

## PROPOSED RESOLUTIONS FOR 2016 ORDINARY GENERAL MEETING OF SHAREHOLDERS OF BANKIA, S.A.

### **1. Approval of the audited Annual Accounts and Management Report of Bankia and of its consolidated Group. Allocation of results. Approval of the corporate management for the year. All of the above in reference to the year closed 31 December 2015.**

#### **1.1. Approval of the Individual Annual Accounts and Management Report of Bankia.**

Approve the annual accounts of Bankia, comprising the Balance Sheet, Profit and Loss Statement, Statement of Recognised Income and Expenses, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Annual Accounts, prepared by the Board of Directors, as well as the Management Report, prepared by the same body, for the financial year closed 31 December 2015.

#### **1.2. Approval of the Consolidated Annual Accounts and Management Report of the Bankia Group.**

Approve the annual accounts of the Bankia consolidated group, comprising the Consolidated Balance Sheet, Consolidated Profit and Loss Statement, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Annual Accounts, prepared by the Board of Directors, and the consolidated Management Report, prepared by the same body, for the financial year closed 31 December 2015.

#### **1.3. Approval of the corporate management by the Board of the Company in 2015.**

To approve the Board of Directors' management of the Company in 2015.

#### **1.4. Allocation of results.**

Approve allocation of the Company's results and the distribution of the dividend for the year ended 31 December 2015 as follows:

Distribute, against earnings for the year ended 31 December 2015, a gross dividend 2.625 euro cents per share of Bankia, S.A. entitled to dividend and outstanding at the date the payment is made. It is expressly placed on record that Bankia, S.A. will not be entitled to receive dividends for the own shares it holds directly as treasury stock.

Said dividend payment is expected to take place on 31 March 2016.

This dividend will be distributed through the affiliated participants in the securities registration, clearing and settlement service known as Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR), for which purpose the Board of Directors is hereby authorised, with express power to subdelegate this authority, to fix the exact payment date for the dividend, appoint the entity that will act as paying agent and carry out all other

actions that are necessary or convenient for the successful execution of the distribution.

The profits obtained by Bankia in the year closed 31 December 2015, which amount to nine hundred forty million sixty-four thousand four hundred eighty-three euros and eighty-four euro cents (940,064,483.84 euros), will be allocated as follows:

- To the legal reserve: 94,006,448.384 euros.
- To dividends (maximum amount to be distributed based on a fixed gross dividend of 0.02625 euros per share to a total of 11,517,328,544 shares): a maximum of 302,329,874.28 euros.
- To voluntary reserves (minimum amount to be allocated, depending on the number of shares entitled to dividends and outstanding at the date of the dividend payment): 543,728,161.176 euros.

## **2. Appointment and reelection of members of the Board of Directors.**

All appointments and reelections of directors proposed to the General Meeting are accompanied by the explanatory report of the Board of Directors provided for in article 529 decies of the Spanish Corporations Act and, furthermore, (i) in the case of the reelection of Mr. José Sevilla Álvarez as executive director, by the favourable report of the Appointments Committee and (ii) in the case of the appointment of Mr. Antonio Greño Hidalgo as independent director and the reelections of Mr. Joaquín Ayuso García as independent director, Mr. Francisco Javier Campo García as independent director and Ms. Eva Castillo Sanz as independent director, by the proposal of the Appointments Committee. These reports have been made available to the shareholders as from the publication of the call of the General Meeting.

### **2.1 Appoint as director, in the category of independent director, Mr. Antonio Greño Hidalgo for the bylaws mandated term of four years, to replace director Mr. Alfredo Lafita Pardo, who tendered his resignation effective as from the conclusion of the General Meeting.**

It is resolved, at the proposal of the Appointments Committee, to appoint Mr. Antonio Greño Hidalgo, of legal age, married, a national of Spain and with address for the purposes hereof at Paseo de la Castellana nº 189, 28046-Madrid, as director of the Company in the category of "independent director", replacing the director Mr. Alfredo Lafita Pardo, who tendered his resignation effective as from the conclusion of the General Meeting, for the bylaws mandated term of four years reckoned from the date this General Meeting is here.

Mr. Antonio Greño Hidalgo will accept his appointment by any legally admissible means.

It is noted that the effectiveness of Mr. Antonio Greño Hidalgo's appointment is subject to the relevant regulatory authorisations, according to the provisions of Royal Decree 84/2015 of 13 February 2015 implementing Law 10/2014 of 26 June on regulation, supervision and solvency of credit institutions.

### **2.2 Reelect as director, in the category of executive director, Mr. José Sevilla Álvarez for the bylaws mandated term of four years.**

It is resolved, at the proposal of the Board of Directors, with the favourable report of the Appointments Committee, to reelect director Mr. José Sevilla Álvarez, of legal age, married, a national of Spain and with address for the purposes hereof at Paseo de la Castellana nº 189, 28046-Madrid, in the category of “executive director”, for the bylaws mandated term of four years reckoned from the date this General Meeting is held.

Mr. José Sevilla Álvarez will accept his reelection by any legally admissible means.

**2.3 Reelect as director, in the category of independent director, Mr. Joaquín Ayuso García for the bylaws mandated term of four years.**

It is resolved, at the proposal of the Appointments Committee, to reelect director Mr. Joaquín Ayuso García, of legal age, married, a national of Spain and with address for the purposes hereof at Paseo de la Castellana nº 189, 28046-Madrid, in the category of “independent director”, for the bylaws mandated term of four years reckoned from the date this General Meeting is held.

Mr. Joaquín Ayuso García will accept his reelection by any legally admissible means.

**2.4 Reelect as director, in the category of independent director, Mr. Francisco Javier Campo García for the bylaws mandated term of four years.**

It is resolved, at the proposal of the Appointments Committee, to reelect director Mr. Francisco Javier Campo García, of legal age, married, a national of Spain and with address for the purposes hereof at Paseo de la Castellana nº 189, 28046-Madrid, in the category of “independent director”, for the bylaws mandated term of four years reckoned from the date this General Meeting is held.

Mr. Francisco Javier Campo García will accept his reelection by any legally admissible means.

**2.5 Reelect as director, in the category of independent director, Ms. Eva Castillo Sanz for the bylaws mandated term of four years.**

It is resolved, at the proposal of the Appointments Committee, to reelect director Ms. Eva Castillo Sanz, of legal age, unmarried, a national of Spain and with address for the purposes hereof at Paseo de la Castellana nº 189, 28046-Madrid, in the category of “independent director”, for the bylaws mandated term of four years reckoned from the date this General Meeting is held.

Ms. Eva Castillo Sanz will accept her reelection by any legally admissible means.

**3. Reelection of the statutory auditor of the Company and its Consolidated Group for 2016.**

Reelect as statutory auditor of Bankia S.A. and its Consolidated Group for the 2016 financial year the firm of Ernst & Young, S.L., with registered office in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso, number 1, holding taxpayer identification number B-78970506, registered in the Commercial Registry of Madrid, page M-23123, folio 215, volume 12749, book 0, section 8 and registered in the Official Register of Auditors of Accounts (Registro Oficial de Auditores de Cuentas) under number S0530, in accordance

with the proposal made by the Audit and Compliance Committee to the Board of Directors and approved by the latter.

- 4. Approval of amendment of the following articles of the Company bylaws: article 17 (Issue of Debentures), article 18 (Convertible and Exchangeable Debentures), article 19 (Other Securities), article 21 (Distribution of Authority), article 23 bis (Information Prior to General Meeting), article 27 (Quorum for General Meeting), article 38 (Categories of Directors), article 44 (Positions on and Committees of Board of Directors), article 45 (Executive Committee), article 46 (Audit and Compliance Committee), article 47 (Appointments and Responsible Management Committee), elimination of article 47 ter (Appointments and Remuneration Committee), renumbering of article 47 quáter as article 47 ter (Risk Advisory Committee), article 49 (Remuneration of Directors), article 53 (Financial Year and Preparation of Annual Accounts), and amendment of the transitional provision to adapt the Bylaws to the new Good Governance Code of Listed Companies approved by Spain's securities exchange regulator, the Comisión Nacional de Mercado de Valores (CNMV), in February 2015, to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts, and by Law 5/2015 of 27 April 2015 to promote lending to business, and to introduce certain improvements of a technical nature deriving from the aforesaid rules.**

Subsequent to the required report of the Board of Directors, at the proposal of the Audit and Compliance Committee, be it resolved to amend the following articles: article 17 (Issue of Debentures), article 18 (Convertible and Exchangeable Debentures), article 19 (Other Securities), article 21 (Distribution of Authority), article 23 bis (Information Prior to General Meeting), article 27 (Quorum for General Meeting), article 38 (Categories of Directors), article 44 (Positions on and Committees of Board of Directors), article 45 (Executive Committee), article 46 (Audit and Compliance Committee), article 47 (Appointments and Responsible Management Committee), elimination of article 47 ter (Appointments and Remuneration Committee), renumbering of article 47 quáter as article 47 ter (Risk Advisory Committee ), article 49 (Remuneration of Directors), article 53 (Financial Year and Preparation of Annual Accounts), and amendment of the transitional provision.

Pursuant to the provisions of Royal Decree 84/2015 of 13 February 2015, implementing Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions, the proposed amendments to the Bylaws are subject to obtaining the administrative authorisation envisaged in article 10.1 of the said Royal Decree, unless such authorisation is not necessary in accordance with said provision.

The amendments are aimed at adapting the Bylaws to the new Good Governance Code of Listed Companies approved by the Comisión Nacional de Mercado de Valores (CNMV) in February 2015, to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts, and by Law 5/2015 of 27 April 2015 to promote lending to business, and to introduce certain improvements of a technical nature deriving from the aforesaid rules.

The aforesaid articles of the Bylaws will be submitted to a vote in the following groups of articles:

## 4.1 Amendment of articles relating to the issue of debentures and other securities:

### Article 17. Issue of debentures

1. The Company may issue debentures in accordance with the terms established by law.
2. The board of directors will have authority to resolve to issue and arrange for admission to trading of debentures, as well as to resolve to grant guarantees for the debenture issue, provided said securities are neither convertible into shares nor entitle the holder to share in the Company's profits.
3. The general meeting of shareholders will have authority to resolve to issue debentures that are convertible into shares or debentures that entitle the holder to share in the Company's profits.

~~The general meeting may delegate authority to the board of directors to issue debentures that fall within its authority according to the law straight, convertible and/or exchangeable debentures, mortgage-backed securities or any other mortgage securities, as well as other securities acknowledging or creating a debt. The board may exercise that authority on one or more occasions, over a maximum term of five years.~~

The general meeting also may authorise the board to determine the time the resolved issue is to occur, and to fix the other terms not contemplated in the meeting resolution.

### Article 18. Convertible and exchangeable debentures

1. Convertible and/or exchangeable debentures may be issued at a fixed (determined or determinable) exchange ratio or by reference to a variable. The issue resolution will determine whether the authority to convert or exchange lies in the debentureholder or the Company or, if applicable, the conversion will occur on a mandatory basis at a given time.
2. Shareholders' pre-emptive rights involving the issuance of convertible debentures may be withheld under the terms provided by law.
3. ~~The general meeting may delegate authority to issue straight, convertible and/or exchangeable debentures to the board of directors, if applicable including authority to exclude pre-emptive rights. The board of directors may exercise that authority on one or more occasions, over a maximum term of five years. The general meeting also may authorise the board of directors to determine the time the resolved issue is to occur, and to fix the other terms not contemplated in the meeting resolution.~~

### Article 19. Other securities

The board of directors will have authority to issue the ~~The Company may issue notes, warrants, preferred interests, subordinated debt or other securities different from those contemplated in the preceding articles, in compliance with the requirements established in the applicable regulations, provided said securities are neither convertible into share nor entitle the holder to a share in the Company's profits.~~

- ~~1. The general meeting may delegate authority to issue those securities to the board of directors. The board may exercise that authority on one or more occasions, over a maximum term of five years.~~

~~The general meeting also may authorise the board to determine the time the resolved issue is to occur, and to fix the other terms not contemplated in the meeting resolution.~~

## **4.2 Amendment of articles relating to operation of the general meeting:**

### **Article 21. Distribution of authority**

1. The general meeting has authority to decide regarding all matters attributed to it by law or these bylaws. In particular, merely by way of example, it has authority:
  - a) to appoint and remove directors, and ratify or revoke temporary appointments of directors made by the board itself;
  - b) to appoint and remove the liquidators and auditors;
  - c) to approve the annual accounts, the allocation of results, and corporate management, and if applicable also to approve the consolidated annual accounts;
  - d) to resolve to distribute dividends;
  - e) to resolve to issue debentures and securities which fall within its authority according to the terms of the law;
  - f) to resolve to increase or reduce capital ~~and issue securities convertible to or exchangeable for shares~~;
  - g) to resolve the merger, split-up, transformation, bulk transfer of assets and liabilities and transfer of registered office abroad;
  - h) to approve the regulation of the functioning of the General Meeting;
  - i) to resolve the amendment of the bylaws;
  - j) to authorise the board of directors to increase capital and issue debentures or other analogous debt instruments for which the general meeting has authority in accordance with the provisions of applicable legislation and these bylaws;
  - k) to authorise the acquisition of own shares;
  - l) to resolve to list the Company's shares on any organised secondary market;
  - m) to transfer essential activities until then undertaken by the Company itself to subsidiary companies, even if the Company maintains full ownership thereof. The essential nature of activities will be presumed when the volume of the transaction exceeds twenty-five percent of the total assets on the balance sheet;
  - n) to approve, if applicable, the acquisition, disposal or contribution to another Company of essential assets. The essential nature of the asset will be presumed when the amount of the transaction exceeds twenty-five percent of the value of the assets appearing on the last approved balance sheet;

- o) to resolve the winding up of the Company, approve the final liquidation balance sheet as well as transactions the effect of which is equivalent to liquidation of the Company;
  - p) to decide on matters submitted to it by resolution of the board of directors;
  - q) to decide on the elimination of, or restrictions on, preferential subscription rights, notwithstanding the possibility of delegation to the directors on the legally established terms;
  - r) to approve the director remuneration policy, in accordance with the provisions of applicable law, as well as to decide on the application of remuneration systems involving the delivery of shares or rights in respect of such shares, as well as any other remuneration system that is indexed to the stock market value, regardless of the beneficiary of such systems; and
  - s) to issue, in accordance with the Corporations Act, instructions to the board of directors or submit to its authorisation the adoption by the board of directors of decisions or resolutions on certain management matters.
2. Powers not attributed to the general meeting by law or these bylaws rests with the board of directors.

#### **Article 23 bis. Information prior to general meeting**

From publication of the call to the holding of the meeting, the Company on its website will make available to the shareholders, inter alia, the following information:

- a) Notice of call.
- b) Total number of shares and voting rights on the date of the call, broken down by classes of shares.
- c) Documents that must be presented to the general meeting, in particular the reports of directors, statutory auditors and independent experts.
- d) Complete text of the proposed resolutions, regarding each and every one of the points on the agenda or, as regards those points that are of a merely informational nature, a report of the competent bodies, commenting on each of those points, including any proposed resolutions presented by the shareholders.
- e) In the case of appointment, ratification or reelection of a director, his identity, CV stating the type of director, and the relevant appointments and responsible management committee's report or proposal. In the case of a legal person, the information must include information on the individual that is to be appointed for permanent exercise of the functions inherent in the position.
- f) Forms that are to be used to vote through proxies or remotely.

#### **Article 27. Quorum for general meeting**

- 1. Except as provided in section 3 of this article 27, there will be a quorum for the general meeting, whether ordinary or extraordinary, on first or second call when the shareholders present or represented hold the percentage of voting capital established by law.

2. In particular, if the meeting is called upon to deliberate on amendments to the bylaws, including capital increases and decreases, on the transformation, merger, spin-off, bulk assignment of assets and liabilities and the transfer of the registered office abroad, on the issue of debentures that fall within the authority of the general meeting according to the terms of the law, or on the elimination of, or restrictions on, preferential subscription rights, it will be necessary, on first call, for shareholders representing at least fifty percent of the subscribed voting capital to be present. If there is not a sufficient quorum, the general meeting will be held on second call, it being sufficient that twenty-five percent of the aforesaid capital be in attendance.
3. If, in order to adopt a resolution validly as regards one or more points on the agenda of the general meeting, the attendance of a specific quorum is required by applicable regulations or these bylaws, and that quorum is not achieved, the agenda will be reduced to the other points thereof not requiring the indicated quorum to validly adopt resolutions.
4. Without prejudice to the provisions of the preceding section, the general meeting will be understood to be validly held on a universal basis to consider any matter, without need of a prior call, provided that all share capital is present in person or by proxy and those attending unanimously accept the holding of the meeting.

