



annual report
on corporate
governance

2015

bankinter.

Contents

Annual Report On Corporate Governance 2015
of Bankinter, S.A.

Report by the Audit and Compliance Committee 2015

**ANNUAL CORPORATE GOVERNANCE REPORT
OF PUBLICLY TRADED COMPANIES**

ISSUER IDENTIFICATION:

REFERENCE YEAR END DATE: 31/12/2015

TAX ID. No: A-28157360

REGISTERED NAMED: BANKINTER, S.A.

REGISTERED ADDRESSES: Paseo de la Castellana, 29 – 28046 MADRID

This English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table on the company's share capital:

Date of last change	Share capital (EUR)	Number of shares	Number of voting rights
30/05/2014	269,659,846.20	898,866,154	898,866,154

Indicate if there are different classes of shares with different rights associated with them:

Yes No

A.2. Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name of shareholder (person or company)	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JAIME BOTÍN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	10,061	205,505,462	22.86%
STANDARD LIFE INVESTMENT (HOLDINGS) LIMITED	15,114,188	32,336,917	5.28%
CORPORACIÓN MASAVEU, S.A.	44,959,730	0	5.00%
BLACKROCK INC.	0	31,717,118	3.53

Name of shareholder (person or company)	Direct owner of stake	Number of voting rights
MR JAIME BOTÍN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	CARTIVAL, S.A.	205,505,462
STANDARD LIFE INVESTMENT (HOLDINGS) LIMITED	OTHER SHAREHOLDERS IN THE COMPANY	32,336,917
BLACKROCK INC.	OTHER SHAREHOLDERS IN THE COMPANY	31,717,118

Indicate the most significant movements in the shareholding structure during the year:

Name of shareholder (person or company)	Date of the transaction	Description of the transaction
BLACKROCK INC.	21/01/2015	Fell below 3%
BLACKROCK INC.	27/03/2015	Exceeded 3%
BLACKROCK INC.	25/09/2015	Fell below 3%
BLACKROCK INC.	08/10/2015	Exceeded 3%

A.3. Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name of director (person or company)	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR GONZALO DE LA HOZ LIZCANO	666,106	0	0.07%
MR RAFAEL MATEU DE ROS CEREZO	1,014,721	0	0.11%
MR FERNANDO MASAVEU HERRERO	776,330	46,792,306	5.29%
MS MARIA DOLORES DANCAUSA TREVIÑO	1,012,186	469	0.11%
MR MARCELINO BOTIN-SANZ SAUTUOLA Y NAVEDA	253,045	0	0.03%
MR JAIME TERCEIRO LOMBA	51,482	0	0.01%
MR PEDRO GUERRERO GUERRERO	3,085,817	275,005	0.37%
CARTIVAL, S.A.	205,505,462	0	22.86%
MS MARIA TERESA PULIDO MENDOZA	1,509	0	0.00%
MS ROSA MARÍA GARCÍA GARCÍA	1,000	0	0.00%

Name of shareholder (person or company)	Direct owner of stake	Number of voting rights
MR FERNANDO MASAVEU HERRERO	Corporacion Masaveu, S.A.	44,959,730
MR FERNANDO MASAVEU HERRERO	Other shareholders in the Company	1,832,576
MR PEDRO GUERRERO GUERRERO	Other shareholders in the Company	275,005
% total voting rights held by the Board of Directors		28.85%

Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

A.4. Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

A.5. Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

A.6. Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes No

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly:

Yes No

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions, indicate this expressly:

A.7. Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

Yes

No

Comments

A.8. Fill in the following tables regarding the company's treasury stock:

At year- end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
150,080	0	0.01

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
-	-

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

A.9. Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock.

At the General Shareholders' Meeting held on 18 March 2015, the shareholders approved the authorisation to the Board of Directors, with express authority to delegate such power to the Executive Committee, for the derivative acquisition of its own shares by the Company and/or by its subsidiaries, on the terms and conditions established in applicable legislation, with express power to dispose of or cancel such shares, reducing the amount of share capital and depriving of effect the power delegated by the shareholders at General Shareholders Meetings approved in prior financial years to the extent of the unused amount.

Such acquisitions may be made at any time, and as many times as is deemed appropriate, in any form or manner, including with a charge to the profits of the financial year and/or to unrestricted reserves. The maximum number of shares to be acquired at any time may not exceed 10% of the nominal value of the Bank's share capital, or such higher amount as may be permitted by law, without prejudice to the instances described in section 144 of the Spanish Companies Act (Ley de Sociedades de Capital). The shares acquired by the Bank or its subsidiaries in reliance on this authorisation may be allocated, in whole or in part, to delivery to the directors and employees of the company when there is recognised right, be it directly or as a result of the exercise of options held by them, for the purposes described in the last paragraph of section 146, subsection 1, of the Companies Act. For purchase and sales on official secondary markets, the acquisition price shall be equal to the listing price of the shares on the day the transaction is formalised.

In the case of acquisition of its own shares as a result of compliance with obligations established in option agreements, purchase and instalment purchase agreements or similar agreements previously formalised by the Bank, including those covering convertible or exchangeable shares and debentures that are or must be delivered directly to directors or employees of the Company, or that result from the exercise of option rights held by them, which transactions are likewise covered by this authorisation, the applicable price shall be the one agreed to in the respective contract or agreement.

On the same date and by the same resolution, the shareholders at the General Shareholders' Meeting approved the authorisation to the Board of Directors both to approve a reduction in share capital in order to repurchase and cancel its own shares and to set the terms and conditions of the reduction in share capital, determine the use to be made thereof, resolve to de-list the shares and amend article 5 of the By-Laws, and to modify the par value of the shares without increasing or reducing the amount of share capital. The authorisation

granted shall be valid for five years from the date of adoption of the resolution, covers all treasury stock transactions made in accordance with its terms, and is in full force and effect as from the date of this report.

A.9 bis. Estimated floating capital:

Estimated floating capital	62.31%
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A.10. Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

Yes No

A.11. Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

Yes No

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12. Indicate whether the company has issued securities that are not traded on a regulated market in the EU:

Yes No

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

B. GENERAL MEETING

B.1. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

Yes No

B.2. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

Yes No

Describe any differences from the minimum standards established under the CEA.

B.3. Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Bankinter generally applies the provisions of the Consolidated Text of the Companies Act. Thus, article 20 of the By-Laws of Bankinter provides that: *"The quorums and majorities required to validly constitute and pass resolutions at General Meetings shall be as generally provided by Articles 193, 194, and 201 of the Spanish Companies Act. If the Meeting Agenda refers to items that require a quorum with a reinforced majority and this is not reached but, on the contrary, there is a sufficient quorum to validly deal with the remaining items on the Agenda, it shall be deemed that the Meeting is validly constituted to deal with these items."*

Similarly, article 14.1 of the Regulations for the General Shareholders' Meeting of Bankinter provides that *"14.1. The quorums and majorities required for valid constitution and the passage of resolutions by the General Meeting are those established in the Capital Companies Act. In the absence of a sufficient quorum, a General Meeting is held on second notice. Should the Agenda for the General Meeting include matters demanding a reinforced constituent quorum and such quorum is not reached but there is a quorum to deal validly with the remaining items on the Agenda,*

the General Meeting is deemed to be validly constituted to deal with such remaining items”.

Furthermore, according to section 286 of the Consolidated Text of the Companies Act, whenever an amendment of the by-laws is proposed, the full text of the proposed amendment must be drafted, along with a written report describing the rationale for the amendment, which shall be made available to the shareholders at the time of the call to General Meeting to deliberate on such amendment.

Given that Bankinter is a financial institution, any amendment of the by-laws must conform to the provisions of section 10 of Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the Organisation, Supervision and Solvency of Financial Institutions. These legal provisions provide that by-law amendments are subject to the authorisation and registration procedure.

Without prejudice to the foregoing, the following amendments shall not be subject to the authorisation procedure, although notice thereof must be given to Banco de España (Bank of Spain): amendments made to change the address of the registered office within Spain, an increase in share capital, the verbatim inclusion in the by-laws of mandatory or prohibitory statutory or regulatory provisions, or to comply with court or governmental orders, and those other amendments for which Banco de España, in reply to a prior question in that regard, has deemed it unnecessary because they are not significant.

B.4. Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

General Meeting date	% shareholders present	Attendance figures			Total
		% attending by proxy	% voting remotely		
			Electronic vote	Other	
20/03/2014	0.74%	67.13%	0.61%	0.00%	68.48%
18/03/2015	5.55%	67.07%	0.54%	0.00%	73.16%

B.5. Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

Yes

No

Number of shares necessary to attend the General Meetings	600
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B.6. Section repealed.

B.7. Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

The address of Bankinter's corporate website is www.bankinter.com/webcorporativa. In the left-hand menu of the Corporate Governance tab of this website there is a direct link to all of Bankinter's Corporate Governance contents (By-Laws, Regulations for the General Shareholders' Meeting, Regulations of the Board of Directors, information on recent General Meetings, corporate governance reports, director remuneration reports, information on the Directors, information on significant interests, treasury stock, etc.

C. CORPORATE GOVERNANCE STRUCTURE

C.1. Board of Directors

C.1.1. Maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	15
Minimum number of Directors	5

C.1.2. Fill in the following table on the Board members:

Name of director (person or company)	Representative	Type of directorship	Position on the Board	Date first appointed	Date last appointed	Election procedure
MR GONZALO DE LA HOZ LIZCANO	-	Independiente	DIRECTOR	13/02/2008	15/03/2012	GENERAL MEETING RESOLUTION
MR FERNANDO MASAVEU HERRERO	-	INDEPENDENT	DIRECTOR	14/09/2005	21/03/2013	GENERAL MEETING RESOLUTION
MR RAFAEL MATEU DE ROS CEREZO	-	Independiente	DIRECTOR	21/01/2009	21/03/2013	GENERAL MEETING RESOLUTION
MS MARIA DOLORES DANCAUSA TREVIÑO		EXECUTIVE	CEO	21/10/2010	18/03/2015	GENERAL MEETING RESOLUTION
MR MARCELINO BOTÍN-SANZ SAUTOLA NAVEDA	-	PROPRIETARY	DIRECTOR	21/04/2005	21/03/2013	GENERAL MEETING RESOLUTION
MR JAIME TERCEIRO LOMBA	-	INDEPENDENT	DIRECTOR	13/02/2008	15/03/2012	GENERAL MEETING RESOLUTION
MR PEDRO GUERRERO GUERRERO	-	OTHER EXTERNAL	CHAIRMAN	13/04/2000	21/03/2013	GENERAL MEETING RESOLUTION
CARTIVAL, S.A.	ALFONSO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	EXECUTIVE	VICE CHAIRMAN	26/06/1997	20/03/2014	GENERAL MEETING RESOLUTION
MS MARIA TERESA PULIDO MENDOZA	-	INDEPENDENT	DIRECTOR	23/07/2014	18/03/2015	GENERAL MEETING RESOLUTION
MS ROSA MARIA GARCIA GARCIA	-	INDEPENDENT	DIRECTOR	18/03/2015	18/03/2015	GENERAL MEETING RESOLUTION

Total number of Directors	10
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Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of leaving
MR JOHN DE ZULUETA GREENEBAUM	INDEPENDIENT	18/03/2015

C.1.3. Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Nombre o denominación del consejero	Cargo en el organigrama de la sociedad
MS MARIA DOLORES DANCAUSA TREVIÑO	CEO
CARTIVAL, S.A.	VICE CHAIRMAN

Total number of executive Directors	2
% of total directors	20%

EXTERNAL PROPRIETARY DIRECTORS

Name of director (person or company)	Name or corporate name of significant shareholder represented or proposing the appointment
MR FERNANDO MASAVEU HERRERO	CORPORACION MASAVEU, S.A.
MR MARCELINO BOTIN-SANZ DE SAUTUOLA Y NAVEDA	CARTIVAL, S.A.

Total number of proprietary Directors	2
% of total directors	20%

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)

MR GONZALO DE LA HOZ LIZCANO

Profile

He has a degree in Industrial and Information Engineering from the Universidad Politécnica de Madrid and a Master's in Electrical Engineering from the University of Texas. He also has academic certificates from the Systems Research Institute in Geneva, Switzerland (various mathematical and IT disciplines), as well as in Management and Business Administration from joint programmes of the RBS and Harvard University. He was the Chief Executive Officer of Línea Directa Aseguradora from May 1995 to February 2008, a period of intense activity with British and Spanish regulators because of the alliance existing at the time with the Royal Bank of Scotland. During this period at LDA, the various internal control mechanisms of the company were developed that are still in place today, and the various lines of control in the company's organisation chart were defined. He was previously General Director of Operations (Media) of Bankinter, where he worked in a professional capacity from 1989 until 1995, and introduced significant improvements in the control environment of the operational area of Bankinter during that period.

Prior to his activities in the banking and insurance industries, he held several positions of responsibility at IBM España, at IBM in White Plains (NY) (1979-1981), and at IBM Europe (Paris 1984-1987). In Paris, he headed the European Product Development activities for the Banking and Insurance areas.

He is currently the Chairman of Bankinter's Audit and Regulatory Compliance Committee since 2014. He is a Director of Línea Directa Aseguradora, a company of the Bankinter Group, and Chairman of the Audit and Internal Control Committee of such Insurance Company since 2013. Significant initiatives were launched during that period that have made it possible not only to implement control mechanisms at the group, but also to establish a control culture that has permeated the entire institution.

Name of director (person or company)

MR RAFAEL MATEU DE ROS CEREZO

Profile

Law Degree with a special distinction. Doctor of Law from the Universidad Complutense of Madrid and graduate of the Harvard PMD programme. Government lawyer (on extended leave of absence). He is currently a Director of Línea Directa Aseguradora,

S.A. and a trustee of Bankinter's Fundación para la Innovación. He is also a partner of the Ramón & Cajal Abogados SLP law firm and a member of the Madrid Bar Association. He is the author of many works on Company Law, Banking Law, New Technology Law and Corporate Governance.

Name of director (person or company)

MR JAIME TERCEIRO LOMBA

Profile

Engineer and Doctorate in Aeronautical Engineering from the Polytechnic University of Madrid, Summa Cum Laude, and degree in Economics from the Autonomous University of Madrid, Summa Cum Laude. Lecturer in Economic Analysis at the Madrid Complutense University (1980), of which he was vice-chancellor and director of the quantitative economics department. Full member of the Royal Academy of Moral and Political Sciences (1996). King Juan Carlos Economics Prize (2012). Chairman of the Social Sciences Board of the Ramón Areces Foundation and member of the board of trustees of various foundations. Worked as a graduate engineer at the simulation and control department of Messerschmitt-Bölkow-Blohm (MBB) in Munich (1970-1974). Was General Manager of Expansion and General Manager of Planning and Investment at Banco Hipotecario de España (1981-1983). For nine years (1988-1996) was Executive Chairman of Caja de Madrid. Was and is an independent director at various listed and unlisted companies.

Name of director (person or company)

MS MARÍA TERESA PULIDO MENDOZA

Profile

A graduate in Economics from Columbia University, and with an MBA from the Sloan School of Management at MIT, María Teresa Pulido Mendoza has over twenty years of professional experience in strategic consulting (McKinsey & Co.) as well as in private and corporate banking (Citi and Deutsche Bank). At these companies, she has worked mainly on business development, strategy, organisation and change management projects. Since 2011, she has been the Manager of Corporate Strategy for Ferrovial and a member of the Management Committee.

Name of director (person or company)

MS ROSA MARIA GARCÍA GARCÍA

Profile

Degree in Mathematics from the Autonomous University of Madrid. She has held several senior positions throughout her professional career. In particular, Ms Rosa Maria García García has over 25 years of international experience in the fields of information technology, industry and energy, among others. She is currently the Chairwoman and CEO of Siemens, S.A., with responsibility for Siemens' business in Spain, and she is an Independent Director of Acerinox, a position she has held since November 2013. She has managed the business in Spain of large multinational corporations such as Siemens and Microsoft. She was an Independent Director and Member of the Appointments and Remuneration Committee of BME until January 2015. Before joining Siemens, she was Vice-president of Consumer and Online Business for Western Europe. Formerly, she held a number of positions in the same sector, as Chairwoman and CEO of Microsoft Spain. For four years, Ms. Rosa María García García was an Independent Director and Member of the Appointments and Remuneration Committee of Banesto.

Total number of independent Directors	5
% of total directors	50%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or its shareholders:

Name of director (person or company)	Reasons	Company, executive or shareholder to which related
MR PEDRO GUERRERO GUERRERO	The binding definition of independent director established by the Companies Act mentions as one of the circumstances that prevent a director from being classified as an independent director the fact of having been an employee or executive director of the company or of its Group, unless 3 or 5 years, respectively, have passed since the end of such relationship. Pedro Guerrero Guerrero was Executive Chairman of Bankinter until 31 December 2012, at which time he stopped performing executive duties. Accordingly, given that the period established in the Code of Good Governance of Listed Companies of 2015 has not elapsed, Pedro Guerrero Guerrero is classified within "Other external directors".	Bankinter, S.A.

Total number of other external Directors	1
% of total directors	10%

Indicate any changes that may have occurred during the period in the type of directorship of each director:

C.1.4. Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of female directors				% of total female directors of each category			
	Year 2015	Year 2014	Year 2013	Year 2012	Year 2015	Year 2014	Year 2013	Year 2012
Executive	1	1	1	1	50%	50%	50%	33.33%
Proprietary	0	0	0	0	0%	0%	0%	0%
Independent	2	1	0	0	40%	20%	0%	0%
Other external	0	0	0	0	0%	0%	0%	0%
Total	3	2	1	1	30%	20%	10%	10%

C.1.5. Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures
Bankinter is committed to equal opportunities for men and women and in this regard, every time it appoints members of its board of directors, it engages in objective selection processes that are free from any determining conditions or biases that might entail a limitation on the access of women to positions as independent directors on the Board, evaluating in each case the independence of the candidate and the candidate's professional qualifications, capacity and experience in the industry. The candidate selection process seeks to ensure that the candidates reviewed always include women. As provided in section 529 <i>quindecies</i> of the Companies Act, the Appointments Committee must set a representation target for the gender less represented on the Board of Directors and prepare guidelines on how to achieve such target. At its meeting of 20 October 2014, Bankinter's Appointments and Remuneration Committee established such target (30%), as well as an action protocol to achieve it, the basic elements of which are described in the following section. As a result, and following the latest appointments of directors approved by the shareholders at the General Meeting held in 2015, the established target was achieved, and a proportion of 30% of women on the Board of Directors was established.

C.1.6. Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures

In October 2014, the Appointments and Corporate Governance Committee of the institution set a representation target for the less represented gender on the Board of Directors (30%) and prepared a document with the guidelines on how such target should be achieved. After describing the prior study conducted on changes in the gender less represented on the Board of Directors in recent years, such protocol sets the representation target to be achieved, the committee's guidelines to achieve such target, a breakdown of the composition of the committees of the Board, and application to the other companies of the Bankinter Group, among other things. Bankinter's Appointments and Corporate Governance Committee generally uses external advisers to select candidates for membership on the Board of Directors as independent directors. The Committee does not impose any limitations or biases on the external advisers retained that might affect the selection of women directors as independent directors and verifies that women are included in the list of candidates to be evaluated, and even encourages the inclusion of women in the group of candidates to be evaluated.

As a result of the foregoing, a woman became a member of the Board of Directors as executive director and chief executive of the company in 2010. In the last two years, at the proposal of the Appointments Committee, the Board of Directors appointed two women as independent directors, thus reaching a proportion of 30% of women on the Board as of the end of this financial year.

Bankinter continues in its commitment to give priority to the professional qualifications and experience of candidates, without any conditions relating to the gender of the candidate.

