

Regulations of the Board of
Directors of
BANKIA, S.A.

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CHAPTER I. PRELIMINARY

ARTICLE 1. PURPOSE

1. The purpose of these regulations is to specify the operating principles for the board of directors of Bankia S.A. (hereinafter the "**Company**"), the basic rules of its functioning and the code of conduct for its members, all while observing the best corporate governance practices in the business sector.
2. The code of conduct established in these regulations for directors will, to the extent compatible with their specific nature and their activities, be applicable to senior officers of the Company and the non-director secretary and assistant secretary of the board of directors.
3. These regulations develop and supplement the legal and bylaws rules applicable to the board of directors of the Company (which will prevail in the event of conflict with the provisions of these regulations) and will be interpreted in accordance with the legal and bylaws rules applicable to the board. The board of directors has authority to resolve such doubts as may arise regarding application and interpretation of these regulations in accordance with the general criteria for interpretation of legal rules.

ARTICLE 2. AMENDMENT

1. These regulations may only be amended on initiative of the chairman of the board of directors, 4 directors or the audit and compliance committee, which must accompany the proposal with an explanatory memorandum.
2. Proposed amendments must be reported on by the audit and compliance committee.
3. The text of the proposal, the supporting memorandum of its authors and the report of the audit and compliance committee must be attached to the call of the board meeting that is to consider it.
4. To be valid an amendment of the regulations must be accomplished by a resolution adopted by the board of directors, with a favourable vote of the absolute majority of the directors present at the meeting in person or by proxy. These regulations must be updated whenever it is necessary to adapt the content to applicable law.
5. The approval of these regulations and amendments thereof will be reported to the general meeting.

ARTICLE 3. DISSEMINATION

Directors and senior officers must be familiar, comply and cause compliance with these regulations. To that end, the secretary of the board will provide all of them with a copy thereof upon their acceptance of their respective appointments or upon effectiveness of their contracts, as applicable. They must deliver a signed declaration to the Secretary stating that they are aware of and accept the content of these regulations, covenanting to fulfil such obligations as are imposed on them thereby.

CHAPTER II. MISSION OF THE BOARD

ARTICLE 4. GENERAL SUPERVISORY FUNCTION AND OTHER AUTHORITY

1. Except for matters reserved to the general meeting, in accordance with the provisions of applicable legislation and the bylaws of the Company, the board of directors is the highest decision-making body of the Company. The foregoing is without prejudice to the delegated and other authority given by the bylaws to the chairman of the board of directors.
2. The board's policy is to delegate ordinary Company management to the management bodies and management team and to concentrate its work on the general supervisory function and consideration of those matters that are of particular importance to the Company.
3. The board will assume, without delegation, such authority as is legally reserved directly to it, and such other authority as may be necessary for responsible exercise of the general supervision function.
4. The board takes responsibility for providing the markets with timely, accurate and reliable information, particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions.
5. The board will approve the financial information the Company periodically must make public.
6. The board will establish the dividend policy and present the corresponding proposed resolutions regarding allocation of profits and other forms of remuneration of shareholders to the general meeting of shareholders, and, if applicable, will order payment of interim dividends
7. Specifically, the board of directors reserves the exclusive authority to approve or delegate authority to approve the following resolutions:
 - (a) on the proposal of the company's chief executive, the appointment and removal of senior officers and their indemnity clauses;
 - (b) investments or transactions of any kind considered to be strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting;
 - (c) the establishment of any new subsidiary, whatever the form thereof, taking interests in companies, divestiture of the aforesaid companies, including all companies in which it holds interests, and acquisitions and dispositions of businesses, for an amount more than or equal to 30 million euros. Below the threshold of 30 million euros, the Executive Chairman will decide by delegation and he, in turn, may delegate his powers.

- (d) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the Company.

ARTICLE 5. POWERS OF REPRESENTATION

1. The power of representation of the Company, judicial and extrajudicial, corresponds to the board of directors, which will adopt its resolutions collectively and ordinarily will act through its chairman. The chairman also will hold power of representation of the Company. The board also may act through any other director to whom it delegates that authority.
2. The secretary of the board and, if applicable, the assistant secretary, will have the representation authority necessary to arrange for attestation as public documents and request registration of the resolutions of the general meeting and the board of directors.
3. The provisions of this article are without prejudice to any such other general and special delegations and grants of power of attorney as may be made.

ARTICLE 6. GUIDING PRINCIPLES

The sole objective of the Company's directors in their decisions will be the corporate interest of the Group, regardless of who proposed their appointment as directors. Thus the directors of the Company will be understood to be entitled to participate in all decisions and resolutions of the board of directors, except for those expressly excluded in the bylaws or these regulations.

The board of directors also will see to it that the Company faithfully complies with current laws, respects the uses and good practices of the sectors or countries where it does business, and observes the principles of social responsibility voluntarily accepted by it.

CHAPTER III. COMPOSITION OF THE BOARD

ARTICLE 7. NUMBER OF DIRECTORS

The board of directors will be comprised of the number of directors determined by the general meeting within the limits set by the Company's articles. For this purpose it will act directly by setting that number by express resolution, or indirectly, by providing for vacancies or appointing new directors, within the maximum established in the bylaws.

ARTICLE 8. QUALITATIVE COMPOSITION

1. In order to be appointed as a member of the board of directors it will not be necessary to be a shareholder. The members of the board of directors must satisfy the requirements of banking regulation to be considered to be honourable persons suitable for exercise of that function. Supervening failure to satisfy those requirements will be grounds for removal of the director.

2. The board of directors, in the exercise of its authority to make recommendations to the general meeting and itself to fill vacancies on the Board, will:
 - (a) see to it that non-executive directors constitute a broad majority by reference to executive directors, and among them there is a reasonable number of independent directors; and
 - (b) promote the professionalism of the board of directors based to the extent possible on the corporate good governance recommendations.

When classifying directors as executive, proprietary or independent the definitions established by the Ministry of Economy and Finance or, in its place, the National Securities Market Commission will be followed, as will the recommendations in the Unified Code for Good Corporate Governance of Listed Companies.

3. The board will state the classification of each director to the general meeting of shareholders that is to make or ratify the appointment. Also, on an annual basis, after verification by the appointments and remuneration committee, that classification will be reviewed by the board of directors, reporting thereon in the annual corporate governance report.

