaws.

The **Rules and Regulations for the Annual General Meeting of Bankinter** aims to regulate the announcement, preparation, reporting, assembly, conduct and operations of the Annual General Meeting of Bankinter, a sovereign corporate body. For this purpose, it defines the principles for its organisation and operations in regard to the matters regulated by law and in its by-laws, as well as shareholders' information, participation and voting rights.

The Rules and Regulations for the Annual General Meeting provides that people who hold six hundred or more shares registered in their name in the corresponding accounting registers at least five days before the meeting is held, as established in the corporate by-laws, have **the right to attend** general meetings.

Therefore, although the corporate by-laws currently establish a 600 share minimum for shareholders to attend Bankinter annual general meetings, it should be noted that, following the split in the par value of the shares by virtue of a board resolution dated June 2007 (whereby each shareholder received a total of 5 new shares for each old share) and subsequent share capital increase carried out by Bankinter, including the increase in share capital effected on 26 April 2013 through the issuance of bonus shares (in a proportion of 5 new shares for every 9 old shares), the invested amount required to attend annual general meetings has decreased significantly.

The Rules and Regulations for the Annual General Meeting of Bankinter regulates such aspects as the regime for creating and adopting corporate resolutions in the general meeting, without differing from the regime set out in the Spanish Corporations Act. Article 14 of the Rules and Regulations of the Board of Directors provides that: *'1. The quorums and majorities required for valid constitution and the adoption of resolutions by the General Meeting are those established in the Corporate Enterprises Act. In the absence of a sufficient quorum, a General Meeting is held on second notice. Should the Agenda for the General Meeting include matters demanding a reinforced constituent quorum and such quorum is not reached but there is a quorum to deal validly with the remaining items on the Agenda, the General Meeting is deemed to be validly constituted to deal with such remaining items'*

Pursuant to the Organisation, Supervision and Solvency of Financial Institutions Act, approval of a variable remuneration level in excess of 100% of the fixed component requires that the decision be adopted by a two thirds majority, provided at least 50% of the shares or equivalent voting rights are present and vote, in person or by proxy. If such quorum is not present, a majority of at least three fourths of the voting capital in attendance in person or by proxy will be required.

The general meeting is authorised to take decisions to amend the company's by-laws. Whenever an amendment to the by-laws is proposed, the full text of the proposed amendment must be drafted, along with a written report describing the rationale for the amendment that shall be made available to shareholders for the purpose of convening a general meeting to debate it.

Given that Bankinter is a financial institution, any amendment of the by-laws must conform to the provisions of section 10 of Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the Organisation, Supervision and Solvency of Financial Institutions. These legal provisions provide that by-law amendments are subject to the authorisation and registration procedure.

Without prejudice to the foregoing, the following amendments shall not be subject to the authorisation procedure, although notice thereof must be given to Banco de España (Bank of Spain): amendments made to change the address of the registered office within Spain, an increase in share capital, the verbatim inclusion in the by-laws of mandatory or prohibitory statutory or regulatory provisions, or to comply with court or governmental orders, and those other amendments for which Banco de España, in reply to a prior question in that regard, has deemed it unnecessary because they are not significant.

General meeting attendance figures from recent years, the approval rate of adopted resolutions and other information can be found on the corporate website. General meeting attendance figures from the last three years are provided below:

Attendance figures					
General Meeting date	% shareholders present	% attending by proxy (*)	% voting remotely		Total
			Electronic vote	Other	
17/03/2016	0.55	72.48	1.08	0.00	74.11
Of which: floating capital	0.20	34.65	1.08	0.00	35.93
23/03/2017	0.60	70.72	0.97	0.00	72.29
Of which: floating capital	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: floating capital	0.06	38.11	0.99	0.00	39.16

(*) Almost all board members at the general meeting appointed the chairman of the board as their proxy.

The annual general meetings held in 2016, 2017 and 2018, described in the previous table, did not contemplate any point on the agenda that was not approved by shareholders.

Bankinter broadcasts its general shareholders' meetings live on its website up to the time when shareholders take the floor to speak.

Bankinter's corporate website address, registered with the Madrid Commercial Registry, following a resolution adopted in the Annual General Meeting held on 15 March 2012, is www.bankinter.com/webcorporativa.

The general meetings held in 2017 and 2018, as well as the general meeting to be held in 2019, are publicly announced in the Official Gazette of the Commercial Registry, on its corporate website (www.bankinter.com/webcorporativa) and on the website of the National Securities Market Commission, as permitted by the Ley de Sociedades de Capital [Spanish Corporations Act].

All of Bankinter's contents on corporate governance (eg, company by-laws, Rules and Regulations for the Annual General Meeting, Rules and Regulations of the Board of Directors, information on recent annual general meetings, corporate governance reports, director remuneration reports, information on the directors, information on significant shareholdings, treasury shares, etc) can be found on the corporate website.

C. BOARD OF DIRECTORS

The internal regime governing the operations of the board of directors and the board committees, directors' rights and duties, the rules of conduct in the securities market to which directors are bound, as well as the figures of the advisory directors and the advisers to the board, as the case may be, and the specific measures aimed at ensuring the best possible administration of the Company, are regulated, in accordance with the Law and the company by-laws, in the Rules and Regulations of the Board of Directors, the approval and amendment of which shall require a board resolution, approved by two thirds of board members. The content of the Regulations shall be reported on in the general meeting and publicly disclosed in the manner laid down by law.

In 2018, the board of directors approved the following **amendments to the Rules and Regulations of the Board of Directors:**

On 19 December 2018, the board of directors voted to amend the following articles: article 32 (Secretary), article 37 (Executive committee), article 38 (Audit and regulatory compliance committee), article 39 (Risk committee), article 40 (Remuneration committee) and article 41 (Appointments and corporate governance committee).

The purpose of these amendments is to include the replacement of the secretary of the board by the vice-secretary, in the event of vacancy, absence, illness or conflict of interest, in both board and committee meetings; provide for the supplementary implementation in committees of the rules of operation in place for the board, in case such rules are not expressly defined; include a set of specific rules and regulations for the audit and regulatory compliance committee; and introduce certain technical improvements.

These amendments will be reported on in the next Annual General Meeting in March 2019, in accordance with article 528 of the Ley de Sociedades de Capital [Spanish Corporations Act]. A description of these amendments can be found on Bankinter's corporate website (www.bankinter.com/webcorporativa).

3.1. Composition of the board of directors:

As of 31 December 2018, the board of directors is made up of 10 members. Its composition is as follows:

Name director (person or company)	Representative	Type of directorship	Position on the board	Date first appointed	Date last appointed	Election procedure
PEDRO GUERRERO GUERRERO	-	Other external director	CHAIRMAN	13/04/2000	23/03/2017	ANNUAL GENERAL MEETING VOTE
CARTIVAL, S.A.	ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	Executive	VICE-CHAIRMAN EXECUTIVES	26/06/1997	22/03/2018	ANNUAL GENERAL MEETING VOTE
MARÍA DOLORES DANCAUSA TREVIÑO		Executive	CHIEF EXECUTIVE OFFICER	21/10/2010	18/03/2015	ANNUAL GENERAL MEETING VOTE
FERNANDO MASAVEU HERRERO	-	Proprietary	DIRECTOR	14/09/2005	23/03/2017	ANNUAL GENERAL MEETING VOTE
MARCELINO BOTIN-SANZ DE SAUTOLA Y NAVEDA	-	Proprietary	DIRECTOR	21/04/2005	23/03/2017	ANNUAL GENERAL MEETING VOTE

TERESA MARTÍN-RETORTILLO RUBIO	-	Independent	DIRECTOR	07/11/2017	22/03/2018	ANNUAL GENERAL MEETING VOTE
JAIME TERCEIRO LOMBA	-	Independent	DIRECTOR	13/02/2008	17/03/2016	ANNUAL GENERAL MEETING VOTE
RAFAEL MATEU DE ROS CEREZO	-	Independent	DIRECTOR	21/01/2009	23/03/2017	ANNUAL GENERAL MEETING VOTE
GONZALO DE LA HOZ LIZCANO	-	Independent	DIRECTOR	13/02/2008	17/03/2016	ANNUAL GENERAL MEETING VOTE
MARÍA TERESA PULIDO MENDOZA	-	Independent	DIRECTOR	23/07/2014	18/03/2015	ANNUAL GENERAL MEETING VOTE

In 2018 there was no change in the board's composition.

Still, Bankinter's company by-laws provide that the board of directors will be formed by a minimum of five members and a maximum of fifteen. The Annual General Meeting is the competent forum in setting actual number of board members within these limits.

In exercising this power in the Annual General Meeting on 22 March 2018, shareholders voted to set the number of board members at 12 members. Therefore, on the recommendation of the appointments and corporate governance committee, the board of directors of Bankinter, after receiving the positive assessment of its suitability from the competent authority, will put the appointment of two new external independent directors, whose profiles have been made available to shareholders on the corporate website, to a vote in the Annual General Meeting in March 2019.

If incorporated, both candidates will make a considerable contribution of value to the board and enrich its composition and diversity. In addition to their excellent academic training, both cover different profiles and areas of experience. On the one hand, one nominee brings wide-ranging experience in top-level management in the domestic and international finance, banking and strategy industry and in opening new businesses; and on the other hand, the other nominee brings her knowledge of auditing and control. This, coupled with their experiences as board members in companies in other industries, will strengthen the board's duties in analysing and supervising management decisions from all points of view.

The board members' profiles are provided below, by category, according to the board's composition as of 31 December 2018:

EXECUTIVE DIRECTORS

Name of director (person or	Position within Bankinter	PROFILE
CARTIVAL, S.A.	VICE-CHAIRMAN EXECUTIVES	<p>It was incorporated in 1989. Its corporate purpose is the trading and ownership of tradeable securities, company shareholdings and other financial assets. The company was appointed as director of the bank in 1997.</p> <p>Alfonso Botín-Sanz de Sautuola y Naveda (representing CARTIVAL, S.A.): Graduated magna cum laude from Boston University with a degree in economics and classical civilisation. He worked at Salomon Brothers, Corporate Finance and M&A, until 1995. Managed several areas in Bankinter since 1995, within the corporate banking department, and was also in charge of creating the private equity division. He is currently chairman of the company Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros.</p>
MARÍA DOLORES DANCAUSA TREVIÑO	CHIEF EXECUTIVE OFFICER	<p>Since October 2010, Ms Dancausa has held the position of chief executive officer of Bankinter, one of the leading financial institutions in Spain. Degree in law from San Pablo Ceu University College. Also took several management programmes at Harvard Business School as well as an advanced management programme at the INSEAD Business School (Fontainebleau). Has spent her entire career in the financial sector, first at Banco Exterior and then at Bankinter.</p> <p>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 becoming chief executive officer in 2008. Following her appointment as CEO of Bankinter, she has remained on the board of directors of Línea Directa and is also a member of the governing board of the Association for the Progress of Management (APD, after its Spanish initials). From 2013 to 2018, she was an independent director at the British firm, ESURE, one of the UK's leading insurance companies.</p>

Total number of executive directors	2
% of total directors	20

EXTERNAL PROPRIETARY DIRECTORS

Name of director (person or company)	Name or corporate name of significant shareholder representing or nominating the director	PROFILE
FERNANDO MASAVEU HERRERO	CORPORACION MASAVEU, S.A.	Degree in law from the University of Navarre. He was a director of Banco Herrero y Rioja Alta, S.A. He was also deputy chairman of the Spanish cement company OFICEMEN and of the Spanish Institute for Cement and its Applications (Instituto Español del Cemento y sus Aplicaciones). He joined the Masaveu Group in 1993, where he has performed various functions and currently serves as chairman of the Group. He is also executive chairman of Corporación Masaveu, S.A. and general director and chairman of the company, Tudela Veguin, S.A. He is also chairman of Fundación Masaveu and Fundación María Cristina Masaveu Peterson. He represents Grupo Masaveu on the boards of numerous national and international partnerships, foundations and corporations. He is a trustee and member of the executive committee of Fundación Príncipe de Asturias.
MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.	He graduated from the University of Southampton, in the United Kingdom, with a degree in naval architecture and yacht design. He designs pleasure boats for his company, Astilleros Mouro, S.L. He is also currently chairman of Aleph 2004 SCR, S.A. He was a representative of the director CARTIVAL, S.A. on the board of directors of Bankinter during the years 1997 to 2005.

Total number of proprietary directors	2
% of total directors	20

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)	PROFILE
JAIME TERCEIRO LOMBA	<p>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. Lecturer in Economic Analysis at the Madrid Complutense University (1980), of which he was vice-chancellor and director of the quantitative economics department. Full member of the Royal Academy of Moral and Political Sciences (1996). King Juan Carlos Economics Prize (2012). Chairman of the social sciences board of the Ramón Areces Foundation and member of the board of trustees of various foundations. Worked as a graduate engineer at the simulation and control department of Messerschmitt-Bölkow-Blohm (MBB) in Munich (1970-1974). Was General Manager of Expansion and General Manager of Planning and Investment at Banco Hipotecario de España (1981-1983). Mr Terceiro also served a nine-year term (1988-1996) as executive chairman of Caja de Madrid. Was and is an independent director at various listed and unlisted companies. Currently, the chairman of the audit and regulatory compliance committee of Bankinter.</p>

<p>GONZALO DE LA HOZ LIZCANO</p>	<p>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 the RBS and Harvard University.</p> <p>He served as chief executive officer at Línea Directa Aseguradora ('LDA') from May 1995 to February 2008, when LDA was still not a Bankinter Group company. He was previously managing director of operations (Media) of Bankinter, where he worked in a professional capacity from 1989 until 1995, and introduced significant improvements in the control environment of the operational area of Bankinter, S.A. during that period.</p> <p>He held several high-profile positions at IBM España, the IBM headquarters in White Plains, New York (1979-1981), and IBM Europe (Paris, 1984-1987). At the latter location, he directed activities in the Development of European Products for Banking and Insurance.</p> <p>He has been the chairman of the remuneration committee and the risk committee of Bankinter since 2013. He is also a director of Línea Directa Aseguradora and Bankinter Global Services, two Bankinter Group companies.</p>
<p>RAFAEL MATEU DE ROS CERZO</p>	<p>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 is specialised in commercial law, corporate governance, Spanish 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.</p> <p>He is currently the chairman of the appointments and corporate governance committee of Bankinter.</p>

<p>MARÍA TERESA PULIDO MENDOZA</p>	<p>Degree in Economics from Columbia University and a MBA from MIT - Sloan School of Management. She has more than 20 years of professional experience, both in strategic consultancy (McKinsey & Co) and in 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 its head of corporate strategy, futhering her experience in the infrastructure industry. Since 2014, she has been a member of the management committee of Ferrovial. María Teresa is also a member of the European, Middle Eastern, South Asian and African executive board of the MIT-Sloan School of Management.</p>
<p>TERESA MARTÍN-RETORTILLO RUBIO</p>	<p>Graduated from the Colegio Universitario de Estudios Financieros (CUNEF) affiliated with Universidad Complutense de Madrid, with a degree in business administration with a double concentration 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 US. She had previously been a partner with the global management consulting firm, Bain & Company, where she held several leadership positions in both Madrid and the US over 19 years, with a special focus on investment advice (risk capital and mergers and acquisitions). She also worked at Goldman</p>

<p>Total number of independent directors</p>	<p>5</p>
<p>% of total directors</p>	<p>50</p>

No director considered external and independent is receiving from Bankinter or its group any amount or benefit other than his or her remuneration as a director; or has had or maintained a business relationship in the last year with Bankinter or any company in its group, in his or her own name or as a significant shareholder, director or senior officer of an entity that maintains or maintained such a relationship.