The universal meeting may be held at any place within Spanish territory or abroad.
5. Absences occurring after a quorum has been established for a general meeting will not affect the holding thereof.
6. To validly establish a quorum for a meeting, even if it is held on a universal basis, it will not be necessary for the directors of the Company to attend, without prejudice to their duty as contemplated by law.

#### **4.3 Amendment of articles relating to the board of directors:**

##### **Article 38. Categories of directors**

1. The general meeting will see to it that the board of directors is so comprised that non-executive directors represent a broad majority over executive directors, and among the non-executive directors there is a reasonable number of independent directors. The general meeting also will see to it that the number of independent directors represents at least one ~~third~~ half of all directors.
2. The provisions of the preceding section do not affect the independence of the general meeting, or decrease the effectiveness of the proportional system, which will be of mandatory application when there is grouping of shares as contemplated by law.
3. For purposes of the provisions of these bylaws, the terms non-executive director, proprietary director, independent director and executive director will have the meanings given thereto by applicable regulations.
4. The directors will be liable to the Company, the shareholders and the creditors of the Company for any damage they cause through acts or omissions contrary

to the law or these bylaws, or carried out in violation of the duties inherent in their office.

5. All the members of the board of directors that took the action or passed the resolution causing damage will be jointly and severally liable, except those who prove that, not having participated in adoption and implementation thereof, they were unaware of its existence or, if they were aware of it, did everything appropriate to avoid the damage or at least expressly opposed it.
6. The fact that the damaging resolution or action was adopted, authorised or ratified by the general meeting in no case will result in exoneration from liability.

#### **Article 44. Positions on and committees of board of directors**

1. The board of directors will, after obtaining a report from the appointments and responsible management committee, 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 reelection.

The chairman of the board of directors, in addition to having the power of representation referred to in article 36, will be the executive chairman of the Company, and will have the authority granted thereto for that purpose by the board of directors, in particular authority to propose appointment of the top level executives of the Company, and to authorise any other appointments within the Company. The authority delegated to the chairman may be granted by the board of directors by way of power of attorney.

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, corresponding to the chief executive officer, having the following authority, in addition to the other authority granted in these bylaws:

- 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,
- e) to propose to the board of directors, after obtaining a report from the ~~competent committee~~ appointments and responsible management committee, the appointment and removal of the chief executive officer,
- f) to call and chair the meetings of the board of directors, setting the agenda and directing discussions and deliberations,
- g) to chair general meetings of shareholders;
- h) to ensure that directors receive sufficient information in advance to deliberate on the points of the agenda, and

- i) to encourage debate and the active participation of the directors during meetings, safeguarding their right to freely choose their position.

~~In the event of absence, impossibility or unavailability of the chairman, his duties will be performed temporarily by the director appointed for that purpose by the board of directors or, if none is so appointed, by the eldest director. 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.~~

~~Independently of the provisions of the preceding paragraph, When the chairman of the board is the chief executive of the Company, the board of directors may appoint, from among the independent directors, on proposal of the appointments and responsible management committee, a lead independent director who will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the board of directors and inclusion of points on the agenda. In particular, in addition to other functions that rest with said director by law, the lead independent director will chair the board of directors in the absence of the chairman, will voice the concerns of the non-executive directors, this director will assume the task of organising organising the possible common positions of the independent directors, and will serve and serving as an intermediary or spokesman for such common positions; maintain contact with investors and shareholders to know their points of view and in order to form an opinion on their concerns on the terms set out in the Corporate Policy on information, communication and contacts with shareholders, institutional investors and voting advisors approved by the entity, in particular, in relation to the corporate governance of the Company; coordinate the chairman succession plan; and manage the evaluation of the chairman's performance of his functions.~~

The term of office as the lead independent director will be three years, with no successive reelection. Status as the lead independent director will cease by expiration of the term for which said director was appointed, when the director ceases to be a director, when said director loses status as an independent director, or when so resolved by the board of directors upon proposal of the appointments and responsible management committee.

2. Independently of the provisions of section 1 above, the board may appoint a chief executive officer, granting thereto such authority as it deems to be appropriate, to assist and report to the executive chairman regarding the progress of business and the matters within its competence.
3. 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 to a directorship, 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.
4. The assigning or delegating resolution will determine the scope 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.

5. Appointment of the chief executive officer will be for an indefinite term, for so long as the chief executive officer remains a director.
6. The board of directors will, after obtaining a report from the appointments and responsible management committee, appoint a secretary and, optionally, an assistant secretary, capable of performing the duties inherent in those positions. The respective appointments may be of persons who are not directors, in which case they will act with voice but not vote. The assistant secretary will replace the secretary in cases of absence, unavailability, incapacity or vacancy.
7. The board of directors may create and maintain an executive committee comprised of members of the board of directors. It must create an audit and compliance committee, an appointments and responsible management committee, a remuneration committee, risk advisory committee and a board risk committee, with decision-making authority. The structure, functions and operating rules of these committees will be governed, to the extent not covered in these bylaws, by the board of directors regulations.
8. The board of directors also may create other committees, with such authority as the board of directors may determine.
9. The board of directors annually will evaluate its performance and that of its committees and, based on the results, will propose an action plan correcting the deficiencies identified.

#### **4.4 Amendment of articles relating to board of directors committees:**

##### **Article 45. Executive committee**

1. An executive committee may be established, composed of a minimum of five and a maximum of seven directors. In any event, the number of members of the executive committee will be determined either directly by express resolution or indirectly by way of filling vacancies or appointment of new members within the established maximum.
2. The adoption of resolutions permanently delegating any authority of the board of directors to the executive committee and appointing members of the permanent 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. Resolutions of the executive committee will be adopted by absolute majority of the directors that are members of the committee, present in person or by proxy at the meeting, except for resolutions to delegate authority, which will be adopted by the legally required majority.

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

- ~~5.6.~~ The board regulations will develop the rules governing the executive committee contemplated in this article.

## **Article 46. Audit and compliance committee**

1. The audit and compliance committee will be composed exclusively of non-executive directors, the majority independent, with a minimum of three and a maximum of five, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the Committee, of other directors, including executive directors, senior managers and any employee. In any event the number of members of the audit and compliance committee will be determined either directly by express resolution or indirectly by way of filling vacancies or appointment of new members within the established maximum.
2. The members of the audit and compliance committee will be appointed by the board of directors taking into account the knowledge, aptitude and experience in accounting, auditing or both areas of the directors and the tasks of the committee; the members of the committee, as a whole, must possess the relevant technical knowledge of the banking sector.
3. The audit and compliance committee will be chaired by an independent director who, in addition, has knowledge, aptitude and experience in accounting, auditing or risk management. The chairman of the audit and compliance committee must be replaced every four years, and may be reelected after the term of one year elapses since he left office.
4. The authority of the audit and compliance committee will be as provided by law, as well as the responsibilities and authority contemplated in the board regulations, or such others as the board of directors may resolve.
5. The audit and compliance committee will meet as often as it is called by resolution of the committee itself or its chairman, and at least four times per year. Any member of the Company's management team or personnel that is requested to do so must attend its meetings and provide his or her cooperation and access to the information available to him or her. The statutory auditor also may be required to attend. One of its meetings must necessarily 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.
6. There will be a quorum for the audit and compliance committee with the attendance, in person or by proxy, of a majority of its members. It will adopt its resolutions by absolute majority of the members of the committee 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.
7. The board regulations will develop the rules governing the audit and compliance committee contemplated in this article.

## **Article 47. Appointments and responsible management**

1. The appointments and responsible management committee will be composed of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. In any event, the number of members of the appointments and responsible management committee will be determined either directly by express resolution or indirectly by way of filling vacancies or appointment of new members within the established maximum.
2. The members of the appointments and responsible management 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.
3. The appointments and responsible management 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 reelected one or more times for terms of the same length.
4. The appointments and responsible management committee will have general authority of proposal and reporting regarding appointments and removals of directors and senior managers, those provided by law, and the responsibilities and authority regulated in the board regulations, or such others as the board of directors may attribute thereto.
5. There will be a quorum for the committee when the majority of the directors that are a part thereof are in attendance, in person or by proxy. In the event of a tie, the chairman will have a casting vote.
6. The board regulations will develop the rules governing the appointments and responsible management committee contemplated in this article.

## **~~Article 47 ter. — Appointments and remuneration committee~~**

- ~~1. Upon fulfilment of all of the legal requirements set forth in the applicable laws, the board of directors may resolve that the duties described in articles 47 and 47bis above should be carried out by a single appointments and remuneration committee.~~
- ~~2. The appointments and remuneration committee will be composed of a majority of non-executive directors, with a minimum of three and a maximum of five, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. In any event the number of members of the appointments and remuneration committee will be determined either directly by way of establishment of that number by express resolution, or indirectly by way of filling vacancies or appointment of new members within the established maximum.~~

- ~~3. The members of the appointments and remuneration committee will be appointed by the board of directors, based on their knowledge, ability and experience and the responsibilities of the committee.~~
- ~~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 reelected one or more times for terms of the same length.~~
- ~~5. The board regulations will develop the rules governing the appointments and remuneration committee contemplated in this article.~~

#### **Article 47 ~~quáter-ter~~. Risk Advisory Committee**

1. The risk advisory committee will be composed of a minimum of three and maximum of five directors, who may not be executive directors, without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. In any event, the number of members of the risk advisory committee will be determined either directly by express resolution or indirectly by way of filling vacancies or appointment of new members within the established maximum.
2. The members of the risk advisory committee must have the appropriate knowledge, ability and experience to fully understand and control the risk strategy and risk tolerance of the Company. At least one third of its members must be independent directors. In any event, the chairman of the committee will be an independent director. The chairman of the committee must be replaced every four years, and may be reelected one or more times for terms of the same length.
3. The members of the risk advisory committee will be appointed by the board of directors, taking into account the directors' knowledge, skills and experience and the committee's duties.
4. The risk advisory committee will have the authority provided by law, as well as the responsibilities and authority regulated in the board regulations, or such others as the board of directors may attribute thereto.
5. There will be a quorum for the committee when the majority of the directors that are a part thereof are in attendance, in person or by proxy. In the event of a tie, the chairman will have a casting vote.
6. The board regulations will develop the rules governing the risk advisory committee contemplated in this article.

#### **4.5 Amendment of article relating to remuneration:**

##### **Article 49. Remuneration of directors**

1. The position of director 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 annual remuneration of all directors in their capacities as such must be approved by the general meeting and will remain in effect until modification thereof is approved. The fixing of that amount, its distribution among the various directors and the frequency of receipt thereof will rest with the board of directors. For this purpose, the board of directors will take account of the functions and responsibilities given to each director, the director's membership on board committees and the other objective circumstances deemed to be relevant.

3. Directors performing executive functions within the Company, whatever the nature of their legal relationship therewith, will further be entitled to receive remuneration for the performance of these functions, to be determined by the board of directors on proposal of the remuneration committee, in accordance with the bylaws and the remuneration policy approved by the general meeting, comprised of (a) a fixed part, appropriate to the services and responsibilities assumed; (b) a variable part, correlated with some indicator of the performance of the director or the business; (c) an assistant part, covering the appropriate insurance and welfare systems; (d) an indemnification in the event of separation or any other form of termination of the legal relationship with the Company not owing to breach attributable to the director; and (e) the monetary amounts deriving from exclusivity, post-contractual non-competition and minimum term or loyalty clauses, if any, appearing in the contract. The aforesaid remuneration will be included in a contract to be entered into between the director and the Company, which must be approved by the board of directors with the favourable vote of two thirds of its members, and must be attached as an annex to the minutes of the meeting. The affected director must refrain from attendance, deliberation and participation in voting. The director may not receive any remuneration for the performance of executive functions the amounts or categories of which are not contemplated in the 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 Company<sup>1</sup>, or 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 for the entity that is the majority shareholder of the Company will not be entitled to receive any

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<sup>1</sup> Specifically, BFA Tenedora de Acciones S.A.U.

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 simultaneously to receive remuneration in the form of per diems by reason of their membership on any management body of the entity that is the majority shareholder of the Company.

5. Additionally, directors performing advisory functions other than the supervision and collegial decision-making inherent in their positions as directors, whatever the nature of their relationship with the Company, will be entitled to receive such employment or professional remuneration, fixed or variable, in cash or in kind as, by resolution of the board of directors of the Company, is appropriate for the performance of such 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 provided for in the preceding paragraphs, it is envisaged that remuneration schemes may be implemented that are indexed to the stock market price of shares or involve delivery of shares or options on shares to directors. These cases shall require a resolution of the general meeting, which must include the maximum number of shares that can be allocated to this remuneration scheme each financial year, the exercise price or the calculation system for the exercise price of the share options, the value of the shares taken as reference, if applicable, and the term of duration of the remuneration plan.

Also, upon fulfilment of the legal requirements, similar remuneration schemes may be established for personnel (whether or not management personnel) 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 external directors is sufficient to compensate them for the dedication, qualification and responsibility required to serve in the position.
9. The general meeting of the Company, at least every three (3) years, as a separate point on the agenda, will approve the director remuneration policy, which will be adapted as applicable to the remuneration system set forth in the bylaws, on the terms contemplated by law. The proposal of the aforesaid remuneration policy must attach a report of the remuneration committee.

In addition, on an annual basis the remuneration policy will be subject to central and independent internal evaluation, to verify compliance with the remuneration procedures and guidelines adopted by the board of directors.

The board of directors of the Company periodically will review and adopt the general principles of the remuneration policy and will be responsible for supervising its application.

#### **4.6. Amendment of article relating to the financial year and preparation of the annual accounts:**

##### **Article 53. Financial year and preparation of annual accounts**

1. The financial year will correspond to the calendar year, beginning on 1 January and ending on 31 December of each year.
2. Within a maximum term of three months after the close of each financial year, the board of directors will prepare the annual accounts, the management report, the proposal for allocation of profits and, if applicable, the consolidated accounts and management report.
3. The board of directors will arrange for definitive 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.
4. The annual accounts and management report of the Company must be reviewed by the statutory auditor, appointed by the general meeting prior to the end of the financial year to be audited, for a specified term that may not be less than three or more than nine years after the beginning date of the first financial year to be audited. The auditor may be reelected by the general meeting annually for successive periods of up to three years after the end of the initial term.

#### **4.7. Amendment of transitional provision:**

##### **Transitional Provision**

1. Directors appointed before 1 January 2014 may complete their current terms even if they exceed the maximum duration set forth in article 39 of the bylaws.
  2. ~~Until the existence of an appointments committee and a separate remuneration committee is required by law, the appointments and remuneration committee governed by article 47 ter of the bylaws shall continue to exist.~~
5. **Approval of the amendment of the following articles of the General Meeting Regulations: article 2 (General Meeting of Shareholders), article 6 (Information Available from the Call Date), article 7 (Right of Information Prior to the Holding of the General Meeting) and article 11 (Holding the General Meeting), to adapt them to the amendments of the Bylaws and the new Good Governance Code of Listed Companies approved by Spain's securities exchange regulator, the Comisión Nacional de Mercado de Valores (CNMV), in February 2015, to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts, and by Law 5/2015 of 27 April 2015 to promote lending to business, and to introduce certain improvements of a technical nature deriving from the aforesaid rules.**

Subsequent to the required report of the Board of Directors, at the proposal of the Audit and Compliance Committee, be it resolved to amend the following articles of the General Meeting Regulations: article 2 (General Meeting of Shareholders), article 6 (Information

Available from the Call Date), article 7 (Right of Information Prior to the Holding of the General Meeting) and article 11 (Holding the General Meeting), to adapt them to the amendments of the Bylaws and the new Good Governance Code of Listed Companies approved by Spain's securities exchange regulator, the Comisión Nacional de Mercado de Valores (CNMV), in February 2015, to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts, and by Law 5/2015 of 27 April 2015 to promote lending to business, and to introduce certain improvements of a technical nature deriving from the aforesaid rules.

This resolution is conditional on prior registry entry of the amendments of the Bylaws under resolution five of the Agenda which, in accordance with the provisions of Royal Decree 84/2015 of 13 February 2015, implementing Law 10/2014 of 26 June on regulation, supervision and solvency of credit institutions, are conditional on attainment of the administrative authorisation referred to in article 10.1 of said Royal Decree, unless that authorisation is not necessary according to the Royal Decree.