CHAPTER IV. INTERNAL POSITIONS AND COMMITTEES

ARTICLE 9. CHAIRMAN OF THE BOARD

1. The board of directors will appoint its chairman, the term of office of which will be indefinite for so long as the chairman remains a director, with no limits on re-election.

The chairman of the board of directors, in addition to the power of representation referred to in article 36 of the bylaws, will be the executive chairman of the Company, with the maximum authority given thereto for that purpose by the board of directors. The authority delegated to the chairman may be granted by it by way of power of attorney, in particular the authority to propose appointment of members of the Company's senior executives, and to authorise any other appointments within the Company. The General Secretariat, Chairman's Office, Strategic Development, Communications, Intervention and Internal Audit units will report to the chairman of the board of directors, without prejudice to the relationships the chairman is to maintain with the audit and compliance committee.

The chairman of the board of directors will be the chief executive of the Company and will have the maximum authority necessary for exercise of that position, without prejudice to the authority, if any, given to the chief executive officer, having the following authority, in addition to the other authority granted in the bylaws and these regulations:

- a. to see to overall compliance with the bylaws and implementation of the resolutions of the general meeting and the board of directors;
- b. to exercise top-level oversight of the Company and all of its departments;

- c. to head the Company's management team, always in accordance with the decisions and criteria set by the general meeting and board of directors within the scope of their respective authorities;
- d. together with the chief executive officer, to handle matters related to ordinary management of the Company; and
- e. to propose to the board of directors the appointment and removal of the chief executive officer, after a report from the Appointments and Remuneration Committee.
- f. as well as any other functions that may be delegated to him.

In the event of absence of or a vacancy in the position of the chairman that role will be fulfilled by the vice chairman. In any event, if the vacancy or absence is for extended extraordinary reasons, or the result of physical incapacity, the chairman may be replaced by such other director to which authority may be extended by way of the appropriate power of attorney.

- 2. The chairman is vested with the ordinary authority to call meetings of the board of directors, to set the agenda for such meetings and to lead the debate. The chairman, nonetheless, must call the board and place the matters in question on the agenda when so requested by at least 4 directors. In the event of a tie, the chairman will have a casting vote.
- 3. The chairman, as the one responsible for the efficient functioning of the board of directors, will see to it that the directors receive sufficient information for performance of their duties. The chairman further will encourage debate and active participation of the directors during board meetings, protecting their free adoption of positions and expression of opinions.
- 4. On the terms contemplated in the bylaws, the chairman also will have the powers and authority of the board of directors except for those that by law or the bylaws cannot be delegated.
- 5. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance and appointments and remuneration committees.
- 6. Based on the report prepared by the Appointments and Remuneration Committee, the board will evaluate the discharge of its functions by the chairman of the board on a yearly basis.

ARTICLE 10. THE VICE CHAIRMAN

- 1. The board of directors will appoint a single executive vice chairman for undertakings in which the Company holds interests.
- 2. The term of office of the vice chairman will be indefinite for so long as the vice chairman remains as a director, with no limits on re-election, with responsibility for

the undertakings in which the Company holds interests, with the scope delegated to the vice chairman by the board of directors.

ARTICLE 11. THE CHIEF EXECUTIVE OFFICER

1. Independently of the provisions of the preceding articles, the board may appoint a chief executive officer, granting it such authority as it deems to be appropriate, which will assist and report to the executive Chairman regarding the progress of business and the matters within its competence.
2. The granting to the chairman, the chief executive officer or any other member of the board of permanent executive authority, general or by sector, other than the collective supervision and decision-making inherent in the simple position of a director, may be made by virtue of structural delegation, by general powers of attorney or by other contractual documents. The members of the board granted such authority will be deemed to be executive directors, in any event under the higher-ranking management of the executive chairman.
3. The assigning or delegating resolution will determine the extent of the authority given to the chief executive officer, the remuneration corresponding thereto in this regard and any other terms and conditions of the relationship, which will be incorporated in an appropriate contract.
4. The term of office of the chief executive officer, for so long as he remains a director, will be indefinite, with no limits on re-election.

ARTICLE 12. SECRETARY OF THE BOARD

1. The board of directors will appoint a secretary capable of performing the duties inherent in that position. The appointment may be of a person who is not a director, in which case the secretary will act with voice but not vote.
2. The secretary will assist the chairman with his work and must see to the proper functioning of the board of directors. In particular the secretary must provide the directors with the advice and information they need, keep corporate documents, properly reflect the conduct of meetings in the minute books, and certify the resolutions of the board. Also, the secretary in the minutes must note the matters not resolved by the board that have been stated by the directors regarding the progress of the Company, and the questions raised by the secretary or the directors regarding any proposal, on request of the one making the statement.
3. The secretary in any event will see to the formal and substantive legality of the actions of the board, and will ensure that they are in accordance with the letter and spirit of the laws and the regulations thereof, including those approved by regulatory agencies, and that they are in accordance with the Company's bylaws and the Company's board and other regulations.
4. The board of directors may appoint an assistant secretary, which also need not be a director, to assist the secretary in exercise of its duties and to replace it in the event of absence, unavailability, incapacity or vacancy.

5. In the event of absence or impossibility, the secretary and assistant secretary of the board may be replaced by such director from among those attending the corresponding meeting as may be appointed by the board itself. The board may also resolve that the aforesaid temporary replacement will be any employee of the Company. The secretary of the board will also be secretary of all board committees.

ARTICLE 13. COMMITTEES OF THE BOARD OF DIRECTORS

1. Without prejudice to delegations of authority made on an individual basis and its authority to establish board committees for specific areas of business, the board of directors may establish an executive committee, with general decision-making authority, and in any event will establish an audit and compliance committee and an appointments and remuneration committee, the latter two with authority only to report, advise and make proposals regarding the matters specified in the following articles, and a board risk committee, with decision-making authority.
2. The board of directors also may create other committees, with such authority as the board of directors may determine.
3. Minutes of meetings will be prepared, with copies sent to all board members. If not otherwise specifically provided the operating rules established in the bylaws and these regulations in respect of the board will be used, provided that they are consistent with the nature and function of the committee.