Also indicate whether the rules and regulations of the board of directors does not establish a limited term of office for independent directors, other than that established by law (12 years):

OTHER EXTERNAL

Name (person or company)	Reasons	Company, executive or shareholder to which	Profile
<p>PEDRO GUERRERO GUERRERO</p>	<p>The binding definition of independent director established by the Ley de Sociedades de Capital [Spanish Corporations Act] mentions having been an employee or executive director of Bankinter or its group as one of the circumstances preventing a director from being classified as independent, unless 3 or 5 years, respectively, have passed since the end of such relationship. Pedro Guerrero Guerrero was executive chairman of Bankinter until 31 December 2012, at which time he stepped down from his executive duties.</p> <p>On 31 December 2018, 5 years had passed since Mr Guerrero stepped down from his executive duties. However, he was appointed director of Bankinter on 13 April 2000. Thus, he has been a Bankinter director for 12 consecutive years. The Ley de Sociedades de Capital [Spanish Corporations Act] provides that board members who were previously directors during a continuous period of more than 12 years may not be considered independent. Therefore, Pedro Guerrero Guerrero is considered within the category of 'Other external directors'.</p>	<p>The corporate purpose of Bankinter, S.A.</p>	<p>Degree in law from the Complutense University in Madrid. He is a Lawyer of the Spanish State, stock broker and notary public for Madrid (on leave of absence). 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. From 2005 to 2017, he served on the board of PROSEGUR, S.A. Currently, he is a director of PROSEGUR CASH, S.A. He is also a director of Línea Directa Aseguradora. He has been chairman of the bank since March 2007.</p>

Total number of other external directors	1
% of total directors	10

In 2018, no changes occurred to the categories of board members.

3.2. Board member selection.

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

- i. They will guarantee compliance with applicable legislation and be carried out respecting the characteristics of the composition of the board of directors set out in the corporate by-laws and in the Rules and Regulations of the Board of Directors.
- ii. They will encourage there to be a clear majority of independent directors on the board of directors and the number of executive directors to be the minimum necessary taking into account the Group's complexity.
- iii. They will guarantee that there is an adequate balance between proprietary and independent directors, reflecting, as much as possible, the proportion between share capital with voting rights represented by proprietary directors and the rest of the share capital.
- iv. They will ensure diversity of nationalities, gender and experiences, such that decision-making is enriched and a variety of points of view are heard when debating matters within its competence.
- v. They will guarantee the stability of the board of directors in line with the measures taken by the Company to ensure, whenever possible, that the appointment or re-election of directors does not affect more than one fourth of the board members in any given year.

Furthermore, in following joint EBA and ESMA guidelines that took effect on 30 June 2018, the board of directors of Bankinter approved a **policy on suitability assessments of board members and key staff in Bankinter**.

In order to align the policy on the selection and succession of members of the board of directors with the policy on suitability assessments (mentioned in the previous paragraph), on that same date, the board of directors approved a set of amendments to the policy on board member selection and succession that add the provision on the succession of board committee chairpersons.

The director selection processes are based on an analysis of the needs of the Company and of the entities that make up its Group. The board of directors carries out such analysis with the advice of the appointments and corporate governance committee.

Additionally, and as a general rule, the candidates to become directors of the Company must be persons of integrity and suitability and have recognised solvency, skill, experience, qualification, training, availability and commitment to their duties.

The appointments and corporate governance committee assesses the balance of powers, 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 necessary for them to properly discharge their duties.

In 2018, the committee initiated a selection process to cover the two new posts approved in the Annual General Meeting. It determined that most of the following characteristics must be satisfied within the requirements to be covered at that time, based on the profiles of current members and desired profiles: i) gender diversity (at least one of them should be a woman), ii) experience in business administration and management, iii) training and/or experience in investment banking, v) strategic abilities, vi) technological and digital capabilities, vii) experience in corporate governance or, otherwise, the appropriate communication level in order to be incorporated, viii) no conflicts of interest or any other type of obstacles that may damage their appointment, ix) the highest level of commitment and a high level of motivation, and x) sufficient time to dedicate to performing their duties.

The selection process was supported by external advisers, in accordance with general provisions for selecting nominees to the board of directors as independent directors.

3.2.1. Board member age limit:

There are no age limits for serving as a member of the board of Bankinter.

3.3. Board member succession plans.

In accordance with this policy approved by the board, the succession process for board members must guarantee that it is carried out in a planned and coordinated way, thus protecting the continuity of the business without any delays.

The appointments and corporate governance committee looks to ensure the existence of succession plans and update them for the chairman and the executive directors of the Company and, where applicable, to submit proposals to the board of directors so that this

succession is carried out in a planned and orderly manner. This analysis is submitted to the board of directors on an annual basis.

Furthermore, the policy on the selection and succession of members of the board of directors provides a measure regarding the succession of chairpersons of board committees.

The succession and selection policy for board members is available on the company's corporate website.

3.4. Gender diversity.

Changes in the number of female directors serving on the board of directors of Bankinter are indicated below, by category:

	Number of female directors				% of total female directors of each category			
	Fiscal year 2018	Financial Year 2017	2016	FY 2015	Fiscal year 2018	Financial Year 2017	2016	FY 2015
Executive	1	1	1	1	50	50	50	50
Proprietary	0	0	0	0	0	0	0	0
Independent	2	2	2	2	40	40	40	40
Other external	0	0	0	0	0	0	0	0
Total	3	3	3	3	30	30	30	30

As shown in the previous table, Bankinter is committed to equal opportunities for men and women and in this regard, every time it appoints members of its board of directors, it engages in objective selection processes that are free from any determining conditions or biases that might entail a limitation on the access of women to positions as independent directors on the board, evaluating in each case the independence of the candidate and the candidate's professional qualifications, capacity and experience in the industry. The candidate selection process procures that the analysed candidates always include women.

As provided in section 529 *quindecies* of the Ley de Sociedades de Capital [Spanish Corporations Act], in October 2014, the board of directors of the bank, on the recommendation of the appointments and corporate governance committee, set a representation target for the gender less represented on the board and prepared a document with guidelines on how to achieve such target. After describing the prior study conducted on

changes in the least represented gender on the board of directors in recent years, the board of directors set the women representation target of 30%, a time frame and guidelines to achieve it, a breakdown of the composition of board committees and how it will be implemented in other Bankinter Group companies.

As result of these guidelines, and following the latest board member appointments approved in 2015 in the Annual General Meeting, the set target of 30% of women on the board of directors was achieved.

This ratio is currently being maintained after Teresa Martín-Retortillo joined the board on 7 November 2017, replacing another women who stepped down from her post in Bankinter due to new duties she had assumed.

In particular, María Dolores Dancausa Treviño, in 2010, joined the board of directors as executive director and chief executive of the company in 2010.

The appointments and corporate governance committee does not impose any limitations or biases on the external advisers retained that might affect the selection of women directors as independent directors. Instead, the committee verifies that women are included in the list of candidates to be evaluated.

Bankinter remains committed to giving priority to the professional qualifications and experience of directors, without any conditions regarding candidates' gender. For instance, the last two nominations that the board of directors will put to a vote in the Annual General Meeting (in March 2019) to cover the two posts created in the Annual General Meeting, as previously mentioned, will contribute to the gender diversity and even exceed the target set by the board of directors. If approved, 33% of the board will consist of women directors.

3.5. Board member appointment, re-election and dismissal

Both private individuals and legal entities may be **appointed or re-elected** as directors, even if they are not Bankinter shareholders.

Pursuant to Article 9 of the *Rules and Regulations of the Board of Directors*, no persons who are subject to any cause for prohibition or legal, regulatory or statutory ineligibility; or who have a structural conflict of interests with Bankinter or any company of Bankinter Group, directly or through a related party; or who are proposed by one or several shareholders subject

to the said conflict of interests, may be appointed or re-elected as directors. National or foreign individuals and legal entities active in the financial sector, or otherwise that compete with Bankinter or any company in Bankinter Group may not be appointed directors. This includes their directors or senior executives as well as any persons nominated by them in their capacity as shareholders.

In any of the cases indicated, the board may not appoint on an interim basis nor submit to the Annual General Meeting proposals to appoint, re-elect or ratify directors in case of persons where any of the circumstances described are met and must oppose other proposals or resolutions that are contrary to the provisions of article 9 of these Regulations.

The Annual General Meeting or, if applicable, the board of directors, through co-option in the event of any vacancies, are responsible for appointing members to the board of directors, pursuant to the Ley de Sociedades de Capital [Spanish Corporations Act], the By-Laws and the *Rules and Regulations of the Board of Directors*.

As indicated above, any proposals submitted by the board of directors to the Annual General Meeting to appoint, confirm or re-elect directors shall require a prior proposal or report from the appointments and corporate governance committee (depending on a director's category) as part of a formal and transparent procedure. If the board decides not to follow the recommendation of the appointments and corporate governance committee, it must give the specific reasons in the related resolution.

In financial institutions, appointing new board members requires such aspects as compliance with the procedures and requirements set forth in Law 10/2014 of 26 June on the Organisation, Oversight and Solvency of Credit Institutions and in Royal Decree 84/2015 of 13 February, which implements this law.

The Rules and Regulations of the Board of Directors, in accordance with the Corporate by-laws, governs the grounds and procedure for director removal and resignation. Thus, the cases indicated by the Regulations in which directors must tender their resignation are as follows: if they step down from their executive post at the bank or as the representative of the group of shareholders to which their appointment as director is tied or, for independent directors, if they fall in any situation that causes them to lose their independence; if they incur in any situation of incompatibility, prohibition or where required by law to step down or resign, including conflict of competition or interest as provided in article 9 of the Rules and Regulation of the Board of Directors referred to above or if a director should commit acts or omissions contrary to the diligence and efficacy with which he/she ought to perform the office, or

seriously infringe his/her duties as a director, where the directors should for any other reason cause serious damage or loss to the Company's interests, its credit and reputation, or the functioning of the board, or where a director should lose the confidence of the board for a justifiable reason.

They must also step down in the event that their continuance on the board may pose a risk to Bankinter's interest directly or through their related parties.

In any of the cases described, the board of directors may propose the resignation of a director and, previously, to require him or her to resign from his or her post. The board of directors will adopt resolutions to assess any existing grounds for director's removal, as described in the Rules and Regulations; and to accept a director's resignation on the recommendation of the appointments and corporate governance committee, except in cases of urgency or necessity.

On 22 April 2015, the board of directors of Bankinter approved a policy on the prevention of conflicts of interest of senior officers, which defines such aspects as the general principles of conduct for preventing conflicts of interest among the senior officers. This policy was revised and updated by the board of directors on 16 November 2016. Revisions to the policy were merely technical, and not substantial.

3.6. Posts on the board of directors of Bankinter:

3.6.1. Non-executive chairman of the board of directors:

Pursuant to article 26 of the company by-laws and article 27 of the Rules and Regulations of the Board of directors, the board of directors will appoint a chairman from amongst its members based on a favourable report from the appointments and corporate governance committee.

Pedro Guerrero Guerrero was appointed chairman of the board of directors of Bankinter on 19 April 2007, as an executive director. On 1 January 2013, Pedro Guerrero Guerrero ceased to be an executive director.

Pursuant to Articles 26 of the Bankinter 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 operations of the board of directors. His 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 collective decision-making body is responsible for certain duties, such as:

- a) ensuring that the board operates in an effective manner;
- b) convening and presiding over board meetings;
- c) directing the board and its discussions and ensuring that these are meaningful;
- d) preparing and submitting to the board of directors the time table and issues to be discussed;
- e) promoting debate on Bankinter's strategic objectives;
- f) maintaining relations with directors, facilitating the exercise of their duties;
- g) organising and coordinating regular assessments of Bankinter's board and, when necessary, its top executive; and
- h) approving and reviewing programmes to update the skills of each director, when the circumstances so require.

2. Institutional representation duties on Bankinter's behalf

In addition to his duties as chairman of the collective decision-making body, the chairman discharges specific duties regarding institutional relations, irrespective of Bankinter's legal representation, which always corresponds to the individuals appointed for that purpose. These duties never involve management or any other executive powers, which correspond exclusively to those the board has appointed as executive directors.

Thus, the chairman carries out certain activities, such as:

- a) maintaining institutional relations with Spanish and international supervisory bodies and sectoral bodies, and establishing regular contact with them, when appropriate;
- b) assisting in Bankinter's relations with Spanish and foreign investors, credit rating agencies, etc; and maintaining contact with them in coordination with the 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

As regards corporate social responsibility, in accordance with Bankinter's policy, chairman is charged with certain duties, including:

- 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's stakeholders (in particular, 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 the Bankinter's sustainability policy and strategy into the management of each area in 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 in 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.

No amendment to his contract with the Company has occurred during 2018.

3.6.2. Executive directors:

Articles 26 and 27 of the company by-laws and articles 29 and 30 of the Rules and Regulations of the Board of Directors address the roles of executive directors:

Currently, executive duties are performed by the vice-chairman of the board, CARTIVAL, S.A. and the chief executive officer, María Dolores Dancausa Treviño. The Rules and Regulations of the Board of Directors permanently delegates powers to executive directors. The powers delegated to executive directors are described below:

Name of director (person or company)	Brief description
CARTIVAL, S.A.	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 bank. Bankinter's investment banking area also reports to it.
MARÍA DOLORES DANCAUSA TREVIÑO	The chief executive officer is responsible for the day-to-day management of the business and has the highest management and executive duties at Bankinter.

It should be noted that during the 2018 financial year no amendments have been made to the commercial contracts of executive directors with the company.

3.6.3. Separation of functions:

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.

Even though, Bankinter has separated the two functions, its corporate by-laws and the Rules and Regulations of the Board of Directors envisage the possibility of appointing a lead director from among its independent directors, whose powers will be similarly established. A coordinating director will be appointed where the chairman of the board of directors is executive. So far, the board of directors has not had to appoint any coordinating director from among its independent directors, with its executive directors abstaining.

3.6.4. Secretary of the board

Article 32 of the *Rules and Regulations of the Board of Directors* provides that the duties of the secretary of the board of directors shall be performed by the person selected by the board, who may not be a director.

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

- the acting secretary of the board will only report to the board of directors and its chairman.
- The appointment and removal of the secretary of the board will require a preliminary report by the appointments and remuneration committee and must be approved by the board of directors in its entirety.

In addition to discharging those duties assigned by law, the company by-laws or the Rules and Regulations of the Board of Directors, the secretary must also:

safeguard the documentation of the board of directors, record meeting events in meeting minutes and attest to the contents thereof and the resolutions passed.
ensure that all actions of the board of directors comply with current legislation and are consistent with the corporate by-laws and other internal regulations.
assist the chairman to ensure that directors receive the information necessary to discharge their duties in a timely and appropriate manner.

Currently, the secretary of the board of directors (non-director) is the general secretary of Bankinter, Gloria Calvo Díaz.

One of the amendments to the Rules and Regulations of the Board of Directors in 2018 is that the board can appoint a vice-secretary, who does not have to be a director, in order to substitute the secretary of the board in the event of vacancy, absence, illness or conflict. The vice-secretary may also substitute the secretary of the board in meetings of board

committees. The board of directors, on the recommendation of the appointments and corporate governance committee, voted to appoint Lucía Calvo Vérguez vice-secretary of the board of directors.

3.7. Training plans for board members:

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. It sets out two training scenarios:

- i) When board members are selected, in order to ensure that they have sufficient specialised skills in order 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 in order to perform their duties while serving on the board; and
- ii) As part of a continued training plan, at the request of the board members themselves or following an analysis conducted by Bankinter itself, 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.

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

When the new nominees are incorporated, the initial training programme will be reactivated, and the continuous training programme of the full board of directors will resume.