The purpose of the above amendments is to introduce certain improvements of a technical nature that are considered beneficial for the Company's organisation and management and to adapt the said Regulations to the new Good Governance Code of Listed Companies approved by the Comisión Nacional de Mercado de Valores (CNMV) in February 2015, and to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts and by Law 5/2015 of 27 April 2015 to promote lending to business.

The articles of the said General Meeting Regulations that will be submitted to a vote are as follows:

## **5.1 Amendment of article relating to the powers of the general meeting:**

### **Article 2. General meeting of shareholders**

1. The general meeting of shareholders is the supreme decision-making body of the Company for matters within its competence.
2. In accordance with the provisions of the bylaws, the general meeting of shareholders has authority to adopt all kinds of resolutions relating to the Company, the following matters in particular being reserved to it:
  - a) Appointing and removing directors, and ratifying or revoking temporary appointments of directors made by the Board itself.
  - b) Appointing and removing the liquidators and statutory auditors.
  - c) Approving the annual accounts, the allocation of profits and the corporate management and also, if applicable, approving the consolidated annual accounts.
  - d) Resolving to distribute dividends.
  - e) Resolving to issue debentures ~~or other analogous fixed income instruments~~ and securities which fall within its authority according to the terms of the law;
  - f) Resolving to increase or decrease capital ~~and to issue securities convertible into or exchangeable for shares;~~

- g) Resolving to merge, split, transform, carry out an en bloc transfer of the Company's assets and liabilities or transfer the Company's registered office abroad.
- h) Approving the general meeting regulations.
- i) Deciding on amendment to the bylaws;
- j) Authorising the board of directors to increase capital and issue debentures or other analogous debt instruments for which the general meeting has authority, as provided in applicable law and the bylaws.
- k) Authorising the acquisition of own shares.
- l) Deciding on the admission to trading of the Company's shares in any organised secondary market.
- m) Transferring core activities previously carried out by the Company to subsidiaries, even though the Company maintains full ownership thereof. The essential nature of activities will be presumed when the volume of the transaction exceeds twenty-five percent of the total assets on the balance sheet;
- n) Approving, where necessary, the acquisition or disposal of essential assets or the contribution of such assets to another company. The essential nature of the asset will be presumed when the amount of the transaction exceeds twenty-five percent of the value of the assets appearing on the last approved balance sheet;
- o) Resolving to wind up the Company and approving the liquidation balance sheet and any transactions that have an effect equivalent to liquidation of the Company.
- p) Deciding on matters submitted to it by resolution of the board of directors.
- q) Deciding on the elimination of, or restrictions on, preferential subscription rights, notwithstanding the possibility of delegation to the directors on the legally established terms.
- r) Approving the policy on directors' remuneration, in accordance with applicable law, and deciding on the application of remuneration systems involving the delivery of shares or rights in respect of such shares, as well as any other remuneration system that is indexed to the stock market, regardless of the beneficiary of such systems.
- s) Issuing, in accordance with the legislation on corporations, instructions to the board of directors or submit to its authorisation the adoption by the board of directors of decisions or resolutions on certain management matters. and
- t) Any other matters determined by law or the bylaws.

## 5.2. Amendment of articles relating to preparation of the general meeting:

### Article 6. Information available from the call date

1. Together with the statutory requirements, set forth in articles 517 and 518 of the Corporations Act, or the bylaw requirements, from the date of publication of the call of the General Meeting, the Company through its website [www.bankia.com](http://www.bankia.com) will publish the text of all resolutions proposed by the board of directors regarding the points on the agenda, unless, in the case of proposals which the law or bylaws do not require to be made available to shareholders from the date of the call, the board concludes there are sufficient reasons for not doing so.

When there is a supplement to the call, from the date of its publication the Company through its website [www.bankia.com](http://www.bankia.com) also will publicise the text of the proposals to which that supplement relates that have been submitted to the Company.

2. Shareholders representing at least three percent of the share capital may file, within the same period as that specified in point 3 of article 5 of these Regulations, reasoned proposals for resolutions on matters already included, or to be included, in the agenda of the meeting. The Company must ensure that these proposed resolutions and the attached documentation, if any, are circulated among the other shareholders.
3. From the call to the holding of each general meeting of shareholders, the Company will provide an Electronic Shareholders' Forum on its website. The forum will feature the necessary security measures and will be available to individual shareholders and to any voluntary groups of shareholders that may be created in accordance with applicable law, the aim being to facilitate their communication prior to the holding of each general meeting. Proposals intended to be presented as supplements to the agenda announced in the call may be published on the Forum, as may requests for support for those proposals, initiatives to achieve a sufficient percentage to exercise the minority rights contemplated by law, and offers or solicitations of voluntary proxies.

The board of directors may develop the regulations contemplated in the preceding paragraph, specifying the procedure, terms and other conditions for the functioning of the Electronic Shareholders' Forum.

4. Without prejudice to the provisions of other sections of these Regulations and the requirements of law, from the date of notice of the call the Company's website also will include such information as is deemed to be appropriate to facilitate shareholder attendance at the general meeting and their participation therein, including:
  - a) A form of attendance card and the documents that must be used to grant proxies;
  - b) Information on the place the general meeting is to be held, if applicable describing the manner of accessing the meeting room;
  - c) A description of the mechanisms for granting proxies and remote voting that may be used;

- d) Information regarding systems or procedures facilitating understanding of the Meeting, such as simultaneous translation mechanisms, audio-visual broadcasts, information in other languages, etc.;
- e) The notice of call;
- f) The total number of shares and voting rights as of the date of the call, broken down by share class;
- g) Documents that must be submitted to the general meeting, in particular the reports by directors, auditors and independent experts;
- h) Complete text of the proposed resolutions, regarding each and every one of the points on the agenda or, as regards those points that are of a merely informational nature, a report of the competent bodies, commenting on each of those points, including any proposed resolutions presented by the shareholders;
- i) The forms that must be used for proxy and remote voting.
- j) In the case of appointment, ratification or reelection of a director, his identity, CV stating the type of director, and the competent committee's appointments and responsible management committee's report or proposal. In the case of a legal person, the information must include information on the individual that is to be appointed for permanent exercise of the functions inherent in the position.
- k) Report on auditor independence.
- l) Report on the activity of the audit and compliance committee, of the appointments and responsible management committee and of the remuneration committee.
- m) Report of the audit and compliance committee on related party transactions.
- n) Report on the corporate social responsibility policy.

## **Article 7. Right of information prior to the holding of the general meeting**

1. The Company will fulfil the information obligations legally established in favour of shareholders via its corporate website, without prejudice to the use of any other means for this purpose. The Company will disclose the conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website. This does not affect the right of shareholders to request information in writing in accordance with the legislation in force.
2. From the day of publication of the call of the general meeting until and including the fifth day prior to the day it is set to be held on first call, the shareholders in writing may request such information or clarifications as they may deem to be necessary, or pose written questions they deem to be pertinent to the matters on the agenda. The shareholders, within the same term and in the same manner, may request information or clarifications or pose questions in writing regarding information accessible to the public that has been provided by the Company to the National Securities Market Commission (Comisión Nacional del

Mercado de Valores) since the holding of the most recent General Meeting, as well as regarding the auditor's report.

3. All of these information requests may be made by delivery of the request to the registered office or by sending it to the Company by mail or by electronic or remote means of communication, to the address stated in the corresponding notice of call. An electronic document requesting information must include the electronic signature or other form of identification of the shareholder, on the terms set by the board of directors in a resolution adopted for that purpose to give this form of information request appropriate guarantees of authenticity and identification of the shareholder exercising its information right. The shareholder has the burden of proving the request was sent to the Company in proper form on a timely basis. The Company's website ([www.bankia.com](http://www.bankia.com)) will provide appropriate explanations regarding exercise of the shareholder's information right, on the terms contemplated by law.

Communications between the Company and shareholders, including the sending of documents and information, may be done by electronic means if this has been expressly accepted by the shareholders.

4. The directors will be required to deliver the information requested pursuant to the preceding paragraphs in the manner and within the term contemplated by law, except in those cases in which:
  - a) The request was made by shareholders representing less than twenty-five percent of share capital.
  - b) The information is not necessary for safeguarding the shareholder's rights.
  - c) There are objective reasons for considering that the information could be used for non-corporate purposes or that disclosing the information could be harmful to the Company or related companies.
  - d) The request for information or clarification does not relate to matters on the agenda or information accessible to the public provided by the Company to the National Securities Market Commission since the holding of the most recent General Meeting.
  - e) The information for any reason may be considered to be abusive or contrary to the principle of equal treatment of all shareholders.
  - f) It is so provided by legal or bylaw provisions.

Similarly, if prior to the submission of a specific question, the requested information is clearly, expressly and directly available to all shareholders on the Company's website in question and answer format, the directors may limit their response to referring to the information provided on the website.

5. The board of directors may authorise any of the directors or its secretary, for and on behalf of the board, to respond to information requests made by the shareholders.
6. Valid requests for information or clarification and questions submitted in writing, and the answers provided by the directors in writing, shall be posted on the Company's website.

## 5.3 Amendment of article relating to the holding of the general meeting:

### Article 11. Holding the general meeting

1. There will be a quorum for the general meeting on first call provided that shareholders of the minimum percentage of subscribed voting capital in each case required by the law or Bylaws are present in person or by proxy. If there is no sufficient quorum, the general meeting will be held on second call.
2. In particular, if the meeting is called upon to deliberate on amendments to the bylaws, including capital increases and decreases, on the transformation, merger, spin-off, bulk assignment of assets and liabilities and the transfer of the registered office abroad, on the issue of debentures for which the general meeting has authority according to the law or on the elimination of, or restrictions on, preferential subscription rights, it will be necessary, on first call, for shareholders representing at least fifty percent of the subscribed voting capital to be present. If there is not a sufficient quorum, the general meeting will be held on second call, it being sufficient that twenty-five percent of the aforesaid capital be in attendance.

If it is necessary to hold the meeting in separate rooms, audiovisual means will be provided allowing real-time intercommunication and, therefore, unity of action.

6. **Delegation to the Board of Directors of the authority to increase the share capital by up to a maximum of 50% of the subscribed share capital, by means of one or more increases and at any time within a maximum of five years, by means of cash contributions, with authority, if applicable, to disapply preferential subscription rights up to a maximum of 20% of share capital, annulling the delegation of authority conferred at the previous General Meeting.**

To delegate to the Board of Directors, in accordance with article 297.1.b) of the Corporations Act, the authority to increase, on one or more occasions, the share capital of the Company by a maximum amount of up to 50% of the capital at the date of this authorisation, that is, the amount of nine billion two hundred thirteen million eight hundred sixty-two thousand eight hundred thirty-five euros and twenty euro cents (€9,213,862,835.20).

Such capital increase or increases, if any, as may be resolved must be implemented within a maximum term of five years from this date.

The aforesaid increase or increases of share capital may be undertaken with or without issue premium, either by increasing the nominal value of the existing shares in accordance with the requirements contemplated by law, or by the issue of new shares, ordinary or preferred, with or without votes, or redeemable shares, or any others permissible in law, or multiple forms at the same time, the consideration for the new shares or the increase of the nominal value of the existing shares being cash contributions.

It is also resolved to authorise the Board of Directors so that, in all matters not provided for, it may fix the terms and conditions of the increases of share capital and the characteristics of the shares, as well as offer the new shares not subscribed within the term or terms for exercise of preferential subscription rights without any restriction. The Board of Directors also may establish that, in the event of incomplete subscription, the

share capital will be increased only by the amount of the subscriptions made, redrafting the corresponding article of the Bylaws related to share capital and the number of shares.

The amount available from time to time of the maximum amount referred to above will be deemed to include the amount of such capital increases as may be made for the purpose of covering conversion of debentures, by resolution of the Board of Directors in exercise of the authority delegated by the General Meeting of the Company.

By virtue of this authorisation, the Board of Directors also is authorised to seek admission to trading on secondary markets, official or not, organised or not, domestic or foreign, of the shares issued by virtue of this authorisation, and take the steps and actions necessary to obtain such admission to trading before the competent authorities of the various securities markets.

The Board of Directors is expressly given the authority to disapply the right of preferential subscription, in whole or in part, up to a combined maximum nominal amount equal to 20% of the share capital in relation to all or any of the issues it resolves on the basis of this authorisation, in accordance with the provisions of article 506 of the Corporations Act, also including disapplication of preferential subscription rights within the context of issue of securities under point 7 of the agenda.

In any event, if the Board decides to disapply preferential subscription rights regarding any or all of the aforesaid capital increases, it will issue at the time of adopting the corresponding resolution to increase capital a report stating the specific reasons in the Company's interest justifying that measure, which will be subject to the corresponding report of an expert other than the statutory auditor. Said reports will be made available to the shareholders and communicated to the first General Meeting held after the issue resolution.

The Board of Directors also is authorised to delegate to such director or directors as it deems to be appropriate the authority granted by virtue of this resolution in accordance with the provisions of article 249.bis I) of the Corporations Act.

It also is resolved to authorise the Board of Directors, as amply as legally possible, with authority to subdelegate this power to any of the directors of Bankia, so that any of them, without distinction, may take such actions as may be necessary and grant and formalise such documents and contracts, public or private, as may be necessary or appropriate for full effectiveness of the foregoing resolutions, as regards any aspects or content thereof, in particular to correct, clarify, interpret, complete, specify and implement the resolutions adopted; and also to cure such defects, omissions and errors as may be found in the verbal or written review of the Commercial Registry, all of the foregoing on the broadest terms possible.

It is noted that the relevant report of the directors explaining the reasons for the proposed authorisation to increase share capital has been made available to the shareholders.

This delegation of authority to the Board of Directors replaces the delegation granted by the General Meeting of Shareholders of the Company held on 22 April 2015, which will therefore be rendered void.

7. **Delegation to the Board of Directors of the authority to issue, within a maximum term of five years, securities convertible into and/or exchangeable for shares of the Company, as well as warrants or other similar securities that may directly or indirectly entitle the holder to subscribe for or acquire shares of the Company, for an aggregate amount of up to one billion five hundred million (1,500,000,000) euros; as well as the authority to increase the share capital in the requisite amount, and the authority, if applicable, to disapply preferential subscription rights up to a maximum of 20% of share capital.**

To authorise the Board of Directors in accordance with the general scheme for issue of debentures and under the provisions of articles 286, 297, 417 and 511 of the Corporations Act and 319 of the Commercial Registry Regulations, as well as in articles 13, 17, 18 and 21 of the Bylaws, to issue negotiable securities in accordance with the following terms:

- a. Securities to be issued. Debentures and bonds exchangeable for shares of BANKIA or any other company, whether or not a member of its Group, and/or convertible into shares of BANKIA, as well as warrants (options to subscribe new shares of BANKIA or acquire existing shares of BANKIA or any other company, whether or not a member of its Group).
- b. Term of the delegation. The issuance of the securities under this authorisation may be carried out in one or more issues within a maximum term of five years reckoned from the date this resolution is adopted.
- c. Maximum amount. The total maximum amount of the issue or issues of securities will be one billion five hundred million (1,500,000,000) euros or its equivalent in other currencies. For purposes of calculation of the aforesaid maximum, in the case of warrants the sum of premiums and exercise prices of the warrants of the issues resolved under this delegation will be taken into account.
- d. Scope of the delegation.- The Board of Directors, under the authorisation approved in this resolution, will have authority, by way of illustration and without limitation, to determine for each issue the amount, subject to the aforesaid overall quantitative limit, the place of issue – domestic or foreign – and the currency, with the euro equivalent thereof in the case of foreign-denominated issues; the name or type, whether bonds (*bonos*) or debentures (*obligaciones*), including subordinated instruments, warrants (which may be settled by physical delivery of shares or for cash differences), or any other legally admissible type; the issue date or dates; the number of securities and their face value, which in the case of convertible and/or exchangeable bonds or debentures cannot be less than the nominal value of the shares; in the case of warrants and comparable securities, the issue price and/or premium, the exercise price –which may be fixed or variable– and the procedure, time frame and other conditions governing exercise of the subscription right for the underlying shares or, if applicable, the disapplication of said right; the fixed or variable interest rate, dates and procedures for coupon payments; whether they are perpetual or redeemable, and, in the case of the latter, the redemption period and date or dates of maturity; the guarantees, redemption rates, premiums and bonuses; the form of representation, whether certificates or book entries; the anti-dilution clauses; the subscription scheme; the rank of securities and any subordination clauses; the law applicable to the issue; to request, if applicable, to have the issued securities admitted to trading on secondary markets, official or unofficial, organised or over the counter, domestic or foreign, subject to the pertinent the legal requirements that apply in each case; and, in general, any other condition of the

issue, and, if applicable, appoint the commissioner of the syndicate of holders of the securities issued and approve the fundamental rules that will govern legal relationships between BANKIA and the syndicate, if required or if it is decided to form said syndicate.