ARTICLE 14. EXECUTIVE COMMITTEE

1. The executive committee will be comprised of a minimum of 7 and a maximum of 11 directors.
2. Adoption of resolutions appointing members of the executive committee will require the favourable vote of at least two thirds of the members of the board of directors.
3. The executive committee will have permanently delegated to it such legally delegable authority of the board of directors as it resolves to delegate to it.
4. The chairman of the board of directors will act as chairman of the executive committee. The secretary thereof will be the secretary of the board, and the assistant secretary of the committee, if any, will be the assistant secretary of the board.
5. The executive committee will handle all matters within the jurisdiction of the board of directors that, in the judgment of the committee itself, must be resolved without further delay, with the sole exception of matters that may not be delegated under the provisions of law, the bylaws or these regulations.

In any other case, resolutions adopted by the executive committee will be valid and binding without need of subsequent ratification by the full board.

6. The executive committee will meet as often as called by the chairman, on his own initiative or on request of any 4 of its members.
7. Resolutions of the executive committee will be adopted by majority vote of the directors comprising the committee, present at the meeting in person or by proxy.

In the event of a tie, the chairman will have a casting vote.

8. The authority of the executive committee will be as follows:

a) General management authority:

- i. To refer short and long-term policies, objectives and programmes of the Company and the Group to the board of directors.
- ii. To submit proposed actions regarding security and image to the board of directors, resolving regarding actions entrusted to it in this regard.
- iii. To the extent legally possible, to adopt resolutions that under normal circumstances would correspond to the board of directors, when there is urgency making that necessary. Without prejudice to their validity, these resolutions must be brought to the attention of the board of directors and, if applicable, be ratified by it, at the next meeting, as applicable and to the extent possible, without prejudice to resolutions thereafter adopted by the board.
- iv. To order correction, supplementation or cure of all kinds of resolutions related to matters within ordinary operations, including those adopted by the board of directors, provided that it is necessary to do so in order to implement the transaction in question, and it does not result in a material change of what was resolved, reporting thereon to the board of directors.
- v. To authorise entering into all kinds of contracts permitted by law that are necessary and appropriate to the functioning, development and defence of the interests of the Company; to settle and compromise in arbitration in law and in equity, agreeing to such clauses and conditions as it deems to be most appropriate, and to exercise the corresponding procedural actions.
- vi. To authorise implementation of its resolutions by the Chairman, any director, the general managers, the general secretary and any other employee of the Company or other person, on a joint and several or joint but not several basis, by simple certification of its resolutions or by granting notarial powers of attorney.
- vii. Provided that it deems it to be appropriate, in its discretion to decide not to itself resolve on any matter or transaction, although it is within its competence, resolving to call of the board of directors on an extraordinary and urgent basis, to submit proposals and reports with no limitation whatever for its consideration.
- viii. The creation of special purpose vehicles and companies domiciled in territories treated as tax havens, and acquisition of interests giving individual or collective control thereof.

- ix. Referral to the board of directors of the proposed corporate governance policy and corporate social responsibility policy.
 - x. Referral to the Board of Directors of the remuneration policy and basic terms of contracts with senior managers, on proposal of the appointments and remuneration committee.
 - xi. Referral to the board of directors of the treasury share management policy.
 - xii. Referral to the board of directors of the proposed policy for reporting to and communication with shareholders.
 - xiii. Referral to the board of directors of the proposal for approval of the annual corporate governance report.
 - xiv. Referral to the board of directors of the proposal for approval of the financial information the Company periodically must make public.
 - xv. Provision to the markets of material information, particularly on ownership structure, substantial amendments to governance rules, particularly significant related-party transactions and treasury shares.
 - xvi. Referral to the board of directors of the proposal for amendment of the regulations for internal governance and functioning of the board of directors, after a report from the audit and compliance committee.
 - xvii. Referral to the board of directors of any other proposed approval of reports and undertaking of functions not contemplated in the preceding sections that is required of it by regulation.
 - xviii. Determination of the content of the Company's corporate website.
 - xix. Evaluation of the functioning of the board committees.
- b) General organisation and control authority:
- i. Referral to the board of directors of proposals regarding the principles that are to be applied in the structuring of the Company and the Group and the measures for application of common policies.
 - ii. Complying and causing compliance with the provisions of the Bylaws, Regulations and resolutions of the board of directors, as well as the provisions of the Integration Agreement.

- iii. Using, without prejudice to exercise by other corporate bodies, of authority delegated for that purpose to inspect all of the Company's and the Group's functions and requiring that the deficiencies detected be corrected.
 - iv. Monitoring the performance of implementation of the Integration Agreement.
9. The executive committee must report to the board on the matters considered and the decisions adopted at its meetings. For this purpose, at the first meeting of the board following a meeting of the committee the resolutions adopted by the aforesaid committee will be reported.

ARTICLE 15. AUDIT AND COMPLIANCE COMMITTEE

1. The audit and compliance committee will be comprised of a minimum of 3 and a maximum of 7 directors, at least the majority of which must be non-executive directors. In any event, one of the directors on the committee must be an independent director. The members of the audit and compliance committee will be appointed by the board of directors taking account of knowledge, aptitude and experience in accounting, auditing or risk management.
2. The committee will be chaired by a non-executive director that, in addition, has knowledge and experience in accounting, auditing or risk management. The chairman of the committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.
3. The committee will have a secretary and, optionally, an assistant secretary, who need not be directors and may be other than the secretary and assistant secretary of the board of directors, respectively.
4. The committee will meet as often as called by resolution of the committee itself or its chairman, at least four times per year. Any member of the management team or employee of the company that is required to do so must attend its meetings, to cooperate with it and provide access to any information it may have. The committee also may require the attendance of the statutory auditor. One of its meetings will be used to evaluate the efficiency of and compliance with the Company's governance rules and procedures, and prepare the information the board must approve and include in the annual public documentation.
5. There will be a quorum for the audit and compliance committee with the attendance, in person or by proxy, of at least half of its members. It will adopt its resolutions by majority of those in attendance at the meeting, in person or by proxy. In the event of a tie, the chairman will have a casting vote. The members of the committee may extend proxies to other members. The resolutions of the audit and compliance committee will be maintained in a minutes book, each entry in which will be signed by the chairman and the secretary.
6. Without prejudice to other tasks assigned to it by the board, the audit and compliance committee will have all functions given to it by applicable legislation (in particular

banking regulations), in particular and without limitation the following basic responsibilities:

- (a) Reporting through its chairman and/or secretary to the general meeting of shareholders regarding such matters within its competence as may be posed to it by the shareholders.
- (b) Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms. In particular, regarding internal reporting and control systems:
 - verifying the appropriateness and integrity of internal control systems and reviewing the appointment and replacement of those responsible therefor;
 - reviewing and supervising the preparation and the integrity of the financial information regarding the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements and the proper application of accounting principles;
 - periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed
 - seeing to the independence and effectiveness of the internal audit and regulatory compliance functions; selecting, appointing and removing the head of internal audit functions; reviewing the annual work plan; proposing the budget for those departments; receiving periodic reports on their activities; and verifying that senior management is acting on the findings and recommendations in its reports. In particular, the internal audit function will respond to information requests received from the audit and compliance committee in the exercise of its duties; and
 - establishing and supervising a mechanism whereby staff can confidentially report any irregularities with potentially serious implications they detect within the Company, in particular financial or accounting irregularities.
- (c) Overseeing the process for preparing and submitting regulated financial information, in particular:
 - reviewing the Company's accounts, to see to compliance with legal requirements and proper application of generally accepted accounting principles, and reporting on proposed changes of accounting standards and principles suggested by management; and
 - reviewing the issue prospectuses and the periodic financial information, if any, that the board is required to provide to the markets and market supervisory bodies.

- (d) Proposing to the board of directors, for submission by it to the general meeting of shareholders, the appointment of the statutory auditors, referring proposals for selection, appointment, re-election and replacement thereof to the board, as well as the terms of their engagement.
- (e) Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the committee, and any others related to the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In particular:
- acting as a communications channel between the board of directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements.
 - receiving regular information from the outside auditor on the progress and findings of the audit programme, and verifying that senior management is acting on its recommendations
 - supervising compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;
 - assuring the independence of the external auditor, and to that end:
 - maintaining relationships with the statutory auditor in order to gather information on matters that may call its independence into question, as well as any other matters relating to the audit process, and engaging in such other communications with the statutory auditor as are contemplated in the audit legislation and technical standards for audits;
 - ensuring that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; and
 - in the event of resignation of the external auditor, reviewing the underlying reasons.

In any event, annually it must receive written confirmation from the auditors of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors, or by the persons or entities related thereto in accordance with the provisions of Audit Act 19/1988 of 12 July 1988.

- (f) Annually, prior to the issue of the audit report, to issue a report stating an opinion regarding the independence of the auditors or audit firms. This report

must address the provision of any additional services referred to in the preceding section.

- (g) Reviewing compliance with these regulations, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular the audit and compliance committee is to receive information and, if applicable, issue reports regarding measures disciplining members of the board of directors or senior management of the Company.
 - (h) Supervising compliance with the Company's internal code of conduct for the securities markets, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular, it is the committee's responsibility to receive information and, if applicable, issue reports regarding measures disciplining members of senior management.
 - (i) Informing the board of the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the group.
7. In addition, the audit and compliance committee will report to the board, prior to the adoption by it of the corresponding decisions, on related party transactions, unless that prior reporting function has been given to another supervision and control committee.
 8. For better performance of its duties, the audit and compliance committee may seek the advice of outside professionals on matters within its competence.
 9. The audit and compliance committee will prepare an annual report of its actions, highlighting the principal incidents, if any, that have arisen in respect of matters within its competence.

ARTICLE 16. APPOINTMENTS AND REMUNERATION COMMITTEE

1. The appointments and remuneration committee will be comprised of a minimum of 3 and a maximum of 7 directors. They must be non-executive directors. In any event, one of the directors on the committee must be an independent director.
2. The members of the appointments and remuneration committee will be appointed by the board of directors, based on the knowledge, ability and experience of the directors and the responsibilities of the committee. The committee will be chaired by a non-executive director appointed by the board of directors. The chairman of the committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.
3. The committee will have a secretary and, optionally, an assistant secretary, who need not be directors and may be other than the secretary and assistant secretary of the board of directors, respectively.

4. The committee will meet as often as called by resolution of the committee itself or its chairman, at least four times per year. Further, it also will meet whenever the board of directors or its chairman requests the issue of a report or adoption of proposals.
5. There will be a quorum when one half plus one of the directors that are members of the committee are present in person or by proxy.
6. The committee will adopt its resolutions by majority vote of those in attendance at the meeting, in person or by proxy. In the event of a tie, the chairman will have a casting vote.
7. The appointments and remuneration committee will have general authority to propose and report on remuneration and nominating matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the board, the appointments and remuneration committee will be responsible for:
 - (a) making proposals to the board of directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting of shareholders, and proposals for re-election or removal of those directors by the general meeting;
 - (b) reporting, on a non-binding basis, on proposals of the board of directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting of shareholders, and proposals for re-election and dismissal of those directors by the general meeting;
 - (c) reporting, on a non-binding basis, on board resolutions related to appointment or removal of senior managers of the Group proposed to the board by the chairman;
 - (d) proposing to the board of directors:
 - (i) the remuneration policy for directors and senior officers;
 - (ii) the individual remuneration and other contractual terms of executive directors; and
 - (iii) the standard terms for senior officer contracts.
 - (e) periodically reviewing the remuneration programmes, considering their appropriateness and utility;
 - (f) ensuring the transparency of remuneration and inclusion in the annual report on director remuneration and the annual corporate governance report of information regarding remuneration of directors and, to that end, submitting such information as may be appropriate to the board.
 - (g) overseeing compliance with the remuneration policy set by the Company; and

- (h) to ensure the independence, impartiality and professionalism of the secretary and assistant secretary of the board of directors, reporting on their appointment and removal for approval of the full board.
 - (i) ensuring that, in cases where there are very few or no female directors, when new vacancies arise there is no implicit bias in the selection procedures which could obstruct the selection of female directors, endeavouring to have women who meet the required professional profile included in the potential candidates.
 - (j) reporting to the board of directors on the discharge of the functions of the Chairman of the Board.
8. For better performance of its duties, the committee may seek the advice of outside professionals on matters within its competence.

ARTICLE 17. BOARD RISK COMMITTEE

1. The board risk committee will be responsible for establishing and supervising compliance with the entity's risk control mechanisms. It will be the body responsible for approving the most significant transactions and establishing the overall limits in order for lower-ranking bodies to approve the others, all without prejudice to the supervisory authority legally corresponding to the audit and compliance committee.
2. The board risk committee will be comprised of a minimum of 3 and a maximum of 7 directors. The chairman of the committee will be a director appointed by the Company's board of directors.
3. Resolutions of the board risk committee will be adopted by majority of the directors comprising the committee, present at the meeting in person or by proxy.
In the event of a tie, the chairman will have a casting vote.
4. The board risk committee will have operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the board.
5. The board risk committee will have the specific delegated authority contemplated in the delegation resolution.
6. The board risk committee, as the body responsible for overall risk management, will evaluate reputation risk within the scope of its activities and decision-making authority.
7. Also, copies of the minutes of meetings of this committee will be made available to all directors.
8. Specifically, the basic functions of the board risk committee will be, inter alia, as follows:
 - (a) Presenting risk policies to the board of directors.
 - (b) Proposing the risk control and management policy of the Company and the Group to the board of directors, by way of the Capital Self-Evaluation Report

(*Informe de Autoevaluación de Capital*, or IAC), which in particular will identify:

- The various kinds of risks faced by the Company and the Group.
 - The internal reporting and control systems of the Company of the Group for risk management and control.
 - The risk levels assumed by the Company.
 - The corrective measures to limit the impact of the identified risks, should they materialise.
- (c) Referral to the Board of Directors of proposals for:
- Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those deriving from the macroeconomic environment as related to the status of the economic cycle.
 - Approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.
 - Periodic reports of the results of verification and control functions undertaken by the Company's units.
- (d) Within the context of the risk policies approved by the Board of Directors, establishing the risk level the Company considers to be acceptable from time to time, and seeing to the credit quality of the risk portfolio, compatible with the agility and flexibility required by the competitive market.
- (e) Undertaking periodic monitoring of the loan portfolio of the Company and the Group, to control the adaptation of the risk assumed to the established risk profile, with particular attention to the principal customers of the Company and the Group and the distribution of risk by business sector, geographical area and type of risk.
- (f) Periodically verifying evaluation systems, processes and methodologies and criteria for approval of transactions.
- (g) Evaluating, following and implementing the instructions and recommendations of supervisory entities in the exercise of their authority and, if applicable, referring the actions to be taken to the Board of Directors, without prejudice to following the instructions received.
- (h) Establishing the Company's risk reporting processes.
- (i) Reporting to the Board of Directors on those transactions that may imply risks to solvency, an impact on profits or operations or the reputation of the Company.
- (j) Delegating authority to assume risks to other lower-ranking bodies or officers of the Company.

- (k) The Board Risk Committee may adopt the corresponding decisions within the scope of the authority delegated by the Board of Directors regarding risks specifically contemplated in the delegation resolution of the Board of Directors, in effect from time to time. In the credit risk area, the structure for approval of risks and the risks that, by reason of their amount, are reserved to the Board Risk Committee itself will be determined by the risk segments in effect from time to time and the risk levels characterised by their credit rating or scoring based on the models approved by the supervisory authority.
- (l) Defining, within its competence, the overall limits of prequalifications in favour of individuals or groups regarding exposure by class of risk.
- (m) The Board Risk Committee may, pursuant to the authority delegated by the Board of Directors, approve transactions in respect of which the cumulative risk of the borrower or, if applicable, its group, is in an amount greater than 100 million euros for the worst rating level, up to 500 million euros, above which in all cases the Board of Directors will have jurisdiction. Regardless of that limit, the Board Risk Committee will not consider transactions in an amount equal to or less than 30 million euros. The amounts of cumulative risk and the amount per transaction are applicable for all segments including exclusive segments.

The determination of the risks by amount will be accomplished by adding the risks of the applicant and, if applicable, of the group of companies, in accordance with the criteria established in the risk authority approved by the Board of Directors. That authority progressively will incorporate segmentation criteria, risk level, and the approved models as computer platforms are adapted, during the transitional period using rules of easy implementation.

- (n) The Board Risk Committee will not have competences in relation to any divestment transaction, in particular those affecting the following areas:
 - a. Real property deriving from risk regularisation.
 - a. Real property deriving from corporate regularisations.
 - c. Own-use real property of a unique nature (applies to own-use properties in respect of which the sale price or NBV exceeds 5 million euros or the sale of which entails a capital loss of 1 million euros or more on the NBV).
 - d. Noncurrent financial assets.
 - e. Loan portfolios.
 - f. Lines of business.
 - g. Sale and leaseback of personal and real property.
 - h. Moveable assets including S.A. shares, S.L. shares and, in general, any interests and obligations with an economic content in companies, including (but not limited to) economic interest groupings, joint ventures, cooperatives, reciprocal guarantee companies and any other such entities of a similar nature.

- (o) In the area of approval of risks of kinds other than credit risk, the authority of the Board Risk Committee will be as delegated by the Board of Directors from time to time.

CHAPTER V. FUNCTIONING OF THE BOARD

ARTICLE 18. MEETINGS OF BOARD OF DIRECTORS

1. The board of directors generally will meet once per month and, in addition, as often as called by the chairman, on his own initiative or on request of 4 directors. In the latter case the chairman will call the extraordinary meeting within a maximum term of three business days after receipt of the request, to be held within the three following business days, including the agenda items to be considered at the meeting.
2. The board of directors will be called by individual notice, stating the agenda for the meeting in sufficient detail. This notice will be sent by fax, e-mail or letter to each of the directors, at least 5 days in advance of the date contemplated for the meeting, unless, in the judgment of the chairman, the urgency of the matters to be considered requires an urgent call, which may be made by telephone, fax, e-mail or any other remote means, sufficiently in advance to allow the directors to fulfil their duty to attend. The information the chairman deems to be necessary will accompany the call.

Directors may seek such additional information as they deem to be necessary regarding matters within the competence of the board. Information requests must be made to the chairman or secretary of the board.

For purposes of both call of the board and any communication with directors, the e-mail address the director provides to the Company of the time of accepting the position will apply, the director being required to notify the Company of any change in this regard.