The initial training programme will guarantee a deep understanding of Bankinter, its Group and organisational structure, its business activities and regulations that apply to it, with special focus on risk control in the primary stage of the programme. As always, this training will be carried out internally and will complement the new directors' skills and experience.

In regard to continuous training, board members have received special training in risks.

3.8. Posts on other boards of directors:

Since it is a financial institution, Bankinter is subject to the restrictions established by Law 10/2014, of 26 June, on the Organisation, Supervision and Solvency of Credit Institutions concerning the number of boards on which its directors may serve. Bankinter has included this restriction in its *Rules and Regulations of the Board of Directors*.

In addition, the board of directors of Bankinter, on the recommendation of the appointments and corporate governance committee, approved a policy on the disqualifications and limitations of senior and other officers of Bankinter. This policy sets forth the aforementioned limitations that apply to its board members. Board members may not simultaneously hold more positions than those stipulated under one of the following combinations: i) an executive position along with two non-executive positions; or ii) four non-executive positions. 'Executive positions' will be understood as those involving management functions, regardless of any legal relationship attributed to them. Therefore, executive and non-executive positions held in a single group, as well as those held in companies in which Bankinter is a significant shareholder count as a single position. Furthermore, positions held in organisations or entities that are non-for-profit or non-commercial in nature will not count in the maximum number.

3.8.1. Board members acting as directors or executives in other Bankinter Group companies.

Name (person or company)	Name of the group company	Post	director hold executive
PEDRO GUERRERO GUERRERO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
MARÍA DOLORES DANCAUSA TREVIÑO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
	BANKINTER GLOBAL SERVICES, S.A.	CHAIRMAN	No
	BANKINTER CONSUMER FINANCE, EFC, S.A.	CHAIRMAN	No
RAFAEL MATEU DE ROS CEREZO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
GONZALO DE LA HOZ LIZCANO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
	BANKINTER GLOBAL SERVICES, S.A.	DIRECTOR	No

(*) Alfonso Botín-Sanz de Sautuola y Naveda, representative on the board of directors, is personally an executive chairman of the board of directors of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, currently a wholly-owned subsidiary of Bankinter.

3.8.2. Bankinter board members (directors and representatives of directors who are legal entities) serving on the boards of directors or as representatives of directors who are legal entities, in other companies disclosed to the bank that are listed on official securities markets and not part of their group:

Name (person or company)	Name of listed company	Position
PEDRO GUERRERO GUERRERO	PROSEGUR CASH, S.A.	DIRECTOR

3.8.3. Board members also serving on the boards of directors in companies of significant shareholders and/or in entities of their group:

Name (person or company)	Corporate name of the substantial shareholder	Post
MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.	DIRECTOR
FERNANDO MASAVEU HERRERO	CORPORACIÓN MASAVEU, S.A.	CHAIRMAN

3.9. Preparation, announcements and operations of board meetings:

According to the Rules and Regulations of the Board of Directors, and before the start of each financial year, the board of directors will approve the meeting schedule for the following year and the expected agenda for them, whereby directors are entitled to propose additional items to be included on the agenda. The calendar and the agenda may be amended by virtue of a resolution of the board itself or if the chairman so decides. The minimum number of meetings will be 10 per year (well above the legal requirement to hold meetings once a quarter).

The board of directors of Bankinter met 11 times in 2018:

Number of board meetings	11
Number of board meetings not attended by the chairman	0

On 16 December 2015, the board of directors of Bankinter approved a procedure to prepare board and committee meetings. This procedure was intended to ensure that these meetings

were prepared in compliance with the rules previously mentioned, such that deliberations and the adoption of resolutions are carried out with the full knowledge of board members and with adequate time for them to conduct any analyses.

3.9.1 Meetings preparation:

Except in cases of urgency or necessity, meetings must be convened sufficiently in advance of its scheduled date. The procedure for preparing meetings of the board and its committees, as previously mentioned, includes aspects such as:

- The programme for meetings of the board and its committees.
- The method and site for holding meetings.
- The convening and agenda of each meeting.
- The time and media for making the documentation available that will be the subject of analysis and debate for each meeting.
- Media for communicating with the directors responsible for compliance with this procedure.

Directors are guaranteed to receive the necessary information in order to adequately assess the corresponding transactions or decisions prior to when the board or committee meetings are held, so that they may reasonably prepare for the meetings and actively participate in the discussions.

In addition, as already indicated in other reports, Bankinter has had a board of directors website since 2007, where they can access all the information necessary to grant proxies with instructions on how they wish to vote.

The office of the secretary of the board will be responsible for managing and sending out information and notices to board members through computerised services, the directors' website and for maintaining and updating this information. It will also seek to ensure that the time limits in place are followed.

Furthermore, the procedure approved in 2015 provides that '*Directors may ask the chairman, through the office of the general secretary, for any documentation or information they may need for proper preparation for meetings, having full access to the records, reports and presentations for the meetings held.*'

When assessing external and internal operations in recent years, the directors demonstrated that all necessary information for adopting resolutions is sufficient and available sufficiently in advance.

3.9.2. External advice

The Rules and Regulations of the Board of Directors provides that, in those matters that fall within the purview of the board and its committees, directors may ask for auditors, consultants, advisers or independent experts to be hired, as the case may be, in order to assist the board or the committee concerned in such matters.

3.9.3. Conduct of meetings:

The board of directors, either directly or through its committees, fully exercised its supervisory role in 2018. It was kept well informed of the progress and activity of Bankinter Group's various business areas and of general matters within the scope of its supervisory functions, and, most prominently, the board has continued to monitor the bank's strategic objectives, which have been periodically discussed in specific items in the respective agendas. Similarly, board members have been informed about the conclusions of the various internal and external audit reports, among many other matters addressed, such as the management and control of risks associated with Bankinter Group.

3.9.4. Voting on resolutions:

Resolutions will be adopted by the absolute majority of the directors attending the meeting, either in person or by proxy, unless a larger majority is required according to current legislation or the corporate by-laws.

Votes taken by the board of directors on the appointment, re-election or removal of directors, as well as any other vote deemed of particular importance may be declared secret by the chairman.

Directors affected by a conflict of interest relating to an order of business on the agenda to be addressed must abstain from discussing and voting on the related resolution.

If there is any doubt, the chairman will decide whether the proxies granted by directors are valid; direct and determine the order, form and end of any discourse, deliberations and votes; and have a casting vote in the event of a tie.

3.9.5 Proxy voting on the board of directors

The *Rules and Regulations of the Board of Directors* of Bankinter provide that, for each meeting, directors may appoint any other director as their representative and issue instructions on how their voting rights are to be exercised, by letter, fax, telegram, e-mail, or any other means considered to be valid under the rules and regulations. Proxies must be disclosed to the chairman or secretary of the board prior to the time the meeting commences. A single director may be represented by several proxies.

Since the amendments to the 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 another non-executive director.

Under all circumstances, failure to attend by directors should be reduced to unavoidable cases. In 2018, if a director was unable to attend, his or her vote was delegated with instructions.

3.9. 6. Commitment to the board's tasks:

Directors are required to devote the time and effort necessary in order to effectively discharge their duties and, in any case, to comply with the limits on the maximum number of Boards to which they may belong, as established by law.

Directors must ensure that absences from meetings of the board of directors and the committees of which they are members are limited to unavoidable cases.

These requirements have been adequately met by all members of Bankinter's board of directors, with an attendance rate of 97.27% at board meetings, (this rate is 100% if attendance via proxy with specific instructions is considered), and full commitment to the analysis and discussion of the issues that have been placed before them through the study of the supporting documentation and any other information required for such purpose.

A director's failure to attend board or committee meetings will deprive him or her from collecting attendance fees, even if he or she has appointed a representative.

Below are figures about attendance at board meetings held in 2018:

Number of meetings with at least 80% of directors physically in attendance	11
Physical attendance rate out of total votes during the year	97.27
Number of meetings with all directors physically in attendance or represented by proxy with instructions	11
% of votes cast by directors physically in attendance and represented by proxies with special instructions, out of the total number of votes in the year	100

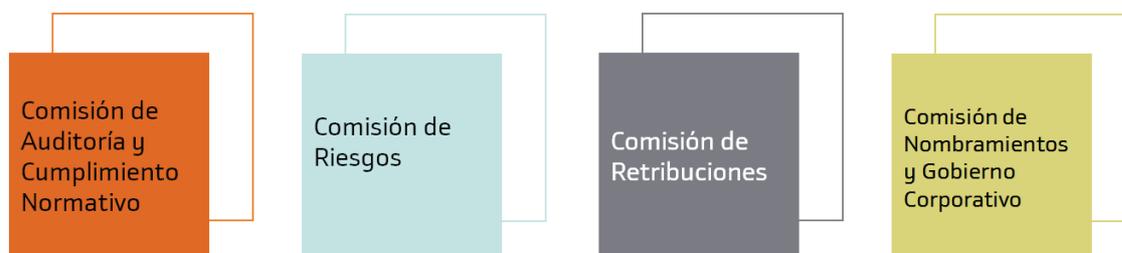
The Rules and Regulations of the Board of Directors (article 31) provides for the appointment of a coordinating director if the chairman of the board of directors is an executive. Currently, the chairman of the board of directors, Pedro Guerrero Guerrero, is not an executive director. Therefore, the board has not had to appoint any coordinating director from among its independent directors, with its executive directors abstaining. Therefore:

Number of meetings held by the coordinating director with the other directors, without the attendance or proxy of any executive director:	0
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3.10. Board committees

The board has created an executive committee, with delegated powers.

Furthermore, the board of directors has the following committees with supervisory, reporting, advisory and proposal powers:



As of 31 December 2018, the composition of all committees is:



As of the approval date of this report, there are no amendments regarding the composition of the committees of the board of directors.

The rules governing committees are included in the *Rules and Regulations of the Board of Directors* available on the corporate website, www.bankinter.com/webcorporativa.

The amendments to the Rules and Regulations of the Board of Directors indicated earlier in this report were made in 2018.

Furthermore, on 23 January 2019, the board of directors, on the recommendation of the audit and regulatory compliance committee, approved a special set of rules and regulations for the audit and regulatory compliance committee, which is available on the corporate website. These rules and regulations aim to support the committee’s independent and define its action principles as well as the basic rules for its composition, operations and authority, in accordance with the best corporate governance practices in companies. They are part of the internal corporate governance regulations of Bankinter Group.

All non-executive board committees with supervisory functions prepare an annual report on their activities. These reports are made available to shareholders at the time the Annual General Meeting is called. These reports are available on Bankinter’s corporate website. www.bankinter.com/webcorporativa. Furthermore, the reports on the audit and regulatory compliance committee and the remuneration committee are discussed by the chairmen of those committees in the Annual General Meeting, as indicated in the Rules and Regulations of the Board of Directors, in light of the amendments made in 2011.

3.10.1. Executive committee:

Committee composition by director type:

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

Duties and powers:

Under article 37 of the Rules and Regulations of the Board of Directors, available on the corporate website, the permanent delegation of the board’s authority directors to the executive committee shall entail all of the board’s powers, except for those that may not be delegated by law or under these By-Laws and 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 the directors, senior officers and other related*

transactions are excluded from this delegation and must be approved by the full board of directors.

2. authorise new businesses and individual transactions, provided that they are non-strategic in nature and do not imply a particular fiscal risk for Bankinter or its group.

3. monitor the various business units of Bankinter, its types of customers and how they are segmented across Bankinter, its sales networks and organisations, as well as its product and service offering, all in line with the strategic business plan approved by its board of directors for this purpose.

4. monitor any significant variations in its shareholder base.

According to the *Rules and Regulations of the Board of Directors*, the executive committee will have a minimum of three and a maximum of seven directors. The participation structure for the several categories of directors will be similar to that of the board of directors. The committee chair will be the person appointed as such by the board of directors from among all of its members, and the committee secretary will be the secretary of the board of directors. The executive committee will meet as often as it is convened by its chairman. Furthermore, the executive committee will be convened at the request of three directors serving on it. The executive committee will report to the board of directors on any matters and decisions taken up in its meetings; and make copies of the meeting minutes available to board members.

The executive held 11 meetings in 2018, in which it studied and authorised credit transactions that were later submitted to the board of directors to be approved; and monitored Bankinter’s business units and other matters that related to its delegated functions.

3.10.2. Audit and regulatory compliance committee:

Committee composition by director type:

% of executive directors	0
% of proprietary directors	0
% of independent directors	75
% of other external directors	25

Duties and powers:

Article 38 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 audit and regulatory compliance committee.

Furthermore, as previously mentioned, on 23 January 2019, the board of directors, on the recommendation of the audit and regulatory compliance committee approved a special set of rules and regulations for the audit and regulatory compliance committee (available on the corporate website), in order to promote the committee's independence and determine the action principles and basic rules of its composition, operations and authority.

Some of audit and regulatory compliance committee's functions include the following:

- making sure that internal and external reporting on Bankinter's performance and activities are reliable and transparent; and, specifically, regularly verifying that the financial statements, annual accounts, annual report and management report of Bankinter, S.A. and Bankinter Group are accurate and coherent, before they are approved or proposed by the board of directors and published.
- promoting and supervising internal control systems and procedures relating to the risks involved in Bankinter's activity, as well as reviewing the overall risk map of the Bankinter and its group.
- assessing the performance of the head of Internal Audit and participating in the process for determining his or her remuneration, the workforce of the Internal Audit division and the approval of its budget (including IT development), given that the committee is corporate body to which Internal Audit is hierarchically subordinate.
- overseeing the whistleblowing channel put in place and governed by the Bankinter Group Code of Professional Ethics approved by the board of directors on 25 January 2017.
- performing the functions expressly assigned to the committee by the *Rules and Regulations of the Board of Directors* in regard to the duties of good faith and loyalty of directors and Bankinter's compliance with regulations. Directors must inform the committee about any direct or indirect conflicts of interest that may concern them in accordance with the Ley de Sociedades de Capital [Spanish Corporations Act], the *Ley del Mercado de Valores* [Spanish Securities Market Act] and internal Bankinter rules. The committee is the body authorised to resolve matters presented in this regard and to excuse or exempt directors from their fiduciary obligations or the securities market rules of conduct.

- The committee approves an Annual Report that is made available to all shareholders upon the notice of the Annual General Meeting, and which is included on the corporate website of Bankinter, S.A.

The audit and regulatory compliance committee must be comprised of a minimum of three and a maximum of seven non-executive directors –mostly independent directors–, appointed by the board of directors on the recommendation of the appointments and corporate governance committee. The committee chairman will be an independent director and must be replaced, at least, every four years. The committee chairman may be re-elected after one year from the time he or she was dismissed. In accordance with the *Rules and Regulations of the Board of Directors*, committee members are to have skills and experience in accounting, auditing and risk management. The committee secretary will be the secretary of the board of directors. The committee's meetings may be attended by the head of the Internal Audit Division and the head of the Regulatory Compliance unit (as speakers but not as members), who shall do so as often as the committee so decides. External auditors will attend committee meetings provided that the committee chairman deems their presence appropriate. In any event, external auditors will attend meetings to examine their reports on the annual accounts and management report of Bankinter and its group, in addition to meetings called to verify its half-yearly and quarterly results before they are made public.

In general, the committee will meet as frequently as the board of directors.

The audit and regulatory compliance committee also i) proposed its own operating rules to the board of directors; ii) approved the all the activities that the Internal Audit division will carry out during the year; iii) completed several tasks to verify the most significant management information, the annual report and the corporate governance report; and iv) was apprised of the various internal audit reports on Bankinter'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 the members of the audit and regulatory compliance committee were appointed based on their knowledge, skills and/or experience in the areas of accounting, auditing or both.

The current chairman of the audit and regulatory compliance committee was appointed on 26 April 2017. This was announced to the Spanish National Securities Market Commission as a material fact on that same date.