Likewise, the Board of Directors is empowered, when deemed appropriate, and subject to obtaining the applicable approvals and resolution from the assemblies of the relevant syndicates of securities holders, to modify the conditions of the redemption of the issued fixed income securities and their respective maturities and interest rates, which, where appropriate, result from each of the issues carried out under this authorisation.

- e. Bases for and forms of conversion and/or exchange. For issues of convertible and/or exchangeable bonds or debentures, for purposes of determining the terms and methods of conversion and/or exchange, it is resolved that the following criteria be applied:
- (i) The securities issued under this resolution will be exchangeable for shares of BANKIA or any other company, whether or not a member of its Group, and/or convertible into shares of BANKIA, using a determined or determinable fixed or variable conversion and/or exchange ratio, the Board of Directors being authorised to determine whether they are convertible and/or exchangeable, and to determine if they are convertible and/or exchangeable on a mandatory or voluntary basis, and if voluntary, at the option of the holder or BANKIA, with the regularity and over the term established in the issue resolution, which may not exceed thirty (30) years after the issue date.
  - (ii) The Board may also decide, in the event that an issue is convertible and exchangeable, that the issuer reserves the right to choose at any time between a conversion to new shares or their exchange for outstanding BANKIA shares, specifying the nature of the shares to be delivered when executing the conversion or exchange, and may also choose to deliver a combination of newly issued shares and pre-existing BANKIA shares, and may also opt to settle the difference in cash. In any event, the issuer must respect the principle of equal treatment among all fixed income securities holders who convert and/or exchange their securities on the same date.
  - (iii) For purposes of the conversion and/or exchange, the securities will be measured at their face value and the shares at the fixed exchange rate established in the Board of Directors resolution approved under this authorisation, or at the variable exchange rate to be determined on the date or dates indicated in the Board resolution itself, on the basis of stock market trading price of the BANKIA shares on the date(s) or in the period(s) taken as reference in that resolution. In any event the fixed exchange ratio thus determined shall not be less than the average price of the shares in the Continuous Market (Mercado Continuo) of Spanish stock exchanges on which the BANKIA shares are traded, as per the closing prices, during a period to be determined by the Board of Directors of no longer than three months and no shorter than five calendar days preceding the date the Board of Directors adopts the resolution to issue the fixed-income securities or preceding the date on which the subscribers pay for the shares, with a premium or, if applicable, a discount on that price per share, although no discount fixed on the share price may be greater than 30% of the value of the shares taken as

reference in accordance with the above. In addition, a minimum and/or maximum reference price may be set for the shares for purposes of their conversion and/or exchange, on the terms decided by the Board.

- (iv) It also may be resolved to issue the convertible and/or exchangeable fixed-income securities with a variable conversion or exchange ratio. In this case, the share price for the purposes of the conversion and/or exchange will be the arithmetic mean of the BANKIA share closing prices in the Continuous Market during a period to be determined by the Board of Directors of no longer than three months and no shorter than five calendar days preceding the conversion and/or exchange date, with a premium or, if applicable, a discount on that price per share. The premium or discount may be different for each conversion and/or exchange date of each issue (or, if applicable, for each class of any issue), although no discount fixed on the share price may be greater than 30% of the value of the shares taken as reference in accordance with the above. In addition, a minimum and/or maximum reference price may be set for the shares for purposes of their conversion and/or exchange, on the terms decided by the Board.
  - (v) At the time of the conversion and/or exchange, the fractions of shares payable to the holders of securities will by default be rounded down to the nearest whole number, and each holder, if so provided in the terms of the issue, will receive any resulting difference in cash.
  - (vi) Under no circumstances may the value of the share used to calculate the conversion of securities into shares be lower than its nominal value. Likewise, and as provided in article 415 of the Corporations Act, debentures may not be converted into shares when the nominal value of the debentures is lower than that of the shares.
  - (vii) When an issue of convertible and/or exchangeable bonds or debentures is approved under the authorisation contained in this resolution, the Board of Directors will issue a directors' report developing and specifying the terms and method of the conversion that will apply to that issue on the basis of the criteria indicated above. This report will be accompanied by the relevant report of the independent expert who is not BANKIA'S statutory auditor and who is appointed for this purpose by the Commercial Registry according to article 414 of the Corporations Act.
- f. Terms and procedures for exercise of warrants and similar securities. In the case of issues of warrants, it is resolved to establish the following criteria:
- (i) Issues of warrants will be subject by analogy to the terms of the Corporations Act for convertible debentures. To determine the terms and procedures for their exercise, the Board of Directors is authorised to determine, on the broadest terms, the criteria to be applied to the exercise of the rights to subscribe or acquire shares of BANKIA or of another company in or out of the Group, or a combination of any of the same, that derive from the securities of this kind issued under the authorisation granted here. Those issues will be subject to application of the criteria established in section 5.e) above, with the adaptations needed to make them compatible with the legal and financial rules for securities of this kind.

- (ii) The above criteria will be applicable, *mutatis mutandi*, and insofar as they are applicable, to fixed income issues (or warrants) exchangeable for shares of other companies. Where applicable, references to Spanish stock exchanges will be understood to be made, where such is the case, to the markets where said shares are traded.
- g. This authorisation to the Board of Directors also includes, by way of illustration and not limitation, delegation to it of the following authority:
  - (i) The authority of the Board of Directors, under the provisions of article 511 of the Corporations Act together with article 417 of that Act, to disapply the preferential subscription rights of shareholders, in whole or in part, up to a combined maximum nominal amount equal to 20% of the share capital. Both capital increases under point six of the agenda, and issues of convertible securities in which there has been a disapplication of preferential subscription rights, will be taken into account in the computation of this maximum. In any event, if the Board of Directors resolves to withdraw shareholders' preferential subscription rights on a specific issue of convertible debentures or bonds, warrants or other similar securities which it may eventually decide to carry out under the terms of this authorisation, it will, at the same time it approves the issue and pursuant to applicable legislation, issue a report detailing the specific reasons of corporate interest which justify said measure, which will be the subject of the pertinent report of the independent expert appointed by the Commercial Registry, other than BANKIA's auditor, in accordance with articles 414, 417 and 511 of the Corporations Act. Said reports will be made available to the shareholders and communicated to the first General Meeting held after the issue resolution.
  - (ii) The authority to increase the capital in the amount needed to execute the requests for conversion and/or exercise of share subscription rights. Said powers may only be exercised insofar as the Board, when calculating the sum of the capital increase to address the issue of convertible debentures, warrants and other similar securities and any other capital increases which may have been agreed pursuant to the approvals granted by this General Meeting of shareholders, does not exceed the limit of half of the total share capital outlined in article 297.1.(b) of the Corporations Act. This authorisation to increase the capital includes the authority to issue and place in circulation, in one or more operations, the shares representing the capital that are needed to carry out the conversion and/or exercise of share subscription rights, as well as to amend the Bylaws article on the capital figure and, if applicable, to cancel that part of the capital increase that proves to not be necessary for the conversion and/or exercise of the share subscription rights.
  - (iii) The authority to develop and specify the bases for calculation and the formats for the conversion and/or exercise of preferential subscription rights and/or acquisition of shares, deriving from the securities to be issued, in accordance with the criteria listed in the foregoing paragraphs.
  - (iv) The delegation to the Board of Directors encompasses the broadest authority required by law for the interpretation, application, execution and development of the resolutions on the issuance of securities convertible into or exchangeable for shares of BANKIA, on one or more occasions, and the accompanying capital increase, similarly granting it powers to correct or

supplement them in any way required, as well as to comply with any requirements imposed by law to implement them successfully, being entitled to correct omissions or defects in said resolutions, identified by any authorities, officials or agencies, whether Spanish or foreign, also being authorised to adopt such resolutions and execute such public or private documents as may be deemed to be necessary or appropriate to adapt the foregoing resolutions on the issuance of convertible or exchangeable securities and the corresponding capital increase to the verbal or written review of the Commercial Registrar, and, in general, of any other competent authorities, officials or institutions domestic or foreign.

- h. Admission to trading.- BANKIA will apply, where appropriate, for admission to trading on official or unofficial secondary markets, organised or over the counter, domestic or foreign, for the convertible and/or exchangeable debentures and/or bonds or warrants issued by BANKIA under this authorisation, with the Board of Directors being given powers as broad as legally required to carry out the formalities and actions needed for the admission to trading before the competent bodies for the various Spanish and foreign securities markets.

It is expressly placed on record that any possible subsequent application for delisting will be carried out with the same formalities as the application for admission to trading, insofar as they apply, and in such event the interests of the shareholders or debentureholders who voted against or did not vote on the resolution will be guaranteed on the terms provided by the applicable laws. It is likewise expressly declared that BANKIA submits to the rules that exist or which may in the future be dictated on securities exchange matters and, especially, on trading, continuation of listing and delisting.

- i. Guarantee of issues of convertible and/or exchangeable fixed income securities or warrants by controlled companies. Under the provisions of the Bylaws, the Board of Directors also is authorised to extend BANKIA's guarantee, within the limits indicated above, to new issues of convertible and/or exchangeable fixed income securities or warrants by controlled companies while this resolution is in effect.
- j. Delegation authority. The Board of Directors in turn is expressly authorised to delegate the authority referred to in this resolution under the provisions of article 249.bis.l) of the Corporations Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the General Meeting of Shareholders of the Company held on 22 April 2015, which will therefore be rendered void.

- 8. Delegation to the Board of Directors of authority to issue debentures, bonds and other straight fixed income securities (including, inter alia, mortgage notes (*cédulas*) and commercial notes (*pagarés*)), warrants and instrument not convertible, up to a maximum of thirty billion (30,000,000,000) euros and commercial notes up to a maximum of fifteen billion (15,000,000,000) euros, within the limits and in compliance with the requirements established in the Corporations Act, for a maximum term of 5 years after adoption of this resolution.**

Without prejudice to the Bylaws amendments proposed under point 4 of the agenda, which provides that the authority to resolve the issue and admission to trading of debentures (non-convertible and which do not entitle the debentureholders to share in

the corporate profits) is to rest with the Board of Directors, which as provided in said proposal is conditional on attainment of the administrative authorisation referred to in article 10.1 of Royal Decree 84/2015 of 13 February 2105, which implemented Law 10/2014 of 26 June on regulation, supervision and solvency of credit institutions, it is resolved to delegate to the Board of Directors, pursuant to article 319 of the Commercial Registry Regulations and to the general rules governing debenture issues, and to the Bylaws, the authority to issue marketable securities in accordance with the following conditions:

- a. Securities to be issued. The negotiable securities referred to in this delegation may be straight bonds or debentures (senior or subordinated of any rank), commercial notes, mortgage notes, warrants and other fixed income securities of a similar kind.
- b. Term. The issuance of the securities under this authorisation may be carried out in one or more issues within a maximum term of five years reckoned from the date this resolution is adopted.
- c. Maximum amount of delegation:
  - (i) The total maximum amount of the issue or issues of straight bonds or debentures and other fixed income securities of a similar kind (other than commercial notes) that are resolved under this delegation will be thirty billion (30,000,000,000) euros or its equivalent in other currencies.
  - (ii) In turn, the outstanding balance of the commercial notes issued under this delegation may not at any time exceed fifteen billion (15,000,000,000) euros or its equivalent in other currencies. This limit is independent of the provisions of subparagraph (i) above.
- d. Scope of the delegation.- The authorisation to issue securities referred to in this resolution will extend, as broadly as required under law, to the establishment of the different aspects and conditions of each issue (nominal value, issue price, redemption price, currency of issue, form of representation, interest rate, redemption, subordination clauses, issue guarantees, place of issue, law applicable thereto, if any, bondholder syndicate's establishment of internal rules and appointment of trustee, in the case of straight debentures or bonds, if required, admission to trading, etc.) and the taking of such steps as may be necessary, including in accordance with the applicable securities market regulations, to implement the specific issues resolved to be made pursuant to this delegation.
- e. Admission to trading. BANKIA will apply, where appropriate, for admission to trading on official or unofficial secondary markets, organised or over the counter, domestic or foreign, for the securities issued by BANKIA under this authorisation, with the Board of Directors being given powers as broad as legally required to carry out the formalities and actions needed for the admission to trading before the competent bodies for the various Spanish and foreign securities markets.

It is expressly placed on record that any possible subsequent application for delisting will be carried out with the same formalities as the application for admission to trading, insofar as they apply, and in such event the interests of the shareholders or debentureholders who voted against or did not vote on the resolution will be guaranteed on the terms provided by the applicable laws. It is likewise expressly declared that BANKIA submits to the rules that exist or which may in the future be dictated on securities exchange matters and, especially, on trading, continuation of listing and delisting.

- f. Guarantee of issues of securities by controlled companies. Under the provisions of the Bylaws, the Board of Directors also is authorised to extend BANKIA's guarantee, within the limits indicated above, of new issues of securities by controlled companies while this resolution is in effect.
- g. Delegation authority. The Board of Directors in turn is expressly authorised to delegate the authority referred to in this resolution under the provisions of article 249.2 of the Corporations Act.

This delegation of responsibilities to the Board of Directors replaces the one conferred at the General Meeting of Shareholders of the company held on 22 April 2015, which will therefore be rendered void.

**9. Authorisation enabling the derivative acquisition by the Board of Directors of own shares of the Company subject to the limits and to the requirements established by the Corporations Act. Delegation within the Board of Directors of the authority to execute this resolution.**

Authorise the Board of Directors, on the broadest possible terms, to acquire own shares of BANKIA, directly or through companies in its Group, subject to the following limits and requirements:

- a. Forms of acquisition: acquisition by way of purchase, by way of any other "inter vivos" act for consideration or any other transaction permitted by law, including out of profits for the fiscal year and/or unrestricted reserves.
- b. Maximum number of shares to be acquired: the acquisitions may be made, from time to time, on one or more occasions, up to the maximum permitted by law.
- c. The price or consideration will vary from a minimum equal to the lesser of nominal value or 75% of the stock market price on the date of acquisition, and a maximum equal to up to 5% more than the maximum price achieved by the shares in free trading (including the block market) in the Continuous Market session on the date of acquisition.
- d. Duration of the authorisation: five (5) years from the date of this resolution.

The conduct of these transactions will furthermore be in compliance with the rules in this regard contained in the BANKIA Internal Code of Conduct.

To authorise the Board of Directors so that it may sell or redeem the shares acquired or use the own shares acquired, in whole or in part, for implementation of remuneration schemes that have delivery of shares or option rights on shares as their purpose or result therein, in accordance with the provisions of article 146.1.a) of the Corporations Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the General Meeting of Shareholders of the Company held on 22 April 2015, which will therefore be rendered void.

The Board of Directors is authorised, on the broadest terms, to use the authorisation covered by this resolution for full implementation and development thereof, being entitled to delegate this authority, without distinction, to the Executive Chairman, to any of the directors, to the General Secretary and to the Board Secretary or any other person the Board expressly authorises for this purpose, with such breadth as it deems to be appropriate.

**10. Delegation of authority to the Board of Directors, with authority to subdelegate, for the formal execution, interpretation, correction and implementation of the resolutions adopted at the General Meeting.**

To delegate to the Board of Directors, which may subdelegate without distinction to the Chairman of the Board of Directors, any of the directors, the General Secretary and the Secretary of the Board of Directors, as broadly as may be necessary in law, so that any of them, indistinctly, may formalise, interpret, develop, correct and arrange for attestation as a public document of the resolutions adopted at this Meeting, in particular to proceed with filing with the Commercial Registry, for deposit therewith, of the certification of the resolutions approving the annual accounts and application of the result, attaching such documents as may be legally required as well as executing such public or private documents as may be necessary until obtaining the corresponding registration of the resolutions adopted in the Commercial Registry, including requests for partial registration, including with authority for correction or rectification in light of the verbal or written review undertaken by the Registrar.