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

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C.1.6bis. Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

Explanation of conclusions

The Appointments and Corporate Governance Committee has verified that the process followed by external advisers in the selection of new directors in 2015 satisfactorily complied with the selection policy, thus ensuring the necessary diversity of profiles required for the best possible composition of the Board of Directors and that, as regards the proportion of women directors, ended in 2015 with the appointment of two new women directors. Accordingly, as of the date hereof, such target has already been achieved and Bankinter has thus complied with the recommended target for 2020 ahead of time.

C.1.7. Explain the form of representation on the Board of shareholders with significant holdings.

Mr Jaime Botín-Sanz de Sautuola, a major shareholder of Bankinter, controls CARTIVAL, S.A., currently the Executive Vice-chairman of Bankinter. In addition, Mr Marcelino Botín-Sanz de Sautuola is a proprietary director of the company, appointed at the behest of the major shareholder Mr Jaime Botín-Sanz de Sautuola.

Mr Fernando Masaveu Herrero was appointed at the behest of the major shareholder Corporación Masaveu, S.A.

C.1.8. Explain, where applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored:

Yes

No

C.1.9. Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of director	Reason for leaving
MR JOHN DE ZULUETA GREENEBAUM	On 18 March 2015, Mr De Zulueta Greenebaum notified the Board of Directors of Bankinter in writing of his resignation. Mr De Zulueta who, had he continued in his position, would have had to stand for re-election at the General Meeting held last year, decided not to continue to serve as Director of Bankinter and to focus on other professional goals. In addition, Mr De Zulueta had been an external independent director for 12 years and therefore, had he been re-elected, he could no longer have been classified in that category of directors. However, Mr De Zulueta is currently a director of the Bankinter subsidiary Linea Directa Aseguradora and thus continues to contribute his vast knowledge and experience to the Group.

C.1.10. Indicate any powers delegated to the managing directors(s):

Name of director (person or company)	Brief description
MS MARÍA DOLORES DANCAUSA TREVIÑO	The Chief Executive Officer (<i>Consejera Delegada</i>) is responsible for the day-to-day management of the business and has the highest management and executive duties at the Company.
CARTIVAL, S.A.	The Executive Vice-Chairman chairs the Executive Committee, the Executive Risk Committee and the ALCO (Assets and Liabilities) Committee, with duties related directly to the risk management of the institution. The Institution's Investment Banking area also reports thereto.

C.1.11. Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group:

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
MR GONZALO DE LA HOZ LIZCANO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
MR GONZALO DE LA HOZ LIZCANO	BANKINTER GLOBAL SERVICES, S.A.	CHAIRMAN	No
MR RAFAEL MATEU DE ROS CEREZO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
MS MARIA DOLORES DANCAUSA TREVIÑO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No
MR PEDRO GUERRERO GUERRERO	LINEA DIRECTA ASEGURADORA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	DIRECTOR	No

C.1.12. Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Name of the listed company	Position
MR PEDRO GUERRERO GUERRERO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
ROSA MARÍA GARCÍA GARCÍA	SIEMENS, S.A.	CHAIRMAN
ROSA MARÍA GARCÍA GARCÍA	ACERINOX, S.A.	DIRECTOR

C.1.13. Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

Yes No

Explanation of rules

Since it is a financial institution, Bankinter is subject to the restrictions established by Law 10/014 of 26 June on the Organisation, Supervision and Solvency of Financial Institutions concerning the number of boards on which its Directors may serve. Bankinter has included this restriction in its Regulations of the Board of Directors. In addition, the Bankinter Board of Directors, at the proposal of the Appointments and Corporate Governance Committee, approved a Policy on the Disqualifications and Limitations of Senior Officers and other Officers of Bankinter, which sets forth the aforementioned limitations applicable to the members of the Board of Directors.

C.1.14. Section repealed

C.1.15. Indicate the overall remuneration for the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	3,806
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	600
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0

C.1.16. Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position
MS GLORIA HERNÁNDEZ GARCÍA	GENERAL MANAGER, CAPITAL MARKETS AREA
MR JACOBO DÍAZ GARCÍA	MANAGER, INNOVATION, PRODUCTS AND QUALITY AREA
MR JAIME ÍÑIGO GUERRA AZCONA	GENERAL MANAGER, INVESTMENT BANKING AREA
MR FERNANDO MORENO MARCOS	GENERAL MANAGER, COMMERCIAL BANKING AREA
MR EDUARDO OZAITA VEGA	GENERAL MANAGER, BUSINESS BANKING AREA
MS GLORIA ORTIZ PORTERO	FINANCE MANAGER
MS GLORIA CALVO DÍAZ	GENERAL SECRETARY
MR CARLOS RODRIGUEZ UGARTE	INTERNAL AUDIT

Total senior management remuneration (€k)	2,701
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C.1.17. Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Name (person or company)	Corporate name of the substantial shareholder	Position
MR MARCELINO BOTIN-SANZ SAUTUOLA Y NAVEDA	CARTIVAL, S.A.	DIRECTOR
MR FERNANDO MASAVEU HERRERO	CORPORACIÓN MASAVEU, S.A.	CHAIRMAN

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

Name (person or company)	Corporate name of the significant shareholder	Description of relationship
CARTIVAL, S.A.	MR JAIME BOTIN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	CONTROLLED COMPANY
MR MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	MR JAIME BOTIN-SANZ DE SAUTUOLA Y GARCÍA DE LOS RÍOS	SON

C.1.18. Indicate whether there has been any change in the Board regulations during the year:

Yes

No

Description of changes

The Board of Directors of Bankinter, at meetings held on 21 January, 22 July and 16 December 2015, approved certain amendments to its Regulations; the amendments of 21 January 2015 were disclosed at the General Shareholders' Meeting held on 18 March 2015 (item 12 on the agenda for that General Shareholders' Meeting), and those approved on the other two dates indicated above will be disclosed the next General Shareholders' Meeting to be held in March 2016 in accordance with section 528 of the Companies Act (item 10 on the agenda for the General Shareholders' Meeting). A description of these amendments can be seen on the institution's website (www.bankinter.com/webcorporativa).

The amendments to the Regulations of the Board of Directors were due to the separation of the Appointments and Remuneration Committee into two committees, the change in name of the Risk Committee, a more detailed listing of the duties assigned to the Executive Committee, and the conformance of the Regulations of the Board of Directors to certain recommendations of the Good Governance Code of Listed Companies, among other reasons.

C.1.19. Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

On 18 November 2015 the Board of Directors of Bankinter approved a Policy on Selection and Succession members of the Board that includes, the following basic features, among others:

I. Selection:

1. Criteria:

A Director must be a person of renowned commercial and professional probity, competence and solvency and must meet, without prejudice to article 8 of the Regulations of the Board of Bankinter, the prerequisites established in the regulations in force regarding companies in general and financial institutions in particular, as well as any other that shall be deemed to be applicable.

In addition, the members of the Board of Directors must have suitable knowledge and experience for the performance of their duties within the terms established by law.

Where a legal entity holds the office of Director, the individual representing it in pursuit of the functions inherent to the post shall be subject to the same requirements and shall be required personally to comply with the Director's duties in terms of the Regulations of the Board. For a legal entity to be appointed a Director of the Bank, the Board must accept the individual representing such Director.

Being a shareholder or the holder of a specific number of shares is not a requirement for becoming a Director of the Bank nor for the positions of Chairman, Vice-Chairman or CEO of the Bank or for the positions of chairman or member of Committees of the Board of Directors.

2. Competent body:

The Board of Directors is responsible for the process of selecting directors in accordance with the procedure described in the following section.

3. Procedures:

Decisions by the Board of Directors regarding selection as well interim pursuant to law and the By-Laws shall require a prior proposal from the Appointments and Corporate Governance Committee in a formal and transparent procedure. The Committee shall also propose the criteria to be followed for the composition of the Board and for selecting the persons to be proposed for the position of director. Should the Board

decide not to follow the proposal or report by the Appointments and Remunerations Committee, it must give the specific reasons in its resolution.

In the process of selecting directors, there shall first be an analysis of the needs of the company and of the entities making up the Group. Proposals for the appointment and re-election of independent directors is the responsibility of the Appointments and Corporate Governance Committee, and those of proprietary and executive directors is the responsibility of the Board of Directors itself. Within this framework, the Company may use the services of outside advisors to identify and evaluate candidates.

In all cases, the procedure for selecting candidates shall avoid any sort of implied bias that could compromise the diversity of required profiles, experiences and knowledge. Directors affected by proposals for appointment, re-election or dismissal must refrain from intervening in the related debate and votes.

II. Appointment:

1. Criteria:

Both private individuals and legal entities may be appointed Directors, whether or not shareholders in the Company.

Article 8 of the Regulations of the Board provides that those persons meeting any cause of prohibition or legal, regulatory or by-laws incompatibility, may not be appointed Director. The companies or individuals or legal entities, national or foreign, in the financial sector or in others, competitor of the Company or of other company of the Bankinter Group, as well as their administrators or senior officers and the persons that, as the case may be, were to be proposed by any of them as shareholders, may not be appointed Director. Those persons that, directly or through a linked person, are in the situation of structural conflict of interests with the Company or any other company of the Bankinter Group or those proposed by one or several shareholders having said conflict of interests, may not be appointed Director.

In any of the cases indicated, the Board may not appoint on an interim basis nor submit to the General Shareholders' Meeting proposals to appoint, re-elect or ratify Directors in case of persons where any of the circumstances described are met and must oppose other proposals or resolutions that are contrary to the provisions of article 8 of these Regulations.

The General Shareholders' Meeting may periodically set the actual number of members of the Board of Directors within the maximum and minimum indicated.

2. Competent body:

The General Shareholders' Meeting or, if applicable, the Board of Directors, pursuant to the provisions of the Companies Act, the By-Laws and the Regulations of the Board.

3. Procedures:

Because this is a financial institution, the appointment of new members of the Board of Directors involves, among other things,, compliance with the procedures and requirements set forth in Law 10/2014 of 26 June on the Organisation, Oversight and Solvency of Credit Institutions and in Royal Decree 84/2015 of 13 February, which implements this law.

III. Removal:

1. Criteria:

Pursuant to the By-Laws, the Regulations of the Board of Directors govern the causes and procedures for removal and dismissal of Directors, and incorporate the provisions of Recommendation 30 of the Uniform Good Governance Code of Listed Companies (removal of proprietary directors).

Thus, the cases indicated by the Regulations in which directors must tender their resignation are as follows: if they step down from their executive post at the Bank or as the representative of the group of shareholders to which their appointment as Director is tied or, for independent directors, if they fall in any situation that causes them to lose their independence; if they incur in any situation of incompatibility, prohibition or where required by law to step down or resign, including conflict of competition or interest as provided in article 8 of the Regulation of the Board of Directors referred to above or if a Director should commit acts or omissions contrary to the diligence and efficacy with which he/she ought to perform the office, or seriously infringe his/her duties as a Director, where the Directors should for any other reason cause serious damage or loss to the Company's interests, its credit and reputation, or the functioning of the Board, or where a Director should lose the confidence of the Board for a justifiable reason.

They must also step down where their continuance on the Board may, directly or through the Director's links with persons, put at risk the Company's interest.

2. Competent body and procedures:

In any of the cases described, the Board of Directors may propose the resignation of the Director and, previously, to require the same to tender his/her resignation.

Resolutions of the Board of Directors relating to the acknowledgement that the reasons for the resignation of the Director have arisen as provided for in the Regulations and the acceptance of the resignation of the Director shall be approved following a proposal by the Appointments and Corporate Governance Committee, except in the event of urgency and need.

IV. Re-election:

1. Criteria:

The same ones described for selection and appointment of members of the Board.

2. Competent body and procedures:

As indicated above, proposals submitted by the Board of Directors to the General Shareholders' Meeting to re-elect directors shall require a proposal from the Appointments and Corporate Governance Committee in a formal and transparent procedure. Should the Board decide not to follow the proposal of the Appointments and Corporate Governance Committee, it must give the specific reasons in its resolution.

V. Evaluation:

Upon the entry into force of Royal Decree 256/2013 of 12 April, which incorporated the 22 November 2012 guidelines of the European Banking Authority the assessment of the suitability of the members of the management body and key function holders of for credit institutions, the Board of Directors, at its meeting of 19 June 2013, approved the "Bankinter Protocol on Compliance with the Suitability Requirement", which describes the requirements to be met by directors and senior officers, as well as the respective evaluation processes to implement these standards. The Board of Directors had all these variables in mind, however, in evaluating the suitability the members of the Board of Directors.

In addition, the Board of Directors of Bankinter annually, or more frequently if needed, performs an evaluation of the suitability of its members as indicated in the preceding paragraph.

In addition, under article 5 of the Regulations of the Board, the Board of Directors performs an annual evaluation at least once a year of the functioning of the Board and of its delegated committees, on the basis of the report that the Appointments and Corporate Governance Committee submits to the Board and likewise the likewise of its Chairman and executive board members and of the Board Committees.

On 21 October 2015, the Board of Directors decided that this evaluation would be carried out by an independent external expert at least every three years.

C.1.20. Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of changes

The Regulations of the Board establish that the Board will evaluate the functioning of the Board and its committees. The Board of Directors has performed the evaluation for financial year 2015, with no obvious significant deficiencies found that would cause major changes in internal organisation or procedures applicable to its activities.

C.1.20. bis. Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the first executive of the company, and the performance and contribution of each board member:

The Board of Directors evaluates its own functioning and that of its committees on an annual basis, on the basis of the report submitted by the Appointments and Corporate Governance Committee.

The Board's evaluation covers the functioning of the Board and its committees and the performance of its Chairman, executive directors and the chairmen of the committees, which, given the size of the Board, entails an individualised assessment of almost all of its members. The process covers the following phases: preparation of surveys; completion of the surveys by the directors; analysis and conclusions which, if necessary, include action plans to be adopted to remedy any deficiencies found.

The degree of compliance with the targets established the previous year by the Board for the Chairman of the Board and the executive directors, one of whom is the Chief Executive Officer, is also assessed, along with the performance, and new targets are established for the next year. On 21 October 2015, the Board of Directors decided that this evaluation would be carried out by an independent external expert at least every three years, and will be performed in financial year 2016.

At the proposal of the Appointments and Corporate Governance Committee, the Board of Directors did not deem it necessary for the evaluation in 2015 to be carried out by an external consultant due to the following reasons, among others: i) the new members of the Board of Directors and of the committees, ii) the changes in corporate governance by the institution pursuant to the entry into force of the new Good Governance Code of listed companies, and iii) the decision of the SREP (Supervisory Review and Evaluation Process), which implementation can only be properly assessed after the passage of at least one full financial year.

C.1.20. ter. Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group:

In 2015, the evaluation of the function and activity of the Board was not performed by an external consultant.

C.1.21. Indicate the circumstances under which directors are obliged to resign.

As indicated in section c.1.19., in addition to the cases provided by applicable law, the Regulations of the Board of Bankinter govern the grounds and the procedure for removal and resignation of Directors, providing that Directors must tender their resignation to the Board of Directors and, where the Board should consider appropriate, step down from the executive post at the Bank or as representative of the group of shareholders to which their appointment as Director is tied or, for independent directors, if they fall in any situation that causes them to lose their independence; if they incur in any of the situations of incompatibility, prohibition or where required by law to step down or resign, including conflict of competition or interest as provided in the Regulations of the Board of Directors referred to above or if a Director should commit acts or omissions contrary to the diligence and efficacy with which he/she ought to perform the office, or seriously infringe his/her duties as Director, where the Directors should for any other reason cause serious damage or loss to the Company's interests, its credit and reputation, or the functioning of the Board, or where a Director should lose the confidence of the Board for a justifiable reason. They must also step down where their continuance on the Board may, directly or through the Director's links with persons, put at risk the Company's.

C.1.22. Section repealed.

C.1.23. Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

Yes No

Where applicable, describe the differences.

C.1.24. Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

Yes No

C.1.25. Indicate whether the Chairman has a casting vote:

Yes No

Issues on which there is a casting vote

Article 29 of the By-Laws provides that the Chairman of the Board of Directors shall have a casting vote in the event of a tie. The non-executive chairman of Bankinter has not used this casting vote to date.

C.1.26. Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

Yes No

C.1.27. Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law:

Yes No

C.1.28. Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards.

The Regulations of the Board of Bankinter provide that for each meeting, the Directors may grant their right to vote, and issue instructions with regard to how that right to vote is to be exercised, to any other Director by letter, fax, telegram, e-mail, or any other means considered to be valid by the Regulations. Proxies must be addressed to the Chairman or Secretary of the Board before the commencement of the meeting. One Director may hold a number of proxies.

Since the amendments to the Companies Act became effective, non-executive directors at listed companies may not give their proxy to an executive director; they may only give the proxy to another non-executive director.

Under all circumstances, failure to attend by Directors should be reduced to unavoidable cases.

A Director's failure to attend Board or committee meetings will deprive him from collecting the attendance fees even if he has granted a proxy.

In addition, as already indicated in other reports, Bankinter has had a Director Website since 2007, which they can use to, among other things, grant proxies if they do not attend, with all the information needed to grant a proxy being available beforehand on the same website in order to give instructions about the desired direction of the vote.

C.1.29. Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board meetings	14
Number of Board meetings not attended by the Chairman	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director

Number of meetings	0
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Indicate the number of meetings of the Board's different committees have held during the year:

Audit and Compliance Committee	11
Risks Committee	4
Executive Committee	11
Remuneration Committee	7
Appointments and Corporate Governance Committee	6

C.1.30. Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances:

Number of meetings attended by all directors	14
% of attendances to total votes during the year	100%

C.1.31. Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

Yes No

Where applicable, identify the person(s) who has(/have) certified the Company's individual and consolidated financial statements to be filed by the Board:

Name	Position
MS MARIA DOLORES DANCAUSA TREVIÑO	CEO
MS GLORIA ORTIZ PORTERO	FINANCE MANAGER

C.1.32. Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

The Board of Directors, through its Audit and Compliance Committee, controls the entire process of preparing and formulating the annual accounts of the Bank and its Group along with quarterly and half-yearly financial information.

This control of and permanent contact with the auditor are intended to, among other things, avoid qualifications in the auditors' report.

At 31 December 2015, the powers of the Audit and Compliance Committee as set out in the Board Regulations include the following:

- *To safeguard the independence of the external auditor and receive from him information from the same on those matters that may jeopardize their independence, for review by the Committee, and any others connected to the process of carrying out the auditing of accounts, as well as all other communications envisaged in the legislation on accounts auditing and in the technical auditing rules. In any case, they annually shall receive from the account auditors the written confirmation of their independence from the entity or entities linked directly or indirectly to it, as well as the information of the additional services of any kind provided to those entities by such auditors or companies, or by the persons or entities linked to them in accordance with the provisions of the legislation on accounts auditing.*
- *To issue annually, prior to the issuance of the accounts audit report, a report in which an opinion on the independence of the accounts auditors or audit firms shall*

be stated. In any case, this report shall take a position on the provision of additional services referred to in the previous sub-section.

- To provide a channel of communication between the Board of Directors and the external and internal auditors, and to evaluate the results of the audit reports and compliance with the observations and conclusions drawn, as well as to discuss with the accounts auditors the significant weaknesses of the internal control system observed during the auditing.
- To safeguard the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, to verify the Bank and the Group's quarterly and half-yearly financial statements, and the annual accounts, annual report, and management report prior to their approval by or submission to the Board of Directors and their publication, and to supervise the Bank's policy in relation to prospectuses and other forms of public information.

The external auditor attends the meetings of the Audit and Compliance Committee if the Chairman of this committee considers it to be in the committee's interests and whenever there is an examination of the report of said auditors on the annual accounts and management report of the Bank and of the Group, as well as meetings to verify quarterly results prior to publication thereof.

To date, the individual and consolidated accounts have never been submitted for approval at the General Shareholders Meeting with qualifications in the Auditors' Report.

C.1.33. Is the company Secretary a director?

Yes No

Complete if the Secretary is not also a Director:

Name or company title of the Secretary	Representative
MS GLORIA CALVO DÍAZ	

C.1.34. Section repealed.