3.10.3. Risk committee:

Committee composition by director type:

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

Duties and powers:

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 functions of the risk committee are:

- advising the board of directors on Bankinter’s overall current and future risk appetite and related strategy; and assisting the board of directors in effectively implementing this strategy. Nonetheless, the board of directors will assume overall responsibility regarding risks.
- assessing whether the prices for debit and credit products offered to customers take into full account Bankinter’s business model and risk strategy. If this is not the case, the risk committee will submit a corrective plan to the board of directors.
- working with the board of directors to determine the nature, quantity, format and frequency of risk-related reporting to be received by the committee itself and the board of directors.
- assisting in establishing rational remuneration policies and practices. To this end, the risk committee will examine whether the incentives established in the remuneration system take into consideration risk, capital, liquidity, and probability and opportunity of benefits, irrespective of the duties of the remuneration committee.
- approving the appointment or the replacement of the risk director as proposed by

the chairman of the board, the vice-chairman (if executive) or the chief executive officer.

- reviewing the general risks map for Bankinter and its group, and submitting related proposals to the board.
- approving the appointment or the replacement of the risk director as proposed by the chairman of the board, the vice-chairman (if executive) or the chief executive officer.
- approving or amending the regulatory compliance by-laws, which will set out its functions and powers.
- overseeing the activities of Bankinter and its group's risk management unit, which will report to the committee on a regular basis.
- proposing the approval of the risk management annual report by the board of directors.
- discharging any other duties delegated to the committee under these rules and regulations or by the board of directors.

The risk committee will have 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. In order to perform its duties correctly, the risk committee will meet as often as it is called via resolution of the committee itself or its chairman. Any person from within or outside Bankinter may attend committee meetings if the committee deems it appropriate.

To discharge its duties properly, the risk committee may have unhindered access to information on Bankinter's risk situation and to the risk management unit and specialised external advice, if necessary. The risk committee will meet as often as the committee itself or its chairman resolves to convene it.

The risk committee will report, via its chairman, to the board on its activities and the work it has carried out in the meetings held for this purpose or in the immediately subsequent meeting, whenever the chairman deems it necessary.

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. Among the activities described in this report are participation in the preparation of the risk management and control framework and the risk appetite framework, as well as the monitoring of the metrics detailed in this framework.

3.10.4. Remuneration committee:

Committee composition by director type:

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

Duties and powers:

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:

- proposing to the board the remuneration policy for the directors and their individual remuneration, along with the corresponding annual director remuneration report, which the board shall submit for consultative voting at the General Meeting.
- proposing to the board the individual remuneration of executive directors and, if appropriate, external directors, for discharging duties other than those of a director; other related contractual terms and conditions.
- proposing the remuneration policy for senior managers, including managing directors or those who discharge senior management duties and report directly to the board, the executive committees or the chief executive officer; individual remuneration and other basic contractual terms and conditions.
- determining the remuneration of members who are not senior executives and receive significant remuneration (especially variable remuneration), and whose activities may have a significant impact on the group's assumption of risk.
- overseeing the extent to which the remuneration policy is implemented in general during the fiscal year, and ensuring compliance with that policy.
- revising the remuneration programmes on a regular basis, considering their suitability and returns and ensuring that director remuneration conforms to standards of moderation in accordance with Bankinter's earnings.
- ensuring that remuneration is transparent and included in the annual report and in any other annual reports containing information on director remuneration; and to submit all appropriate information to the board of directors for this purpose.
- reporting on incentive plans for senior managers or employees whose duties are linked to the performance of Bankinter's share price or to other variable indices;

and on the remuneration systems of Bankinter's management team based on collective insurance systems or deferred remuneration systems, if any.

- discharging any other duties delegated to the committee under these rules and regulations or by the board of directors.

The remuneration committee must comprise at least three and no more than seven directors, appointed by the board of directors on the recommendation of the appointments and corporate governance committee. In order to perform its duties correctly, the remuneration will meet as often as it is called via resolution of the committee itself or its chairman.

The chairman, the vice-chairman (if executive) and the chief executive officer of Bankinter, or other executive directors or senior officers, may attend committee meetings called to discuss executive directors or senior officers other than those in attendance or matters regarding the remuneration of senior officers, if invited by the chairman at the committee's discretion. In all cases, the committee must consult the chairman, vice-chairman (if executive) and the chief executive officer when addressing any such matters before it may approve any proposal or report.

The remuneration committee may access all the information and documentation it requires in order to properly discharge its duties, and may seek the assistance of advisers, consultants, experts and other independent professionals.

The remuneration committee will report to the board of directors, through its chairman, on its activities and work at meetings convened for this purpose or at the next immediate meeting where the chairman deems it appropriate; and will make copies of the related meeting minutes available to the directors.

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. The activities described in this report include such tasks as proposing the remuneration of executive directors and senior officers (individuals) to the board; submitting a proposed remuneration scheme to be approved for board members in view of their oversight duties; proposing the annual report on director remuneration; verifying the information on the remuneration of directors and senior officers found in corporate documents; and monitoring the compliance with the remuneration policy put in place by Bankinter and revising it regularly.

3.10.5. Appointments and corporate governance committee:

Committee composition by director type:

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

Duties and powers:

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:

- nominating independent directors and board advisers for appointment, ratification, re-election and removal. In the case of independent directors, it will indicate the nature of their appointed role on the board. In appointing directors, the appointments and corporate governance committee will ensure that, for any vacancies, selection procedures are free from implicit biases that may hinder the selection of female directors. Accordingly, it will aim to find and include among potential candidates women who have the desired professional profile whenever the number of female directors on the board is low or non-existent.
- nominating chairmen and members of board committees for appointment, re-election and removal.
- assessing the necessary balance of powers, expertise, diversity and experience amongst board members. For this purpose, it will define the functions and aptitudes required of candidates for each vacancy; and assessing the time and dedication necessary for them to properly discharge their duties.
- assessing, at least once a year, the suitability of the various board members and of the board as a whole; and reporting on its findings to the board of directors.
- setting a representation target for the least represented gender on the board of directors and preparing guidelines to achieve that target.
- examining whether there are updated succession plans for the chairman, the vice-chairman (where appropriate), the chief executive officer and Bankinter's senior

officer; and submitting proposals (if necessary) to the board of directors to ensure that such individuals are succeeded in an orderly and organised manner.

- reporting on proposals to appoint, remove and dismiss Bankinter's senior executives.
- reviewing the board of directors' policy on selecting and appointing senior executives on a regular basis; and submitting recommendations.
- reporting on the appointments and removals of any directors or senior executives in subsidiaries or affiliates who act on behalf of, or are proposed by Bankinter.
- reviewing Bankinter's corporate social responsibility policy and ensuring that it is orientated toward creating value.
- monitoring the corporate social responsibility strategy and practices, and evaluating the level of achievement thereof.
- carry out any other functions described in Article 38 of the *Rules and Regulations of the Board of Directors*.

Appointments and corporate governance committee. The appointments and corporate governance committee will have a minimum of three and a maximum of seven non-executive directors appointed by the board of directors on the recommendation of the committee itself. 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 chairman, the vice-chairman (if executive), and the chief executive officer of Bankinter or other executive directors or senior officers, if applicable, may attend the meetings if invited by the chairman at the committee's discretion. In general, the chairman, vice-chairman (if executive) and/or the chief executive officer of Bankinter will be called to committee meetings convened to discuss matters regarding executives or senior officers other than those in attendance, or regarding the appointment and remuneration of senior officers. In all cases, the committee must consult the chairman, vice-chairman (if executive) and the chief executive officer when addressing any such matters before it may approve any proposal or report.

The appointments and corporate governance committee may access all the information and documentation it requires in order to properly discharge its duties, and may procure the assistance of advisers, consultants, experts and other independent professionals.

The appointments and corporate governance committee will report to the board on its activities and the work it has carried out via its chairman, at board meetings held for such

purpose or at the next meeting where the chairman deems it necessary; and will make copies of the minutes of such meetings available to board members.

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.

3.10.6. Number of meetings of board committees:

Number of meetings of the board’s different committees have held during the year:

Number of executive committee meetings	11
Number of audit and regulatory compliance committee meetings	11
Number of appointments and corporate governance committee meetings	6
Number of remuneration committee meetings	5
Number of risk committee meetings	6

96.15% of directors attended board committee meetings (this percentage is 100%, if attendance via proxy with specific instructions is considered). This demonstrates their full commitment to analysing and discussing the issues that were put before them by examining supporting documents and any other information required for such purpose.

3.11. Account audits

The board of directors, through its audit and regulatory compliance committee, oversees the entire process for preparing and formulating the annual accounts of Bankinter and its group, along with quarterly and half-yearly financial reports.

Its oversight and permanent contact with the external auditor are intended to avoid any qualifications in the auditors’ report, among other things.

At 31 December 2018, 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:

- *safeguarding the independence of external auditors and receiving from them information on issues that may jeopardise their independence, any matters related to*

the accounts auditing process, and any other communications mentioned in accounts auditing legislation and technical auditing rules. In any event, each year the committee will receive written confirmation from the account auditors of their independence from the entity or entities related directly or indirectly to it, as well as information on any additional services provided to those entities by any such auditors or companies, or by individuals or entities related to them in accordance with current accounts auditing legislation.

- *issuing a report annually, in which an opinion on the independence of the accounts auditors or audit firms shall be stated, before the accounts audit report is issued. In any case, this report shall take a position on the provision of additional services referred to in the previous sub-section.*
- *acting as a channel of communication between the board of directors and external and internal auditors; assessing the findings of audit reports and compliance with the observations and conclusions drawn therein; and discussing any significant weaknesses detected in the internal control system during the audit with auditors.*
- *safeguarding the reliability and transparency of internal and external information on Bankinter's results and activities; verifying, in particular the integrity and consistency of the quarterly and half-yearly financial statements of Bankinter and its group, in addition to their annual accounts, notes to the financial statements and management report, before these are approved or proposed by the board of directors and posted; and overseeing Bankinter's policy on prospectuses and other forms of public information.*

The firm, PricewaterhouseCoopers, S.L., was appointed auditor of Bankinter Group's individual and consolidated financial statements for 2016, 2017 and 2018, via a resolution passed in the Annual General Meeting held on 17 March 2016 (with an approval rate of 99.355%).

In the annual general meeting to be held in March 2019, the board of directors will put to a vote the renewal of the appointment of PricewaterhouseCoopers as the auditor of the consolidated financial group. PricewaterhouseCoopers, the Group's auditor consecutively since 2016, is a top auditing firm in the world and in Spain. The board of directors has considered that it should be renewed for another year, based on certain circumstances, including the reasons found in the audit and regulatory compliance committee's annual report (available on the bank's corporate website), especially in the section about the independence of the auditor.

Therefore, the number of years that PricewaterhouseCoopers has continuously been auditing Bankinter’s annual individual and/or consolidated financial statements, and the percentage of this number of audited years out of the total years in which the financial statements have been audited are provided below:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated
No of years audited by the current auditing firm/No of years in which Bankinter has been audited (in %)	55.26	55.26

External auditors attend meetings of the audit and regulatory compliance committee if the committee chairman deems it necessary, and always when the report of said auditors on the annual accounts and management report of Bankinter and Bankinter Group is to be examined. External auditors also attend meetings called to verify quarterly results before they are made public.

To date, the individual and consolidated accounts have never been submitted for approval at the General Shareholders Meeting with qualifications in the Auditors’ Report.

3.11.1. Independence of account auditors

The board of directors, through its audit and regulatory compliance committee, oversees the objectivity of the relations of Bankinter and its group with external auditors, ensuring their complete independence. Specifically, the board ensures that auditors are rotated, that conflicts of interest are prevented and that the information in the annual report on remuneration 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 functions of audit and regulatory compliance committee include safeguarding the independence of external auditors. This committee is responsible for proposing the

appointment, re-election or replacement of external accounts auditors to the board and determining auditors' hiring conditions, the extent of their professional term of office and overseeing activities that are unrelated to accounts auditing. When performing these functions, it is responsible for:

- approving the annual budget for any fees to be paid for the service of auditing Bankinter and Bankinter Group's account, setting the maximum percentage of the total invoice that may represent billing for services other than auditing in accordance with generally accepted customs, via an action protocol adopted by the committee to ensure that the acquisition of these services has been previously authorised by the committee and overseen at all times by Bankinter Group's internal audit division.
- overseeing the rotation of account auditing teams as required by law.

Furthermore, in keeping with the Ley de Sociedades de Capital [Spanish Corporations Act], the audit and regulatory compliance committee issues, on an annual basis and prior to the issuance of the accounts audit report, a report containing its opinion as to whether the independence of the accounts auditors or audit firms has been compromised. This report reveals whether the appropriate relations and communication channels have been established with account auditors in order to receive information on any matters that may compromise their independence as well as any other matters relating to the account audit process and other communications provided by law and in auditing standards, to be reviewed by the committee. The chairman of the audit and regulatory compliance committee informs attendees of the Annual General Meeting about the conclusions of this report.

The external auditors provide the board of directors with an annual report on the conclusions of their audit and the status of risk management at Bankinter and its group, following a report from the audit and regulatory compliance committee.

This report describes the compensation received by PricewaterhouseCoopers for accounts auditing and other non-audit tasks it performs for Bankinter. Below is what non-audit tasks account for out of the total amount billed by PricewaterhouseCoopers in 2018:

	Company	Group	Total
Amount of non-audit work (thousands euros)	92.9	30	122.9

Amount of non-audit work / total amount billed by the audit firm (%)	7.54	2.43	9.97
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During 2018, the external auditor has carried out five jobs for the Bankinter Group in addition to those inherent to auditing, the fees for which range between €8,000 and €35,000 and that represent 9.97% of the total amount invoiced by the external auditor.

For all of them, it has been guaranteed that there are no threats to the independence of the external auditor that would require the application of safeguarding measures or that could lead to conflicts of interest. All of the jobs have also been previously authorised by the Audit and Regulatory Compliance Committee.

3.11.2. Pre-certification of the annual accounts:

Before the individual and consolidated financial statements are submitted to the board of directors, they are certified by the chief executive officer and the chief financial officer.

The individual and consolidated financial statements for 2018 were certified by:

Name	Post
María Dolores Dancausa Treviño	The chief executive officer
Jacobo Díaz García (*)	Chief financial officer

(*) Acting chief financial officer since the chief financial officer and capital markets director, Gloria Hernández García, stepped down from her post in Bankinter and its group on 25 January 2019.

3.12. Assessments of the board and its committees:

One of the board's powers is to produce an annual assessment of its own workings and those of its committees and, based on its conclusions, to propose an action plan to correct any shortcomings detected.

In accordance with corporate governance recommendations, the board of directors decided that this assessment will be carried out by external advisers at least every 3 years. In 2016 this assessment was carried out by an independent external expert, Russell Reynolds. Assessments for 2017 and 2018 were carried out internally.

These assessments covered such aspects as the operations of the board of directors and its committees and the performance of its chairman and executive directors.

In short, the assessments carried out did not detect any shortcomings that would require implementing an action plan to correct any of the areas analysed: i) quality and efficiency in the board's functions; ii) the functions and the composition of board committees; iii) diversity in the composition and the authority of the board of directors; iv) the performance of the board's chairman and the chief executive officer of Bankinter; and v) the performance and contribution of each director, with a special focus on committee chairs.

Nonetheless, the analysis of the findings of both assessments led to some suggestions for improvement, which will be examined by the appointments and corporate governance committee.

