

**ANNUAL REPORT ON THE REMUNERATION
OF DIRECTORS OF
LISTED COMPANIES
2017**

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A. COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR (2018)

A.1. Explain the company's remuneration policy.

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

i) Remuneration of directors in office: remuneration for members of the board of directors for their supervisory and collective decision-making duties consists of an annual fixed amount. It does not include variable components, as it is not subject to the achievement of objectives or indexed to profits, in accordance with the corporate governance recommendations.

Total remuneration received individually may be paid as one or a combination of three of the following remuneration items, all included in the Bankinter Corporate By-laws: i) annual fixed amount for serving on the board of

directors and discharging their duties as chairmen of its committees; ii) fees for attending meetings of the board and its committees; and iii) delivery of shares, options on said shares or remuneration indexed to share value.

For 2018, remuneration will include only the first two items.

ii) Fixed remuneration of the chairman of the board of directors for having discharged non-executive institutional duties since January 2013 (as described in section A.3 below), 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.

iii) Remuneration of executive directors for their executive duties: in addition to the remuneration mentioned in point i), for the executive duties they discharge and according to their commercial director agreements with Bankinter, executive directors (eg, the executive vice-chairman and the CEO) receive annual remuneration consisting of a fixed portion and a variable portion, depending on the achievement of previously established objectives, in line with prudent risk management and Bankinter's long-term interests. Executive directors are also entitled to participate in any long-term variable remuneration systems Bankinter decides to implement.

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.

The total annual variable remuneration that executive directors could receive for their executive functions if 100% of the objectives set by Bankinter for 2018 were met would amount to 35% of the fixed remuneration set for executive directors. In any event, this percentage will be less if the compensation they receive for their supervisory and executive functions is accounted for as total remuneration.

On 24 January 2018, the board of directors adopted resolutions on such matters as the annual variable remuneration structure for 2018 to apply to executive directors for their executive functions and to Bankinter's senior officers, with a new configuration the significant indicators described in section A.4 below.

As stated in the remuneration report approved (in consultative vote) in the Annual General Meeting held on 17 March 2016, the board of directors approved a long-term incentive plan for 60 beneficiaries on 20 January 2016, including executive directors for their executive functions, Bankinter's senior officers and a portion of identified staff members. This multi-year incentive plan is also described in section A.4 below. The time frame for achieving the objectives set out in this multi-year incentive plan is three years.

A.2. Information on preparatory work and any decisions taken to define the remuneration policy and any role for the remuneration committee and other control bodies in configuring remuneration policy. This information will include the mandate and composition of the remuneration committee and the identity of external advisers employed to define the remuneration policy. It will also state the nature of any directors who have had a role in defining the remuneration policy.

The board of directors of Bankinter will submit a new policy on director remuneration for 2018, 2019 and 2020 to be approved in the Annual General Meeting on 22 March. This policy has been adapted to best practices. 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.

Article 40 of the *Rules and Regulations of the Board of Directors* describes the functions assigned to the remuneration committee, which are described in this report under reference 1 of Appendix 1.

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
 - Mr Gonzalo de la Hoz Lizcano (independent external director).
- Members:
 - Mr Jaime Terceiro Lomba (independent external director).
 - Mr Rafael Mateu de Ros Cerezo (external independent director).
 - Ms Teresa Martín-Retortillo Rubio (independent external director).
 - Mr 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 22 January 2018, 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 this 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.

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, 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. They included Spanish and other European financial institutions such as 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 included the potential impact of the long-term incentive plan approved in 2016, 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.

A.3. State the amount and nature of the fixed components, with a breakdown, if applicable, of remuneration for the performance by the executive directors of the duties of senior management, of additional remuneration as chair or member of any committee of the board, of attendance fees for participation on the Board and the committees thereof, or other fixed remuneration as director, and an estimate of the annual fixed remuneration to which they give rise. Identify other benefits that are not paid in cash and the basic parameters upon which such benefits are provided.

As noted in point A.1 of this report, Bankinter has a remuneration system that differentiates the remuneration of directors for their supervisory and collective decision-making duties as directors; the remuneration of the chairman for performing non-executive institutional duties; and remuneration of executive directors for their executive duties. The fixed components of remuneration for the various types of duties of directors are explained below:

- i. Fixed remuneration of all directors in office (supervisory and collective decision-making duties):

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.

Pursuant to Sections 217 and 529 *septdecies* of the Ley de Sociedades de Capital [Spanish Corporations Act], the shareholders in the Annual General Meeting of 18 March 2015 voted to set the maximum amount of the annual remuneration of directors in office at 1,600,000 euros, an amount that will remain in effect as long as the shareholders do not vote to amend it. The board of directors of Bankinter recommended to shareholders at the Annual General Meeting that this maximum amount be increased by 100,000 euros and, thus, set at 1,700,000 euros in view of the fact that the estimated amount to be paid for meetings scheduled in the board meeting calendar for 2018 would exceed the limit set in 2015. On the one hand, the board voted to increase the number of yearly risk committee meetings by two, in light of the increasing importance of its function. On the other hand, the board of directors is expected to meet during the year to revise Bankinter's strategy for the following years.

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 16 December 2015, the board approved the following breakdown for 2018:

- Annual fixed allotment:
 - Chairman 184,309.38 euros annually.
 - Executive directors: 162,625.93 euros annually.
 - Other board members: 92,154.69 euros annually.
 - Chairmen of board committees: Additional 16,262.59 euros annually.
- 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.

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 section, 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 specified in sections C and D of this report, respectively.

ii. Fixed remuneration of the chairman of the board for non-executive institutional duties.

Pursuant to Articles 26 of the Bankinter Corporate By-Laws and the *Rules and Regulations of the Board of Directors*, the chairman of the board of directors is ultimately responsible for the effective operations of the board of directors. The chairman's functions include those described in this report under reference 2 of Appendix 1.

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 20 December 2017, voted to set the following additional fixed remuneration amount to the chairman of the board for 2018:

- Chairman of the Board: 706,383 euros per year (receives no variable remuneration).

This amount was adjusted with respect to 2017 by 1.7%, which is the equivalent to the inflation rate posted in November 2017.

iii. Fixed remuneration of executive directors

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) chief executive officer, Ms María Dolores Dancausa Treviño, and (ii) executive vice-chairman, Mr Alfonso Botín-Sanz de Sautuola y Naveda, on behalf of Cartival, S.A. A description of the functions of executive directors can be found in this report under reference 3 of Appendix 1.