**11. Submission for consultative vote of the annual report on remuneration of members of the Bankia Board of Directors.**

To approve, on a consultative basis, the Annual Report on the Remuneration of the members of the Board of Directors, prepared by the Board of Directors, in compliance with article 541 of the Corporations Act, and in accordance with the form approved by CNMV Circular 4/2013 of 12 June 2013, which report has been sent to the CNMV and was published by means of the corresponding Material Disclosure on 11 February 2016, and which has been available to the shareholders since the call of this General Meeting and which, after a favourable report from the Remuneration Committee, is presented to the General Meeting of Shareholders.

**12. Information regarding amendments adopted in the Board of Directors Regulations, affecting the following articles: article 4 (General Supervisory Function and Other Authority), article 8 (Qualitative Composition), introduction of article 8 bis (Directors Selection Policy), article 9 (Chairman of the Board), article 10 (Chief Executive Officer), article 11 (Secretary of the Board), article 12 (Board Committees), article 14 (Audit and Compliance Committee), article 15 (Appointments Committee), article 15 bis (Remuneration Committee), removal of article 15 ter (Appointments and Remuneration Committee), article 16 (Risk Advisory Committee), article 17 (Meetings of the Board of Directors), introduction of article 18 bis (Evaluation of the Board of Directors and its Committees and Evaluation of the Performance of their Duties by the Chairman), article 21 (Appointment, Reelection and Ratification of Directors. Appointment of Members of Board Committees. Appointment to Positions on the Board and its Committees), article 23 (Removal of Directors), article 24 (Procedure for Removal or Replacement of Members of the Board of Directors or its Committees and from Positions on those Bodies), article 27 (Remuneration of Directors), article 28 (Disclosure of Remuneration), article 30 (General Duty of Care), article 36 (Relations with the Markets), article 37 (Relations with Shareholders) and the transitional provision, to adapt the Board of Directors Regulations to the new Good Governance Code of Listed Companies approved by Spain's securities exchange regulator, the Comisión Nacional de Mercado de Valores**

(CNMV), in February 2015, to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts, to the amendments introduced in the Bylaws, and to introduce certain improvements of a technical nature deriving from the aforesaid rules.

A) The General Meeting is advised of the amendment of the Board of Directors Regulations that was resolved, upon prior report from the Audit and Compliance Committee, by the Board of Directors at its meeting of 26 November 2015, amending the following articles: article 4 (General Supervisory Function and Other Authority), article 8 (Qualitative Composition), introduction of article 8 bis (Directors Selection Policy), article 9 (Chairman of the Board), article 11 (Secretary of the Board), article 14 (Audit and Compliance Committee), article 15 (Appointments Committee), article 15 bis (Remuneration Committee), elimination of article 15 ter (Appointments and Remuneration Committee), article 16 (Risk Advisory Committee), article 17 (Meetings of the Board of Directors), introduction of article 18 bis (Evaluation of the Board of Directors and its Committees and Evaluation of the Performance of their Duties by the Chairman), article 21 (Appointment, Reelection and Ratification of Directors. Appointment of Members of Board Committees. Appointment to Positions on the Board and its Committees), article 23 (Removal of Directors), article 24 (Procedure for Removal or Replacement of Members of the Board of Directors or its Committees and from Positions on those Bodies), article 27 (Remuneration of Directors), article 28 (Disclosure of Remuneration), article 36 (Relations with the Markets), article 37 (Relations with Shareholders) and the transitional provision.

Said amendments, which have been registered in the Commercial Registry, are aimed at adapting the Board of Directors Regulations to the Good Governance Code of Listed Companies approved by Spain's securities exchange regulator, the Comisión Nacional de Mercado de Valores (CNMV), in February 2015, to the modifications of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 2015 on Auditing of Accounts, and to introduce certain improvements of a technical nature deriving from the aforesaid rules.

The aforesaid articles of the Board of Directors Regulations are henceforth worded as follows:

#### **Article 4. General supervisory function and other authority**

1. Except for matters reserved to the competence of 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 carried out by the bylaws to the chairman of the board of directors.
2. The board's policy is to delegate ordinary Company management in executive bodies and management team and to concentrate its activities on the general supervisory function and consideration of those matters that are of particular importance to the Company.

Regarding the foregoing, the board of directors will define a system of corporate governance that guarantees sound and prudent management of the Company, and includes an appropriate distribution of functions within the organisation and the

prevention of conflicts of interest, monitoring the application of that system and periodically controlling and evaluating its effectiveness, if applicable adopting appropriate measures to correct any 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. In particular, without prejudice to the powers recognised in the bylaws, the board of directors will have the following authority which may not be delegated:
  - a) The approval of the strategic or business plan, as well as the management objectives and annual budget, the investment and financing policy, the corporate social responsibility policy and the dividend policy, assuming responsibility for administration and management of the Company, approval of and overseeing the application of its strategic objectives, its risk strategy and its internal governance.
  - b) The determination of the general strategies and policies of the Company, in particular the determination of the tax strategy of the Company, the policy for control and management of risk, including tax risk, and supervision of the internal reporting and control systems, as well as ensuring the integrity of the accounting and financial reporting systems, including financial and operational control and compliance with applicable legislation.
  - c) The determination of the corporate governance policy for the Company and the group of which it is the controlling company; as well as supervision, control and periodic evaluation of the effectiveness of the corporate governance system and, if applicable, adoption of appropriate measures to correct deficiencies; organisation and functioning of the board of directors and, in particular, approval and modification of its own regulations.
  - d) The approval of the financial information that, by reason of its status as a listed company, the Company must publish periodically, as well as supervising the process of disclosure of information and the communications relating to the Company.
  - e) The definition of the structure of the corporate group controlled by the Company.
  - f) The approval of all kinds of investments and operations which, due to their high value or special characteristics, are strategic in nature or have high tax risk, unless their approval is the remit of the general meeting.
  - g) The approval of the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries considered to be tax havens, as well as any other

transactions or operations of a comparable nature the complexity of which could impair the transparency of the Company and its Group.

- h) The approval, after obtaining a report from the audit and compliance committee, of transactions entered into by the Company or companies in its Group with directors, or with shareholders who, either individually or together with others, hold a significant interest, including shareholders represented on the board of directors of the company or of other companies in the same group or with persons related to them. The affected directors, or those representing or related to the affected shareholders, must refrain from participating in deliberation and voting on the resolution in question. Only transactions simultaneously having the three following characteristics are exempt from this approval:
  - 1. They must be carried out under contracts whose terms are standardised and apply en masse to a large number of customers,
  - 2. They must be carried out at prices or rates which are established generally by the supplier of the good or service in question; and
  - 3. Their value must not exceed one percent of the Company's annual revenue.
- i) The supervision of the actual operation of the committees created by it and of the actions of the delegated bodies as well as, when so envisaged by the law, of the officers appointed by it, in all cases including senior management.
- j) The policy on treasury shares.
- k) The call of the general meeting of shareholders and the preparation of the agenda and proposed resolutions.
- l) Decisions relating to directors' remuneration, in accordance with the provisions of the bylaws, and with the remuneration policy, where applicable as approved by the general meeting.
- m) The authorisation or waiver of the obligations deriving from the duty of loyalty as provided by law.
- n) The formulation of the annual accounts and their presentation to the general meeting.
- o) Making any kind of report required by law to the board of directors, provided that the matter covered by the report is nondelegable.
- p) The appointment and removal of the chief executive officer of the Company, as well as the establishment of the terms of his contract.
- q) The appointment and removal of the executives reporting directly to the board or any of its members, as well as the establishment of the basic terms of their contracts, including their remuneration, at the proposal of the Company's main executive.
- r) The powers the general meeting has delegated to the board of directors, unless it had been expressly authorised by it to subdelegate them.

On the terms envisaged in the applicable legislation, in the event of a duly justified situation of urgency, decisions relating to the above matters may be taken by the delegated persons or bodies, and must be ratified at the first board of directors meeting held after adoption of the decision.

## **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 honourable persons fit to exercise 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 of proposal to the general meeting and co-optation to cover vacancies on the board, will:
  - a) see to it that external or non-executive directors represent a broad majority with respect to executive directors and include amongst them a reasonable number of independent directors; and
  - b) progress in professionalising the board of directors taking into account inasmuch as possible the recommendations for good corporate governance.

When classifying directors as executive, proprietary or independent, the definitions laid down in the applicable legislation will be followed.

3. The overall composition of the board of directors as a whole must include bring together sufficient knowledge, competence and experience in the governance of credit institutions for appropriate understanding of the activities of the Company, including its principal risks, ensuring the effective capacity of the board of directors to take decisions independently and autonomously for the benefit of the Company. In any event, the board must see to it that the procedures for selection of its members favour diversity of experience and knowledge, facilitate the selection of female directors and, in general, do not suffer from implicit biases that could imply any discrimination.
4. The board will state the category of each director to the general meeting of shareholders that is to make or ratify the appointment. Also, on an annual basis and after verification by the appointments committee, that classification will be reviewed by the board of directors, reporting thereon in the annual corporate governance report.
5. Members of the board of directors may not at the same time occupy more positions than contemplated in the banking and commercial regulations applicable from time to time.

## **Article 8 Bis. Director selection policy**

1. The board of directors will approve a director selection policy that will be specific and verifiable and will ensure that proposals for appointment or reelection are based on prior analysis of the needs of the board of directors, favouring diversity of knowledge, experience and gender in accordance with best corporate governance practices.
2. The results of the prior analysis of the needs of the board of directors will be set forth in an explanatory report of the appointments committee, which will be published upon call of the general meeting of shareholders to which the ratification, appointment or reelection of each director is submitted.
3. The appointments committee will run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

## **Article 9. Chairman of the board**

1. The board of directors will, following a report from the appointments committee, 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 reelection.

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 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;
- e) to propose the appointment and removal of the chief executive officer to the board of directors, following a report from the appointments committee;
- f) to call and chair the meetings of the board of directors, setting the agenda and directing discussions and deliberations;
- g) to chair general meetings of shareholders;
- h) to ensure that directors receive sufficient information in advance to deliberate on the points of the agenda;
- i) to encourage debate and the active participation of the directors during meetings, safeguarding their right to freely choose their position and express their opinion; and
- j) any other functions that have been delegated thereto.

In the event of absence, impossibility or unavailability of the chairman, his duties will be performed temporarily by the director appointed for that purpose by the board of directors or, if none is so appointed, by the eldest director. In any event, if the vacancy or absence is for extended extraordinary reasons, or the result of physical incapacity, the chairman may be replaced in his duties by such other director as to which authority may be extended by way of the appropriate power of attorney.

Independently of the provisions of the preceding paragraph, when the chairman of the board is an executive director, the board of directors will appoint, from among the independent directors, on proposal of the appointments committee, a lead independent director who will gather all questions and concerns communicated thereto by the external directors, and may request call of the board of directors and inclusion of points on the agenda. In particular, in addition to other functions that rest with said director by law, the lead independent director will voice the concerns of the non-executive directors, this director will assume the task of organising ~~organising~~ the possible common positions of the independent directors, ~~and will serve~~ and serving as an intermediary or spokesman for such common positions; maintain contact with investors and shareholders to know their points of view and in order to form an opinion on their concerns on the terms set out in the Corporate Policy on information, communication and contacts with shareholders, institutional investors and voting advisors approved by the entity, in particular, in relation to the corporate governance of the Company; coordinate the chairman succession plan; and manage the evaluation of the chairman's performance of his functions.

The term of office as the lead independent director will be three years, with no successive reelection. Status as the lead independent director will cease by expiration of the term for which said lead director was appointed, and when the lead director ceases to be a director, when being a director the lead director loses status as an independent director, or when so resolved by the board of directors upon proposal of the appointments committee.

2. The chairman must call the board to meeting and place the matters in question on the agenda when so requested by one of the independent directors. In the event of a tie, the chairman will have a casting vote.
3. The chairman, as the one responsible for efficient functioning of the board of directors, will prepare and submit to the board of directors the estimated planning of the matters of an ordinary and/or regular or recurring nature to be considered; he will be responsible for directing the board and the effectiveness of its functioning; he will see to it that sufficient time is given for discussion of strategic questions, and will order and revise refresher programmes for each director, when circumstances so advise. Also, the chairman will see to it that the directors receive sufficient information for the performance of their duties, with each director being entitled to request such additional information and advice as may be required for performance of his duties, and to request that the board of directors be assisted by experts from outside the Company's departments, regarding such matters submitted to its consideration that by their special complexity or importance so require.
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 board of directors annually will evaluate its performance and that of its committees and, based on the results, will propose an action plan correcting the deficiencies identified. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance committee and the appointments committee.~~

- ~~6. The board, based on the report submitted to it by the appointments committee, once each year will evaluate the performance by the chairman of the board of his duties. The evaluation of the chairman will be directed by the lead independent director.~~

## **Article 11. Secretary of the board**

1. The board of directors, following a report from the appointments committee, 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 without 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 so that the directors receive the advice and information necessary for performance of their duties, 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 regulations and other regulations. The secretary in particular will see to it that the board of directors, in its actions and decisions, takes account of the corporate good governance recommendations applicable to the Company.
4. The board of directors, after obtaining a report from the ~~competent~~ appointments committee, 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, without prejudice to what may be agreed in each of the board committees' specific regulations.

## **Article 14. The audit and compliance committee**

1. The audit and compliance committee will be composed exclusively of non-executive directors, the majority independent, with a minimum of three and a maximum of five directors, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. The members of the audit and compliance committee will be appointed by the board of directors taking into account the knowledge, aptitude and experience in accounting, auditing or in both areas of the

directors and the tasks of the committee; the members of the committee, as a whole, must possess the relevant technical knowledge of the banking sector.

2. The committee will be chaired by an independent director that, in addition, has knowledge, aptitude and experience in the field of accounting, auditing or risk management. The chairman of the committee must be replaced every four years, and may be reelected after the term of one year elapses since he left office. The chairman of the committee at any time may contact the officer of the Company responsible for internal audit, requesting information there from regarding the internal audit actions that are being taken. Also, regardless of the corresponding organisational structure, the officer responsible for internal audit will maintain a constant functional relationship with the audit and compliance committee and its chairman. In any event, the audit and compliance committee will oversee the performance of the internal audit unit.
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 a majority of its members. It will adopt its resolutions by absolute majority of the members of the committee 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 the functions given to it by applicable legislation, in particular and without limitation the following basic responsibilities:
  - a) Reporting to the general meeting of shareholders on questions posed in respect of matters within the competence of the committee, in particular regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the committee in this process.
  - b) Monitoring the effectiveness of the internal control of the Company, the internal audit, ~~if any,~~ regulatory compliance, and systems for risk management, ~~including tax risks,~~ and discussing significant weaknesses in the internal control system detected in the development of the audit with the auditor, all without compromising its independence. For such purposes, the committee if applicable may submit recommendations or proposals to the board of directors and the corresponding term for their monitoring. 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 monitoring the process of preparation and the integrity of the financial information on the Company and, where appropriate, the Group, reviewing compliance with legal provisions, appropriate definition of the scope of consolidation and 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; reviewing the annual work plan; proposing the selection, appointment and removal of the head of internal audit functions, reviewing the annual work plan who will report directly to the committee on issues arising in the conduct thereof and at the end of each year will submit an activities report; 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;
  - monitoring the performance of the regulatory compliance unit, the head of which will report directly to the committee on issues arising in the implementation of the annual work plan, and at the end of each financial year will submit an activities report.
  - establishing and supervising a mechanism that allows employees, on a confidential basis, to communicate potentially significant irregularities, specially financial and accounting, arising within the Company, promoting compliance with the Code of Ethics and Conduct approved by the Company; ~~and~~, verifying the functioning of the Ethics and Conduct Committee within the scope of its authority, which committee will submit an activities report to the audit and compliance committee at the end of each financial year; and
  - establishing and supervising the existence of a model for prevention and detection of crimes that may result in criminal liability of the Company.
- c) Monitoring the process of preparation and presentation of the required financial information and presenting recommendations or proposals to the board of directors, aimed at safeguarding its integrity, and in particular:
- reporting in advance to the board of directors on the financial information which the Company must make public on a regular basis.
  - reviewing the Company's accounts, monitoring 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) Submitting to the board of directors proposals for selection, appointment, reelection and replacement of the ~~external~~ auditor, taking responsibility for the

process of selection, in accordance with the provisions of Community regulations, as well as the terms of its engagement.

e) Establishing the appropriate relationships with the external auditor to receive information regarding such questions as may ~~endanger~~ result in a threat to the independence thereof, for review by the committee, and any others related to the process of auditing accounts and, when appropriate, authorising the permitted services, on the terms contemplated in the Community regulations and in the applicable rules regarding independence, 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 audit programme and its implementation, and verifying that senior management is acting on its recommendations;
- ensuring that the external auditor at least annually has a meeting with the full board of directors to report to it on the work performed and the evolution of the accounting and risk situation of the Company;
- 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;
- ensuring the independence of the external auditor in the performance of its duties 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~~
  - seeing to it that the remuneration of the external auditor for its work does not compromise its quality or independence;
  - in the event of resignation of the external auditor, reviewing the underlying reasons; and
  - supervising that the Company reports any change of auditor as a material disclosure, accompanied by a statement regarding the existence of disagreements with the outgoing auditor and, if applicable, the substance thereof.