3.13. Total remuneration of the board of directors:

Remuneration earned during the year by the board of directors (thousands of euros)	7,764
Cumulative amount of rights of current directors in pension scheme (thousands of euros)	1,118
Cumulative amount of rights of former directors in pension scheme (thousands of euros)	0

3.14. Composition and total remuneration of senior management (excl. executive directors):

Name (person or company)	Post
Fernando Moreno Marcos	Managing director, Corporate banking area
Eduardo Ozaíta Vega	Managing director, Commercial banking area
Jacobo Díaz García (*)	Head of corporate development, products and markets

Gloria Hernández García (*)	Chief financial officer and managing director of capital markets
Gloria Ortiz Portero	Managing director, Digital banking area
Gloria Calvo Díaz	General secretary and secretary of the board of directors
Íñigo Guerra Azcona	Managing director, Investment banking area
Julio Gabriel Zapatero Gaviria	Managing director of risks/CRO
Francisco Martínez García	Head of Internal Audit

(*) Gloria Hernández García resigned from her post as chief financial officer and managing director of capital markets effectively on 25 January 2019. Jacobo Díaz García was appointed acting chief financial officer until a favourable assessment of him to occupy this post is received from the competent authority. At that time, he will perform his duties with full authority. To replace Jacobo Díaz García, Marta Centeno Robles was appointed managing director of Corporate Development, Products and Markets. Both are members of the management committee of Bankinter, S.A.

Total senior management remuneration (€k)	11,419
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There are no agreements between Bankinter and its directors, managers or employees that have guarantee or ring-fencing severance clauses in the event that such persons resign or are wrongfully dismissed, or where the contractual relationship ends due to a public takeover bid or another type of transactions. For this reason, these agreements are not reported on in board meetings or in annual general meetings.

D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

4.1. Related-party transactions for significant shareholders, board members and senior officers:

The Rules and Regulations of the Board of Directors reserve certain functions to the board of directors, which include: *'approving related-party transactions between Bankinter and directors, significant shareholders or shareholders represented on the board, or persons*

related to them, within the terms laid down in these Rules and Regulations, and on the recommendation of the audit and regulatory compliance committee.'

Directors directly or indirectly concerned must refrain from intervening in the debates and decisions related to concrete transactions for which authorisation is requested.

Likewise, the *Rules and Regulations of the Board of Directors* provide rules on approving lines of credit, other financial risks and related-party transactions:

- 1. Bankinter must grant lines of credit, loans and other forms of financing and guarantees to directors or persons related to them in accordance with the rules and instructions of regulators and the provisions of this article, which will likewise apply to any transactions with directors that entail a financial risk of any sort or kind to Bankinter.*
- 2. These transactions must be authorised or approved by the board of directors; or, in case of an emergency, by the executive committee, the audit and regulatory compliance committee or any other board committee, person or persons delegated this power by the board or the competent committee, subject to the board's final approval when necessary. Resolutions on such transactions will be adopted without the involvement of any directors they may concern.*
- 3. Temporary transactions such as account overdrafts or credit-card debt balances are exempted, provided that the drawn amount falls within the usual limits. In the case of executive directors, transactions covered by collective bargaining agreements, resolutions or similar regulations are also excused in addition to those exempted in the rules and instructions mentioned under paragraph 1 of this Article.*
- 4. The board will approve other transactions between Bankinter and its directors or significant shareholders or shareholders represented on the board, or persons related to them, pursuant to paragraph 2 of this article, after receiving a related report from the audit and regulatory compliance committee; with the express exception of any transactions that are arranged under standard contracts and regularly apply to a large number of customers, provided that the amount granted to the same person, to their relatives up to the second degree or to companies where such persons hold a controlling interest or an interest greater than or equal to fifteen percent; or are board members, does not exceed the legal amount in force.*

Likewise, on 22 April 2015, the board of directors of Bankinter approved:

- Procedure for approving credit transactions/guarantees and sureties for senior officers at Bankinter. This procedure is aligned with and follows the principles and standards laid down in the policy on the prevention of conflicts of interest of senior officers that the

board approved on the same date. It defines the internal process for approving credit transactions/guarantees and sureties for senior officers at Bankinter, before or after authorisation is requested from the competent supervisory authority in accordance with Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions, implemented subsequently by Article 35 on '*Restrictions on the provision of loans, bonds and guarantees for the institution's senior management*' of Royal Decree 84/2015 of 13 February and by Rule 35 on "*The procedure for authorising and announcing credits, guarantees and sureties for senior officers at credit institutions*' in Banco de España Circular 2/2016 of 2 February.

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

4.1.1. Mechanisms to detect, determine and resolve possible conflicts of interest between Bankinter and/or Bankinter Group, and directors, senior officers and significant shareholders.

As at 31 December 2015, the *Rules and Regulations of the Board of Directors* set out the following:

- 1. Directors must notify the board of directors or the audit and regulatory compliance committee of any situations of conflicts of interest they may have with Bankinter and, specifically, any remunerated activities they perform at other companies or entities – even as directors or administrators– or on a self-employed basis, as well as any other professional duties or situations in general which may interfere with the dedication required of the role of director and the performance of their duties as administrators of Bankinter, as soon as they become aware of an existing or potential conflict or situation. The corporate website shall contain information on the other board of directors on which the directors serve, whether or not the companies are listed companies.*
- 2. Directors concerned in a conflict of interest must refrain from participating in any related debates, decision-making and transactions.*
- 3. Directors must disclose to the audit and regulatory compliance committee any shareholdings in companies where such holdings are majority holdings or confer on them control of such companies, as described in the Rules and Regulations of the Board of Directors, in addition to any changes to such holdings.*
- 4. Transactions between directors and Bankinter must take place at market prices and in conditions of complete transparency, and with the application of the securities market code of conduct in these rules and regulations, and any other legally-applicable restrictions.*

5. *With the exception of standard banking transactions, directors must disclose to the audit and regulatory compliance committee any direct or indirect professional, commercial or financial transactions with Bankinter, particularly those unrelated to Bankinter's ordinary business and those not carried out exceptionally on under normal market conditions, which will be subject to the provisions of Article 19 of the Rules and Regulations of the Board of Directors.*

6. *In addition, executive directors must inform the audit and regulatory compliance committee, at its request, about their investments and financial and economic transactions in general.*

7. *Directors may not use Bankinter's name or rely on their role as company directors to perform transactions on their own account or for persons related to them. Furthermore, they may not use the bank's information or assets; or use their position at the bank to secure any economic advantage, unless it is in exchange for adequate consideration under arm's length conditions or where the information concerned has been disclosed publicly.*

8. *Directors must not, whether for their own benefit or for that of persons linked to them, make investments or carry out any transactions connected with Bankinter made known to them during their term of office as directors, where such investment or transaction was offered to Bankinter or it had an interest in it. An exception is made where Bankinter rejects the loan or transaction, without a director's influence. A business opportunity for directors is understood as any possibility for a loan or financial, industrial, commercial, or real-property transaction arising in connection with their role as directors or using Bankinter's information, or in circumstances in which it is reasonable to believe that the third party's offer was addressed to Bankinter.*

9. *Directors must inform the audit and regulatory compliance committee if their activity or circumstances may harm Bankinter's name or reputation, in addition to any criminal proceedings in which they are suspects.*

10. *The situations and transactions to which this article refers should be the subject of public information in those cases and in the manner laid down by law.*

11. *Linked persons to the Director classified as nominee or who must be considered as such are deemed to be, for the purposes of Articles 8, 11, 17 and 18 of these Regulations, the shareholder(s) having appointed or proposed to appoint, ratify or re-elect the Director and the persons linked to them or those represented by the Director at the Board for any cause, as well as those acting in concerted form with any of them according to the legislation in force.*

12. *In any of the cases described in the sub-sections above, the audit and regulatory compliance committee may request a report from the remuneration committee or the appointments and corporate governance committee, if it so deems*

appropriate. In the event that the audit and regulatory compliance committee or any of the said committees detect the existence of a possible case of prohibition, ineligibility or serious conflict of interest, it must notify the director concerned and report it to the board of directors.

13. Structural conflicts of interest will be grounds for ineligibility for being appointed or holding the position of director in accordance with the Rules and Regulations of the Board of Directors.

There is a conflict of interest in situations where there is a risk of direct or indirect opposition between the interests of Bankinter or Bankinter Group companies, and the personal interest of a director, the shareholder that appointed or nominated the director, or of the related parties of any of these.

Furthermore, on 22 April 2015, the board of directors of Bankinter approved:

- The **Bankinter Senior Officer 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 Bankinter engaging in any related transactions between Bankinter and the Senior Management requiring approval in accordance with law or the internal regulations of Bankinter.

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

Below, information is provided on transactions with directors, senior officers and significant shareholders, defined as transactions of sizeable amounts, which are in all cases made within the ordinary course of business of the Company and on an arm's length basis.

The most significant transactions between the bank or group companies, and significant shareholders, executives or managers in the bank are described below:

Name of directors or and/or senior officers (person or company)	Name of the related party (person or company)	Relationship	Type of transaction	Amount (thousands of euros)
PEDRO GUERRERO GUERRERO	BANKINTER, S.A.	Member of board of directors	Financing	3,500

MARÍA DOLORES DANCAUSA TREVIÑO	BANKINTER, S.A.	Member of board of directors	Financing	3,474
FERNANDO MASAVEU HERRERO	BANKINTER, S.A.	Member of board of directors	Financing	4,000
MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	BANKINTER, S.A.	Member of board of directors	Financing	60
RAFAEL MATEU DE ROS CEREZO	BANKINTER, S.A.	Member of board of directors	Financing	1,877
FERNANDO MORENO MARCOS	BANKINTER, S.A.	Managing director	Finance	43
GREGORIO EDUARDO OZAITA VEGA	BANKINTER, S.A.	Managing director	Finance	337
IÑIGO GUERRA AZCONA	BANKINTER, S.A.	Managing director	Finance	390
GLORIA ORTIZ PORTERO	BANKINTER, S.A.	Member of the management committee	Finance	127
JULIO GABRIEL ZAPATERO GAVIRIA	BANKINTER, S.A.	Managing director	Finance	45

In addition, the company has provided loans to the members of senior management for the acquisition, at the time, of convertible debentures as well as of shares resulting from the increase in share capital that Bankinter approved in May 2009. They also have open financing positions formalised under the terms and conditions that apply under the *Collective Bargaining Agreement* and company agreements, for Bankinter employees. The aggregate amount of the transactions with members of senior management with the aforementioned characteristics is 80 thousand euros.

4.2. Intra-group transactions:

The transactions between the bank and the other companies in its group are part of its usual business in terms of their purpose and conditions; and follow the legal requirements for setting

the transaction terms in accordance with market requirements. The most significant balances of intra-group transactions, as well as the effect on the income statement of the transactions carried out therewith, are described below clearly, precisely and in detail in the 2018 financial statements:

Of the companies in Bankinter Group, only the parent company, Bankinter, is a listed company. Therefore, no mechanisms for resolving potential conflicts of interest that may arise in this regard between group companies have been made public.

E. RISK CONTROL AND MANAGEMENT SYSTEMS

5.1. Company risk management system:

The board of directors prioritises the proper identification, measurement, management and control of significant risks in all business units of Bankinter Group. To this end, it establishes the basic mechanisms and principles for properly managing them, such that it can achieve Bankinter Group's strategic objectives, protect its earnings and reputation, defend the interests of its shareholders, customers, other stakeholders and of society in general, and ensure business stability and financial strength sustainably 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. Several risk tolerance levels that Bankinter Group is prepared to assume are defined for each of these metrics. The appropriateness and levels of metrics are subject to review by the risk committee on a quarterly basis, on the recommendation of the chief risk officer. If amended, this committee recommends to the board that they be updated and approved. These metrics are tracked quarterly, and if a negative trend is seen in any of them, action plans are established and monitored until the metrics return to the proper 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 Information".

For tax-related risks, in accordance with 529 ter 1b) of Royal Legislative Decree 1/2010 of 2 July, which approved the restated text of the Ley de Sociedades de Capital [Spanish Corporations Act], the policy for controlling tax-related risks is listed as a non-delegable power of Bankinter'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).

Therefore, in accordance with article 529 *ter.* 1b) of Legislative Royal Decree 1/2010 of 2 July, enacting the restated text of the Ley de Sociedades de Capital [Spanish Corporations Act], the board of directors was informed on 20 May 2015, that the entity, KPMG Abogados, S.L. was hired to prepare a report to assess the tax risk control policies in place in Bankinter Group. As a result of this analysis, a Report on recommendations dated 23 October 2015 and the Executive Summary of the Report on recommendations dated 16 November 2015 were issued along with a report on "Diagnostics on existing internal control processes and systems within the Bankinter Group" dated 4 February 2016, accompanied by a letter with the key findings according to which as a result of the analysis, KPMG considers that "no significant issues have been detected that could imply the existence of relevant judgments in the area of the fiscal function", limiting itself to the recommendations carried out to improve operational functioning of the tax-related activity of the Group, where material risks within the scope of the entity's fiscal 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. In particular, this report reveals that, as a result of these recommendations, on the one hand, the bank approved protocols that describe the role of the tax function in the areas of tax compliance, tax proceedings, tax advice and how they relate to other departments in the bank; on the other hand, the bank made certain adjustments to financial and accounting processes concerning taxes.

In regard to the fight against corruption and bribery:

The bank must achieve its business objectives in a manner that is compatible with regulations as well as the best practices and standards required of its operations. Therefore, regulatory compliance is, to Bankinter, an obligation that is as ethical as it is legal. Its purpose is to assess and provide guidelines for lines of business that help define strategy, ensuring compliance with applicable legislation at all times. With this purpose, the commercial staff of all the areas under the compliance function receive considerable additional training.

5.2. Company bodies responsible for creating and implementing the Risk Management System

In accordance with Rules and Regulations of the Board of Directors, the board of directors is responsible for approving the risk control and management policy, as well as 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 board has delegated all of its functions to the executive committee except for functions that cannot be delegated under the law, bylaws or the Rules and Regulations of the Board of Directors. It makes decisions for managing and monitoring all types risks, and in turn delegates to the following internal committees:

- Credit risk, in the executive risk committee, which in turn sets the limits on the delegation of powers to the 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 under the pervue 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 is an advisory body in charge of the company's risk supervision functions and provides 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 internal audit activities. This committee's annual plan includes a sharp focus on work related to the measurement, monitoring and management of risks.

5.3. Organisation of the risks function

The risk control and management function is distributed between the Risk Division, Capital Market and Finance Management, Internal Audit and Regulatory Compliance.

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

The board of directors of Bankinter is ultimately responsible for managing and controlling risks.

The managing director of risk holds the role of CRO ('Chief risk officer') in accordance with current regulations. The board's risk committee is authorised to appoint and replace the chief risk officer on the recommendation of the bank's chairman, vice-chairman (if an executive) or the chief risk officer.

In reporting hierarchically to the Chief Risk Officer, this post has assigned two differentiated and separate functions:

- Risk management.
- Risk control and internal validation.

Below is how these two functions are organised:

- **Risk management.**

Risk management groups major risks (credit and counterparty, market, liquidity, structural, operational and model risks). It has corporate responsibilities extending to all areas and provides support to the governance bodies of Bankinter Group. It is in charge of defining the methodologies and executing controls over risks as the first line of defence. Furthermore, it is focused on carrying out the risks function and integrating it into management within the several businesses of Bankinter and its group. It is charged with defining the methods for risk control and implementing them as the first line of defence. Furthermore, it is focused on performing the risks function and integrating it into management within the several businesses of Bankinter and its group.