The fixed remuneration of Bankinter's executive directors is also 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, to set remuneration for 2018, the Remuneration Committee and the board of directors used a study conducted by the consulting firm Willis Towers Watson on the competitiveness of chief executive officer remuneration. This analysis compared Bankinter to Spanish and other European financial institution, including 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 said study indicate that the remuneration of Bankinter's executive directors for the exercise of their executive duties is significantly below the average of their peers.

Therefore, on 16 December 2015, in the absence of its executive directors and on the recommendation of the remuneration committee, the board of directors voted to set the following fixed remuneration for executive directors in 2018:

- CEO: 863,254 euros annually.
- Executive vice-chairman: 600,720 euros annually.

Remuneration for the executive vice-chairman was adjusted with respect to 2017 by 1.7% (the inflation rate posted in November 2017). 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 chart showing the changes in the fixed remuneration for the chairman of the board and executive directors can be found in this report under reference 4 of Appendix 1.

A.4. Explain the amount, nature, and main features of the variable components of the remuneration systems.

As previously stated, the only directors who receive variable remuneration are the executive vice-chairman and the chief executive officer, who discharge executive duties.

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.

Executive directors are the beneficiaries of the following remuneration plans.

i. Annual variable remuneration

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 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 yearly indicators and financial indicators defined to ensure proper correlation between the resulting remuneration levels and Bankinter Group's medium- and long-term earnings and to avoid running excessive risks.

For 2018, in order ensure the variable remuneration for executive directors with these characteristics, the financial indicators in place for the annual incentive consist of 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.

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 objectives is 120% of the benchmark incentive. The annual variable remuneration that executive directors may earn and receive is described in this report under reference 6 of Appendix 1.

As in the previous year, it is contingent on the achievement of on certain indicators in the risk appetite framework, which are specific indicators for solvency, liquidity, interest rate, reputational risk and credit (refer to reference 7 of Appendix 1).

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% (refer to reference 8 of Appendix 1).

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 2018 if 100% of the objectives in place are met:

- The vice-chairman will receive 210,252 euros in due variable remuneration in 2018, subject to the clauses provided below.
- The chief executive officer will receive 302,139 euros in due variable remuneration in 2018, subject to the clauses provided below.

The annual variable remuneration earned by executive directors in recent years can be found in this report under reference 9 of Appendix 1.

This annual variable remuneration is subject to the following clauses:

- **Deferral:** 60% of the variable remuneration for the executive vice-chairman and 60% of the variable remuneration for the chief executive officer will be deferred over a period of five years, during which it will be correctly adjusted to business units, their risks and the activities of identified staff members.

This deferred remuneration will be paid over these five years immediately after the non-deferred remuneration portion is paid. Remuneration amounts will be paid out in five equal payments, in order for the deferred portion not to be paid at once.

- **Payment in shares:** 60% of the variable remuneration for the chief executive officer and 50% of the variable remuneration for the executive vice-chairman will be distributed in the form of Bankinter shares. In both cases, 50% of non-deferred variable remuneration will be delivered in shares.
- **Withholding period:** Bankinter shares delivered to executive directors as variable remuneration will be subject to a one-year withholding policy from the time they are delivered, during which they will not be available and may not be traded.

- **Prohibition on hedging and ex-post adjustment:** The information concerning this clause is provided in section A.13 below.
- ii. Multi-year variable remuneration: Furthermore, a multi-year incentive plan is in effect, of which executive directors and others will be beneficiaries. It is described in the annual remuneration report approved via consultative vote by shareholders in the Annual General Meeting held in March 2016. Its essential features are as follows:

1. Plan Objectives

- To improve the level of commitment and loyalty of key employees.
- To transmit a long-term view of Bankinter to key officers in order to generate a culture of sustainability.

2. Participants: Executive vice-chairman, chief executive officer, management team, regional unit heads and other key individuals. Currently, 56 persons in total.

3. Duration: Three years to calculate the due amount and four years as from the final accrual date (31 December 2018) for the full payment of the due amount (applying the deferral clauses).

Accrual: One third each year (end of 2016, 2017 and 2018)

Payment dates (described in reference 10 of Appendix 1)

4. Reference amount of incentive:

- Two annual instalments of the gross annual fixed salary for 2015 received by the plan beneficiary.
- In calculating the incentive amount, remuneration in kind, corporate benefits and any other type of variable remuneration received in 2015, are expressly excluded from the calculation.

5. Indicators and adjustment mechanism

One hundred percent of the incentive is subject to the following final conditions:

- Each year on 31 December, Bankinter's RoE must be above the midpoint of a group of its peers. The remuneration committee will annually revise the peer group in order to adjust it to any market changes and, thus, ensure that the peer group remains representative under any such changes. The peer group for 2018 is made up of: Santander, BBVA, CaixaBank, Bankia, Sabadell and Liberbank. A chart about compliance with this indicator is provided under reference 11 of Appendix 1.

- The RoE for customer activity must also exceed 10% at 31 December 2018 in order to receive 100% of the due variable incentive, according to the following accrual scale found under reference 11 of Appendix 1:

6. Basic payment conditions of the multi-year incentive

- This incentive is additional to current or future variable remuneration plans in place in Bankinter Group.
- Furthermore, the following conditions will be necessary and indispensable for payment:
 - a. Beneficiaries must be actively employed in Bankinter Group on accrual dates. If Bankinter terminates its work or business relationship with a beneficiary, for whatever cause, before a date of collection, the beneficiary will, automatically and without notice, lose his or her right to receive this incentive.
 - b. Employees must not have lost the functional or responsibility level they had at the time the plan was approved.
- Malus and clawback clauses will apply in accordance with Bankinter's remuneration policy.
- Share withholding period of one year.

The indicators used are described under reference 12 of Appendix 1.

A.5. Explain the main features of the long-term saving systems, including retirement and any other survival benefit, either wholly or partially financed by the company, and whether funded internally or externally, with an estimate of the equivalent annual amount or cost thereof, stating the type of plan, whether it is a defined-contribution or benefit plan, the conditions for the vesting of economic rights in favour of the directors, and the compatibility thereof with any kind of indemnity for early termination or severance of the contractual relationship between the company and the director.

Bankinter has no pension system in place, nor does it maintain pension-related commitments for members of its board of directors.

On an exceptional basis, in the case of the chief executive officer, as the chief executive officer of the Bankinter subsidiary, Línea Directa Aseguradora S.A. (hereinafter, 'Línea Directa'), she 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 600,000 euros and covers usual contingencies for retirement, death or disability. To date, no new contributions have been made to this plan.

On 20 December 2017, on the recommendation of the remuneration committee, the board of directors of Bankinter approved a 'system of additional pension commitments 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 and consolidated rights of beneficiaries based on earnings or adverse conditions. Furthermore, for executive directors, managing directors and similar staff, 15% is considered to be discretionary pension benefits, subject to the system that applies to them.

The features of the system of additional pension commitments for executive directors and the management committee are found in this report under reference 13 of Appendix 1.

A.6. State any severance payments agreed to or paid in case of termination of duties as a director.

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 circumstances or situations of change of control at the institution.

A.7. State the conditions that must be included in the contracts of the executive directors performing senior management duties. Include information regarding, among other things, the term, limits on severance payment amounts, continuance in office clauses, prior notice periods and payment in lieu of prior notice, and any other clauses relating to hiring bonuses, as well as benefits or golden parachutes due to early termination or severance of the contractual relationship between the company and the executive director. Include, among other things, any clauses or agreements on non-competition, exclusivity, continuance in office or loyalty, and post-contractual non-competition.

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-competition:** The 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.
- **Compliance with the Code of Professional Ethics and Internal Regulations on Securities Market Conduct of Bankinter Group:** Executive directors are required to follow the Code of Professional Ethics and the Internal Regulations on Securities Market Conduct of Bankinter Group.
- Executive directors are bound to a rigorous duty of confidentiality during the life of their relationship and after it has terminated, at which point any documents and personal objects related to their activities and in their possession must be returned to Bankinter.
- **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.

Section A.6 above describes severance payments set out in these agreements.

- **Survival clauses:** 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.

A.8. Explain any supplementary remuneration accrued by the directors in consideration for services provided other than those inherent in their position.

Bankinter directors have accrued no remuneration of any kind under this item other than that mentioned above.

A.9. State any remuneration in the form of advances, loans, or guarantees provided, with an indication of the interest rate, main features, and amounts ultimately returned, as well as the obligations assumed on their behalf as a guarantee.

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.

A.10. Explain the main features of remuneration in kind.

Bankinter's chairman and chief executive officer are beneficiaries of health insurance policies taken out with 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.

A.11. State the remuneration accrued by the director by virtue of payments made by the listed company to a third party to which the director provides services, if such payments are intended to provide remuneration for the services thereof in the company.

Bankinter's directors have accrued no remuneration of any kind for this item.

A.12. Any item of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the making thereof detracts from a true and fair view of the total remuneration accrued by the director.

Bankinter's directors have accrued no remuneration of any kind for this item other than that mentioned above.

A.13. Explain the actions taken by the company regarding the remuneration system in order to reduce exposure to excessive risk and align it with the long-term targets, values, and interests of the company, including any reference to: measures provided to ensure that the remuneration policy takes into account the long-term results of the company, measures establishing an appropriate balance between the fixed and variable components of remuneration, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on Bankinter's risk profile, recovery formulas or clauses giving the right to demand the return of the variable components of remuneration based on results if such components have been paid based on data that is later clearly shown to be inaccurate, and measures provided to avoid any conflicts of interest.

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 objectives of its current long-term incentive include return on equity (RoE), providing a long-term outlook for variable 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.
- Bankinter has no change-in-control benefits for executive directors. Under no circumstances are they entitled to receive severance payments as the result of changes in the ownership of Bankinter. 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.
- **Deferral:** Irrespective of the principle of proportionality explained in Bankinter's remuneration policy, a substantial 60% of the variable remuneration component of the chief executive officer and any identified staff members who receive especially high variable remuneration, and 40% of the variable remuneration of the executive vice-chairman and other identified staff members will be deferred for five years in the case of executive directors and senior officers, and three years in the case of other identified staff members, so as to adjust to the nature of business units, their risks and the activities of identified staff members.

This deferred remuneration will be paid over five or three years, as the case may be, immediately following that of the receipt of the non-deferred portion in five or three equal payments, as required. Therefore the remuneration payable under the deferral provisions will not be received at once.

- **Payment in shares and withholding periods:** Irrespective of the principle of proportionality explained in Bankinter's remuneration policy, a substantial 50% (or 60%, in the case of the chief executive officer and any identified staff members who receive an especially high amount in variable remuneration) of any variable remuneration component will be paid in the form of Bankinter shares. 50% of non-deferred variable remuneration will always 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 laid down the following malus and clawback clauses, which will apply for 100% of total variable remuneration (the enforcement conditions of these clauses are found under reference 14 of Appendix 1).

- **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, identified staff members 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.

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C. OVERALL SUMMARY OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN THE PREVIOUS YEAR

- C.1.** Summarise the main features of the structure and items of remuneration from the remuneration policy applied during the financial year just ended, which give rise to the breakdown of individual remuneration accrued by each of the directors as reflected in Section C of this report, and provide a summary of the decisions made by the board to apply such items.

An overall summary of the implementation of the remuneration policy in 2017 is provided below.

- i) Remuneration of directors for supervisory and collective decision-making duties:

According to the report submitted to and approved by shareholders at the 2017 Annual General Meeting in a consultative vote, the total remuneration received on an individual basis has been paid in the form of the following remuneration items established in the Bankinter Corporate By-laws: i) annual fixed allotment for serving on the board of directors and discharging their duties as chairs of board committees, and ii) attendance fees for meetings of the board of directors and its committees.

Directors did not receive variable remuneration of any kind for discharging these duties.

Thus, the amounts received for the remuneration items noted above are as described below:

- Annual fixed allotment:
 - Chairman 181,228.50 euros annually.
 - Executive directors: 159,907.5 euros annually.
 - Other board members: 90,614.25 euros annually.
 - Chairmen of board committees: Additional 15,990.75 euros annually.
- Attendance fees, to be paid after each meeting:
 - Board of directors: 2,132.1 euros per meeting to the board chairman and 1,599.08 euros per meeting to board members.
 - Committees: 1,599.08 euros per meeting to the committee chairman and 1,066.05 euros per meeting to committee members.

No shares, option rights on shares or remuneration indexed to share value were delivered in 2017.

In 2017, the independent directors, Mr Gonzalo de la Hoz Lizcano and Mr Rafael Mateu de Ros, received 41,800 euros and 22,000 euros, respectively, as fees for attending meetings of the board of directors of Línea Directa Aseguradora, S.A.. Mr Gonzalo de la Hoz Lizcano is also non-executive chairman of Bankinter Global Services, S.A., a technology services and operations company of Bankinter Group. Accordingly, he received fees in the amount of 8,400 euros for attending meetings of its board of directors in 2017.

As regards the remuneration of members of the board of directors of Bankinter, the section on board member remuneration in the note to the financial statements of Bankinter and Bankinter Group contains an individualised breakdown of the remuneration earned by all directors in 2017 (which is included in this report under Appendix 2).

At the end of 2017, the number of directors of Bankinter S.A. was ten, the same as at the end of 2016.

ii) The fixed remuneration received by the chairman of the board of directors for performing non-executive institutional duties (as described in section A.3 above) and other duties related to his role as chairman of the decision-making body (for which he was compensated in accordance with the structure described in the preceding point) amounted to 694,575 euros (this amount does not include other cash or in-kind compensation at 6,363 euros per year, which are included in Bankinter's corporate benefits).

iii) Remuneration of executive directors for their executive duties:

In addition to the remuneration they received as board members, executive directors earned remuneration (for their executive services) in 2017 in the following amounts:

As fixed remuneration:

- CARTIVAL, S.A., the executive vice-chairman of Bankinter, received a total of 590,683 euros as fixed remuneration.
- María Dolores Dancausa Treviño, the chief executive officer of Bankinter, received a total of 832,453 euros as fixed remuneration, (this amount does not include cash or in-kind remuneration at 14,000 euros per year which are included in Bankinter's corporate benefits).

As variable remuneration:

i) Annual variable incentive:

The annual variable remuneration system for executive directors is the same as that which applies to other Bankinter Group employees who receive variable remuneration.

As stated in the director remuneration report approved in last year's General Shareholder's Meeting, executive director's annual variable remuneration was linked to financial indicators: i) earnings before tax (EBT), in order to help manage risks appropriately in the medium- and long-term; and ii) 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.

Respectively, EBT and gross operating income account for 60% and 40% of variable remuneration. 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 objectives is 120% of the benchmark incentive. This information can be found in this report under reference 5 of Appendix 1.

103.83% of these indicators were achieved in 2017 (104.53% for EBT and 102.77% for gross operating income), compared with an overall 100.96% in 2016.

Furthermore, this variable remuneration incentive can be earned if the *Core Equity Tier 1* fully-loaded capital ratio is at least 10%. If this capital ratio is between 9% and 10%, 50% of the incentive will be due. Below 9%, no amount of any kind may be collected.

In 2017, this indicator was fully met. Therefore, based on EBT and gross operating income, the total variable remuneration amount to be received has not decreased, as the 103.83% is ultimately the overall indicator achievement rate.

The annual variable remuneration accrued in 2017 will be paid 50% in cash and 50% in shares, part in 2018 and the deferred portion over three years, as follows:

- 60% of the annual variable remuneration will be paid in 2018, in halves and net of taxes, in cash and shares.
- The remaining 40% will be deferred in thirds and will be paid, if applicable, in the following financial years (through 2021). Every year, half of each respective amount will be paid in cash, with the remaining half being paid in shares. These payments will be made net of taxes.

Shares will be delivered to executive directors if approved by shareholders at Bankinter's Annual General Meeting in 2018 (the year after variable remuneration is accrued), as required by section 219 of the Ley de Sociedades de Capital [Spanish Corporations Act].

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

At the end of financial year 2017, the achievement percentage was 103.83%, which led to the accrual of a variable incentive of 214,648.83 euros for the executive Vice-Chairman and of 302,506.40 euros for the Chief Executive Officer, which will be paid in the form and over the terms indicated below::

- o 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 2017: 64,394.65 euros corresponds to the executive vice-chairman of the board and 90,751.92 euros correspond to the chief executive officer.

- 50% of the **deferred** variable remuneration accrued under the variable incentive in 2017 will be paid in shares:
 - 1/3 of 50% of the deferred variable remuneration earned as part of the variable incentive for 2017 will be paid in February 2019. 14,309.92 euros correspond to the executive vice-chairman and 20,167.09 euros correspond to the chief executive officer.
 - 1/3 of 50% of the deferred variable remuneration earned as part of the variable incentive for 2017 will be paid in January 2020: 14,309.92 euros correspond to the executive vice-chairman of the board and 20,167.09 euros correspond to the chief executive officer.
 - 1/3 of 50% of the deferred variable remuneration earned as part of the variable incentive for 2017 will be paid in January 2021: 14,309.92 euros correspond to the executive vice-chairman of the board and 20,167.09 euros correspond to the chief executive officer.
- In shares (as stated above, conditional upon the approval of the shareholders at the Annual General Meeting). The maximum number of shares to be delivered is as set out below, calculated on the gross accrued amounts:
 - 50% of the **non-deferred** variable remuneration earned as part of the variable incentive in 2017: 7,751 shares to the executive vice-chairman and 10,924 shares to the chief executive officer, at a price of 8.307214 euros/share. This is the average listing price of the Bankinter share at the close of business for the trading sessions held between 2 January and 20 January 2018, both inclusive. If the shareholders at the Annual General Meeting in 2018 vote to deliver these shares, they will be delivered within 15 trading days following their approval.
 - 50% of the **deferred** variable remuneration earned as part of the variable incentive in 2017 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 (8.307214 euros/share). The amounts to be received in the coming years are broken down below:
 - Executive vice-chairman:
 - 1,722 shares will be delivered in the month of January

2019, corresponding to 1/3 of 50% of the deferred variable remuneration accrued under the variable incentive in 2017.

- 1,722 shares will be delivered in the month of January 2020, corresponding to 1/3 of 50% of the deferred variable remuneration accrued under the variable incentive in 2017.
- 1,722 shares will be delivered in the month of January 2021, corresponding to 1/3 of 50% of the deferred variable remuneration accrued under the variable incentive in 2017.

▪ Chief executive officer:

- 2,427 shares will be delivered in the month of January 2019, corresponding to 1/3 of 50% of the deferred variable remuneration accrued under the variable incentive in 2017.
- 2,427 shares will be delivered in the month of January 2020, corresponding to 1/3 of 50% of the deferred variable remuneration accrued under the variable incentive in 2017.
- 2,427 shares will be delivered in the month of January 2021, corresponding to 1/3 of 50% of the deferred variable remuneration accrued under the variable incentive in 2017.

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

In short, the amounts earned by the executive directors (for their executive duties) in 2017 totalled 1,955,000 euros. In 2016, it was 1,784,000 euros.

In 2017, the executive directors were delivered the shares relating to the deferred variable remuneration earned in 2011, 2014 and 2015, in accordance with the resolutions approved by the shareholders at the Annual General Meetings held in 2012, 2015, 2016 and 2017, respectively. The section on director remuneration in the individual notes to the financial statements of Bankinter and its consolidated group in 2017 includes an itemised description of the shares delivered in 2017:

ii) Multi-year variable incentive:

Furthermore, a multi-year incentive plan is in effect, of which executive directors and others will be beneficiaries. It is described in the annual

remuneration report approved via consultative vote by shareholders in the Annual General Meeting held in March 2016.

One hundred percent of the incentive is subject to the following final conditions:

Each year on 31 December, Bankinter's RoE must be above the midpoint of a group of its peers. The comparable group defined by the remuneration committee for 2017 consisted of: Banco Santander, BBVA, CaixaBank, Bankia, Banco Sabadell, Banco Popular and Liberbank.

As of 31 December 2017, Bankinter's RoE achievement rate was above the midpoint of this comparable group of financial institutions, at 12.64%.

In any event, this variable remuneration is granted provided that:

- the RoE for customer business 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 collection. If Bankinter terminates its work or business relationship with a beneficiary, for whatever cause, before a date of collection, 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.

This multi-year variable remuneration system is described in section A.4 below.

D. BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR

Name	Type	Accrual period 2017
Pedro Guerrero Guerrero	Other external	From 01/01/2017 to 31/12/2017
CARTIVAL, S.A.	Executive	From 01/01/2017 to 31/12/2017
María Dolores Dancausa Treviño	Executive	From 01/01/2017 to 31/12/2017
Fernando Masaveu Herrero	Proprietary	From 01/01/2017 to 31/12/2017
Marcelino Botín-Sanz de Sautuola y Naveda	Proprietary	From 01/01/2017 to 31/12/2017
Rafael Mateu de Ros Cerezo	Independent	From 01/01/2017 to 31/12/2017
Rosa María García García	Independent	From 01/01/2017 to 04/04/2017
Jaime Terceiro Lomba	Independent	From 01/01/2017 to 31/12/2017
Gonzalo de la Hoz Lizcano	Independent	From 01/01/2017 to 31/12/2017
María Teresa Pulido Mendoza	Independent	From 01/01/2017 to 31/12/2017
Teresa Martín-Retortillo Rubio	Independent	From 07/11/2017 to 31/12/2017

D.1. Complete the following tables regarding the itemised remuneration of each of the directors (including remuneration

for the performance of executive duties) accrued during the financial year.

a) Accrued remuneration at the company covered by this report:

i) Cash remuneration (thousands of euros)

Name/type/accrual period for 2016	Salary	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for board committee membership	Termination benefits	Others	Total 2017	2016 total
Pedro Guerrero Guerrero	0	876	42	0	0	0	0	6	924	875
CARTIVAL, S.A.	591	176	35	107	0	0	0	0	909	940
María Dolores Dancausa Treviño	832	160	29	151	0	0	0	15	1,187	1,233
Fernando Masaveu Herrero	0	91	28	0	0	0	0	0	119	120
Marcelino Botín-Sanz de Sautuola y Naveda	0	91	19	0	0	0	0	0	110	110
Rafael Mateu de Ros Cerezo	0	107	57	0	0	0	0	0	164	157
Rosa María García García	0	28	8	0	0	0	0	0	36	128
Jaime Terceiro Lomba	0	107	61	0	0	0	0	0	168	161
Gonzalo de la Hoz Lizcano	0	117	50	0	0	0	0	0	167	153
María Teresa Pulido Mendoza	0	91	17	0	0	0	0	0	108	105
Teresa Martín-Retortillo Rubio	0	13	3	0	0	0	0	0	16	0

(*) Includes in-kind remuneration and other remuneration items that correspond to Bankinter corporate benefits.

ii) Share-based remuneration systems

CARTIVAL, S.A.												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2017												
Name/type/accrual period in 2016	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Conditions for exercise	No	Price	Amount
01/01/2017	0	0	0	-	12,917	12,917	8.30	31/01/2021		0	0	0

		Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
Name/type/accrual period 2016	Name of plan and date of implementation	No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirements for exercise
0	0	0	0	0	0	0	0	0	0	0	0

CARTIVAL, S.A.												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2013												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Conditions for exercise	No	Price	Amount
01/01/2013	3,663	3,663	5.46	31/01/2017	0	0	0	-	0	3,663	5.46	20

Options exercised in 2017				Options expired and not exercised	Options at end of 2017					
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirements for exercise	
3,663	3,663	5.46	0	0	0	0	0	0	0	

CARTIVAL, S.A.												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2014												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2014	7,314	7,314	6.56	31/01/2018	0	0	0	-	0	3,657	6.56	24

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requireme nts for exercise
3,657	3,657	6.56	0	3,657	3,657	3,657	6.56	31/01/2018	0

CARTIVAL, S.A.												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2015												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2015	5,229	5,229	6.16	31/01/2019	0	0	0	-	0	1,743	6.16	11

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirement s for exercise
1,743	1,743	6.16	0	0	3,486	3,486	6.16	31/01/2019	0

CARTIVAL, S.A.												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2016												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2016	11,387	11,387	7.53	31/01/2020	0	0	0	-	0	6,833	7.53	51

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirements for exercise
6,833	6,833	7.53	0	0	4,554	4,554	7.53	31/01/2020	0

MARIA DOLORES DANCAUSA TREVIÑO.												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2017												
Name/type/accrual period in 2016	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Conditions for exercise	No	Price	Amo unt
01/01/2017	0	0	0	-	18,205	18,205	8.30	31/01/2021		0	0	0

		Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
Name/type/accrual period 2016	Name of plan and date of implementation	No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirements for exercise
0	0	0	0	0	0	0	0	0	0	0	0

MARIA DOLORES DANCAUSA TREVIÑO												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2013												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2013	3,663	3,663	5.46	31/01/2017	0	0	0	-	0	3,663	5.46	20

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requireme nts for exercise
3,663	3,663	5.46	0	0	0	0	0	0	0

MARIA DOLORES DANCAUSA TREVIÑO												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2014												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2014	10,336	10,336	6.56	31/01/2018	0	0	0	-	0	5,168	6.56	34

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requireme nts for exercise
5,168	5,168	6.56	0	5,168	5,168	5,168	6.56	31/01/2018	0

MARIA DOLORES DANCAUSA TREVIÑO												
name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2015												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2015	4,806	4,806	6.16	31/01/2019	0	0	0	-	0	1,602	6.16	10

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirement s for exercise
1,602	1,602	6.16	0	0	3,204	3,204	6.16	31/01/2019	0

MARIA DOLORES DANCAUSA TREVIÑO												
Name of plan and date of implementation : ANNUAL VARIABLE REMUNERATION 2016												
Name/type/accrual period in 2017	Ownership of options at the beginning of 2017				Options allocated during 2016					Shares delivered in 2017		
	No of options	No shares affected	Exercise price (€)	Exercise period	No of options	No shares affected	Exercise price (€)	Exercise period	Condi tions for exerc ise	No	Price	Amo unt
01/01/2016	13,190	13,190	7.53	31/01/2020	0	0	0	-	0	6,512	7.53	51

Options exercised in 2017				Options expired and not exercised	Options at end of 2017				
No of options	No shares affected	Exercise price (€)	Gross Profit (€)	No of options	No of options	No shares affected	Exercise price (€)	Exercise period	Other requirement s for exercise
6,512	6,512	7.53	0	0	6,678	6,678	7.53	31/01/2020	0

iii) Long-term savings systems

Name/type/total accrual period in years	Contribution by Bankinter for the year (thousands of euros)		Amount of accumulated funds (thousands of euros)	
	Financial Year 2017	2016	Financial Year 2017	2016
María Dolores Dancausa Treviño	0	0	600	600

iv) Other benefits (in thousands of euros)

Remuneration in the form of advances, loans			
Name/type	Interest rate for the transaction	Main features of the transaction	Amounts potentially returned

Name/Type	Life insurance premiums		Guarantees extended to directors by Bankinter	
	Financial Year 2017	2016	Financial Year 2017	2016
Pedro Guerrero Guerrero	2	2	0	0
María Dolores Dancausa Treviño	1	1	0	0

b) Remuneration earned by Bankinter directors for serving on the boards of other Bankinter Group companies:

i) Cash remuneration (thousands of euros)

Name/type/accrual period for 2016	Salary	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for board committee membership	Termination benefits	Others	Total 2017	2016 total
Rafael Mateu de Ros Cerezo	0	0	22	0	0	0	0	0	22	16
Gonzalo de la Hoz Lizcano	0	0	50	0	0	0	0	0	50	39

ii) Share-based remuneration systems

iii) Long-term savings systems

iv) Other benefits (in thousands of euros)

c) Summary of remuneration (in thousands of €): The summary must include the amounts for all remuneration items included in this report that have been earned by each director, in thousands of euros. In the case of long-term saving systems, include contributions or funding for these types of systems:

Name/type	Accrued remuneration in Bankinter				Accrued remuneration in Bankinter Group companies				Totals		
	Total cash remuneration	Amount of shares provided	Gross profit on options exercised	2017 total in Bankinter	Total cash remuneration	Amount of shares provided	Gross profit on options exercised	2017 total in Bankinter Group	Total 2017	2016 total	Contribution to savings systems during the year
Pedro Guerrero Guerrero	924	0	0	924	0	0	0	0	924	875	0
CARTIVAL, S.A.	909	106	0	1,015	0	0	0	0	1,015	940	0
María Dolores Dancausa Treviño	1,187	119	0	1,306	0	0	0	0	1,306	1,233	0
Fernando Masaveu Herrero	119	0	0	119	0	0	0	0	119	120	0
Marcelino Botín-Sanz de Sautuola y Naveda	110	0	0	110	0	0	0	0	110	110	0
Rafael Mateu de Ros Cerezo	164	0	0	164	22	0	0	22	186	173	0
Rosa María García García	36	0	0	36	0	0	0	0	36	128	0
Jaime	168	0	0	168	0	0	0	0	168	161	0

Terceiro Lomba											
Gonzalo de la Hoz Lizcano	167	0	0	167	50	0	0	50	217	192	0
María Teresa Pulido Mendoza	108	0	0	108	0	0	0	0	108	105	0
Teresa Martín- Retortillo Rubio	16	0	0	16	0	0	0	0	16	0	0

C.2 Report the relationship between remuneration obtained by the directors and the results or other indicators of the company's performance, explaining how any changes in the company's performance may have influenced changes in the remuneration of the directors.

As stated in the report, only executive directors receive variable remuneration that is indexed to Bankinter's pre-tax earnings and gross operating income; a solvency indicator for 2017; and risk appetite framework indicators for 2018. There are no cases in which the individual objectives for earning variable remuneration may encourage risk-taking behaviours that are consistent with Bankinter's general risk profile because, among other reasons, the targets are always set primarily in reference to fulfilment of Bankinter's overall earnings before tax target.

C.3 Report the results of the consultative vote of the shareholders on the annual remuneration report for the preceding financial year, indicating the number of votes against, if any:

	Number	% of total
Votes cast	649,549,845	72.29

	Number	% of votes cast
Votes against	31,979,080	4.923%
Votes in favour	602,542,155	92.758%
Abstentions	15,028,610	2.314%

D. 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 Mr Alfonso Botín-Sanz de Sautuola y Naveda, representing the corporate director CARTIVAL, S.A. on Bankinter's Board of Directors, is personally Executive Chairman of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, a wholly-owned subsidiary of the bank, and accrued 189,979.92 euros as fixed remuneration and 74,882 euros as annual variable remuneration as remuneration for his executive duties as Chairman of the aforementioned subsidiary in 2017.

This annual remuneration report was approved by the board of directors of the company at its meeting of 21/02/2018.

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

Yes ☐ No ☒

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

Appendix 1. Additional information in the Bankinter director remuneration report

Reference 1. Duties of the remuneration committee

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.

Reference 2. Description of the duties of the non-executive chairman of the board of directors

1. Duties of the chairman of the board of directors

The chairman of the collective decision-making body is responsible for certain duties, such as:

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

2. Institutional representation duties on Bankinter's behalf

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

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

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

3. Duties relating to corporate social responsibility

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

- a) ensuring the coordination of the activities of *Fundación para la Innovación* with the various departments of Bankinter; assessing its director and setting objectives; and proposing his or her remuneration to the board of trustees;
- b) presiding over the sustainability committee;
- c) proposing, coordinating and overseeing the sustainability committee's activities to:
 - i) amend Bankinter's sustainability policy and related plans, lines and programmes, ensuring their dissemination and seeking the involvement of all Bankinter's stakeholders (in particular, strategic stakeholders such as employees, shareholders and customers);
 - ii) devise the sustainability strategy and master plan, and monitor the initiatives set out in them.
 - iii) effectively integrate the principles found in the Bankinter's sustainability policy and strategy into the management of each area in the company, in a manner that is both consistent and cohesive with Bankinter's global strategy.
 - iv) ensure available resources and tools as needed in order to implement and improve sustainability management in Bankinter while fostering innovation and the use of the best available technologies.
 - v) manage the information needed to extend and maintain management systems, thus helping improve Bankinter's financial, social and environmental efficiency.
 - vi) prepare the sustainability report and reviewing it before it is submitted to the board of directors by way of the appointments and corporate governance committee.
 - vii) analyse the impacts of possible organisational changes regarding sustainability management, and establishing appropriate measures to ensure the continuity and efficiency of Bankinter's management system.
 - viii) participate in the review of the progress and performance of sustainability management in order to ensure that it operates properly.
- d) regularly report to the board of directors, by way of its appointments and corporate governance committee, on the sustainability committee's oversight of the sustainability strategy and its main advances.

- e) carry out any other activities that the board may vote to assign to the chairman.

4. Duties of the internal audit division

Under Article 36 of the *Rules and Regulations of the Board of Directors*, Bankinter's internal audit division, which reports to the audit and regulatory compliance committee, is functionally subordinate to the chairman. Accordingly, it has the following duties:

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

Reference 3. Duties of executive directors

Article 27 of the Bankinter Corporate By-laws provides that the chief executive officer is responsible for ordinary business management, with the highest executive duties; and has all the powers of the board of directors, except those which current legislation, Bankinter Corporate By-laws themselves or the *Rules and Regulations of the Board of Directors* prohibit from being delegated.

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.

Reference 4. Chart on the fixed remuneration of the chairman and executive directors

	2018 fixed remuneration	Var. % 2018 vs 2017	2017 fixed remuneration	Var. % 2017 vs 2016	2016 fixed remuneration
Non-executive chairman	706,383	1.7%	694,575 euros per year	5%	661,500 euros per year

Executive directors:					
- Vice-chairman	600,589	1.7%	590,683 euros per year	5%	562,555 euros per year
- Chief executive officer	861,589	3.5%	832,453 euros per year	6%	785,333 euros per year

Reference 5. Chart on the achievement and accrual of annual variable remuneration for executive directors

Objective	Weight	Achievement rate (%)	Incentive accrual (%)
EBT	60 %	90% ≤ x ≤ 100% 100% < x ≤ 120%	80% ≤ x ≤ 100% 100% < x ≤ 120%
Gross operating income	40 %	90% ≤ x ≤ 100% 100% < x ≤ 120%	80% ≤ x ≤ 100% 100% < x ≤ 120%

Reference 6. Chart on tolerance level compliance and the achievement rate and corresponding accrual amount (%) :

Risk	Indicator	Tolerance/limit (2017)
Solvency	CET1 ratio	10% / 9%
Liquidity	Liquidity buffer + issue capacity	8bn / 6.8bn
Interest rate	Sensitivity of net interest income	5% / 8%
Reputational	NPS Total Bankinter customers according to quality surveys	New
Credit	Problematic assets (%)	5.67% / 6.18%

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

Reference 7. Chart on the risk adjustment indicator achievement rate

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

Reference 8. Annual variable remuneration of executive directors

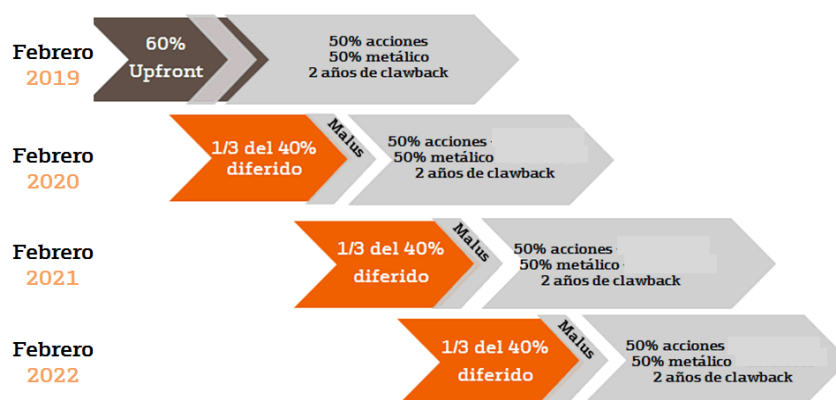
	2018 variable remuneration (*)	2017 variable remuneration (**)	2016 variable remuneration (***)
Executive directors			
- Vice-chairman	210,252 euros per year (35% of fixed remuneration)	206,739 euros per year (35% of fixed remuneration)	171,689 euros per year
- Chief executive officer	310,555 euros per year (35% of fixed remuneration)	291,358 euros per year (35% of fixed remuneration)	251,732 euros per year

(*) Estimated amount for an achievement rate of 100% of the objectives to which 2018 variable remuneration is indexed.

(**) Accrued amount based on a objective achievement rate of 103.83%

(***) Accrued amount based on a objective achievement rate of 100.96%

Reference 9. Settlement dates for multi-year variable remuneration



Reference 10. Chart on the annual achievement rate of Bankinter's RoE and customer RoE (multi-year variable remuneration indicators)

Bankinter RoE (%)	% of incentive accrued as of of 31 December 2016	% of incentive accrued as of 31 December 2017	% of incentive accrued as of of 31 December 2018
X => midpoint of the peer group of financial institutions	100% of 1/3 of the incentive amount	100% of 1/3 of the incentive amount	100% of 1/3 of the incentive amount
X < midpoint of the peer group of financial institutions	0%	0%	0%

Customer RoE (%)	Accrued incentive (%)
$8\% \leq x < 9\%$	$50\% \leq x < 75\%$
$9\% \leq x < 10\%$	$75\% \leq x < 100\%$
$10\% \leq x < 11\%$	$100\% \leq x < 125\%$
$11\% \leq x < 12\%$	$125\% \leq x < 150\%$
$x \geq 12\%$	$x = 150\%$

Reference 11. Definitions of multi-year variable remuneration indicators

- Bankinter RoE: Return on the equity of the consolidated group as as a proportion between earnings after taxes and average equity.
- Customer RoE: Net return resulting from inventoried banking activity with respect to shareholders' equity adjusted to the required 10% CET 1 capital ratio.

Its formulation would be:

$$\text{RoE} = \text{EAT} / \text{Adjusted shareholders' equity}$$

Where:

- EAT = Earnings after tax of Bankinter, S.A. and Bankinter Consumer Finance, S.A., EFC. (excluding treasury transactions).
- Adjusted shareholders' equity = Shareholders' equity, not including Línea Directa Aseguradora $\times (10.0\% / \text{CET 1 capital ratio})$

Reference 12. Features of the new pension plan scheme:

The current pension system in place in Bankinter, S.A., is an equal-amount, single contribution system for all beneficiaries, regardless of their level of responsibility. This contribution is made from the time beneficiaries are designated, and is not supplemented subsequently with any type of annual contribution.

Below is a description of the features of the new pension plan scheme:

Purpose:

- Improve the alignment of remuneration with the market in accordance with Bankinter's prudential criteria, by implementing a pension plan that includes annual contributions, which are not currently made at Bankinter.
-
- Comply with internal remuneration criteria, which include:
 - adapting pension plan contributions appropriately with respect to the scope of beneficiaries' functional responsibilities.
 - increasing the weight of remuneration items over time as part of the total compensation package.
 - maintaining the highest level of flexibility to be able to adapt the pension system to market and internal conditions, whereby the board of directors may scale down or cancel this scheme at any time.

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 entities¹.
- The pension plans that were analysed (which stand in the second quartile) include an annual contribution of 55% of the base salary of chief executive officers.

¹ 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).

- To date, Bankinter has never had an annual contribution scheme.

Pension plan beneficiary group:

- This scheme's perimeter includes the chief executive officer and the management team and other senior officials of Bankinter (34 individuals).
- The other board members are not beneficiaries of this pension plan.
- Contributions vary based on the responsibilities and the functional scope of each employee (annual contributions range from 30% to 10% of the base salary).

Economic scheme and time frames in the pension plan scheme:

- The initial contribution amount is 656.560 euros, which is paid at the time a beneficiary is designated if he or she is already a Bankinter employee. In the case of a beneficiary named externally, the initial contribution will be made a year from the time the beneficiary was designated. This contribution and the related amount are the same that apply under the current single contribution system in place, which does not include subsequent annual contributions.
- 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, in the case of the chief executive officer, an annual contribution will be made for 40% of the base salary in the year of the contribution (well below 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.
- 15% of social security contribution amounts 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

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 600,000,000 euros and covered usual contingencies for retirement, death or disability. To date, no new contributions have been made to this plan.

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, more than five years have passed. Therefore the first pension plan contribution will be made in 2018 for an amount equal to 40% of her base salary (the fixed portion that does not include variable components).

Reference 13. Ex-post adjustment scenarios

Malus clause:

Any deferred variable remuneration in both cash and shares that is pending payment will be reduced by Bankinter if any of the following circumstances occur during the period until it is realised:

- A reformulation of annual accounts that does not result from a regulatory change, and if this reformulation results in payable variable remuneration that is lower than that which has initially accrued; or no payment of any remuneration of any kind has been made in accordance with Bankinter's variable remuneration system.
- If variable remuneration accrued owing to certain objectives that were achieved as a direct or indirect consequence of:
 - fraud committed by an identified staff member.
 - an events that results in the disciplinary dismissal of an employee in accordance with applicable labour regulations; or, in the case of a director, an event that results in his or her removal from the post of director due to a breach of his or her duties, any actions or omissions that cause harm to Bankinter, or specific events that allow Bankinter to take corporate liability action against him or her.
 - serious harm caused to Bankinter by an identified staff member as a result of fraud or negligence.
 - the sanction of an identified staff member for a serious and fraudulent breach of any of Bankinter's internal standards that may apply to him or her.
 - the sanction of an identified staff member for a serious or very serious violation of the organisational and discipline standards under Title IV of Law 10/2014 of 26 June on the Organisation, Supervision and Solvency of Credit Institutions.
- If any of the following events takes as a result of an act that can be attributed to an identified staff member:

- Failure to meet the capital ratios legally established by current regulations, for a continuous period of more than three (3) months.
- Failure to meet the liquidity ratios legally established by current regulations, for a continuous period of more than three (3) months.
- Significant negative changes to Bankinter's risk profile due to acts committed in violation of the policies and limits approved by the committee.
- Negative gross operating income or earnings before and after tax (EBT and EAT, respectively), after deducting due variable remuneration amounts.
- Bankinter's operating costs are not covered due to significant deterioration in financial margins or due to a significant increase in general or personal expenses.

In accordance with the procedure in place, the scenarios in which the *malus* clause may be enforced may be changed, broadened or adapted depending on any enacted regulations or at the discretion of Bankinter's board of directors.

Clawback clause:

Any variable remuneration already paid in both cash and shares to identified staff members (including executive directors), whether deferred or otherwise, will be partially or wholly recovered by Bankinter if, during the two years immediately after the time payment was made, the collection thereof and, therefore, the non-implementation of adjustment mechanisms, can be shown to have occurred partially or wholly based on information subsequently demonstrated to be false or severely inaccurate; or in the event of any risks taken during the stipulated period or other circumstances not expected or assumed by Bankinter that have a material negative effect on the earnings in any of the financial years in which it is in force.

Any conclusion of the board of directors that circumstances triggering this clause have occurred, the percentage to be returned to Bankinter, procedure the Bank will follow to reclaim a proportional return of the collected amount or even offset it against any other remuneration the individual is entitled to receive, and such individual's obligation to repay Bankinter part or all of such an amount, will be consistent with the remuneration return policy that applies to the identified staff as it was approved by Bankinter for for these purposes.

Reference 14. Chart on the solvency indicator achievement rate

CET1	Accrual (%)
$x < 9\%$	0%
$9\% \leq x < 10\%$	50%
$x \geq 10\%$	100%