In any event, annually it must receive from the external auditors a declaration of their independence as regards the Company or entities directly or indirectly related

thereto, as well as detailed and individualised information on additional services of any kind provided to and the corresponding fees perceived from such entities by the external auditor or persons or entities related thereto, pursuant to the ~~legislation on rules regulating~~ the activity of auditing accounts.

- f) Annually, prior to the issue of the audit report, issuing a report stating an opinion as to whether ~~on~~ the independence of the ~~external auditors of the~~ auditors of the accounts or audit companies has been compromised. This report in any event must contain a reasoned evaluation of the provision of each and every one of the additional services ~~referred to in the preceding section that have been provided~~, taken individually and as a whole, other than the legal audit, as regards the scheme of independence of the auditors and regulations governing the activity of auditing accounts.
- g) Supervising compliance with these regulations, 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, 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:~~
- Supervise the shareholder and investor communications and relationships strategy, including small and medium-sized shareholders.
  - Periodically evaluate the adequacy of the Company's corporate governance system in order for it to fulfil its mission of promoting the interests of society and, as applicable, taking account of the legitimate interests of stakeholder groups.
  - Review the Company's corporate social responsibility policy, seeing to it that it is aimed at creation of value.
  - Monitor the corporate social responsibility strategy and practices and evaluate the degree of compliance thereof.
  - Monitor and evaluate the processes of relationships with the various stakeholder groups.
  - Evaluate everything related to non-financial risks of the Company, including the operational, technological, legal, social, environmental, political and reputational risks.
  - Coordinate the process of reporting non-financial and diversity information, in accordance with applicable regulations and international standards of reference.
  - Receive information and, if applicable, issue reports regarding measures disciplining members of the board of directors or senior management of the Company.
- h) Reporting to the board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, as well as and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

- i) Reporting in advance to the board of directors on any matters within its remit envisaged by law, the bylaws and the board regulations.
  - j) Any other functions entrusted to it or authorised by the board.  
The provisions of paragraphs d), e) and f) of the preceding subsection will be understood to be without prejudice to the rules regulating auditing of accounts.
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.
  8. The audit and compliance committee will be informed of any fundamental changes or corporate transactions the Company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, in particular, on the exchange ratio proposed.
  9. For better performance of its duties, the audit and compliance committee may seek the advice of outside professionals on matters within its competence.
  10. 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. Appointments committee**

1. The appointments committee will be composed of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five directors, all this without prejudice to the attendance, when so expressly agreed by the members of the committee, of other directors including executive directors, senior executives and any employee.
2. The members of the appointments 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 an independent director appointed by the board of directors. The chairman of the committee must be replaced every four years, and may be reelected 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, and 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 a majority of the directors that are members of the committee are present in person or by proxy.
6. The committee will adopt its resolutions by absolute majority the members of the committee, 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 matters of appointments and removal of directors and senior managers. In particular,

without prejudice to other tasks assigned to it by the board, the appointments committee will be responsible for:

- a) assessing the skills, knowledge, ability, diversity and experience required for the board of directors and, therefore, defining the necessary functions and abilities for candidates wishing to cover each vacancy, and assessing the necessary time and dedication to carry out their duties in an effective manner, ensuring that the non-executive directors have sufficient time available for proper performance of their duties.
- b) identifying, recommending and making proposals to the board of directors of independent directors to be appointed by co-option or, for submission to decision by the general meeting of shareholders, and proposals for reelection or removal of those directors by the general meeting;
- c) identifying, recommending and reporting to the board of directors on proposals for the appointment of the other directors to be appointed by co-option or for submission to decision by the general meeting of shareholders, and proposals for their reelection or removal by the general meeting of shareholders;
- d) at the initiative of the chairman, reporting, on a non-binding basis, on resolutions of the board related to the appointment or removal of senior managers of the Group and the basic terms of their contracts, without prejudice to the authority of the remuneration committee regarding remuneration matters, and periodically reviewing the policy of the board of directors regarding selection and appointment of members of senior management of the Group and making recommendations to it;
- e) ~~examining and organising, on the terms contemplated by commercial legislation, the succession plan for governance bodies of the Company and, if applicable, making proposals to the board of directors in order for that succession to occur in an organised and planned manner~~ analysing the existence and updating of plans for succession of the chairman, the vice chairman and, if applicable, the chief executive officer and senior managers of the Company and, if applicable, making proposals to the board of directors in order for such succession to occur in an orderly and planned manner;
- f) ensuring 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;
- g) setting a goal of representation for the gender under-represented on the board of directors and to develop guidance on how to increase the number of the under-represented gender to achieve this objective. Also, the committee will ensure, that by providing new vacancies selection procedures do not suffer of implicit biases that interfere with the selection of the under-represented gender;
- h) regularly (at least once each year) evaluating the structure, size, composition and performance of the board of directors, if applicable making recommendations to it regarding possible changes;
- i) regularly (at least once each year) evaluating the suitability of the various members of the board of directors and the board as a whole, and reporting thereon to the board of directors;

- j) reporting to the board of directors on issues relating to good corporate governance of the Company regarding matters within the competence of the committee (objectives, management of talent, liability insurance, etc.) and making the proposals necessary for improvement thereof;
  - k) proposing the policy for selection of directors to the board of directors, and annually verifying compliance therewith.
  - l) Without prejudice to the functions of the audit and compliance committee, the ethics and conduct committee will submit to the appointments committee, periodically and at least at the end of each financial year, an activities report in relation to performance of its functions, in particular as regards oversight and monitoring of the Code of Ethics and Conduct.
8. The committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.
  9. For better performance of its duties, the committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence, and will receive appropriate funding to do so.
  10. The chairman and any director may make suggestions to the committee related to the matters within the scope of its competence and, in particular, may propose potential candidates to fill director vacancies.

## **Article 15 Bis. Remuneration committee**

1. The remuneration committee will be composed of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five directors, without prejudice to its meetings being attended, when expressly so approved by the committee members, 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, based on the knowledge, ability and experience of the directors and the responsibilities of the committee. The 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 reelected 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, and 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 the adoption of proposals.
5. There will be a quorum when a majority of the directors that are members of the committee are present in person or by proxy.

6. The committee will adopt its resolutions by absolute majority the members of the committee, 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 be responsible for:
  - a) making 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, executive committees or the chief executive officer, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance;
  - b) reporting on senior management remuneration. In all events, it will oversee the remuneration of the heads of internal audit, risks and regulatory compliance;
  - c) periodically reviewing the programmes of retribution, weighing their adequacy and their yields, the remuneration policy applied to the directors and senior management, including share-based compensation systems and their application, as well as ensuring that their individual remuneration is proportionate to which is paid to the other directors and senior management of the company;
  - d) ensuring 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) ~~seeing to it~~ verifying that the remuneration policy set by the Company is observed;
  - f) making 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 into account 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 on these matters;
  - g) ensuring that conflicts of interest do not undermine the independence of any external advice the committee engages;
  - h) verifying the information on director and senior managers' remuneration contained in corporate documents, including the annual directors' remuneration statement, for which purpose it will submit a report to the board of directors.
8. The committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.
9. For better performance of its duties, the committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence.

#### **~~Article 15 Ter. — Appointments and remuneration committee~~**

- ~~1. Upon fulfilment of all of the legal requirements set forth in the applicable laws, the board of directors may resolve that the duties described in articles 15 and 15bis above should be carried out by a single appointments and remuneration committee.~~

- ~~2. The appointments and remuneration committee will be composed of a majority of non-executive directors, with a minimum of three and a maximum of five, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. In any event the number of members of the appointments and remuneration committee will be determined either directly by way of establishment of that number by express resolution, or indirectly by way of filling vacancies or appointment of new members within the established maximum.~~
- ~~3. The members of the appointments and remuneration committee will be appointed by the board of directors, based on their knowledge, ability and experience and the responsibilities of the committee.~~
- ~~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 reelected one or more times for terms of the same length.~~

## **Article 16. Risk advisory committee**

1. The risk advisory committee will be composed of a minimum of three and a maximum of five directors, who may not be executive directors. The members of the risk advisory committee must have the appropriate knowledge, ability and experience to fully understand and control the risk strategy and risk tolerance of the Company. At least one third of its members must be independent directors. In any event, the chairman of the committee will be an independent director.
2. Resolutions of the risk advisory committee will be adopted by absolute 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.

3. The risk advisory committee will have the following functions:
  - a) Advising the board of directors regarding overall risk exposure of the Company, current and future, and its strategy in this regard, and assisting it in overseeing the implementation of the strategy.  
  
Notwithstanding the foregoing, the board of directors will be responsible for the risks assumed by the Company.
  - b) Ensuring that the pricing policy for assets and liabilities offered to customers takes full account of the business model and risk strategy of the Company. If it does not, the risk advisory committee will present the board of directors with a plan for correction thereof.
  - c) Determining, together with the board of directors, the nature, amount, format and frequency of reporting on risks that is to be received by the risk advisory committee itself and the board of directors.
  - d) Collaborating in establishing rational remuneration practices and policies. To that end, and without prejudice to the functions of the remuneration committee, the risk advisory committee will monitor whether the incentives policy contemplated in the remuneration system takes account of risk, capital, liquidity and the probability and timing of profits.

- e) Submitting risk policies to the board of directors.
- f) Proposing the risk control and management policy of the Company and the Group to the board of directors, by way of the Internal Capital Adequacy Assessment Report (ICAAP), which must specifically identify:
  - The various kinds of risk, financial and non-financial (inter alia operational, technological, legal, social, environmental, political and reputational) to which the Company and the Group are exposed, with the financial or economic risks also including contingent liabilities and other off-balance-sheet risks.
  - The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.
  - The levels of risk that are acceptable to the Company.
  - The corrective measures to mitigate the impact of the risks identified in the event they materialise.
- g) Referral to the board of directors of proposals for:
  - Approval of the policies for acquiring, managing, controlling and reducing the risk to which the Company is or may be exposed, including those arising from the macroeconomic conditions in relation to the situation of the economic cycle.
  - Approval of the general internal control strategies and procedures, on which it will receive periodic status reports.
  - Periodic reports of the results of verification and control functions undertaken by the Company's units.
- h) Undertaking periodic monitoring of the loan portfolio of the Company and the Group, in order to propose to the board of directors controls that the risk assumed conforms to the stipulated risk profile, with particular attention to the main customers of the Company and Group and to the distribution of the risk by industry, geographical area and types of risk.
- i) Periodically verifying the assessment, processes and methodologies systems and criteria for approval of transactions.
- j) Proposing to the board of directors the assessment, monitoring and implementation of the instructions and recommendations of supervisory entities in the exercise of their authority and, if applicable, referring proposals of actions to be taken to the board of directors, without prejudice to following the instructions received.
- k) Verifying that the Company's risk reporting processes are appropriate for managing the risks assumed, and, if not, proposing such improvements as it deems to be necessary for their correction.
- l) Proposing to the board of directors the Company's Credit Risk Approval Authorities System.
- m) Supervising the internal risk control and management function, the head of which will, at the end of each financial year, submit an activities report to the committee, and evaluating whether the risk unit has the processes, technical resources and human resources necessary for proper fulfilment of its functions in an independent manner, in accordance with the risk profile of the Company.

In particular, the risk advisory committee will supervise the functions of the risk unit in relation to:

- Ensuring that risk control and management systems are functioning correctly and, specifically, that the major risks the company is exposed to are correctly identified, managed and quantified.
  - Participating actively in the preparation of the risks strategy and in key decisions about their management.
  - Ensuring that risk control and management systems are mitigating risks adequately within the framework of the policy drawn up by the board of directors.
4. For the proper performance of its duties, the risk advisory committee will have unrestricted access to the information on the risk status of the Company and, if necessary, to the risk management unit and specialised external advisors.
  5. The head of the risk unit will be a senior manager, who will meet the requirements set forth in the applicable regulations and in the performance of his/her duties having direct access to both the board of directors and the board and advisory risk committees, and who may be removed from that office in accordance with the provisions of applicable regulations.

#### **Article 17. Meetings of the board of directors**

1. The board of directors will, in general, meet once each month, following the estimated planning of matters of an ordinary and/or recurring nature to be considered. Each individual director may propose other points for the agenda, initially not contemplated. The foregoing is without prejudice to the proposal or analysis of any other matter that should be submitted to consideration of the board of directors, apart from matters of an ordinary and/or recurring nature. In addition, it will meet as often as called by the chairman, on his own initiative or on request of an independent director. 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 on the agenda items to be considered at the meeting.
2. The board of directors meeting 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 days in advance of the scheduled meeting date, unless, in the judgment of the chairman, the urgency of the matters to be considered requires an urgent call, which may be done by telephone, fax, e-mail or any other remote means, sufficiently in advance to allow the directors to fulfil their duty to attend. Unless the board of directors meets or has been exceptionally called for reasons of urgency, the chairman, with the collaboration of the secretary, will see to it that the directors have the information necessary to deliberate and adopt resolutions regarding the matters to be dealt with sufficiently in advance.

When, exceptionally, by reason of urgency, the chairman wishes to submit decisions or resolutions not appearing on the agenda for approval of the board of directors, express prior consent of the majority of the directors present will be required, with that consent to be reflected in the minutes.

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

Both for purposes of calling a board meeting and for any communication to 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. The board of directors will be understood to be validly constituted at the place stated in the call. The board also may validly meet without need of a call if all its members are present or represented and unanimously agree to hold a board meeting.
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 four directors state their opposition to use of such means. In such event, the call will state the connection system and, if applicable, the places where the necessary technical resources will be available for attending and participation in the meeting. In 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.
6. Agendas for meetings will clearly indicate those points in respect of which the board of directors must adopt a decision or resolution, so that the directors can study the matter beforehand or gather the information they need.

#### **Article 18 Bis. Evaluation of the board of directors and its committees and evaluation of the performance of their duties by the chairman**

1. The full board of directors annually will evaluate and, shall adopt, where applicable, an action plan to correct weaknesses in:
  - a) The quality and efficiency of the board's operation.
  - b) The functioning and composition of its committees.
  - c) Diversity in the composition and authority of the board of directors.
  - d) The performance of the chairman of the board of directors and, if applicable, the Company's chief executive.
  - e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.
2. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance committee and the appointments committee.
3. In the evaluation of the various committees of the board, the starting point will be the report submitted by it to the board of directors.

4. For evaluation of the performance of the duties of the chairman and, if applicable, the Company's chief executive, the starting point will be the report submitted by the appointments committee to the board of directors. The evaluation of the chairman of the board will be directed by the lead independent director.
5. At least every three years the board will be assisted in the evaluation by an external consultant, the independence of which will be verified by the appointments committee.

The business dealings that the consultant or members of its corporate group maintain with the Company or member of its group must be detailed in the annual corporate governance report.

The process and the areas evaluated will be described in the annual corporate governance report.

## **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, reelected 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, inclusive, which will be competent to 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. Also, if there is a vacancy after the general meeting is called and before it is held, the board of directors may appoint a director until the holding of the following general meeting.

3. Authority to make proposals for appointment, reelection and ratification of directors submitted by the board of directors to consideration of the general meeting, and appointment decisions adopted by the board itself by virtue of the co-option authority granted thereto rests with the appointments committee, in the case of independent directors, and the board itself, in the case of other directors, and in turn must be preceded by the corresponding explanatory report of the board evaluating the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the general meeting or of the board itself.
4. When selecting the nominee for a directorship it will be ensured that the person is of high commercial and professional integrity, competence, standing and experience in the financial sector and that the nominee director is willing to exercise good governance of the Company, in accordance with the provisions of the regulations applicable thereto.

5. The persons appointed as directors must satisfy the conditions required by law or the bylaws, and formally undertake at the time of taking office to fulfil the obligations and duties contemplated therein and in these regulations.
6. If a legal person is appointed as a director, it must appoint a single natural person for the permanent exercise of the functions inherent in the directorship. Revocation of its representative by a legal person director will not be effective until the replacement individual is appointed. Also, the proposal of the representative natural person must be submitted to a report of the appointments committee.

