

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

It includes the amendments approved by the Board of Directors held in February 23, 2015

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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, four (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.

In relation to the above, the board of directors will define a corporate governance system that ensures healthy, prudent management of the Company and that provides for an appropriate distribution of functions within the organisation and the prevention of conflicts of interest. The board will oversee the application of said system and will regularly monitor and assess its effectiveness, taking whatever measures are necessary to resolve possible deficiencies.

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, without prejudice to the responsibilities recognised in the bylaws, the board will have the following non-delegable duties:
 - a) Approve the strategic or business plan, the annual management objectives and budget, the investment and funding policy, the corporate social responsibility policy and the dividend policy, assuming responsibility for the Company's administration and management, the approval and monitoring of the application of its strategic objectives, its risk strategy and its internal governance.
 - b) Determine the Company's general policies and strategies; in particular, determine the Company's tax strategy and risk control and management policy (including tax risks), oversee internal information and control systems and ensure the integrity of accounting

and financial information systems, including financial and operational control, and compliance with applicable law.

- c) Determine the corporate governance policy of the Company and the group of which it is the controlling company; oversee, control and periodically assess the effectiveness of the corporate governance system and where applicable, take appropriate measures to resolve deficiencies; and oversee the organisation and functioning of the board of directors, in particular the approval and amendment of the board regulations.
- d) Approve the financial information which the Company, as a listed entity, must publish periodically and supervise the reporting process and communications about the Company.
- e) Decide on the structure of the group of companies of which the Company is the controlling entity.
- f) Approve any investments or transactions of any kind which, because of their amount or special characteristics, have strategic importance or entail special tax risks, unless they require the approval of the general meeting.
- g) Approve the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories classified as tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the Company and its Group.
- h) Subject to a report by the audit and compliance committee, approve any transactions the Company or other companies in its Group may enter into with directors or shareholders who, individually or acting in concert with others, hold a significant interest, including shareholders represented on the board of directors of the Company or of other companies belonging to the same Group or people related to them. The directors affected or those who represent or are related to the shareholders affected will refrain from deliberating or voting on the resolution in question. Only transactions that simultaneously meet all three of the following criteria will be excepted from the abovementioned approval requirement:
 - 1. They are carried out under agreements that have standardized terms and conditions and that apply collectively to large numbers of customers;
 - 2. They are carried out at prices or rates established on a general basis by whoever acts as supplier of the good or service concerned; and
 - 3. Their amount does not exceed one percent of the Company's annual revenue.
- i) Supervise the effective functioning of any committees that may have been established, the actions of delegated bodies and, where the law so provides, any officers it may have appointed, including senior management.
- j) The policy on treasury shares.

- k) Call the general meeting of shareholders and prepare the agenda and proposed resolutions.
- l) Decide on directors' remuneration, in accordance with the bylaws and with the remuneration policy approved by the General Meeting.
- m) Authorise or waive the obligations arising from the duty of loyalty, in accordance with the law.
- n) Authorise the financial statements and present them to the general meeting.
- o) Authorise any kind of report required of the board of directors by law, unless the matter that is the subject of the report can be delegated.
- p) Appoint and remove the Company's CEO and set the terms and conditions of the CEO's contract.
- q) Appoint and remove senior managers who report directly to the board or any board member and set the basic terms and conditions of their contracts, including their remuneration.
- r) Any powers the general meeting has delegated to the board of directors, unless the general meeting has expressly authorised the board to subdelegate them.

As permitted under applicable law, in duly substantiated urgent situations, the abovementioned decisions may be made by delegated bodies or individuals, in which case the decisions must be ratified in the first board of directors meeting held after the decisions were made.

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
 - and
 - b) promote the professionalism of the board of directors based to the extent possible on the corporate good governance recommendations.

Directors will be classified as executive, proprietary or independent based on the definitions established in applicable laws and regulations.

3. In its overall composition, the board of directors must have sufficient knowledge, competencies and experience in the governance of credit institutions to adequately comprehend the Company's activities, including its main risks, and must be capable of making decisions independently and autonomously for the benefit of the Company. It will also ensure that the selection procedures for directors encourage diversity of experience and knowledge,

facilitate the selection of female directors and, in general, are not subject to implicit biases that may lead to discrimination.

4. The board will make the classification of each director clear to the general meeting of shareholders that is to make or ratify the appointment. Furthermore, each year, following verification by the appointments committee, the board of directors will review the classification of each director, reporting its findings in the annual corporate governance report.

CHAPTER IV. INTERNAL POSITIONS AND COMMITTEES

ARTICLE 9. CHAIRMAN OF THE BOARD

1. Subject to a report by the appointments committee, 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 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 ensure 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;
- e) to make proposals to the board of directors for the appointment and removal of the CEO, subject to a report by the appointments committee;

- f) to call and chair board meetings, setting the agenda of the meetings and leading the discussions and deliberations;
- g) to chair the general meeting of shareholders;
- h) to ensure that directors receive sufficient information in advance to be able to deliberate on the points of the agenda;
- i) to stimulate debate and active participation by directors during meetings, safeguarding their freedom to take positions and express opinions; and
- j) any other functions that have been delegated to the chairman.

If the chairman is absent, unable to act or indisposed, his functions will be performed by the director the board of directors has appointed for that purpose or, failing that, by the oldest director. If the absence or inability to act is prolonged, for extraordinary reasons, or is the result of physical disability, the chairman's functions may be performed by such other director as has been authorised for that purpose through the grant of the appropriate power of attorney.

Independently of the provisions of the previous paragraph, when the chairman of the board is an executive director, the board of directors will appoint a lead independent director, who will be chosen from among the independent directors at the proposal of the appointments committee. The lead independent director will channel all matters and concerns raised by non-executive directors and may request that a meeting of the board of directors be convened and that items be included in the agenda. In particular, the lead independent director will have the task of organising any common positions of the independent directors and will act as a channel of communication or spokesperson for any such common positions.

The lead independent director will be appointed for a term of three (3) years and may not be re-elected for successive terms. The appointment will also be terminated when the lead independent director ceases to be a director or ceases to be an independent director, or when the board of directors, at the proposal of the appointments committee, so decides.

2. The chairman will call a meeting of the board and include items in the meeting agenda when asked to do so by any of the independent directors. In the event of a tie, the chairman will have a casting vote.
3. The chairman, as the person responsible for the efficient functioning of the board of directors, will ensure that the directors receive sufficient information to be able to perform their function. Directors may request any additional information or advice they may require for the performance of their functions and may apply to the board of directors for assistance from independent experts where the complexity or importance of the matters submitted for their consideration so require.

4. On the terms contemplated in the bylaws, the chairman will also have the powers and authority of the board of directors except for those that by law or the bylaws cannot be delegated.
5. At annual intervals the board of directors will assess its own performance and that of its committees and, based on its findings, will propose an action plan to correct any deficiencies that may have been detected. The chairman will organise and coordinate the periodic board assessment with the chairmen of the audit and compliance and the appointments committees.
6. The board will assess the chairman's performance of his functions on a yearly basis, based on the report prepared by the appointments committee. The assessment of the chairman of the board will be directed by the lead independent director.

ARTICLE 10. THE CHIEF EXECUTIVE OFFICER

1. Independently of the provisions of the previous articles, at the proposal of the chairman and subject to a report by the appointments committee, the board may appoint a Chief Executive Officer (CEO). The CEO will be given the responsibilities the board considers appropriate and will report to and inform the executive chairman on the progress of the businesses and any other matters within his remit.
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 11. SECRETARY OF THE BOARD

1. Subject to a report by the appointments committee, 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 assist the chairman in ensuring that the directors receive the advice and information they need in order to perform their function, 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 will safeguard the formal and substantive legality of the board's actions and ensure that those actions are in accordance with the spirit and letter of the law and its implementing regulations, including those issued by regulatory agencies, as well as with the bylaws of the Company, the regulations of the board and any other regulations the Company may have.
4. Subject to a report by the appoints committee, the board of directors may appoint an assistant secretary, who 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 the secretary of all the board committees, without prejudice to any specific rules stated in the regulations of each committee.

ARTICLE 12. 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, an appointments committee, a remuneration committee and a risks advisory committee, these latter 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 13. EXECUTIVE COMMITTEE

1. An executive committee may be formed, which will be made up of no fewer than five (5) and no more than seven (7) directors.

2. Resolutions to permanently delegate any power of the board of directors to the executive committee or to appoint members of the executive committee will require the approval of at least two-thirds of the directors.
3. The executive committee will have the powers permanently delegated to it by the board of directors at the time the committee is created or subsequently, insofar as the law and the bylaws allow them to be delegated.
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 at the request of any one (1) of its members.
7. Resolutions of the executive committee will be adopted by absolute majority of the members present at the meeting in person or by proxy.

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

8. 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 14. AUDIT AND COMPLIANCE COMMITTEE

1. The audit and compliance committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any other employee. The members of the audit and compliance committee will be appointed by the board of directors taking account of their knowledge, aptitudes and experience in accounting or auditing or both and the committee's tasks.
2. The committee will be chaired by a non-executive director that, in addition, has knowledge, aptitudes 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. The chairman of the committee may, at any time, apply to the senior manager responsible for the Company's internal audit for information on internal audit activities. Also, independently of organisational reporting lines, the head of internal audit will maintain a functional relationship with the audit and compliance committee and its chairman.

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. Meetings of the audit and compliance committee will be validly held when a majority of the committee's members are present in person or by proxy. Resolutions will be adopted by absolute majority of the members present 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 the functions assigned to it under legislation, in particular and without limitation the following basic responsibilities:
 - a) Report to the general meeting on issues that fall within its remit.
 - b) Supervise the effectiveness of the Company's internal controls, internal audit (where applicable) and risk management systems (including tax risks) and discuss with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit. In particular, regarding internal reporting and control systems:
 - verify the appropriateness and integrity of internal control systems and review the appointment and replacement of those responsible for them;
 - review and supervise the preparation and 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 review the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed

- safeguard the independence and effectiveness of the internal audit and regulatory compliance functions; proposing the selection, appointment and removal of the head of internal audit functions; review the annual work plan; propose the budget for those departments; receive periodic reports on their activities; and verify 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
 - establish and supervise a mechanism whereby staff can confidentially report any irregularities with potentially serious implications they detect within the Company, in particular financial or accounting irregularities, promoting compliance with the Code of Ethics and Conduct approved by the Company; and
 - establish and supervise a system for preventing and detecting crimes that may result in criminal liability for the Company.
- c) Supervise the preparation and filing of regulatory financial information, in particular:
- Report to the board of directors, in advance, on the financial information the Company must publish periodically;
 - review the Company's accounts, to ensure compliance with legal requirements and proper application of generally accepted accounting principles, and report on changes to accounting principles and criteria proposed by management; and
 - review issue prospectuses and any periodic financial information the board is required to provide to the markets and market supervisory bodies.
- d) Make recommendations to the board of directors for the selection, appointment, re-election and removal of the external auditor and the terms and conditions of engagement.
- e) Establish appropriate relations with the external auditors so as to receive information on matters that could jeopardise the external auditors' independence, so that they may be examined by the committee, and on any other matters arising from the auditing of the Company's accounts, and make any other disclosures required under applicable legislation and auditing standards. In particular:
- act 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.
 - receive regular information from the external auditor on the audit plan and the results of the audit and ensure that senior management acts on the external auditor's recommendations;
 - supervise 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;
 - ensure the independence of the external auditor in the exercise of its functions and, to that end:

- maintain relations with the statutory auditor in order to gather information on any matters that may call the auditor's 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 provided for in the audit legislation and technical standards for audits;
- ensure 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, investigate the reasons for the resignation.

The committee will also receive an annual statement from the external auditors certifying their independence in relation to the Company or entities directly or indirectly related to it, as well as information about any additional services of any kind provided and the fees received from these entities by the independent auditor, or by individuals or entities related to it, in accordance with the laws on auditing.

- f) Issue a report each year, prior to the release of the auditors' report, expressing an opinion on the independence of the external auditor. This report will contain an assessment of any additional non-audit services provided, as referred to in the previous section, considered individually and in the aggregate, in relation to the auditors' independence and compliance with auditing standards.
- g) Examine and supervising compliance with these Regulations, the internal regulations on the Company's conduct in securities markets, the anti-money laundering manuals and procedures and, in general, the Company's governance and compliance rules, making the necessary proposals for improvement thereof. In particular, it is the audit and compliance committee's task to receive information and, where applicable, issue reports on any disciplinary measures taken against members of the board of directors or senior management of the Company.
- h) Report to the board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories classified as tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the group.
- i) Report to the board of directors, in advance, on all matters within its remit provided for in law, the bylaws or the board regulations.
- j) Any other functions which have been assigned to it, or for which it has been granted authority, by the board.

The provisions of paragraphs d), e) and f) above will be without prejudice to regulatory auditing standards.