3. There will be a quorum for the board of directors when the quorum established in the bylaws is present, at the place contemplated in the call. The board also may validly meet without need of a call if the holding of the meeting is unanimously accepted by those present in person or by proxy.
4. Without prejudice to the foregoing, the board may meet by videoconference, multiple telephone conference or such comparable means as may exist in the future, or in multiple rooms simultaneously, provided that interactivity and intercommunication among the various sites is assured in real time by audio-visual or telephonic means and, therefore, there is unity of action, unless 4 directors state their opposition to use of such means. In this case, the call will state the connection system and, if applicable, the places where the necessary technical resources will be available for attendance at and participation in the meeting. Under these circumstances resolutions will be deemed to have been adopted at the corporate headquarters.
5. If no director opposes so doing, the board of directors also may adopt its resolutions in writing (including by fax or e-mail prior and subsequent to the sending of the

original by mail), without need of a physical meeting. In this case, the directors may send their votes and the matters they wish to have included in the minutes by e-mail.

ARTICLE 19. BOARD MEETINGS

1. There will be a quorum for a board meeting when at least one half plus one of its members attend the meeting, in person or by proxy.

The directors will do everything possible to attend meetings of the board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the board. Proxies will be granted on a special basis for the meeting of the board of directors in question, when possible with instructions. Notice thereof may be given in any of the ways contemplated in the second section of the preceding Article.

2. The chairman will organise the debate, seeking and promoting participation of all directors in the deliberations of the body, ensuring their free adoption of positions and statement of opinions.
3. Any person invited by the chairman may attend meetings of the board.

ARTICLE 20. ADOPTION OF RESOLUTIONS

Resolutions of the board of directors will be adopted as provided in the bylaws. Each board member has one vote.

ARTICLE 21. BOARD OF DIRECTORS MINUTES

1. The minutes of the board of directors meeting will be prepared by the secretary of the board and, in his absence, by the assistant secretary, if any. In their absence the minutes will be prepared by the person appointed by those in attendance as the secretary for the meeting.
2. The minutes will be approved by the board itself, at the end of the meeting or at the immediately following meeting.
3. The chairman, chief executive officer and secretary of the board will be permanently authorised, jointly and severally, to arrange for attestation as public documents of the resolutions of the board of directors, all without prejudice to the express authorisations contemplated in the applicable regulations.

CHAPTER VI. APPOINTMENT AND REMOVAL OF DIRECTORS

ARTICLE 22. APPOINTMENT, REELECTION AND RATIFICATION OF DIRECTORS. APPOINTMENT OF MEMBERS OF BOARD COMMITTEES. APPOINTMENT TO POSITIONS ON THE BOARD AND ITS COMMITTEES

1. Directors will be appointed, re-elected or ratified by the general meeting or by the board of directors, as applicable, in accordance with the provisions of applicable law, the bylaws and these regulations.

2. In particular, the board of directors, from among the shareholders, may appoint directors by co-option to fill vacancies occurring during the terms for which directors were appointed. Directors appointed by co-option will temporarily serve until the date of the first general meeting immediately following that appointment by co-option, included, which may ratify the appointment thereof so that the appointment as a director will become final. In any event, directors appointed by co-option will, from the date of their appointment, have the same rights and duties as directors appointed directly by the general meeting.

Directors appointed by co-option will immediately cease to act as such if the first meeting after their appointment does not ratify the appointment.

3. Proposals of appointments, re-election and ratification of directors submitted by the board of directors for consideration of the general meeting, and appointment decisions adopted by the board itself by virtue of its co-option authority, in turn must be preceded by the corresponding report of the appointments and remuneration committee.
4. In the selection of one who is to be proposed for a director position it will be ensured that it is a person of high honour, competence, standing and experience in the financial sector.
5. The persons appointed as directors must satisfy the conditions imposed by law or the bylaws, at the time of taking office formally covenanting to fulfil the obligations and duties contemplated therein and in these regulations.
6. There is no age limit for appointment to or serving in this position.

ARTICLE 23. TERM OF OFFICE

1. The directors will serve for a term of 6 years, for so long as the general meeting does not resolve to dismiss or remove them and they do not resign their positions. The foregoing is understood to be without prejudice to the provisions of Artículo 22 regarding directors appointed by co-option.
2. The appointment of the directors will lapse when, the term having concluded, the following general meeting has been held or the legal term for calling the meeting that is to resolve on approval of the accounts for the preceding financial year has passed.
3. Directors may be re-elected one or more times for periods of 6 years.

ARTICLE 24. REMOVAL OF DIRECTORS

1. Directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the general meeting or when they are to resign.
2. If the board of directors proposes the removal of any non-executive director before the end of the bylaws term for which the director was appointed, the proposal must be well-founded and have the corresponding report of the appointments and remuneration committee.

3. Without prejudice to the foregoing, directors will place their directorships at the disposal of the board of directors and formally tender their resignations, if the board deems it to be desirable, in the following circumstances:
- (a) When they are subject to any of the cases of incompatibility or prohibition provided by law;
 - (b) When they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, any director of the Company must advise the board of directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes indicated in article 213 of the Corporations Act, the board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not it is appropriate for the director to remain in the position.

- (c) When they are seriously admonished by the audit and compliance committee for violating their duties as directors.
- (d) When their remaining as directors could present a reputation risk to the interests of the Company.

ARTICLE 25. PROCEDURE FOR REMOVAL OR REPLACEMENT OF MEMBERS OF THE BOARD OR ITS COMMITTEES AND FROM POSITIONS ON THOSE BODIES.

In the event of removal, notice of resignation, incapacity or death of members of the board or its committees or removal or notice of resignation of the chairman of the board of directors or the chief executive officer or officers and those in other positions on those bodies, on request of the chairman of the board or, in the absence thereof, on request of 4 directors, the appointments and remuneration committee will be called to review and organise the process for succession or replacement on a planned basis and the corresponding proposal to the board of directors. This proposal will be sent to the executive committee and thereafter to the next meeting of the board of directors.

ARTICLE 26. OBJECTIVITY OF VOTES

The directors affected by proposed appointments, re-elections or dismissals will refrain from participating in deliberations and votes dealing with them.

CHAPTER VII. DIRECTOR INFORMATION

ARTICLE 27. INFORMATION AND INSPECTION AUTHORITY

1. A director has the broadest authority to learn of any matter of the Company, to examine its books, records, documents and other background of corporate transactions and to inspect all of its facilities.
2. In order not to interfere with ordinary management of the Company, exercise of information rights will be channelled through the chairman or secretary of the board of directors. They will respond to director inquiries by providing the information directly, making the appropriate spokesmen within the organisation available as appropriate, or arranging for appropriate on-site review and inspection.
3. The chairman or the secretary may refuse to provide the information if it concludes:
(i) that is not necessary to proper performance of the duties assigned to the director or
(ii) that the cost thereof is not reasonable in light of the significance of the problem and the assets and revenue of the Company.

CHAPTER VIII. DIRECTOR REMUNERATION

ARTICLE 28. REMUNERATION OF DIRECTORS

1. The director's position is remunerated.
2. The remuneration of directors will consist of a fixed periodic amount and per diems for attendance at meetings of the board of directors and its committees, without prejudice to reimbursement of the corresponding expenses and the possibility of implementing systems for remuneration in shares pursuant to the good corporate governance recommendations. The fixing of this amount, its distribution among the various directors and the regularity of its receipt will be within the authority of the board of directors.
3. Executive directors in addition will be entitled to receive remuneration consisting of
(a) a fixed part, commensurate with the services and responsibilities assumed; (b) a variable part, related to an indicator of the performance of the director or the undertaking; (c) an assistance part, covering the appropriate retirement and insurance systems; and (d) indemnification in the event of separation from or any other form of termination of the legal relationship with the Company, not due to breach attributable to the director.

Determination of the amount of the remuneration items comprising the fixed part, the manner of configuring and indicators for calculation of the variable part, the assistance provisions, and the indemnification or the criteria for calculation thereof, also corresponds to the board of directors.

In any event, the remuneration of members of the management bodies of the Company will be in accordance with the provisions regarding this matter contained in corporate and banking regulation.

4. Non-executive directors of the Company who receive any remuneration by reason of membership on any management body of the financial institution that is the majority shareholder of Bankia¹ or the lending institutions that are shareholders of that majority shareholder², or have an employment or senior management contract therewith, will not be entitled to receive any remuneration by reason of their positions as directors of the Company, except for reimbursement of their expenses.

In addition, executive directors of the Company who receive any remuneration by reason of performance of executive functions for the entity exercising effective control over the financial institution that is the majority shareholder of Bankia or the lending institutions that are shareholders of that majority shareholder will not be entitled to receive any remuneration for their executive functions within the Company, except for reimbursement of their expenses.

The executive directors of the Company, if any, will not be entitled to receive any remuneration in the form of per diems or periodic payments by reason of their membership on any management body of the financial institution that is the majority shareholder of Bankia or the lending institutions that are shareholders of that majority shareholder.

5. Additionally, directors who perform other executive or advisory functions apart from those of collective supervision and decision inherent in their status as directors, whatever the nature of their relationship with Bankia, will be entitled to receive such remuneration, employment or professional, fixed or variable, in cash or in kind, as by resolution of the board of directors of Bankia may apply for performance of those functions, including participation in such incentive systems, if any, as may be established on a general basis for members of the Company's senior management.
6. The Company will secure civil liability insurance for its directors on the usual terms commensurate with the circumstances of the Company.
7. The board will arrange for director remuneration to be moderate and consistent with the Company's profits. In particular, it will see to it that the remuneration of non-executive directors is sufficient to compensate them for the dedication, qualification and responsibility required to serve in the position.

ARTICLE 29. INFORMATION ON REMUNERATION

1. The board of directors annually will approve a report on remuneration policy, describing the criteria and bases for determining remuneration of directors, making it available to the shareholders upon call of the ordinary general meeting so there may be a vote thereon, which will be of an advisory nature.

¹ Specifically, Banco Financiero y de Ahorros S.A.

² That is, Caja de Ahorros y Monte de Piedad de Madrid; Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja; Caja Insular de Ahorros de Canarias; Caja de Ahorros y Monte de Piedad de Ávila; Caixa d'Estalvis Laietana; Caja de Ahorros y Monte de Piedad de Segovia and Caja de Ahorros de La Rioja (the "Cajas")

In any event the report will include at least full, clear and comprehensible information regarding the policy for remuneration of directors of the Company approved by the Board for the current year and, if applicable, the policy contemplated for future years. It also will include an overall summary of how the remuneration policy was applied during the financial year, and details of the individual remuneration earned by each of the directors.

2. This report must be a separate point on the agenda. The content of the report will be adapted to the provisions of law.
3. The remuneration received by each director will be individually reported in the annual report, stating the amount corresponding to each category of remuneration. The remuneration corresponding to executive functions assigned to the executive directors of the Company will also be stated in the report, individually and for each of the categories.

CHAPTER IX. DIRECTOR DUTIES

ARTICLE 30. GENERAL OBLIGATIONS OF DIRECTORS

In the performance of his duties a director will act with the diligence of an orderly businessmen and loyal representative. In particular a director is required:

- (a) To review and prepare appropriately for the meetings of the board and board committees to which the director belongs.
- (b) To attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making.

If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him.

- (c) To perform any specific task assigned to him by the board of directors that is reasonably within his time commitment.
- (d) To investigate any irregularity in the management of the Company of which he has learned and to monitor any risk situation.

ARTICLE 31. DIRECTOR CONFIDENTIALITY OBLIGATION

1. The directors must preserve the secrecy of confidential information, and will be required to keep confidential the information, data, reports and background information they come to know in the performance of their duties, and such information will not be communicated to third parties or be subject to disclosure. Excepted from this obligation are those circumstances in which the law permits communication or disclosure to a third party or, if applicable, when the information is required by or must be submitted to the respective supervisory authorities, in which case the disclosure must comply with the applicable legal provisions.

2. If the director is a legal person, the duty of secrecy will apply to the representative thereof, without prejudice to fulfilment of the obligation the representative has to inform that director.
3. The confidentiality obligation survives departure from office.

ARTICLE 32. NONCOMPETITION OBLIGATION

1. Directors may not, for themselves or on behalf of another, engage in a business that is the same as or comparable or complementary to the business constituting the corporate purpose of the Company. This does not apply to such positions as may be held in entities of the Group to which the Company belongs.
2. Before accepting any executive position with another company or entity, a director must consult with the appointments and remuneration committee.

ARTICLE 33. CONFLICTS OF INTEREST

1. Directors must disclose to the board of directors any conflict they may have with the interests of the Company. A director must refrain from attending meetings and participating in deliberations affecting matters in which the director, or a person related thereto, is personally interested.

For these purposes, persons indicated in article 231 of the Corporations Act will be deemed to be related to directors.