C.1.35. Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

The Board of Directors, through its Audit and Compliance Committee, oversees the objectivity of relationships of the Company and the Group with the external auditors, ensuring their complete independence. Specifically, the Board ensures that auditors are rotated, that conflicts of interest are prevented and that the information in the annual report on remuneration to auditors as such and for other reasons if any is transparent. The report indicates and breaks down all the remuneration received by the external auditor.

The Audit Committee has among its functions that of safeguarding the independence of the external auditor; it is up to this committee to propose appointment, re-election or replacement of external accounts auditors to the Board and to determine the conditions for contracting the auditors, the scope of their professional term of office and oversight of activities that are not actually auditing accounts.

In addition, the Audit and Compliance Committee, in compliance with section 2.6 of the eighteenth additional provision of the Securities Market Act, issues a report on the independence of the auditors of accounts prior to issuance by the auditor of the audit report on the consolidated accounts of the Bank and the Group.

The Audit and Compliance Committee includes the following items in this report:

- Whether the proper relationships and communications channels have been established with the auditors to receive information on those issues that may put their independence at risk so that they may be examined by the Audit and Compliance Committee and anything else associated with the process of auditing the accounts, as well as those other communications provided for by law and the technical rules on auditing.
- It approves the annual budget for fees to be paid for the services of auditing the accounts of the Bank and the Group, setting the maximum percentage of the total invoice that may be represented by billing for services other than auditing in accordance with generally accepted customs, with a protocol being defined to ensure that the engagement of these services is previously authorized by the committee and overseen at all times by the internal audit of the Group.
- It oversees the rotation of the auditing team in compliance with the provisions of section 8 quater of Law 12/2010 of 30 June amending Law 19/1988 of 12 June

on the Auditing of Accounts and ensures that there is compliance at all times with the rotation required by law. In addition, to ensure that there is an annual analysis of the suitability and independence of the auditor, it is a policy of the Board and of the bank that a decision be made each year about renewing the auditor's appointment and that there be a process of reflection regarding the main aspects of the previous financial year and the needs and circumstances that apply to the next financial year.

The Chairman of the Audit and Compliance Committee informs the Annual General Meeting about the conclusions of the Annual Report of this Committee.

The external auditors provide the Board of Directors with an annual report on the conclusions of the audit and on the status of risk management at the Bank and the Group, after a report of the Audit and Compliance Committee. The Internal Audit Division is functionally subordinate to the Chairman of the Board of Directors and is hierarchically subordinate to the Audit and Compliance Committee. The committee appoints the head of the division and approves the annual budget and the planning for the division's activities.

As concerns the independence of agencies, analysts and investment banks, the Bank has information transparency measures that conform to the restrictions set out in the rules on privileged and material information, confidentiality and bank secrecy, that are contained in the law, the Regulations of the Board, and Bankinter's Internal Rules on Conduct in the Securities Market.

The Internal Rules on Conduct in the Securities Market include, in addition to the rules of conduct to which the directors of the institution as well as its officers and personnel engaged in activities associated with the securities market are subject, the rules that apply to the separated areas (asset management, own portfolio management, outside portfolio management, and analysis), as well as those associated with treasury share transactions and the procedure applicable to transactions and decisions based on privileged or material information.

C.1.36. Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes

No

If there were disagreements with the outgoing auditor, explain their grounds.

C.1.37. Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

Yes

No

	Company	Group	Total
Amount of non-audit work (thousands euros)	331	-	331
Amount of non-audit work / total amount billed by the audit firm (%)	25.92%	-	25.92%

C.1.38. Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

Yes

No

C.1.39. Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	10	10
Number of years audited by current audit firm / number of years the company has been audited (%)	28.57%	28.57%

C.1.40. Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

Yes

No

Details of the procedure

Article 13.8 of the Regulations of the Board provides that in those matters that fall within the power of the Board and the Board's committees, Directors may ask for auditors, consultants, advisors or independent experts to be hired, as the case may be, in order to assist the Board or the Committee concerned in such matters.

C.1.41. Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

Yes

No

Details of the procedure

The Regulations of the Board of Directors refer to this issue in Article 30, "Notice and Agenda of the meetings", providing as follows:

1. *Before the beginning of each financial year, the Board of Directors shall approve the programme of meetings for the following year. The calendar may be amended by a resolution of the Board itself or by a decision of the Chairman, who shall make the amendment known to the Directors sufficiently in advance. There shall be a minimum of ten meetings per year.*
2. *Notice of ordinary meetings shall be given by letter, fax, telegram, e-mail or by any other valid means providing proof of sending, and shall be authorised by the signature of the Chairman or such person as may replace him/her, or by the Secretary acting on the Chairman's orders. Notice must be given, except in cases of urgency or necessity, sufficiently in advance of the date of the meeting. Notice must always include the meeting's Agenda and shall be accompanied by the informative documentation previously defined by the Board or which the Chairman decides in each case. The Directors may ask the Chairman or the Secretary of the Board of Directors to supply them with the information necessary so that they may adequately assess the corresponding transactions or decisions, in order that they may reasonably prepare for the meetings and participate actively in the deliberations.*
3. *The Chairman shall decide on the final Agenda for the meeting and possible changes to be made to it. The Directors may ask the Chairman for other business to be included on the Agenda.*

On 16 December 2015, the Board of Directors of Bankinter approved a procedure to prepare meetings for the Board and its committees intended to ensure that the preparation of the meetings of the Board of Directors of Bankinter, S.A. and its committees complies with the rules set forth above and contained in the Regulations of the Board, such that the deliberations of the Board and the adoption of resolutions is carried out with the full knowledge of its members and with adequate time for them to analyse them. As a result, the following are governed by this procedure:

- *The programme for meetings of the Board and its committees.*
- *The method and site for holding meetings.*
- *The notice and agenda for each meeting.*
- *The time and media for making the documentation available that will be the subject of analysis and debate for each meeting.*
- *Media for communicating with the directors responsible for compliance with this procedure.*

The agenda, along with the other documentation considered necessary to decide on the issues on the agenda for meetings, can be accessed by the directors online using the Director Website to make access thereto even easier.

Furthermore, the procedure for preparing Board meetings approved on 16 December 2015, provides that "Directors may ask the Chairman through the Office of the Secretary for any documentation or information they may need for proper preparation for meetings, having full access to the records, reports and presentations for the meetings held."

C.1.42. Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

Yes

No

Explanation of the rules
<p>Article 10.2 of the Regulations of the Board provides that directors shall tender their resignation to the Board and, where the Board should consider it appropriate, step down, in the following cases, without limitation:</p> <p>5. Where the Director should for any other reason cause serious damage or loss to the Company's interests, its credit and reputation, or the functioning of the Board, or in general, where a Director should lose the confidence of the Board for a justifiable reason.</p> <p>6. Where any other circumstances for the resignation of a Director should arise in accordance with the recommendations on good corporate governance in force in Spain and accepted by the Company, and this should be deemed to exist by the Board of Directors.</p> <p>Resolutions of the Board of Directors relating to the acknowledgment that the reasons for the resignation of the Director have arisen as provided for in the foregoing sections of the article cited and to the acceptance of the resignation of the Director shall be approved following a proposal by the Appointments and Corporate Governance Committee, except in the event of urgency or need.</p> <p>On 22 April 2015, the Board of Directors of Bankinter approved a Policy on the Prevention of Conflicts of Interest of Senior Officers, which, among other things, defines the general principles of conduct to prevent conflicts of interest among the Senior Officers.</p>

C.1.43. Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

Yes

No

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

C.1.44. Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

C.1.45. Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	0
Type of beneficiary	
Description of the agreement	

Indicate whether these contracts must be disclosed to and/or approved by the company or group governance bodies:

	Board of Directors	General information	
Body authorising the clauses	No	No	
		Yes	No
Is the General Meeting informed of the clauses?			X

C.2. Board of Directors Committees

C.2.1. Detail all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors sitting on them:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR GONZALO DE LA HOZ LIZCANO	CHAIRMAN	INDEPENDENT
MR FERNANDO MASAVEU HERRERO	MEMBER	PROPRIETARY
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT

% of proprietary Directors	25%
% of independent Directors	75%
% of other external Directors	0%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

Article 35 of the Regulations of the Board of Directors of Bankinter, which is available on the corporate website, describes the functions and rules organisation and operation of the Audit and Compliance Committee.

The Audit and Compliance Committee has the following functions, without limitation:

- *The Committee must safeguard the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, verify the integrity and consistency of the Bank's and the Group's quarterly and half-yearly financial statements, and the annual accounts, annual report, and management report prior to their approval by or submission to the Board of Directors and their publication.*
- *The Committee must promote and review on a periodical basis the functioning of adequate internal control systems and procedures in regard to the Bank's activities, in addition to reviewing the general risks map for the Bank and the Group.*
- *The Committee is the corporate body to which the Internal Audit function is hierarchically subordinate. The Committee annually evaluates the performance of the head of Internal Audit and participates in the process of determining his remuneration, the allocation of the Audit staff, and approval of the budget thereof, including IT development.*
- *The Committee is directly responsible for supervising the confidential reporting by employees of complaints as included in the 17 January 2007 amendments of the Regulations of the Board.*
- *The Regulations of the Board of Directors expressly assign to the Committee functions directly related to the duties of fidelity and loyalty of directors and hence with the Institution's regulatory compliance. Thus, directors must inform the Committee about the situations where there is a direct or indirect conflict of interest as provided for in the Companies Act, the Securities Market Act or the internal rules of the Company. The Committee is also the body competent to decide issues on this subject and to agree to waiver or exemption from fiduciary duties for directors or from the rules of conduct in the securities market.*
- *The Committee approves an Annual Report that is made available to all shareholders upon the call to the Annual General Meeting, and which is included on the corporate website of Bankinter S.A.*

The Audit and Compliance Committee is comprised of a minimum of three and a maximum of seven Directors, all of them non-executive, appointed by the Board of Directors on the recommendation of the Appointments and Corporate Governance Committee. Committee members are appointed for a two year term which may be extended automatically. In all cases, the Chairman of the Committee shall be an independent director and must be replaced after a maximum of four years, and may be re-elected after one year has elapsed since stepping down. Under the Regulations of the Board, the Chairman of the Committee, like the rest of its members, shall be an independent Director with knowledge and experience in matters of accounting, auditing, or risks management; all members of the Committee are non-executive directors independent directors being in the majority. The Secretary of the Committee shall be the Secretary of the Board of Directors. The Committee's meetings may be attended, as speakers but not as Members, by the Head of the Audit Division as well as the Head of the Compliance Unit, who shall do so with such frequency as the Committee may decide. The external auditors shall attend the Committee meetings whenever its Chairman considers it appropriate, and in any event they shall attend all meetings examining the report by the said auditors on the Bank's and the Group's accounts and the annual report on the control of the Bank, as well as any other meetings on verification on half-yearly and quarterly results prior to their publication.

In general terms, the Committee shall meet with the same frequency as the Board of Directors. Among other activities, the Audit and Compliance Committee i) has approved all the activities to be performed by Internal Audit during the year, ii) has monitored in detail compliance with the 2008 Internal circular on tracking and monitoring Internal Audit recommendations, iii) has engaged in various tasks to verify the most relevant management information, the information contained in the quarterly triptych distributed to shareholders, investors and the market, the sales report and the corporate governance report, iv) has been informed about the various Internal Audit reports regarding the principal subsidiaries of the Bank. All of the activities of the Committee are included in the annual activity report for financial year 2015, which the Committee approved in February 2016 and which is published on the Institution's corporate website.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman.

Name of Director	MR GONZALO DE LA HOZ LIZCANO
Number of years as Chairman	0

RISK COMMITTEE

Name	Position	Category
MR FERNANDO MASAVEU HERRERO	MEMBER	PROPRIETARY
MR JAIME TERCEIRO LOMBA	CHAIRMAN	INDEPENDENT
MR GONZALO DE LA HOZ LIZCANO	MEMBER	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT

% of proprietary Directors	25%
% of independent Directors	75%
% of other external Directors	0%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

Article 36 of the Regulations of the Board of Directors of Bankinter, which is available on the corporate website, describes the functions and the rules of organisation and operation of the Risk Committee. The functions of the Risk Committee are:

- *Advising the Board of Directors on the institution's overall current and future risk propensity and on its strategy in this regard, and assisting the Board of Directors in the effective implementation of that strategy. Notwithstanding the foregoing, the Board of Directors shall retain overall responsibility with respect to risk.*
- *Assessing whether the prices for the assets and liabilities offered to customers fully take into account the institution's business model and risk strategy. To the extent this is not the case, the Risk Committee shall submit a corrective plan to the Board of Directors.*
- *Determining, together with the Board of Directors, the nature, quantity, format and frequency of the information on risk to be received by the Committee itself and the Board of Directors.*
- *Assisting with the establishment of rational remuneration policies and practices. To this end, and without prejudice to the duties of the Remuneration Committee, the Risk Committee shall examine whether the incentives established in the remuneration system take into consideration risk, capital, liquidity, and probability and opportunity of benefits.*
- *Approving, at the proposal of the Chairman of the Board, the Vice-Chairman, if the latter is an executive, or the Chief Executive Officer, the appointment or the replacement of the Risk Director.*

For the proper performance of its duties, the Risk Committee shall meet as many times as it is convened under agreement by the Committee itself or by its Chairman, any person belonging to the Company may attend if deemed fit by the Committee itself.

The Risk Committee may freely access information on the institution's risk situation and, if necessary, the risk management unit and specialist external advice, in order to properly perform its duties.

The Risk Committee, via its Chairman, shall report its activity and the work it has carried out to the Board in the meetings planned to this effect or in the meeting immediately after, as considered appropriate by the Chairman.

All of the activities of the Committee are included in the annual activity report for financial year 2015, which the Committee approved in February 2016 and which is published on the institution's corporate website. Among the activities described in this report are participation in the preparation of the risk management and control framework and of the risk appetite framework as well as tracking the metrics detailed in this framework.

EXECUTIVE COMMITTEE

Name	Position	Category
CARTIVAL, S.A.	CHAIRMAN	EXECUTIVE
MR PEDRO GUERRERO GUERRERO	MEMBER	OTHER EXTERNAL
MS MARIA DOLORES DANCAUSA TREVIÑO	MEMBER	EXECUTIVE
MR FERNANDO MASAVEU HERRERO	MEMBER	PROPRIETARY
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT

% of executive Directors	33.3%
% of proprietary Directors	16.7%
% of independent Directors	33.3%
% of other external Directors	16.7%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

Under article 34 of the Regulations of the Board of Directors, the permanent delegation of the powers of the Board of Directors to the Executive Committee shall include all of the Board's powers, except for those that may not be delegated pursuant to the provisions of law, these By-Laws or the Regulations of the Board.

Without prejudice to the aforementioned delegation, the following powers are expressly and permanently delegated to the Executive Committee:

1. *Generally, to authorize credit transactions, up to the limit set by the Board of Directors. Transactions involving the Directors, senior officers, and other related transactions are excluded from this delegation, and must necessarily be approved by the Board of Directors.*
2. *To authorise new business and individual transactions, provided they are non-strategic and do not imply a particular tax risk for the Institution or its Group.*
3. *To monitor the different businesses, types of customers and their segmentation across the institution, the institution's sales networks and organisations, as well as the products and services offered, all in line with the strategic or business plan approved by the Board of Directors for such purpose.*
4. *To monitor any significant variations in the shareholder base.*

The Executive Committee shall consist of no fewer than three and no more than seven directors. The structure of participation of the several categories of directors shall be similar to that of the Board of Directors. Committee members shall be appointed for such term as the Board of Directors may determine. The Chairman of the Committee shall be the person designated as such by the Board of Directors from among all of its members, and the Secretary shall be the Secretary of the Board of Directors. The Executive Committee shall meet such number of times as it is called by its Chairman. The Executive Committee may also be at the request of three of the directors that are members thereof. The Executive Committee shall report to the Board of Directors on the matters discussed and the decisions taken in its meetings, and shall make copies of the minutes of such meetings available to the Board members.

The Executive Committee met 11 times in 2015, where it studied and authorised credit transactions that were later presented to the Board of Directors for approval, and monitored the institution's businesses and the matters included in the delegation of its functions.

Indicate whether the composition of the Executive Committee reflects the distribution of different classes of directorship on the Board:

Yes

No

REMUNERATION COMMITTEE

Name	Position	Category
MS ROSA MARÍA GARCÍA GARCÍA	CHAIRMAN	INDEPENDENT
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
MR GONZALO DE LA HOZ LIZCANO	MEMBER	INDEPENDENT
MR RAFAEL MATEU DE ROS CEREZO	MEMBER	INDEPENDENT

% of proprietary Directors	0%
% of independent Directors	100%
% of other external Directors	0%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

Article 37 of the Regulations of the Board of Directors of Bankinter, which is available on the corporate website, describes the functions and the rules of organisation and operation of the Remuneration Committee.

The functions of the Remuneration Committee include those listed below:

Entre las funciones de la Comisión de Retribuciones están las que se relacionan a continuación:

- Proposing to the Board the remuneration policy for the directors and their individual remuneration, along with the corresponding annual director remuneration report, which the Board shall submit for consultative voting at the General Meeting.
- Proposing to the Board the individual remuneration of the executive Directors and, if applicable, the external Directors, for the performance of duties other than those of a director and other terms and conditions of their contracts.
- Proposing the remuneration policy for senior management, including general managers or those performing senior management duties under the direct oversight of the board, of executive committees or of chief executive officers, as well as the individual remuneration and other basic terms and conditions of their contracts.
- Even if they are not part of senior management, the remuneration of members receiving significant remuneration, especially variable remuneration, and whose activities may have a significant impact on the Group's assumption of risk.
- Overseeing the extent to which the remuneration policy has generally been applied during the financial year and ensure compliance therewith.
- Periodically reviewing the remuneration programmes, assessing the implementation and performance thereof and ensure that director remuneration conforms to standards of moderation and suitability in respect of the Company's results.
- Ensuring the transparency of remuneration and the inclusion thereof in the annual report and in any annual reports containing information about the remuneration of directors and, for this purpose, provide the Board with as much information as appropriate.
- Reporting on incentive plans for officers or employees that are tied to changes in the listing price of the Bank's shares or other variable indices, as well as on remuneration schemes for the Institution's management team based on group insurance systems or deferred remuneration schemes, if any.
- Other functions assigned thereto by these Regulations or by the Board of Directors.

The Remuneration Committee shall meet as many times as it is called by agreement of the Committee itself or by its Chairman in order to properly perform its duties.

Following a decision by the Committee and at the invitation of its Chairman, the Chairman, the Vice-Chairman, if an executive, and the Chief Executive Officer of the Bank or other executive directors or senior officers may attend meetings dealing with matters concerning executive directors or senior officers other than the attendees or relating to the remuneration of the senior officers. In all cases, the Committee must consult the Chairman, the Vice-Chairman, if the Vice-Chairman is an executive, and the Chief Executive Officer, with regard to the aforementioned matters prior to making any proposal or report.

The Remuneration Committee shall have access to all the information and documentation necessary in order to exercise in its functions, and it may request the assistance of advisers, consultants, experts and other independent professionals.

The Remuneration Committee, via its Chairman, shall report to the Board of Directors on its activities and work carried out at the meetings called for this purpose or at the immediately subsequent meeting where the Chairman deems it appropriate, and shall make copies of the minutes of such meetings available to the Directors.

All of the activities of the Committee are included in the annual report on activities during financial year 2015, which the Committee approved in February 2016, and which is published on the Institution's corporate website. The activities described in this report include the proposal to the Board of the Director Remuneration Policy, the determination and proposal to the Board of individual remuneration and other contractual conditions for executive directors and the non-executive chairman, the proposal for the annual director remuneration report, the proposal for the General Remuneration Policy of the Bank, verification of the information on remuneration of directors and senior officers contained in corporate documents, and tracking compliance with the remuneration policy established by the Company and periodically revised, among other issues.

APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
MR RAFAEL MATEU DE ROS CEREZO	CHAIRMAN	INDEPENDENT
MR MARCELINO BOTIN-SANZ SAUTOLA YNAVEDA	MEMBER	PROPRIETARY
MR GONZALO DE LA HOZ LIZCANO	MEMBER	INDEPENDENT
MR JAIME TERCEIRO LOMBA	MEMBER	INDEPENDENT
% of proprietary Directors		25%
% of independent Directors		75%
% of other external Directors		0%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

Article 38 of the Regulations of the Board of Directors of Bankinter, which is available on the corporate website, describes the functions and rules of organisation and operation of the Appointments and Corporate Governance Committee.

These include:

- To propose the appointment, ratification, re-election and removal of the Independent Directors and of the Board's Advisers indicating, for the former, the capacity in which they are appointed. With regard to the appointment of Directors, the Committee shall ensure that when vacancies arise, the selection procedures do not contain any implicit bias against the appointment of female Directors, and should seek to include women who meet the desired professional profile amongst the possible candidates where the number of female Directors is low or zero.
- To propose the appointment, re-election and removal of the Chairman and Members of the Committees of the Board of Directors.

- To assess the necessary balance of powers, expertise, diversity and experience within the Board of Directors. To this end, the Committee will define the necessary duties and skills of the candidates that must cover each vacancy, and determine the time and dedication required so as to permit the efficient discharge of their duties.
- To periodically assess, at least once a year, the suitability of the various members of the Board of Directors and of the Board as a whole, and to make a consequent report to the Board of Directors.
- To set a representation target for the less represented gender in the Board of Directors, and to prepare guidelines on how to achieve such target.
- To analyse the existence and currency of succession plans for the Chairman, the Vice-Chairman (where appropriate), the Chief Executive Officer and the company's senior officers and, if applicable, to submit proposals to the Board of Directors to ensure an organised and planned succession.
- To report on proposals for the appointment, discharge and removal of the Company's senior officers.
- To periodically review the Board of Directors' policy on the selection and appointment of the members of senior management and to submit recommendations.
- To report on appointments and removals of directors or senior officers of subsidiaries or of affiliates who act on behalf of or are proposed by the Bank.
- And other functions detailed in article 38 of the Regulations of the Board of Directors.

To properly perform its duties, the Appointments and Corporate Governance Committee shall meet whenever convened by resolution of the Committee itself or by its Chairman.

Following a decision by the Committee and at the invitation of its Chairman, the Chairman, the Vice-Chairman, if an executive, and the Chief Executive Officer of the Bank and other executive directors or senior officers, if applicable, may attend the meetings. In general terms, the Chairman, Vice-Chairman, if an executive, and/or the Chief Executive Officer shall be called to the Committee's meetings addressing matters relating to executive directors or senior officers other than the attendees or relating to the appointment and remuneration of the senior officers. In all cases, the Committee must the Chairman, the Vice-Chairman, if the Vice-Chairman is an executive, and the Chief Executive Officer with regard to the aforementioned matters prior to making any proposal or report.

The Appointments and Corporate Governance Committee shall have access to all the information and documentation necessary in order to exercise its functions, and it may request the assistance of advisers, consultants, experts and other independent professionals.

The Appointments and Corporate Governance Committee, via its Chairman, shall report to the Board of Directors on its activities and work carried out at the meetings called for this purpose or at the immediately subsequent meeting where the Chairman deems it appropriate, and shall make copies of the minutes of such meetings available to the Directors.

All of the activities of the Committee are included in the annual report on activities during financial year 2015, which the Committee approved in February 2016 and which is published on the Institution's corporate website. The activities described in said report include the proposed appointment, re-election and ratification of Board members, the assessment of the Board of Directors and the Committees and Chairman thereof, as well as of the Chairman and the Executive Directors; it proposed to the Board that it approve certain policies, such as the director selection and succession policy, the director conflict of interest policy, and the corporate social responsibility policy, among others.

C.2.2. Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years:

	Number of female directors							
	Year 2015		Year 2014		Year 2013		Year 2012	
	Number	%	Number	%	Number	%	Number	%
Audit and Compliance Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Risk Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Executive Committee	1	16.66%	1	16.66%	1	14.29%	1	14.29%
Remuneration Committee	1	25.00%	0	0.00%	0	0.00%	0	0.00%
Appointments and Corporate Governance Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3. Section repealed

C.2.4. Section repealed

C.2.5. Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

The rules governing the committees are included in the Regulations of the Board of Directors, which are available on the company's website: www.bankinter.com/webcorporativa.

The amendments to the Regulations of the Board indicated in item C.1.18. above were made in 2015. As concerns the powers of the committees of the Board, the amendments concerning the Remuneration Committee and the Appointment and Corporate Governance Committee were intended to conform the division of powers to the segregation of duties between the committees. In the case of the Executive Committee, the amendments

were intended to update its duties as provided in the Companies Act, including more details about their powers in the Regulations, in line with what is included for the other Committees. In this regard, the Executive Committee is given all the powers of the Board that can be delegated under the law and the By-Laws, except for those that are expressly reserved for the Board.

In addition, the powers listed below are expressly and permanently delegated:

1. Generally to authorise credit transactions, up to the limit set by the Board of Directors. Transactions involving the Directors, senior officers and other related transactions are excluded from this delegation, and must necessarily be approved by the full Board of Directors.
2. To authorise new businesses and individual transactions, provided they are non-strategic nature and do not imply a particular fiscal risk for the Institution or its Group.
3. To monitor the different businesses, types of customers and their segmentation across the institution, the institution's sales networks and organisations, as well as the products and services offered, all in line with the strategic business plan approved by the Board of Directors for such purpose.
4. To monitor any significant variations in the shareholder base.

An annual report of the activities of the Audit and Compliance Committee is prepared, and a summary of this report is presented by the Chairman of the committee at the Annual General Shareholders' Meeting.

The Remuneration Committee also prepares an annual report, which is presented by the Chairman of this Committee at the General Shareholders' Meeting as provided in the Regulations of the Board of Directors after the amendments introduced in 2011.

C.2.6. Section repealed.

D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1. Explain the procedure, if any, for approving related-party and intra-group transactions.

Procedures for approving related party transactions

The Regulations of the Board of Directors allocate, inter alia, the following functions to the Board of Directors: "To approve the Company's linked transactions with Directors, significant shareholders, or shareholders represented on the Board, or with persons linked to them, within the terms laid down in these Regulations, and following a proposal by the Audit and Compliance Committee."

The Director affected, either directly or indirectly, must refrain from intervening in the debates and decisions related to the transaction in respect of which a request for authorisation is being made.

Likewise, the Regulations of the Board provide rules on the approval of lines of credit and other financial risks, including related transactions which, in the version introduced as at 31 December 2014, provide as follows:

1. *The concession by the Bank of lines of credit, loans, and other forms of financing and guaranty to the Directors or persons linked to them in accordance with the terms of Article 23 of these Regulations must comply with the rules and instructions of the Bank of Spain and with the provisions of this article which shall be likewise applicable to any transactions by Directors which entail a financial risk of any sort or kind for the Company.*
2. *The said transactions must be authorized or ratified by the Board of Directors, or in cases of urgency, by the Executive Committee, Audit and Compliance Committee, the Board Committee to which the said power has been delegated, or the person or persons to whom the Board or the relevant Committee has delegated the said power, without prejudice to final approval by the Board where appropriate. The interested Director shall abstain in the approval of the resolution.*
3. *Temporary transactions such as account overdrafts or credit-card debt balances are excepted, provided that the amount overdrawn is within the usual limits, the renewal, extension, or modification of previously-authorized transactions that do not involve an increase in the amount or limit allowed, as well as, in the case of executive Directors, transactions covered by collective bargaining arrangements, accords, or like regulations, and those exempted in the rules and instructions referred to at section 1 of this Article.*
4. *With regard to all other linked transactions between the Company and the Directors, or the significant shareholders, or those represented on the Board, or persons linked to them, these should be approved by the Board of Directors in accordance with the terms of section 2 of this article, following a report by the Audit and Compliance Committee, with the exception of those transactions that are carried out pursuant to standard-form contracts for clients, at the established prices or tariffs, in general terms, and for which the amount does not exceed 1% of the annual revenues of the Company.*

Likewise, on 22 April 2015 the Board of Directors of Bankinter approved:

- The Bankinter Senior Management Conflict of Interest Prevention Policy: as an essential part of its supervisory function, the Board is responsible for addressing any matters likely to give rise to conflicts of interest, and specifically monitors Bankinter engaging in any related transactions between Bankinter and the Senior Management requiring approval in accordance with law or the internal regulations of Bankinter.
- The Procedure for the approval of loans/bonds and guarantees of Senior Officers of Bankinter, which describes the internal procedures for the approval of lines of loans/bonds and guarantees for the Senior Management of Bankinter, whether or not in advance of a request for authorisation to Banco de España under Law 10/2014 of 26 June on the Organisation, Supervision and Solvency of Credit Institutions, as further implemented by Royal Decree 84/2015, of 13 February, specifically article 35 "Restrictions on the provision of loans, bonds and guarantees for the institution's senior management". This is consistent with and follows the principles and criteria laid down by the Senior Management Conflict of Interest Prevention Policy approved by the Board of Directors.

D.2. Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

D.3. Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (€k)
MR PEDRO GUERRERO GUERRERO	BANKINTER, S.A.	Member of Board of Directors	Financing	3,500
MS MARIA DOLORES DANCAUSA	BANKINTER, S.A.	Member of Board of Directors	Financing	1,716
CARTIVAL, S.A.	BANKINTER, S.A.	Member of Board of Directors	Financing	10,000
MR FERNANDO MASAVEU HERRERO	BANKINTER, S.A.	Member of Board of Directors	Financing	4,000
MR RAFAEL MATEU DE ROS CEREZO	BANKINTER, S.A.	Member of Board of Directors	Financing	1,877
MR MARCELINO BOTÍN-SANZ DE SAUTUOLA Y NAVEDA	BANKINTER, S.A.	Member of Board of Directors	Financing	60

D.4. Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transaction with companies established in countries or territories considered tax havens.

D.5. State the amount of the transactions carried out with other related parties.

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

As at 31 December 2015, the Regulations of the Board of Directors provide as follows:

1. *Directors must notify the Board of Directors or the Audit and Compliance Committee of situations of conflicts of interest they may have with the Company and, specifically, any remunerated activities they perform at other companies or entities - including the positions of Director or Administrator - or which they perform on a self-employed basis, and in general, any other professional duties or situations which may interfere with the dedication to be expected from the position of Director and the performance of their duties as Administrators of the Company, as soon as they become aware of their existence or of the possibility of a conflict or situation. The corporate website shall contain information on the other Boards of Directors on which the Directors sit, whether or not the companies are listed companies.*
2. *In the event of a conflict, the Director concerned must refrain from intervening in the debates, decisions, and transactions to which such conflict refers.*
3. *Directors must inform the Audit and Compliance Committee of any holdings in the capital of any companies where these are majority holdings or where they confer control of those companies to the Directors in the sense indicated in these Regulations, and of any modification to such holdings.*
4. *Transactions between the Directors and the Company must take place at market prices and in conditions of complete transparency, and with the application of the securities market code of conduct in these Regulations, and any other legally-applicable restrictions.*
5. *With the exception of standard banking transactions, the Directors must notify the Audit and Compliance Committee of direct or indirect professional, commercial, or financial transactions with the Company, particularly those outside the Company's ordinary business and not carried on under normal market conditions, to which the provisions laid down at Article 19 of these Regulations shall be applicable.*
6. *In addition, executive Directors must, where appropriate, advise the Audit and Compliance Committee, at the request of the said Committee, of their investments and financial and economic transactions in general.*
7. *Directors may not use the Company's name or rely on their position as Directors thereof in order to perform transactions on their own account or for persons linked to them. Nor may they use the Bank's information or assets or avail themselves of their position within the Bank to secure a proprietary benefit, except in exchange*

for an adequate consideration under market conditions or where the information concerned has been disclosed publicly.

8. Directors must not, whether for their own benefit or for that of persons linked to them, make investments or carry out any transactions connected with the Company made known to them during their term of office as Director, where such investment or transaction was offered to the Company or it had an interest in it. An exception is made where the Company rejects the investment or transaction, without the Director's influence. A business opening for the Director is understood as any possibility for an investment or transaction of a financial, industrial, commercial, or real-property nature arising in connection with the exercise of the office by the Director or using the Bank's information, or in circumstances in which it is reasonable to think that the third party's offer was addressed to the Bank.
9. Directors must inform the Audit and Compliance Committee in those cases where their activity or circumstances may prejudice the credit or reputation of the Company, as well as of any criminal proceedings in which they appear as suspects.
10. The situations and transactions to which this article refers should be the subject of public information in those cases and in the manner laid down by law.
11. Linked persons to the Director classified as nominee or who must be considered as such are deemed to be, for the purposes of Articles 8, 11, 17 and 18 of these Regulations, the shareholder(s) having appointed or proposed to appoint, ratify or re-elect the Director and the persons linked to them or those represented by the Director at the Board for any cause, as well as those acting in concerted form with any of them according to the legislation in force.
12. In any of the cases described in the above sub-sections, the Audit and Compliance Committee may seek a report from the Appointments and Remuneration Committee or from the Corporate Governance Committee, where it should deem this advisable. In the event that the Audit and Compliance Committee or any of the said Committees should detect the existence of a possible case of prohibition, incompatibility, or conflict of interest, it should inform the Director of this and report to the Board of Directors.
13. The structural conflict of competition shall be cause of incompatibility for the appointment or the exercise of the position of Director in accordance with the Regulations.

There is a conflict of interest in those situations where, in a direct or indirect way, there is a risk of opposition between the Company or Bankinter Group Companies' interest, and the Director's personal interest or that of the

shareholder that appointed or proposed to appoint him/her or linked persons to any of them.

Politics and procedures described in section D.1 above.

D.7. Are more than one of the Group's companies listed in Spain as publicly traded companies?

Yes No

Identify the subsidiaries listed in Spain:

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined:

Yes No

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group

Mechanisms to resolve possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management System, including risks of a tax-related nature.

Bankinter understands the risk function to be one of the central elements in its competitive strategy, which is translated into its risk management and differentiates the Institution in the financial system.

It is a priority of the Board of Directors for the relevant risks of businesses of the Group to be properly identified, measured, managed and controlled. To do that, it establishes the basic mechanisms and principles for proper management, such that it can reach the Group's strategic goals, protect the Group's results and reputation, defend the interests of shareholders, customers, other stakeholders and society in general, and ensure business stability and financial strength on a sustained basis over time.

Bankinter's Risk Management System works continuously in an integrated fashion, consolidating management by business units (customer segments), branches and geographic areas (regional divisions) in accordance with the needs of the activity. Set forth below is a brief description of the principal methods, procedures and systems used to manage risk within the Group.

More information can be found in the sections on "General risk management principles" and "Processes, methods, and systems to measure and provide information about risks" in the Prudential Relevance Report and in the section on "Risk policies and management" in the Institution's Legal Report. Both documents are available on Bankinter's corporate website (www.bankinter.com/webcorporativa) in the "Financial Information" and "CNMV" sections.

Credit risk management is based on the institution's experience and culture and on risk quantification methodologies (IRB internal rating models).

The models, based on statistical methodologies, make it possible to quantify risks and make better decisions as concerns accepting transactions (either automatically or manually), internal allocation of capital, and pricing.

In accepting transactions, Bankinter uses advanced electronic file processing systems that automatically approve those risk transactions meeting specified requirements

and otherwise submit the transactions to established manual analysis and permission procedures. The structure of powers is highly integrated into the systems, which makes it easier to control limits and rapidly adjust risk policies to changing circumstances.

For control and tracking, Bankinter has a series of systems and applications that help the various managers detect symptoms of reduction in the risk quality of its customers with the goal of anticipating possible delinquency problems.

For collections and delinquency management, there is a robust management process for the transactions concerned, centralised for the best positions and decentralised for the rest, supported by collection agencies and automated systems for complaints and providing daily information on affected positions. To properly manage delinquency, the Bank uses a delinquency software application and forecasts in which the managers report the actions taken, which allows tracking of the status of negotiations, customer commitments and the estimated percentage of recovery.

The Credit Risk software systems indicated above provide real-time or periodic information available according to their respective functionalities.

The institution also has an exhaustive computer software system that includes all the necessary management information with differing levels of aggregation for each business segment and for all of them together: Office, Regional Organisation and Division.

For structural and market risk, the institution has systems and controls proportionate to the scope and complexity of its activities, consolidating its activities based on the various divisions, operating units and risk types.

Bankinter has a specific structural risk system that monitors interest rate and liquidity risks deriving from the balance sheet and allows constant monitoring of whether the risk assumed is above the limits approved by the Board. For market risks incurred by negotiation activities, there is another system that allows risk monitoring of the positions assumed by operators, negotiating desks, and the Capital Market Division. Depending on the case, methodologies such as interest rate and liquidity gaps or charts, interest rate sensitivity measures (both in terms of financial margin and in economic value), amount at risk and analysis of extreme scenarios (stress testing) are applied.

For operating risk, the Institution follows the standard method approved by Banco de España and manages this risk in accordance with industry best practices (self-assessments, recording of operating losses, and a specific organisation dedicated to managing operational risk). The measures and information on operational risk are based on risk maps, key indicators of operating risks, contingency plans and loss data bases.

In this regard, in compliance with section 529 ter 1b) of Royal Legislative Decree 1/2010 of 2 July, which approves the restated text of the Companies Act, the Board of Bankinter, S.A. was informed on 20 May 2015 that KPMG Abogados, S.L. had been hired to prepare a report to perform diagnostics on the tax-related risk control policies at the Bankinter Group and, if appropriate, to define possible areas for improvement concerning (i) the organisation that would be most suited to control the fiscal area and (ii) the procedures in place to manage and control the fiscal area, keeping in mind the mandatory obligation for final determination and supervision of this risk control and management policy that the Companies Act establishes.

As a result of this analysis, a Report on recommendations dated 23 October 2015 and the Executive Summary of the Report on recommendations dated 16 November 2015 were issued along with a report on "Diagnostics on existing internal control processes and systems within the Bankinter Group" dated 4 February 2016 were issued. They were accompanied by a letter with basic conclusions, stating that as a result of the analysis, KPMG believes that "no significant issues have been found that might imply the existence of material defects in the area of the tax function", the recommendations being limited to improvements in the operational function of the Group's tax-related activity as no material risks had been detected in the area of the tax-related function of the institution.

E.2. Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks.

Within the administration and supervision functions held by the Board of Directors of the Company, there are two clearly separated functions as concerns risk for which the Board is ultimately responsible:

- The management and monitoring function.
- The control function.

The Board of Directors pays attention to these functions, delegating compliance and tracking sometimes, through other bodies as shown below:

Management and tracking function

Authorisation, formalisation, appraisal, permission or ratification of risk operations:

This power of the Board of Directors is delegated, depending on the nature or amount, to the following delegated or internal bodies:

- **Executive Committee**, which is of an executive nature and makes decisions within the scope of powers delegated thereto by the Board. It is chaired by the Executive Vice-Chairman of Bankinter and made up of directors of the Bank. It generally meets monthly and approves transactions within the limits set by the Board of Directors described in the section on limits in this document. For risks, the Executive Committee decides on transactions above the powers delegated to lower bodies. periodicity also periodically tracks liquidity risk, credit risk, market risk and operating risk through changes in APRs and the solvency level of the institution.

The Executive Committee makes decisions to manage and track all types of risk, delegating to the following Committees:

- Credit Risk, to the Executive Risk Committee
- Business Risk, to the Management Committee
- Structural Risks (liquidity, interest rate, currency) and Market Risk: to the Assets and Liability Committee (ALCO).