7. The audit and compliance committee will also report to the board on related-party transactions, before the board makes any decision in this respect.
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 15 THE APPOINTMENTS COMMITTEE

1. The appointments committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any employee.
2. The members of the appointments committee will be appointed by the board of directors taking account of their knowledge, aptitudes and experience and the committee's tasks. 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. A majority of the members of the committee, present in person or by proxy, constitute a quorum.
6. The committee will adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.
7. The appointments committee will have general authority to propose and report on the appointment and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the board, the appointments committee will have the following tasks:
 - a) assess the competencies, knowledge, diversity and experience required on the Board and, in light of that assessment, define the roles and capabilities required of the candidates to fill each vacancy, and estimate the time and commitment that will be needed for them to perform their duties effectively;

- b) identify candidates and make recommendations and proposals to the board of directors for the appointment of independent directors by co-option or, if applicable, by vote of the shareholders in general meeting, and make proposals for the re-election or removal of such directors by the general meeting;
 - c) identify candidates, make recommendations and submit reports to the board of directors on proposals for the appointment of the remaining directors by co-option or by vote of the shareholders in general meeting, and make proposals for their re-election or removal by the general meeting;
 - d) advise, on a non-binding basis, to the board on the appointment or removal of senior managers of the Group and the basic terms and conditions of their contracts, without prejudice to the powers of the remuneration committee with regard to remuneration, and conduct regular reviews of the board's policy on the selection and appointment of senior managers of the Group, offering recommendations;
 - e) where company law so provides, examine and organise the succession plan for the Company's governing bodies and, where appropriate, submit proposals to the board of directors with a view to ensuring orderly, planned succession;
 - f) to safeguard the independence, impartiality and professionalism of the secretary and assistant secretary of the board of directors, submit reports on their appointment and removal for approval by the full board;
 - g) set a target for the level of representation of the less well represented gender on the board of directors and draw up guidelines on how to increase the number of people of the less well represented gender so as to meet that target. The committee will also take steps to ensure that the selection procedures used to fill vacancies do not have implicit biases that prevent the selection of people of the less well represented gender;
 - h) at regular intervals and at least once a year, assess the structure, size, composition and performance of the board of directors, making recommendations to the board in respect of possible changes;
 - i) at regular intervals and at least once a year, assess the suitability of the various members of the board of directors and of the board as a whole and report the results to the board of directors;
 - j) report to the board of directors on matters of good corporate governance in areas within the committee's remit (objectives, talent management, liability insurance, etc.) and make proposals for improvement.
8. The committee will consult the chairman and, where appropriate, the CEO of the Company, especially in matters concerning executive directors and senior managers.

9. To perform its functions more effectively, the committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters within its remit, and will receive the necessary funding to do so.
10. The chairman and any director may submit suggestions to the committee regarding matters that fall within its remit and, in particular, may put forward candidates to fill vacancies on the board.

ARTICLE 15 BIS REMUNERATION COMMITTEE

1. The remuneration committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any employee.
2. The members of the remuneration committee will be appointed by the board of directors, taking account of their knowledge, aptitudes and experience and the committee's tasks. 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. A majority of the members of the committee, present in person or by proxy, constitute a quorum.
6. The committee will adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.
7. The remuneration committee will have the following tasks:
 - a) make proposals to the board of directors for the policy on the remuneration of directors and general managers or senior managers who report directly to the board, an executive committee or the CEO, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance;
 - b) report on senior management remuneration. The committee will oversee the remuneration of the heads of Internal Audit, Risks and Regulatory Compliance;

- c) periodically review the Company's remuneration programmes, assessing their appropriateness and effectiveness;
 - d) ensure transparency in remuneration and the inclusion of information about directors' remuneration in the annual report on directors' remuneration and the annual corporate governance report, submitting such information as may be necessary to the board for that purpose;
 - e) monitor compliance with the remuneration policy set by the Company;
 - f) make proposals to the board on any remuneration decisions to be made by the board that may have an impact on risk and the Company's risk management, taking the long-term interests of shareholders, investors and other stakeholders into account, as well as the public interest, all this without prejudice to the functions assigned to the risk advisory committee in this matter;
8. The committee will consult the chairman and, where appropriate, the CEO of the Company, especially in matters concerning executive directors and senior managers.
9. To perform its functions more effectively, the committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters within its remit.

ARTICLE 15 TER. APPOINTMENTS AND REMUNERATION COMMITTEE

1. Provided all the legal requirements stated in applicable laws and regulations are met, the board may resolve to have the functions described in articles 15 and 15bis above performed by a single appointments and remuneration committee.
2. The appointments and remuneration committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any other employee. The number of members of the appointments and remuneration committee may be determined directly, by express agreement on a particular number, or indirectly by filling vacancies or appointing new members within the established maximum.
3. The members of the appointments and remuneration committee will be appointed by the board of directors, taking account of their knowledge, aptitudes and experience and the committee's tasks.
4. The appointments and remuneration committee will be chaired by an independent 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.

ARTICLE 16. THE RISK ADVISORY COMMITTEE

1. The risk advisory committee will have no fewer than three (3) and no more than five (5) members, who may not be executive directors. The members of the risk advisory committee

must have the necessary knowledge, capacity and experience to fully understand and control the Company's risk strategy and risk appetite. At least one-third of its members must be independent directors. The position of chairman of the committee will invariably be held by an independent director.

2. Resolutions of the risk advisory committee will be adopted by absolute majority of the members present at the meeting in person or by proxy.

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

3. The consultative risks committee will perform the following functions:

- a) Advise the board of directors on the Company's general risk appetite, now and in the future, and its strategy in this respect, and assist the board in overseeing the implementation of that strategy.

Nevertheless, the board of directors will have ultimate responsibility for the risks taken by the Company.

- b) Ensure that the pricing of the assets and liabilities offered to customers takes the Company's business model and risk strategy fully into account. Where this is not the case, the risk advisory committee will present the board of directors with a plan to remedy the situation.

- c) Determine, together with the board of directors, the nature, quantity, format and frequency of the risk reports the risk advisory committee and the board of directors are to receive.

- d) Collaborate to establish rational remuneration policies and practices. For this purpose, without prejudice to the functions of the remuneration committee, the risk advisory committee will monitor the incentives provided by the remuneration system to ensure that it gives proper consideration to risk, capital, liquidity and the probability and timing of profits.

- e) Present risk policies to the board of directors.

- f) Propose the Company's and the Group's risk control and risk management policy to the board of directors through the internal capital adequacy assessment (ICAAP) report, which must identify in particular:

- 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.

- g) Refer to the board of directors proposals regarding:

- Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those arising from the macroeconomic environment in relation to the current stage 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.
- h) Periodically monitor the credit quality of the Company and the Group to ensure that the risks taken match the established risk profile, paying particular attention to the main customers and the distribution of risk by business sector, geographical area and risk type.
- i) Periodically check the systems, processes, assessment methods and criteria for approving transactions.
- j) Make proposals to the board of directors for the assessment, monitoring and implementation of instructions and recommendations issued by supervisory bodies in the exercise of their function and, where applicable, refer to the board of directors any proposals for actions to be taken, while following the instructions received.
- k) Verify that the Company's risk reporting processes are appropriate for managing the risks taken and, where appropriate, propose any improvements that may be considered necessary to correct them.
- l) Make proposals to the board of directors in relation to the Company's credit risk authority framework.
- m) Determine whether the risk unit has the necessary processes and technical and human resources to perform its functions independently, in line with the Company's risk profile.
4. To perform its functions, the risk advisory committee will have unhindered access to information about the Company's risk situation and, if necessary, to the risk management unit and specialised outside advice.
5. The head of the risk unit will be a senior manager, who will meet the requirements stated in applicable regulations and who, in the performance of his functions, will have direct access to the board of directors, the board risk committee and the risk advisory committee, and may be relieved from his post in accordance with applicable laws and regulations.

ARTICLE 16 BIS. BOARD RISK COMMITTEE

1. The board risk committee is the body responsible for approving risks within the authority delegated to it and for overseeing and administering the exercise of the authority delegated to lower-ranking bodies, all this without prejudice to the oversight authority vested by law in the audit and compliance committee.

2. The board risk committee will be made up of no fewer than three (3) and no more than seven (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 absolute majority of the members 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. Also, copies of the minutes of meetings of this committee will be made available to all directors.
7. Specifically, the board risk committee will have the following functions, among others:
 - a) Make decisions within the scope of the authority delegated by the board of directors in risk matters specifically provided for in the board's current delegation resolution.
 - b) Within its scope of authority, set the overall preclassification limits for account holders or customer groups in relation to exposures by risk class.
 - c) Report to the board of directors on risks that may affect the Company's capital adequacy, recurring results, operations or reputation.
 - d) With respect to the approval of risk types other than credit risk, the authorities of the board risk committee will be those delegated to it by the board of directors at any given time.

CHAPTER V. FUNCTIONING OF THE BOARD

ARTICLE 17. MEETINGS OF THE BOARD OF DIRECTORS

1. The Board of Directors will meet, as a general rule, once a month and, additionally, whenever convened by the Chairman at his own initiative or at the request of an independent director. In the latter case the chairman will call the extraordinary meeting within a maximum term of three (3) business days after receipt of the request, to be held within the three (3) 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 five (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. Except in the case of an urgent call, the chairman, with the secretary's help, will ensure that the directors have all the

information they need in order to deliberate and adopt resolutions on the business to be discussed, sufficiently in advance of the meeting.

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. Meetings of the board of directors will be considered to be validly held in the place stated 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 18. BOARD MEETINGS

1. There will be a quorum for a board meeting when at least one half plus one of the board's members are present 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 for the purpose of the board meeting to which they refer and, where possible, with instructions and may be notified by any of the means provided for in the second section of the previous article, although non-executive directors may only grant a proxy to another director under applicable law.

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 19. ADOPTION OF RESOLUTIONS

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

ARTICLE 20. 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 21. 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 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. If a vacancy occurs after the general meeting has been called but before it is held, the board of directors may appoint a director until the next general meeting is held.

3. Any proposals for the appointment, re-election or ratification of directors which the board of directors lays before the general meeting and any appointment decisions made by the board

itself under its powers of co-option are the responsibility of the appointments committee, in the case of independent directors, or the board itself, in the case of all other directors, and must be preceded by a board report assessing the competence, experience and merits of the proposed candidate, which will be attached to the general meeting or board minutes.

4. In selecting directors, care will be taken to select persons of recognised business and professional good standing, competence, reputation and experience in the financial sector who are equipped to exercise good governance of the Company, in accordance with applicable laws and regulations in the matter.
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. Any legal person who is appointed a director must appoint a single natural person to perform the director's functions on a permanent basis. Any revocation of such an appointment by the legal person director will have no effect until a replacement is appointed. In addition, the appointment of a natural person to act as representative will be subject to a report by the appointments committee.

A natural person who is permanently appointed to perform the functions of a legal person director must meet the same suitability requirements, is subject to the same rules of incompatibility, has the same duties and is jointly and severally liable with the legal person director.

7. There is no age limit for appointment to or serving in this position.
8. To introduce them to the Company and its corporate governance rules, new directors will be offered an orientation and support programme. Where circumstances so advise, the Company may also establish continuing professional development programmes for directors.

ARTICLE 22. TERM OF OFFICE

1. The directors will serve for a term of four (4) 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 Article 21 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 four (4) years.

ARTICLE 23. 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 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 affected by any of the rules on incompatibility or prohibition or unsuitability prescribed 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.
 - e) When they cease to hold the positions, offices or functions with which their appointment as executive directors was associated.
 - f) In the case of proprietary directors, when the shareholder at whose initiative they were appointed disposes of its interest in the Company or reduces its interest to a level that requires a reduction in the number of proprietary directors.
4. If a natural person representing a legal person director is in any of the situations described in the previous section, that person will be disqualified from acting as representative.

ARTICLE 24. 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 and those in other positions on those bodies, on request of the chairman of the board or, in the absence thereof, on request of one director, the appointments committee will be called to review and organise the process for succession or replacement on a planned basis and make 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 25. 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. INFORMATION PROVIDED TO DIRECTORS**ARTICLE 26. INFORMATION AND INSPECTION AUTHORITY**

1. Directors have a duty to demand, and a right to request, from the Company all the information they need in order to perform their obligations and have the broadest authority to seek information on any aspect of the Company, to examine its books, records, documents and other evidence of the Company's transactions, and to inspect all 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 secretary may refuse information if they consider that: (i) the information is not necessary for the proper performance of the director's functions; (ii) the cost of the information is unreasonable given the importance of the problem and the Company's assets and revenue; or (iii) the requested technical assistance may be adequately provided by Company experts and technicians.

CHAPTER VIII. DIRECTORS' REMUNERATION**ARTICLE 27. 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. The maximum amount of the aggregate

annual remuneration of directors as such must be approved by the general meeting and will remain in force until the general meeting approves a change. 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. For this purpose the board will take into account the roles and responsibilities of each director, board committee membership and any other objective circumstances it considers relevant.

3. Directors who perform executive functions in the Company, whatever the nature of their legal relationship with the Company, will also be entitled to receive remuneration for those functions, to be decided by the board of directors at the proposal of the remuneration committee, in accordance with the bylaws and the remuneration policy approved by the general meeting. Said remuneration will consist 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; (d) indemnification in the event of separation or any other form of termination of the legal relationship with the Company not due to breach attributable to the director; and (e) the amounts resulting from any exclusivity, post-employment non-compete or length of service or loyalty agreements included in the contract. The remuneration will be included in a contract to be entered into between the director and the Company, which must be approved by a two-thirds majority of the board of directors and annexed to the minutes of the board meeting. The director concerned will abstain from joining the deliberations and voting. No director may receive any remuneration for the performance of executive functions the nature or amount of which is not provided for in that contract.

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 entity that is the majority shareholder of the Company¹ or who have an employment or senior management contract with that entity 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 in the entity that is the majority shareholder of the Company will not be entitled to receive any remuneration for their executive functions within the Company, except for reimbursement of their expenses.

¹ Specifically, BFA Tenedora de Acciones, S.A.U.

The executive directors of the Company, if any, will not be entitled to simultaneously receive any remuneration in the form of per diems by reason of their membership on any governance body of the entity that is the majority shareholder of the Company.

5. Additionally, directors who perform other advisory functions apart from those of collegial supervision and decision-making inherent in their status as directors, whatever the nature of their relationship with the Company, 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 the Company may apply for performance of those functions.
6. The Company will secure civil liability insurance for its directors on the usual terms commensurate with the circumstances of the Company.
7. In addition, independently of the remuneration referred to in the preceding paragraphs, the Company may establish systems of remuneration linked to the market price of the Company's shares or that entail the delivery of shares or of options on shares for directors. In these cases a resolution of the general meeting will be required. This resolution must include the maximum number of shares to be allocated to this remuneration scheme each year, the exercise price or the system for calculating the exercise price of the options on shares, the value of the shares that is to be taken as a reference and the period for which the remuneration scheme will remain in force.

Subject to compliance with legal requirements, similar remuneration systems may be established for (management and non-management) employees of the Company.

8. 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.
9. At least every three (3) years and as a separate item on the agenda, the general meeting of shareholders of the Company will approve the policy on directors' remuneration, which will be adjusted as necessary to the remuneration system provided for in the bylaws, as required by law. The proposal for the abovementioned remuneration policy must be accompanied by a report of the remuneration committee.

In addition, the remuneration policy will be subject to an annual internal review, carried out centrally and independently, to determine whether the remuneration rules and procedures adopted by the board of directors are being followed.

At regular intervals the board of directors of the Company will adopt and review the general principles of the remuneration policy and will be responsible for overseeing its implementation.

ARTICLE 28. REPORTING ON REMUNERATION

1. The board of directors will prepare and publish an annual report on directors' remuneration, including any remuneration directors have received or are entitled to receive for their work as directors and, where applicable, for the performance of executive functions. Said report will be made available to shareholders at the time of the notice of the ordinary general meeting, so that they may take an advisory vote on it.

At a minimum, the report will include full, clear and comprehensible information about the Company's policy on directors' remuneration for the current period. It will also include an overview of how the remuneration policy was applied during the year just ended, as well as details of the individual remuneration earned by each director on all counts in that year. This report must be a separate item on the general meeting agenda. The content of the report will be adapted to the provisions of law.

2. In the event that the annual report on directors' remuneration is rejected in the advisory vote of the ordinary general meeting, the remuneration policy for the following year must be submitted to the approval of the general meeting even if the abovementioned period of three (3) years has not elapsed.
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. DUTIES OF DIRECTORS**ARTICLE 29. GENERAL OBLIGATIONS OF DIRECTORS**

In the performance of their duties, directors will act with the care of prudent businessmen and the loyalty of faithful representatives.

ARTICLE 30. GENERAL DUTY OF CARE

1. Directors will exercise their office and perform the duties imposed by law and the bylaws with the care of prudent businessmen, in line with the nature of their office and the functions assigned to each one of them.
2. Directors will have sufficient dedication and will take the necessary measures to ensure proper management and control of the Company.
3. In performing their functions, directors have a duty to demand and a right to request from the Company all the information they need in order to perform their obligations.
4. Within the framework of their duty of care, directors are obliged, in particular, to:

- a) Review and prepare appropriately for meetings of the board and of any board committees of which they are members.
 - b) Attend the meetings of the bodies of which they are members and participate actively in deliberations, so that their judgment contributes effectively to decision making.
If a director is unable, for good reason, to attend a meeting to which he has been called, he will, as far as possible, give instructions to the director who is to represent him.
 - c) Perform any specific task assigned to them by the board of directors that is reasonably within their time commitment.
 - d) Investigate any irregularity in the management of the Company of which they have learned and monitor any risk situation.
 - e) Inform the appointments committee about their other obligations, so as to ensure that those other obligations do not interfere with the commitment required of them.
5. In relation to strategic and business decisions subject to business judgement, the duty of care will be deemed met if a director has acted in good faith, with no personal interest in the matter to be decided, with sufficient information, and within the framework of a proper decision-making procedure.