2. Directors also must disclose such direct or indirect interests as either they or the related persons referred to in the preceding section may have in the capital of a company with a business that is the same as, or comparable or complementary to the business constituting the corporate purpose, and also will disclose the offices or functions they hold or perform therein.
3. A director may not directly or indirectly engage in professional or commercial transactions with the Company unless it first gives notice of the conflict of interest, and the board, after a report from the appointments and remuneration committee, approves the transaction.
4. In order to facilitate compliance and supervision of such conflicts of interest as directors may have from time to time, all of them will make a first declaration of potential conflicts at the time of taking office, which declaration must be updated immediately in the event of a change in any of the circumstances declared or if any such circumstances cease to exist or others appear.

ARTICLE 34. USE OF CORPORATE ASSETS

1. Directors may not use the assets of the Company or use their position in the Company to obtain an economic advantage, unless appropriate compensation is paid.
2. Exceptionally, directors may be released from the obligation to pay the consideration, but in such cases the economic advantage will be considered to be indirect remuneration and must be authorised by the board, after a report from the appointments and remuneration committee.

ARTICLE 35. BUSINESS OPPORTUNITIES

1. No director may, for its own benefit or for related persons, make investments or engage in any transactions involving Company property that it learns of as a result of the performance of its duties, if the investment or transaction has been offered to the Company or the Company is interested therein, unless the Company has rejected the investment or transaction uninfluenced by the director.
2. For purposes of the preceding section a business opportunity is any possibility of making an investment or engaging in a commercial transaction that arises or is discovered in connection with the director's performance of his duties or his use of resources and information of the Company, or under circumstances such that it is reasonable to believe that a third party offer was in fact addressed to the Company.

ARTICLE 36. DIRECTOR DUTY OF DISCLOSURE

A director also must advise the Company of all positions the director holds and the activities it engages in in other companies or entities, and in general of any fact or situation that may be the relevant to its role as a director of the Company. In order to facilitate compliance with and supervision of this duty, the directors will make a first declaration of positions and activities at the time of taking office, which declaration must be updated immediately in the event of a change in any of the situations declared or if any such situations cease to exist or others appear.

ARTICLE 37. RELATED PARTY TRANSACTIONS

1. The board will review transactions the Company engages in, directly or indirectly, with directors, with shareholders or with persons related thereto. Engaging in such transactions will require authorisation of the board, after a favourable report from the audit and compliance committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in applicable regulations.
2. There will be no obligation to advise the Board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions:
 - (a) they are pursuant to contracts the terms of which are basically standardised and customarily are applied to customers contracting for the type of product or service in question;
 - (b) they are at prices or tariffs established on a general basis by the one acting as the supplier of the goods or services in question or, when the transactions relate to goods or services for which there are no established tariffs, they are on customary market terms, comparable to those applied in commercial relationships maintained with customers having similar characteristics; and
 - (c) the amount is no more than 1% of the Company's annual revenue.

3. Transactions with directors in any event will be subject to the authorisation referred to in this article, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the board of directors, simultaneously satisfying conditions (a) and (b) as set forth in section 2 above.
4. By way of exception, when urgency makes it advisable, related party transactions may be authorised by the executive committee, with subsequent ratification of the board.
5. A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in Article 33.1 of these regulations, that have not been submitted to the conditions and controls contemplated in this article.

CHAPTER X. RELATIONS OF THE BOARD

ARTICLE 38. RELATIONS WITH THE MARKETS

1. The board of directors will advise the public immediately regarding:
 - (a) The material disclosures capable of appreciably influencing the stock market price of the Company's share.
 - (b) Changes materially affecting the shareholding structure of the Company.
 - (c) Material changes in the rules of governance of the Company.
 - (d) Related party transactions of particular importance with board members.
 - (e) Treasury share transactions of particular importance.
2. The board will adopt the measures necessary to guarantee that quarterly, semi-annual and any other financial information that is disclosed to the markets is prepared in accordance with the professional practices, principles and policies as the annual financial statements and is equally reliable. In this regard, such information will be reviewed by the audit and compliance committee before being disclosed.
3. The board of directors annually will prepare and publish a corporate governance report, in accordance with the provisions of law.
4. The following information regarding directors will be made public and updated on the Company's website:
 - (a) Professional experience and background.
 - (b) Other boards of directors of which they are members.
 - (c) Indication of the category to which the director belongs, in the case of non-executive proprietary directors indicating the shareholder represented or with which the director has ties.

- (d) Dates of first and subsequent appointments as a director.
- (e) Shares held in the Company and any options thereon held thereby.

ARTICLE 39. RELATIONS WITH SHAREHOLDERS

1. The board of directors will promote communication of the Company with its shareholders. Thus, with the assistance of any of the directors and/or members of senior management deemed to be appropriate, it will promote informational meetings regarding the progress of the Company with shareholders residing in the most important markets, in Spain and abroad. In no case will these meetings with shareholders include delivery thereto of any information that could give them a privilege or advantage over other shareholders.
2. The board of directors will arrange for informed participation by shareholders in general meetings and will take appropriate measures to enable the general meeting effectively to exercise the functions assigned to it by law and the bylaws.

In addition, the board of directors will keep an updated Company website available to shareholders, in accordance with current regulations, on which the information that is required by law, the bylaws and regulations will be accessible.

ARTICLE 40. RELATIONS WITH INSTITUTIONAL SHAREHOLDERS

1. The board of directors will establish mechanisms for the regular sharing of information with institutional investors who are among the Company's shareholders.
2. The relations between the board of directors and institutional shareholders may not result in delivery to such shareholders of information that could give them a privilege or advantage over other shareholders.

ARTICLE 41. RELATIONS WITH THE STATUTORY AUDITOR

1. The relations of the board of directors with the statutory auditor of the Company will be undertaken through the audit and compliance committee.
2. The audit firm will not be engaged for services other than audit that could compromise the independence thereof.
3. The board of directors will publicly report the overall fees that the Company has paid to the audit firm other than for audit services.
4. The board of directors will arrange for preparation of the accounts in a manner that will not result in qualifications by the statutory auditor. Nevertheless, when the board believes it must maintain its position, it will, through the chairman of the audit and compliance committee, publicly explain the substance and scope of the difference and, also, will arrange for the statutory auditor also to state its comments in this regard.

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