The natural person appointed for the permanent exercise of the functions inherent in the directorship held by a legal person must satisfy the same requirements of suitability and will be subject to the same scheme of disqualification and to the same duties and will be jointly and severally liable with the legal person director.

7. There is no age limit for being appointed or serving as director.
8. For purposes of affording new directors knowledge of the Company and its corporate governance rules, they will be provided with an orientation and support programme, without prejudice to the Company being able, when the circumstances make it advisable, to organise refresher programmes for directors.
9. In the selection of directors, the technical advising of an external expert on these matters may be engaged.

#### **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. When, by reason of resignation or otherwise, a director leaves office before the end of his term, he will explain the reasons in a letter that will be sent to all members of the board of directors. The reason for leaving office will be reported in the annual corporate governance report.
3. In the event that the board of directors proposes the removal of any external director before the end of the bylaws term for which the director was appointed, the proposal must be reasoned and accompanied by the corresponding report of the appointments committee. The board of directors will not propose the removal of any independent director before the expiry of that director's tenure as mandated by the bylaws, except where just cause is found much appreciated by the board of directors, after a report from the appointments committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the capital structure of the Company, in order to meet the proportionality criterion referred to in the good corporate governance recommendations.
4. Without prejudice to the foregoing, directors will place their office 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 grounds of incompatibility, or prohibition or unsuitability contemplated by law.

- b) When they are tried for or accused of 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 proceedings in which the director is a defendant, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes referred to 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 continuation as directors could generate a reputational risk to the interests of the Company.
  - e) When they leave the positions, offices or functions with which their appointments as executive directors were associated.
  - f) In the case of proprietary directors, when the shareholder at whose behest they were appointed fully transfers the interest it had in the Company or reduces it to a level that requires reduction of the number of its proprietary directors.
  - g) In the case of independent directors, when for supervening reasons they fail to satisfy the conditions for being considered independent directors.
5. If an individual representative of a legal person that is a director is subject to any of the circumstances contemplated in the preceding section, said individual will be disqualified from exercising that representation.

#### **Article 24. Procedure for removal or replacement of members of the board of directors or its committees and from positions on those bodies**

1. 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 directors, the appointments committee will be called to examine and organise the process of succession or replacement on a planned basis and formulate the corresponding proposal to the board of directors. This proposal will be communicated to the executive committee and thereafter to the next meeting of the board of directors.
2. In relation to the succession of senior managers, the board of directors, after a report from the appointments committee, will establish the applicable procedure, at all times ensuring that the process of succession or replacement proceeds in an orderly manner.

#### **Article 27. Remuneration of directors**

1. The position of director 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 annual remuneration of all directors in their capacities as such must be approved by the general meeting and will remain in effect until modification thereof is approved. The fixing of that amount, its distribution among the various directors and the frequency of receipt thereof will rest with the board of directors. For this purpose, the board of directors will take into account of the functions and responsibilities given to each director, the director's membership on board committees and the other objective circumstances deemed to be relevant.
3. Directors performing executive functions within the Company, whatever the nature of their legal relationship therewith, will further be entitled to receive remuneration for the performance of these functions, to be determined by the board of directors on proposal of the remuneration committee, in accordance with the bylaws and the remuneration policy approved by the general meeting, comprised of (a) a fixed part, appropriate to the services and responsibilities assumed; (b) a variable part, correlated with some indicator of the performance of the director or the business; (c) an assistant part, covering the appropriate insurance and welfare systems; (d) an indemnification in the event of separation or any other form of termination of the legal relationship with the Company not owing to breach attributable to the director; and (e) the monetary amounts deriving from exclusivity, post-contractual non-competition and minimum term or loyalty clauses, if any, appearing in the contract. The aforesaid remuneration will be included in a contract to be entered into between the director and the Company, which must be approved by the board of directors with the favourable vote of two thirds of its members, and must be attached as an annex to the minutes of the meeting. The affected director must refrain from attendance, deliberation and participation in voting. The director may not receive any remuneration for the performance of executive functions the amounts or categories of which are not contemplated in the 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 Company<sup>2</sup>, or 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 for 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.

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<sup>2</sup> Specifically, BFA Tenedora de Acciones S.A.U.

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

5. Additionally, directors performing advisory functions other than the supervision and collegial decision-making inherent in their positions as directors, whatever the nature of their relationship with the Company, will be entitled to receive such employment or professional remuneration, fixed or variable, in cash or in kind as, by resolution of the board of directors of the Company, is appropriate for the performance of such 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 provided for in the preceding paragraphs, it is envisaged that remuneration schemes may be implemented that are indexed to the stock market price of shares or involve delivery of shares or options on shares to directors. These cases shall require a resolution of the general meeting, which must include the maximum number of shares that can be allocated to this remuneration scheme each financial year, the exercise price or the calculation system for the exercise price of the share options, the value of the shares taken as reference, if applicable, and the term of duration of the remuneration plan.

Also, upon fulfilment of the legal requirements, similar remuneration schemes may be established for personnel (whether or not management personnel) 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 external directors is sufficient to compensate them for the dedication, qualification and responsibility required to serve in the position.
9. The general meeting of the Company, at least every three (3) years, as a separate point on the agenda, will approve the director remuneration policy, which will be adapted as applicable to the remuneration system set forth in the bylaws, on the terms contemplated by law. The proposal of the aforesaid remuneration policy must attach a report of the remuneration committee.

In addition, on an annual basis the remuneration policy will be subject to central and independent internal evaluation, to verify compliance with the remuneration procedures and guidelines adopted by the board of directors.

The board of directors of the Company periodically will review and adopt the general principles of the remuneration policy and will be responsible for supervising its application.

## **Article 28. Disclosure of remuneration**

1. The board of directors annually must prepare and publish a report on director remuneration, including the remuneration they receive or are to receive in their capacity as such and, if applicable, for the performance of executive functions, making it available to the shareholders upon call of the ordinary general meeting so the meeting may vote thereon, on an advisory basis.

In any event the report at a minimum will include complete, clear and understandable information on the Company's director remuneration policy applicable for the year in

course. It also will include the overall summary of how the remuneration policy was applied during the closed financial year, as well as details of the individual remuneration earned in all categories by each of the directors during that financial year. This report must be a separate point on the agenda. The content of the report will be adapted to the provisions of law.

2. If the annual report on director remuneration is rejected by the consultative vote of the ordinary general meeting, the remuneration policy applicable for the following year must be submitted to approval of the general meeting prior to its ~~approval~~ application, even if the aforesaid term 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 report will also disclose, on an individual basis and for each of remuneration categories, the remuneration for the executive tasks entrusted to the executive directors of the Company.

#### **Article 36. Relations with the markets**

1. The board of directors will make immediate public disclosure of:
  - a) 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) Substantial changes in the rules of governance of the Company.
  - d) Related party transactions of particular importance with board members.
  - e) Treasury share transactions of special importance.
2. The board will adopt the measures necessary to guarantee that quarterly, half-yearly and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles, criteria and policies as the annual financial statements and is equally reliable. In this regard, the audit and compliance committee will report in advance to the board of directors on the financial information the Company is to publish periodically before it is disseminated.
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) Biographical and professional profile.
  - b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
  - c) Statement of the director category to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
  - d) The dates of first appointment as director ~~and of the~~ as well as the subsequent reelections.
  - e) Shares held in the Company and any options thereon held thereby.

5. The board of directors will define, promote and publish on its website a policy for communication with shareholders, institutional investors and voting advisors that is fully consistent with the rules against market abuse and gives similar treatment to shareholders that are in the same position.

## **Article 37. Relations with shareholders**

1. The board of directors will foster communication between the Company and its shareholders. Thus, with the assistance of any of the directors and/or members of senior management deemed to be appropriate, it will promote the holding of informational meetings on the progress of the Company with shareholders residing in the most important markets, in Spain and other countries. 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. Directors will be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its Group.
3. 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.
4. 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. The report on the independence of the outside auditor, the reports on the functioning of the audit and compliance committee, the appointments committee and the remuneration committee, the report of the audit and compliance committee on related party transactions, the corporate social responsibility policy and the reports thereon will be published on the website sufficiently in advance of the holding of the general meeting. On its website the Company will publish the requirements and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights.

## **Transitional provision**

1. Directors appointed before 1 January 2014 may complete their current terms even if they exceed the maximum duration set forth in article 22 of these regulations.
2. ~~Until the existence of an appointments committee and a separate remuneration committee is required by law, the appointments and remuneration committee governed by article 15 ter of these regulations.~~

**B) The General Meeting is advised of the amendments of the Board of Directors Regulations that were resolved, upon prior report from the Audit and Compliance Committee, by the Board of Directors at its meetings of 26 November 2015 and 10 February 2016: article 8 (Qualitative Composition), article 8 bis (Director Selection Policy), article 9 (Chairman of the Board), article 10 (Chief Executive Officer), article 11 (Secretary of the Board), article 12 (Board Committees), article 14 (Audit, Compliance and Responsible Management Committee), article 15 (Appointments Committee), article 15 bis (Remuneration Committee), article 18 bis (Evaluation of**

**the Board of Directors and its Committees and Evaluation of the Performance of their Duties by the Chairman), article 21 (Appointment, Reelection and Ratification of Directors. Appointment of members of board committees. Appointment to Positions on the Board and its Committees), article 23 (Removal of Directors), article 24 (Procedure for Removal or Replacement of Members of the Board of Directors or its Committees and from Positions on those Bodies), article 30 (General Duty of Care) and article 37 (Relations with Shareholders).**

Said amendments are aimed at adapting the Board of Directors Regulations to the Bylaws amendments that are to be submitted for the approval of the annual general meeting of shareholders that the company must hold in 2016, as well as to introduce certain improvements of a technical nature.

Said resolutions, insofar as refers to adaptation of the Board of Directors Regulations to the Bylaws, were made conditional on prior registration of the amendments of the Bylaws which, in accordance with the provisions of Royal Decree 84/2015 of 13 February 2015, implementing Law 10/2014 of 26 June on regulation, solvency and supervision of credit institutions, are conditional on attainment of the administrative authorisation referred to in article 10.1 of said Royal Decree, unless that authorisation is not necessary according to the Royal Decree.

The amended articles of the Board of Directors Regulations are henceforth worded as follows:

## **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 honourable persons fit to exercise 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 of proposal to the general meeting and co-optation to cover vacancies on the board, will:
  - a) see to it that external or non-executive directors represent a broad majority with respect to executive directors and include amongst them a reasonable number of independent directors; and
  - b) progress in professionalising the board of directors taking into account inasmuch as possible the recommendations for good corporate governance.

When classifying directors as executive, proprietary or independent, the definitions laid down in the applicable legislation will be followed.

3. The overall composition of the board of directors as a whole must include bring together sufficient knowledge, competence and experience in the governance of credit institutions for appropriate understanding of the activities of the Company, including its principal risks, ensuring the effective capacity of the board of directors to take decisions independently and autonomously for the benefit of the Company. In any event, the board must see to it that the procedures for selection of its members favour diversity of experience and knowledge, facilitate the selection of female directors and, in general, do not suffer from implicit biases that could imply any discrimination.

4. The board will state the category of each director to the general meeting of shareholders that is to make or ratify the appointment. Also, on an annual basis and after verification by the appointments and responsible management committee, that classification will be reviewed by the board of directors, reporting thereon in the annual corporate governance report.
5. Members of the board of directors may not at the same time occupy more positions than contemplated in the banking and commercial regulations applicable from time to time.

## **Article 8 Bis. Director selection policy**

1. The board of directors will approve a director selection policy that will be specific and verifiable and will ensure that proposals for appointment or reelection are based on prior analysis of the needs of the board of directors, favouring diversity of knowledge, experience and gender in accordance with best corporate governance practices.
2. The results of the prior analysis of the needs of the board of directors will be set forth in an explanatory report of the appointments and responsible management committee, which will be published upon call of the general meeting of shareholders to which the ratification, appointment or reelection of each director is submitted.
3. The appointments and responsible management committee will run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

## **Article 9. Chairman of the board**

1. The board of directors will, after obtaining a report from the appointments and responsible management committee, 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 reelection.

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 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;
- e) to propose to the board of directors, after obtaining a report from the appointments and responsible management committee, the appointment and removal of the chief executive officer;
- f) to call and chair the meetings of the board of directors, setting the agenda and directing discussions and deliberations;
- g) to chair general meetings of shareholders;
- h) to ensure that directors receive sufficient information in advance to deliberate on the points of the agenda;
- i) to encourage debate and the active participation of the directors during meetings, safeguarding their right to freely choose their position and express their opinion; and
- j) any other functions that have been delegated thereto.

~~In the event of absence, impossibility or unavailability of the chairman, his duties will be performed temporarily by the director appointed for that purpose by the board of directors or, if none is so appointed, by the eldest director. In any event, if the vacancy or absence is for extended extraordinary reasons, or the result of physical incapacity, the chairman may be replaced in his duties by such other director as to which authority may be extended by way of the appropriate power of attorney.~~

Independently of the provisions of the preceding paragraph, When the chairman of the board is an executive director, the board of directors will appoint, from among the independent directors, on proposal of the appointments and responsible management committee, a lead independent director who will gather all questions and concerns communicated thereto by the external directors, and may request call of the board of directors and inclusion of points on the agenda. In particular, in addition to other functions that rest with said director by law, the lead independent director will chair the board of directors in the absence of the chairman, will voice the concerns of the non-executive directors, organising the possible common positions of the independent directors, and serving as an intermediary or spokesman for such common positions; maintain contact with investors and shareholders to know their points of view and in order to form an opinion on their concerns on the terms set out in the Corporate Policy on information, communication and contacts with shareholders, institutional investors and voting advisors approved by the entity, in particular, in relation to the corporate governance of the Company; coordinate the chairman succession plan; and manage the evaluation of the chairman's performance of his functions.

The term of office as the lead independent director will be three years, with no successive reelection. Status as the lead independent director will cease by expiration of the term for which said director was appointed, when the director ceases to be a director, when said director loses status as an independent director, or when so resolved by the board of directors upon proposal of the appointments and responsible management committee.

2. The chairman must call the board to meeting and place the matters in question on the agenda when so requested by one of the independent directors. In the event of a tie, the chairman will have a casting vote.
3. The chairman, as the one responsible for efficient functioning of the board of directors, will prepare and submit to the board of directors the estimated planning of the matters of an ordinary and/or regular or recurring nature to be considered; he will be responsible for directing the board and the effectiveness of its functioning; he will see to it that sufficient time is given for discussion of strategic questions, and will order and revise refresher programmes for each director, when circumstances so advise. Also, the chairman will see to it that the directors receive sufficient information for the performance of their duties, with each director being entitled to request such additional information and advice as may be required for performance of his duties, and to request that the board of directors be assisted by experts from outside the Company's departments, regarding such matters submitted to its consideration that by their special complexity or importance so require.
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.

#### **Article 10. 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 and responsible management 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 to a directorship, 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 scope 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 reelection.

#### **Article 11. Secretary of the board**

1. The board of directors, following a report from the appointments and responsible management committee, 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 without 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 so that the directors receive the advice and information necessary for performance of their duties, 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 regulations and other regulations. The secretary in particular will see to it that the board of directors, in its actions and decisions, takes account of the corporate good governance recommendations applicable to the Company.
4. The board of directors, after obtaining a report from the appointments and responsible management committee, 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, without prejudice to what may be agreed in each of the board committees' specific regulations.

## **Article 12. Board committees**

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 and responsible management committee, a remuneration committee and a risk 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~~ and made available to all directors. If not otherwise specifically provided, there will apply the operating rules established in the bylaws and these regulations in relation to the board, provided that they are consistent with the nature and function of the committee.

## **Article 14. The audit and compliance committee**

1. The audit and compliance committee will be composed exclusively of non-executive directors, the majority independent, with a minimum of three and a maximum of five directors, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. The members of the audit and compliance committee will be appointed by the board of directors taking into account the knowledge, aptitude and experience in accounting, auditing or in both areas of the directors and the tasks of the committee; the members of the committee, as a whole, must possess the relevant technical knowledge of the banking sector.
2. The committee will be chaired by an independent director that, in addition, has knowledge, aptitude and experience in the field of accounting, auditing or risk management. The chairman of the committee must be replaced every four years, and may be reelected after the term of one year elapses since he left office. The chairman of the committee at any time may contact the officer of the Company responsible for internal audit, requesting information there from regarding the internal audit actions that are being taken. Also, regardless of the corresponding organisational structure, the officer responsible for internal audit will maintain a constant functional relationship with the audit and compliance committee and its chairman. In any event, the audit and compliance committee will oversee the performance of the internal audit unit.
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 a majority of its members. It will adopt its resolutions by absolute majority of the members of the committee 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 the functions given to it by applicable legislation, in particular and without limitation the following basic responsibilities:
  - a) Reporting to the general meeting of shareholders on questions posed in respect of matters within the competence of the committee, in particular regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the committee in this process.