Control function

Approval of the policy for controlling and managing risks and supervising the systems for the control and reporting thereof:

In performing this function, the Board of Directors is supported by the Risk Committee, on a consultative basis. This committee is made up of members of the Board of Directors of Bankinter, most of whom are independent, and the chairman of which is independent. It meets at least quarterly and is tasked with tracking capital planning and advising on the risk appetite, among other duties.

Internal Audit:

The **Audit and Compliance Committee** directs internal auditing by approving the Annual Audit Activity Plan. This plan approves the primary work to be done by Internal Audit as well as the guidelines to be followed on the various aspects of the audit function. The Audit Committee periodically monitors the activities of Internal Audit.

Internal Audit, which is functionally subordinate to the Audit and Compliance Committee, evaluates compliance with the policies approved by the Board, procedures, risk management systems and the internal control function. It is also responsible for reviewing and evaluating the effective implementation and effectiveness of risk control and mitigation procedures while maintaining the mandatory independence of its management. Its review activities and evaluation of risk-related processes is included within its audit plans and customary procedures.

As concerns tax-related risks, see the description in the preceding section.

E.3. Indicate the principal risks, including tax-related risks that could prevent business targets from being met.

Bankinter does practically all its lending activity in Spain. In this regard, it is subject to the usual risks for banking and financial activity, such as credit risk, market risk, structural exchange rate and interest rate risks, liquidity risk, operating risk, business risk, reputational risk and compliance risk.

Bankinter has traditionally maintained a prudent risk policy, which has allowed it to maintain differentiated performance in the industry over the years.

For credit risk, the Group concentrates on lending to individuals with moderately-high and high income with a solid residential mortgage portfolio and significant advisory and asset management activities. As concerns businesses, the focus is on medium-sized and large businesses that have performed relatively better in crises and have higher international growth potential.

For market risk, the exposure is very limited and as far as structural risks are concerned, the institution follows a policy of neutralising interest rate and exchange rate risks deriving from the Group's businesses.

The risks that might affect achievement of business goals are those that inherent to banking activities in Spain. At year-end 2015, after the extensive restructuring of the financial system, the prospects for Spanish banks are positive for the next few years, with the evolution of the European economy and the political uncertainty in Spain being the primary unknowns in business with legal entities and employment recovery being the variable with most influence on business with individuals. There is strong pressure on margins from strong competition and the quantitative easing policies of the European Central Bank.

There was a decrease in delinquencies and strengthening of the Spanish economy in 2015. The high level of indebtedness of the Spanish economy and the European outlook point to weak mid-term growth in which delinquencies will continue to be a material risk. Bankinter ended financial year 2015 with a delinquency rate of 4.13%, 59 basis points less than the previous year, which is a 12.50% decrease and represents 40% of the median for the industry (10.35% in November 2015). The quality of Bankinter's assets and its traditional policy of prudence allow it to face the developments and future management of credit risk with confidence.

Market risk, interest rate risk, exchange rate risk and liquidity risk might result from new systemic episodes such as those experienced in 2012 during the Euro zone financial crisis, which appear remote as of the date of preparation of this report. Bankinter actively manages these risks and pays continual attention to them.

For tax-related risks, based on the analysis by KPMG, S.L. described in section E.1 above, it is not believed that the tax-related risks detected will affect business objectives.

E.4. Identify whether the entity has a risk tolerance level, including tax-related risks.

As declared in the Risk Appetite Framework of the institution, Bankinter wishes to maintain a moderate and prudent risk profile, which will allow it to obtain a balanced and cleaned-up balance sheet and income that is recurring and sustainable over time, maximising long-term value for its shareholders.

The risk appetite and tolerance that the Group assumes in performing its activity are subject to the following principles:

- Strategies, policies, organisation and management systems are prudent and adjusted to the size, environment and complexity of the Institution's activities, based on high-quality banking practices.

- The Institution's respect for and conformance to established requirements, limits and regulatory restrictions, ensuring proper compliance with current regulatory documents at all times.
- Maintenance of a low or moderate exposure to risk, with a delinquency rate in the lowest range of the Spanish financial system.
- Appropriate hedging of problem assets.
- The return on capital investment is proper, with profitability over the risk-free rate being kept to a minimum over the cycle.
- Maintenance of a low level of market risk, so that in stress scenarios the losses generated have a reduced impact on the Institution's income statement.
- Intense growth in the priority medium-sized and large business strategic segments.
- Balance of the loan portfolio between individuals and legal entities.
- Balanced growth in retail financing resources.
- Sources of wholesale financing are diversified, from the viewpoint of both instruments and markets, and maintenance of a balanced maturity profile.
- Optimisation of the cost of retail financing, maintaining a balance between the return on the loan and the rate situation in the market.
- Use of a risk diversification policy to avoid excessive concentration levels that might translate into difficulties for the Institution.
- Limitation on activities in sensitive industries that might pose a risk to the Institution's sustainability, such as industries associated with development or construction, or might have a negative impact on its reputation and/or respectability.
- Moderate appetite for interest rate risk.
- Maintenance of a much reduced structural foreign currency position (excluding trading activity, which is measured and limited by other means).
- Strengthened control of the reputational positioning of the Institution (Good Corporate Governance and systemic risks, etc.).
- Desire to round out the level of services level that Bankinter offers its customers, both in private banking and merchant banking, offering limited-risk Investment Banking services.
- Optimisation of the Efficiency Ratio.
- Maximisation of the generation of value for shareholders throughout cycles through both dividends and increase in share price, all on a strong base of capital and liquidity.
- Common Equity Tier 1 (CET1) is maintained within the fluctuation band set by the Institution, above the regulatory minimums.

The Risk Appetite Framework thus is a governance tool to ensure that the risk levels assumed are consistent with the Group's strategy and business plans, without prejudice to the limits established on the various risks and monitored regularly through the relevant committees and organizational units.

In addition, the Risk Control and Management Framework established by the Board (hereinafter the Framework) establishes in detail the risk policies; the systems of limits and powers for all material risks ensure that the policies are implemented within the established tolerance margins. This Framework and the provisions developed internally establish precise metrics and limits for each type of risk and organisational unit, which are summarised below:

- For credit risk, quantitative limits are assigned in the Framework and developed in the delegated powers system to the amount of risk approved based on organisational level and the nature and duration of the transaction.
- For structural and market risks, there are specific metrics (exposure level, amount at risk (VaR), maturity mismatches, liquidity mismatches) and limits are established for the various management levels.
- For operating risk, the Framework establishes the risk control environments, adjusting them to the amount of risk (higher inherent risk requires a better control environment). An estimate of potential risks is made in the risk map to prioritise risk management and losses from operating risks events are tracked in detail.

For tax-related risks, it should be noted that by means of a resolution dated 20 May 2015, the Board of Directors of the Institution approved the definition of the fiscal strategy of the Bankinter Group, providing that it was essentially aimed at ensuring responsible compliance with tax rules, paying attention to society's interest and supporting the Group's business strategies. For these purposes, within the framework of its social and corporate responsibility, BANKINTER recognizes the function of the tax system in society and thus intends that handling the tax function in the Group also pay attention to the interests of society and its stakeholders as well as the value given to the confidence of the community in which it operates.

Furthermore, at a meeting held on 22 April 2014, the Board of Directors of Bankinter, S.A. approved, among other things, an Agreement of the Institution to Adhere to the entire Good Tax Practice Code sponsored by the State Tax Administration Agency (Agencia Estatal de la Administración Tributaria), both in Bankinter's own name and

in its role as the controlling entity of Tax Group 13/01 for purposes of taxation in the fiscal consolidation mode under the Corporate Income Tax and 128/09 for purposes of the tax mode for the group of institutions for Value Added Tax.

E.5. State what risks, including tax-related risks, have occurred during the year.

The economic recovery that in mid-2013 in Spain strengthened during 2015. The predictions of Banco de España in December 2015 for the end of the financial year pointed to an increase of more than 3% in GDP.

According to information from Banco de España, new lending transactions in the Spanish financial system will continue to grow in 2015, though in terms of stock, credit decreased for an additional year: at the end of November 2015, total financing to non-financial companies was still 1.4% below the previous year, and was down 2.2% for home financing.

In this context, the quality of Bankinter's assets has allowed us to demonstrate performance higher than that of the industry for another year, with computable credit risk (which includes investment and company risk) growing by 4.4%.

Bankinter has been balancing the distribution of its credit portfolio between individuals and legal entities for years. In 2015, the credit risk for individuals grew by 2.3% and that for legal entities by 6.8%. At the end of the financial year, the computable risk for individuals was 51.4% of the total, and that for legal entities was 48.6%.

In terms of delinquency, the financial year closed at 4.13%, which is a reduction of 59 basis points from the previous year, a reduction of 12.50%. The delinquency rate at the end of the financial year is 40% of the median for the industry (10.35% according to Banco de España data from November 2015).

The volume of problem assets and foreclosed assets continues to be much less than that for the Group's primary competitors. At the end of December 2015, the foreclosed asset portfolio was 531 million euros, which was 1.1% of the total credit risk, a reduction of 9.3% in the financial year.

The portfolio of loans refinanced and restructured due to credit risk at the end of 2015 was 1.325 billion euros, with any modifications in the credit risk conditions resulting

from financial difficulties being considered refinancing. The strict classification criteria for refinancing specified in regulation were applied to compute refinancing.

The volume of problem assets and foreclosed assets continues to be much less in comparative terms than that for the Group's primary competitors.

For more information about the impact of these risks on the Institution's accounts, please consult the sections on "Risk policies and management", "Exposure to the construction and development industry", and "Additional information on risks: refinancing and restructuring transactions" in the Legal Report, which is available on Bankinter's company web site, section labelled "Shareholders and Investors" - Financial Information, Report".

Bankinter believes that the control and tracking systems are functioning properly, as indicated by the fact that a delinquency rate among the lowest in the system is being maintained.

No tax-related risk materialised during the financial year that might have affected the business targets.

As concerns tax proceedings for the Bankinter Group, which are pending because the profit and loss statements were challenged at the Economic Administrative Courts and at bodies having jurisdiction, we refer to the Group Report and indicate that, in any event, there are adequate provisions for any tax-related liabilities that might derive from these proceedings as at the end date of financial year 2015 and previous financial years.

E.6. Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks.

Bankinter actively manages these risks using various pillars as described in previous sections and summarised below:

- A clear organisational structure that is independent of the business function, which starts from the Board of Directors and establishes a structure and functions for identifying, measuring, controlling and managing the various risks.

- Risk policies clearly established by the Board that have been developed in specific structures for limits, powers and internal information and decision making processes.
- Specific control systems and procedures, strongly supported by IT information, control and management systems.
- A solid risk culture established over years

The Institution's capacity to respond to the primary risks demonstrated during the crisis and that can be foreseen in the immediate future can be summarised as follows:

- The risk acceptance policy is prudent and business plans are primarily aimed at low- and moderate-risk customer segments, both for individuals and legal entities. The credit risk control, tracking and recovery systems are continually strengthened and supported by investments in IT systems. This rendered a delinquency rate of 4.13% at the end of the financial year, which is 40% of the median for the industry.
- There is active management of structural interest rate risk aimed at protecting the financial margin and the Bank's economic value vis-à-vis changed in interest rates.
- Liquidity risk is monitored and actively managed, working primarily on liquid asset cushions, concentration on wholesale financing, diversification of funding sources and improvement of the resulting balances on commercial transactions. The deposit to loan ratio was 83.5% at year-end 2015.
- Operating risk is actively managed using self-evaluations, risk maps, specific improvement plans, key operating risk indicators and contingency plans for the most relevant risks.
- The Institution maintains certain solvency levels above the regulatory minimums. At year-end 2015, the CET1 (Common Equity Tier I) ratio was 11.77%.

As an additional risk supervision level. the Audit and Compliance Committee has following powers, among others:

- To promote and review on a periodical basis the functioning of adequate internal control systems that ensure that the Company's risks are adequately managed.
- To supervise the Bank's and the Group's internal auditing activities, and therefore to approve its annual work plan, the annual report on activities, and to ensure that the main risk areas and the internal control systems and procedures are reviewed.

- To be informed of relevant irregularities, breaches or risks observed during the control actions carried out by the Compliance Area.

As concerns the improvements in operating function shown in the documentation prepared by KPMG, S.L., an action plan will be prepared by the Fiscal Advisory Area of the Institution to be implemented during financial year 2016, with KPMG, S.L. and the Institution's Audit Department being charged with verifying compliance with the plan.

The Board of Directors of the Institution will be informed of the results of compliance with this action plan.

F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

F.1. The institution's control environment.

Give information, describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Bankinter's Board of Directors is the body responsible for financial information and for the existence of an adequate internal control system for such information. In addition, article 35 of the Regulations of the Board of Directors has delegated to the Audit and Regulatory Compliance Committee the duty to:

"Safeguard the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, to verify the integrity and consistency of the Bank and the Group's quarterly and half-yearly financial statements, and the annual accounts, annual report and management report prior to their approval by, or submission to the Board of Directors and their publication, and to supervise the Bank's policy in relation to prospectuses and other forms of public information".

The institution has a Manual of Accounting Policies and Financial Information Procedures (hereinafter, the "Accounting Policies Manual"), approval of which is within the purview of the Board of Directors, at the proposal of the Audit and Regulatory Compliance Committee.

Article 5 of the Regulations of the Board of Directors provides that, among other responsibilities, the Board of Directors is responsible for *"approving the risk control and management policy, as well as regularly monitoring the internal information and control systems..."* Section 11.6 of Article 35 of the Regulations of the Board of Directors further provides that the Audit and Regulatory Compliance Committee has the duty to *"supervise the effectiveness of internal control, the internal auditing services at the Company and*

the risk control systems, and to safeguard the independence and effectiveness of the said function."

Nevertheless, the design of the control system for financial information at the Bankinter Group is under the supervision of the chief executive officer of the Bank. Actual implementation of the control systems for financial information is the responsibility of the Financial Division of the Bank and of each of the subsidiaries of the Group, as well as of the Divisions of the areas that participate in, or have an impact on the quality and reliability of the financial information on the basis of which the Group's Financial Statements are prepared.

The Audit and Regulatory Compliance Committee considers, among other matters, the possible weaknesses of the control system, as well as the reliability and accuracy of the financial statements, in order to evaluate possible corrections, after receiving the necessary information and clarifications from the areas responsible for such statements or involved therein. To detect such weaknesses, the Audit and Regulatory Compliance Committee draws on support from both the Auditor of the Group and the Internal Audit Division, who verify the effectiveness of the system to control the quality of financial information to detect possible deviations that might ultimately lead to material errors in such information.

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

Bankinter's Board of Directors is responsible for approving and reviewing the institution's organisational structure, at the proposal of the Appointments and Corporate Governance Committee.

The Bankinter Group's Manual of Accounting Policies and Financial Information Procedures, approved by the Board of Directors, at the proposal of the Audit and Regulatory Compliance Committee, lays down the lines of responsibility and authority in connection with the preparation of financial information.

The existing organisational structure of Bankinter seeks to ensure a sound internal control model for financial information.

Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

The Bankinter Group has a Code of Professional Ethics that comprises the basic principles of conduct and practices of professional conduct required of all employees and persons working for Bankinter SA and its subsidiaries (except for Línea Directa Aseguradora). The Bankinter Group's Code of Professional Ethics is approved by the Board of Directors, at the proposal of the Audit and Regulatory Compliance Committee.

The aforementioned Code of Ethics is updated to bring it into line with the circumstances that so require; with most recent amendment being approved at the Board of Directors meeting held on 20 October 2015, at which the Exhibit thereto was deleted, to be replaced by the Regulations of the Crime Prevention and Professional Ethics Committee.

All employees of the group, as well as all persons subject to the Code of Ethics, receive the Code upon hiring. This Code is also permanently available both in internal regulations and on the corporate website. There is also a mailbox available to employees for questions or concerns regarding the Code.

In addition, the Group's Manual of Accounting Policies and Financial Information Procedures introduces a supplement to the Code of Ethics that establishes a number of ethical principles applicable to all persons having accounting and financial information responsibilities and duties. This manual provides a detailed description of the ethical principles and the procedures to be observed when recording transactions and in the preparation and communication of financial information.

In summary, applicable ethical principles are independence, integrity, responsibility, professionalism, dedication and confidentiality.

General guidelines for conduct also provide that all transactions must be recorded in accordance with generally accepted accounting principles, specifically, in accordance with the applicable rules set forth in the Accounting Policies Manual. Other direct responsibilities of employees with financial and accounting duties are the following:

- Stay up to date in the knowledge of accounting regulations and the policies and procedures of the Group, and perform their duties in accordance therewith. Employees have the duty to request professional advice internally if they deem it necessary.
- Be on the alert for possible violations of the institution's financial and accounting policies that may be detected in the review of financial information and report them immediately.
- Communicate and report financial information in a fully transparent manner.
- Keep the documents supporting accounting records under custody, in accordance with the Group's policy.
- Immediately report any pressure from management to manipulate estimates and/or accounting valuations in order to alter financial results.

In addition, senior management with responsibility for financial information must:

- Ensure that all employees with accounting duties have adequate professional experience and resources to perform their duties properly.
- Prevent and detect pressure to alter accounting valuations or estimates in order to improperly influence or alter financial results.
- Take the necessary measures to reasonably ensure that the financial statements and communications concerning financial matters made by the institution are complete and correct.
- Specifically, measures shall be taken to warn of:
 - i. Accounting records that improperly reflect the nature of the transaction.
 - ii. Pressure to produce incorrect book earnings/losses.
 - iii. Resistance from persons or heads of processes with financial and accounting duties to avoid such processes being reviewed or audited
 - iv. Existence of unreported funds or unrecorded assets or liabilities.
 - v. Estimates of valuations, allowances, reserves, etc. not supported by facts and by proper documentation.

The Group has procedures in place to ensure that the principles of integrity and professional ethics are observed, as well as measures to identify and correct deviations. Control of compliance with the Code of Professional Ethics and disciplinary power for irregular conduct in violation of the various codes of conduct of the Bankinter Group are the responsibility of the Crime Prevention and Professional Ethics Committee, a body established by Resolution of the Board of Directors of BANKINTER, S.A. of 20 October 2015, which replaces the former Monitoring Committee of the Code of Professional Ethics, and which is now also given autonomous powers of initiative and control to supervise the operation of, and compliance with the criminal risk prevention model. The aforementioned Committee reports directly to the Board of Directors through the Audit and Regulatory Compliance Committee.

Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

The Group has a confidential whistle-blowing channel, which is a direct channel of access to the Audit and Regulatory Compliance Committee.

The existence of and access to this channel is disseminated among all members of the organisation in order for it to serve as a channel to warn of irregularities of any kind, including those of a financial and accounting nature..

This channel is a channel of communication at Bankinter to receive complaints or reports on a confidential basis in connection with bad practices in financial and accounting matters that may be potentially significant for the company, protecting the identity of the whistleblower. It was also created to preserve the Bankinter Group's corporate values, in addition to the mere personal liability for individual actions, and requires the commitment of employees to report those situations which, while not related to their actions or area of responsibility, they consider to be ethically questionable in accordance with the contents of the Code of Ethics.

Such reports shall be sent to an e-mail address provided for such purpose, and the recipient of such report shall only be the Chairman of the Audit and Regulatory Compliance Committee, or the Chairman of the Appointments and Corporate Governance Committee, thus guaranteeing absolute and strict confidentiality both in the reporting process and in any investigation process. Reports are reviewed

in the order in which they are received, provided they meet the requirements established in the procedures governing them.

Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

Bankinter Group employees involved in the various processes for the preparation of financial information regularly participate in training and update programmes so as to allow them to perform their duties effectively.

Training plans for financial and accounting personnel are designed and approved by the financial divisions of the Bank and subsidiaries, as well as the various General Divisions that participate in the preparation of financial information. Such training plans are supervised and managed by the People Management Division.