The scope of business judgement will not be considered to include decisions that personally affect other directors and related parties.

ARTICLE 31. DUTY OF LOYALTY

1. Directors must exercise their office with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company. In particular, the duty of loyalty requires that directors:
- a) Not use their authority for any purposes other than those for which it has been granted.
 - b) Keep secret all information, data, reports or records to which they may have access in the performance of their duties, even after they have left office, except where permitted or required by law.
 - c) Refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest. Resolutions or decisions that affect a director as such, such as those concerning a director's appointment to or removal from positions on the board or other such decisions, are excluded from the abovementioned obligation to refrain.
 - d) Take the necessary steps to avoid falling into situations in which their own interests or those of other persons conflict with the interests of the Company and their duties to the Company.

- e) Perform their functions in accordance with the principle of personal responsibility, exercising their own judgment, independently of any instructions from or ties to third parties.

ARTICLE 32. DUTY TO PREVENT CONFLICTS OF INTEREST

1. In particular, the duty to prevent conflicts of interest referred to in paragraph d) of the previous article places an obligation on directors:
 - a) Not to enter into transactions with the Company, unless they are small-scale, ordinary transactions carried out on the standard terms for customers, that is to say, transactions that do not need to be reported in order to give a true and fair view of the Company's assets and liabilities, financial position and results of operations.
 - b) Not to use the Company's name or their status as directors to unlawfully influence the execution of private transactions.
 - c) Not to use the Company's assets, including confidential information, for private ends.
 - d) Not to exploit the Company's business opportunities for their own benefit.
 - e) Not to seek advantages or remuneration from parties other than the Company and its group through the performance of their duties, unless the advantages or remuneration consist of mere business courtesies.
 - f) Not to carry on activities for their own account or on behalf of others that actually or potentially bring them into competition with the Company or that in any other way place them in permanent conflict with the interests of the Company.
2. The above provisions will also apply if the beneficiary of the prohibited actions or activities is a person related to a director.
3. In any case, directors will notify the board of directors of any direct or indirect conflict which they themselves or persons related to them may have with the interests of the Company.

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

4. Directors' conflicts of interest will be reported in the annual report.

ARTICLE 33. WAIVERS SCHEME

1. In particular cases, the Company may waive the prohibitions stated in the previous article, authorising a director or a person related to a director to enter into a certain transaction with

the Company, use certain Company assets, exploit a particular business opportunity, or obtain an advantage or remuneration from a third party.

2. Where the waiver concerns the prohibition of obtaining an advantage or remuneration from a third party or affects a transaction for an amount that exceeds ten percent of the Company's assets, any such authorisation must be approved by the general meeting.
3. The obligation not to compete with the Company may only be waived if no harm is expected to result for the Company or if any foreseeable harm is likely to be outweighed by the benefits that are expected to be obtained from the waiver. The waiver will be granted by express, separate resolution of the general meeting.
4. In other cases, the authorisation may also be granted by the board of directors, subject to a report by the audit and compliance committee, provided the independence of the members who grant the waiver with respect to the director who benefits from it is guaranteed. Steps must also be taken to ensure that the authorised transaction has no harmful impact on the Company's assets and liabilities or, where applicable, that it is entered into on an arm's length basis and with full transparency.

ARTICLE 34. DIRECTORS' 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 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 35. RELATED PARTY TRANSACTIONS

1. Without prejudice to the provisions of the preceding articles, the board will review transactions the Company engages in, directly or indirectly, with directors, shareholders or persons related to them. 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 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 32.1 of these regulations, that have not been submitted to the conditions and controls contemplated in this article.

CHAPTER X. THE BOARD'S RELATIONS

ARTICLE 36. 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 same professional practices, principles and policies as the annual financial statements and is equally reliable. The audit and compliance committee will report to the board of directors on the periodic financial information to be published by the Company, before it is published.
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 37. 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.
3. 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 38. 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 39. 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.

TRANSITIONAL PROVISION.

1. Directors who were appointed before 1 January 2014 may complete their current term of office, even though it may exceed the maximum term specified in Article 22 of these Regulations.
2. So long as applicable law does not require the creation of separate appointments and remuneration committees, the Company will maintain the existing appointments and remuneration committee, which is regulated in Article 15 Ter of these Regulations.

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