- Credit risk aims mainly to define the risk policies associated with each of the segments. It is delegated powers that allow it to authorise customer transactions. It is responsible for the full risk process, from approving risks (which requires IT support capable of achieving the highest level of efficiency); to monitoring and recovering risk positions.
- Global Risk Management: It is responsible for developing, improving, controlling, implementing and regularly monitoring statistical and risk parameter models for the

various credit portfolios, and also enhancing the integration of such models into management. The internal models perform a key role in the approval process, in the calculation of regulatory and internal capital, in the calculation of collective provisions, in recovery processes and in the establishment of risk-adjusted return measures (RARORAC). Furthermore, its responsibilities include supervisor relations, official announcements and regulatory reporting in regard to models, as well as monitoring the plan for sequentially implementing 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 risks) and market risks stemming from the bank's institutional and trade transaction.
- As discussed further on, the Balance Sheet Management Area and the Trading Department, reporting to the General Capital Markets Division, are responsible, respectively, for managing liquidity, interest and foreign currency risks (structural risks) and for managing market risk. Market risk has the independent duty of measuring, monitoring and controlling changes in interest rate, liquidity, foreign currency, market and counterparty risks in 'institutional' positions (ie, those taken by the assets and liabilities committee (ALCO) and by the Trading 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 the operational risk is delegated to the various subsidiaries, support areas and business units within the group. This is occasionally managed by specialised or centralised departments when necessary given the circumstances (complexity, size, cross-sector corporate processes, etc.).
- Non-performing Loans and Delinquent Debt: It is 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 formalities for this purpose, in order to minimise new non-performing loans. It is also responsible for running and managing the control, monitoring and non-amicable recovery of loans in accordance with current legislation, by creating and promoting automatic systems that make management more efficient; and implementing more efficient

and effective mechanisms and processes to improve outstanding debt collection. It is also responsible for all matters related to policies for, and the analysis, authorisation and monitoring of, refinancing operations.

- **Property Assets:** sets and updates the price of foreclosed assets and allocates them for a specific purpose. Its duties include technically and legally aligning assets and monitoring them in order to prevent their impairment. Its purpose and main responsibility is to proactively seek out buyers by publicising and managing assets under principles of transparency, sufficient publicity, competition and effectiveness in order to obtain the highest price possible. It prioritises quick selling.

- **Risk control and internal validation**

The risk control unit, as a second line of defence, has corporate responsibilities extending to all areas and provides support to the governance bodies of Bankinter Group. 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 seen in the banking sector and/or required by regulators. Accordingly, it verifies that the actual risk profile that is undertaken is in line with the stipulations of senior management.

Internal Validation Unit: This unit's function is to validate advanced risk models and their results. To this end, it conducts analyses and issues reports with opinions and recommendations on their validity and their use in risk management.

- **Other risks managed indirectly by the managing director of risk/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 the bank by setting maximum limits that it delegates to such bodies, as defined in the Risk Control and Management Framework.

The board of directors delegates to the assets and liabilities committee (ALCO) the constant monitoring of decisions with regard to the structural risks of the balance sheet (interest and liquidity risk), of market risk and of the exchange rate of the institutional positions of the

bank, as well as the establishment of the financing policies. In addition, it annually reviews, approves and delegates to the ALCO the applicable limits for the management of the aforementioned risks.

The ALCO is directly responsible for managing all risks on interest rates and liquidity, as well as stock exchange and institutional change risks and Company financing policies, although Capital Markets, within its powers or following the directives of the chairman, chief executive officer or the chief financial officer and managing director of capital markets, may conduct actions aimed at protecting the bank from its risks or taking advantage of trading opportunities that arise.

As frequently as it deems necessary, if not once a year at least, the board of directors checks the framework and policies for managing these risks as well as the need to modify operating the limits operating limits set out in the framework.

The Balance Sheet Management Unit or, as per its instructions, Trading and Capital Markets, implement the decisions taken by the ALCO in regard to the bank's institutional positions. Depending on the circumstances, they may act immediately in order to protect the bank from potential market downturns and subsequently report on their actions to the ALCO committee.

- Technological risks

These risks are supervised by the Technological Risk and IT Security Area. It is set up within Bankinter Global Services and reports directly to its managing director. It functionally reports to Bankinter's managing director of risk/CRO, to whom it issues reports on a regular basis. Concerning the management of these risks, it is mainly responsible for: 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 detected vulnerabilities.

- Reputational Risk

The first-line management of this risk is delegated to the Group's various subsidiaries, support areas and business units, operating within the scope of the policies and guidelines issued by the Corporate Reputation Unit. This unit operates within the Corporate Communications and Responsibility area, draws up metrics on reputational risks and

handles the preventive management thereof and mitigation of potential reputational risks through participation in crisis response actions.

- *Other units in the second line of defence*

- Regulatory Compliance Unit

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

The audit and regulatory compliance committee is charged with functions like 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. It should also make any necessary proposals for its improvement and revise the fulfilment of any actions and measures arising from reports or actions by administrative supervision and control authorities.

The Regulatory Compliance Unit acts, from a hierarchical point of view, under Bankinter's audit and regulatory compliance committee and is functionally assigned to the Office of the General Secretary of the Bank. Its functions include: advising senior management, employees and the Group's business and operating areas; supervision and monitoring of compliance with rules of conduct; detection and management of noncompliance risks; and relations with regulatory and supervisory bodies and authorities on any matters within its remit.

The institutional framework for fighting corruption and bribery is described below:

The regulatory compliance function is integrated within Bankinter through an internal institutional framework. The head of the Regulatory Compliance, Regulations and Corporate Governance Division reports to the audit and regulatory compliance committee of Bankinter's board of directors; and is attached to the office of the bank's general secretary, through which he or she is integrated within the rest of the organisation, thereby guaranteeing close cooperation with the rest of senior managers (especially within the risks area) and the Legal department, within all their areas of authority. In particular, it serves on the following bodies of the bank:

- **Regulatory compliance committee.** It is the senior management body that monitors the bank's policies in this area.

- **Products committee.** It approves the launch, modification or cancellation of products and services offered to customers.
- **Internal control body.** Establishes policies regarding the prevention of money laundering and the financing of terrorism, in accordance with Law 10/2010, and ensures compliance with them.

This organisational structure enables the bank to adequately manage the risk of failing to comply with regulations, which involves significant reputational risk, with a potential negative impact on the relationship with customers, markets, employees and the authorities. In particular, failure to comply with regulations may lead to sanctions, damages or cancellation of contracts, with the resulting damage to the bank's image

Basic areas

With this institutional and regulatory framework, the bank created the basic areas of the compliance function: 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.

In regard to the anti-money laundering and terrorism financing, in 2018, control frameworks were internationally enhanced in terms of customer understanding and controls that apply to international financial sanctions and correspondent banking.

In Spain, Royal Decree-Law 11/2018, of 31 August, which contains amendments stemming from the transposition of Directive (EU) 2015/849 of the European Parliament and of the Council, of 20 May 2015, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, was made public.

For Bankinter Group, preventing these practices represents a strategic objective and an ethical commitment to the entire company and to its compliance with control standards in this matter. In line with this objective, in 2018, Bankinter enhanced its IT tools for this function.

- Financial Control and Analysis Unit:

Under the General Capital Markets and Finance Division, this unit reports to the audit and regulatory compliance committee and its functions include tracking of the general internal financial control framework regarding the reliability of the group's financial information. This includes the implementation and development of the system for internal control over financial reporting (ICFR).

5.4. Main risks that could hinder business objectives:

Bankinter carries out practically all of its lending activity in Spain and Portugal. Therefore, it is subject to the usual risks inherent to banking and finance, such as: credit and counterparty risk, market risk, structural exchange and interest rate risk, liquidity risk, operational risk, business risk, reputational risk and compliance risk.

Bankinter has traditionally maintained a prudent risk policy, which has allowed it to maintain differentiated performance in the industry over the years.

For credit risk, Bankinter Group focuses on lending to individuals with moderately-high to high incomes. It has a sound residential mortgage portfolio as well as significant advisory and asset management activities. In recent years, the consumer finance business has operated with a limited risk appetite. As concerns companies, its focus is on medium-sized and large enterprises, which have performed relatively better in crises and have higher international growth potential.

For market risk, its exposure is very limited. As regards structural risks, Bankinter follows a policy of neutralising interest and exchange rate risks stemming from Bankinter Group's business units.

The risks that might affect achievement of business goals are those that are inherent to banking in Spain. Following the banking restructuring in Spain and several years of considerable economic growth, business prospects in strategic segments are positive in a backdrop of low interest rates, weak investor demand and strong competition. On the other hand, in the second half of 2018, risks factors emerged, such as decelerated growth in Spain and worldwide, international trade tensions, political uncertainty in the Eurozone and interest rate and exchange dynamics that may significantly change the economy. In 2018, borrowing by economic agents continued to decrease in Spain, and the EU forecasts suggest weak growth in the medium term. In this backdrop, loan defaults continue to have a significant impact on earnings in Spain. Bankinter closed out 2018 with a non-performing loan ratio of 2.90%, a 55 basis-point decrease (16%) with respect to the previous year. Its non-performing loan ratio at year-end is 47% below the industry average (6.08%, according to Banco de España figures from October 2018). Bankinter's quality of assets and traditional policy of prudence allow it to face the trends and future management of credit risk with a positive outlook.

Market risk, interest rate risk, exchange rate risk and liquidity risk might result from new systemic episodes such as those experienced in 2012 during the Eurozone financial crisis, which appear remote, without adverse political developments, as of the date of preparation of this report. Bankinter actively manages these risks and pays continual attention to them.

For **tax-related risks**, based on the analysis by KPMG, S.L. described in the previous section, it is not believed that the tax-related risks detected will affect its business objectives.

In regard to corruption and bribery, the response measures and plans described in section 5.7 reduce the related impact on business objectives.

5.5. Risk tolerance level:

The risk appetite and tolerance that Bankinter Group assumes as part of 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 segments of medium-sized and large enterprises.
- Balance of the loans and receivables portfolio between individuals and legal entities.
- Balanced growth in retail financing resources.
- Sources of wholesale funding are diversified from the viewpoint of both instruments and markets, and maintenance of a balanced maturity profile.
- Optimisation of the cost of retail financing, maintaining a balance between the return on the loan and the rate situation in the market.
- 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.

- Maintain a very small structural position in foreign currencies.
- Strengthened control of the reputational positioning of the Institution (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.
- Cost-to-income Ratio Optimisation.
- Maximisation of the generation of value for shareholders throughout cycles through both dividends and increase in share price, all on a strong base of capital and liquidity.
- Common Equity Tier 1 (CET1) is maintained within the fluctuation band set by the Institution, above the regulatory minimums.

In addition, the Risk Control and Management Framework established by the board (hereinafter the Framework) establishes in detail the risk policies; 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, the Risk Appetite Framework and the system of delegated powers assign quantitative amount limits for approving risks based on the organisational level, nature and duration of a given transaction.
- For structural and market risks, there are specific metrics (exposure level, amount 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-related risks, it should be noted that, through a resolution dated 20 May 2015, the board of directors of Bankinter approved Bankinter Group's defined tax strategy, stating that it was essentially aimed at ensuring responsible compliance with tax rules, in accordance with corporate interests and in support of Bankinter Group's business strategies. For these purposes, as part of its social and corporate responsibility, Bankinter recognises the role of the tax system in society. Therefore, it seeks to ensure that the tax function in Bankinter Group also is carried out in support of the interests of the company and its stakeholders as well as the valued confidence of the community in which it operates.

Furthermore, 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.

5.6. Materialised risks during the year:

In 2018, the Spanish economy continued to expand. Nonetheless, growth was moderate throughout the year, with a global backdrop of new trade tensions, increasing political uncertainty in Europe and a stronger dollar against the currencies of emerging economies, which led to tensions in those countries. In Spain, corporate and household borrowing continued to decrease, and overall lending to the private sector lagged across the board. Within this scenario, Bankinter followed a trend of moderate growth for another consecutive year. Lending to customers was up by 4.1% whilst computable risk (including off-balance-sheet risk) grew by 4.6%.

Bankinter has been balancing the distribution of its loan book between individuals and legal entities for years. In 2018, credit risk in Spain for individuals grew by 3.8% and that for legal entities by 4.5%.

At the end of the financial year, the computable risk for individuals was 49.9% of the total, and that for legal entities was 50.1%.

The year ended with a non-performing loan ratio of 2.90%, which is 55 basis points less than that of the previous year (down 16%). At the close of the fiscal year, this ratio was 47% of the industry's average NPL ratio (at 6.08% according to Banco de España figures from October 2018). At the end of December 2018, the foreclosed asset portfolio stood at 348 million euros, representing 0.6% of total credit risk, after falling by 15% during the course of the financial year.

The portfolio of refinanced and restructured loans due to credit risk (including any changes in credit risk conditions) at the end of 2018 amounted to 1.207 billion euros. The majority of refinancing has additional guarantees.

For more information about the impact of these risks on Bankinter's financial statements, please read the sections on 'Risk policies and management', 'Exposure to the construction and development industry', and 'Additional information on risks: refinancing and

restructuring transactions' in the notes to the financial statements, available on the Bankinter' corporate website, under 'Shareholders and Investors – Financial Information – Report'.

Bankinter believes that its control and tracking systems are functioning properly, as indicated by the fact that it has maintained one of the lowest non-performing loan ratios in the Spanish financial system.

No tax-related risks that might have affected Bankinter's business targets materialised during the financial year.

As concerns tax proceedings for Bankinter Group, currently pending since its income statements were challenged before the economic and administrative tribunals and other competent bodies, we refer to the notes to the group's financial statements. In any event, there are adequate provisions for any tax-related liabilities that might derive from these proceedings, based on figures from 2018 and previous years.

5.7. Response and supervision plans for the company's main risks:

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

- A clear organisational structure that is independent of the business function, which starts from the board of directors and establishes a structure and functions for identifying, measuring, controlling and managing the various risks.
- Risk policies clearly established by the board that have been developed in specific structures for limits, powers and internal information 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- and moderate-risk customer segments, both for individuals and legal entities. The credit risk control, tracking and recovery systems are continually strengthened and supported by investments in IT systems. The non-performing loan ratio was therefore 2.90% at 2018 year-end, which is 47% of the industry average (Banco de España data from October 2018).

- 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 93.8% at year-end 2018.
- 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 the end of 2018, the CET1 (fully-loaded Common Equity Tier I) ratio was 11.75%.

For additional risk supervision, the audit and regulatory compliance committee has duties that include:

- To promote and review on a periodical basis the functioning of adequate internal control systems that ensure that the Company's risks are adequately managed.
- To supervise the bank's and the Group's internal auditing activities, and therefore to approve its annual work plan, the annual report on activities, and to ensure that the main risk areas and the internal control systems and procedures are reviewed.
- To be informed of relevant irregularities, breaches or risks observed during the control actions carried out by the Compliance Area.

As concerns tax-related risks, with the improved operating functions shown mentioned in documents prepared by KPMG, S.L., Bankinter's tax advisory area implemented an action plan. KPMG, S.L. and Bankinter's audit division were charged with verifying that it was followed. 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. The bank's audit and regulatory compliance committee reported to the board on this circumstance.

In regard to the fight against corruption and bribery:

Throughout 2018, 4,353 employees received AML training through a new course on this matter during a total 3,265 hours.

In 2019, the bank's adaptation to regulations on investment services will be complete, once MiFID II requirements have been fully transposed. It will also be necessary to promote the adaptation of the bank to the regulatory framework for transparency of information in the provision of banking services, especially with regard to property-related loans and to the framework deriving from the transposition of Directive 2017/828 as regards the

encouragement of long-term shareholder engagement, and Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Internal audit control

The Internal Audit division performs risk controls against corruption and money laundering.

In 2018, 100% of Bankinter centres in Spain were analysed using the automatic auditing and alert system. Internal Audit has audited and reviewed control procedures in 6 business units in the branch network, which is 1.3% of the total.