Seven Financial Information courses were given in 2015 in the banking activities area of the Group. A total of 257 training hours were given. The main areas receiving this training were:

- Accounting and Control
- Financial Information.
- Risks.
- Operations.
- IT.
- Public Relations and Basle.
- Treasury.
- Internal Audit.

As for Linea Directa Aseguradora, 10 courses were given in 2015, with 819 hours of training on financial and accounting matters, in which a total of 123 persons participated.

E.2. Financial reporting risk assessment.

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

Whether the process exists and is documented.

The risk identification process in connection with financial information is described and formalised in the Group's Accounting Policies Manual.

The control system for financial information must establish a balance between the level of control and the related cost. In line therewith, the Group's Accounting Policies Manual establishes a process for the identification of risks in financial information designed following a standard of relative importance and taking into account all the reported and published financial information.

The Bankinter Group's risk identification system for financial information follows a top-down process within the framework of the relative importance standards approved by the Board of Directors, which concludes with the identification of a financial information risk map that includes Companies of the Group and significant processes and subprocesses.

The Finance and Investor Relations Division is responsible for checking that there have been no significant alterations in the financial information risk map at least once a year and reporting thereon to Internal Audit.

All business processes identified as significant have been assigned a responsible area, which is charged with documenting the process, identifying the risks thereof and evaluating existing controls, as well as with establishing and implementing new controls if deemed necessary.

Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

Both the procedures to identify financial information risks and the controls designed to control significant processes and activity take into account all the objectives of financial information, following materiality and qualitative standards, focusing on the areas and processes with the greatest risk of fraud

and error in estimates, and taking into account the principles of occurrence, integrity, breakdown and comparability. Specifically, the Accounting Policies Manual establishes the following objectives:

- Existence: All assets (rights) and liabilities (obligations) recorded in the bank's balance sheet exist, and the transactions posted have been made in the respective period.
- Entirety: Not only do they exist, but all assets and liabilities as of the end of the period covered by the balance sheet and the transactions made during the period are recorded.
- Valuation: The carrying amount of the assets and liabilities, as well as revenues and expenses, have been determined in accordance with generally accepted principles.
- Presentation: The information is sufficient, adequate, and is correctly described and classified.

The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

Within the Finance and Investor Relations Division is the Group's Financial Information Function, charged with determining the scope of consolidation of the Group.

The full consolidation procedure will be applied for the annual accounts of Subsidiaries (Entidades Dependientes). Accordingly, all significant balances and transactions made between consolidated institutions shall be eliminated in the consolidation process.

The consolidation of the profits/losses generated by the institutions that the Group may acquire during a reporting period will be made taking into account solely those relating to the period between the beginning of the period covered by the financial statements and the date of disposal.

The equity method will be applied in such process for the accounts of Jointly Controlled Entities (Entidades Multigrupo), with the exceptions provided in applicable accounting laws and regulations. The equity method will be applied for Associates (Entidades Asociadas).

If the Financial Division is informed of the acquisition of an institution in which the Group has an interest, inclusion thereof in the scope of consolidation is reviewed and determined in accordance with the procedures described above.

There were no changes in the Bankinter Group's scope of consolidation in 2015.

For consolidation of the scope, the Institution takes into account the following types of operational, technological, financial, strategic, market and legal risks, among others.

The Finance and Investor Relations Division shall be responsible for reviewing, at least on an annual basis, whether there have been any changes in the risks identified in the preparation of the consolidated accounts and shall report any changes therein to the Audit Division.

The Group's Accounting Policies Manual establishes the standards to be taken into account to assess the significant influence and/or the concept of control which are essential to decide on consolidation and the consolidation method for the various associated institutions and subsidiaries, as well as special purpose vehicles.

A detailed description of the main accounting policies, including those relating to the identification of the Group's scope, is provided in the annual report.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements.

The Bank has an overall risk map, of which the financial information risk map is part, which identifies and assesses the various risks to which the institution is exposed.

The financial information risk map is prepared taking into account, as a basic element to evaluate each process and the controls thereof, the existence of a valuation risk or the fact that management estimates are included in its calculation.

- **Which of the entity's governance bodies supervises the process**

The Board of Directors, through the Audit and Regulatory Compliance Committee, is ultimately responsible for supervising the process, with the support of the Internal Audit Unit.

F.3. Control activities.

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, valuations and projections.

As already mentioned, the Board of Directors delegates to the Audit and Regulatory Compliance Committee the duty to "Safeguard the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, to verify the integrity and consistency of the Bank's and the Group's quarterly and half-yearly financial statements, and the annual accounts, the annual report and the management report prior to their approval by, or submission to the Board of Directors and their publication, and to supervise the Bank's policy in relation to prospectuses and other forms of public information".

The Audit Committee, through the external auditor and the internal audit function, reviews the quarterly and half-yearly financial statements of the bank and the group, as well as the annual accounts, the annual report and the management report, prior to the approval thereof.

The Internal Control System for Financial Information at Bankinter focuses on ensuring the proper recording, valuation, presentation and breakdown of transactions of relative importance and that may therefore affect financial information. The Accounting Policies Manual provides a detailed description of the types of transactions covered and establishes the necessary procedures for the updating thereof.

All the Group's critical processes and activities that, because of their significance, could have an impact on financial information are documented in the Accounting Policies

Manual. Such documentation establishes the procedures and controls that must be observed at all times by employees responsible for them.

The accounting of the Bank and its subsidiaries is automated practically in its entirety and is triggered automatically by the recording of the transaction. For that reason, the ICSFI pays particular attention to manual accounting processes and to the launching of new products, operations or special operations.

As regards manual accounting operations, it should be noted that accounting through manual entries is limited to users specialising in the operations and accounting area. The entries made are perfectly traceable, as they are recorded together with the user who made them and the description thereof.

The appearance and launching of new products and services on the market or the beginning of a new activity, special operations or any other event that has an impact on the financial statements is evaluated from an accounting standpoint to ensure that the financial information generated is reliable and complies with applicable accounting laws and regulations. The Finance and Investor Relations Division is advised by the implementing areas of the various initiatives, as are the operational areas, in order for them to review and determine the applicable accounting policies, to determine the required accounting, inventory, and regulatory information and any other aspect having an impact on the financial statements.

Bankinter has a New Product Launching Committee in order to put in place a strict mechanism of supervision and control of Operational and Reputational Risks that might arise in the ordinary course of banking activities with customers and, in particular, with the approval of the launching of new products and services, adjustment of business practices, establishment of marketing policies and control of business agreements with other entities or possible partners, ensuring that the statutory requirements laid down in regulations and the operational and reputational standards established by the Bank are complied with.

In addition to controls at the process and activity levels, second-level controls are performed in order to detect material errors that could affect financial information. Worth noting among such controls are the reconciliation of inventories and accounting databases, controls of input-output and other accounts, control of items pending allocation, reconciliation of checking accounts, fairness of changes in balances, yields and costs in relation to changes in interest rates and activities, budgetary deviations, control of allocations of sizeable amounts, etc.

As regards the process for the closing of accounts and the review of litigation and significant estimates, valuations and projections, updates on this matter are made in accordance with the provisions of the Group's Accounting Policies Manual, which are described in detail in the Group's legal report, and they are made by the areas specialising in each of the issues and checked by the Financial Division of the Bank or of each subsidiary, as the case may be.

In addition, in all quarterly closings, the results are reviewed by the Audit and Regulatory Compliance Committee, for ultimate approval by the Board of Directors. To perform these duties it draws on the reviews and considerations in that regard of the Internal Audit Unit and the external auditor.

The following are the main features of this process:

Performance of analytical procedures that make it possible to assess aspects of the Income Statement, such as:

- Consistency of the financial information with the performance of the business of the Group and of the industry.
- Analytical procedures designed to identify unusual operations and items, including:
 - Comparison with the Income Statement for prior periods.
 - Comparison of actual results with budgeted results where these have been defined.
 - Comparison of Income Statement items with those estimated in accordance with the experience of the Bankinter Group and of its industry.
 - Effect on the Income Statement of the resolutions adopted by the shareholders at the General Shareholders' Meeting, by the Board of Directors, etc.
- Meetings with members of Management with responsibility for financial and accounting matters in order to, on the basis of the information obtained from the aforementioned analytical procedures, evaluate matters such as:
 - Whether the Income Statement has been prepared in accordance with applicable accounting standards.
 - Changes that may have occurred in the activities of the Bankinter Group or in the application of accounting standards.
 - Significant aspects affecting the Income Statements relating to changes in activities, new products or new lines of business.
 - Statements concerning changes in the Income Statements and concerning changes in the respective line items, particularly unexpected or unusual changes.

- Obtaining information, documentation and/or data that make it possible to assess the fairness of the statements made.

Review and performance of calculations and comparisons of a similar nature.

The aforementioned procedures are applied bearing in mind a principle of relative importance such that those items that, because of their small amount compared with the Group's Income Statement, are not significant for consideration by the Audit and Regulatory Compliance Committee, or those items showing changes that are commensurate with the corresponding variables that cause them, are not reviewed.

Supplementing all of the foregoing, a system is implemented that is based on the key processes and controls identified to ensure the accuracy and reliability of the financial information generated on a monthly basis.

The control system has been designed following materiality standards, focusing on the areas and processes with the greatest risk (fraud, estimates, valuations, errors, etc.). All business processes identified as significant have been assigned a responsible area, which is in charge of documenting the process, identifying the risks thereof and evaluating existing controls, as well as of establishing and implementing new controls if deemed necessary.

The Financial Control department designs an agile, dynamic and efficient system on the controls established by the heads themselves.

The characteristics of the process are the following:

On a Monthly basis:

- Send to each of the areas and/or heads a report with the controls that must be checked prior to the closing of results.
- Such report must be returned by the person responsible for such control, describing the status thereof, within 4 business days of the end of the previous month, or prior to the final closing of the results of the institution. There are a number of controls that are performed at intervals different from those mentioned above because of the very nature of the control, as they would not have an impact on the results of the Institution.
- All this information is grouped and sent to the heads of the financial area for information and control of the situation prior to the closing of results of the

current month, which will allow them to act to resolve possible incidents and/or circumstances, if any, that may have occurred, preventing an incorrect impact on results.

A total of 309 controls have been sent to date (December 2015), the status of which, as reported by those responsible for them, has been favourable, given that they have all been reviewed and classified as without noteworthy qualifications.

On an Annual basis:

- Send to each of the areas and/or heads a report with the processes established by them for review.
- Such report must be returned by the person responsible for such processes/controls validating, modifying and/or increasing all processes and/or controls that have been modified and/or altered which modify both the structure of the process and the control performed, achieving a dynamic control system.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.

Bankinter's information systems relating to the processes for the preparation of financial information, be it directly or indirectly, ensure at all times the correct preparation and publication of financial information by means of a specific internal control system.

The Institution has specific internal procedures governing the management of access to applications and systems in accordance with a profile system tailored to the duties of each position.

Management of access to applications and information systems is clearly established and standardised, and is the responsibility of the Technical Management department.

The Institution has specific controls for data processing centres to ensure security. The configuration of access control is tested periodically, at least once a year.

The Technological Risks area has developed a Business Continuity Plan (BCP) for the Company.

Such BCP is divided by business processes, each of which has its specific plan. Worth noting is the Technological Continuity and Recovery in the Event of Disaster Plan, which is the responsibility of the Technological Risks area within the Information Security department. The main measure of the Technological Continuity Plan is based on the availability of two data processing centres at geographical locations that are sufficiently distant from one another, and the data of which are replicated synchronously.

This makes it possible to recover data and information systems in the event of contingency without a significant loss of information. Partial tests of the plan are carried out at least once a year to check that it operates properly.

Changes in existing applications or implementation of new applications are made in accordance with established internal procedures and the development method of the Institution. Developments are made on environments other than production environments, and technical and functional user tests are performed in a pre-production environment, such that they do not affect the actual operations of the Institution. New applications, changes or software are moved to the real environment once they have been tested by all areas involved.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

As a general rule, it is the policy of the Institution not to subcontract any activity that is considered significant because of its impact on financial information outside of the Group. No valuation processes, lawsuits or calculations to be made for the preparation and publication of the financial statements have been outsourced.

Outsourcing of activities is always supported by a services agreement clearly determining the services provided and the required service quality levels.

Processes and procedures subcontracted to third parties are part of the auditable universe and are subject to periodic audits by the Internal Audit area, which verifies the suitability of the services and the controls established.

On 16 December 2015, Bankinter's Board of Directors approved an Outsourcing Policy that establishes, among other things, the principles, the services that may be outsourced, the persons responsible for outsourcing, limitations and the outsourcing procedure.

F.4. Information and communication

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The Finance and Investor Relations Division is responsible for ensuring the quality, transparency and timeliness of the individual financial information of Bankinter S.A. and the consolidated financial information of the Bankinter Group, including that such quality, transparency and timeliness are based on appropriate accounting methods. In order to achieve these basic objectives of financial information, it is deemed necessary to formally create and include in this manual the specific function in charge of developing and updating the institution's accounting policies, as well as of resolving all doubts or conflicts arising out of the interpretation of accounting laws and regulations.

This function is assumed by the Financial Information and Planning Division, which will be responsible for resolving any conflict of interest that may arise among the various areas and divisions of the bank, and for deciding how to set forth or interpret financial information in the various reports prepared in accordance with the guidelines established by applicable laws and the accounting principles and policies established in the Accounting Policy Manual. It will submit significant changes in standards, if any, to the Audit and Regulatory Compliance Committee. The last update of the Accounting Policies Manual was issued in December 2015. Such Manual is to be updated on an annual basis, unless there are substantial amendments to applicable laws and regulations, in which case it will be updated when such laws and regulations are amended.

F.4.2. Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

The systems of the Bankinter Group are fully integrated and the recording of transactions automatically triggers the recording thereof in the accounting records, as well as the update of inventories.

The automated accounting is parameterised and is defined following review and verification, by the Accounting Definition Department under the Financial and Investor Relations Division, so as to ensure compliance with laws and regulations applicable at any time and with the Group's accounting policies.

The consolidation of the Group's financial statements is a fully automated process that is based on the use of a standard tool that is fully integrated in internal systems.

All the subsidiaries included within the perimeter of the Group report their financial statements to the Financial Division of the parent company on a monthly basis in accordance with the Group's charts of account.

The Hyperion tool, which standardises and harmonises accounting information and consolidation of the Perimeter of the Consolidated Group, is used for accounting consolidation purposes.

F.5. Supervision of the system's operation.

Give information, describing the key features of at least:

F.5.1. The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

The audit plan of the Bankinter Group's Audit function includes the performance of an ICSFI review of the Group. The Audit Plan 2014 was approved by the Audit and Regulatory Compliance Committee. The recommendations arising from the ICSFI audit report follow a stringent monitoring process in accordance with internal regulations. As of the date hereof, all recommendations have been satisfactorily implemented. In accordance with the provisions of the By-Laws of the Institution and of the Regulations of the Board of Directors of the Bankinter Group, the Audit and Regulatory Compliance Committee, as a committee of the Board of Directors with delegated powers, has among its duties and powers, the supervision and control of the activities of the Company, of the truthfulness, objectivity and transparency of the corporate accounting records and the oversight of the process of preparation and presentation of regulated financial information and of compliance with statutory and regulatory provisions to which the bank is subject.

It also has the duty to promote and periodically review the proper operation of internal control systems to ensure the proper management of the risks of the company, to verify the integrity and consistency of the quarterly and half-yearly financial statements of the Bank and the Group, and the annual accounts, the annual report and the management report prior to their approval by, or submission to the Board of Directors and their publication.

Pursuant to the Regulations of the Board of Directors, the Internal Audit Division of the Bankinter Group is under the control of the Audit and Regulatory Compliance Committee and is functionally attached to the Office of the Chairman of the Board, ensuring the independence, autonomy and universality of the Internal Audit function. As provided in the Internal Audit Charter approved by the Board of Directors at the proposal of the Audit and Regulatory Compliance Committee, the objectives and duties of Internal Audit include assisting the Audit and Regulatory Compliance Committee in the objective performance of its duties, verifying that risks are properly managed through the consistent and efficient application of the policies and procedures making up the internal control system, and safeguarding the integrity, completeness and accuracy of the financial, accounting and management information issued.

The process of preparation and the integrity of the financial information of the Institution and the Group have been supervised, and the application of accounting standards, the consolidation perimeter and compliance with regulatory requirements have been verified, once accounting services prepared the financial statements under the supervision of the Internal Audit service, and with the mandatory participation of the external auditor. They then report to the Audit and Regulatory Compliance Committee, expressing their opinion as to whether such financial statements provide a true and fair view of the assets and

liabilities and of the financial position of the company and, if applicable, whether they have reservations or positions contrary to those of the management team on substantive matters that could affect such fair view, reporting thereon to the Board of Directors.

Internal Audit submits to the Audit and Regulatory Compliance Committee, on a quarterly basis, the report on the verification of the consolidated income statement of the Bankinter Group, also with the participation of the Auditor. The same applies to the half-yearly report on the income statement.

Internal Audit reports to the Audit and Regulatory Compliance Committee on a half-yearly basis on the monitoring and status of the recommendations issued and the corrective measures proposed as a result of both the external auditor's and the internal auditor's reports.

As of 31 December, the annual Internal Audit review of the internal control system for financial information had been completed. The field work was carried out in November and December 2015, with the following scope:

- Process of identification of companies of the group that are significant for financial information purposes.
- Process of identification and determination of significant financial information and of the business processes that have an impact thereon.
- Documentation of business processes, identification of associated risks and controls that mitigate such risks.
- Controls performed by the areas and existence of second control level monitoring mechanisms.

The conclusion of such review is correct, with some slight deficiencies. 6 recommendations were issued and 66% of recommendations were completed prior to issuing the Report on 21 January 2016. The report describes the action plans in respect of each recommendation. The outcome of the review is reported to the Management of the Bankinter Group and submitted to the Group's Audit Committee.

F.5.2. Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

Article 35 of the Regulations of the Board of Directors provides that the external auditors shall attend the meetings of the Audit and Regulatory Compliance Committee, provided the Chairman thereof deems it appropriate and, in any event, when the report of such auditors on the annual and half-yearly accounts and on the annual report on control of the Bank and of the Group is examined, as well as other meetings on the verification of results prior to the publication thereof.

In addition, and pursuant to the provisions of law and the By-Laws, the Audit and Regulatory Compliance Committee shall serve as the channel for communication between the Board of Directors and the external and internal auditors, shall evaluate the results of the auditors' reports and compliance with the qualifications and conclusions stated, and shall discuss with the auditors the possible significant weaknesses in the internal control system detected during the conduct of the audit.

The Audit and Regulatory Compliance Committee approved a general framework for the management and monitoring of the binding recommendations made by Internal Audit and established a plan for compliance, as and when required, by those responsible for implementing them, as well as a periodic report on the status thereof to be submitted to both the Audit and Regulatory Compliance Committee and the Bank's Management Committee.

F.6. Other relevant information.

The audit firm Deloitte, S.L. as the auditor of the annual accounts of the Bank and of the Bankinter Group, reviews the established control model for the financial information system described above on an annual basis.

F.7. External auditor report.

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annexe. Otherwise, explain the reasons why it was not.

Applying the recommendation included in the Guide for Action on the Auditor's report on the Information concerning the Internal Control System for Financial Information

of listed entities, published by the National Securities Market Commission (Comisión Nacional del Mercado de Valores) on its website, Bankinter has submitted to the auditor for review the content of the information regarding the Internal Financial Control Information System. The resulting report, once issued, will be included as an Exhibit to this Annual Corporate Governance Report.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:
 - a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
 - b) The mechanisms in place to resolve possible conflicts of interest.

Not Applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:
 - a) Changes taking place since the previous annual general meeting.
 - b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Compliant

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with

market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation. When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant

7. The company should broadcast its general meetings live on the corporate website.

Explain

The General Shareholders' Meeting of Bankinter is broadcast live on its corporate website until the beginning of the shareholder presentation period.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman

of the audit committee and the auditors should give a clear account to shareholders of their scope and content

Compliant

9. The company should disclose its 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. Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Not Applicable

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value. In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for

commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment..

Compliant

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Compliant

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital. This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant

17. Independent directors should be at least half of all board members. However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.

Compliant

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Compliant

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial. The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decides whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation. When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively. The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need. For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant

32. Directors should 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.

Compliant

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen

give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, reelection and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

44. The Audit Committee should 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, when applicable, the exchange ratio proposed.

Compliant

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.

- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Compliant

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Compliant

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- f) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- g) b) They should be chaired by independent directors.
- h) c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- i) d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- j) e) Meeting proceedings should be minuted and a copy made available to all board members.

Compliant

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

- b) Oversee the communication and relations strategy with shareholders and investors, including small- and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors. The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind. In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Compliant

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant

H. OTHER INFORMATION OF INTEREST

1. **If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.**
2. **This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative. Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.**
3. **The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.**

At its meeting of 22 April 2014, the Board of Directors resolved that Bankinter and its Group will adhere to the entire Code of Best Tax Practices, approved at the Large Businesses Forum (Foro de Grandes Empresas) on 20 July 2010.

Section A.2

Pursuant to the provisions of National Securities Market Circular 5/2013 approving the form of annual corporate governance report for listed companies, and as regards indirect interests, the breakdown of which is provided in section A.2, the direct holder of the voting shares is only identified when the percentage thereof represents 3% of the total voting rights of the issuer, or 1% if it is a resident of a tax haven.

Finally, as stated in previous reports, on 4 March 2011, the Proprietary Director of Bankinter, Mr Fernando Masaveu Herrero, notified the company that he controlled the voting rights of the Bankinter shares held by the various companies of the Masaveu group, and which were previously attributed as voting rights controlled directly or indirectly by the major shareholder, doing business at the time as S.A. Tudela Veguin (currently Corporación Masaveu). Such fact was stated by the Director solely for purposes of good

governance and in order to comply with applicable regulations concerning transparency of information at listed companies, and does not entail a change of ownership or a financial benefit derived from the rights of the holders thereof.

Section B.2

Pursuant to the Organisation, Supervision and Solvency of Financial Institutions Act, approval of a variable remuneration level in excess of 100% of the fixed component requires that the decision be adopted by a two thirds majority, provided at least 50% of the shares or equivalent voting rights are present and vote, in person or by proxy. If such quorum is not present, a majority of at least three fourths of the voting capital in attendance in person or by proxy will be required.

Section B.4

Practically all the members of the Board of Directors attending the General Shareholders' Meeting appointed the Chairman of the Board of Directors as their proxy.

Section B.5

Although the minimum number of 600 shares is maintained at present in the By-Laws as the number entitling shareholders to attend General Shareholders' Meetings of the Bank, it should be noted that following the split in the par value of the shares carried out by resolution of the Board in June 2007 (with such split, each shareholder received a total of 5 new shares for each old share) and subsequent increases in share capital by the company, including the increase in share capital effected on 26 April 2013 by means of the issuance of bonus shares (in a proportion of 5 new shares for every 9 old shares), the amount of the investment required to attend General Shareholders' Meetings was significantly reduced.

Section B.7

For the General Shareholders' Meeting held on 18 March 2015, Bankinter published its call to General Shareholders' Meeting both in the Official Bulletin of the Commercial Registry and on the company's website (www.bankinter.com/webcorporativa), as permitted by the Companies Act.

Section C.1.11

Alfonso Botín-Sanz de Sautuola y Naveda, representative on the Board of Directors is, in a personal capacity, Executive Chairman of the Board of Directors of Línea Directa Aseguradora, S.A. Compañía de Seguros y Reaseguros, currently a wholly-owned subsidiary of the bank.

On 14 January 2015, John de Zulueta Greenebaum, was appointed a member of the Board of Directors of the company of the Bankinter Group company Línea Directa Aseguradora, S.A. John de Zulueta resigned from his position as director of Bankinter on 18 March 2015.

Section C.1.14

"Remuneration of the Board of Directors" includes the remuneration received by the directors both at Bankinter and at companies of the Bankinter group. The breakdown of such remuneration may be found both in the Director remuneration report and under the heading relating to the remuneration of directors of the Legal Report, which the company publishes at the time of the call to General Shareholders' Meeting.

Section C.1.17

The individual representing the Director CARTIVAL S. A., Alfonso Botín-Sanz de Sautuola y Naveda is the brother of Marcelino Botín-Sanz de Sautuola y Naveda, who is also a Director of CARTIVAL S. A. and the son of Jaime Botín-Sanz de Sautuola y García de los Ríos.

Section C.1.36

At its meeting held on 18 November 2015, the Board of Directors selected PricewaterhouseCoopers Auditores, S.L. ("Pwc") as the external auditor of Bankinter, S.A. and of its consolidated Group to verify the annual accounts for financial years 2016, 2017 and 2018. The decision was adopted following the corporate governance recommendations concerning rotation of the external auditor, at the proposal of the Audit and Regulatory Compliance Committee, as a result of a fully transparent selection process (such decision was announced to the market through Significant Event number 231158 on 19 November 2015). The Board of Directors of Bankinter, S.A. has proposed such appointment to the Annual General Shareholders' Meeting to be held in March 2016.

Section C.1.45

The software form does not allow the bodies authorising such clauses to be left blank when there are none; accordingly, in the report form, the "NO" option is checked when referring to whether the clauses are reported. In the case of Bankinter, no information on these agreements is provided because they do not exist.

Section C.2.1

The number of years the President in the Audit Committee is 3 years (By outside society technical reasons, this information is not properly incorporated in that apart).

Section D.3

The transactions with directors included in this section are significant transactions or transactions of sizeable amounts, which are in all cases made within the ordinary course of business of the Company and on an arm's length basis.

In addition, the company has provided loans to the members of senior management for the acquisition, at the time, of convertible debentures as well as of shares resulting from the increase in share capital that Bankinter approved in May 2009. They also have open financing positions formalised under applicable terms and conditions, within the framework of the Collective Bargaining Agreement and company agreements, for employees of the Bank. The aggregate amount of the transactions with members of senior management with the aforementioned characteristics is 1,302,000 euros.

This annual report on corporate governance has been approved by the Company's Board of Directors on 16 February 2016.

List whether any Directors voted against or abstained from voting on the approval of this Report.

Yes

No



Deloitte S.L.
Plaza República, 2 Puerta 1
Torre P Lario
28014 Madrid
España
Tel: +34 915 14 50 00
Fax: +34 915 14 51 00
www.deloitte.es

INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (EN ADELANTE, SCIF)" DEL GRUPO BANKINTER CORRESPONDIENTE AL EJERCICIO 2015.

A los Administradores,

De acuerdo con la solicitud del Consejo de Administración de Bankinter, S.A. y de sus sociedades dependientes (en adelante, "el Grupo Bankinter") y con nuestra propuesta de 01 de diciembre de 2015, hemos aplicado determinados procedimientos sobre la "información relativa al SCIF" contenida en el Informe Anual de Gobierno Corporativo del Grupo Bankinter adjunto correspondiente al ejercicio 2015, en el que se resumen los procedimientos de control interno del Grupo Bankinter en relación con la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar, razonablemente, la implantación, mantenimiento y supervisión de un adecuado sistema de control interno, así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por el Grupo Bankinter en relación con la información financiera anual, este sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno del Grupo Bankinter ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales del Grupo Bankinter. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado, exclusivamente, los procedimientos específicos descritos a continuación, e indicados en la *Guía de Actuación sobre el Informe del auditor referido a la información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas*, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación con la información financiera anual del Grupo Bankinter correspondiente al ejercicio 2015 que se describe en la Información relativa al SCIF, contenida en el Informe Anual de Gobierno Corporativo del Grupo Bankinter adjunto. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría, o una revisión sobre el sistema de control interno en relación con la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas, ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011, de 1 de julio, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la entidad en relación con el SCIF - información de desglose incluida en el Informe de Gestión - y evaluación de si dicha información aborda la totalidad de la información requerida, que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIF, del modelo de IAGC, según se establece en la Circular nº 7/2015 de fecha 22 de diciembre de 2015, de la Comisión Nacional del Mercado de Valores, por la que se modifica la Circular 5/2013, de 12 de junio de 2013.

2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior, con el fin de: (i) obtener un entendimiento de proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en el Grupo Bankinter.

3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte al comité de auditoría.

4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIF del Grupo Bankinter obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.

5. Lectura de actas de reuniones del consejo de administración, comité de auditoría y otras comisiones del Grupo Bankinter, a los efectos de evaluar la consistencia entre los asuntos en ellos abordados en relación al SCIF y la información detallada en el punto 1 anterior.

6. Obtención de la carta de manifestaciones relativa al trabajo realizado, adecuadamente firmada, por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIF, no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado, exclusivamente, en el marco de los requerimientos establecidos por el artículo 540 del Texto Refundido de la Ley de Sociedades de Capital y por la Circular nº 7/2015 de fecha 22 de diciembre de 2015 de la Comisión Nacional del Mercado de Valores, por la que se modifica la Circular 5/2013, de 12 de junio de 2013, a los efectos de la descripción del SCIF en los Informes Anuales de Gobierno Corporativo.

DELOITTE, S.L.

Rafael Ortiz Gasparriño
16 de febrero de 2016

2015 Report of the Audit and Compliance Committee

This Report was approved by Bankinter's Board of Directors at its meeting of 16 February 2016 at the proposal of Bankinter S.A.'s Audit and Compliance Committee made on 15 February 2016, and is available on Bankinter's corporate website (www.bankinter.com/webcorporativa) together with the other documentation the company makes available to the shareholders for the Annual General Meeting, called for 17 March at first call. For complete information on Bankinter S.A.'s Corporate Governance, see the 2015 Bankinter Annual Corporate Governance Report.

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1. Organization of the Audit and Compliance Committee

1.1. Composition

The Committee is made up of the following Directors:

Chairman:

Gonzalo de la Hoz Lizcano (External Independent Director)

Members:

Fernando Masaveu Herrero (External Proprietary Director)

Jaime Terceiro Lomba (External Independent Director)

Rafael Mateu de Ros Cerezo (External Independent Director)

Secretary:

Gloria Calvo Díaz (Non-Director Secretary of the Board of Directors)

The professional profile of the members of this Committee, as with the rest of the company's directors, as well as their membership of the other Committees of the Board of Directors, may be consulted at the institution's corporate website: www.bankinter.com/webcorporativa.

1.2. Origin and evolution

At its meeting of 11 October 1995, Bankinter's Board of Directors structured the organisation and expanded the duties of the Audit and Compliance Committee, established in 1993 as the executive body of the Board of Directors.

The domestic and international publication of various Corporate Good Governance Codes, and in particular the publication of the Unified Good Governance Code approved by the CNMV in 2006, highlights the key role to be played by certain specialised Committees of the Board of Directors, and particularly the so-called Audit and Control or Audit and Compliance Committee.

The duties of Bankinter's Audit and Compliance Committee have also been adapted to the provisions of Law 12/2010 of 30 June, for purposes of strengthening its independence and its supervisory work in the areas for which it is responsible. The

latest changes to its duties, contained in the Regulations of the Board of Directors, were essentially implemented as a consequence of its adjustment to changes in the By-Laws to adapt them to the amendments introduced to the Restated Text of the Companies Act [Ley de Sociedades de Capital], approved by Royal Legislative Decree 1/2010 of 2 July.

Following such recommendations, in recent years Bankinter's Board of Directors has made various changes to the structure and operation of Bankinter's Audit and Compliance Committee.

Since 1999, the Bankinter Group's Annual Report has included a section dedicated to Corporate Governance and, as from the Annual Report for financial year 2002, a specific Corporate Governance Report has been approved each year, which was adapted in 2004 to the provisions of Law 26/2003 of 17 July, Ministerial Order of 26 December 2003 and CNMV Circular 1/2004, as well as CNMV Circular 4/2007 of 27 December. Currently, the structure of the Corporate Governance Report follows the model approved by CNMV Circular 7/2015 of 22 December, for reports containing data from 2015 onwards.

The Annual Corporate Governance Report is also published on the corporate website at www.bankinter.com/webcorporativa, which maintains a history of reports published since 2009.

1.3. Characteristics

The Audit and Compliance Committee is the executive body of the Board of Directors for performing the Board's duties relating to supervision and control of the Company's activities, the accuracy, objectivity and transparency of corporate accounting, economic and financial information, and ensuring compliance with the legal and regulatory provisions to which the Company is subject.

The Audit and Compliance Committee's powers include the following, among others:

- The Committee must seek reliability and transparency in internal and external information on the Bank's results and activities, and specifically, must periodically verify the integrity and consistency of the financial statements of the Bank and of the Group, as well as the annual accounts, annual report and management report, prior to their approval or proposal by the Board of Directors and to their publication.

- The Committee periodically promotes and supervises internal control systems and procedures relating to the risks of the Bank's activity, in addition to reviewing the overall risk map of the Bank and of the Group.
- The Committee is the corporate body to which the Internal Audit function hierarchically reports. The Committee annually assesses the performance of the head of Internal Audit and participates in the process of establishing his or her remuneration, the Audit workforce and the approval of its budget, including IT development.
- The Committee is directly responsible for the independent operation of the confidential employee whistleblowing process, introduced in the reform of the Regulations of the Board of 17 January 2007.
- The Regulations of the Board of Directors expressly delegate to the Committee duties directly related to the Directors' duties of good faith and loyalty, and consequently to the Institution's Regulatory Compliance. Directors must inform the Committee of situations of direct or indirect conflict of interest as established under the Companies Act, the Securities Market Act (Ley del Mercado de Valores) and the Company's internal regulations. The Committee is also the competent body for resolving disputes in these matters, and for approving dispensations or exemptions from Directors' fiduciary duties and rules of conduct in the securities market.
- The Committee approves an Annual Report or Note (which for 2015 is contained in this document), which is made available to all shareholders upon the call to the Annual General Meeting and which is included on Bankinter S.A.'s corporate website.

1.4. Regulation

The Audit and Compliance Committee's internal regulation is contained in article 33 of the By-Laws and in article 35 of the Regulations of the Board of Directors, as well as in references to the Committee that exist in other internal regulations of the Company.

Bankinter has not deemed it necessary for the Committee to have specific organization and operating regulations, as it deems that the aforementioned regulations, particularly those included in the Regulations of the Board, regulate all characteristics of the Committee in sufficient detail.

The Chairman of the Audit and Compliance Committee participates in the Annual General Meeting to report to shareholders on the Committee's activity during the

financial year, the accounts of which are subject to approval pursuant to article 16 of the Regulations of the General Shareholders' Meeting.

1.5. Operation

All Members of the Committee shall be non-executive directors with a majority of Independent Directors. Committee Members shall be appointed for the term of office set by the Board of Directors. In any event, the Chairman of the Committee must be replaced at least every four years, and may be re-elected after the lapse of one year from his or her removal.

The Committee is currently made up of four directors, all of them external or non-executive, three of whom are independent.

The Chairman of the Committee is an Independent Director and the Secretary of the Board of Directors acts as Secretary of the Committee.

At the discretion and invitation of the Chairman of the Committee, the Chairman, the Bank's Chief Executive Officer or other executive directors or managers, as applicable, may attend the Committee's meetings. The presence of the Company's executive directors at Committee meetings is exceptional and one-off in nature, and may only occur upon the invitation of the Chairman of the Committee due to the nature of the item or issue to be discussed.

The Internal Audit Director may attend Committee meetings as a contributor but without the status of a Member thereof, as may, among others, the head of the Regulatory Compliance Unit and the Company's Chief Financial Officer, who shall attend at the frequency established by the Committee. At the decision of the Chairman of the Committee, other members of Internal Audit and those responsible for the various areas of the Bank and of the Group, and any Company officer or employee, even without the presence of any other officer, may also attend the meetings.

External auditors shall attend Committee meetings provided that the Chairman thereof deems it appropriate, and they shall do so, in any case, at meetings that examine the reports of such auditors on the Bank's and Group's annual accounts and management report, as well as at meetings to verify results prior to their publication.

As a general rule, the Audit and Compliance Committee shall act through the preparation of good practice recommendations directed to the corresponding Bank areas and may adopt resolutions, in matters within its competence, notwithstanding those reserved for the Board of Directors, the Executive Committee, or other Company entities, according to the law and the bylaws.

In general, the Committee shall meet with the same frequency as the Board of Directors. It shall also meet whenever called by its Chairman, by the Chairman of the Board of Directors, or when requested by two of its members. In the absence of its Chairman, the meeting shall be chaired by the Independent Director appointed for that purpose by the Committee.

The Secretary shall prepare minutes of the meetings, signed thereby with the approval of the Chairman of the Committee, which shall be reported to the Board of Directors and distributed to all the Directors. The Secretary shall assume responsibility for calling Committee meetings and filing the minutes and documentation presented thereat.

In 2015, the Committee met in session on 11 occasions. It does so systematically at least once each month—except in August. Meetings tend to take approximately two hours.

1.6. Powers

The Audit and Compliance Committee's powers include those assigned thereto in accordance with law, the By-Laws and the Regulations of the Board of Directors. Such powers are described in Exhibit 1 of this report.

It is also important to note that the Audit and Compliance Committee will supervise the procedure for the confidential reporting of potentially significant irregularities, particularly relating to finance and accounting, which are noted within the company and reported by employees, in all cases guaranteeing the effectiveness of the aforementioned procedure.

The Audit and Compliance Committee has access to all necessary information and documentation for the performance of its duties and may obtain the assistance of auditors, advisors, consultants, experts and other independent professionals. Subject to Committee authorization, its Chairman may undertake, directly or through Internal Audit, to engage the services of such professionals, whose work shall be provided directly and exclusively to the Committee.

In the event of the existence of reservations or exceptions in the Report of the Accounts Auditor, the Chairman of the Committee shall report them to the Annual General Meeting.

2. Internal Audit Structure

Bankinter's Internal Audit is the operating instrument that serves as support for the Committee and a means of implementing the guidelines thereof. The Audit function at Bankinter is structured as an independent and objective activity organised to add value and improve the organisation's operations.

To this end, and notwithstanding its autonomy and neutrality, the immediate purpose of Internal Audit is to help the Committee fulfil its objectives, contributing a systematic and disciplined approach that allows the effectiveness of the processes of management of risk, control, business and management to be assessed and improved. Its ultimate purpose is to ensure that these processes are regular, are adapted to the Institution's risk policies, are carried out in full compliance with the current regulatory framework and are duly known and assessed by the directors through the Audit Committee.

Internal Audit is organised into four specialised areas:

- IRB Models and Remote Audit Area
- Processes, Subsidiaries and Technology Audit Area
- Retail Networks Audit Area
- Corporate Governance Audit Area

The Internal Audit workforce is made up of 32 professionals, with an average age of 41 years and average Internal Audit experience of 10.1 years, with an average of 14.8 years at Bankinter. Practically all of the Audit workforce has graduate training.

In 2015, Internal Audit issued a total of 550 reports, of which: 365 correspond to the Audit of Retail Networks; 85 fall under the Audit of Processes, Subsidiaries and Technology; 9 correspond to the Corporate Governance Audit Area; 30 correspond to Audit of IRB Models; 11 correspond to Remote Audit; and 51 to other activities and projects. Further, 1,880 automatically generated reports have been issued reporting on the assessment and evolution of specific indicators selected for purposes of increasing the effectiveness of internal control.

The Internal Audit budget, which is overseen by the Audit Committee, contains a specific item for the internal development of IT applications that are proposed by Internal Audit.

3. Committee activities during 2015

In 2015, the Audit Committee met on 11 occasions, at which it addressed matters related to the scope of its duties and powers, a description of which is set forth in the sections provided below.

Each meeting also addressed other topics, including the authorisation of financing transactions and other transactions of Directors and Management subject thereto, renewal of the external auditor, as well as the main regulatory changes affecting the institution, the most significant impacts related to any of the bank's risks, monitoring of inspections and supervisory measures carried out by any supervisory body with respect to the institution.

3.1. Internal control

Internal Audit reports hierarchically to the Audit and Compliance Committee and functionally to the Chairman of the Board of Directors.

Internal Audit Planning. Approval and semi-annual monitoring

The Audit Committee annually approves all the activities that Internal Audit will carry out during the financial year.

Internal Audit planning covers in detail the reports and principal work to be carried out during the year according to the corporate risk map and the risk map defined by Audit, which serves as methodology for satisfying the Institution's control targets. The Committee monitors the planning semi-annually, presenting and explaining the compliance status of the identified targets. It also presents to the Committee the requests that the organisation make of Internal Audit, which are included within the annual plan.

The Committee is informed in advance and, if applicable, adopts any decisions it considers appropriate regarding:

- Internal Audit's annual overall budget.
- IT and consulting projects in which Internal Audit is involved.
- The subcontracting of various projects or services, especially in cases of subcontracting of the Accounts Auditor.
- The annual training plan for the Internal Audit team.

Information on incidents

The main incidents that may occur at the Institution concerning system weaknesses, major errors or alleged employee irregularities, are submitted to the Audit Committee, which supervises the measures adopted for such purpose by the competent bodies of the Bank.

Circular on the monitoring of binding audit recommendations

In 2015, the Audit Committee undertook detailed monitoring of changes in the fulfilment of the Internal Circular of 2008 on the monitoring and control of Internal Audit recommendations.

Five hundred and ninety-seven recommendations were issued during the financial year and 442 remained in progress as at 31 December, thus showing Internal Audit's contribution of value to the organisation.

Information verification audits

Various data verification tasks were carried out in 2015, including, on the one hand, verification of the most relevant management information—including original sources and data bases—used in the Institution's presentations; and, on the other hand, various tasks verifying presentations made to the Board of Directors, including those performed by the Chief Executive Officer, with positive results.

Another recurring Internal Audit task is verification of the information contained in the quarterly brochure distributed to shareholders, investors and the market, as well as the integrated report (Sales Note and Annual Corporate Governance Report), with favourable results.

Whistleblowing procedure

The Chairman of the Audit Committee is the recipient of communications passed through the channel for whistleblowing, established at the Institution in 2007, regarding potentially significant irregularities, especially financial and accounting, that have been noted, assessing and processing the statements made thereto for clarification and guaranteeing confidentiality. The Chairman reports periodically to the Audit Committee on activity carried out through this channel.

Corporate Governance Audits

In 2015, external audits were carried out concerning preparation, vote allocation, distance voting and ballot-counting of the General Shareholders' Meeting, as discussed below.

Review of audits of subsidiary companies

During financial year 2015, the Audit Committee was informed of the various Internal Audit reports made regarding the Bank's principal subsidiary companies.

Monitoring of IRB Credit Risk Model Audits

In 2015, at various meetings, the Audit Committee supervised the monitoring of the actions taken by Internal Audit in the process of implementing Credit Risk Models under Basel II.

Monitoring of inspections

The Audit Committee was also informed regarding inspections by the supervisory bodies of the Bank or Group companies, as well as tax inspections, when held.

3.2. Regulatory Compliance

In the control framework required for all credit institutions, the duty of regulatory compliance has been established in accordance with best international practices and recommendations as a second line of defence, on the basis of responsibility in the regulatory compliance of all business units, as a first line, with such compliance duty also subject to verification by internal audit, as a third line of defence.

During 2015, the internal institutional framework relating to the compliance duty was strengthened with the creation of the Regulatory Compliance Committee, as a Senior Management body responsible for monitoring the compliance policy in the Bank's activities. The Regulatory Compliance Committee was thus designed as a control entity forming part of the first line of defence, responsible for executing the policies concerning regulatory and regulatory compliance matters established at any time by the Board of Directors' Audit and Compliance Committee.

The Group's organic framework of regulatory compliance is also supplemented by other Committees:

- The Crime Prevention and Professional Ethics Committee, which is responsible for supervision of the operation of and compliance with the criminal risk prevention model implemented by the Bankinter Group, as well as the exercise of disciplinary authority with respect to violations of the Professional Ethics Code and other internal regulations applicable to the various activities of the Group's entities.
- The Products Committee, the task of which is to approve the launch, modification or cancellation of products and services offered to retail customers.
- The Internal Control Body, the principal task of which is to establish and approve policies relating to the prevention of money laundering and the financing of terrorism pursuant to Law 10/2010 and its implementing regulations, which policies constitute the Bankinter Group's prevention framework, as well as to ensure compliance therewith.

The Regulatory Compliance Unit hierarchically reports to the Audit and Compliance Committee of Bankinter's Board of Directors and functionally reports to the Office of the General Secretary of the Bank.

In accordance with the Regulations of Bankinter's Board of Directors, the Audit and Regulatory Compliance Committee is responsible for approving the appointment and removal of the head of the Regulatory Compliance Unit.

Bankinter's regulatory compliance function is based on the following fundamental pillars:

- Advising of senior management, employees and the Group's business and operating areas.
- Supervision and monitoring of compliance with rules of conduct in providing the Group's investment and banking services, market abuse and prevention of money laundering and the financing of terrorism.
- Detection and management of risk of non-compliance in the provision of investment services, market abuse and prevention of money laundering and financing of terrorism.
- Relations with regulatory and oversight authorities and bodies in matters that fall under its powers in accordance with these By-Laws.

The Regulatory Compliance Unit prepares and submits to the Audit and Compliance Committee an Annual Regulatory Compliance Plan establishing the range of activities necessary to implement and review the specific policies and procedures and to assess the risk of non-compliance, both general and in relation to specific activities.

Such Plan includes periodic reviews of established procedures, and its purpose is to prevent, detect, correct and minimise any risk of violation of the obligations imposed by applicable standards in the provision of investment and banking services, prevention of money laundering and market abuse and, in particular, the risk of incurring penalties, material financial losses or reputational damage as a result of violating the laws, regulations, rules, standards of self-regulation and codes of conduct applicable to its activities.

The Regulatory Compliance Unit prepares quarterly and annual written reports on the results of tasks completed, highlighting violations and associated risks. It also periodically reports to the Committee on money laundering prevention activities, including the Bank's relations with the Committee's Executive Area for the Prevention of Money Laundering, and coordination of the operation of the Internal Control Body established for that purpose within Bankinter.

3.3. Economic-financial information

Each quarter, with the additional participation of the Accounts Auditor, Internal Audit submits the verification report on the Bankinter Group's consolidated income statement to the Audit Committee. The same system applies to the semi-annual report on results to which RD 1362/2007 of 19 October refers.

The submission of this independent report and the Committee's approval of its conclusions constitute a mandatory process without which the Board of Directors will not approve or publish the aforementioned quarterly, semi-annual and annual results.

Such presentation consists of a report to the Committee on the process of preparing the results and their verification. The method is based on a review of the various sections of the consolidated income statement, verifying that the data expressed therein are correct and consistent, analysing the reasonableness of the criteria applied and of the most significant figures.

In all cases, it has been concluded that the information contained in the Bankinter Group's Income Statement adequately reflects the Bankinter Group's accounting situation.

3.4. Annual Control Report of the External Accounts Auditors

The accounts auditors state their main recommendations and conclusions on the annual External Audit in an Annual Control Report submitted to the Committee and subsequently to the full Board of Directors.

The Audit Committee studies and proposes to the Board of Directors—for it to, in turn, present it to the General Shareholders' Meeting—the renewal or, if applicable, replacement and new appointment of the Accounts Auditor for the Bank and the Group. The Committee also sets the term of office and general criteria applicable to the negotiation and content of the conditions of the audit agreement, in accordance with applicable regulation.

We note that, to guarantee an annual analysis of the suitability and independence of the accounts auditor, it is the policy of the Committee and the Bank that a reflection process be carried out every year to decide on renewing or replacing the auditor, depending on concurrent needs or circumstances.

At the proposal of the Audit and Compliance Committee, the Board of Directors submitted to the General Shareholders' Meeting held 18 March 2015 the re-election of Deloitte S.L. as accounts auditor for financial year 2015. The resolution of the General Shareholders' Meeting stated:

"Re-election of the firm Deloitte S.L. as accounts auditor of Bankinter S.A. and of its Consolidated Financial Group for financial year 2015, in accordance with the proposal by the Audit and Compliance Committee to the Board of Directors and as approved by the latter."

At its meeting held on 18 November 2015, the Board of Directors selected PricewaterhouseCoopers Auditores S.L. ("Pwc") as the external auditor of Bankinter, S.A. and its Consolidated Group, to verify the annual accounts for financial years 2016, 2017 and 2018. The decision was adopted following Corporate Governance recommendations concerning the rotation of external auditors, at the proposal of the Audit and Compliance Committee as a result of a fully transparent tender process (such decision was reported to the market as Significant Event No. 231158 dated 19 November 2015). Bankinter, S.A.'s Board of Directors has proposed such appointment to the Annual General Meeting to be held in March 2016.

3.5. Audit of the General Shareholders' Meeting

In 2015, the audit of the 'Preparation, call and ballot-counting of the General Shareholders' Meeting' was again carried out by the audit firm KPMG, with favourable results. Such practice will be repeated at the 2016 Annual General Meeting. The purpose of the task was to confirm whether, upon the call and preparation of the General Shareholders' Meeting, which was held on 18 March 2015, the Bank had applied the actions procedures in the terms described in the Procedural Guide to the Annual General Meeting, available to all shareholders on the corporate website from the time of calling the General Meeting, as well as subsequently to verify the holding of the General Meeting, the availability of the information and the integrity of the files.

4. Audit of accounts for financial year 2015

The annual control report submitted by the external auditors to the Audit and Compliance Committee on 16 February 2015, and subsequently to the Board of Directors on 17 February 2015, contains the opinion of the accounts auditor without reservations,

and concludes that the individual and consolidated annual accounts are an accurate reflection of the Bank and of the Group (respectively), according to IFRS [International Financial Reporting Standards] and Banco de España Circular 4/2004. Such report is included in the Legal Note for financial year 2015, available on the corporate website.

5. Projections for financial year 2016

The Audit Committee is scheduled to meet at least 11 times in 2016, again applying a structure of collaboration with external firms in which they will be invited to report on various current regulatory and risk control issues, in accordance with the schedule of meetings approved by the Audit Committee and ratified by the Board of Directors at its meeting of 16 December 2015.

The planning of the 2016 audit work highlights the focus on audits relating to Market Risk and Credit, Technological, Regulatory, Reputational and Operational Risk; the second-level function of the institution's internal control; and continued particular attention to Credit Risk Audits, as well as continued in-house audit activity in the Office Network.

The Remote Audit Area will continue to implement indicators to monitor various risks, as well as automatic audits and self-audits for the various centres and their subsequent assessment and monitoring.

During the financial year, the audit functions of IRB Credit Risk statistical models resulting from the entry into force of the Basel II agreements as a consequence of the on-going verification process in accordance with Banco de España guidelines, as well as the audits of the Credit and Financial Risk processes, will continue to take priority. For 2016, the Audit and Compliance Committee has decided to repeat an audit to verify fulfilment of the process, the security, integrity and consistency of the data and processes associated with the Annual General Shareholders' Meeting, as well as independent monitoring of votes cast by shareholders, among other reports related to matters of Corporate Governance and Regulatory Compliance.

6. Informe sobre la independencia del auditor de cuentas

In compliance with the provisions of the 18th additional provision, section 2.6) of Securities Market Law 24/1988 of 28 July, and in accordance with the provisions of the Regulations of Bankinter's Board of Directors, the Audit and Compliance Committee issues the mandatory report on the independence of the accounts auditors, prior to issuing the audit report on the Bank's and the Group's consolidated accounts by the aforementioned auditor for financial year 2016.

The Audit and Compliance Committee states that:

Appropriate relations and communication channels have been established with the accounts auditors to receive information on issues that might endanger the latter's independence, for its examination by the Audit and Compliance Committee, and any others related to the process of completing the audit of accounts, as well as other communications established by law and by technical audit regulations.

The Audit and Compliance Committee also approves the annual budget for fees to be received for the services of auditing the Bank's and Group's accounts, setting the maximum percentage of the total fees that may derive from fees for services other than the accounts audit, and in accordance with generally accepted practices, having defined an action protocol so that the engagement of these services shall in all cases be previously authorised by the Committee and supervised at all times by the Group's internal audit.

The Audit and Compliance Committee supervises the rotation of the accounts audit team in compliance with the provisions of section 8 quáter of Law 12/2010 of 30 June, amending Law 19/1988 of 12 July on the Audit of Accounts, and ensures compliance at all times with the legally required rotation. Moreover, for purposes of ensuring an annual analysis of the suitability and independence of the accounts auditor, it is the policy of the Committee and the bank that each year a decision be made on renewing the auditor and that a reflection process be carried out concerning the main issues of the previous financial year and the concurrent needs and circumstances in the following year.

The current audit firm has spent ten consecutive years performing the accounts audit, representing some 28% of the number of years audited by such audit firm out of the

total number of years in which the annual accounts have been audited in the Company and Group.

The Audit and Compliance Committee has received written confirmation from the accounts auditor concerning the following matters:

- that during the performance of its office, it has not incurred any legal cause of conflict with the Bankinter Group or its directors and/or officers, nor has any situation occurred that, in the auditor's opinion, may have endangered its independence.
- that the amount billed to Bankinter during financial year 2015 for all items is not significant in comparison with the total amount billed to all its customers.
- that the amount billed to the bank for tasks other than accounts audit totalled 25.92% of the total annual billing.
- that all the above data confirm that there are no elements that might endanger the auditor's independence in performing its accounts audit tasks.

Bankinter's Internal Audit has confirmed the truthfulness and accuracy of the above statements.

As a conclusion from the information obtained through the aforementioned communication channels and procedures, the Committee considers that no aspects have been identified that call into question the independence of the auditor in executing its task of auditing the annual accounts.

Exhibit I. Powers of the Audit and Regulatory Compliance Committee (art. 35.11 of the Regulations of Bankinter's Board of Directors).

1. To report to the General Meeting, through its Chairman, on the situation regarding the control of the Company and the Committee's activities in the financial year and on questions raised at the meeting by the shareholders in matters within the Committee's jurisdiction.
2. To propose to the Board of Directors, for submission to the General Meeting, the selection, appointment, re-election, or replacement of the external accounts auditors, as well as their contractual conditions, the scope of their professional mandate, and supervision of those activities distinct from the auditing of accounts itself and to ensure the independence of the external auditor .
3. To propose to the Board of Directors the approval of the Audit and Compliance Committee Annual Report.
4. To supervise the effectiveness of the internal control, the internal auditing services at the Company and the risk control systems, including tax risks, to safeguard the independence and effectiveness of the said function, as well as to discuss with the account auditors any significant weaknesses in the internal control systems identified in the course of the audit.
5. To be aware of and to supervise the process for the drafting of the financial information and its integrity and the Company's internal control systems.
6. To promote and review on a periodical basis the functioning of adequate internal control systems that ensure that the Company's risks are adequately managed.
7. To safeguard the independence of the external auditor and receive information from the same on matters that may jeopardize their independence, for review by the Committee, and any others connected to the process of carrying out the auditing of the accounts, as well as all other communications envisaged in the legislation on accounts auditing and in the technical auditing rules. In any case, they annually shall receive from the account auditors the written confirmation of their independence from the entity or entities linked directly or indirectly to it, as well as the information of the additional services of any kind provided to those entities by such auditors or companies, or by the persons or entities linked to them in accordance with the provisions of the legislation on accounts auditing.
8. To issue annually, prior to the issuance of the accounts audit report, a report in which an opinion on the independence of the accounts auditors or audit firms shall be stated. In any case, this report shall take a position on the provision of additional services referred to in the previous sub-section, taken individually and as a whole, other than legal audit and with relation to the independence regime or auditing regulations.
9. To make a prior report to the Board of Directors on all the matters established by law, the By-Laws and these regulations, and specifically on:
 - a) The financial information to be periodically published by the company,
 - b) The issuance or purchase of shares in special purpose vehicles or entities domiciled in jurisdictions or territories classified as tax havens.
 - c) Related-party transactions.
10. To provide a channel of communication between the Board of Directors and the external and internal auditors, and to evaluate the results of the audit reports and compliance with the observations and conclusions drawn, as well as to discuss with the accounts auditors the significant weaknesses of the internal control system observed during the auditing.
11. To supervise the performance of the auditing agreement, ensuring that the opinion on the annual accounts and the main contents of the audit report are accurate and transparent.
12. To examine, in the event the external auditor should resign, the circumstances that have led to this.
13. To ensure that the Group's auditor should take responsibility for auditing the companies that make up the said Group.
14. To inform the Board prior to the Board taking the corresponding decisions of the incorporation of companies, businesses, associations, foundations, and any other kinds of legal entities (including special purpose vehicles), as well as any other

- transactions or operations of a similar nature which, given their complexity, may reduce the transparency of the Group.
15. To be aware of the reports on the Bank issued by supervisory bodies and to supervise the compliance with those actions and measures which arise as a result of the inspection reports issued by the supervision and control authorities.
 16. To safeguard the reliability and transparency of the internal and external information on the Bank's results and activities and, in particular, to verify the integrity and consistency of the Bank's and the Group's quarterly and half-yearly financial statements, and the annual accounts, annual report, and management report prior to their approval by or submission to the Board of Directors and their publication, and to supervise the Bank's policy in relation to prospectuses and other forms of public information.
 17. To control compliance with the Bankinter Group Code of Professional Ethics, the Internal Securities-Market Code of Conduct Regulations, and the other internal rules on the securities market and privileged and relevant information, approved by the Board of Directors.
 18. To receive information on disciplinary measures which may affect the managers of the Bank, as a result of breaches of the employment provisions or the internal rules of conduct, to transfer the pertinent policies and instructions to the relevant Company bodies, and where the Committee should consider it particularly important, to adopt the final decision in relation thereto.
 19. To safeguard the independence, autonomy, and universality of the internal auditing function.
 20. To supervise the Bank's and the Group's internal auditing activities, and therefore to approve its annual work plan, the annual report or the annual report on activities, and to ensure that the main risk areas and the internal control systems and procedures are reviewed.
 21. To approve or modify the Internal Auditing Function By-laws, which shall contain its functions and powers.
 22. To review the general risks map for the Bank and the Group, and to submit to the Board the corresponding proposals.
 23. To approve, following a proposal by the Chairman of the Board or the Managing Director, the appointment or replacement of the Director of the Auditing Division.
 24. To ensure that the means and resources earmarked for the Auditing Division and for the Compliance Unit are sufficient.
 25. To supervise compliance with the Internal Securities-Market Code of Conduct Regulations, the Bankinter Group Code of Professional Ethics, and the implementation of the functions attributed to the Bank's Compliance Unit and with the departments responsible for the Protection of personal data and the Prevention of Money Laundering, and to be aware of the reports and proposals that are submitted to it by the said units and departments.
 26. To approve or modify the Compliance Function By-laws, which shall contain its functions and powers.
 27. To be informed, by the Chairman of the Board, the Deputy Chairman, if the Deputy Chairman is an executive, the Managing Director, or the General Secretary, of the appointment or replacement of the Director of the Compliance Unit.
 28. To report on any linked transactions by Directors and significant shareholders, with powers, as the case may be, to authorize them within the terms laid down in these Regulations.
 29. To be informed of the relevant irregularities, breaches or risks observed during the control actions carried out by the Bank's authorised departments.
 30. To review any other matter that falls within its powers and that may be referred to it by the Board of Directors, the Chairman, the Deputy Chairman, if the Deputy Chairman is an executive, or the Managing Director.
 31. Any other functions that may be attributed to it by these Regulations or by the Board of Directors.

