

**ANNUAL REPORT ON CORPORATE
GOVERNANCE
PUBLICLY TRADE COMPANIES**

ISSUER IDENTIFICATION:

REFERENCE YEAR END DATE: 31/12/2017

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REGISTERED NAMED: **BANKINTER, S.A.**

REGISTERED ADDREES: Paseo de la Castellana, 29 - 28046 MADRID

**MODEL ANNUAL REPORT ON CORPORATE GOVERNANCE
FOR PUBLICLY TRADE COMPANIES**

A. OWNERSHIP STRUCTURE:

A.1. Complete the following table on Bankinter's share capital:

Date of last change	Share capital (EUR)	Number of shares	Number of voting rights
30/05/2014	269,659,846.20	898,866,154	898,866,154

Indicate if there are different classes of shares with different rights associated with them:

Yes

No

Class	Number of shares	Nominal unit	Number of voting rights per unit	Different rights

A.2. Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name of shareholder	Number of voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	
MR JAIME BOTÍN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	10,061	CARTIVAL, S.A.	205,596,084	22.87%
CORPORACIÓN MASAVEU, S.A.	44,959,730	-		5.00%
STANDARD LIFE ABERDEEN PLC	0	OTROS ACCIONISTAS DE	44,515,843	4.95%

		LA SOCIEDAD		
BLACKROCK INC.	0	OTROS ACCIONISTAS DE LA SOCIEDAD	32,795,447	3.65%
JANUS HENDERSON GROUP PLC	0	OTROS ACCIONISTAS DE LA SOCIEDAD	27,175,280	3.02%

Indicate the most significant movements in the shareholding structure during the year:

Name of shareholder	Date of the transaction	Description of the transaction
STANDARD LIFE ABERDEEN PLC	29/03/2017	Fell below 5%
STANDARD LIFE ABERDEEN PLC	31/03/2017	Exceeded 5%
STANDARD LIFE ABERDEEN PLC	22/06/2017	Fell below 5%
JANUS HENDERSON GROUP PLC	26/07/2017	Exceeded 3%
JANUS HENDERSON GROUP PLC	07/08/2017	Fell below 3%
JANUS HENDERSON GROUP PLC	21/08/2017	Exceeded 3%
JANUS HENDERSON GROUP PLC	05/09/2017	Fell below 3%
JANUS HENDERSON GROUP PLC	08/09/2017	Exceeded 3%

A.3. Complete the following tables regarding members of Bankinter's board of directors with voting rights on company shares:

Name (person or company)	(person or company) voting rights	Indirect rights		% of total voting rights
		Direct owner	(person or company) Number of	
MR PEDRO GUERRERO GUERRERO	3,085,817	OTROS ACCIONISTAS DE LA SOCIEDAD	5	0.343
CARTIVAL, S.A.	205,596,084	0	0	22.873
Ms RESOLUTION	1,080,933	OTROS ACCIONISTAS DE LA SOCIEDAD	1,264	0.120
the appointment MR FERNANDO MASAVEU HERRERO	776,330	Corporación Masaveu, S.A.	44,959,730	5.292
		OTHER BANKINTER SHAREHOLDER	1,832,576	
MR MARCELINO BOTIN-SANZ SAUTUOLA Y NAVEDA	253,045	0	0	0.028
MR JAIME TERCEIRO LOMBA	48,144	0	0	0.005
MR RAFAEL MATEU DE ROS CEREZO	964,721	0	0	0.107
MR GONZALO DE LA HOZ LIZCANO	666,106	0	0	0.074
MS MARÍA TERESA PULIDO MENDOZA	1,509	0	0	0.000
MS TERESA MARTIN-RETORTILLO RUBIO	0	0	0	0.000

% total voting rights held by the board of directors	28.842
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Complete the following tables regarding members of Bankinter's board of directors with rights over company shares:

Name (person or	Number of	Indirect rights	Number of	% of
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company)	direct voting rights	Direct owner	Number of voting rights	equivalent shares	total voting rights
-	-	-	-	-	-

A.4. Indicate any familial, commercial, contractual or corporate relationships between significant shareholders, to the extent that Bankinter is aware of them, unless they are marginally significant or involve ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description
-	-	-

A.5. Indicate any commercial, contractual or corporate relationships between significant shareholders and Bankinter and/or its group, unless they are marginally significant or involve ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description
-	-	-

A.6. Indicate whether Bankinter has been informed of any shareholder agreements that may affect it, as set out under articles 530 and 531 of the *Ley de Sociedades de Capital* [Spanish Corporations Act]. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes No

Participants in shareholders agreements	% of share capital affected	Brief description of agreement
-	-	-

Indicate whether Bankinter is aware of any existing concerted actions amongst its shareholders. If so, describe them briefly:

Yes No

Participants in concerted action	% of share capital affected	Brief description of concerted action
-	-	-

If there has been any amendment or breaking-off of said pacts or agreements

or concerted actions, indicate this expressly:

-

A.7. Indicate whether any person or organisation exercises or may exercise control over Bankinter pursuant to article 5 of the *Ley del Mercado de Valores* [Spanish Securities Market Act]. If so, identify names:

Yes

No

Name (person or company)
-

Comments
-

A.8. Fill in the following tables regarding Bankinter's treasury shares:

At year- end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
75,000	26,787	0.011

(*)Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
HISPAMARKET, S.A.	26,787
Total:	

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

Explain the significant changes

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On 16 May 2017, Bankinter notified the National Securities Market Commission (CNMV) that the 1% threshold of its own shares had been exceeded through consecutive share purchases, without deducting transfers, according to the following breakdown:

- Total number of direct shares acquired: 2,022,830
- Total number of indirect shares acquired: 6,208,300
- % of share capital represented by total: 0.9093. Bankinter announced this voluntarily due to changes in the PDF format of the National Securities Market Commission (CNMV).

A.9. Describe the conditions and term of the board of director's current mandate from the annual general meeting to issue, buy back and transfer treasury shares.

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 ordered 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 covered by this authorisation), the applicable price shall be that

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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.

A.9 bis. Estimated floating capital:

	%
Estimated floating capital	59.52

A.10. Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, any existing restrictions that may hinder the takeover of Bankinter through the purchase of its shares on the market should be reported.

Yes No

Description of restrictions
-

A.11. Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

Yes No

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

-

A.12. Indicate whether Bankinter has issued securities that are not traded in a regulated market in the European Union:

Yes No

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

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B. GENERAL MEETING

B.1. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

Yes No

	% quorum different from quorum in art. 193 of CEA for general	circumstances % quorum different from quorum in art. 194 of CEA for special
Quorum required on first summons	-	-
Quorum required on second summons	-	-

Description of differences
-

B.2. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

Yes No

Describe how the regime set out in the Ley de Sociedades de Capital [Spanish Corporations Act] is different:

	Qualified majority other than that established in Article 201.2 of the LSC [Spanish Corporations Act] for cases set out in Article 194.1 of the LSC.	Other cases of qualified majority
% established by Bankinter for passing resolutions	-	-

Describe the differences

B.3. Indicate the rules that apply to amendments to the Bankinter by-laws. In particular, report the majorities established to amend the by-laws, and the rules, if any, to safeguard shareholders' rights when amending the by-laws

Bankinter generally applies the provisions of the Ley de Sociedades de Capital [Spanish Corporations Act]. Article 14.1 of the Rules and Regulations for the Annual General Meeting of Bankinter provides that *'4.1. The quorums and majorities required for valid constitution and the passage of resolutions in the Annual General Meeting are those established in the Ley de Sociedades de Capital [Spanish Corporations 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"*

Furthermore, according to section 286 of the Ley de Sociedades de Capital [Spanish Corporations Act], whenever an amendment of 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, which shall be made available to shareholders for the purpose of convening a Annual General Meeting to debate such amendment.

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 prohibitive 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.

B.4. Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

Attendance figures				
General	% shareholders	% attending by	% voting remotely	Total

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Meeting date	present	proxy	Electronic vote	Other	
17/03/2016	0.55	72.48	1.08	0.00	74.10
23/03/2017	0.60	70.72	0.97	0.00	72.29

B.5. Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the by-laws:

Yes No

Number of shares necessary to attend the General Meetings	600
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B.6. Section repealed.

B.7. Indicate any address or corporate website access for corporate governance information and other information on annual general meetings that should be made available to shareholders on the Bankinter corporate website.

The address of Bankinter's corporate website is www.bankinter.com/webcorporativa. In the left-hand menu of the Corporate Governance tab of this website, there is a direct link to all of Bankinter's contents on corporate governance (By-Laws, Rules and regulations of 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).

C. CORPORATE GOVERNANCE STRUCTURE

C.1. Board of Directors

C.1.1. Maximum and minimum number of directors established in the by-laws:

Maximum number of Directors	15
Minimum number of Directors	5

C.1.2. Fill in the following table on the Board members:

Name of the directors director (person or	Representative	Type of directorship	Position on the Board	Date first appointed	Date last appointed	Election procedure

MR 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	Executive	VICE-CHAIRMAN EXECUTIVE	26/06/1997	20/03/2014	ANNUAL GENERAL MEETING VOTE
MS RESOLUTION		Executive	CHIEF EXECUTIVE OFFICER	21/10/2010	18/03/2015	ANNUAL GENERAL MEETING VOTE
MR FERNANDO MASAVEU HERRERO	-	Proprietary	DIRECTOR	14/09/2005	23/03/2017	ANNUAL GENERAL MEETING VOTE
MR MARCELINO BOTIN-SANZ DE SAUTOLA Y NAVEDA	-	Proprietary	DIRECTOR	21/04/2005	23/03/2017	ANNUAL GENERAL MEETING VOTE
MS TERESA MARTÍN-RETORTILLO RUBIO	-	Independent	DIRECTOR	07/11/2017	07/11/2017	COOPTED
MR JAIME TERCEIRO LOMBA	-	Independent	DIRECTOR	13/02/2008	17/03/2016	ANNUAL GENERAL MEETING VOTE
MR RAFAEL MATEU DE ROS CEREZO	-	Independent	DIRECTOR	21/01/2009	23/03/2017	ANNUAL GENERAL MEETING VOTE
MR GONZALO DE LA HOZ LIZCANO	-	Independent	DIRECTOR	13/02/2008	17/03/2016	ANNUAL GENERAL MEETING VOTE
MS MARIA TERESA PULIDO MENDOZA	-	Independent	DIRECTOR	23/07/2014	18/03/2015	ANNUAL GENERAL MEETING VOTE

RESOLUTION Total number of Directors	10
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Indicate any board member removals that have occurred during the reporting period:

Name (person or company)	Condition of director at time of severance	Date of leaving
MS ROSA MARÍA GARCÍA GARCÍA	INDEPENDENT EXTERNAL DIRECTOR	04/04/2017

C.1.3. Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Committee that nominated the director	Position within Bankinter
CARTIVAL, S.A.	APPOINTMENTS AND REMUNERATION COMMITTEE (currently, the appointments and corporate governance committee)	VICE-CHAIRMAN EXECUTIVE
MS RESOLUTION	APPOINTMENTS AND REMUNERATION COMMITTEE (currently, the appointments and corporate governance committee)	CHIEF EXECUTIVE OFFICER

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
MR FERNANDO MASAVEU HERRERO	CORPORACION MASAVEU, S.A.
MR MARCELINO BOTIN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.

Total number of proprietary Directors	2
% of total directors	20

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)

MR JAIME TERCEIRO LOMBA

PROFILE

Engineer and Doctorate 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. Graduate engineer at the simulation and control department of Messerschmitt-Bölkow-Blohm (MBB) in Munich (1970-1974). General Manager of Expansion and General Manager of Planning and Investment at Banco Hipotecario de España (1981-1983). 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.

Name of director (person or company) Name or corporate name

MS TERESA MARTÍN-RETORTILLO RUBIO.

Profile

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 also been a partner with the global management consulting firm, Bain & Company, where she worked for 19 years and held several leadership positions in both Madrid and the US, with a special focus on investment advice (risk capital and mergers and acquisitions). She also worked at Goldman Sachs as a corporate finance analyst in London.

Name of director (person or company)

MR RAFAEL MATEU DE ROS CEREZO

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Profile

Graduated with a degree in law (with honours). Doctor of Law from the Universidad Complutense of Madrid and graduate of the Harvard PMD programme. Attorney for the Spanish State (not practising). 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.

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

Name of director (person or company)

MR GONZALO DE LA HOZ LIZCANO

Profile

He has a degree in Industrial and Information Engineering from the Universidad Politécnica de Madrid and a Master's 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.

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.

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.

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.

Name of director (person or company)

MS MARIA TERESA PULIDO MENDOZA

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Profile

A graduate in Economics from Columbia University, and with an MBA from the Sloan School of Management at MIT, María Teresa Pulido Mendoza has over twenty years of professional experience in strategic consulting (McKinsey & Co.) as well as in private and corporate banking (Citi and Deutsche Bank). At these companies, she has worked mainly on business development, strategy, organisation and change management projects. In 2011, she joined Ferrovial as its head of corporate strategy, furthering 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.

Total number of independent directors	5
% of total directors	50

Indicate whether any director considered 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.

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name (person or company)	Description of relationship	Reasons
-	-	-

OTHER EXTERNAL

All other external directors should be identified and any reasons such directors cannot be considered proprietary or independent should be explained, along with their relationships with Bankinter, its executives or its shareholders:

Name (person or company)	Reasons	Company, executive or shareholder to which
MR PEDRO	The binding definition of	Bankinter, S.A.

<p>GUERRERO GUERRERO</p>	<p>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>By 31 December 2017, it would have been 5 years since he stepped down from his executive duties. However, Mr Pedro Guerrero, was appointed director of Bankinter on 13 April 2000. Thus, he will have spent over 12 years continuously as a Bankinter director. 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, Mr Pedro Guerrero Guerrero is considered within the category of 'Other external directors'.</p>	
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Total number of other external Directors	1
% of total directors	10

Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name (person or company)	Date of change	Previous category	Current category
-			

C.1.4. Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of female directors				% of total female directors of each category			
	Financial Year 2017	2016	Year 2015	Year 2014	Financial Year 2017	2016	Year 2015	Year 2014
Executive	1	1	1	1	50	50	50	50
Proprietary	0	0	0	0	0	0	0	0
Independent	2	2	2	1	40	40	40	20
Other external	0	0	0	0	0	0	0	0
Total	3	3	3	2	30	30	30	20

C.1.5. Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures
<p>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.</p> <p>As provided in section 529 <i>quindecies</i> of the Ley de Sociedades de Capital [Spanish Corporations Act], the appointments committee must set a representation target for the gender less represented on the board of directors, and prepare guidelines on how to achieve such target. In October 2014, Bankinter's board of directors established this target (30%), as well as an action protocol to achieve it (the basic elements of which are described in the following section). As a result of this, and following the recent appointments of directors approved in 2015 in the Annual General Meeting, this target was met, with 30% of board positions being held by women. This ratio is currently maintained following the co-opted appointment of Ms Teresa Martín-Retortillo on 7 November 2017 to replace Ms Rosa María García García, who stepped down from her post in Bankinter to assume new duties. The confirmation of Ms Teresa Martín-Retortillo's appointment will be the subject of a resolution proposed to shareholders at the Annual General Meeting to be held in March 2018.</p>

C.1.6. Explain any measures adopted by the appointments committee to ensure selection procedures without implicit biases that may hinder the selection of women directors and prevent Bankinter from deliberately seeking and including potential women candidates who meet a desired professional profile:

Explanation of measures
<p>In 2010, Ms María Dolores Dancausa Treviño joined the board of directors as executive director and first women executive of Bankinter.</p> <p>In October 2014, the board of directors of Bankinter established a representation target for the least represented sex on the board (30%) and prepared a document with the guidelines on how such target should be achieved. After describing the prior study conducted on changes in the least represented gender on the board of directors in recent years, this protocol determined such aspects as the 30% representation target, 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.</p> <p>Bankinter's appointments and corporate governance committee generally uses external advisers to select candidates for membership on the board of directors as independent directors. This 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.</p> <p>As a result, in 2015, the board of directors, on the recommendation of the appointments and corporate governance committee, put before the Annual General Meeting the appointment of two women as independent directors, thus reaching a 30% ratio of women to men on the board. This ratio has been maintained at the end of this following the co-opted appointment of Ms Teresa Martín-Retortillo on 7 November 2017 to replace Ms Rosa María García García, who stepped down from her post in Bankinter to assume new duties. The confirmation of Ms Teresa Martín-Retortillo's appointment will be the subject of a resolution proposed to shareholders at the Annual General Meeting to be held in March 2018.</p> <p>Bankinter remains committed to giving priority to the professional qualifications and experience of directors, without any conditions regarding candidates' gender.</p>

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons
-

C.1.6. bis. Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

<p>The appointments and corporate governance committee has verified that the process followed by external advisers to select candidates for board</p>

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membership last year fully complied with the selection policy, thus ensuring the diversity of profiles required for the best possible board composition; and that, as regards the proportion of women directors, this process ultimately lead to inclusion of a new woman director. Since 2015, that target has already been achieved. Bankinter has complied with the recommended target for 2020 ahead of time.

C.1.7. Explain the form of representation on the Board of shareholders with significant holdings.

Mr Jaime Botín-Sanz de Sautuola, a major Bankinter shareholder, controls CARTIVAL, S.A., currently the executive vice-chairman of Bankinter. In addition, Mr Marcelino Botín-Sanz de Sautuola is a proprietary director of Bankinter, having been appointed at the behest of significant Bankinter shareholder, Mr Jaime Botín-Sanz de Sautuola.

Mr Fernando Masaveu Herrero was appointed at the behest of the major shareholder Corporación Masaveu, S.A.

C.1.8. Explain, where applicable, the reasons proprietary directors have been appointed at the behest of a shareholder whose shareholding is less than 3% of the capital:

Name of shareholder	Justification
-	-

Indicate any failure to address formal requests for board representation from shareholders whose stake is greater than or equal to that of others at whose request proprietary directors would have been appointed. Explain any reasons they might have not been addressed:

Yes No

Name of shareholder	Explanation
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C.1.9 Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given: Indicate if any director has stepped down before the end of his or her term of office and if the same director has explained his or her reasons to the board and through which channels. If this director gave reasons in writing to the entire board, explain

the reasons he or she gave below:

Yes

No

Name of director	Reason for leaving
Ms Rosa María García García	Ms Rosa María García García resigned from her post as Bankinter director on 4 April 2017, stating in a letter sent to the chairman of the board that her resignation was due to her ineligibility to discharge her duties as director at Bankinter in light of her recent appointment as chairwoman of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

C.1.10. Indicate any powers delegated to the managing directors(s):

Name of director (person or company)	Brief description
CARTIVAL, S.A.	The executive vice-chairman presides over the executive committee, the executive risk committee and the asset-liability (ALCO) committee. Its functions are directly related to Bankinter's risk management. Bankinter's investment banking area also reports to it.
MS 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.

C.1.11. Identify any members of the board holding positions as directors or managers in other companies belonging to the listed company's group:

Name of director (person or company)	Name of the group company	Position	Executive duties?
MR PEDRO GUERRERO GUERRERO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y	DIRECTOR	No
MS RESOLUTION	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y	DIRECTOR	No
MS RESOLUTION	BANKINTER GLOBAL SERVICES, S.A.	CHAIRMAN	No

MS RESOLUTION	BANKINTER CONSUMER FINANCE, EFC, S.A.	CHAIRMAN	No
MR RAFAEL MATEU DE ROS CEREZO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y	DIRECTOR	No
MR GONZALO DE LA HOZ LIZCANO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y	DIRECTOR	No
MR GONZALO DE LA HOZ LIZCANO	BANKINTER GLOBAL SERVICES, S.A.	DIRECTOR	No

C.1.12. Detail any directors in your company serving on boards of other publicly traded companies on regulated securities markets in Spain that do not belong to Bankinter Group, of which Bankinter has been informed:

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

C.1.13. Indicate and explain if Bankinter has established rules on the maximum number of boards of directors on which its directors may serve:

Yes No

Explanation of rules
<p>As a financial institution, Bankinter is subject to the restrictions established by Law 10/014 of 26 June on the Organisation, Supervision and Solvency of Financial Institutions concerning the number of boards on which its directors may serve. Bankinter has included this restriction in its <i>Rules and Regulations of the Board of Directors</i>. 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.</p>

C.1.14. Section repealed

C.1.15. Indicate the overall remuneration for the board of directors:

Remuneration for the board of directors (thousands of euros)	4,205
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	600
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0

C.1.16. Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position
MR FERNANDO MORENO MARCOS	MANAGING DIRECTOR, COMMERCIAL BANKING AREA
MR EDUARDO OZAITA VEGA	MANAGING DIRECTOR, CORPORATE BANKING AREA
MR JACOBO DIAZ GARCIA	MANAGING DIRECTOR, BUSINESS DEVELOPMENT, PRODUCTS AND MARKETS
MS GLORIA HERNÁNDEZ GARCÍA	CHEIF FINANCIAL OFFICER AND MANAGING DIRECTOR OF CAPITAL MARKETS
MS GLORIA ORTIZ PORTERO	MANAGING DIRECTOR, DIGITAL BANKING AREA
MS GLORIA CALVO DÍAZ	GENERAL SECRETARY
MR IÑIGO GUERRA AZCONA	MANAGING DIRECTOR, INVESTMENT BANKING
MR FRANCISCO MARTÍNEZ GARCÍA	HEAD OF INTERNAL AUDIT

Total senior officer remuneration (thousands of euros)	3,412
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C.1.17. Identify any board members who also serve 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	Position
MR MARCELINO BOTIN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.	DIRECTOR
the appointment MR FERNANDO MASAVEU HERRERO	CORPORACIÓN MASAVEU, S.A.	CHAIRMAN

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

Name (person or company)	Corporate name of the significant shareholder	Description of relationship
CARTIVAL, S.A.	MR. JAIME BOTIN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	Controlled company
MR MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	MR. JAIME BOTIN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	SON

C.1.18. Indicate whether there has been any change in the Rules and Regulations of the Board of Directors during the year:

Yes No

Description of changes
<p>As mentioned in the 2017 corporate governance report, the board of directors of Bankinter approved amendments on 25 January 2017 that were reported on in the Annual General Meeting held on 23 March 2017, in accordance with Article 528 of the Ley de Sociedades de Capital [Spanish Corporations Act] (point 10 on the general meeting agenda). A description of these amendments can be found on Bankinter's corporate website (www.bankinter.com/webcorporativa).</p> <p>The amendments to the <i>Rules and Regulations of the Board of Directors</i> aimed to make certain technical adjustments owing to: i) the board's approval of a new Internal Securities Market Rules of Conduct on 16 November 2016, fully adapted to the latest changes in regulations and containing all relevant obligations in this regard; and ii) the need for certain new provisions in national regulations to be included in the <i>Rules and Regulations of the Board of Directors</i> in order to make the rules governing it easier to understand for foreign institutional investors.</p>

C.1.19. Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

On 18 November 2015, the board of directors of Bankinter approved a policy on board member selection and succession that includes the following basic features, among others:

I. Selection:

1. Criteria:

Directors must be people of renowned commercial and professional probity, competence and solvency and must meet, irrespective of article 9 of the Rules and Regulations of the Board of Directors of Bankinter, the prerequisites established in the regulations in force regarding companies in general and financial institutions in particular, or any other rules that may apply.

In addition, board members must have suitable knowledge and experience for the performance of their duties within the terms established by law.

Where a legal entity holds the office of director, the individual discharging the duties inherent to the post on its behalf, shall be subject to the same requirements and be personally liable for its duties as defined in the Rules and Regulations of the Board of Directors. For a legal entity to be appointed a director of Bankinter, the board must accept the individual representing it.

Being a shareholder or the holder of a certain number of shares is not required in order to become a Bankinter director, chairman, vice-chairman, CEO, or a chairman or member of any of the board committees.

2. Competent body:

The board of directors is responsible for selecting directors in accordance with the procedure described in the following section.

3. Procedures:

Any decisions taken by the board of directors regarding selection or provisional appointments, in accordance with the law and the By-Laws, shall require a prior proposal or report from the appointments and corporate governance committee as part of a formal and transparent procedure. The committee shall also propose the criteria to be followed for forming the board and selecting any persons to be nominated to be a director. If the board decides not to follow the recommendation of the appointments and

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corporate governance committee, it must give the specific reasons in the related resolution.

In the process of selecting directors, there shall first be an analysis of the needs of Bankinter and the companies that make up its group. The appointments and corporate governance committee is responsible for recommending independent directors to be appointed and re-elected, while the board of directors itself is charged with recommending proprietary and executive directors in this regard. Within this framework, Bankinter may use the services of external advisers to identify and evaluate candidates. In all cases, the procedure for selecting candidates will avoid any sort of implied bias that might compromise the diversity of required profiles, experiences and knowledge.

Directors affected by proposals for appointment, re-election or dismissal must refrain from intervening in the related debate and votes.

II. Appointment:

1. Criteria:

Both private individuals and legal entities may be appointed 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 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 shareholders at the Annual General Meeting may regularly set the actual number of board members within the indicated maximum and minimum limits.

2. Competent body:

The Annual General Meeting or, if applicable, the board of directors, pursuant to the provisions of the Ley de Sociedades de Capital [Spanish

Corporations Act], the By-Laws and the Rules and Regulations of the Board of Directors.

3. Procedures:

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.

III. Removal:

1. Criteria:

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 Rules and Regulations of the Board of Directors, in which directors must tender their resignation are as follows: where directors step down from their executive post at Bankinter or as the representative of the group of shareholders for whom they were appointed directors or, in the case of independent directors, where they fall in any situation that causes them to lose this category; where they find themselves in any situation of ineligibility, prohibition or legal cause for removal or resignation, including competing interests or conflicts of interest in accordance with Article 9 of the *Rules and Regulations of the Board of Directors* referenced above; or where they commit acts or omissions contrary to the diligence and efficacy with which they ought to perform their duties or seriously breach their duties as directors, cause serious damage or detriment to the interests, credibility and reputation of Bankinter or to operations of the board, or lose the confidence of the board with good cause.

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.

2. Competent body and procedures:

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.

IV. Re-election:

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1. Criteria:

The same ones described for selection and appointment of members of the Board.

2. Competent body and procedures:

As indicated above, any proposals submitted by the board of directors to the Annual General Meeting to re-elect directors shall require a prior proposal or report from the appointments and corporate governance committee 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.

V. Evaluation:

The Royal Decree 256/2013 of 12 April entered into force, thereby incorporating the European Banking Authority's guidelines of 22 November 2012 on the assessment of the suitability of the members of the management body and key function holders into regulations for credit institutions. To implement these standards, the board of directors, on 19 June 2013, approved the 'Bankinter Protocol on Compliance with the Suitability Requirement', which describes requirements that directors and senior officers must meet as well as the respective evaluation processes. Nonetheless, the board of directors had all these variables in mind when evaluating the suitability of its members.

In addition, the board of directors of Bankinter conducts the suitability assessment indicated in the preceding paragraph for its members on a yearly basis, or sooner if necessary.

Furthermore, according to Article 5 of the *Rules and Regulations of the Board of Directors*, the board of directors has the authority to assess, on a yearly basis, its functions and those of its committees, as well as the performance of its chairman, its executive directors and its committees, based on a report submitted to it by the appointments and corporate governance committee.

On 21 October 2015, in keeping with corporate governance recommendations, the board of directors decided that this assessment must be conducted by external advisers, at least, every three years. In 2016, an independent external expert, Russell Reynolds, conducted the assessment. His findings were submitted in January 2017. The 2017 assessment was internally conducted, as described in the points below.

C.1.20. Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its

activities:

Description of changes
<p>As mentioned in last year's corporate governance report, an independent external expert, Russell Reynolds, conducted the assessment for 2016, presenting his findings to the board of directors on 25 January 2017. The 2017 assessment was conducted internally and was presented at the board meeting held in January 2018.</p> <p>Overall, the overall aspects analysed in the assessments were: 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 (this aspect was evaluated in the assessment carried out by the external expert).</p> <p>Both external and internal 2017 assessments did not identify any weakness in the organisation and functions of the board of directors and its committees, finding only certain aspects and opportunities for improvement. Following its analysis of relevant recommendations and best practices, the appointments and corporate governance committee did not deem it necessary to submit any action plan to the board of directors for its approval, even if the corresponding bodies monitor such aspects and opportunities.</p>

C.1.20. bis. Describe the assessment process and the assessed areas as conducted by the board of directors assisted by an external consultant (if any), in terms of the diversity in its composition and capacities, operations and committee composition, the performance of its chairman and the chief executive of Bankinter, as well as the performance and contribution of each board member:

<p>The internal assessment in 2017 covered the functions of the board and its committees and the performance of its chairman, executive directors and committee chairs. It was carried out in the following stages: i) each board member filled out questionnaires drafted by Bankinter; ii) all the answers received were ordered and analysed, and in-person interviews were held with each director to inquire further about the answers they gave in the questionnaires; and iii) these answers were compared with the best corporate governance practices in Spain and abroad.</p>

C.1.20. ter. Break down any business relationship that the consultant or any company in its group maintains with Bankinter or any Bankinter Group company:

None

C.1.21. Indicate the circumstances under which directors are obliged to resign.

As indicated in section C.1.19., in addition to the cases provided under current legislation, the *Rules and Regulations of the Board of Directors of Bankinter* govern the grounds and procedure for the removal and resignation of directors, stating that directors must submit their resignation to the board and, if the board should deem it appropriate, formally resign under any of the following circumstances: i) where the significant shareholder who nominated an appointed board member informs the company, at any moment, that he or she has decided not to re-nominate the board member when his or her term of office ends; ii) where a director is subject to any case of ineligibility, prohibition or legal grounds for dismissal or resignation, including competing interests or conflicts of interest, as per Article 8 of these rules and regulations; iii) where a director commits acts or omissions without the level of diligence and efficacy required of them to discharge his or her duties; or seriously violates his or her duties as a director, such as the duty of confidentiality or other duties set out in these rules and regulations; iv) where a director may put the company at risk, directly or through his or her association with related parties, if he or she remains on the board of directors; and v) where a director causes serious damage to Bankinter's interests, credibility and reputation, or to the operation of the board for any given reason; or loses the confidence of the board for good cause in general. They must also step down where their membership on the board may put at risk the Bankinter's interest at risk, , directly or through their relationship with certain related parties.

C.1.22. Section repealed.

C.1.23. Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

Yes

No

If so, describe the differences.

Description of differences

C.1.24. Explain whether there are specific requirements for being appointed chairman of the board of directors, other than those concerning directors.

Yes

No

Description of requirements

C.1.25. Indicate whether the chairman has a casting vote:

Yes No

Issues on which there is a casting vote
Article 29 of the By-Laws provides that the chairman of the board of directors shall have a casting vote in the event of a tie. The non-executive chairman of Bankinter has not used this casting vote to date.

C.1.26. Indicate whether the by-laws or the rules and regulations of the board of directors establish an age limit for directors:

Yes No

Age limit for chairman	Age limit for chief executive officer	Age limit for directors
-	-	-

C.1.27. Indicate whether the by-laws or the rules and regulations of the board of directors establish a limited term of office for independent directors, other than that established by law:

Yes No

Maximum number of years of term
-

C.1.28. Indicate whether the by-laws or the rules and regulations of the board of directors provide specific rules for proxy voting in board meetings, how to delegate votes and, in particular, the maximum number of proxies a director may have; and whether any limit has been established regarding categories that allow delegated voting, other than those limits required by law. If so, briefly give details on such standards.

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

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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 2017, the in-person attendance rate of board members at meetings was 96.15%, or 100% if delegated voting with instructions is considered.

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. 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.

C.1.29. Indicate the number of meetings the board of directors has held during the year. Indicate the number of times the board has met without the chairman in attendance, if any. In calculating this number, proxies given with specific instructions will be counted as attendances:

Number of Board meetings	12
Number of board meetings not attended by the chairman	0

If the chairman is an executive director, indicate the number of meetings held without an executive director present or represented that were chaired by the coordinating director

Indicate the 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	12
Number of appointments and corporate governance committee meetings	9
Number of remuneration committee meetings	5
Number of risk committee meetings	6

C.1.30. Indicate the number of meetings held by the board of directors during the year that were attended by all its members. In calculating this number,

proxies given with specific instructions will be counted as attendances:

Number of meetings attended by all directors	12
% of attendances to total votes during the year	100%

C.1.31. Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

Yes No

Where applicable, identify the person(s) who has(have) certified Bankinter's individual and consolidated financial statements in order for them to be filed by the board:

Name	Position
MS RESOLUTION	The chief executive officer
Ms GLORIA HERNÁNDEZ GARCÍA	Chief financial officer and managing director of capital markets

C.1.32. Explain any mechanisms established by the board of directors to avoid submitting the individual and consolidated financial statements that it files to the Annual General Meeting with a qualified auditors report.

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 2017, the powers of the audit and regulatory compliance committee as set out in the Board Regulations 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*

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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.

- *providing a channel of communication between the board of directors and external and internal auditors, evaluating the results of audit reports and the compliance with formulated observations and conclusions, and discussing with the accounts auditors any significant internal control system weaknesses observed during an audit.*
- *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.*

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.

C.1.33. Is the secretary of the board of directors a director?

Yes

No

Complete the following table if the secretary is not a director:

Name of the secretary (person or company)	Representative
MS GLORIA CALVO DÍAZ	

C.1.34. Section repealed.

C.1.35. Indicate what mechanisms Bankinter has established, if any, to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

The board of directors, through its audit and regulatory compliance

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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' employment 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.

The Internal Audit Division is functionally subordinate to the chairman of the board of directors and is hierarchically subordinate to the audit and regulatory compliance committee. The committee appoints the head of the division and approves the annual budget and the planning for the division's activities.

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As concerns the independence of agencies, analysts and investment banks, Bankinter has reporting transparency measures that conform to restrictions described in rules set out in current legislation, in the *Rules and Rules and Regulations of the Board of Directors* and in the *Internal Securities Market Rules of Conduct of Bankinter*, regarding privileged and material information, confidentiality and bank secrecy.

In addition to the rules of conduct to which Bankinter directors, senior officers and employees engaged in securities market-related activities are subject, the *Internal Securities Market Rules of Conduct* include rules that apply to separate areas (asset management, own portfolio management, third-party portfolio management and analysis), as well as rules for treasury share transactions and the procedure for transactions and decisions that constitute privileged or material information.

C.1.36. Indicate whether Bankinter has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes

No

Outgoing auditor	Incoming auditor

Explain any disagreements with the exiting auditor (if any):

Yes

No

Explanation of disagreements

C.1.37. Indicate whether the audit firm does other work for Bankinter and/or its group other than audits. If so, declare the amount of fees received for such work and the percentage of such fees over the total fees charged to Bankinter and/or its group:

Yes

No

	Company	Group	Total
Amount of non-audit work (thousands)	42.9	-	42.9

euros)			
Amount of non-audit work / total amount billed by the audit firm (%)	3.88	-	3.88

C.1.38. Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

Yes No

C.1.39. Indicate the number of consecutive years during which the current audit firm has audited the financial statements for Bankinter and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years 10	2	2

	Company	Group
No of years audited by the current auditing firm/No of years in which Bankinter has been audited (in %)	54.05	54.05

C.1.40. Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

Yes No

Details of the procedure
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.

C.1.41. Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

Yes

No

Details of the procedure

The *Rules and Regulations of the Board of Directors* refers to this matter in its article on the 'The convening and agenda of meetings', stating the following:

'...Except in cases of urgency or necessity, meetings must be convened sufficiently in advance of its scheduled date. Meeting notices must always include the set agenda and will be sent with the informative documentation that the board has previously stipulated or that the chairman determines in each case. Directors may ask the chairman or the secretary of the board of directors to provide them with any information necessary to adequately assess relevant transactions or decisions, so that they may reasonably prepare for meetings and participate actively in deliberations.

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 will be carried out with the full knowledge of board members and with adequate time for them to conduct any analyses. This procedure regulates the following as relates to access to information: :

- 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.
- Means of communication with directors.

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.

Meeting agendas, and the other documentation considered necessary in order to decide on matters these include, will be accessible to directors via telematic means, on the directors' website through a solution provided by an external supplier to distribute materials for meetings and facilitate remote interaction between board members in a simple and secure manner.

Furthermore, the procedure 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*

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access to the records, reports and presentations for the meetings held.'
In the external assessment conducted for 2016, the results of which were presented in January 2017, the external consultant noted that directors have all the necessary information duly in advance as well as all the information they require to prepare for meetings.

C.1.42. Indicate and explain in detail whether Bankinter has established any rules requiring directors to inform and resign (where appropriate) under certain circumstances that may undermine Bankinter's credibility and reputation:

Yes No

Explanation of the rules
<p>The <i>Rules and Regulations of the Board of Directors</i> provides that directors shall tender their resignation to the board and, where the board should consider it appropriate, formally resign, in the following cases:</p> <p><i>5. Where a director causes serious damage to Bankinter's interests, credibility and reputation, or to the operation of the board for any given reason; or loses the confidence of the board for good cause in general.</i></p> <p><i>6. Where the board of directors finds any other circumstances warranting a director's resignation in accordance with the good corporate governance recommendations in force in Spain and accepted by Bankinter.</i></p> <p><i>The board of directors will adopt resolutions to assess any existing grounds for a director's removal, as described in the sections above; and to accept a director's resignation, on the recommendation of the appointments and corporate governance committee, except in cases of urgency or necessity.</i></p> <p>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.</p>

C.1.43. Indicate whether any member of the board of directors has notified Bankinter that he or she has been indicted or is being tried for any of the offences listed in article 213 of the Ley de Sociedades de Capital [Spanish Corporations Act]:

Yes

No

Name of director	Criminal offence	Comments

Indicate whether the board of directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should maintain his or her role or describe any actions the board of directors has taken or plans to take as of the date of this report.

Yes

No

Decision adopted/action taken	Reasoned explanation

C.1.44. Describe any significant agreements that Bankinter has reached and that will come into force, be amended or concluded if Bankinter's ownership changes owing to a public takeover bid, and any effects thereof.

.....

C.1.45. Identify, in aggregate terms, and describe, in detail, any 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 the contractual relationship ends due to a public takeover bid or another type of transactions.

Number of beneficiaries	0
Type of beneficiary	Description of the agreement NO
NO	NO

Indicate whether these agreements must be disclosed to and/or approved by the governance bodies of Bankinter and its group:

	Board of Directors	General information
Body authorising the clauses	-	-

	Yes	No
Is the General Meeting informed of the clauses?		

C.2. Committees of the Board of Directors

C.2.1. Detail all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors sitting on them:

EXECUTIVE OR DELEGATE COMMITTEE

AUDIT AND COMPLIANCE COMMITTEE Name	Position	Category
CARTIVAL, S.A.	CHAIRMAN	EXECUTIVE
MR PEDRO GUERRERO GUERRERO	MEMBER	OTHER EXTERNAL DIRECTORS
MS RESOLUTION	MEMBER	EXECUTIVE
MR FERNANDO MASAVEU HERRERO	MEMBER	PROPRIETARY
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT

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

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

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 the Bankinter Corporate 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 2017, 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.

AUDIT AND REGULATORY COMPLIANCE COMMITTEE

Name	Position	Category
MR JAIME TERCEIRO LOMBA	CHAIRMAN	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT
MR GONZALO DE LA HOZ LIZCANO	MEMBER	INDEPENDENT
MR PEDRO GUERRERO GUERRERO	MEMBER	OTHER EXTERNAL DIRECTORS

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

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

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. The audit and regulatory compliance's duties include:

- ensuring that internal and external information on the Bank's earnings and activities is reliable and transparent; in particular, verify the integrity and consistency of the Bank's and the group's quarterly and half-yearly financial statements, annual accounts, annual report and management report before they are approved or proposed by the board of directors and made public; and supervise the Bank's policy regarding prospectuses and other forms of public information.
- promoting and regularly revising the operations of adequate internal control systems to ensure that Bankinter's risks are managed properly.
- supervising Bankinter and its group's internal audit activities and, therefore, to approve its annual work plan, the annual report or the annual report on activities; and to ensure that the main risk areas and the internal control systems and procedures are reviewed. receiving regular information on its activities, and to verify that the senior management takes the conclusions and recommendations of its reports into account.
- approving or amending the internal audit by-laws, which will contain its functions and powers.
- approving, on the recommendation of the chairman of the board, the vice-chairman (if executive), or the chief executive officer, the appointment or replacement of the head of the internal audit division.
- ensuring that sufficient equipment and resources are set aside for the audit division and the regulatory compliance unit.
- supervising, and ensuring the effectiveness of, the employee whistleblowing procedure to report any potentially significant irregularities, especially of a financial and accountancy nature, they observe within the company.
- supervising compliance with the Internal Securities Market Rules of Conduct, Bankinter Group's Code of Professional Ethics and the attributed functions carried out by Bankinter's regulatory compliance unit, crime prevention and professional conduct committee, and by the departments responsible for personal data and anti-money laundering protection; and understand the reports and proposals it receives from those units and departments.
- approving or amending the regulatory compliance by-laws, which will contain its functions and powers.
- approving the appointment or replacement of the head of the regulatory compliance unit at the request of the chairman of the board, the vice-chairman (if executive), the chief executive officer or the general secretary; propose its budgets and approve its annual working plan and annual activity statement or report; receiving regular information on its activities; and verifying that senior officers take into account the conclusions and the recommendations of its reports.
- 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. 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.
- approving an annual report that is made available to all shareholders on the occasion of the Annual General Meeting and found 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) approved the all the activities that the Internal Audit division will carry out during the year; ii) completed several tasks to verify the most significant management information, the annual report and the corporate governance report; and iii) been 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 2017, approved by the committee in February 2018 and posted on Bankinter's corporate website.

APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
MR RAFAEL MATEU DE ROS CEREZO	CHAIRMAN	INDEPENDENT
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
MR GONZALO DE LA HOZ LIZCANO	MEMBER	INDEPENDENT
MS TERESA MARTÍN-RETORTILLO RUBIO	MEMBER	INDEPENDENT
MR MARCELINO BOTIN-SANZ SAUTOLA YNAVEDA	MEMBER	PROPRIETARY

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

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

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 2017, approved by the committee in February 2018 and posted on Bankinter's corporate website. The activities described in the report include the nomination and re-election of board members, the coordination of the assessment of the board of directors, its committees and its chairs as well as the assessments of the chairman and the executive directors, and proposals to the board on revising and monitoring certain policies.

REMUNERATION COMMITTEE

Name	Position	Category
MR GONZALO DE LA HOZ LIZCANO	CHAIRMAN	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
MS TERESA MARTÍN-RETORTILLO RUBIO	MEMBER	INDEPENDENT
MR FERNANDO MASAVEU HERRERO	MEMBER	PROPRIETARY

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

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

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 officers, 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 officers 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 any collective insurance systems or deferred remuneration systems.
- discharging any other duties delegated to the committee under these rules and regulations or by the board of directors.

The remuneration 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 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 2017, approved by the committee in February 2018 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.

RISK COMMITTEE

Name	Position	Category
MR GONZALO DE LA HOZ LIZCANO	CHAIRMAN	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT

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

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

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 2017, approved by the committee in February 2018 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.

C.2.2. Complete the following table with information on the number of female directors have served on board committees in the last four years:

	Number of female directors							
	Financial Year 2017		2016		Year 2015		2014	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66	1	16.66	1	16.66	1	16.66
Audit and Regulatory Compliance Committee	0	0.00	0	0.00	0	0.00	0	0.00
Appointments and Corporate Governance Committee	1	0.20	0	0.00	0	0.00	0	0.00
Remuneration Committee	1	0.20	1	0.25	1	0.25	0	0.00
Risk Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3. Section repealed.

C.2.4. Section repealed.

C.2.5. Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

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 Regulations of the Board indicated in item C.1.18. above were made in 2017.

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.

C.2.6. Section repealed.

D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1. Explain the procedure, if any, for approving related-party and intra-group transactions.

Procedures for approving related party transactions

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. The version of these rules and regulations dated 31 December 2017 state the following:

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.

D.2. Describe any significant transactions in terms of their amount or concept, between Bankinter or Bankinter Group companies and Bankinter's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group company	Type of relationship	Type of transaction	Amount (thousands of euros)
-	-	-	-	-

D.3. Describe any significant transactions in terms of their amount or concept, between Bankinter or Bankinter Group companies and directors or senior officers at Bankinter:

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)
MR PEDRO GUERRERO GUERRERO	BANKINTER, S.A.	Member of board of directors	Financing	3,500
Ms RESOLUTION	BANKINTER, S.A.	Member of board of directors	Financing	3,507
the appointment MR FERNANDO MASAVEU	BANKINTER, S.A.	Member of board of directors	Financing	4,000
MR MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	BANKINTER, S.A.	Member of board of directors	Financing	60

MR RAFAEL MATEU DE ROS CEREZO	BANKINTER, S.A.	Member of board of directors	Financing	1,877
MR FERNANDO MORENO MARCOS	BANKINTER, S.A.	Managing director	Financing	43
MR GREGORIO EDUARDO OZAITA VEGA	BANKINTER, S.A.	Managing director	Financing	482
MR IÑIGO GUERRA AZCONA	BANKINTER, S.A.	Managing director	Financing	410
Ms GLORIA ORTIZ PORTERO	BANKINTER, S.A.	Member of the management committee	Financing	136

D.4. Describe any significant transactions in which Bankinter has engaged with other companies belonging to its same group, except those that are eliminated when the consolidated financial statements are prepared and that are not part of Bankinter's usual business in terms of their purpose and conditions.

In any event, provide information on any intragroup transaction with companies established in countries or territories considered tax havens.

Name of the Bankinter Group company	Brief description of the transaction	Amount (thousands of euros)
-	-	-

D.5. State the amount of the transactions carried out with other related parties.

D.6. Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between Bankinter and/or Bankinter Group, and their directors, senior officers and significant shareholders.

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

- 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*

bankinter.

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.

The Secretary of the Committee shall be responsible for convening the meetings and for filing the minutes and the documents presented before the Committee. *The situations and transactions to which this article refers*

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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.

On 22 April 2015, the board of directors of Bankinter approved:

- The Bankinter Senior Management Conflict of Interest Prevention Policy: as an essential part of its supervisory function, the Board is responsible for addressing any matters likely to give rise to conflicts of interest and specifically monitors 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.

D.7. Are more than one Bankinter Group company listed in Spain as a publicly traded company?

Yes

No

Identify the subsidiaries listed in Spain:

Subsidiaries listed

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Indicate whether the respective areas of business and any potential relations between them have been publicly and precisely defined, along with any potential business relations between the holding company and the listed subsidiary and other group companies:

Yes

No

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies.
--

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group

Mechanisms to resolve possible conflicts of interest
--

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of Bankinter's risk management system, including any tax-related risks.

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. Metrics and levels are revised on a quarterly basis, on the recommendation of the chief risk officer. If changed, the risk 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.

More information can be found in the 'Risk management policies and objectives' section in the Pillar III disclosures, available under 'Shareholders and investors - Financial information' on the Bankinter corporate website (www.bankinter.com/webcorporativa).

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).

In this regard, in compliance with section 529 ter 1b) of Royal Legislative Decree 1/2010 of 2 July, which approves the restated text of the Ley de Sociedades de Capital [Spanish Corporations Act], the board of directors of Bankinter, S.A. was informed, on 20 May 2015, that KPMG Abogados, S.L. had been hired to prepare a report assessing the tax-related risk control policies at Bankinter Group. In view of this analysis, recommendations were reported and issued on 23 October 2015, followed by the executive summary of these recommendations issued on 16 November 2015 and a report on the 'Diagnostics on existing internal control processes and systems within Bankinter Group' dated 4 February 2016. This report included a letter with the main findings of the analysis, according to which KPMG considers that 'no significant issues suggesting the existence of considerable failures in the tax department were detected'. Its recommendations were limited to operational improvements in Bankinter Group's tax area, as no material risks were detected within the scope of Bankinter's tax function.

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 those recommendations, on the one hand, Bankinter approved the protocols that describe the tax duties performed in tax compliance areas, tax procedures, tax advice and their connection to all Bankinter departments. On the other hand, Bankinter carried out the corresponding adjustments to tax-related financial and accounting processes.

E.2. Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks.

Amongst the administrative and supervisory functions held by the board of directors of Bankinter, there are two clearly separated risk-related functions for which it is ultimately responsible:

- *Management and monitoring*
- *Control.*

The board of directors oversees these functions directly or through the following delegations:

Management and monitoring, which involves authorising, formalising, assessing, approving or confirming risk transactions. This power of the board of directors is delegated to the following delegated or internal bodies, depending on the nature or amount:

- *The board of directors reserves the power to approve credit risks for an individual amount of more than 100 million euros.*
- *The executive committee is authorised to approve credit risks for an amount of over 50 million euros and up to 100 million euros.*
- *The executive risk committee is authorised to approve transactions for up to 50 million euros.*
- *The internal risk committee is authorised to approve transactions for up to 9 million euros, and also defines powers to be delegated to subordinate bodies.*

Control, which involves approving the policy for controlling and managing risks and supervising risk control and reporting systems:

In performing this function, the board of directors is supported by the risk committee, on a consultative basis. This committee is made up of members of the board of directors of Bankinter, most of whom are independent, including the committee chairman. It meets at least quarterly and is tasked with duties that include tracking capital planning and advising on the risk appetite. Furthermore, 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. This function is organised in the following units with their respective duties:

- *Risk control unit: It oversees the quality of Bankinter Group's risk management and guarantees that its systems for managing and controlling the various risks involved in its activity meet the most demanding criteria and the best practices found 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 Bankinter's senior officers.*
- *The 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.*

Furthermore, Internal Audit, which is functionally subordinate to the audit and regulatory compliance committee, is part of the risk control system and evaluates compliance with board-approved policies, procedures, risk management systems and the internal control function.

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It is also responsible for reviewing and evaluating the effective implementation and effectiveness of risk control and mitigation procedures while maintaining the mandatory independence of its management. Its review activities and evaluation of risk-related processes is included within its audit plans (which are submitted to the audit and regulatory compliance committee for approval) and its customary procedures.

As concerns tax-related risks, see the description in the preceding section.

E.3. Indicate the principal risks, including tax-related risks that could prevent business targets from being met.

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 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. 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. After the extensive restructuring of the banking system in Spain and several years of economic growth, business prospects are positive. For another consecutive year, the economic performance of the European Union and political uncertainty were the major issues for corporate banking, while job creation was the most influential factor in retail banking. There is strong pressure on margins from strong competition and the quantitative easing policies of the European Central Bank.

On the other hand, borrowing remains high among economic stakeholders, while outlooks for the EU indicate weak medium-term growth. In this context, credit default will continue to be a significant risk and have an effect on earnings. Bankinter closed out 2017 with a non-

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performing loan ratio of 3.45%, a 56 basis-point decrease (14%) with respect to the previous year. Its non-performing loan ratio at year-end is 38% below the sector

average (8.08%, according to Banco de España figures from November 2017). 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 Euro zone financial crisis, which appear remote 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 section E.1 above, it is not believed that the tax-related risks detected will affect its business objectives.

E.4. Identify whether the entity has a risk tolerance level, including tax-related risks.

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 Bankinter's activities, based on quality banking practices.*
- *Bankinter'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 risk exposure, with one of the lowest non-performing loan ratios in the Spanish financial system.*
- *Appropriate hedging of problematic assets.*
- *Appropriate return on invested capital, with a minimum level of profitability over the risk-free rate throughout the cycle.*
- *Maintenance of a low level of market risk, so that losses incurred in stress scenarios have a reduced impact on Bankinter's earnings.*
- *Intense growth in the priority and strategic medium-sized and large enterprise segments.*
- *Balanced loan portfolio between individuals and legal entities.*
- *Balanced growth in retail funds.*
- *Diversified sources of wholesale financing, in terms of both instruments and markets, and maintenance of a balanced maturity profile.*
- *Optimised retail financing costs, maintaining a balance between loan book returns and market interest rates.*
- *Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for Bankinter.*
- *Limited activities in sensitive industries that might pose a risk to Bankinter's sustainability, such as those associated with development or construction, or that might have a negative impact on its reputation*

and/or respectability.

- *Moderate appetite for interest rate risk.*
- *Maintenance of a very low structural foreign currency position (excluding trading activity, which is measured and limited by other means).*
- *Enhanced control of Bankinter's reputation (Good Corporate Governance, 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.*
- *Optimised cost-to-income ratio.*
- *Maximised value creation for shareholders throughout the cycles, through both dividends and share price revaluations on a strong capital and liquidity base.*
- *Common Equity Tier 1 (CET1) kept within the fluctuation band set by Bankinter, 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, each risk has specific metrics (exposure level, value at risk (VaR), maturity mismatches, liquidity mismatches), and limits are established for their various management levels.*
- *For operating risk, the Risk Appetite Framework establishes risk control environments, adjusted to their level of importance (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.

E.5. State what risks, including tax-related risks, have occurred during the year.

The 2017 fiscal year was characterised by significant economic growth in Spain, despite ongoing financial deleveraging and stagnant lending across the financial system to households and non-financial entities with respect to the previous year, according the official statistics published by Banco de España. Under these circumstances, Bankinter's moderate growth trend remained steady for another consecutive year: Lending to customers was up by 3.8% whilst computable risk (including off-balance-sheet risk) grew by 2.7%.

Bankinter has been balancing the distribution of its loan book between individuals and legal entities for years. In 2017, the credit risk grew by 1.0% for individuals and by 3.1% for legal entities.

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

Bankinter's non-performing loan ratio ended the year at 3.45%, a 56 basis-point or 14% decrease with respect to 2016. This rate at the end of the year is 38% of the sectoral average NPL rate (at 8.08% according to Banco de España data from November 2017). At the end of December 2017, the foreclosed asset portfolio was 412 million euros, which was 0.7% of the total credit risk, a reduction of 21% in 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 2017 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.

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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 2017 and previous years.

E.6. Explain the response and supervision plans for the principal risks faced by Bankinter, including tax-related risks.

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

- *A clear organisational structure, independent of the business function, which begins with the board of directors and establishes a structure and functions for identifying, measuring, controlling and managing various risks.*
- *Risk policies clearly established by the board and implemented in specific limit, competence, internal reporting and decision-making structures.*
- *Specific control systems and procedures, strongly supported by computer-based reporting, control and management systems.*
- *A solid risk culture developed over the 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 approval policy is prudent, and business plans are primarily aimed at low- and moderate-risk customer segments, for both individuals and legal entities. The credit risk control, tracking and recovery systems are continually strengthened and supported by investments in IT systems. This rendered a non-performing loan ratio of 3.45% at the end of the financial year, which is 38% of the sectoral average NPL ratio.*
- *There is active management of structural interest rate risk in order to protect Bankinter's net interest margin and economic value if interest rates change.*
- *Bankinter monitors and actively manages liquidity risk, focusing mainly on liquid asset cushions, concentrated wholesale financing, diversified funding sources and improved balances resulting from commercial transactions. The deposit to loan ratio was 90.6% at year-end 2017.*
- *Operating risk is actively managed through self-evaluations, risk maps, specific improvement plans, key operating risk indicators and contingency plans for the significant risks.*
- *Bankinter keeps its capital adequacy levels above the regulatory minimums. At the end of 2017, the CET1 (Common Equity Tier I) ratio stood at 11.83%.*

For additional risk supervision, the audit and regulatory compliance

committee has duties that include:

- *promoting and regularly revising the functioning of adequate internal control systems that ensure that Bankinter's risks are managed properly.*
- *supervising Bankinter and its group's internal auditing activities and approving their annual work plan and annual report on activities; and ensuring that the main risk areas and the internal control systems and procedures are reviewed.*
- *being informed of significant irregularities, breaches or risks detected in control exercises carried out by the compliance area.*

As concerns the operating function shown improvements mentioned in documents prepared by KPMG, S.L., the Bankinter tax advisory area implemented an action plan. KPMG, S.L. and Bankinter's audit division were responsible for 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 board of directors was informed about this event through Bankinter's audit and regulatory compliance committee.

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

F.1. Bankinter's control environment

Give information, describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

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'.

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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.

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

- **Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.**

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, the board of directors of Bankinter approved the policy on the defined organisation structure of Bankinter Group. This policy determines the corporate and governance organisation structure of Bankinter and Bankinter Group based on its multi-company nature and presence in various businesses

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and sectors, as well as the requirements it must meet in order to best fulfil its corporate and group purpose and interests.

The Bankinter Group's manual of accounting policies and financial reporting procedures, 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.

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

- **Codes of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.**

Bankinter Group's Manual of Accounting Policies and Financial Information Procedures establishes a number of ethical principles applicable to all persons having accounting and financial information responsibilities and duties. 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.

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- Immediately report any pressures from management to manipulate estimates and/or accounting valuations 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.
 - ii. 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.
- **▪ Whistleblowing channel to report financial and accounting irregularities, potential code of conduct breaches and irregular activities in the organisation to the audit and regulatory compliance committee in a confidential manner.**

The Group has a confidential whistle-blowing channel, which is a direct channel of access 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.

Reports will be sent to an e-mail address provided for this purpose, which will receive by the head of the internal audit division, under the authority of the

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audit and regulatory compliance committee or the appointments and corporate governance committee; or in writing and addressed to the head of the internal audit division. Therefore, absolute and strict confidentiality in the reporting process and any investigation process is guaranteed. Reports are reviewed in the order in which they are received, provided they meet the requirements established in the procedures governing them.

- **▪ Regular training and refresher courses for employees involved in preparing and revising financial information and in ICFR assessment, to cover accounting standards, audit, internal control and risk management at the very least.**

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.

Seven financial reporting courses were given in 2017 in the banking area of Bankinter Group. A total of 1,431 training hours were given. The main areas receiving this training were:

- Financial control and analysis
- Financial reporting and accounting
- Risks
- Operations
- Supervisor relations coordination
- Trading
- Internal audit

At Línea Directa Aseguradora, 7 courses were given in 2017 to a total of 118 people, with 390 hours of training on financial and accounting matters.

F.2. Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

- **▪ Whether the process exists and is documented.**

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

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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 system for identifying risks in financial reporting in Bankinter Group follows a top-down process, based on relative importance standards approved by the board of directors. It ultimately leads to the monitoring of financial reporting risks for important group companies, 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.

- **Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.**

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 existence of a process for identifying a scope of consolidation, taking**

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into such account aspects as the potential existence of complex corporate structures, instrumental or special purpose vehicles.

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 internal 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.

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- **▪ Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc) in terms of their impact on the financial statements.**

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.

- **▪ Which of the entity's governance bodies supervises the process**

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.

F.3. CONTROL ACTIVITIES

Give information, describing the key features of at least:

F.3.1. Procedures for reviewing and authorising financial information and the description of the ICFR, to be published on the securities markets (indicating those responsible for them) and descriptively documenting the activity flows and controls (including those concerning risk of fraud) for the various types of transactions that may materially impact the financial statements. This includes the procedure for closing the accounts and the specific review of significant judgements, estimates, valuations and projections.

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

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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. The capital markets and finance department is advised by the areas that implement the various initiatives (including the operational areas) in order to review and determine the accounting policies that apply, to determine necessary accounting, inventory and regulatory information and any other aspect that may impact 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.

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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.

The following are the main features of this process:

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.

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

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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 and analysis 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 2017, a total of 420 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.

F.3.2. Internal control procedures and policies for reporting systems (eg, access security, change control, how they are operated, operational continuity and segregation of functions) that support significant processes in Bankinter for drawing up and publishing financial information.

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 an 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.

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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.

F.3.3. Internal control procedures and policies designed to supervise the management of activities outsourced to third parties and evaluation, calculation and assessment tasks outsourced to independent experts that may materially impact the 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 Code of Conduct for Suppliers.

F.4. Information and communication

State, describing any key features, if there is at least:

F.4.1. A specific function for defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluid communication with operations managers within the organisation; and an up-to-date manual of accounting policies, made known to the units through which Bankinter operates.

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The capital market and finance area is responsible for ensuring the quality, transparency and timeliness of the individual financial information of Bankinter S.A. and the consolidated financial information of Bankinter Group, in accordance with appropriate accounting methods.

In order to achieve these basic financial reporting objectives, it 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 finance 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.

Such Manual is to be updated on an annual basis, unless there are substantial amendments to applicable laws and regulations, in which case it will be updated when such laws and regulations are amended. F.4.2. Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

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.

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

F.5. Supervision of the system's operation

State, describing any key features, if there are at least:

F.5.1. IFCFR supervision activities carried out by the audit and regulatory compliance; and whether Bankinter has an internal audit function with powers to provide support to the audit and regulatory compliance in its task of supervising the internal control system, including the IFCFR. Likewise, this should include information on the scope of the IFCFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment discloses its results; whether Bankinter has an action plan listing potential corrective measures; and whether its impact on financial reporting has been considered.

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

In accordance with the provisions of Bankinter's by-laws and the *Rules and Regulations of the Board of Directors* of Bankinter Group, the audit and regulatory compliance committee, as a board committee with oversight powers, has duties and powers that include supervising and controlling Bankinter's activities, the accuracy, objectivity and transparency of its corporate accounting; overseeing the preparation and presentation of regulated financial information; and complying with laws and regulations that Bankinter must follow.

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.

The *Rules and Regulations of the Board of Directors* states that Bankinter Group's Internal Audit division is under the control of 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 and duties of the Internal Audit division include assisting the audit and regulatory compliance

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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 recommendations 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 focused on IFCFR implementation in Bankinter Portugal was carried out in September and October 2017, with a view to:

- reviewing procedures.
- assessing the design and implementation of a set of controls included within the IFCFR for Bankinter Portugal.
- verifying the monitoring mechanisms of the second level of control.

The final report was issued on 21 December 2017. Its findings are correct, with some shortcomings. The medium-impact recommendations have been issued. The report describes action plans for each recommendation. Its findings are reported to senior officers of Bankinter Group and likewise submitted to the group's audit and regulatory compliance committee.

F.5.2. If Bankinter has a discussion procedure by which an accounts auditor (in line with the technical auditing notes), the internal audit function and other

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experts can inform senior officers and the audit and regulatory compliance committee or Bankinter's directors of any significant internal control weaknesses found during processes to review the annual accounts or any others within their remit. Likewise, information should be given on whether Bankinter has an action plan to attempt to correct or mitigate any observed weaknesses.

Section 6 of 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.

The audit and regulatory compliance committee approved a general framework for managing monitoring binding recommendations made by the Internal Audit division; and established a timely compliance plan for those responsible for implementing them, as well as a regular report on their status to be submitted to Bankinter's audit and regulatory compliance committee and management committee. This circular was updated on 19 September 2016 and approved by the audit and regulatory compliance committee in order to include improvements that have been added to the auditing process in recent years; and increase senior officers' role in monitoring and implementing recommendations.

F.6. Other material information

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.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows recommendations found in the Good Governance Code of Listed Companies.

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If any recommendation is not followed or only partially followed, a detailed explanation on the reasons for this should be provided so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations will not be acceptable.

- 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 the annual general meeting, the chairman of the board should supplement the written announcement of the annual corporate governance report by verbally informing shareholders, in sufficient detail, of the most significant aspects of the company's corporate governance and, in particular: a) any changes occurred since the previous annual general meeting. b) any specific reasons the company does not follow a particular recommendation found in the Good Governance Code recommendation as well as any alternative procedures it implements in regard.**

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

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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

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- 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

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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 the company is exposed to 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

H OTHER INFORMATION OF INTEREST 1.

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.
2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative. Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.
3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the *Code of Best Tax Practices* (Código de Buenas Prácticas Tributarias) of 20 July 2010.

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.

Section A.2.

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 section A.2, 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.

Finally, as stated in previous reports, on 4 March 2011, Bankinter proprietary director, Mr 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.

Section B.2.

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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.

Section B.4.

Practically all the members of the board of directors attending the Annual General Meeting designated the chairman of the board of directors as their proxy (23.27% of share capital).

Section B.5.

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.

Section B.7.

For the annual general meeting held on 23 March 2017, Bankinter announced the meeting publicly 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].

Section C.1.11.

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.

Section C.1.15

'Remuneration of the board of directors' includes the remuneration received by the directors in both Bankinter and Bankinter Group companies. The breakdown of this remuneration may be found both in the director remuneration report and under the heading relating to the remuneration of directors of the notes to the financial statements, which Bankinter makes public at the time of the call to the Annual General Meeting.

Section C.1.16

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Senior management underwent restructuring, which involved a swap of duties previously discharged by the two managing directors. Therefore, as of 1 January 2018, Mr Fernando Moreno is now the acting managing director of corporate banking and Mr Eduardo Ozaíta is the acting managing director of commercial banking. The functions in both business lines are similar, with different target customers to manage and engage commercially.

Section C.1.17

The individual who represents the director, CARTIVAL, S.A., on the board, Alfonso Botín-Sanz de Sautuola y Naveda is the brother of Marcelino Botín-Sanz de Sautuola y García de los Ríos.

Section C.1.19

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.

Section C.1.30

The members of the board of directors attended 96.15% of the board meetings held in 2017. Section C.1.30 states an attendance rate of 100% since it includes attendance via proxy with specific instructions.

Section C.1.45

The software form does not allow the bodies authorising such clauses to be left blank when there are none; accordingly, in the report form, the "NO" option is checked when referring to whether the clauses are reported. In the case of

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Bankinter, no information on these agreements is provided because they do not exist.

Section D.3.

The transactions with directors included in this section are significant transactions or transactions of sizeable amounts, which are always carried out within Bankinter's ordinary course of business and on an arm's length basis.

In addition, Bankinter has granted loans to senior officers for the purpose of acquiring, at the time, convertible debentures and shares resulting from the share capital increase 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 1,071,000 euros.

This annual report on corporate governance was approved by Bankinter's board of directors on 21/02/2018.

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