In Portugal, Internal Audit has carried out face-to-face audits and reviews of control procedures in 22 centres of the branch network, which is approximately 24% of the total. Furthermore, 100% of the agencies (81) were analysed via automatic audit.

Similarly, part of the activity of all of the centres is monitored through the alert generation programmes for the detection of significant risks.

In regard to the whistleblowing channel, 5 reports were received in 2018 regarding operational matters, of which two were dismissed.

Professional ethics

Over the years Bankinter has demonstrated its zero-tolerance policy toward crime, having adopted all measures necessary to transmit this commitment and its obligation to prevent, detect and persecute crime in all its forms and in all its ramifications to 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 a crime prevention and professional ethics committee, which is responsible for overseeing the functioning of and compliance with 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
- Whistleblowing channel

During the 2018 financial year, 22 disciplinary cases related to breaches of internal regulations were processed by Bankinter's crime prevention and professional ethics committee, of which 4 ended in dismissal.

Contributions to foundations and not-for-profit entities

Bankinter Group's main contributions were to two foundations that it promotes: the *Fundación Innovación Bankinter*, with entrepreneurship programmes, an innovation think-tank and training programmes; and the *Fundación Línea Directa*, which mainly acts in matters of road safety.

Furthermore, Bankinter Group establishes strategic alliances with the third sector in the communities where it operates, and works with them in order to identify, and attempt to respond to, local needs.

In order to make its corporate management more effective, the bank adopted the methodology of the London Benchmarking Group (LBG), which allows the contributions, achievements and impacts of the bank's social action in the community and in the environment to be measured, assessed and disclosed. According to this methodology, Bankinter Group's total contribution to foundations and not-for-profit entities amounted to 4.67 million euros.

Furthermore, Bankinter has also included a clause in its contracts with suppliers relating to ethical and social management, which commits them to such things as preventing corruption, ensuring data protection, not using child labour and guaranteeing stability of employment.

F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

6.1. Financial reporting control environment in the bank

Bankinter's board of directors is the body responsible for financial reporting and for maintaining an adequate internal control system for financial information. In addition, article 38 of the *Rules and Regulations of the Board of Directors*, the audit and regulatory compliance committee has been delegated by the board of directors to:

'Safeguard the reliability and transparency of internal and external reporting on the earnings and activities of Bankinter and, in particular, to verify the integrity and consistency of the quarterly and half-yearly financial statements, annual accounts, annual report and management report of Bankinter and its group before they are

approved or proposed by the board of directors and made public; and to supervise Bankinter's policy on prospectuses and other forms of public information'.

Bankinter has a manual of accounting policies and financial reporting procedures (hereinafter, the 'manual of accounting policies'), that the board of directors is responsible for approving, on the recommendation of the audit and regulatory compliance committee.

Article 5 of the *Rules and Regulations of the Board of Directors* provides that the board of directors is also 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 Bankinter and the risk control systems, and to safeguard the independence and effectiveness of the said function.*'

Nevertheless, the financial reporting control systems at Bankinter Group are designed under the supervision of the chief executive officer of Bankinter.

Furthermore, they must be implemented by the finance department of Bankinter and each Bankinter Group subsidiary, and by departments of areas that are related to, or have an impact on, the quality and reliability of the financial reporting used to prepare Bankinter Group's financial statements.

The audit and regulatory compliance committee handles potential weaknesses in control systems, the reliability and accuracy of financial statements and other matters, in order to evaluate possible solutions, after having received necessary information and clarifications from the areas responsible for or involved in preparing financial statements. To detect such weaknesses, the audit and regulatory compliance committee draws on support from both Bankinter Group's accounts auditor and the internal audit division, which verify the effectiveness of the system to control financial reporting quality in order to detect possible deviations that might ultimately lead to material reporting errors.

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 a policy on defining the organisational structure of Bankinter Group that lays the foundations for better corporate organisation and governance of the bank and the Group based on its multi-company situation in various businesses and industries; the current demands of the corporate purpose of the bank and the Group; and the utmost compliance with its corporate interests.

Bankinter's current organisational structure seeks to ensure a sound internal control model for financial reporting.

The manual of accounting policies, approved by the board of directors on the recommendation of the audit and regulatory compliance committee, lays down the lines of responsibility and authority in financial reporting. Furthermore, it provides a set of ethical principles that apply to all individuals with accounting and financial reporting duties 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 must request professional advice internally when they require it for this purpose.
- 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 officers responsible 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 financial statements and communications on financial matters made by Bankinter are thorough and correct.
- Specifically, measures will be put in place to warn of:
 - i. accounting records that improperly reflect the nature of the transaction.
 - iii. pressures to provide incorrect book earnings/losses.

- iii. the resistance from persons and heads of processes that have financial and accounting duties in order to prevent such processes from being reviewed or audited.
- iv. the existence of unreported funds or unrecorded assets or liabilities.
- v. estimated valuations, allowances, reserves, etc. that are not supported by facts or proper documentation.

Bankinter Group has a confidential whistleblowing channel, which is a direct access channel to the audit and regulatory compliance 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 is a channel of communication at Bankinter for receiving confidential complaints or reports in connection with bad financial and accounting practices that may potentially be significant for Bankinter, whereby the identity of the whistleblower is protected. It was also created to preserve Bankinter Group's corporate values and merely personal liability for individual actions. It requires employees' commitment to reporting situations they consider to be ethically questionable according to the code of ethics, even if they are not related to their duties or area of responsibility.

Such reports shall be sent to an e-mail address provided for such purpose, and the recipient of such report shall be the director of the Internal Audit Division under the authority of the audit committee, or by writing to the director 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.

Bankinter Group employees involved in the various processes for the preparation of financial information regularly participate in training and update programmes so as to allow them to perform their duties effectively.

Training plans for financial and accounting personnel are designed and approved by the finance departments of Bankinter and its subsidiaries and the various general management areas that take part in financial reporting. Such training plans are supervised and managed by the People Management Division.

In the banking area of Bankinter Group, 18 financial reporting courses were given in 2018. A total of 1,225 training hours were given. The main areas receiving this training were:

- Financial control and analysis
- Financial reporting and accounting
- Risks.
- Transactions.
- Supervisor relations coordination.

- Trading.
- Internal audit.

At Línea Directa Aseguradora, 5 courses were given in 2018 to a total of 93 people, with 640 hours of training on financial and accounting matters.

6.2. Risk assessment in financial reporting

The process for identifying risks in financial reporting is described and formalised in Bankinter Group's manual of accounting policies.

The financial reporting control system must establish a balance between the level of control and associated costs. Bankinter Group's manual on accounting policies defines a process for identifying risks in financial reporting. It was designed based on relative importance standards and takes into account all reported financial information that has been made public.

The risk identification system for financial reporting at the 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 and analysis area is responsible for checking, at least once a year, that the financial reporting risks it monitors have not suffered any significant changes. All business processes identified as significant have been assigned a responsible area, which is in charge of documenting them, identifying the risks in the processes, evaluating existing controls and establishing and implementing new controls if deemed necessary.

Both the procedures to identify financial reporting risks and the controls designed to control significant processes and activities take into account all financial reporting objectives, following materiality and qualitative standards. They focus on the areas and processes with the greatest risk of fraud and wrong estimates, and take into account the principles of existence and occurrence, integrity, breakdown and comparison. Specifically, the manual of accounting policies establishes the following objectives:

- **Existence:** All assets (rights) and liabilities (obligations) recorded on Bankinter's balance sheet exist, and the transactions posted were carried out in the respective period.
- **Entirety:** 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 carried out during the period are recorded.
- **Valuation:** The carrying amount of assets and liabilities, as well as revenues and expenses, were determined in accordance with generally accepted principles.
- **Presentation:** The information is sufficient, adequate and correctly described and classified.

The finance department is home to Bankinter Group's financial reporting area, which is charged with determining the scope of consolidation for Bankinter Group.

Consolidation will consist of a full integration process for the annual accounts of Bankinter Group subsidiaries. Accordingly, all significant balances and transactions made between consolidated companies will be eliminated.

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 (Entidades Multigrupo), with the exceptions provided in applicable accounting laws and regulations. The equity method will be applied for Associates (Entidades Asociadas).

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, multigroup companies and affiliates, as well as any changes in the scope of consolidation. It also includes information on the most significant acquisitions and disposals occurred during the year. The finance department will be responsible for checking, at least annually, if there have been any changes in any risks identified during the preparation of the consolidated accounts, and will report any changes 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.

Bankinter thoroughly monitors the risks to which it is exposed. This process includes an assessment of its financial reporting risk exposures.

The financial reporting risk map is prepared taking into account existing valuation risks or new estimates made by managers when calculating them, as a basic factor when each process and related controls are assessed.

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.

6.3. Control activities in financial reporting

As previously mentioned, the audit and regulatory compliance committee is delegated by the board of directors to 'safeguard the reliability and transparency of internal and external reporting on the earnings and activities of Bankinter and, in particular, to verify the integrity and consistency of the quarterly and half-yearly financial statements, annual accounts, annual report and management report of Bankinter and its group before they are approved or proposed by the board of directors and made public; and to supervise Bankinter's policy on prospectuses and other forms of public information'.

The audit and regulatory compliance committee, through the external auditor and the internal audit function, reviews the quarterly and half-yearly financial statements, annual accounts, annual report and management report of Bankinter and its group before they are approved.

The internal financial reporting control system at Bankinter focuses on ensuring the proper recording, valuation, presentation and breakdown of transactions of relative importance that may affect financial reporting. The manual of accounting policies provides a detailed description of the types of transactions it covers, and establishes the necessary procedures for keeping them up to date in real time.

All of Bankinter Group's critical processes and activities that might have an impact on financial information are documented in the manual of accounting policies. This documentation establishes the procedures and controls that must be followed at all times by the employees responsible for them.

Bankinter and its subsidiaries have practically automated accounting, which is triggered automatically when a transaction is recorded. Therefore, the ICFR pays particular attention to manual accounting processes and to the process for launching new products, transactions or special operations.

It should be noted that accounting through manual entries is limited to users specialised in operations, accounting, customer service, Bankinter Consumer Finance, life insurance and market risks. Entries are perfectly traceable, as they are recorded together with the user who made them and a related description.

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 to ensure that financial information is reliable and compliant with current accounting laws and regulations. In this sense, the Finance Area is advised by the implementing areas of the various initiatives, as are the operational areas, in order for them to review and determine the applicable accounting policies, to determine the required accounting, inventory, and regulatory information and any other aspect having an impact on the financial statements.

Bankinter has a new product launching committee in order to put in place a strict mechanism of supervision and control for operational and reputational risks that might arise in the ordinary course of banking activities with customers and, in particular, with the approved launching of new products and services, adjusted business practices, established marketing policies and overseen business agreements with other entities or possible partners. It ensures that legal requirements envisaged in regulations and operational and reputational standards established by Bankinter are 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 information. In particular, such controls include 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 closing accounts and reviewing opinions and estimates, valuations and significant projections, updates are carried out in accordance with the provisions of Bankinter Group's manual of accounting policies, which are described in detail in the notes to Bankinter Group's financial statements. Furthermore, they are carried out by the areas that specialise in each of these matters and checked by the finance department of Bankinter or those of its subsidiaries.

In addition, all quarterly results are reviewed by the audit and regulatory compliance committee, in order to be ultimately approved by the board of directors. To perform these duties, it draws on the related reviews and considerations of the internal audit division and the external auditor.

6.4. The main features of process for preparing financial reports.

- 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 of Bankinter Group 's business and of the 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 aforementioned procedures are implemented in accordance with a principle of relative importance. Therefore, due to their small amount on Bankinter Group's income statement, certain items that are not significant so as to be considered by the audit and regulatory compliance committee, or items showing changes in accordance with variables from which they originate, are not analysed.

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 was designed following 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 them, identifying the risks in the processes, evaluating existing controls and establishing and implementing new controls if deemed necessary.

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

The characteristics of the process are the following:

- On a monthly basis:

- A report sent to each area and/or individual in charge with the controls that must be checked before the end of a reporting period.
- This report describing the status of a given control must be returned by the person responsible for it within 4 business days of the end of the previous month, or prior to the end of a reporting period. 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 financial managers so that they may understand and control a given situation prior to the end of the month. This will allow them to take measures to resolve any possible incidents and/or circumstances that may have occurred, thus preventing an improper impact on earnings.

As of December 2018, a total of 401 controls have been sent, the status of which, as reported by those responsible for them, has been favourable, given that they were all reviewed and classified as without any significant 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.

6.4.1. Internal control policies and procedures for financial reporting systems.

Bankinter's reporting systems directly or indirectly related to the preparation of financial information ensure that financial information is prepared and published correctly at all times through a specific internal control system. Bankinter has a information security policy that sets out regulations to identify, develop and implement the necessary technical and organisational measures for guaranteeing the security of reporting and reporting management systems, in accordance with technological risk analyses, good practices within the financial system and legal and contractual requirements to which Bankinter Group is bound.

In June 2016, this policy was formalised as Bankinter Circular 4323, at the request of the information security and business continuity committee of Bankinter.

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

This BCP is divided by business processes, each of which has a 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 reporting systems in the event of a contingency, without significant data loss. 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.

6.4.2. Internal control procedures and policies in place to supervise the management of activities outsourced to third parties and assessment, calculation and measurement tasks outsourced to independent experts with a potentially material impact on financial statements.

As a general rule, it is Bankinter policy not to outsource any activity considered significant outside of Bankinter Group due to its impact on financial reporting. Virtually no valuation processes, opinions or calculations for preparing and publishing 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 that establishes certain aspects such as outsourcing principles, services that may be outsourced, the persons responsible for outsourcing, outsourcing limitations and the outsourcing procedure.

On 24 January 2018, the board of directors of Bankinter, on the recommendation of the audit and regulatory compliance committee, approved the Suppliers code of conduct.

6.5. Disclosure of financial reporting

6.5.1. Special function charged with defining and updating accounting policies (accounting policy area or department) and resolving questions and conflicts.

The Finance Division is responsible for ensuring the quality, transparency and timeliness of the individual financial reporting of Bankinter S.A. and the consolidated financial reporting of the Bankinter Group, including that these are based on appropriate accounting methods.

In order to achieve these basic financial reporting objectives, it is deemed necessary to formally create and include in this manual a specific function to develop and update Bankinter's accounting policies, and resolve all queries or conflicts arising from the interpretation of accounting laws and regulations.

This function is assumed by the financial reporting and accounting department, which must settle any conflict of interest among the various areas and divisions of Bankinter, and decide how to set forth or interpret financial information in any reports according to the guidelines established by current legislation as well as 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.

6.5.2. Mechanisms for obtaining and preparing financial reports.

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

Automated accounting is parametrised and, once analysed and compared, defined by the accounting definition unit of the finance department, so as to ensure compliance with current laws and regulations and with Bankinter Group's accounting policies.

Bankinter Group's financial statements are consolidated in a fully automated process based on the use of a standard tool that is fully integrated within 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.

6.6. Supervision of the system's operations

6.6.1. ICFR supervision and scope

The audit plan of Bankinter Group's audit function contemplates an ICFR review of Bankinter Group, in accordance with a three-year ICFR audit plan. The audit plan for 2018 was approved by the audit and regulatory compliance committee on 18 December 2017. The observations based on the ICFR audit report follow a rigorous monitoring process in accordance with internal regulations.

According to the company by-laws in the Rules and Regulations of the Board of Directors of Bankinter, S.A., the audit and regulatory compliance committee include supervising and controlling the bank's operations, the veracity, objectivity and transparency of corporate accounting, supervising the process for preparing, and the integrity of, financial reports and internal control systems, and reviewing compliance with regulatory requirements and the proper implementation of accounting standards.

It also must promote and regularly review the proper functioning of internal control systems to ensure that Bankinter's risk are appropriately managed; verify the integrity and consistency of the quarterly and half-yearly financial statements, annual accounts, annual report and management report of Bankinter and its group before they are approved or proposed by the board of directors and made public.

As stated in the regulations of the audit and regulatory compliance committee, approved in January 2019, by the board of directors, the committee's powers also included supervising the effectiveness of the bank's internal control, knowing and understanding sufficiently, and supervising, the effectiveness of the internal control system for financial reporting (ICFR) and discussing any significant weaknesses in the internal control system with the accounts auditor.

The *Rules and Regulations of the Board of Directors* states that Bankinter Group's Internal Audit division reports to the audit and regulatory compliance committee and is functionally associated with office of the chairman of the board of directors. This ensures the independence, autonomy and universality of the group's internal audit function. The internal audit charter approved by the board of directors on the recommendation of the audit and regulatory compliance committee, states that the objectives of the Internal Audit division include assisting the audit and regulatory compliance committee in the objective performance of its duties; verifying that risks are properly managed the a consistent and efficient implementation of the policies and procedures that comprise the internal control system; and

ensuring the full and proper integrity of the financial, accounting and management information that is issued.

The preparation and the integrity of the financial information on Bankinter and Bankinter Group were supervised, with a review of implemented accounting standards, the scope of consolidation and compliance with regulatory requirements, while accounting services prepared the financial statements under the supervision of the Internal Audit division with an external auditor, as required. Both the Internal Audit division and the external auditor report to the audit and regulatory compliance committee on their opinion as to whether such financial statements provide a true and fair view of Bankinter's assets and liabilities and financial position. Where appropriate, they also report to the board of directors on whether they have any reservations or positions contrary to those of the management team on substantive matters that may affect this fair view.

Every quarter, the Internal Audit division provides the audit and regulatory compliance committee with a report to verify the consolidated income statement of Bankinter Group, also with an accounts auditor's participation. The same occurs with regard to the half-yearly report on the income statement.

Every month, a follow-up report on the status of observations given as a result of external and internal audit reports, is made available to audit and regulatory compliance committee members on the board member website.

As of 31 December, the annual internal audit review of the internal financial reporting control system had been completed. The field work carried out in September and October 2018 focused on reviewing the design and implementation of a sample of controls, with a view to:

- the reception and review of controls by the second level of control
- the independent review of the design and implementation of a sample of controls
- reporting from the second level of control

The definitive report was issued on 12 November 2018. The findings of the assessment were positive with some weakness. 3 observations were issued. One of them was of 'low impact' and the other two were of 'medium impact'. The report describes action plans for each observations. Its findings are reported to senior officers of Bankinter Group and likewise submitted to the group's audit and regulatory compliance committee.

6.6.2. Discussion of identified significant weaknesses and action plan.

Article 38 of the *Rules and Regulations of the Board of Directors* provides that external auditors will attend audit and regulatory compliance committee meetings when the committee chair deems it appropriate; and always whenever their reports on the annual and half-yearly accounts and the annual control report of Bankinter and of Bankinter Group are examined.

They will also attend committee meetings called to verify earnings before they are made public.

Furthermore, current legislation and the corporate by-laws state that the audit and regulatory compliance committee will serve as communication channel between the board of directors and external and internal auditors; evaluate the auditors' reports as well as the compliance with their observations and findings; and address any potentially significant internal control system weaknesses detected during their audit with them.

In 2018, in an internal circular, the audit and regulatory compliance committee approved a general action framework in the management process for both reports issued by Bankinter Group's Internal Audit area and the observations included in them, and the binding action plans in place to mitigate any observed risks. This circular was approved on 21 May 2018 by the audit and regulatory compliance committee, thereby repealing the previous Circular no 4329 of 22 September 2016.

The observations issued by the external and internal auditors follow a rigorous monitoring process based on this circular.

6.7. Other material information: review by accounts auditor of reports concerning the ICFR model

The audit firm, PricewaterhouseCoopers Auditores, S.L. as the auditor of the annual accounts of Bankinter and Bankinter Group, annually reviews the information sent to the market on the control model in place for the financial reporting system described above. The auditor's report about 'Information relating to the System of Internal Control over Financial Reporting (ICFR)' is attached.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

- 1. The by-laws of listed companies should not place an upper limit on votes that can be cast by a single shareholder, nor impose other restrictions that hinder the company's takeover through purchases of its shares in the market.**

Compliant

2. Where a parent company and a subsidiary company are both listed, they should provide detailed disclosure on:
 - a) their respective business areas and any potential business dealings between them and between the listed subsidiary and other group companies.
 - b) the mechanisms in place to settle possible conflicts of interest.

Not applicable

3. During an ordinary general meeting, as a complement to the written dissemination of the annual corporate governance report, the Chairman of the Board of Directors verbally informs shareholders, with sufficient detail, of the most relevant aspects of the company's corporate governance and, particularly: *a)* of the changes that have taken place since the last ordinary general meeting, *b)* of the specific reasons why the company is not following any of the recommendations of the Code of Corporate Governance and, if any, of the alternative rules that apply in that matter.

Compliant

4. The company should draw up and implement a policy on communication and contacts with shareholders, institutional investors and proxy advisers that fully complies with market abuse regulations and accords equitable treatment to shareholders with the same standing. This policy should be made public on the company's website, with information on how it has been put into practice as well as the identities of any policy representatives or individuals charged with implementing it.

Compliant

5. The board of directors should submit to shareholders the general shareholder' meeting a proposal to delegate powers in order to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of share capital at the time such a delegation becomes effective. Where a board approves any issuance of shares or convertible securities excluding pre-emptive subscription rights, the company should immediately post on its website the reports on such an exclusion as mentioned in commercial law.

Compliant

6. Any listed companies that prepare the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if they are not required to be distributed:
 - a)* Report on auditor independence.

- b)* Reports on the operations of the audit and regulatory committee and the appointment and remuneration committee.
- c)* Audit committee report on related-party transactions.
- d)* Report on the corporate social responsibility policy.

Compliant

- 7. The company should broadcast its annual general meetings live on its corporate website.

Explain

Bankinter's Annual General Meeting is broadcast live on its corporate website until the time shareholders begin to pose their questions and comments to the board.

- 8. The audit committee should seek to ensure that the board of directors can present the company's accounts to the annual general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

- 9. The company should permanently post on its website the requirements and procedures it will accept to certify the ownership of shares, the right to attend annual general meetings and the exercise or delegation of voting rights. Such requirements and procedures should encourage that shareholders attend and exercise their rights and be implemented in a non-discriminatory manner.

Compliant

- 10. Where any legitimised shareholder has exercised his or her right to add orders of business to the meeting agenda or propose new resolutions before the annual general meeting is held, the company should: a) immediately disseminate any such additional orders of business and new resolution proposals; b) make the attendance slip and remote or proxy voting form public with the necessary amendments so that all shareholders may vote on any new orders of business on the meeting agenda and alternative resolution proposals in accordance with the same terms as those proposed by the board of directors; c) put any such orders of business or alternative resolution proposals to a vote under the same voting rules as those created by the board of directors, especially in regard to the intended or deducted direction of each vote; d) disclose the breakdown of votes on any such additional orders of business or

alternative resolution proposals before the general shareholders meeting.

Compliant

- 11.** In the event that the company intends to pay a general shareholder's meeting attendance premium, it should first establish a general, long-term policy on such premiums.

Not applicable.

- 12.** The board of directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders with the same standing. It should be guided at all times by the company's best interest, which is understood as achieving a profitable and sustainable business that promotes its continuity and maximised financial value. In pursuing the company's best interest, while abiding by the law and regulations and acting in good faith, in an ethical manner and with respect for commonly accepted customs and good practices, the board should also seek ensure the company's interests are reconciled with any legitimate interests of its employees, suppliers, clients and other stakeholders concerned; and with the impact of the company's activities on the environment and the entire community.

Compliant

- 13.** The board of directors should have the appropriate size so as to operate efficiently with the participation of its members, for which it is recommended to have between five and fifteen members.

Compliant

- 14.** The board of directors should approve a director selection policy that: a) is specific and can be verified; b) ensures that nominations or re-election proposals are rooted in the prior analysis of the needs of the board of directors; c) favours diversity in terms of skills, expertise and gender. The findings of the prior analysis of board needs should be included in the appointments and corporate governance committee's explanatory report to be published once the annual general meeting to confirm the appointment and re-election of each director is called. The director selection policy should pursue the target of at least 30% of total board places occupied by women directors by 2020. The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should form an ample majority on the board of directors, while the number of executive directors should be the minimum required, in light of the complexity of the group of companies and the percentage of the company's share capital owned by each executive director.

Compliant

16. The percentage of proprietary directors with respect to all non-executive directors should not be greater than the existing proportion between company shares represented by proprietary directors and the rest of the company's share capital. This standard may be relaxed: a) in large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings; b) in companies with a plurality of unrelated shareholders represented on the board.

Compliant

17. Independent directors should make up at least half of all board members. However, where a company is not a large-cap entity, or where a large-cap company has one shareholder or many shareholders acting in a concerted manner, that control over 30 per cent of its share capital, independent directors should make up, at least, one third of all board members.

Compliant

18. Companies should disclose and regularly update on their websites the following information on their directors:
- a) Background and professional experience.
 - b) Other boards of directors on which they serve in listed companies or otherwise, and other paid activities they perform, irrespective of their nature.
 - c) Statement of the director class to which they belong. For proprietary directors, the shareholder they represent or to which they are related should be indicated.
 - d) Dates of their first appointment to the company's board and any subsequent re-elections.
 - e) Company shares they own, as well as any options on such shares.

Compliant

19. Following its verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary

directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant

20. Proprietary directors should tender their resignation when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter number should be reduced accordingly.

Compliant

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the by-laws, except where they

find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in current legislation. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial. The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decides whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular,

independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation. The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively. The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant

- 29.** The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant

- 30.** Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant

- 31.** The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need. For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant

- 32.** Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant

- 33.** The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's by-laws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant

- 34.** When a lead independent director has been appointed, the by-laws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice-chairmen give voice to the concerns of non-executive directors; maintain

contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant

- 35.** The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant

- 36.** The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:
- a) The quality and efficiency of the board's operation.
 - b) The performance and membership of its committees.
 - c) The diversity of board membership and competences.
 - d) The performance of the chairman of the board of directors and the company's chief executive.
 - e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant

- 37.** When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant

- 38.** The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant

- 39.** All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant

- 40.** Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant

- 41.** The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant

- 42.** The audit committee should have the following functions over and above those legally assigned:
1. With respect to internal control and reporting systems:
 - a) Monitor the preparation and the integrity of any financial information prepared on the company and its group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
 - c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.
 2. With regard to the external auditor:
 - a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant

- 43.** The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

- 44.** The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant

- 45.** Risk control and management policy should identify at least:
- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
 - b) The determination of the risk level the company sees as acceptable.
 - c) The measures in place to mitigate the impact of identified risk events should they occur.
 - d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant

- 46.** Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks to which the company is exposed are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant

- 47.** Appointees to the nomination and remuneration committee – or of the appointments committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant

- 48.** Large cap companies should operate separately constituted nomination and remuneration committees.

Compliant

- 49.** The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors. When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant

- 50.** The remuneration committee should operate independently and have the following functions in addition to those assigned by law:
- a) Propose to the board the standard conditions for senior officer contracts.
 - b) Monitor compliance with the remuneration policy set by the company.
 - c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
 - d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
 - e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant

- 51.** The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

- 52.** The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:
- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
 - b) They should be chaired by independent directors.
 - c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
 - d) They may engage external advice, when they feel it necessary for the discharge of their functions.
 - e) Meeting proceedings should be minuted and a copy made available to all board members.

Compliant

- 53.** The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:
- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
 - b) Oversee the communication and relations strategy with shareholders and investors, including small- and medium-sized shareholders.
 - c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
 - d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
 - e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
 - f) Monitor and evaluate the company's interaction with its stakeholder groups.
 - g) Evaluate all aspects of the non-financial risks the company is exposed to, including

operational, technological, legal, social, environmental, political and reputational risks. h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant

- 54.** The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
 - b) The corporate strategy with regard to sustainability, the environment and social issues.
 - c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
 - d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
 - e) The mechanisms for supervising non-financial risk, ethics and business conduct.
 - f) Channels for stakeholder communication, participation and dialogue.
 - g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant

- 55.** the company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant

- 56.** Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant

- 57.** Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors. The company may consider the share-based remuneration of non-executive directors provided they

retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant

- 58.** In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind. In particular, variable remuneration items should meet the following conditions: a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome. b) Promote the company's long-term sustainability and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies. c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant

- 59.** A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant

- 60.** Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant

- 61.** A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant

- 62.** Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. This

condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant

- 63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant

- 64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant

Adherence to codes of ethics or good practices:

On 22 April 2014, the board of directors resolved that Bankinter and Bankinter Group will adhere to the entire Code of Best Tax Practices, approved at the Foro de Grandes Empresas (Large Corporations Forum) held on 20 July 2010.

This annual report on corporate governance was approved by Bankinter's board of directors on 20/02/2019.

State whether any directors have voted against, or abstained in connection with, the approval of this report.

Yes

No

Individual or company name of the board member who did not vote in favour of approval of this report	Reasons (opposed, abstained, absent)	Explain the reasons



**BANKINTER, S.A.
y sociedades dependientes**

Informe de auditor referido a la “Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF)” del Grupo Bankinter correspondiente al ejercicio 2018



Informe de auditor referido a la “Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF)” del Grupo Bankinter correspondiente al ejercicio 2018

A los Administradores:

De acuerdo con la solicitud del Consejo de Administración de Bankinter, S.A. y con nuestra carta propuesta de fecha 17 de diciembre de 2018, hemos aplicado determinados procedimientos sobre la “Información relativa al SCIIF” adjunta, contenida en el Informe Anual de Gobierno Corporativo del Grupo Bankinter correspondiente al ejercicio 2018, en el que se resumen los procedimientos de control interno del Grupo Bankinter en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por el Grupo Bankinter en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno del Grupo Bankinter ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales del Grupo Bankinter. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la *Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas*, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual del Grupo Bankinter correspondiente al ejercicio 2018 que se describe en la Información relativa al SCIIF adjunta. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido a la normativa reguladora de la auditoría de cuentas vigente en España, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

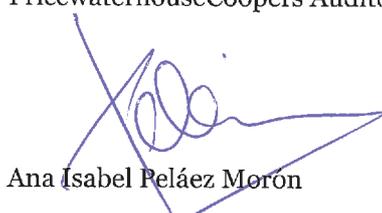
Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la Entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 5/2013 de 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores (CNMV), posteriormente modificada por la Circular nº 7/2015 de 22 de diciembre de 2015 de la CNMV y la Circular 2/2018 de 12 de junio de la CNMV.
2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en el Grupo Bankinter.
3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de Auditoría Interna, Alta Dirección y otros especialistas internos o externos en sus funciones de soporte a la Comisión de Auditoría y Cumplimiento Normativo.
4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF del Grupo Bankinter obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.
5. Lectura de actas de reuniones del Consejo de Administración, Comisión de Auditoría y Cumplimiento Normativo y otras comisiones de la Entidad Dominante a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.
6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del texto refundido de la Ley de Sociedades de Capital y por la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores, modificada por la Circular nº 7/2015 de la CNMV de fecha 22 de diciembre de 2015 y por la Circular nº 2/2018 de la CNMV de fecha 12 de junio, a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

PricewaterhouseCoopers Auditores, S.L.



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21 de febrero de 2019