- b) Monitoring the effectiveness of the internal control of the Company, the internal audit, regulatory compliance, and systems for risk management, and discussing significant weaknesses in the internal control system detected in the development of the audit with the auditor, all without compromising its independence. For such purposes, the committee if applicable may submit recommendations or proposals to the board of directors and the corresponding term for their monitoring. 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 monitoring the process of preparation and the integrity of the financial information on the Company and, where appropriate, the Group, reviewing compliance with legal provisions, appropriate definition of the scope of consolidation and 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; reviewing the annual work plan; proposing the selection, appointment and removal of the head of internal audit functions, who will report directly to the committee on issues arising in the conduct thereof and at the end of each year will submit an activities report; 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;
  - monitoring the performance of the regulatory compliance unit, the head of which will report directly to the committee on issues arising in the implementation of the annual work plan, and at the end of each financial year will submit an activities report;
  - establishing and supervising a mechanism that allows employees, on a confidential basis, to communicate potentially significant irregularities, specially financial and accounting, arising within the Company, promoting compliance with the Code of Ethics and Conduct approved by the Company, verifying the functioning of the Ethics and Conduct Committee within the scope of its authority, which committee will submit an activities report to the audit and compliance committee at the end of each financial year; and
  - establishing and supervising the existence of a model for prevention and detection of crimes that may result in criminal liability of the Company;
- c) Monitoring the process of preparation and presentation of the required financial information and presenting recommendations or proposals to the board of directors, aimed at safeguarding its integrity, and in particular:
- reporting in advance to the board of directors on the financial information which the Company must make public on a regular basis.
  - reviewing the Company's accounts, monitoring 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) Submitting to the board of directors proposals for selection, appointment, reelection and replacement of the auditor, taking responsibility for the process of selection, in accordance with the provisions of Community regulations, as well as the terms of its engagement.
- e) Establishing the appropriate relationships with the external auditor to receive information regarding such questions as may result in a threat to the independence thereof, for review by the committee, and any others related to the process of auditing accounts and, when appropriate, authorising the permitted services, on the terms contemplated in the Community regulations and in the applicable rules regarding independence, 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 audit programme and its implementation, and verifying that senior management is acting on its recommendations;
  - ensuring that the external auditor at least annually has a meeting with the full board of directors to report to it on the work performed and the evolution of the accounting and risk situation of the Company;
  - 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;
  - ensuring the independence of the external auditor in the performance of its duties 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;
    - seeing to it that the remuneration of the external auditor for its work does not compromise its quality or independence;
    - in the event of resignation of the external auditor, reviewing the underlying reasons; and

- supervising that the Company reports any change of auditor as a material disclosure, accompanied by a statement regarding the existence of disagreements with the outgoing auditor and, if applicable, the substance thereof.

In any event, annually it must receive from the external auditors a declaration of their independence as regards the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to and the corresponding fees perceived from such entities by the external auditor or persons or entities related thereto, pursuant to the rules regulating the activity of auditing accounts.

- f) Annually, prior to the issue of the audit report, issuing a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised. This report in any event must contain a reasoned evaluation of the provision of each and every one of the additional services referred to in the preceding section that have been provided, taken individually and as a whole, other than the legal audit, as regards the scheme of independence of the auditors and regulations governing the activity of auditing accounts.
- g) Supervising compliance with these regulations, 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, the audit and compliance committee is to:
- Supervise the shareholder and investor communications and relationships strategy, including small and medium-sized shareholders.
  - Periodically evaluate the adequacy of the Company's corporate governance system in order for it to fulfil its mission of promoting the interests of society and, as applicable, taking account of the legitimate interests of stakeholder groups.
  - ~~• Review the Company's corporate social responsibility policy, seeing to it that it is aimed at creation of value.~~
  - ~~• Monitor the corporate social responsibility strategy and practices and evaluate the degree of compliance thereof.~~
  - ~~• Monitor and evaluate the processes of relationships with the various stakeholder groups.~~
  - Evaluate everything related to non-financial risks of the Company, including the operational, technological and legal risks of the Company, social, environmental, political and reputational risks independently of the powers that rest with the risk advisory committee and other committees for supervising risks.
  - ~~• Coordinate the process of reporting non-financial and diversity information, in accordance with applicable regulations and international standards of reference.~~
  - Receive information and, if applicable, issue reports regarding measures disciplining members of the board of directors or senior management of the Company.

- h) Reporting to the board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, as well as and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- i) Reporting in advance to the board of directors on any matters within its remit envisaged by law, the bylaws and the board regulations.
- k) Any other functions entrusted to it or authorised by the board.

The provisions of paragraphs d), e) and f) of the preceding subsection will be understood to be without prejudice to the rules regulating auditing of accounts.

- 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.
- 8. The audit and compliance committee will be informed of any fundamental changes or corporate transactions the Company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, in particular, on the exchange ratio proposed.
- 9. For better performance of its duties, the audit and compliance committee may seek the advice of outside professionals on matters within its competence.
- 10. 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. Appointments and responsible management committee**

- 1. The appointments and responsible management committee will be composed of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five directors, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee.
- 2. The members of the appointments and responsible management 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 an independent director appointed by the board of directors. The chairman of the committee must be replaced every four years, and may be reelected 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, and 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 a majority of the directors that are members of the committee are present in person or by proxy.

6. The committee will adopt its resolutions by absolute majority the members of the committee, 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 and responsible management committee will have general authority to propose and report on matters of appointments and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the board, the appointments and responsible management committee will be responsible for:
  - a) assessing the skills, knowledge, ability, diversity and experience required for the board of directors and, therefore, defining the necessary functions and abilities for candidates wishing to cover each vacancy, and assessing the necessary time and dedication to carry out their duties in an effective manner, ensuring that the non-executive directors have sufficient time available for proper performance of their duties.
  - b) identifying, recommending and making proposals to the board of directors of independent directors to be appointed by co-option or, for submission to decision by the general meeting of shareholders, and proposals for reelection or removal of those directors by the general meeting;
  - c) identifying, recommending and reporting to the board of directors on proposals for the appointment of the other directors to be appointed by co-option or for submission to decision by the general meeting of shareholders, and proposals for their reelection or removal by the general meeting of shareholders;
  - d) at the initiative of the chairman, reporting, on a non-binding basis, on resolutions of the board related to the appointment or removal of senior managers of the Group and the basic terms of their contracts, without prejudice to the authority of the remuneration committee regarding remuneration matters, and periodically reviewing the policy of the board of directors regarding selection and appointment of members of senior management of the Group and making recommendations to it;
  - e) analysing the existence and updating of plans for succession of the chairman, the vice chairman and, if applicable, the chief executive officer and senior managers of the Company and, if applicable, making proposals to the board of directors in order for such succession to occur in an orderly and planned manner;
  - f) ensuring 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;
  - g) setting a goal of representation for the gender under-represented on the board of directors and to develop guidance on how to increase the number of the under-represented gender to achieve this objective. Also, the committee will ensure, that by providing new vacancies selection procedures do not suffer of implicit biases that interfere with the selection of the under-represented gender;
  - h) regularly (at least once each year) evaluating the structure, size, composition and performance of the board of directors, if applicable making recommendations to it regarding possible changes;

- i) regularly (at least once each year) evaluating the suitability of the various members of the board of directors and the board as a whole, and reporting thereon to the board of directors;
  - j) reporting to the board of directors on issues relating to good corporate governance of the Company regarding matters within the competence of the committee (objectives, management of talent, liability insurance, etc.) and making the proposals necessary for improvement thereof;
  - k) proposing the policy for selection of directors to the board of directors, and annually verifying compliance therewith;
  - l) without prejudice to the functions of the audit and compliance committee, the ethics and conduct committee will submit to the appointments and responsible management committee, periodically and at least at the end of each financial year, an activities report in relation to performance of its functions, in particular as regards oversight and monitoring of the Code of Ethics and Conduct.
  - m) reviewing the Company's corporate social responsibility policy, seeing to it that it is aimed at creation of value;
  - n) monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance thereof;
  - o) monitoring and evaluating the processes of relationships with the various stakeholder groups;
  - p) evaluating everything relating to the social, environmental, political and reputational risks of the Company, independently of the powers that rest with the risk advisory committee and other committees for supervising risks;
  - q) coordinating the process of reporting non-financial and diversity information, in accordance with applicable regulations and international standards of reference, independently of the powers that rest with other committees.
8. The committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.
9. For better performance of its duties, the committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence, and will receive appropriate funding to do so.
10. The chairman and any director may make suggestions to the committee related to the matters within the scope of its competence and, in particular, may propose potential candidates to fill director vacancies.
11. In the performance of its duties, the appointments and responsible management committee will take into account, inasmuch as possible and on a continuing basis, the need to ensure that the board of directors' decision-making is not dominated by one individual or by a small group of individuals such as could harm the interests of the entity as a whole.

## **Article 15 Bis. Remuneration committee**

1. The remuneration committee will be composed of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five

directors, without prejudice to its meetings being attended, when expressly so approved by the committee members, 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, based on the knowledge, ability and experience of the directors and the responsibilities of the committee. The 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 reelected 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, and 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 the adoption of proposals.
5. There will be a quorum when a majority of the directors that are members of the committee are present in person or by proxy.
6. The committee will adopt its resolutions by absolute majority the members of the committee, 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 be responsible for:
  - a) making 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, executive committees or the chief executive officer, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance;
  - b) reporting on senior management remuneration. In all events, it will oversee the remuneration of the heads of internal audit, risks and regulatory compliance;
  - c) periodically reviewing the programmes of retribution, weighing their adequacy and their yields, the remuneration policy applied to the directors and senior management, including share-based compensation systems and their application, as well as ensuring that their individual remuneration is proportionate to which is paid to the other directors and senior management of the company;
  - d) ensuring 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) verifying that the remuneration policy set by the Company is observed;
  - f) making proposals to the board on any remuneration decisions to be made by the board, including those that may have an impact on risk and the Company's risk management, taking into account 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 on these matters;

- g) ensuring that conflicts of interest do not undermine the independence of any external advice the committee engages;
  - h) verifying the information on director and senior managers' remuneration contained in corporate documents, including the annual directors' remuneration statement, for which purpose it will submit a report to the board of directors.
8. The committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.
  9. For better performance of its duties, the committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence.

**Article 18 bis. Evaluation of the board of directors and its committees and evaluation of the performance of their duties by the chairman**

1. The full board of directors annually will evaluate and, shall adopt, where applicable, an action plan to correct weaknesses in:
  - a) The quality and efficiency of the board's operation.
  - b) The functioning and composition of its committees.
  - c) Diversity in the composition and authority of the board of directors.
  - d) The performance of the chairman of the board of directors and, if applicable, the Company's chief executive.
  - e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.
2. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance committee and the appointments and responsible management committee.
3. In the evaluation of the various committees of the board, the starting point will be the report submitted by it to the board of directors.
4. For evaluation of the performance of the duties of the chairman and, if applicable, the Company's chief executive, the starting point will be the report submitted by the appointments and responsible management committee to the board of directors. The evaluation of the chairman of the board will be directed by the lead independent director.
5. At least every three years the board will be assisted in the evaluation by an external consultant, the independence of which will be verified by the appointments and responsible management committee.

The business dealings that the consultant or members of its corporate group maintain with the Company or member of its group must be detailed in the annual corporate governance report.

The process and the areas evaluated will be described in the annual corporate governance report.

## **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, reelected 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, inclusive, which will be competent to 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. Also, if there is a vacancy after the general meeting is called and before it is held, the board of directors may appoint a director until the holding of the following general meeting.

3. Authority to make proposals for appointment, reelection and ratification of directors submitted by the board of directors to consideration of the general meeting, and appointment decisions adopted by the board itself by virtue of the co-option authority granted thereto rests with the appointments and responsible management committee, in the case of independent directors, and the board itself, in the case of other directors, and in turn must be preceded by the corresponding explanatory report of the board evaluating the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the general meeting or of the board itself.
4. When selecting the nominee for a directorship it will be ensured that the person is of high commercial and professional integrity, competence, standing and experience in the financial sector and that the proposed director is willing to exercise good governance of the Company, in accordance with the provisions of the regulations applicable thereto.
5. The persons appointed as directors must satisfy the conditions required by law or the bylaws, and formally undertake at the time of taking office to fulfil the obligations and duties contemplated therein and in these regulations.
6. If a legal person is appointed as a director, it must appoint a single natural person for the permanent exercise of the functions inherent in the directorship. Revocation of its representative by a legal person director will not be effective until the replacement individual is appointed. Also, the proposal of the representative natural person must be submitted to a report of the appointments and responsible management committee.

The natural person appointed for the permanent exercise of the functions inherent in the directorship held by a legal person must satisfy the same requirements of suitability and will be subject to the same scheme of disqualification and to the same duties and will be jointly and severally liable with the legal person director.

7. There is no age limit for being appointed or serving as director.

8. For purposes of affording new directors knowledge of the Company and its corporate governance rules, they will be provided with an orientation and support programme, without prejudice to the Company being able, when the circumstances make it advisable, to organise refresher programmes for directors.
9. In the selection of directors, the technical advising of an external expert on these matters may be engaged.

## **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. When, by reason of resignation or otherwise, a director leaves office before the end of his term, he will explain the reasons in a letter that will be sent to all members of the board of directors. The reason for leaving office will be reported in the annual corporate governance report.
3. In the event that the board of directors proposes the removal of any external director before the end of the bylaws term for which the director was appointed, the proposal must be reasoned and accompanied by the corresponding report of the appointments and responsible management committee. The board of directors will not propose the removal of any independent director before the expiry of that director's tenure as mandated by the bylaws, except where just cause is found much appreciated by the board of directors, after a report from the appointments and responsible management committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the capital structure of the Company, in order to meet the proportionality criterion referred to in the good corporate governance recommendations.
4. Without prejudice to the foregoing, directors will place their office 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 grounds of incompatibility, or prohibition or unsuitability contemplated by law.
  - b) When they are tried for or accused of 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 proceedings in which the director is a defendant, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes referred to 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 continuation as directors could generate a reputational risk to the interests of the Company.

- e) When they leave the positions, offices or functions with which their appointments as executive directors were associated.
  - f) In the case of proprietary directors, when the shareholder at whose behest they were appointed fully transfers the interest it had in the Company or reduces it to a level that requires reduction of the number of its proprietary directors.
  - g) In the case of independent directors, when for supervening reasons they fail to satisfy the conditions for being considered independent directors.
5. If an individual representative of a legal person that is a director is subject to any of the circumstances contemplated in the preceding section, said individual will be disqualified from exercising that representation.

**Article 24. Procedure for removal or replacement of members of the board of directors or its committees and from positions on those bodies**

1. 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 directors, the appointments and responsible management committee will be called to examine and organise the process of succession or replacement on a planned basis and formulate the corresponding proposal to the board of directors. This proposal will be communicated to the executive committee and thereafter to the next meeting of the board of directors.
2. In relation to the succession of senior managers, the board of directors, after a report from the appointments and responsible management committee, will establish the applicable procedure, at all times ensuring that the process of succession or replacement proceeds in an orderly manner.

**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 and responsible management 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 discretion will not be considered to include decisions that personally affect other directors and related parties.

#### **Article 37. Relations with shareholders**

1. The board of directors will foster communication between the Company and its shareholders. Thus, with the assistance of any of the directors and/or members of senior management deemed to be appropriate, it will promote the holding of informational meetings on the progress of the Company with shareholders residing in the most important markets, in Spain and other countries. 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. Directors will be regularly informed of movements in share ownership and of the views of significant shareholders, investors and rating agencies on the Company and its Group.
3. 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.
4. 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. The report on the independence of the outside auditor, the reports on the functioning of the audit and compliance committee, the appointments and responsible management committee and the remuneration committee, the report of the audit and compliance committee on related party transactions, the corporate social responsibility policy and the reports thereon will be published on the website sufficiently in advance of the holding of the general meeting. On its website the Company will publish the requirements and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights.