

# Annual report on the remuneration of directors of Bankinter S.A.

2018

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## COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR (2019)

### 1. Fundamental principles of the remuneration policy

The purpose of the remuneration policy of Bankinter, S.A. (hereinafter, 'Bankinter', the 'Entity', the 'Company' or the 'Bank') is to establish the essential principles and elements of a remuneration system fully compatible with the Institution's business strategy, objectives, values and long-term interests, and with sound and prudent risk management, both in absolute terms and in comparison with the sector, defining the bank's remuneration practices and establishing monitoring and control mechanisms to ensure the Institution's soundness at all times, by not encouraging behaviour involving the assumption of excessive risk, as well as by a remuneration structure appropriate to the dedication and responsibility assumed by individuals, attracting, retaining and motivating the most outstanding professionals.

Consequently, the directors' remuneration policy of Bankinter is governed by the following general principles, which apply to the remuneration of the entire workforce:

- Prudent and effective risk management.
- Alignment with long-term interests.
- Appropriate balance between fixed and variable components.
- Multiple elements.
- Internal fairness and external competitiveness.
- Supervision and effectiveness.
- Flexibility and transparency.
- Simplicity and customisation.
- Attracting, retaining and motivating the most outstanding professionals.
- Remunerating the dedication and responsibility assumed by individuals.

Bankinter Group's Remuneration Policy establishes a number of principles and adjustments concerning the variable remuneration of the employee categories of employees whose professional activities have a material impact on the Bank's risk profile ("identified staff"), thereby preventing potential conflicts of interest:

- The allocation of variable remuneration components at the bank shall take into account all current and future risk types.
- When remuneration is linked to results, its total amount will be based on an assessment that combines the results of the individual, estimated using both

financial and non-financial criteria, the results of the business unit in question and the global results of the company.

- The earnings assessment will be registered under a multi-year scenario so as to guarantee that the assessment process covers earnings in the long term and that the effective payment of earnings-based remuneration items is staggered over a period that accounts for Bankinter's underlying economic cycle and business risks.
- When assessing the performance used to calculate variable remuneration components, an adjustment will also be made for all types of current and future risks and takes into account the cost of the capital and the liquidity required.
- Total variable remuneration does not limit the company's capacity to reinforce the soundness of its capital base.
- The variable remuneration is not paid through instruments or methods that facilitate the non-compliance with existing regulations on organisation and governance.
- Guaranteed variable remuneration is not compatible with sound risk management practices or the principle of rewarding performance, and will not be included in potential remuneration plans.
- Guaranteed variable remuneration will be exceptional. It will only be implemented when new employees are hired and provided that Bankinter has a sound and robust capital base; and will be limited to the first year of employment.
- Total remuneration will have an appropriate balance of fixed and variable components. The fixed component will constitute a sufficiently high portion of total remuneration, so that a fully flexible policy may be implemented on variable remuneration components, up to the point in which it is possible not to pay them.
- The variable remuneration, including the deferred portion, shall be paid or consolidated only if sustainable in accordance with the financial situation of the Institution as a whole, and if justified based on the results of the Institution, the business unit and the individual in question.
- Notwithstanding the application of the general principles of law in contractual and work-related matters, total variable remuneration will be reduced considerably when the bank obtains lacklustre profits or losses, taking into account both current remuneration and reductions in payments of amounts previously accrued, if applicable, through provisions on the reduction of ('malus') remuneration or recovery of remuneration already paid ('clawback').
- Furthermore, the variable remuneration of the identified staff shall be reduced during the performance assessment should negative performance be detected in terms of the bank's results or its capital ratios, whether in terms of previous financial years or compared to similar institutions, or negative performance of other parameters, such as the achievement of budgetary targets.

## Policy for the Remuneration of Directors and amendments thereto for 2019

Following a motivated report by the Remuneration Committee, the Board of Directors felt it was advisable to submit a new Policy for the Remuneration of Directors for the years 2019, 2020 and 2021 for approval by the General Shareholders' Meeting (hereinafter the "Policy for the Remuneration of Directors"), to replace and render null and void, for the years 2019 and 2020, the preceding Policy for the Remuneration of Directors of Bankinter, S.A., approved by the General Shareholders' Meeting on 22 March 2018.

The reason for submitting a new directors' remuneration policy to the annual general meeting for the three years mentioned (thereby withdrawing the current remuneration policy) is not a change in the principles, bases, structure and other features of the directors' remuneration policy approved in the annual general meeting in March 2018. Instead, it is to incorporate under a single document all regulatory requirements that apply to the bank as a credit institution and a listed corporation.

The remuneration of directors as members of the board of directors set out in the directors' remuneration policy is in accordance with the remuneration system set forth in the company by-laws.

On the other hand, the compensation to directors for the performance of executive duties (also described under the Director Remuneration Policy) is compatible with the company by-laws and meet the requirements of EU directives and regulations and current legislation, namely Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions; Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions; Banco de España Circular 2/2016, of 2 February to credit institutions on supervision and solvency, which completes the adaptation of Spanish law to Directive 2013/36/EU and EU Regulation 575/2013; and the European Banking Authority's guidelines on internal governance.

The board of directors finds that the directors' remuneration policy, as recommended for approval, is compatible with the bank's business strategy, objectives, values and long-term interests; is conducive to adequate, sound and efficient management of the bank's risks; and, above all, satisfies the regulatory parameters for prudential regulation and solvency that apply to Bankinter, S.A.

Moreover, the result of the consultative vote on the Annual Report on directors' remuneration by the General Shareholders' Meeting in 2018 was as follows:

	Number	% of total
<b>Votes cast</b>	671,802,453	72.29

	Number	% of votes cast
<b>Votes against</b>	12,761,403	1,900%

Votes in favour	658,382,936	97,999%
Abstentions	658.114	0,098%

These data corroborate the decision by Bankinter to continue with the principles, grounds, structure and other characteristics of the Remuneration Policy already approved by the General Shareholders' Meeting.

The Directors' Remuneration Policy in force at any given time is available on the corporate website, and may be consulted via the following [link](#).

## 2. Remuneration committee

As previously mentioned, the board of directors of Bankinter will submit a new policy on director remuneration for 2019, 2020 and 2021 to be approved in the annual general meeting on 21 March.

This new policy the board will submit for approval in the Annual General Meeting has been posted on the corporate website, along with an explanatory report by the board and a specific report by the remuneration committee, as per the provisions of Article 529 *novodecies* of the *Ley de Sociedades de Capital* [Spanish Corporations Act].

Bankinter's board of directors is responsible for establishing a control and supervisory system for the remuneration policy. Furthermore, it may delegate a committee to monitor and oversee this policy.

According to Article 40 of the *Rules and Regulations of the Board of Directors*, the remuneration committee is assigned certain duties, such as:

- proposing to the board, for its approval, the remuneration policy for directors and their individual remuneration as well as the related annual director remuneration report, which the board will put to a consultative vote at the Annual General Meeting.
- proposing to the board the individual remuneration of executive directors and any external directors for performing duties other than those of a director, in addition to other terms and conditions of their contracts.
- proposing the remuneration policy for senior executives, including managing directors or those who discharge senior executive duties and report directly to the board, executive committees or chief executive officers; in addition to individual remuneration and their other basic contractual 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.

- reviewing remuneration schemes on a regular basis, analysing how their performance with respect to objectives, and ensuring that director remuneration is moderate and consistent with the company's earnings.
- ensuring that remuneration is transparent and that it is mentioned in the annual report and any other yearly reports containing information on director remuneration; and submitting any relevant information in this regard to the board.
- reporting on the incentive plans for senior officers or employees that are indexed to the listing price of the Bankinter share or to other variable indices; and on the remuneration systems for the Bankinter's management team based on any collective insurance systems or deferred remuneration systems.

In accordance with the Bankinter Corporate By-Laws and the *Rules and Regulations of the Board of Directors*, the remuneration committee is currently composed of five directors appointed by the board. As required by the *Ley de Sociedades de Capital* [Spanish Corporations Act], all committee members are external and non-executive directors, the majority of whom are independent, including the director acting as committee chairman.

Committee members have an indefinite term of office. Under Article 37 of the *Rules and Regulations of the Board of Directors*, the replacement of any committee member must be approved by the board.

Accordingly, on the day this report was approved, the remuneration committee of Bankinter was comprised of the following members:

- Chairman:
  - Gonzalo de la Hoz Lizcano (independent external director).
- Members:
  - Jaime Terceiro Lomba (independent external director).
  - Rafael Mateu de Ros Cerezo (external independent director).
  - Teresa Martín-Retortillo Rubio (independent external director).
  - Fernando Masaveu Herrero (external proprietary director).

All directors have the appropriate level and profile of training to perform their duties on the committee (particularly in the areas of banking and financial services), as well as practical experience stemming from their previous occupations over sufficient periods of time. The profiles of committee members may be consulted on Bankinter's corporate website.

In addition to the authority of the remuneration committee, the risk committee also has duties with respect to remuneration policy. These include collaborating to establish

reasonable remuneration policies and practices (Article 42 of Royal Decree 84/2015, implementing the LOSS, and Article 36 of the *Rules and Regulations of the Board of Directors*).

Irrespective of the functions of the remuneration committee, on 18 February 2019, the risk committee confirmed that the incentives defined in the remuneration system take into consideration the risk, capital, liquidity and probability and timeliness of earnings.

Furthermore, in the risk committee meeting, the risk control area submitted an analysis of the suitability assessment of the parameters and values proposed as variable incentive targets for 2019, finding that they comply with Bankinter's risk appetite level and are sufficiently balanced between several targets in such a way that actions that may generate excessive risks do not increase.

Lastly, Article 37 of the *Rules and Regulations of the Board of Directors* provides that the remuneration committee must have access to all information and documentation it needs to discharge its duties and may receive assistance from advisers, consultants, experts and other independent professionals.

In this regard, the remuneration committee and the board were able to use comparative studies conducted by the consulting firm, Willis Towers Watson, in their decision-making processes for remuneration matters. These studies compare significant remuneration information of the bank with that of peer institutions and comparable markets (based on the bank's size, characteristics and operations), which include Spanish and European financial institutions. Abanca, ING España, Banco Sabadell, Banco Santander España, Bankia, BBVA España, Caixabank, WiZink Banco, Banca March, BayernLB (Germany), Belfius Bank (Belgium), Banco BPM (Italy), Zürcher Kantonalbank (Switzerland), UBI Banca (Italy), Medio Banca (Italy) and De Volksbank (the Netherlands). The studies compared the compensation for various executive posts in Bankinter with that received for the same posts in similar companies in terms of fixed remuneration, variable remuneration and total compensation. They also cover the potential impact of the long-term incentive plan that the bank elects to implement, the incentives of which will not be due for another three years.

### 3. Director remuneration schemes

Bankinter's remuneration policy for directors provides for the following types of remuneration, depending upon their duties:

#### 3.1. Remuneration of directors in office:

The remuneration earned by members of the board of directors for their supervisory and collective decision-making duties consists of an annual fixed amount that does not include variable components. This amount is not subject to the achievement of objectives, nor is it indexed to earnings. Therefore, it complies with corporate governance recommendations.



Pursuant to Article 37 of the Bankinter Corporate By-laws and Article 23 of the *Rules and Regulations of the Board of Directors*, directors will be entitled to receiving remuneration for their appointment as board members, the annual maximum amount of which will be set for all directors by the shareholders in the Annual General Meeting and which may be paid in the form of:

- an annual fixed allotment.
- attendance fees.
- delivery of shares, option rights on these shares or remuneration indexed to share value.

In accordance with articles 217 and 529 *septdecies* of the Spanish Corporate Enterprises Act, in the annual general meeting in March 2019, the board of directors will recommend setting the maximum amount of the annual remuneration for directors in office at the amount of 2,000,000 euros (300 thousand euros more than the current amount set by shareholders in the annual general meeting). This amount will remain in force provided that no modification is approved at the annual general meeting.

In 2018 the General Shareholders' Meeting approved an increase in the number of board members, from 10 to 12. The reason for this proposal to establish the maximum amount of the remuneration of the directors in their capacity as such is that the Bankinter Board of Directors shall also table a proposal to the General Shareholders' Meeting to be held in March 2019 for the appointment of two new members of the Board of Directors, as independent external directors, to cover the posts agreed.

The amount that corresponds to each director for the items mentioned above is set annually by the board of directors, in line with the duties each director discharges on the collective decision-making body itself as well as their membership and attendance at meetings of the board and its various committees.

In this regard, on 19 December 2018, the board approved the following breakdown for 2019:

- Annual fixed allotment:
  - Chairman: 187,442.64 euros per year.
  - Executive directors: 165,390.57 euros per year.
  - Other board members: 93,721.32 euros per year.
  - Chairmen of board committees: Additional 16.539,05 euros per year.
- Attendance fees, to be paid after each meeting:

- Board of Directors 2,205.21 euros per meeting to the board chairman and 1,653.91 euros per meeting to board members.
- Committees: 1,653.91 euros per meeting to the committee and 1,102.60 euros per meeting to committee members.
- Delivery of shares, option rights on these shares or remuneration indexed to share value: not planned.

These amounts were adjusted by 1.7% with respect to 2018 (as in the previous year), which is equal to the inflation rate posted in November 2018 and far below the increase of Bankinter's earnings in recent years.

In the event of death, it is established that all rights to sums pending receipt but already accrued that correspond to the director shall be passed on to his or her heirs or beneficiaries, taking such actions as may be necessary to this end. This will also occur in the event of a director's disability when discharging his or her duties.

If a director is removed from office for any reason other than those indicated in the previous paragraph, he or she will be entitled to the proportional share of the fixed remuneration amount corresponding to the number of days he or she was in office.

The directors, Mr Gonzalo de la Hoz Lizcano and Mr Rafael Mateu de Ros, as non-executive directors, also receive fees for attending board meetings of other group companies. The breakdown of these fees and their amounts are respectively specified in the statistical model attached to this report.

**3.2. Remuneration of the non-executive chairman of the board of directors for having discharged non-executive<sup>1</sup> institutional duties** since January 2013 in addition to the functions he performs in presiding over the collective decision-making body, which are remunerated in accordance with the scheme set out in the previous point.

The board chairman shall receive no variable remuneration whatsoever, for the same reasons as noted in the previous point for non-executive directors.

Therefore, in accordance with Article 37 of the Bankinter Corporate By-laws and Article 23 of the *Rules and Regulations of the Board of Directors*, in accordance with its assigned responsibilities assigned and other objective circumstances, on the recommendation of the remuneration committee and in the chairman's absence, the board of directors on 19 December 2018, voted to set the following fixed remuneration amount for the chairman of the board for 2019:

718 thousand euros per year (receives no variable remuneration).

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<sup>1</sup> Functions which are set out in the Directors' Remuneration Policy and in the Annual Corporate Governance Report.

This amount was adjusted with respect to 2018 by 1.7%, which is the equivalent to the inflation rate posted in November 2018.

A table showing developments in the fixed remuneration of the non-executive Chairman is included:

	2019 fixed remuneration	Change in % 2019.2018	2018 fixed remuneration	Change in % 2018.2017	2017 fixed remuneration
<b>Non-executive chairman</b>	718.392 euros per year	1.7%	706.383 euros per year	1.7%	694.575 euros per year

Bankinter has not agreed to any golden parachute clauses with the chairman, or any clauses that link the accrual of financial rights to situations of change of control over the bank, which are common clauses in these types of contracts in large companies, as specified in this report on director remuneration to be subject to a consultative vote at the Annual General Meeting held in 2019, as in the previous year.

### **3.3. Remuneration of executive directors for their executive duties:**

Pursuant to articles 37 of the Bankinter Corporate By-laws and 23 of the *Rules and Regulations of the Board of Directors*, directors will be entitled to the remuneration (wages, incentives, bonus, pension, insurance, severance payments) deemed appropriate for discharging duties other than those involving supervision and collective decision-making as board members when so recommended by the remuneration committee and approved by the board of directors.

Bankinter's board of directors has two executive directors: (i) the CEO, Ms María Dolores Dancausa Treviño, and (ii) the executive vice-chairman, Alfonso Botín-Sanz de Sautuola y Naveda, representing Cartival, S.A.

Pursuant to article 27 of the By-Laws, the CEO has been assigned the ordinary management of the business, with the highest executive duties, as well as all the powers of the board of directors, except those which cannot be delegated under law, the By-Laws themselves or the Rules and Regulations of the Board of Directors.

Moreover, the executive vice-chairman has certain duties, which include:

- presiding over the executive committee;
- chairing the asset-liability committee (ALCO);
- discharging the delegated executive duties attributed to him by the Bankinter Corporate By-laws and the *Rules and Regulations of the Board of Directors*;
- performing duties relating to risk and investment banking.

Therefore, in addition to this remuneration as members of the board of directors, for exercising their executive powers and as part of the commercial administration

agreements binding them to the company, the executive directors (executive vice-chairman and CEO) receive annual remuneration consisting of a fixed portion and another variable portion, depending on the fulfilment of previously established targets, aligned with prudent risk management and consistent with the institution's long-term interests. The executive directors are also entitled to participate in long-term variable remuneration systems that the institution resolves to implement at any time.

Bankinter's remuneration policy has clearly distinguished criteria for setting:

- fixed-base remuneration, which is primarily based on professional experience and responsibility within the company, and
- variable remuneration, which is based on sustainable, risk-adjusted earnings.

The fixed and variable components will be duly balanced for executive directors. The fixed component will constitute a sufficiently high portion of total remuneration.

### 3.3.1. Fixed remuneration

#### a) Fixed salary:

The fixed remuneration of Bankinter's executive directors is based on the level of responsibility of their posts and on their experience, performance and training. The remuneration levels in place are adapted to Bankinter's values, with greater emphasis on teamwork over individual work in line with Bankinter's culture.

Annually, in keeping with the market analysis principle, Bankinter takes part in sectoral remuneration studies for determining the market references to which it is compared. These references and other internal criteria are taken into account to set the salary ranges for each position.

Specifically, in setting remuneration for financial year 2019, the remuneration committee and the board of directors used a study carried out by the consulting firm Willis Towers Watson on the analysis of the competitiveness of chief executive remuneration, which compares Bankinter to Spanish and European financial institutions, including those previously mentioned: Abanca, ING España, Banco Sabadell, Banco Santander España, Bankia, BBVA España, Caixabank, WiZink Banco, Banca March, BayernLB (Germany), Belfius Bank (Belgium), Banco BPM (Italy), Zürcher Kantonalbank (Switzerland), UBI Banca (Italy), Medio Banca (Italy) and De Volksbank (the Netherlands). The results of the said study indicate that the remuneration of Bankinter's executive directors for the exercise of their executive duties is in line the average of its peers, and well below the 75% percentile.

In view of the above, at its meeting of 19 December 2018, without the presence of the executive directors and at the proposal of the remuneration committee, the board of directors awarded the following fixed remuneration for 2019:

- CEO 897,784 euros per year.

- Executive vice-chairman: 610,932 euros per year.

As in previous years, remuneration for the executive vice-chairman was adjusted with respect to 2018 by 1.7% (the inflation rate posted in November 2018). In the case of the chief executive officer, it was raised in accordance with the average increase of her executive team's compensation (around 3.5%) on account of their dedication and performance in recent years. Nonetheless, there is still a significant difference with respect to her peers in other companies, as shown by the remuneration studies previously mentioned.

A table showing developments in the fixed remuneration of the executive directors is included:

	2019 fixed remuneration	Change in % 2019.2018	2018 fixed remuneration	Change in % 2018.2017	2017 fixed remuneration
Vice-chairman	610.932 euros per year	1.7%	600.720 euros per year	1.7%	590.683 euros per year
CEO	897.784 euros per year	4%	863.254 euros per year	3.7%	832.453 euros per year

## b) Social security system

On 20 December 2017, on the recommendation of the remuneration committee, the board of directors of Bankinter approved a 'supplementary social benefit scheme for executive directors and the management committee'. It is compatible with Bankinter's business strategy, objectives, values and long-term interests, and provides mechanisms to adjust its contributions based on earnings or adverse conditions.

Furthermore, for the chief executive officer, managing directors and similar staff, 15% is considered to be discretionary pension benefits, subject to the system that applies to them.

Below is a description of the features of the social benefit scheme:

### i) Purpose:

- Improve the alignment of remuneration with the market in accordance with Bankinter's prudential criteria, by implementing a social benefit scheme that includes annual contributions, which are not currently made at Bankinter.
- Comply with internal remuneration criteria, which include:
  - Adapt social benefit scheme contributions appropriately to the scope of beneficiaries' functional responsibilities.

- Increase the weight of remuneration items over time as part of the total compensation package.
- Maintain the highest level of flexibility to be able to adapt the social benefit scheme to market and internal conditions, whereby the board of directors may scale down or cancel this scheme at any time.

ii) **Characteristics of the market data(*benchmark*) used:**

- Willis Towers Watson conducted the market analysis used in decision-making.
- The sample of financial institutions considered in the study included Spanish and European entities<sup>2</sup>.
- The social benefit schemes that were analysed (which stand in the second quartile) include an annual contribution of 55% of the base salary of chief executive officers.
- To date, Bankinter has never had an annual contribution scheme.

iii) **Group of beneficiaries of the social welfare scheme:**

- With regard to members of the Board, the scope of this scheme covers the Chief Executive Officer.
- Bankinter has no pension system in place, nor does it maintain pension-related commitments for members of its board of directors.

iv) **Economic scheme and time frames in the social benefit scheme:**

- The initial contribution amount is 656,560 euros, which is paid at the time a beneficiary is named if he or she already renders services for Bankinter. For an external appointment, the initial contribution shall be made one year after the appointment has been made. This contribution and its amount are the same as those applicable in the system currently in force.
- Subsequent annual contributions are subject to a grace period of five years, which runs from the time the initial contribution is made.
- After five years since the initial contribution, an annual contribution will be made for a percentage of the base salary in the year of the contribution (in line with the market average, which is 55% of the base salary, according to market studies).
- The base salary the same as the fixed salary. Thus, it does not include any variable compensation item in order to calculate the annual contribution amount.

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<sup>2</sup> Abanca, ING España, Banco Sabadell, Banco Santander España, Bankia, BBVA España, Caixabank, WiZink Banco, Banca March, BayernLB (Germany), Belfius Bank (Belgium), Banco BPM (Italy), Zürcher Kantonalbank (Switzerland), UBI Banca (Italy), Medio Banca (Italy) and De Volksbank (the Netherlands).

- 15% of the contribution amount is considered discretionary pension benefits, in accordance with Banco de España Circular 2/2016. Therefore, it is entirely subjected to a deferral period of 5 years and may be subject to malus and clawback clauses.
- The board of directors may amend or cancel the scheme at any time, in accordance with market and internal conditions.
- This income becomes an available right only under the following circumstances:
  - Retirement
  - Death
  - Permanent disability

**v) Application of the scheme to the current executive directors:**

1.- This scheme shall not be applicable to the executive director CARTIVAL or to the natural person representing it.

2. As mentioned in previous remuneration reports, the chief executive officer of Bankinter, S.A., as the chief executive officer of the Bankinter subsidiary, Línea Directa Aseguradora S.A. (hereinafter, 'Línea Directa'), was awarded a defined-contribution retirement plan in 2005 that Bankinter's board of directors, on the recommendation of the appointments and remuneration committee (now known as the remuneration committee), voted to maintain at the time she joined Bankinter. The amount contributed to this plan was 600 thousand euros and covered usual contingencies for retirement, death or disability.

Based on the new scheme previously mentioned, for the annual contributions that will be made, a period of five years must pass from the time the initial contribution was made. In the case of the current Chief Executive Officer, appointed to her current post in 2010, a longer period has elapsed, and thus the first contribution to the welfare scheme, in the amount of 517,952.4 euros, was made in 2018 in the percentage established in the Regulation of Welfare Commitments for Senior Executives, in line with the aforementioned market practice, and in due consideration of the time elapsing since the first contribution and the time remaining until retirement age.

The amounts of any annual contribution made on behalf of the executive Directors to which this welfare scheme is applicable shall be stipulated in the future Reports on directors' remuneration that are submitted to a consultative vote at the General Shareholders' Meeting each year.

### **3.3.2. Variable remuneration**

Bankinter's variable remuneration structure is consistent with the principles of banking regulations and other European Union regulations that govern it. EU

regulations require that remuneration policies be compatible with appropriate and effective risk management, promote this type of management and offer no incentives to assume risks that exceed the level of risk tolerated by credit institutions.

Bankinter's remuneration policy satisfies these principles for the following reasons:

- Its incentive plan objectives for variable remuneration are not indexed to individual and/or short-term objectives, but rather to the bank's overall pre-tax earnings. Thus, they integrate all the risk elements Bankinter must consider, as well as the related items assessing units, departments and the achievement of individual objectives in the appropriate proportion. The indicators of current long-term incentives include a long-term prospect in the remuneration.
- Bankinter's remuneration policy is compatible with its business strategy, objectives, values and long-term interests.
- In absolute terms and with respect to the financial system, based on studies carried out by Willis Towers Watson for Bankinter, both fixed and variable remuneration amounts may be classified as moderate and prudent and proportional to Bankinter's annual earnings, the remuneration it offers annually to shareholders and its retained earnings to strengthen share capital every year.
- There have been no cases in which individual accrual targets for variable remuneration might act to encourage risk-taking behaviours not consistent with Bankinter's general risk profile because objectives are primarily set based on Bankinter's fulfilment of its overall pre-tax earnings objective and any specific objectives for each department or business unit; and only partially (and not always) based on individual objectives. In any case, there are rigorous separate and independent controls for departments that work extensively in the markets, such as trading. This is to ensure adequate risk management at all times and compliance with lending standards the board of directors established every year.
- The accrual criteria of the variable remuneration items take into account expected losses from that activity. The losses resulting from the risks incurred in previous financial years necessarily affect the annual fulfilment of group and individual objectives.
- Bankinter has adequate and sufficient tools for measuring monitoring the fulfilment of the variable remuneration-related objectives.
- Control areas have no variable remuneration indexed to fulfilment of the objectives of the areas they oversee.
- There are neither 'golden parachutes' nor guaranteed bonuses.
- The composition of Bankinter's balance sheet, its bad debt and incurred risk levels, and its extremely prudent risk management culture clearly demonstrate that its remuneration systems are in line with its desired level of risk.



- The composition of the remuneration committee, its duties and its role in defining and approving the variable remuneration systems comply with regulations and the main good governance standards in Spain and abroad. Each year an internal, central and independent assessment is performed of the application of the remuneration policy, with a view to verifying fulfilment of the remuneration standards and procedures adopted by the committee itself and the board in this regard.
- Bankinter has established certain appropriate ratios among the fixed and variable total remuneration components for members of the identified group, which includes the executive directors, with the following principles applying to them:
  - The variable component shall not exceed 100% of the fixed component of each individual's total remuneration.
  - Nevertheless, the shareholders at Bankinter's Annual General Meeting may approve a level higher than that stipulated in the preceding section, provided that it does not exceed 200% of this fixed component.

Therefore, the total annual variable remuneration that each executive director might receive for the exercise of his or her executive duties in a scenario of 100% fulfilment of all targets set by the bank for financial year 2019 would amount to 35% of the fixed remuneration set for their executive duties, with said percentage being lower in any case if total remuneration is considered as that which is accrued for the supervisory and executive duties of directors.

Executive directors are the beneficiaries of the following variable incentives.

**a) Annual variable remuneration**

The purpose of this variable remuneration is to incentivise performance by orienting it toward the targets set by the Institution, so as to ensure a proper correlation between the resulting remuneration levels and the evolution of the company's results, directly indexed to overall banking activity targets while at the same time promoting sound and effective risk management that prevents the variable remuneration from creating incentives for individual behaviour involving the assumption of excessive risk.

On 23 January 2019, the board of directors adopted resolutions on such matters as the annual variable remuneration structure for 2019 to apply to executive directors for their executive functions and to Bankinter's senior officers, with a new configuration the the significant indicators described below.

Bankinter has not defined a specific variable remuneration structure for executive directors. Instead, it applies the same annual variable incentive system to them as to other employees that receive variable remuneration.

The purpose of this annual incentive in Bankinter is to ensure a proper correlation between the resulting remuneration levels and earnings, as well as

a system of individual compensation based on assigned duties and responsibilities.

Furthermore, in the established target indicators, the annual variable remuneration system includes, in addition to those referring to that year, financial indicators defined to ensure proper correlation between the resulting remuneration levels and the evolution of the group's medium- and long-term results, preventing excessive risks from being incurred.

For 2019, in order ensure the variable remuneration for executive directors with these characteristics, the financial indicators in place for the annual incentive consist of Bankinter Group's earnings before tax (EBT), in order to help manage risks appropriately in the medium- and long-term; and gross operating income, which is a critical factor in medium- and long-term business sustainability and for remaining in line with Bankinter's risk policy.

These indicators - Bankinter Group's EBT and gross operating income - account for 60% and 40% of variable remuneration, respectively. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80 and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of Bankinter Group's targets is 120 of the benchmark incentive.

Target	Weight	Achievement rate (%)	Incentive accrual (%)
EBT	60 %	$90\% \leq x \leq 100\%$ $100\% < x \leq 120\%$	$80\% \leq x \leq 100\%$ $100\% < x \leq 120\%$
Gross operating income	40 %	$90\% \leq x \leq 100\%$ $100\% < x \leq 120\%$	$80\% \leq x \leq 100\%$ $100\% < x \leq 120\%$

As in the previous year, it is contingent on the achievement of on certain indicators in the risk appetite framework, which are specific (financial and non-financial) indicators for solvency, liquidity, interest rate, reputational risk and credit.

Risk	Indicator
Solvency	CET1 ratio
Liquidity	Liquidity buffer + issue capacity
Interest rate	Sensitivity of net interest income

<b>Reputational</b>	<i>NPS</i> Total Bankinter customers according to quality surveys
<b>Institutions</b>	Problematic assets (%)

The measurements are quarterly, and the valuation of non-compliance with tolerances and limits is carried out with respect to the annual accumulation.

The scale of achievement and accrual of the amount corresponding in percentage terms:

Por debajo de Tolerancia	Por debajo de Límites	
	0	1
	% consecución	% consecución
0	100	85
1	95	70
2	90	0
3	80	0
4	70	0
5	0	0

Lastly, once the due variable remuneration amount is calculated with the established indicators and adjusted for risk, return on equity rate will be used as a 'key' market that determines the final variable remuneration amount, on a scale of 0% to 100%:

Constant	Result	Rate
ROE	$x < 9\%$	0%
	$9\% \leq x < 9.5\%$	50%
	$x > 9.5\%$	100

Thus, on the recommendation of the remuneration committee, Bankinter's board of directors voted to set the following variable remuneration amounts for executive directors in 2019 if 100% of the objectives in place are met:

- The vice-chairman will receive 213,826 euros in due variable remuneration in 2019, subject to the clauses provided below.

- The chief executive officer will receive 314,225 euros in due variable remuneration in 2019, subject to the clauses provided below.

The annual variable remuneration earned by executive directors in recent years is as follows:

	2019 variable remuneration <sup>(*)</sup>	Variable X 2018	Variable X 2017
<b>Executive directors</b>			
<b>- Vice-chairman</b>	213.826 euros per year (35% of fixed remuneration)	210.252 euros per year (35% of fixed remuneration)	214.649 euros per year (35% of fixed remuneration)
<b>- Chief executive officer</b>	314.225 euros per year (35% of fixed remuneration)	302.139 euros per year (35% of fixed remuneration)	302.506 euros per year (35% of fixed remuneration)

(\*) Estimated amount for an achievement rate of 100% of the objectives to which 2019 variable remuneration is indexed.

(\*\*) Accrued amount based on an earned incentive rate of 98.26%.

(\*\*\*) Accrued amount based on an earned incentive rate of 103.83%.

**b) Multi-year variable remuneration:**

Following a proposal by the Remuneration Committee, the Board of Directors has approved a Long-Term Incentive Plan for the years 2019-2021 (the "Plan"), in accordance with the provisions of the Directors' Remuneration Policy to be submitted to a vote at the 2019 General Shareholders' Meeting.

Its essential features of this plan are:

## 1. Plan Objectives

The plan aims to:

- improve the level of motivation and loyalty of executives and 'key' employees.
- align executives and "key" employees with the Bank's 2019-2021 Strategic Plan, conveying a long-term vision of the Bank to them in order to generate a culture of sustainability.

As a result, this plan is in addition to current or future variable remuneration plans in place in Bankinter Group.

**2. Participants:** Executive vice-chairman, chief executive officer, management team, regional unit heads and other key individuals. Currently, 70 persons in total.

**3. Duration:** 3 years for calculation of the amount accrued (2019-2021) and a deferral period of 5 years as of 31 December 2021 in the case of the executive directors and the Management Team (in other words, 2023, 2024, 2025, 2026 and 2027) and a deferral period of 3 years in the case of the other participants (in other words, 2023, 2024 and 2025).

## 4. Benchmark amount of the incentive (Target incentive):

- Two annual instalments of the gross annual fixed salary, as of 31 December 2018, received by the plan beneficiary.
- Remuneration in kind, company benefits and any other type of variable remuneration paid in 2018 are expressly excluded from the calculation of the target incentive.

## 5.- Indicators

100% of the target incentive is subject to these indicators:

- Each year, the Group's RoE must be above the mid-point for the peer group of institutions ('peer group') as at 31 December of each year.

The peer group for 2019 is made up of: Santander, BBVA, CaixaBank, Bankia and Sabadell.

This peer group will be subject to review each year by the remuneration committee to adapt it to variations in the market, thus ensuring that in the event of market changes, the peer group continues to be representative.

% Group ROE	% of accrued incentive as at 31 December 2019	% of accrued incentive as at 31 December 2020	% of accrued incentive as at 31 December 2021
X => midpoint of the peer group	100% of 1/3 of the target incentive	100% of 1/3 of the target incentive	100% of 1/3 of the target incentive
X < midpoint of the peer group	0%	0%	0%

- Also, the **Banking Business ROE** ("Net profit of inventorised banking business of Iberia, including Avantcard and excluding EVO Banco and Línea Directa Aseguradora, over Adjusted Equity"), must attain 13% at 31 December 2021, calculated as the arithmetic average of this indicator at 31 December 2019, 2020 and 2021 to be eligible for 100% of the Incentive accrued in accordance with the Group's ROE target.

If Banking Business ROE at 31 December 2021, calculated as stipulated in the preceding paragraph, is less than 13% or more than this percentage, the entire Target Incentive shall be adjusted, in accordance with the scale indicated.

% average ROE Banking business	% achievement
RoE <12%	0%
$12\% \leq \text{RoE} \leq 13\%$	$50\% \leq X < 100\%$
$13\% \leq \text{RoE} \leq 14\%$	$100\% \leq X < 150\%$
$14\% \leq \text{RoE}$	150%

## 6. Basic incentive payment conditions

a) Attain the minimum threshold to achieve the targets.

b) Other terms and conditions

Furthermore, the following conditions will be necessary and indispensable for payment:

- Being part of and active in the group on the accrual dates. If Bankinter terminates its work or business relationship with a beneficiary, for whatever cause, before a

date of payment, the beneficiary will, automatically and without notice, lose his or her right to receive this incentive.

- Retaining the functional level or responsibilities held at the time the plan was approved.

## 7. Incentive payment method

- The Incentive shall be paid to the Beneficiaries, in cash and in shares of Bankinter, S.A., in accordance with the following distribution:

### a. Chief Executive Officer and Participants receiving a particularly large variable remuneration:

- 40% of the total accrued incentive will be paid immediately as follows:
  - 50% will be paid in cash, in the payroll in February 2022.
  - The other 50% will be delivered to beneficiaries as 'net' Bankinter shares (after deducting gains from the income tax rate in force for 2022), which will be deposited in beneficiaries' securities accounts following the 2022 annual general meeting.
- The remaining 60% of the accrued incentive will be paid, in fifths, over 5 years from the time it accrues (2023, 2024, 2025, 2026 and 2027). Each of the payments will be made with 40% in cash and 60% in delivered net shares.

### b. Other executive directors and members of Senior Management

- 60% of the total accrued incentive will be paid immediately as follows:
  - 50% will be paid in cash, in the payroll in February 2022.
  - The other 50% will be delivered to beneficiaries as 'net' Bankinter shares (after deducting gains from the income tax rate in force for 2022), which will be deposited in beneficiaries' securities accounts following the 2022 annual general meeting.
- The remaining 40% of the accrued incentive will be paid, in fifths, over 5 years from the time it accrues (2023, 2024, 2025, 2026 and 2027). Each of the payments will be made with 50% in cash and 50% in delivered net shares.

### c. Other participants

- 60% of the total accrued incentive will be paid immediately as follows:
  - 50% will be paid in cash, in the payroll in February 2022.

- The other 50% will be delivered to beneficiaries as 'net' Bankinter shares (after deducting the gains for 2022), which will be deposited in beneficiaries' securities accounts following the 2022 annual general meeting.
- The remaining 40% of the accrued incentive will be paid, in thirds, over 3 years from the time it accrues (2023, 2024 and 2025). Each of the payments will be made with 50% in cash and 50% in delivered net shares.
- Delivered shares will be subject to a one-year withholding period.
- Malus and clawback clauses will apply in accordance with Bankinter's remuneration policy.

c) **Clauses to which earned variable remuneration is subject**

Earned variable remuneration is subject to the following clauses:

- **Deferral:** 60% of the variable remuneration for the chief executive officer (considered particularly high variable remuneration) and 40% of the variable remuneration for the executive vice-chairman will be deferred over a period of 5 years.

This deferred remuneration shall be paid over the five years immediately following that of the receipt of the non-deferred portion in fifths, and therefore the remuneration payable under the deferral provisions will not be received more quickly than is proportionate.

- **Payment in shares and withholding periods:** a substantially portion of deferred variable remuneration (at least 50%); 60% of the variable remuneration for the chief executive officer (considered particularly high variable remuneration) and 50% of the variable remuneration for the executive vice-chairman will be distributed in the form of Bankinter shares. 50% of non-deferred variable remuneration will be delivered in shares.

The resulting amounts in cash and shares will be paid net of taxes (or tax withholdings).

Under this section, Bankinter shares delivered to identified staff members, including executive directors, will be subject to a withholding policy of one year from the time they are delivered. This is considered an appropriate practice in order for incentives to be consistent with Bankinter's long-term interests.

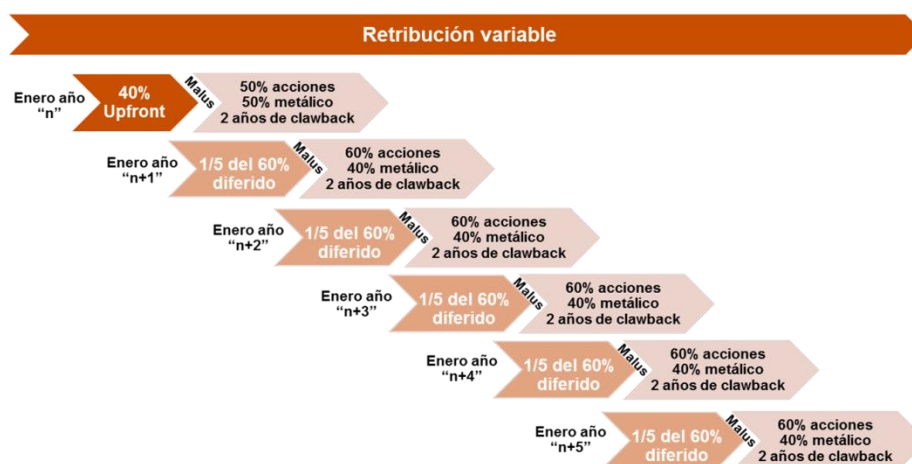
- **Ex-post adjustments:** variable remuneration (including the deferred portion) will be paid or consolidated only if it is deemed sustainable based on Bankinter Group's financial situation, and when justified based on the earnings of Bankinter, a given business unit and a particular individual.



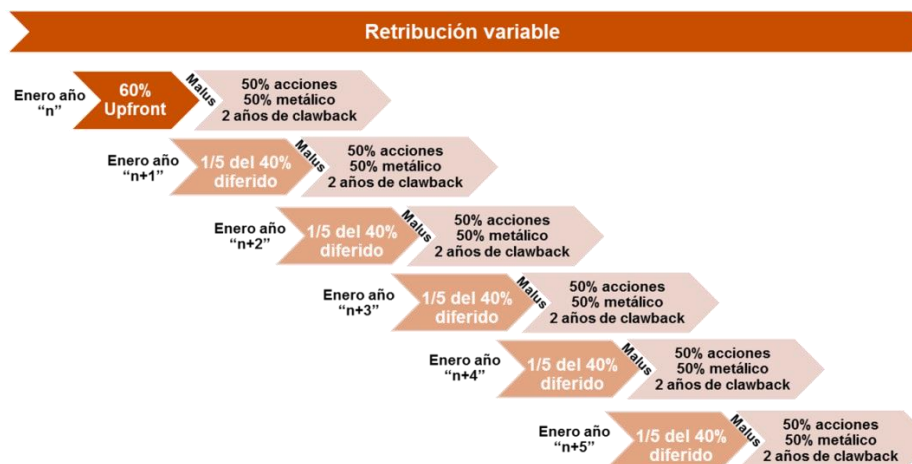
Bankinter has established malus and clawback clauses that will apply to up to 100% of the total variable remuneration.

Below is a chart on the manner and terms and conditions for delivering variable remuneration under the variable remuneration system for Bankinter's executive directors:

If any earned variable remuneration can be considered a particularly high amount, the deferment rule is represented in the following chart:



If any earned variable remuneration cannot be considered a particularly high amount, the deferment rule is represented in the following chart:



- **Prohibition on hedging transactions:** Personal hedging or insurance strategies relating to remuneration and liabilities that run counter to the sound risk management of risks the remuneration systems promote may not be utilised.

Specifically, executive directors may not engage in hedging transactions of any kind or take out any insurance on deferred variable remuneration pending payment, pursuant to the deferral clause in Bankinter's remuneration policy.

Furthermore, they may not carry out hedging transactions on any delivered Bankinter shares already that are subject to the withholding period.

### 3.4. Terms and conditions of contracts

The executive vice-chairman and chief executive officer entered into commercial service agreements with Bankinter on 25 October 2010 to cover all principal and ancillary conditions and features of the commercial administrative relationship of directors as part of the organic relations based on the executive duties they discharge as well as their remuneration.

The conditions of the agreements signed with executive directors are described below:

- **Exclusivity and non-compete agreement:** executive directors may not enter into commercial or service agreements with any other companies or entities without express authorisation from the board of directors. A non-competition clause is in place at all times with respect to companies and activities similar to those of Bankinter and its consolidated group.
- **Subjection to the Professional Code of Ethics and to the Internal Regulations of Securities Market Conduct operated by the Bankinter Group:** the obligation to observe the Professional Code of Ethics and the Internal Regulations of Securities Market Conduct operated by the Bankinter Group is hereby established.
- **Confidentiality and return of documents:** a rigorous duty of confidentiality is established during the lifetime of the relationship as well as after its termination, at which point documents and personal objects related to the executive director's activities and that are in his or her possession must be returned to the bank.
- **Duration, prior notice and severance payments due to the termination of the agreement:** the agreement is in full force as of the date on which an executive director is appointed and remains fully valid as long as the director is in office with executive powers. If an executive director tenders his or her resignation for any reason, written notice must be given three months in advance in the case of the chief executive officer, and 15 days in advance in the case of the executive vice-chairman. Bankinter reserves the right to discount from a director's settlement any amount corresponding to his or her failure to comply with the prior notice period, unless otherwise arranged by the board.

The following section describes severance payments set out in these agreements.

- **Post-contractual obligations:** the chief executive officer is bound to a non-competition survival clause in effect for an 18-month period from the time his or her commercial agreement expires. Accordingly, the chief executive officer undertakes not to engage in work or provide professional services that compete with those of Bankinter or Bankinter Group companies, on his or her own account or on behalf of others. Under the agreement, compensation will consist of a sum equal to 50% of the

last total annual fixed remuneration approved by the board of directors, which will be paid once the 18-month period previously mentioned has transpired.

### **3.5. Severance payments arranged in the event of termination of director duties.**

No severance payments of any kind have been established for the chairman, executive vice-chairman and other board members in the event of their removal for any reason.

The chairman, executive vice-chairman and the chief executive officer have entered into commercial service agreements with Bankinter to cover any principal and ancillary conditions and features of their individual relations with the company.

The severance payments for the chief executive officer set out in the agreement signed with Bankinter are based on her relationship with the company as an employee before she was appointed chief executive officer apply solely to cases similar to those defined in the Workers' Statute for ordinary employment relations. Furthermore, they have a severance limit that may not, under any circumstances, exceed the limit provided in labour regulations for all Bankinter employees.

Any necessary severance payments will be based on earnings obtained over time and will not accrue over losses or wrongful conduct. They will be subject to the general remuneration policy of Bankinter Group in effect. Moreover, any portion that exceeds the corresponding legal severance amount will be subject to the remuneration policy for identified staff members and, in particular, to deferral, malus and clawback requirements in accordance with current regulations.

In any case, there is no right to receive severance payments relating to changes of ownership of Bankinter.

### **3.6. Other remuneration**

- No remuneration whatsoever has accrued to Bankinter directors by way of a consideration for services provided other than those inherent to their posts, or remuneration at companies in order to remunerate their services at a third-party company at which the director provides services.
- Remuneration in the form of granted advances, loans and guarantees:

The members of Bankinter's board of directors have received no sum of any kind as compensation in the form of advances, credits, loans from Bankinter or guarantees extended by Bankinter on their behalf.

Nevertheless, Bankinter directors maintain risk positions in their name, which are consistent with market conditions and Bankinter's ordinary course of business, in compliance with standardised agreements that generally and customarily apply to all other customers.

On 22 April 2015, the board of directors of Bankinter approved a procedure for approving credit transactions, sureties and guarantees for Bankinter senior officers. It is in line 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 Bankinter senior officers, before or after authorisation is requested from the competent supervisory authority in accordance with Law 10/2014 of 26 June on the Organisation, Supervision and Solvency of Financial Institutions, implemented subsequently by Article 35 on '*Restrictions on the provision of loans, bonds and guarantees for Bankinter's senior management*' of Royal Decree 84/2015 of 13 February and by Rule 35 on '*The procedure for authorising and disclosing 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.

- Cash remuneration:

Bankinter's chairman and chief executive officer are beneficiaries of health insurance policies taken out by Bankinter. Bankinter pays the related premiums, which are attributed to the directors as remuneration in kind.

It also may compensate them with other remuneration in kind, such as the leasing of vehicles and other corporate benefits that apply to Bankinter employees.

## OVERALL SUMMARY OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN 2018

### 1. Role of the remuneration committee in implementing the remuneration policy in 2018

The Remuneration Committee met on five occasions in 2018. All the members that make up the committee took part in these meetings, whether in person or duly represented.

The role played by the Remuneration Committee is described below, and further information is available in the Annual Remuneration Committee Report furnished to shareholders for the 2019 General Shareholders' Meeting:

- Update of policies and procedures with regard to remuneration.

The Remuneration Committee conducts a continuous review of policies and procedures with regard to remuneration, making the necessary changes to these policies for the purposes of adaptation to the most stringent national and international recommendations.

Following a proposal by the Remuneration Committee, on 21 February 2018 the Board of Directors of Bankinter approved a new General Bankinter Remuneration Policy applicable to members of the Board of Directors, including executive directors, to senior management and other employees of the Bankinter Group.

This policy sets out the special clauses that apply to the remuneration system for staff categories that include senior officers, risk-taking employees, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior executives and risk takers, whose professional activities have a material impact on Bankinter's risk profile. The identified staff of Bankinter will be defined by the board of directors, on the recommendation of the remuneration committee, in compliance at all times with the identification policy approved by the bank to this end.

The variable remuneration of this identified staff adheres to the ex-post adjustments and principles stipulated, in order to avoid any repercussions on the Bank's risk profile and potential conflicts of interest.

- Determination and proposal to the board of the individual remuneration of the non-executive chairman, executive directors and senior officers.

For these purposes, the Committee took account of the reports by the external consultants engaged to this end, which on this occasion included both national and European companies in the peer group, as described in this report.

In this regard, when taking their respective decisions on remuneration, the remuneration committee and the board were able to use the comparative studies carried out by the consultant Willis Towers Watson. These studies compared important remuneration data from Bankinter with those of markets and institutions that are comparable in terms of Bankinter's size, characteristics and activities. Abanca, ING España, Banco Sabadell, Banco Santander España, Bankia, BBVA España, Caixabank, WiZink Banco, Banca March, BayernLB (Germany), Belfius Bank (Belgium), Banco BPM (Italy), Zürcher Kantonalbank (Switzerland), UBI Banca (Italy), Medio Banca (Italy) and De Volksbank (the Netherlands). The studies compared the compensation for various executive posts in Bankinter with that received for the same posts in similar companies in terms of fixed remuneration, variable remuneration and total compensation. They also cover the potential impact of the long-term incentive plan that the bank elects to implement, the incentives of which will not be due for another three years.

On the other hand, the remuneration committee and the board of directors were advised by the firm, E&Y, acting as the independent external expert to amend Bankinter Group's general remuneration policy and adapt it to international recommendations.

With reference to the Remuneration Policy approved, the Committee also tabled a proposal to the Board of Directors for the structure of indicators and weightings of Annual Variable Remuneration, along with the scales of achievement of the

indicators for the purposes of calculating it. To formulate its recommendation, the committee used the report on the risk committee, which confirms that 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. Furthermore, in the risk committee meeting, the risk control area submitted an analysis of the suitability assessment of the parameters and values proposed as variable incentive targets for 2018, finding that they comply with Bankinter's risk appetite level and are sufficiently balanced between several targets in such a way that actions that may generate excessive risks do not increase.

There has also been verification of achievement of targets for the variable remuneration accrued in 2018 and of the conditions for payment of this, in accordance with the Bank's general Remuneration Policy applicable to 2018, according to the provisions of the Remuneration Policy applicable to 2018. Also for these purposes, the Committee obtained the certification issued by the Head of Finances and the Head of Risks stating that the financial information on the basis of which payment is decided of the variable remuneration accrued is appropriate and has been validated by the areas concerned.

- Multi-year variable remuneration (Long-term incentive plan):

In 2018 the Remuneration Committee was informed of achievement of the targets established in the plan, the data of which are shown in the report on directors' remuneration.

- Proposal of the Annual Director Remuneration Report:

Pursuant to its functions, in 2018 the Remuneration Committee analysed and approved the Annual Directors' Remuneration Report at year-end 2017, pursuant to the provisions of Article 541 of the Spanish Corporations Act, which was submitted for consultative approval to the 2018 Annual General Meeting.

The report on directors' remuneration was approved by 97.999% of the total share capital present in person and by proxy at the aforementioned Annual General Meeting in 2018.

- Verification of information on remuneration of executive directors and of senior officers contained in corporate documents.

In view of the reports issued by the Internal audit division, the committee verified the information on remuneration of executive directors and of the Senior Management contained in the corresponding Annual Accounts Report, as well as the Annual Director Remuneration Report and the Prudential Relevance Report, among others.

- Monitoring of compliance by the Company with the established remuneration policy and periodic review thereof.

The committee also reviewed the application in 2014 of the remuneration policy approved in previous years for the Identified Group, as well as the correct application of the settlement and payment system for annual variable remuneration of the members of such Group, which includes the payment of a percentage in shares and deferral periods.

- Determination of the identified staff.

Each year the Remuneration Committee examines and establishes the composition of the Bankinter Group's Identified Staff, and any possible exclusions pursuant to the provisions of regulations in force and of the policy for determination of the Bankinter Group's Identified Staff.

## 2. Implementation of the remuneration policy in 2018:

As stipulated in the Annual Directors' Remuneration Report for the preceding year, the types of remuneration for members of the Board of Directors, depending on the functions carried out, are as follows:

### 2.1. Remuneration of directors for serving on the board:

In accordance with Bankinter's corporate by-laws, directors may be remunerated in the following ways for performing their duties as board members:

- annual fixed amount;
- fees for attending meetings of the board of directors and any committees to which they belong; and
- delivery of shares, conferral of options on such shares or remuneration indexed to share value, following a resolution passed at the annual general meeting of shareholders regarding the number of shares, the related price and other items required by law.

The annual general meeting of shareholders held on 22 March 2018 approved, in accordance with articles 217 and 529 septdecies of the Spanish Corporate Enterprises Act, to set the maximum amount of the directors' annual remuneration acting as such at the amount of 1,700,000 euros. This is the amount that will apply to 2018.

In 2018, total individual remuneration received by directors was paid in the form of: i) an annual fixed allotment for their role on the board of directors and their duties as the chairs of board committees and ii) attendance fees for meetings of the board and board committees. No Bankinter shares were delivered as remuneration during the year.

The remuneration for non-executive directors does not include any variable components, insofar as it is not subject to the attainment of objectives, therefore complying with corporate governance recommendations.

The amount that corresponds to each director for the items mentioned above was set by the board of directors (on the recommendation of the remuneration committee), in line with the duties each director discharges on the collective decision-making body itself as well as their membership and attendance at meetings of the board and its various committees.

In this regard, on 20 December 2017, the board approved the following breakdown for 2018:

- Annual fixed allotment:
  - Chairman: 184,309.38 euros per year.
  - Executive directors: 162,625.93 euros per year.
  - Other board members: 92,154.69 euros per year.
  - Chairmen of board committees: Additional 16.262,59 euros per year.
- Attendance fees, to be paid after each meeting:
  - Board of Directors 2,168.35 euros per meeting to the board chairman and 1,626.26 euros per meeting to board members.
  - Committees: 1,626.26 euros per meeting to the committee and 1,084.17 euros per meeting to committee members.
- Delivery of shares, option rights on these shares or remuneration indexed to share value: not planned.

These amounts were adjusted by 1.7% with respect to 2017, in line with the average increase in remuneration for the rest of the workforce, and far below Bankinter's increased earnings in recent years.

With regard to the remuneration of Bankinter's board members, the individualised breakdown of the total remuneration received in their capacity as mere directors (supervision and joint decision-making functions) in 2018 and 2017 is as follows:

	<b>In Euros</b>	
<b>Consejeros</b>	<b>2018</b>	<b>2017</b>
Pedro Guerrero Guerrero	232,013	223,871
María Dolores Dancausa Treviño	192,441	189,224
Cartival, S.A.	214,666	211,078
Marcelino Botín-Sanz de Sautuola y Naveda	111,670	109,270
Fernando Masaveu Herrero	122,006	118,864
Teresa Marín-Retortillo Rubio (1)	119,801	16,287
Gonzalo de la Hoz Lizcano	177,262	167,369
Jaime Terceiro Lomba	171,841	168,436
María Teresa Pulido Mendoza	106,791	108,204
Rafael Mateu de Ros Cerezo	170,757	163,639
Ex consejeros (2)	-	35,831
	<b>1,619,248</b>	<b>1,512,073</b>

(1) Teresa Martín-Retortillo Rubio was co-opted as an independent external director on 7 November 2017.



(2) In 2017, the amounts shown for the category of former directors include the remuneration received by Rosa María García García, who stepped down as a director of Bankinter on 4 April 2017.

The overall amounts indicated in the chart above, which correspond to each director in office, are broken down below in terms of compensation received as fixed remuneration or attendance fees for meetings of the board of directors and board committees in 2017 and 2018:

In Euros				
Directors	2018		2017	
	Fixed remuneration	Attendance fees	Fixed remuneration	Attendance fees
Pedro Guerrero Guerrero	184,309	47,704	181,229	42,642
María Dolores Dancausa Treviño	162,626	29,815	159,908	29,316
Cartival, S.A.	178,888	35,778	175,898	35,180
Marcelino Botín-Sanz de Sautuola y Naveda	92,155	19,515	90,614	18,656
Fernando Masaveu Herrero	92,155	29,851	90,614	28,250
Teresa Martín-Retortillo Rubio (1)	92,155	27,646	13,089	3,198
Gonzalo de la Hoz Lizcano	124,680	52,582	117,265	50,104
Jaime Terceiro Lomba	108,417	63,424	106,605	61,831
María Teresa Pulido Mendoza (2)	92,155	14,636	90,614	17,590
Rafael Mateu de Ros Cerezo	108,417	62,340	106,605	57,034
Ex consejeros (3)	-	-	27,836	7,995
Subtotales	1,235,957	383,291	1,160,277	351,796
<b>Total</b>	<b>1.619.248</b>		<b>1.512,073</b>	

(1) Teresa Martín-Retortillo Rubio was co-opted as an independent external director on 7 November 2017.

(2) In 2017, the amounts shown for the category of former directors include the remuneration received by Rosa María García García, who stepped down as a director of Bankinter on 4 April 2017.

Bankinter does not have any pension-related obligations to its external and non-executive directors.

## Attendance fees for other Bankinter Group Boards of Directors:

In 2018, the independent directors, Mr Gonzalo de la Hoz Lizcano and Mr Rafael Mateu de Ros, received 37,400 euros and 22,000 euros, respectively, as fees for attending meetings of the board of directors of Línea Directa Aseguradora, S.A. Gonzalo de la Hoz Lizcano also serves as a director of Bankinter Global Services, S.A., a Group technology services and operations company, and received fees in the amount of 4,800 euros for attending meetings of the board of directors in 2018.

## 2.2. Remuneration of the non-executive chairman of the board of directors for having discharged non-executive<sup>3</sup> institutional duties since January 2013 in addition to the

<sup>3</sup> Details of these functions are set out in the Directors' Remuneration Policy and in the Annual Corporate Governance Report.

functions he performs in presiding over the collective decision-making body, which are remunerated in accordance with the scheme set out in the previous point.

The amount of this remuneration in 2018 was 712<sup>4</sup> thousand euros.

The chairman of the board does not receive any variable remuneration for the reasons noted in the previous point on non-executive directors.

Bankinter has not agreed to any golden parachute clauses with the chairman, or any clauses that link the accrual of financial rights to situations of change of control over the bank, which are common clauses in these types of contracts in large companies.

Bankinter does not have any pension-related obligations to its current non-executive chairman.

## **2.3 Remuneration of executive directors for their executive duties.**

The executive directors accrued the following amounts during 2018 as remuneration for their executive duties, which were approved by the board of directors, at the suggestion of the remuneration committee:

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<sup>4</sup> Including remuneration in cash and other items received as corporate benefits of the Chairman (the total amount is 6 thousand euros).

## a) Fixed Remuneration:

- CARTIVAL, S.A., executive vice chairman of Bankinter, received a total of 601 thousand euros as fixed remuneration.
- María Dolores Dancausa Treviño, chief executive officer of Bankinter, received a total of 876<sup>5</sup> thousand euros as fixed remuneration.

## b) Variable Remuneration:

### i) Annual variable remuneration:

The annual variable remuneration system for executive directors was the same as that for other Bankinter Group employees who receive this type of remuneration.

Annual variable remuneration is linked to the achievement of the following targets:

i) earnings before tax (EBT), to contribute to the appropriate management of risks and their association with medium- and long-term management, and ii) gross operating income, a critical factor in medium- and long-term business sustainability and in alignment with the bank's risk policy, as approved by the board of directors on the recommendation of the remuneration committee. These indicators - EBT and gross operating income - account for 60% and 40% of variable remuneration, respectively. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80 and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of Bankinter Group's targets is 120% of the benchmark incentive. Pursuant to these tables of achievement and accrual, the global percentage accrual of the incentive in 2018 was 98.26% (98.54% achievement in earnings before tax, and 100.04% in Gross Margin) (the global accrual percentage in 2017 was 103.83%).

Furthermore, to earn this variable remuneration, the following indicators (which may reduce earned variable remuneration to zero but may never increase the earned amount) had to be met cumulatively:

- Risk appetite ratios, which measure the following risks: credit risk, solvency risk, liquidity risk, interest rate risk and reputational risk, which must meet the condition of not exceeding the risk level defined in the Risk Appetite Framework. Over 100% of this indicator was achieved in 2018. Therefore, the amount of the variable remuneration to be received for the EBT and Gross Margin objective will also not decrease.

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<sup>5</sup> Including remuneration in cash and other items received as corporate benefits of the Chief Executive Officer (the total amount is 13 thousand euros).

- ROE, return on equity invested, which had to exceed 9.5% to accrue 100% of the incentive attained. If this ratio were between 9% and 9.5%, 50% of the achieved indicators would be made payable; however, if it were below 9%, no amount whatsoever would be paid. The achievement rate for this indicator was above 100% in 2018; hence, the amount of the variable remuneration to be received for the EBT and gross operating income objective is not reduced, with the final percentage achievement being the 13.19% mentioned above.

Ultimately, 98.26% of annual variable remuneration was earned.

The annual variable remuneration accrued in 2018 will be paid as follows:

c) In the case of the chief executive officer:

- 40% of the annual variable remuneration will be paid in 2019, in halves and net of tax, in cash and in shares.
- The remaining 60% will be deferred in fifths and paid, if applicable, in the following financial years (until financial year 2024). Every year, half of each amount will be paid in cash, with 60% being paid in shares and 40% in cash. These payments will be made net of taxes.

d) In the case of the vice-chairman:

- 60% of the annual variable remuneration will be paid in 2019, in halves and net of tax, in cash and in shares.
- The remaining 40% will be deferred in fifths and paid, if applicable, in the following financial years (until financial year 2024). In each year, the corresponding amount will be paid, after taxes, half in cash and half in shares.

In the deliveries of the shares under both the deferred and the non-deferred portions, the price of the Bankinter share will be 7.022 euros/share, this being the average listing price of the Bankinter share at the close of business for the trading sessions between 2 January and 18 January 2019, both inclusive.

Nonetheless, for executive directors, shares will be delivered if they are approved by the shareholders at the Annual General Meeting of Bankinter in 2019 (one year after remuneration has accrued), as required by article 219 of the Spanish Corporate Enterprises Act.

A description of the amounts accrued in 2018 by Bankinter's executive directors is provided below:

At the end of 2018, as a result of the achievement rate previously mentioned, accrued variable incentives amounted to 206,602 euros for the executive vice-chairman; and 296,894 euros for the chief executive officer. These amounts will be paid in the form and time frame indicated below:

- CEO
  - In cash (the gross earned amounts are provided below. These amounts will be paid net of tax):
    - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2018: 59.379:
    - 40% of the **deferred** variable remuneration accrued under the variable incentive in 2018 will be paid in cash:
      - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2020: 14.251.
      - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2021: 14.251:
      - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2022: 14.251.
      - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2023: 14.251.
      - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2024: 14.251.
  - In shares (as stated above, conditional upon shareholders' approval in the Annual General Meeting) The maximum number of Bankinter shares to be delivered, as calculated over gross accruals, is as follows:
    - 50% of the **non-deferred** variable remuneration earned as part of the variable incentive in 2018: 8,456 shares at a price of 7.022 euros/share. This was the average listing price of the Bankinter share at the close of business for the trading sessions held between 2 January and 18 January 2019, both inclusive. If shareholders at the Annual General Meeting approve this delivery of shares, shares will be delivered within 15 trading days after it has been approved.
    - 60% of the **deferred** variable remuneration earned as part of the variable incentive in 2018 will be paid in shares. The share reference price to obtain the amount of shares to be delivered is the same as that stated above (7.022 euros/share). The amounts to be received in the coming years are broken down below:
      - 3,044 Bankinter shares will be delivered in the month of January 2020, corresponding to 1/5 of 60% of the deferred variable remuneration earned as part of the variable incentive in 2018.

- 3,044 Bankinter shares will be delivered in the month of January 2021, corresponding to 1/5 of 60% of the deferred variable remuneration earned as part of the variable incentive in 2018.
- 3,044 Bankinter shares will be delivered in the month of January 2022, corresponding to 1/5 of 60% of the deferred variable remuneration earned as part of the variable incentive in 2018.
- 3,044 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 60% of the deferred variable remuneration earned as part of the variable incentive in 2018.
- 3,044 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 60% of the deferred variable remuneration earned as part of the variable incentive in 2018.

- **Vice-chairman:**

In cash (the gross earned amounts are provided below. These amounts will be paid net of tax):

- 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2018: 61.981.
- 50% of the **deferred** variable remuneration accrued under the variable incentive in 2018 will be paid in cash:
  - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2020: 8,264.
  - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2021: 8,264.
  - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2022: 8,264.
  - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2023: 8,264.
  - 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2018 will be paid in January 2024: 8,264.
- In shares (as stated above, conditional upon shareholders' approval in the Annual General Meeting) The maximum number of Bankinter shares to be delivered, as calculated over gross accruals, is as follows:
  - 50% of the **non-deferred** variable remuneration earned as part of the variable incentive in 2018: 8,826 shares at a price of 7.022 euros/share. This was the average listing price of the Bankinter share at the close of business

for the trading sessions held between 2 January and 18 January 2019, both inclusive. If shareholders at the Annual General Meeting approve this delivery of shares, shares will be delivered within 15 trading days after it has been approved.

- 50% of the **deferred** variable remuneration earned as part of the variable incentive in 2018 will be paid in shares. The share reference price to obtain the amount of shares to be delivered is the same as that stated above (7.022 euros/share). The amounts to be received in the coming years are broken down below:
  - 1,176 Bankinter shares will be delivered in the month of January 2020, corresponding to 1/5 of 50% of the deferred variable remuneration earned as part of the variable incentive in 2018.
  - 1,176 Bankinter shares will be delivered in the month of January 2021, corresponding to 1/5 of 50% of the deferred variable remuneration earned as part of the variable incentive in 2018.
  - 1,176 Bankinter shares will be delivered in the month of January 2022, corresponding to 1/5 of 50% of the deferred variable remuneration earned as part of the variable incentive in 2018.
  - 1,176 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 50% of the deferred variable remuneration earned as part of the variable incentive in 2018.
  - 1,176 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 50% of the deferred variable remuneration earned as part of the variable incentive in 2018.

Bankinter shares will be delivered net of taxes and in accordance the schedule provided below:

Moreover, in 2018, the executive directors received the shares relating to the deferred variable remuneration earned in 2014, 2015 and 2016, as well as the shares to be delivered immediately for remuneration earned in 2017, in accordance with the resolutions approved by the shareholders at the Annual General Meetings held in 2015 and 2018, respectively.

Details of the shares allocated in 2018 are as follows:

Delivery of shares corresponding to the variable remuneration accrued in 2014 (13.33%)	Allocation of shares corresponding to the variable remuneration accrued in 2015 (13.33%)	Allocation of shares corresponding to the variable remuneration accrued in 2016 (13.33%)	Allocation of shares corresponding to the variable remuneration accrued in 2017 (30%)

Executive director	Unit price assigned to each share <sup>1</sup>	In shares	Unit price assigned to each share <sup>2</sup>	, shares <sup>5</sup>	Unit price assigned to each share <sup>3</sup>	shares <sup>5</sup>	Unit price assigned to each share <sup>4</sup>	, shares <sup>5</sup>
CARTIVAL, S.A.	6.56260000	3.657	6.16800000	1.743	7.5374000	1.518	8.3072	7.751
Maria Dolores Dancausa Treviño	6.56260000	5.168	6.16800000	1.602	7.5374000	1.447	8.3072	7.100

<sup>1</sup> Average listing price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2015.

<sup>2</sup> Average listing price of the Bankinter share at market close for each trading session held between 4 January and 20 January 2016.

<sup>3</sup> Average listing price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2017.

<sup>4</sup> Average listing price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2018.

<sup>5</sup> Number of shares delivered net of the related tax.

## ii) Multi-year variable remuneration:

The multi-year variable remuneration approved by the General Meeting in March 2016 was also accrued, of which the executive directors, among others, are beneficiaries.

100% of the incentive was subject to these final terms and conditions:

Each year, the bank's RoE should be above the mid-point for the peer group of institutions by 31 December of each year. The group of peer companies was determined by the Remuneration Committee each year, and it was stated in the directors' remuneration reports. For the year 2018 this group was composed of: Banco Santander, BBVA, CaixaBank, Bankia, Banco Sabadell and Liberbank.

At 31 December 2016, 2017 and 2018, the bank's RoE was above the mid-point for the peer group of institutions every year.

Every payment of this variable remuneration was subject to the following:

- Customer RoE exceeds 10% by 31 December 2018 in order to receive 100% of the accrued variable incentive.
- Beneficiaries are actively part of the group on the date of payment. If Bankinter terminates its work or business relationship with a beneficiary, for whatever cause, before a date of payment, the beneficiary will, automatically and without notice, lose his or her right to receive this incentive.
- Beneficiaries have not lost their current level of duties or responsibilities.

The Customer Business ROE indicator was over 10% at 31 December 2018 (11.65%), achievement of the indicator subjected to audit. Ultimately, 141.25% of multi-year variable remuneration was achieved.

The multi-year variable remuneration accrued in 2018 will be paid as follows:

- In the case of the chief executive officer:



- 40% of the multi-year variable remuneration will be paid in 2019, in halves and net of tax, in cash and in shares.
- The remaining 60% will be deferred in fifths and paid, if applicable, in the following financial years (until financial year 2024). Every year, half of each amount will be paid in cash, with 60% being paid in shares and 40% in cash. These payments will be made net of taxes.
- In the case of the vice-chairman:
  - 60% of the multi-year variable remuneration will be paid in 2019, in halves and net of tax, in cash and in shares.
  - The remaining 40% will be deferred in fifths and paid, if applicable, in the following financial years (until financial year 2024). In each year, the corresponding amount will be paid, after taxes, half in cash and half in shares.

In the deliveries of the shares under both the deferred and the non-deferred portions, the price of the Bankinter share will be 7.022 euros/share, this being the average listing price of the Bankinter share at the close of business for the trading sessions between 2 January and 18 January 2019, both inclusive.

Nonetheless, for executive directors, shares will be delivered if they are approved by the shareholders at the Annual General Meeting of Bankinter in 2019 (one year after remuneration has accrued), as required by article 219 of the Spanish Corporate Enterprises Act.

A description of the amounts accrued in 2018 by Bankinter's executive directors is provided below:

At the end of 2018, as a result of the achievement rate previously mentioned, accrued variable incentives amounted to 1,471,497.30 euros for the executive vice-chairman; and 1,980,861.75 euros for the chief executive officer. These amounts will be paid in the form and time frame indicated below:

- **Chief executive officer:**
  - In cash (the gross earned amounts are provided below. These amounts will be paid net of tax):
    - 50% of the **non-deferred** multi-year variable remuneration accrued in 2018: 396,172.35.
    - 40% of the **deferred** multi-year variable remuneration accrued in 2018 will be paid in cash:
      - 1/5 of 40% of the multi-year deferred variable remuneration accrued in

2018 will be paid in January 2020: 95,081.36.

- 1/5 of 40% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2021: 95,081.36.
  - 1/5 of 40% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2022: 95,081.36.
  - 1/5 of 40% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2023: 95,081.36.
  - 1/5 of 40% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2024: 95,081.36.
- In shares (as stated above, conditional upon shareholders' approval in the Annual General Meeting) The maximum number of Bankinter shares to be delivered, as calculated over gross accruals, is as follows:
    - 50% of the **non-deferred** multi-year variable remuneration accrued in 2018: 56,418 shares at a price of 7.022 euros/share. This was the average listing price of the Bankinter share at the close of business for the trading sessions held between 2 January and 18 January 2019, both inclusive. If shareholders at the Annual General Meeting approve this delivery of shares, shares will be delivered within 15 trading days after it has been approved.
    - 60% of the **deferred** multi-year variable remuneration earned in 2018 will be paid in shares. The share reference price to obtain the amount of shares

to be delivered is the same as that stated above (7.022 euros/share). The amounts to be received in the coming years are broken down below:

- 20,310 Bankinter shares will be delivered in the month of January 2020, corresponding to 1/5 of 60% of the deferred multi-year variable remuneration earned in 2018.
  - 20,310 Bankinter shares will be delivered in the month of January 2021, corresponding to 1/5 of 60% of the deferred multi-year variable remuneration earned in 2018.
  - 20,310 Bankinter shares will be delivered in the month of January 2022, corresponding to 1/5 of 60% of the deferred multi-year variable remuneration earned in 2018.
  - 20,310 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 60% of the deferred multi-year variable remuneration earned in 2018.
  - 20,310 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 60% of the deferred multi-year variable remuneration earned in 2018.
- **Vice-chairman:**
    - In cash (the gross earned amounts are provided below. These amounts will be paid net of tax):
      - 50% of the **non-deferred** multi-year variable remuneration accrued in 2018: 441,449 euros to the vice-chairman.
      - 50% of the **deferred** multi-year variable remuneration accrued in 2018 will be paid in cash:
        - 1/5 of 50% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2020: 58,859.89.
        - 1/5 of 50% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2021: 58,859.89.
        - 1/5 of 50% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2022: 58,859.89.
        - 1/5 of 50% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2023: 58,859.89.
        - 1/5 of 50% of the multi-year deferred variable remuneration accrued in 2018 will be paid in January 2024: 58,859.89.

- In shares (as stated above, conditional upon shareholders' approval in the Annual General Meeting) The maximum number of Bankinter shares to be delivered, as calculated over gross accruals, is as follows:
  - 50% of the **non-deferred** multi-year variable remuneration accrued in 2018: 62,866 shares at a price of 7.022 euros/share. This was the average listing price of the Bankinter share at the close of business for the trading sessions held between 2 January and 18 January 2019, both inclusive. If shareholders at the Annual General Meeting approve this delivery of shares, shares will be delivered within 15 trading days after it has been approved.
  - 50% of the **deferred** multi-year variable remuneration earned in 2018 will be paid in shares. The share reference price to obtain the amount of shares to be delivered is the same as that stated above (7.022 euros/share). The amounts to be received in the coming years are broken down below:
    - 8,382 Bankinter shares will be delivered in the month of January 2020, corresponding to 1/5 of 50% of the deferred multi-year variable remuneration earned in 2018.
    - 8,382 Bankinter shares will be delivered in the month of January 2021, corresponding to 1/5 of 50% of the deferred multi-year variable remuneration earned in 2018.
    - 8,382 Bankinter shares will be delivered in the month of January 2022, corresponding to 1/5 of 50% of the deferred multi-year variable remuneration earned in 2018.
    - 8,382 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 50% of the deferred multi-year variable remuneration earned in 2018.
    - 8,382 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 50% of the deferred multi-year variable remuneration earned in 2018.

The shares will be delivered net of taxes and in accordance the schedule provided below:

### c) Social benefit scheme

Bankinter current has in place an 'additional social benefit scheme for executive directors and the management committee' in which executive directors may take part. The chief executive officer currently takes part in this system.

Bankinter's social benefit scheme follows a defined contribution arrangement. To implement it, the bank has taken out a unit-linked group insurance policy and a collective guaranteed returns insurance policy covering the contingencies of retirement, death and disability.

The scheme consists of an initial contribution, which is a fixed contribution in the same amount for all beneficiaries, and an annual contribution, which vary in accordance with the responsibilities and the functional scope of each employee.

The Chief Executive Officer received an annual contribution in the financial year 2018 of: 517,952.40.

### d) Modifications to the conditions of contracts

No significant modifications were made in 2018 to the contracts of those carrying out senior management functions, or to the contracts of executive directors. The characteristics of the contracts of the Chairman and of the executive directors are set out in section 3.4 of this report.

Bankinter has not agreed to any golden parachute clauses with any of its executive directors in its administration contracts, or any clauses that link the accrual of financial rights to situations of change of control of the bank, which are common clauses in these types of contracts in large companies, as specified in this report which will be subject to a consultative vote at the Annual General Meeting held in 2019, as in the previous year.

### Summary of directors remuneration, loans and other benefits

#### Compensation for remunerable items

	Thousands of euros	
	2018(*)	2017(*)
Fixed remuneration (1)	2.189	2.118
Variable X 2	3.956	517
Board allowances (3)	383	352
Attendance fees (4)	1.236	1.160
Options on shares and/or other financial instruments	-	-
Other	-	-
	<b>7.764</b>	<b>4.147</b>

(\*) Does not include in-kind remuneration in 2018 received by the chairman and the chief executive officer or any other corporate benefits received (which amount to 19 thousand euros). Does not include in-kind remuneration in 2017 received by the chairman and the chief executive officer (15,000 euros) or any other corporate benefits received (which amount to 7,000 euros).

(1) Fixed remuneration accrued in 2018 corresponding exclusively to executive directors in their capacity as executives and to the chairman of the board for their non-executive institutional functions. In 2018, the annual contribution was also made to the welfare scheme of which the Chief Executive Officer is a beneficiary. The Chief Executive Officer received an annual contribution in the financial year 2018 of: 517,952.40 euros, which is not included under fixed remuneration.

(2) Variable remuneration relating only to executive directors in office, stemming from annual variable remuneration earned in 2017 and 2018 and the multi-year variable remuneration also earned in 2018 alone. Each executive director was assigned an amount that he would receive if set objectives were achieved for both annual variable remuneration and multi-year variable remuneration, as explained in the heading 'Remuneration of executive directors for their executive functions'. To clarify, the chairman of the board does not receive variable remuneration. No multi-year remuneration was accrued in 2017.

(3) Attendance fees for board and committee meetings (directors).

(4) This includes the fixed remuneration of the board, plus the free delivery of shares (for serving as board members).

## Remuneration by director type (all items included)

Thousands of euros				
		2018		
		2017		
Board of Directors	By company <sup>1</sup>	By group (**)	By company <sup>2</sup>	By group (**)
Executives (*)	5.840	-	2.341	-
Proprietary external	234	-	228	-
Independent external	746	64	660	72
Other external (***)	944	-	918	-
	<b>7.764</b>	<b>64</b>	<b>4.147</b>	<b>72</b>

(\*) Does not include in-kind remuneration received by the chairman and the chief executive officer or any other corporate benefits received (which amount to 19 thousand euros).

2 Does not include remuneration in kind received by the chairman and the chief executive officer (15 thousand euros) or any other corporate benefits received (which amount to 7 thousand euros).

(\*) The following are executive directors: CARTIVAL, S.A., executive vice-chairman, and María Dolores Dancausa Treviño, chief executive officer. An annual contribution of 517,952.40 euros was made to the chief executive officer in 2018.

(\*\*) In 2018, the independent directors, Gonzalo de la Hoz Lizcano and Rafael Mateu de Ros, received 37,400 euros and 22,000 euros, respectively, as fees for attending meetings of the board of directors of Línea Directa Aseguradora, S.A. Gonzalo de la Hoz Lizcano also serves as a director of Bankinter Global Services, S.A., a Group technology services and operations company, and received fees in the amount of 4,800 euros for attending meetings of the board of directors in 2018.

(\*\*\*) The chairman, Pedro Guerrero Guerrero, is categorised as an 'other external director'.

## Other benefits

Thousands of euros	
Advances	-
Granted credit facilities	-
Social welfare funds and systems: Contributions	518
Social welfare funds and systems: Contracted obligations	600
Life insurance premiums	3
Guarantees provided by the company in favour of the directors	-

## OTHER INFORMATION OF INTEREST

**If there are any significant aspects regarding director remuneration that could not be included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the remuneration structure and practices of the company with respect to its directors, briefly describe them.**

In addition, as supplementary information and though it does not apply to this report, by virtue of the bank's commitment to maximum transparency, we note that Alfonso Botín-Sanz de Sautuola y Naveda, representing the corporate director CARTIVAL, S.A. on Bankinter's board of directors, is personally executive chairman hairman of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, a wholly-owned subsidiary of the bank, and received 193,210 euros as fixed remuneration and 72,477 euros as annual variable remuneration as remuneration for his executive duties as chairman of the aforementioned subsidiary in 2018.