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Annual Report on the Remuneration of Directors of Bankinter

2019

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A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR (2020)

A.1 Core principles of the remuneration policy

The remuneration policy of Bankinter, S.A. ("Bankinter", the "Entity", the "Company" or the "Bank") is designed to set out the main principles and elements of a remuneration system that is fully compatible with the Entity's business strategy, objectives, values and long-term interests, and with sound and prudent risk management, both in absolute terms and in comparison with the sector. It defines the Bank's remuneration practices, and establishes the monitoring and control mechanisms in place to ensure the Entity's soundness at all times by not encouraging excessively risk taking, and a remuneration structure that compensates directors' suitably for their dedication and responsibility, and is sufficient to attract, retain and motivate the most outstanding professionals.

Consequently, Bankinter's director remuneration policy is governed by the following general principles, which apply to the remuneration of all staff:

- Prudent and effective risk management
- Alignment with long-term interests
- Appropriate balance between fixed and variable components
- Multiple elements
- Internal fairness and external competitiveness
- Supervision and effectiveness
- Flexibility and transparency
- Simplicity and customisation
- Attracting, retaining and motivating the most outstanding professionals
- Remunerating the dedication and responsibility assumed by individuals

Bankinter Group's remuneration policy establishes certain principles and adjustments to variable remuneration of categories of staff whose professional activities have a material impact on the Entity's risk profile ("identified staff") to avoid conflicts of interest:

- The allocation of variable remuneration components at the Entity shall take into account all current and future risk types.
- Where remuneration is linked to performance, the total amount shall be based on an assessment that combines the individual's performance considering both

financial and non-financial criteria, the business unit's performance, and the Entity's overall performance.

- The assessment of performance shall be placed in a multi-year context to guarantee that the assessment process covers long-term performance and that the effective payment of performance-based remuneration components is scaled over a period of time that considers the Entity's underlying economic cycle and business risks.
- When assessing performance to calculate variable remuneration components, an adjustment shall be made for all types of current and future risks, taking into account cost of capital and liquidity requirements.
- The total variable remuneration shall not limit the Entity's ability to achieve a sound capital base.
- Variable remuneration shall not be paid through vehicles or methods that facilitate non-compliance with regulations on organisation and discipline.
- Guaranteed variable remuneration is not compatible with sound risk management practices or the principle of rewarding performance, and shall not be included in potential remuneration plans.
- Guaranteed variable remuneration is exceptional and can only occur when hiring new staff and where the Entity has a sound and strong capital base, and is limited to the first year of employment.
- Fixed and variable components shall be appropriately balanced in total remuneration. The fixed component shall represent a sufficiently high portion of total remuneration to allow a fully flexible policy on variable remuneration components, up to the point where it is possible not to pay them.
- Variable remuneration, including the deferred portion, shall only be paid or vest if it is sustainable according to the Entity's overall financial situation and is justified by the Entity's, business unit's and individual's performance.
- Notwithstanding general principles in national contract and labour law, total variable remuneration shall be reduced considerably where subdued or negative financial performance of the Entity occurs, taking into account both current remuneration and reductions in payments of amounts previously accrued, where applicable, through arrangements to reduce remuneration (malus) or recover remuneration already paid (clawback).
- Furthermore, variable remuneration of identified staff shall be reduced during the performance assessment should negative performance be detected in the Bank's results or its capital ratios in previous financial years or compared to peers, or in other parameters, such as the achievement of budget targets.

Directors' remuneration policy and modifications to 2020.

- The board of directors, on a reasoned report by the remuneration committee, has decided to submit a motion at the annual general meeting in March 2020 to amend the director remuneration policy for 2019, 2020 and 2021 (the "Director Remuneration Policy") approved at the annual general meeting held on 21 March 2019.
- The proposed amendments to the remuneration policy approved on 21 March 2019 are justified by the following reasons:

The current remuneration policy authorises the board of directors to modify and adjust the number of shares to be delivered to executive directors as part of the deferred variable remuneration in shares under the following terms¹:

"The board of directors is authorised to modify and adjust the number of shares to be delivered on each of the aforementioned dates when an increase in capital in the form of a bonus share issue and/or with a charge to reserves, a split or reverse split of the outstanding shares, or any other corporate transaction of a similar nature or having similar effects has been carried out between the date of approval of related resolution and the date of effective delivery."

Bankinter's board of directors is authorised to modify and adjust the number of shares to be delivered as part of the deferred variable remuneration in shares when there is a bonus share issue, a *split* or a *reverse split* of Bankinter shares, or "*any other corporate transaction of a similar nature or having similar effects*".

Nevertheless, the possibility of different situations, events or special circumstances arising, or regulatory requirements or recommendations to be issued by regulatory or supervisory bodies, and corporate transactions may trigger changes in the unit value of Bankinter's shares, which could therefore affect the initial value of the investment made by any Bankinter shareholder must be clearly explained in the aforementioned policy. In these cases, Bankinter's board of directors is also authorised to make the necessary adjustments to offset the loss of value of the Bank's shares resulting exclusively from these situations, events, special circumstances or corporate transactions to maintain the balance of its remuneration system.

To do so, Bankinter must have the appropriate corrective mechanisms to ensure that variable remuneration is the same as the amount that would have been paid if such events had not occurred. Therefore, a motion is being laid before shareholders at the annual general meeting to replace this paragraph with the following:

"The board of directors is authorised to modify and adjust the number of shares to be delivered as part of the variable remuneration and change the rules on settlement and the payment schedule when prior to the date of effective delivery"

¹ Section 3.3.c) ii) of the Bankinter director remuneration policy on the timing, terms and conditions for delivering variable remuneration.

special situations, events or circumstances have arisen due to internal or external factors, such as but not limited to laws or requirements or recommendations by regulators of supervisors or corporate transactions affecting the Bank (e.g. capital increases, stock splits or reverse stock splits, structural modifications or similar operations, public takeover bids, etc.), and in the opinion of the board of directors such modification, adjustment or change is warranted to maintain the value of the consideration and/or the balance of the remuneration system. These modifications, adjustments or changes shall be disclosed in the annual report on the remuneration of directors."

The remuneration committee, as explained in the supporting report to the motion submitted to the annual general meeting to be held in March 2020, also considers that the proposed modification is in line with applicable regulators, particularly regarding remuneration of listed credit institutions, and complies with criteria of prudence in risk-taking, good governance and transparency, and is aligned with the interests of shareholders.

A.2 Remuneration committee

In March 2019, approval was given at the annual general meeting for the director remuneration policy for 2019, 2020 and 2021, which remains in force. This policy is available on the Company's corporate website.

Bankinter's board of directors is responsible for establishing a system for controlling and supervising the remuneration policy. It may delegate monitoring and oversight of the policy to a remuneration committee.

According to article 40 of the Rules and Regulations of the Board of Directors, the remuneration committee's remit includes the following:

- Submitting the director remuneration policy and the individual remuneration of directors to the board of directors for its approval, along with the corresponding annual director remuneration report (which the board shall then lay before shareholders at a general meeting for a consultative vote).
- Submitting a proposal to the board of directors on the individual remuneration of executive directors and, as the case may be, 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 managers, including managing directors or those who perform senior management duties and report directly to the board, to executive committees or to chief executive officers, as well as their individual remuneration and other basic terms and conditions of their contracts.

- Setting the remuneration of members who are not considered senior managers but who receive significant remuneration (especially variable remuneration), and whose activities may have a significant impact on the Group's risk profile.
- Verifying the extent of compliance with the remuneration policy in general during the financial year and enforcing compliance.
- Conducting regular reviews of remuneration programmes; assessing their implementation and effectiveness; and ensuring that director remuneration conforms to standards of moderation and the Bank's results.
- Ensuring transparent remuneration and that it is mentioned in the annual report and in any other annual reports containing information on director remuneration; and, to this end, submitting relevant information to the board.
- Reporting on incentive plans for senior managers or employees that are pegged to the performance of the Bank's listed share price or other variable indices, as well as on remuneration systems for the Bank's management team based on collective insurance systems or deferred remuneration systems, if applicable.

In accordance with the Corporate Bylaws and the Rules and Regulations of the Board of Directors, the remuneration committees currently comprises six directors appointed by the board of directors, all external and non-executive as required by the Spanish Companies Act (Ley de Sociedades de Capital), with a majority of independent directors (83.3%), including the committee chairman.

Committee members have an indefinite term of office. The board of directors is in charge of agreeing substitutions in accordance with its rules and regulations.

Accordingly, as at the date of approval of this report, the Bankinter remuneration committee comprised:

- Chairman:
 - Gonzalo de la Hoz Lizcano (independent external director)
- Members:
 - Jaime Terceiro Lomba (independent external director)
 - Rafael Mateu de Ros Cerezo (independent external director)
 - Fernando Masaveu Herrero (external proprietary director)
 - Teresa Martín-Retortillo Rubio (independent external director)
 - Álvaro Álvarez-Alonso Plaza (independent external director)

All the directors possess the appropriate knowledge and profile to perform their duties on the committee, particularly in the areas of banking and/or financial services. They

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also have practical experience through prior positions during sufficient periods of time. Remuneration committee members' profiles may be consulted on the Company's corporate website.

In addition to the remit of the remuneration committee, the risk committee's duties regarding the remuneration policy include helping to establish rational remuneration policies and practices (article 42 of Royal Decree 84/2015, implementing the Spanish Law on the regulation, supervision and solvency of credit institutions (LOSS), and the Rules and Regulations of the Board of Directors).

Accordingly, without prejudice to the tasks of the remuneration committee, at its meeting of 17 February 2020, the remuneration committee confirmed that the incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

At the same meeting, the risk control area presented an assessment of the suitability of the parameters and values proposed as variable incentive targets for 2020. It concluded that they comply with Bankinter's risk appetite level and are appropriately balanced between among various targets so there is no incentive for excessive risk taking.

Lastly, according to the Rules and Regulations of the Board of Directors, the remuneration committee shall have access to all information and documents needed to properly discharge its duties and will be free to engage the services of advisers, consultants, experts and other independent professionals.

The remuneration committee and the board based their decisions on remuneration on comparative studies conducted by consulting firm Willis Towers Watson on key data of the Entity's remuneration compared to the market and peer institutions (including both Spanish and European financial institutions) considering the Bank's size, characteristics and activities, as set out in the following table:

Entidad	Location of parent
Santander Spain	Spain
Caixabank	Spain
BBVA Spain	Spain
Banco Sabadell	Spain
Swedbank	Sweden
Bankia	Spain
Belfius Bank	Belgium
Banco BPM	Italy
Zürcher Kantonalbank	Switzerland
UBI Banca	Italy
Mediobanca	Italy
De Volksbank	Netherlands
Ibercaja	Spain
Abanca	Spain
ING Spain	Spain
Banca March	Spain
Wizink Banco	Spain

The studies compare the fixed, variable and total remuneration for various executive posts in Bankinter with the same posts in similar companies. It considers the potential

impact of the Entity's long-term incentive plan, which does not accrue until three years after its date of approval (2019-2021).

A.3 Director remuneration systems for 2020

In March 2019, approval was given at the annual general meeting for the director remuneration policy for 2019, 2020 and 2021 (the "Director Remuneration Policy"), which is in force. At the same general meeting, shareholders held a consultative vote on the 2019 annual report on the remuneration of directors. The outcome of voting on the policy and report were as follows:

	Number	% of total
Votes cast	634,611,106	70.55%

	Director remuneration policy for 2019, 2020 and 2021		2018 director remuneration report	
	Number	% of votes cast	Number	% of votes cast
Votes against	44,175,908	6.961	48,257,413	7.604
Votes in favour	581,257,112	91.655	577,220,671	91.019
Blank votes	20,968	0.003	25,537	0.004
Abstentions	8,722,308	1.374	8,672,675	1.367

The Director Remuneration Policy in force at any given time is available on the corporate website and may be consulted by clicking on the following [link](#).

Bankinter's Director Remuneration Policy establishes the following types of remuneration in accordance with the duties performed:

A.3.1 Remuneration of directors in their capacity as such in 2020

A.3.1.1 Remuneration of members of the Bankia board of directors in their capacity as such in 2020

Remuneration accrued by members of the board of directors for their supervisory and collective decision-making duties consists of an annual fixed amount and does not include variable components. This amount is not subject to the achievement of objectives or linked to performance, in compliance with corporate governance recommendations.

According to the Corporate Bylaws and the Rules and Regulations of the Board of Directors, directors shall be entitled to receive remuneration for their appointment as members of the board of directors. The annual maximum amount for all directors shall be determined at the general meeting of shareholders and may be paid in the form of:

- An annual fixed amount
- Attendance fees

- Delivery of shares, share options or remuneration linked to the value of the shares

The annual general meeting held in March 2019, in accordance with articles 217 and 529 septdecies of the Spanish Companies Act, set the maximum amount of the directors' annual remuneration in their status as such at 2,000,000 euros. This amount shall remain in force until amended by the general meeting.

The specific amounts for each director for the items mentioned above are set annually by the board of directors considering the positions held by each director on the board, their membership of the board and board committees, and their attendance at board and committee meetings.

At its meeting of 18 December 2019, the board of directors approved the following distribution for 2020:

- **Annual fixed amount:**
 - Chairman: 189,505 euros per year.
 - Executive directors: 167,210 euros per year.
 - Other board members: 94,752 euros per year.
 - Chairmen of board committees: additional 16,721 euros per year.
- **Attendance fees, to be paid after each meeting:**
 - Board of directors: 2,229 euros per meeting to the chairman of the board and 1,672 euros per meeting to board members.
 - Committees: 1,672 euros per meeting to the chairman of the committee and 1,115 euros per meeting to committee members.

- **Delivery of shares**, share options or remuneration linked to the value of the shares: the board of directors has not agreed payment of any remuneration in 2020 via the delivery of shares, share options or remuneration linked to the value of the shares.

These amounts were increased by 1.1% from 2019, in line with the average inflation rate for 2019 and far below the growth of Bank's profits in recent years and the average increase in remuneration of Bank employees.

In the event of death, the amounts already accrued and receivable by directors are passed on to their heirs or beneficiaries, with the appropriate actions taken as needed. In the event a director's ability prevents him or her discharging their duties, he or she shall also be entitled to receive the amounts already accrued and receivable.

Directors removed from office for any reason other than those indicated in the previous paragraph shall be entitled to the proportional share of their fixed remuneration amount corresponding to the number of days they were in office.

A.3.1.2 Remuneration of directors for seats on the boards of other Group companies

Directors as non-executive directors may also receive fees for attending board meetings of other group companies. The detail of these fees and their amounts in the year ended are disclosed in section B of this report.

A.3.2 Remuneration of the non-executive chairman of the board of directors for performing additional non-executive institutional functions in 2020

Since 2013, the non-executive chairman of the board of directors has discharged additional non-executive institutional duties as chairman of the collective decision-making body (remunerated in accordance with the previous point). For these duties, the non-executive chairman is remunerated as follows:

- Fixed remuneration: The chairman of the board of directors shall only receive fixed remuneration and no variable remuneration, for the same reasons as noted in the previous point for non-executive directors.

Therefore, in accordance with Corporate Bylaws and the Rules and Regulations of the Board of directors, considering the responsibilities assigned and other objective circumstances, at its meeting of 18 December 2019, the board of directors, on the recommendation of the remuneration committee and in the chairman's absence, set the following amount of **fixed remuneration for 2020 for the chairman of the board of directors: 726,294 euros per year.**

This amount, as well as the remuneration of directors detailed in the previous section, was increased by 1.1% from 2019, which was the annual inflation rate for 2019.

Fixed remuneration of the non-executive chairman:

	Fixed remuneration for 2020	Var. % 2020 vs. 2019	2019 fixed remuneration	Chg. % 2019 vs. 2018	2018 fixed remuneration
Non-executive chairman	726,294 euros per year	1.1%	718,392 euros per year	1.7%	706,383 euros per year

- Remuneration in kind: the chairman is beneficiary of a health insurance policy taken out by the Bank. The Bank pays the related premiums, which are attributed to the directors as remuneration in kind.

The Bank also pays the chairman other corporate benefits applicable to all other employees.

The amounts paid to the chairman during the year ended are disclosed in the annual reports on the remuneration of directors.

- Pension scheme: the chairman is not a beneficiary of this scheme.

Moreover, Bankinter has not agreed to any golden parachute clauses with the chairman, or any clauses that link the accrual of economic rights to situations of change of control over the Bank (standard clauses in these types of contracts in large corporations), as specified in this director remuneration report, which will be submitted to a consultative vote at the 2020 general meeting, as in previous years.

A.3.3 Remuneration of executive directors for their executive duties for 2020

A.3.3.1 Executive duties of executive directors of Bankinter

Bankinter's board of directors has two executive directors: (i) the CEO, Ms María Dolores Dancausa Treviño, and (ii) the Executive Vice-Chairman, Mr Alfonso Botín-Sanz de Sautuola y Naveda, representing Cartival, S.A.

According to article 27 of the Corporate Bylaws, the chief executive is entrusted with the ordinary management of the business and vested with supreme executive duties, and powers of the board of directors, except for those that are legally non-

delegable by law, the Corporate Bylaws or the Rules and Regulations of the Board of Directors.

Moreover, the executive vice-chairman has certain duties, which include:

- Preside over the executive committee;
- Preside over the ALCO;
- The delegated executive duties attributed by the Corporate Bylaws and the Rules and Regulations of the Board of Directors; and
- Duties relating to risk and investment banking.

A.3.3.2 Description of the characteristics of remuneration components of executive directors as a result of their execution duties for 2020

According to the Corporate Bylaws and the Rules and Regulations of the Board of Directors, directors shall be entitled to any remuneration (wages, incentives, bonuses, pensions, insurance, severance payments) deemed appropriate in exchange for functions and duties they perform other than supervisory and collective decision-making functions as board members on the recommendation of the remuneration committee and via a board of directors resolution.

Executive directors receive annual remuneration for their executive duties in accordance with their employment contracts with the Company consisting of a fixed component and a variable component based on the achievement of predetermined objectives aligned with the Entity's prudent risk management and long-term interests.

Executive directors are entitled to participate in long-term variable remuneration schemes that the Entity may implement at any time.

Bankinter's remuneration policy makes a clear distinction between criteria for setting:

- basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility; and
- variable remuneration, which reflects sustainability of performance and is adapted to risk.

The fixed and variable components shall be appropriately balanced for executive directors. The fixed component shall represent a sufficiently high portion of total remuneration.

A.3.3.2.1 Characteristics of the fixed remuneration of executive directors

a) Fixed salary:

Fixed remuneration of the Company's executive directors is based on the level of responsibility of the position held, experience, performance and level of education. The remuneration levels are adapted to the Bank's values, with greater weight attached to teamwork than individual work, in line with the Bank's culture.

Applying the principle of market analysis, Bankinter participates in annual industry remuneration studies to establish the market benchmarks against which it is compared. These benchmarks consider the salary ranges for each position in addition to other internal criteria .

Specifically, in setting remuneration for 2020, the remuneration committee and the board of directors used a study performed by consulting firm Willis Towers Watson on the competitiveness of the chief executive's remuneration, comparing Bankinter to Spanish and European financial institutions, as detailed previously.

The findings indicate that remuneration of Bankinter's executive directors for performing executive duties is in line with the peer average and well below the 75th percentile.

- **Remuneration in kind:**

Executive directors may be beneficiaries of health insurance policies taken out by the Bank. The Bank pays the related premiums, which are attributed to the directors as remuneration in kind.

The Bank also compensates certain of these directors with other remuneration in kind, such as the leasing of vehicles and other corporate benefits that apply to all other staff.

b) Pension scheme

As detailed in previous director remuneration reports, on 20 December 2017, Bankinter's board of directors, on a recommendation by the remuneration committee and approval by a consultative vote at the general meeting, approved a "Supplementary pension scheme for executive directors and management committee members" compatible with the Entity's corporate strategy, objectives, values and long-term interests. It includes mechanisms to adjust the Entity's contributions based on performance or adverse circumstances. The pension scheme was approved at the annual general meeting held on 22 March 2018.

For the chief executive officer, managing directors and similar staff, 15% is considered discretionary pension benefits and subject to the system that applies to them.

Appendix 1 describes the characteristics of the current pension scheme.

A.3.3.2.2 Characteristics of the variable remuneration of executive directors

Bankinter's variable remuneration structure is consistent with the principles of banking regulations and other European Union regulations governing remuneration. EU regulations require remuneration policies to be consistent with and promote sound and effective risk management, and offer no incentives for taking risks that exceed the level of risk tolerated by the credit institution.

Bankinter's remuneration policy satisfies these principles for the following reasons:

- The objectives of the incentive plan in variable remuneration are not linked to individual and/or short-term objectives, but rather to the Bank's overall profit before tax. Accordingly, achievement indicators include all the elements of risk the Entity considers necessary, and the related items of assessment of units and areas and the achievement of individual objectives in the appropriate proportion. The long-term indicators of current incentives incorporate a long-term perspective in the remuneration.
- Bankinter's remuneration policy is consistent with its business strategy, objectives, values and long-term interests.
- In absolute terms and with respect to the sector, based on studies carried out by Willis Towers Watson for Bankinter, both fixed and variable remuneration amounts received may be considered moderate and prudent, and proportional to the Bank's annual profit, the remuneration it offers annually to shareholders, and its retained earnings to strengthen share capital every year.
- There have been no cases in which individual accrual targets for variable remuneration might encourage risk-taking behaviours that are not consistent with Bankinter's general risk profile. This is because objectives are primarily set based on the Bank's achievement of its overall pre-tax profit target and any specific objectives for each area or business unit, and only partially (and not always) based on achievement of individual objectives. In any case, there are rigorous separate and independent controls for departments that work extensively in the markets, such as trading. This is to ensure adequate risk management at all times and compliance with lending standards the board of directors establishes every year.
- The accrual criteria of variable components consider the expected loss from that activity. Losses resulting from risks incurred in previous financial years necessarily affect the annual achievement of group and individual objectives.
- The Bank has adequate and sufficient tools for measuring and monitoring the achievement of objectives of variable remuneration schemes.
- Control areas have no variable remuneration linked to achievement of objectives by the areas they oversee.
- There are no golden parachute clauses or guaranteed bonuses.

- The composition of Bankinter's balance sheet, its level of non-performing loans and incurred risk, coupled with its extremely prudent risk management culture clearly demonstrate that the Bank's remuneration systems are aligned with its desired level of risk.
- The composition of the remuneration committee, its duties and its role in defining and approving the variable remuneration systems comply with regulations and the main Spanish and international good corporate governance standards. An internal, central and independent assessment of application of the remuneration policy is performed once a year to verify whether it fulfils the remuneration standards and procedures adopted by the committee and the board.
- Bankinter has established appropriate ratios between fixed and variable components of total remuneration for members of identified staff. These include executive directors, to whom the following principles apply:
 - The variable component shall not exceed 100% of the fixed component of each individual's total remuneration.
 - Nevertheless, the shareholders at the Entity's annual general meeting may approve a higher level, provided that it does not exceed 200% of the fixed component.

Therefore, the total annual variable remuneration that executive directors might receive for the exercise of their executive duties if 100% of the targets set by Bank for 2019 were met would amount to 35% of the fixed remuneration set for their executive directors. In any event, this percentage is less if total remuneration includes the amounts accrued by the directors for both their supervisory and executive duties.

Executive directors are beneficiaries of the following variable incentives:

a) Annual variable remuneration of executive directors for 2020

The purpose of this variable remuneration is to incentivise performance by orienting it towards the targets set by the Institution, so as to ensure a proper correlation between the resulting remuneration levels and trends in the Company's earnings, directly linked to overall banking activity targets while at the same time promoting sound and effective risk management that prevents the variable remuneration from providing incentives for excessive risk-taking by individuals.

On 17 February 2020, on a recommendation by the remuneration committee and the risk committee, the board of directors adopted resolutions including the annual variable remuneration structure for 2020 for executive directors for their executive duties and for senior managers of the Entity, with a new configuration of key indicators as described below.

Bankinter has not defined a specific variable remuneration structure for executive directors. Instead, it applies the same annual variable incentive system to them as to the identified staff that receive variable remuneration.

The purpose of the annual incentive in Bankinter is to ensure a proper correlation between the resulting remuneration levels and performance, as well as a system of individual compensation based on assigned duties and responsibilities.

Furthermore, in the established target indicators, the annual variable remuneration system includes, in addition to those referring to the current year, financial indicators defined to ensure proper correlation between the resulting remuneration levels and the group's medium- and long-term performance, preventing excessive risk-taking.

For 2020, to ensure variable remuneration for executive directors with these characteristics, the following financial indicators for the annual incentive have been established: i) profit before tax (PBT) of the banking business of Bankinter Group (which this year includes EVO Banco and Avantcard), to achieve appropriate risk management over the medium and long term, and ii) gross operating income of Bankinter Group's banking business (including EVA Banco and Avantcard) as a critical factor for the sustainability of the business over the medium and long term and alignment with the entity's risk policy.

The indicators (PBT of the banking business and gross operating income of Bankinter Group) represent 70% and 30%, respectively, of variable remuneration. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80% and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of targets is 120% of the benchmark incentive.

Target	Weight	Achievement rate (%)	Incentive accrual (%)
PBT	70%	$90\% \leq x \leq 100\%$	$80\% \leq x \leq 100\%$
		$100\% < x \leq 120\%$	$100\% < x \leq 120\%$ linear
Gross operating income	30%	$90\% \leq x \leq 100\%$	$80\% \leq x \leq 100\%$
		$100\% < x \leq 120\%$	$100\% < x \leq 120\%$ linear

As in the previous year, it is contingent on the achievement of on certain indicators in the risk appetite framework, which are specific (*financial and non-financial*) indicators for solvency, liquidity, interest rate, reputational risk and credit:

Risk	Indicator
------	-----------

Solvency	CET1 Ratio
Liquidity	Liquidity buffer + issue capacity
Interest rate	Sensitivity of net interest income
Reputational	NPS – Total Bank customers according to quality surveys
Credit	Problem assets (%)

The measurements are quarterly, and the valuation of non-compliance with tolerances and limits is carried out with respect to the annual accumulation.

The scale of achievement and accrual of the amount corresponding in percentage terms:

Below the tolerance	Below the limits	
	0 % achievement	1 % achievement
0	100	85
1	95	70
2	90	0
3	80	0
4	70	0
5	0	0

Lastly, once the accrued variable remuneration is calculated using the established indicators and adjusted for risk, return on equity rate shall be used as a 'key' objective in determining the final amount of variable remuneration, on a scale of 0% to 100%, as follows:

Determining factor	Result	Rate
RoE	$X < 9\%$	0%
	$9\% \leq X < 9.5\%$	50%
	$X > 9.5\%$	100%

b) Multi-year variable remuneration in force:

On a recommendation by the remuneration committee, the board of directors approved a long-term incentive plan for 2019-2021 (the "Plan") applicable to

executive directors, in accordance with the Director Remuneration Policy, to be submitted to a vote at the 2019 annual general meeting.

The main features of the Plan were described in the report on the remuneration of directors approved in a consultative vote at the 2019 annual general meeting. They are attached as **Appendix 2** to this report.

The target assigned to executive directors for achievement of the indicators described is two annual instalments of the gross annual fixed salary as at 31 December 2018 received by them.

The duration of the Plan is three years from the calculation of the amount accrued (2019-2021), with five years of deferral from 31 December 2021 in the case of executive directors. Therefore, the period for calculating the final amount accrued will not have expired in 2020.

c) **Clauses to which variable remuneration of executive directors is subject at present**

variable remuneration accrued in 2020 is subject to the following clauses:

- **Deferral:** a substantial portion of variable remuneration shall be deferred for a period of five years.

This deferred remuneration shall be paid in fifths over the five years immediately following the year of receipt of the non-deferred portion. Therefore, the remuneration payable under the deferral provisions will not be received more quickly than is proportionate.

- **Payment in shares and retention periods:** a substantial portion of deferred variable remuneration shall be delivered in Bankinter shares. 50% of non-deferred variable remuneration will be delivered in shares.

The resulting amounts in cash and shares will be paid net of taxes (or tax withholdings).

Bankinter shares delivered to executive directors shall be subject to a retention period of one year from delivery. This is considered an appropriate practice for incentives to be consistent with the Entity's long-term interests.

- **Ex-post adjustments:** variable remuneration (including the deferred portion) will be paid or vest only if it is deemed sustainable based on Bankinter Group's financial situation, and when justified based on the Entity's, business unit's or person's performance.

Bankinter has established malus and clawback clauses that will apply to up to 100% of the total variable remuneration.

- **Prohibition on hedging transactions:** Personal hedging strategies or insurance relating to remuneration and liabilities that undermine the sound risk alignment effects promoted by the remuneration arrangements may not be used.

Specifically, executive directors may not engage in hedging transactions of any kind or take out any insurance on deferred variable remuneration pending payment, pursuant to the deferral clause in Bankinter's remuneration policy.

Furthermore, they may not carry out hedging transactions on any Bankinter shares already delivery that are subject to the retention period.

A.3.3.3 Fixed amounts of remuneration of the vice-chairman of the board for exercising executive duties for 2020

A.3.3.3.1 Amount of fixed remuneration of the executive vice-chairman for 2020

a) Fixed salary of the executive vice-chairman for 2020

At its meeting of 18 December 2019, without the presence of the executive vice-chairman and on a recommendation by the remuneration committee, the board of directors agreed the following amount of **fixed remuneration for 2020 for the executive vice-chairman for executive duties: 617,652 euros per year.**

This remuneration was increased from 2019 by 1.1% (the annual inflation rate for 2019), for dedication and performance in recent years, and still shows a significant difference relative to peers of other companies according to the aforementioned remuneration studies carried out.

The executive vice-chairman is not a beneficiary of medical insurance taken out by the Bank or other remuneration in kind, such as the leasing of vehicles and other corporate benefits that apply to all other staff.

This pension scheme described above does not apply to the executive vice-chairman, CARTIVAL, or its natural person representative.

A.3.3.3.2 Fixed amounts of variable remuneration of the executive vice-chairman

a) **Fixed amount of annual variable remuneration of the vice-chairman for 2020**

The board of directors of Bankinter, on a recommendation of the remuneration committee agreed, as variable remuneration for 2020, the following amounts that the vice-chairman will receive for achievement of 100% of the objectives for 2020: 216,178 euros, subject to the clauses described above, and the percentages of deferral and delivery of shares detailed below.

b) **Deferral and percentage of payment of specific shares to which the variable remuneration accrued by the executive vice-chairman is subject**

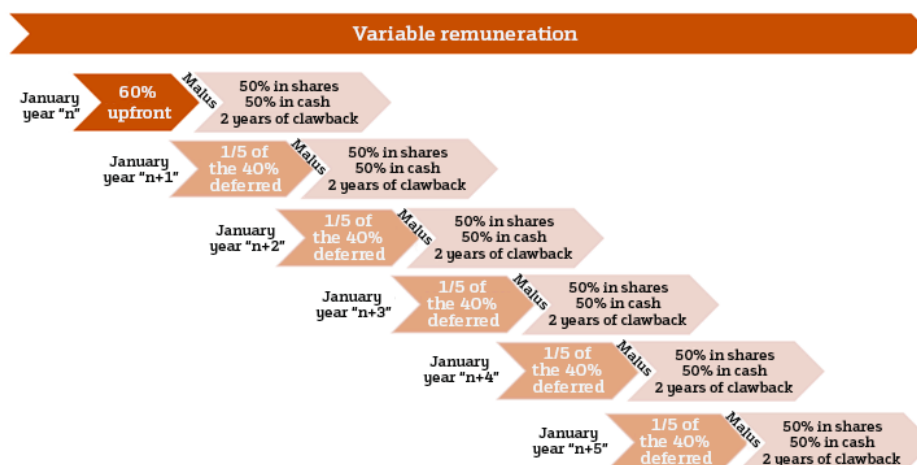
The variable remuneration of the executive vice-chairman is subject to the clauses described above for executive directors. The specific characteristics (percentages of deferral and payment in shares applied to the executive vice-chairman are as follows:

- **Deferral:** At least 40% of the variable remuneration accrued by the executive vice-chairman shall be deferred over a period of five years.

This deferred remuneration shall be paid in fifths over the five years immediately following the year of receipt of the non-deferred portion. Therefore, the remuneration payable under the deferral provisions will not be received more quickly than is proportionate.

- **Payment in shares and retention periods:** a substantial portion of deferred variable remuneration, at least 50% in the case of the vice-chairman, shall be delivered in Bankinter shares. 50% of non-deferred variable remuneration will be delivered in shares.

The clauses to which the variable remuneration of the executive vice-chairman is subject are shown in the following chart:



A.3.3.4 Fixed amounts of remuneration of the chief executive officer for executive duties for 2020

A.3.3.4.1 Amount of fixed remuneration of the chief executive officer for 2020

a) Fixed salary for the chief executive officer for 2020

At its meeting of 18 December 2019, without the presence of the chief executive officer and on a recommendation by the remuneration committee, the board of directors agreed the following amount of **fixed remuneration for 2020 for the chief executive officer for executive duties: 933,695 euros per year.**

This remuneration was increased from 2019 by 4%, in line with the average increase applied to the management team, for dedication and performance in recent years, and still shows a significant difference relative to peers of other companies according to the aforementioned remuneration studies carried out.

- Remuneration in kind:

Bankinter's chief executive officer is beneficiary of a health insurance policy taken out by the Bank. The Bank pays the related premiums, which are attributed to the chief executive officer as remuneration in kind.

The Bank also pays the chief executive officer other corporate benefits applicable to all other employees.

The amounts paid to the chief executive officer during the years ended are disclosed in the annual reports on the remuneration of directors.

b) Contributions to the pension scheme in 2020 for the chief executive officer

As explained in previous remuneration reports, the chief executive officer of Bankinter, S.A., as the chief executive officer of the Bankinter subsidiary, Línea Directa Aseguradora S.A. ('Línea Directa'), was awarded a defined-contribution retirement plan in 2005 that Bankinter's board of directors, on the recommendation of the appointments and remuneration committee (currently the remuneration committee), voted to maintain at the time she joined the Bank. The amount contributed to this plan was 600 thousand euros and covered the standard contingencies for retirement, death or disability.

As explained previously, approval was given by shareholders at the annual general meeting of 22 March 2018 for a new "Supplementary pension scheme for executive directors and management committee members". Compatible with the Entity's corporate strategy, objectives, values and long-term interests, the scheme includes mechanisms to adjust the Entity's contributions based on earnings or adverse circumstances. **Appendix 1** describes the characteristics of the current pension scheme.

Based on the scheme, a period of five years must elapse from the time of the initial contribution for the annual contributions. For the current chief executive officer, appointed to her post in 2010, at the time of approval of the plan a longer period had elapsed. Therefore, the contributions to the pension scheme began in 2018. Those already made and those to be made in 2020 are adjusted by the percentage established in the Rules and Regulations of Pension Obligations with Senior Managers (60% of the chief executive officer's base salary), in line with market practice, considering the time elapsed between the first contribution and the time remaining until retirement age. Data on contributions made in 2020 and accumulated contributions will be presented in the statistical appendix in the report of the following year.

A.3.3.4.2 Fixed amounts of variable remuneration of the chief executive officer for 2020

a) Fixed amount of annual variable remuneration of the chief executive officer for 2020

The board of directors of Bankinter, on a recommendation of the remuneration committee agreed, as variable remuneration for 2020, the following amounts that the chief executive officer will receive for achievement of 100% of the objectives for 2020: **326,794 euros**, subject to the clauses described above, and the percentages of deferral and delivery of shares detailed below.

b) Deferral and percentage of payment of specific shares to which the variable remuneration accrued by the chief executive officer

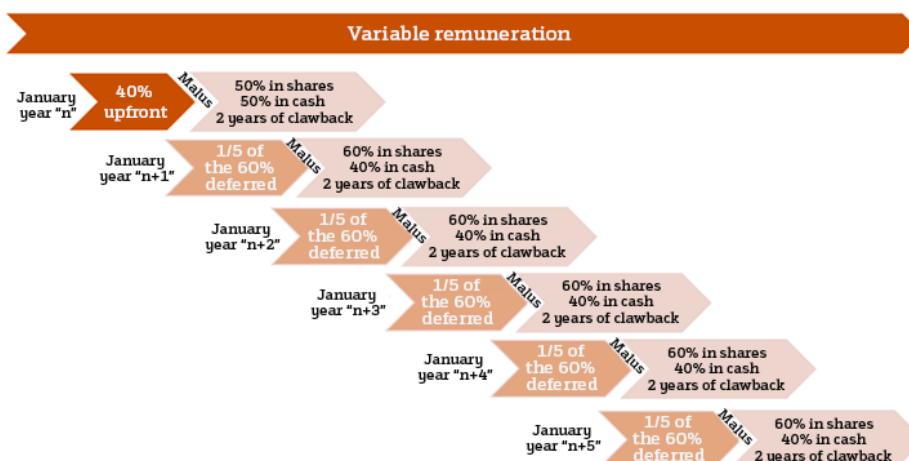
The variable remuneration of the chief executive officer is subject to the clauses described above for executive directors. The specific characteristics (percentages of deferral and payment in shares applied to the chief executive officer are as follows:

- **Deferral:** At least 60% of the variable remuneration accrued by the chief executive officer shall be deferred over a period of five years.

This deferred remuneration shall be paid in fifths over the five years immediately following the year of receipt of the non-deferred portion. Therefore, the remuneration payable under the deferral provisions will not be received more quickly than is proportionate.

- **Payment in shares and retention periods:** a substantial portion of deferred variable remuneration, at least 60% in the case of the chief executive officer, shall be delivered in Bankinter shares. 50% of non-deferred variable remuneration will be delivered in shares.

The clauses to which the variable remuneration of the chief executive officer is subject are shown in the following chart:



Fixed remuneration and annual variable remuneration of executive directors:

- **Fixed remuneration of executive directors:**

	2020 fixed remuneration	Var. % 2020 vs. 2019	2019 fixed remuneration	Chg. % 2019 vs. 2018	2018 fixed remuneration
Vice-chairman	617,652 euros per year	1.1%	610,932 euros per year	1.7%	600,720 euros per year
Chief executive officer	933,695 euros per year	4%	897,784 euros per year	4%	863,254 euros per year

- **Fixed annual variable remuneration of executive directors:**

	2020 variable remuneration ^(*)	2019 variable remuneration ^(**)	2018 variable remuneration ^(***)
Executive directors			
Vice-chairman	216,178 euros per year (35% of fixed remuneration)	212,868 euros per year (35% of fixed remuneration)	210,252 euros per year (35% of fixed remuneration)
Chief executive officer	326,794 euros per year (35% of fixed remuneration)	312,817 euros per year (35% of fixed remuneration)	302,139 euros per year (35% of fixed remuneration)

(*) Estimated amount for an achievement rate of 100% of the targets to which 2020 variable remuneration is indexed.

(**) Accrued amount based on a percentage of accrual of the incentive 99.55% , as explained in this report: "Specific implementation of the remuneration policy in 2019".

(***) Accrued amount based on a percentage of accrual of the incentive of 98.26%.

A.3.4 Conditions of employment contracts

The chairman, vice-chairman and chief executive officer have services contracts, for the chairman, and management contracts for the executive directors as part of the organic relations based on the executive duties they discharge and their remuneration, respectively, which cover all principal and ancillary conditions and features of their respective relationships with the Company.

Contractual conditions of executive directors are described below:

- **Exclusivity and non-competition:** executive directors may not enter into business or service agreements with any other companies or entities without express authorisation from the board of directors. A non-competition clause is in place at all times with respect to similar companies and activities to those of Bankinter and its consolidated group.
- **Adherence to the Code of Professional Ethics and the Bankinter Group Internal Code of Conduct in Securities Markets:** the obligation to observe the Professional Code of Ethics and the Internal Code of Conduct in Securities Markets operated by Bankinter Group is hereby established.
- **Confidentiality and return of documents:** a rigorous duty of confidentiality is established during the lifetime of the relationship and after termination, when documents and objects related to the executive directors' activity and in their possession must be returned to the Bank.
- **Duration, notice periods and severance payments for contract termination:** the contract is in full force as of the date on which an executive director is appointed and remains fully valid as long as the director is in office with executive powers. If an executive director tenders their resignation for any reason, written notice must be given three months in advance in the case of the chief executive officer, and 15 days in advance in the case of the executive vice-chairman. The Company reserves the right to discount from a director's settlement any amount corresponding to their failure to comply with the notice period, unless otherwise arranged by the board.

The following section describes severance payments set out in these contracts.

- **Post-contractual obligations:** the chief executive officer is subject to a non-competition clause in effect for an 18-month period from termination of their employment contract, undertaking not to engage in work or provide professional services, on their own account or on behalf of others, that compete with those of the Bank or Group companies. Compensation for the non-competition clause consists of a sum equal to 50% of the last total annual fixed remuneration approved by the board of directors, which will be paid once the 18-month period has elapsed.

A.3.5 Agreed severance pay in the event of termination of duties as director

No severance payments of any kind have been established for the chairman, executive vice-chairman and other board members in the event of their removal for any reason.

The severance payments for the chief executive officer set out in the contract signed with the Company are based on her relationship with the Entity as an employee before she was appointed chief executive officer apply solely to cases similar to those defined in the Workers' Statute (Estatuto de los Trabajadores) for ordinary employment relations. Furthermore, they have a severance limit that may not, under any circumstances, exceed the limit provided in labour regulations for all Bankinter staff.

Any necessary severance payments will be based on earnings obtained over time and will not accrue over losses or wrongful conduct. They will be subject to the general remuneration policy of Bankinter Group in effect. Moreover, any portion exceeding the legal severance amount will be subject to the remuneration policy for identified staff and, in particular, to deferral, malus and clawback requirements in accordance with current regulations.

In any case, there is no right to receive severance payments relating to changes of ownership of the Entity.

B. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY HAS BEEN APPLIED IN 2019

B.1. Role played by the remuneration committee in implementing the remuneration policy in 2019

The **remuneration committee** held five meetings in 2019. All committee members took part in these meetings, in person or by proxy.

The role played by the remuneration committee is described herein and in the annual remuneration report made available to shareholders with the call of the 2020 annual general meeting. The annual remuneration report is attached as **Appendix 3**.

B.2 Specific implementation of the remuneration policy in 2019

As explained in the Annual Report on the Remuneration of Directors for the preceding year, the types of remuneration for members of the board of directors, depending on the functions carried out, are as follows:

B.2.1 Remuneration of directors for carrying out their director functions

B.2.1.1 Remuneration of directors for performing their functions in Bankinter as such

The annual general meeting of shareholders held on 21 March 2019 approved, in accordance with articles 217 and 529 septdecies of the Spanish Companies Act, to set the maximum amount of directors' annual remuneration in their capacity as such at 2,000,000 euros. This is the amount that will apply to 2019.

In 2019, total individual remuneration received by directors was paid in the form of: i) an annual fixed amount for their role on the board of directors and their duties as the chairs of board committees, and ii) attendance fees for meetings of the board and board committees. No Bankinter shares were delivered as remuneration during the year.

Remuneration of non-executive directors does not include any variable components, insofar as it is not subject to the achievement of objectives, therefore complying with corporate governance recommendations.

The amount corresponding to each director for these items was set by the board of directors (on the recommendation of the remuneration committee), in line with the duties each director discharges on the collective decision-making body itself, and their membership of the board and board committees and attendance at their meetings.

In this regard, on 16 December 2018, the board of directors approved the following distribution for 2019:

- Annual fixed amount:
 - Chairman: 187,443 euros per year.
 - Executive directors: 165,391 euros per year.
 - Other board members: 93,721 euros per year.
 - Chairmen of board committees: additional 16,539 euros per year.
- Attendance fees, to be paid after each meeting:
 - Board of directors: 2,205 euros per meeting to the chairman of the board and 1,654 euros per meeting to board members.
 - Committees: 1,654 euros per meeting to the chairman of the committee and 1,103 euros per meeting to committee members.
- Delivery of shares, share options or remuneration linked to the value of the shares: no remuneration of any kind has been received in 2019 via the delivery of shares, share options or remuneration linked to the value of the shares.

These amounts were adjusted by 1.7% with respect to 2018 (the same as the year before), in line with the inflation rate published in November 2018 and far below the growth in the Bank's earnings in recent years.

Itemised total individual remuneration of members of Bankinter's board of directors in their capacity as such (supervisory and collective decision-making duties) in 2019 and 2018:

	In euros	
Directors	2019	2018
Pedro Guerrero Guerrero	234,855	232,013
Cartival, S.A.	218,316	214,666
María Dolores Dancausa Treviño	194,610	192,441
Marcelino Botín-Sanz de Sautuola y Naveda	113,017	111,670
Fernando Masaveu Herrero	120,717	122,006
Gonzalo de la Hoz Lizcano	180,799	177,262
Jaime Terceiro Lomba	168,698	171,841
Rafael Mateu de Ros Cerezo	170,903	170,757
María Teresa Pulido Mendoza	111,914	106,791
Teresa Marín-Retortillo Rubio (1)	124,025	119,801
Álvaro Álvarez-Alonso Plaza (2)	92,741	-
María Luisa Jordá Castro (2)	96,049	-
	1,826,644	1,619,248

(1) Teresa Martín-Retortillo Rubio was appointed independent external director on by co-option on 7 November 2017.

(2) Álvaro Álvarez-Alonso Plaza and María Luisa Jordá Castro were appointed members of the board of directors at the general meeting of shareholders held on 21 March 2019.

Breakdown of the total amounts shown in preceding table for each director in their capacity as such between fixed remuneration and attendance fees for meetings of the board of directors and board committees in 2019 and 2018:

Directors	In euros			
	2019		2018	
	Fixed remuneration	Attendance fees	Fixed remuneration	Attendance fees
Pedro Guerrero Guerrero	187,443	47,412	184,309	47,704
Cartival, S.A.	181,930	36,386	178,888	35,778
María Dolores Dancausa Treviño	165,391	29,219	162,626	29,815
Marcelino Botín-Sanz de Sautuola y Naveda	93,721	19,296	92,155	19,515
Fernando Masaveu Herrero	93,721	26,995	92,155	29,851
Gonzalo de la Hoz Lizcano	126,799	54,000	124,680	52,582
Jaime Terceiro Lomba	110,260	58,438	108,417	63,424
Rafael Mateu de Ros Cerezo	110,260	60,643	108,417	62,340
María Teresa Pulido Mendoza	93,721	18,193	92,155	14,636
Teresa Martín-Retortillo Rubio (1)	93,721	30,303	92,155	27,646
Alvaro Álvarez-Alonso Plaza (2)	72,894	19,847	-	-
María Luisa Jordá Castro (2)	72,894	23,155	-	-
Subtotals	1,402,757	423,887	1,235,957	383,291
Total	1,826,644		1,619,248	

⁽¹⁾ Teresa Martín-Retortillo Rubio was appointed independent external director by co-option on 7 November 2017.

⁽²⁾ Álvaro Álvarez-Alonso Plaza and María Luisa Jordá Castro were appointed members of the board of directors at the general meeting of shareholders held on 21 March 2019.

Bankinter does not have any pension obligations to external or non-executive directors.

B.2.1.2 Remuneration of directors for performing their functions in Bankinter Group companies as such

(**) In 2019, the independent directors, Gonzalo de la Hoz Lizcano and Rafael Mateu de Ros, received 33,660 euros and 17,952 euros, respectively, in fees for attending meetings of the board of directors of Línea Directa Aseguradora, S.A.

Gonzalo de la Hoz Lizcano also serves as a director of Bankinter Global Services, S.A., a Group technology services and operations company, and received fees amounting to 7,344 euros for attending meetings of the board of directors in 2019.

Since 31 May 2019, Teresa Martín-Retortillo Rubio has a seat on the board of EVO Banco, a Bankinter subsidiary, and is a member of its supervisory committees (3), chairing one of them. In 2019, she received 59,200 euros in fees for attending EVA Banco's board and committee meetings.

B.2.2 Remuneration received in 2019 by the non-executive chairman of the board of directors for non-executive institutional functions

The amount of this remuneration in 2019 was 718,392 thousand euros.

The chairman of the board of directors has also received as beneficiary of medical insurance policies and other items of remuneration in kind and other corporate benefits totalling 6,477 euros.

The chairman of the board does not receive any variable remuneration for the reasons noted in the previous point on non-executive directors.

Bankinter has not agreed any golden parachute clauses with the chairman in his services contract, or any clauses that link the accrual of financial rights to situations of change of control over the bank, which are common clauses in these types of contracts in large companies.

Bankinter does not have any pension obligations with its current non-executive chairman.

B.2.3 Remuneration accrued in 2019 by executive directors for their executive duties

Bankinter's board of directors had two executive directors in 2019: (i) the CEO, Ms María Dolores Dancausa Treviño, and (ii) the Executive Vice-Chairman, Mr Alfonso Botín-Sanz de Sautuola y Naveda, representing Cartival, S.A.

B.2.3.1 Components of remuneration of executive directors for their executive duties

Components of remuneration of executive directors in 2019 for their executive duties:

- basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility; and
- variable remuneration, which reflects sustainability of performance and is adapted to risk.

a) Fixed remuneration:

Basic fixed remuneration, which primarily reflects the professional experience and organisational responsibility.

b) Variable remuneration:

i) Annual variable remuneration:

The annual variable remuneration system for executive directors was the same as that for other Bankinter Group employees who receive this type of remuneration.

Annual variable remuneration is linked to the achievement of the following targets: i) Profit before tax (PBT), to contribute to the appropriate management of risks and their association with medium- and long-term management, and ii) gross operating income, a critical factor in medium- and long-term business sustainability and in alignment with the bank's risk policy, as approved by the board of directors on the recommendation of the remuneration committee. These indicators - PBT and gross operating income - account for 60% and 40%, respectively, of variable remuneration. The variable component accrues from the achievement of 90% and up to a maximum of 120% of the targets, potentially resulting in between 80% and 120% of the variable amount assigned to each beneficiary, according to the aforementioned achievement percentages. Therefore, the total incentive amount to be received for the maximum level of achievement of targets is 120% of the benchmark incentive. Pursuant to these tables of achievement and accrual, the global percentage accrual of the incentive in 2019 was 99.55% (the global accrual percentage in 2018 was 98.26%). The following table presents the level of achievement of objectives and accrual of the incentive based on two objectives to which annual variable remuneration accrued in 2019 and 2018 was linked:

Benchmark annual variable remuneration target	2019			2018		
	% weight	% achievement of objective	% accrual of incentive	% weight	% achievement of objective	% accrual of incentive
PBT	60	99.02	98.04	60	98.54	97.08
Gross operating income	40	101.82	101.82	40	100.04	100.04
% global accrual of incentive	99.55			98.26		

Furthermore, to earn this variable remuneration, the following indicators (which may reduce accrued variable remuneration to zero but may never increase the amount) had to be met cumulatively:

- Risk appetite framework ratios, which measure the following risks: credit risk, solvency risk, liquidity risk, interest rate risk and reputational risk, which must meet the condition of not exceeding the risk level defined in the risk appetite framework. The level of achievement of this indicator in 2019 was over 100%. Therefore, the amount of the variable remuneration receivable for the EBT and gross operating income objective will also not decrease.

- RoE (return on equity invested), which had to exceed 9.5% to accrue 100% of the incentive attained. If this ratio were between 9% and 9.5%, 50% of the achieved indicators would be made payable; however, if it were below 9%, no amount whatsoever would be paid. The percentage achievement for this indicator was above 100% in 2019. Therefore, the amount of the variable remuneration to be received for the PBT and gross operating income objectives is not reduced. The final percentage achievement was the 99.55% mentioned above.

Ultimately, 99.55% of annual variable remuneration was accrued.

ii) Multi-year variable remuneration:

A multi-year incentive plan for 2019-2021, whose beneficiaries include executive directors, is also in effect. Its key features are described in **Appendix 2** to this report.

Each year **the Group's RoE** must be above the mid-point for the peer group of entities ("Peer Group") at 31 December of each year. The Peer Group for 2019 comprises: Santander, BBVA, CaixaBank, Bankia and Sabadell.

At 31 December 2019, the Group's RoE was 12.98%, above the mid-point for the Peer Group.

B.2.3.2 Amounts of remuneration accrued in 2019 by the executive vice-chairman

a) Amount of fixed remuneration received by the executive vice-chairman in 2019

CARTIVAL, S.A., executive vice-chairman of Bankinter, received a total of 610,932 euros as fixed remuneration.

The executive vice-chairman does not receive remuneration in kind or remuneration for any other items.

b) Amount of annual variable remuneration accrued by the executive vice-chairman in 2019

At the end of 2019, as a result of the achievement rate previously mentioned, the amount of variable incentive accrued by the executive vice-chairman was 212,868 euros. This amount will be paid in the form and time frame indicated below:

- In cash (the gross amounts accrued are provided below. These amounts will be paid net of tax):
 - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2019: 63,860 euros.
 - 50% of the **deferred** variable remuneration accrued under the variable incentive in 2019 will be paid in cash:

- 1/5 of 50% of the deferred variable remuneration earned under the variable incentive for 2019 will be paid in January 2021: 8,515 euros.
- 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2022: 8,515 euros.
- 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2023: 8,515 euros.
- 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2024: 8,515 euros.
- 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2025: 8,515 euros.

- In shares² (as stated above, conditional upon shareholders' approval in the annual general meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is as follows:
 - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2019: 9,905 shares, at a price of 6.44708 euros/share. This was the average quoted price of Bankinter shares at the close of business for the trading sessions held between 2 January and 20 January 2020, both inclusive. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 trading days after approval.
 - 50% of the **deferred** variable remuneration accrued by the variable incentive in 2019 will be paid in shares. The share reference price to obtain the amount of shares to be delivered in 6.44708 euros/share; i.e. the average quoted price of Bankinter shares at the close of trading between 2 January and 20 January 2020, both inclusive, as explained above, broken down as follows:
 - 1,320 Bankinter shares will be delivered in the month of January 2021, corresponding to 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 1,320 Bankinter shares will be delivered in the month of January 2022, corresponding to 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 1,320 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 1,320 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 1,320 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 50% of the deferred variable remuneration accrued by the variable incentive in 2019.

The shares will be delivered net of taxes and in accordance with the schedule provided previously.

B.2.3.3 Amounts of remuneration accrued in 2019 by the chief executive officer

a) Amount of fixed remuneration received by the chief executive officer in 2019

² Nonetheless, for the executive vice-chairman, shares will be delivered if they are approved by shareholders at the general meeting of Bankinter in 2020 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

María Dolores Dancausa Treviño, chief executive officer of Bankinter, received a total of 897,784 euros as fixed remuneration.

The chief executive officer also received 13,905 euros as beneficiary of medical insurance policies and other items of remuneration in kind or other corporate benefits.

b) Contributions to the pension scheme in 2019 and accumulated amounts

An annual contribution was made to the "Supplementary pension scheme for executive directors and management committee members" on behalf of the chief executive officer for 2019 of 538,670 euros, taking the accumulated amount to 1,657 thousand euros.

c) Amount of annual variable remuneration accrued by the chief executive officer in 2019

At the end of 2019, as a result of the achievement rate previously mentioned, the amount of variable incentive accrued by the chief executive officer was 312,817 euros. This amount will be paid in the form and time frame indicated below:

- In cash (the gross amounts accrued are provided below. These amounts will be paid net of tax):
 - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2019: 62,563.45 euros.
 - 40% of the **deferred** variable remuneration accrued under the variable incentive in 2019 will be paid in cash:
 - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2021: 15,015 euros.
 - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2022: 15,015 euros.
 - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2023: 15,015 euros.
 - 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2024: 15,015 euros.

- 1/5 of 40% of the deferred variable remuneration accrued by the variable incentive for 2019 will be paid in January 2025: 15,015 euros.
- In shares³ (as stated above, conditional upon shareholders' approval in the Annual General Meeting). The maximum number of Bankinter shares to be delivered, as calculated over gross amounts accrued, is as follows:
 - 50% of the **non-deferred** variable remuneration accrued under the variable incentive in 2019: 9,704 shares, at a price of 6.44708 euros/share. This was the average quoted price of the Bankinter share at the close of business for the trading sessions held between 2 January and 20 January 2020, both inclusive. If shareholders at the General Meeting approve this delivery of shares, the shares will be delivered within 15 trading days after approval.
 - 60% of the **deferred** variable remuneration accrued by the variable incentive in 2019 will be paid in shares, taking a price of 6.44708 euros/share, i.e. the average quoted price of Bankinter shares at the close of trading between 2 January and 20 January 2020, both inclusive, as explained above:
 - 3,493 Bankinter shares will be delivered in the month of January 2021, corresponding to 1/5 of 60% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 3,493 Bankinter shares will be delivered in the month of January 2022, corresponding to 1/5 of 60% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 3,493 Bankinter shares will be delivered in the month of January 2023, corresponding to 1/5 of 60% of the deferred variable remuneration accrued by the variable incentive in 2019.
 - 3,493 Bankinter shares will be delivered in the month of January 2024, corresponding to 1/5 of 60% of the deferred variable remuneration accrued by the variable incentive in 2019.

³ Nonetheless, for the chief executive officer, shares will be delivered if they are approved by the shareholders at general meeting of Bankinter in 2020 (one year after remuneration has accrued), as required by article 219 of the Spanish Companies Act.

- 3,493 Bankinter shares will be delivered in the month of January 2025, corresponding to 1/5 of 60% of the deferred variable remuneration accrued by the variable incentive in 2019.

The following table presents the aforementioned amounts accrued by executive directors in 2019, all from the annual variable remuneration:

Beneficiary	Year of payment	Not deferred	Deferred				
		2020	2021	2022	2023	2024	2025
% annual variable remuneration accrued		40% (50% in € / 50% in shares)	60% (40% in € / 60% in shares)				
Chief executive officer	In cash (€)	62,563.45	15,015.23	15,015.23	15,015.23	15,015.23	15,015.23
	Shares (*)	9,704	3,493	3,493	3,493	3,493	3,493
% annual variable remuneration accrued		60% (50% in € / 50% in shares)	40% (50% in € / 50% in shares)				
Vice-chairman	In cash (€)	63,860.42	8,514.72	8,514.72	8,514.72	8,514.72	8,514.72
	Shares (*)	9,905	1,320	1,320	1,320	1,320	1,320

(*) To be approved at the general meeting of shareholders.

The shares will be delivered net of taxes and in accordance with the schedule provided previously.

B.2.3.4 Delivery of shares to executive directors in 2019 from variable remuneration accrued in previous years

Moreover, in 2019, the executive directors received the shares relating to the deferred variable remuneration accrued in 2015, 2016 and 2017, the shares to be delivered immediately for remuneration accrued in 2018, and the shares to delivered immediately for multi-year remuneration accrued in 2018, in accordance with the resolutions approved by the shareholders at the annual general meetings held in 2016 and 2019, respectively.

Detail of the shares delivered in 2019:

Executive director	Delivery of shares corresponding to the annual variable remuneration accrued in 2015 (13.33%)		Delivery of shares corresponding to the annual variable remuneration accrued in 2016 (13.33%)		Delivery of shares corresponding to the annual variable remuneration accrued in 2017 (13.33%)		Delivery of shares corresponding to the annual variable remuneration accrued in 2018 (vice-chairman: 30%; chief executive officer: 20%)		Delivery of shares corresponding to the multi-year variable remuneration accrued in 2018 (vice-chairman: 30%; chief executive officer: 20%)	
	Unit price assigned to each share ¹	In shares ⁵	Unit price assigned to each share ²	In shares ⁵	Unit price assigned to each share ³	In shares ⁵	Unit price assigned to each share ⁴	In shares ⁵	Unit price assigned to each share ⁴	In shares ⁵
CARTIVAL, S.A.	6.1680	1,743	7.5374	1,518	8.3072	1,722	7.022	8,826	7.022	62,866
María Dolores Dancausa Treviño	6.1680	1,602	7.5374	1,447	8.3072	1,577	7.022	5,496	7.022	36,672

1 Average quoted price of the Bankinter share at market close for each trading session held between 4 January and 20 January 2016.

2 Average quoted price of the Bankinter share at market close for each trading session held between 4 January and 20 January 2017.

3 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2018.

4 Average quoted price of the Bankinter share at market close for each trading session held between 2 January and 20 January 2018.

5 Number of shares delivered net of the related tax.

B.2.4 Modifications to contractual conditions

No significant modifications were made to the contracts of the non-executive chairman of the board or of executive directors in 2019. The characteristics of the chairman's and executive directors' contracts are set out in section 3.4 of this report.

B.2.5 Other remuneration

No remuneration has accrued to Bankinter directors by way of a consideration for services provided other than those inherent to their posts, or remuneration at companies for their services at a third-party company at which the director provides services.

Remuneration in the form of advances, loans and guarantees:

The members of Bankinter's board of directors have received no sum of any kind as compensation in the form of advances, credits, loans from the Entity or guarantees extended on their behalf.

Nevertheless, Bankinter directors maintain risk positions in their name, which are consistent with market conditions and on an arm's length basis; under contracts with standard terms that generally and customarily apply to all other customers.

At its meeting of 22 April 2015, Bankinter's board of directors approved a procedure for approving credit transactions, sureties and guarantees for Bankinter senior officers. It is in line with and follows the principles and standards laid down in the policy on the prevention of conflicts of interest of senior officers approved by the board on the same date. The procedure defines the internal process for approving credit transactions/guarantees and sureties for Bankinter senior officers, before or after authorisation is requested from the competent supervisory authority in accordance

with Law 10/2014 of 26 June on the Organisation, Supervision and Solvency of Financial Institutions, implemented subsequently by Article 35 on *'Restrictions on the provision of loans, bonds and guarantees for Bankinter's senior management'* of Royal Decree 84/2015 of 13 February and by Rule 35 on *'The procedure for authorising and disclosing credits, guarantees and sureties for senior officers at credit institutions'* in Banco de España Circular 2/2016 of 2 February.

This procedure was revised and updated on 16 November 2016. The revisions to it were technical in nature. The Company is currently revising the policy to make further technical improvements.

OTHER INFORMATION OF INTEREST

If there are any relevant issues relating to directors' remuneration that you have not been able to address in the previous sections of this report, but which are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

As supplementary information and though it does not apply to this report, by virtue of the Bank's commitment to maximum transparency, it is hereby disclosed that Mr Alfonso Botín-Sanz de Sautuola y Naveda, representing the corporate director CARTIVAL, S.A. on Bankinter's Board of Directors, is personally Executive Chairman of Línea Directa Aseguradora, S.A Compañía de Seguros y Reaseguros, a wholly-owned subsidiary of the Bank, received 197,074 euros as fixed remuneration and 42,568 euros as annual variable remuneration for executive duties as chairman of the aforementioned subsidiary in 2019.

APPENDIX 1. CHARACTERISTICS OF THE PENSION SCHEME

i) Objectives:

To better align remuneration with the market while following the Entity's prudential criteria by implementing a pension scheme that includes annual contributions. which Bankinter did not have until now.

To comply with internal remuneration criteria, including:

- Having an appropriate balance between pension contributions and functional scope/responsibilities.
- Increasing the weight of long-term remuneration items in the total compensation package.
- Maintaining maximum flexibility to adapt the pension regime to market and internal conditions, whereby the board of directors may scale down or cancel this scheme at any time.

ii) Characteristics of market data (*benchmark*) used:

This decision was taken based on Willis Towers Watson market research.

The sample of financial institutions considered in the study included Spanish and European institutions⁴.

The pension schemes analysed (within the second quartile) include an annual contribution of 55% of chief executive officers' base salary.

iii) Pension scheme beneficiaries:

The scope of the scheme covers the chief executive officer among board members.

iv) Pension scheme financial terms and timeframes:

The initial contribution is 656,560 euros, paid when beneficiaries are named if they are already Bankinter employees. For external appointments, the initial contribution is made one year after the appointment. The contribution and amount are the same as those applicable in the current system.

⁴ Abanca, ING España, Banco Sabadell, Banco Santander España, Bankia, BBVA España, Caixabank, WiZink Banco, Banca March, BayernLB (Germany), Belfius Bank (Belgium), Banco BPM (Italy), Zürcher Kantonalbank (Switzerland), UBI Banca (Italy), Medio Banca (Italy) and De Volksbank (the Netherlands).

There is a five-year grace period on subsequent annual contributions, counting from the date of the initial contribution.

As of the sixth year from the initial contribution, an annual contribution will be made for a percentage of the base salary in the year of the contribution (in line with the market average; i.e. 55% of the base salary, according to market studies).

The base salary is the same as the gross fixed salary; i.e. no variable compensation is included in the calculation of the annual contribution amount.

15% of the contribution is considered discretionary pension benefits according to Banco de España Circular 2/2016. Therefore, it is entirely subject to a 5-year deferral and to the same malus and clawback, where appropriate.

The board of directors may amend or cancel the scheme at any time, in accordance with market and internal conditions.

The benefit becomes a vested right only under the following circumstances:

- Retirement
- Death
- Permanent disability

APPENDIX 2. KEY FEATURES OF THE 2019-2021 MULTI-YEAR VARIABLE REMUNERATION APPROVED BY THE BOARD OF DIRECTORS ON 20 FEBRUARY 2019

On a recommendation by the remuneration committee, the board of directors approved a long-term incentive plan for 2019-2021 (the "Plan"), in accordance with the director remuneration policy, to be submitted to a vote at the 2019 annual general meeting.

The main features of this plan were described in the report on director remuneration approved in a consultative vote at the 2019 annual general meeting are as follows:

1. Plan objectives

Plan objectives are as follows:

- To improve levels of engagement and loyalty among "key" officers and employees.
- To bring "key" officers and employees in line with the Bank's Strategic Plan for the 2019-2021 horizon, showing them a long-term vision of the Bank that will generate a culture of sustainability.

Accordingly, this Plan is in addition to any other variable remuneration plans existing now or in future at Bankinter Group.

2. Participants: Executive vice-chairman, chief executive officer, management team, regional unit heads and other key individuals. Currently, 70 persons in total.

3.- Duration: 3 years for calculating the amount accrued (2019-2021) and 5 years of deferral, running from 31 December 2021 in the case of executive directors and members of the management team (i.e. 2023, 2024, 2025, 2026 and 2027) and 3 years of deferral for all other participants (i.e. 2023, 2024 and 2025).

4. Benchmark amount of the incentive (target incentive):

- Two annual instalments of the gross annual fixed salary as at 31 December received by the plan beneficiary.
- Remuneration in kind, company benefits and any other type of variable remuneration paid in 2018 are expressly excluded from the calculation of the target incentive.

5. Indicators

100% of the target incentive is subject to the following indicators:

- Each year the **Group's RoE must be above the mid-point for the peer group of entities ('Peer Group') at 31 December of each year.**

The remuneration committee shall review the Peer Group each year so as to ensure that it continues to be representative of the market in response to market changes.

The Peer Group for 2020 comprises: Santander, BBVA, CaixaBank, Bankia and Sabadell.

% Group RoE	% of Incentive accrued at 31 December 2019	% of Incentive accrued at 31 December 2020	% of Incentive accrued at 31 December 2021
X => midpoint of the Peer Group	100% of 1/3 of the Target Incentive	100% of 1/3 of the Target Incentive	100% of 1/3 of the Target Incentive
X < midpoint of the Peer Group	0%	0%	0%

- Further, **RoE for the Banking Business** ("Net profit/(loss) from the inventoried Banking Business for Iberia, including Avantcard but excluding EVO Banco and Línea Directa Aseguradora, as a percentage of Adjusted Equity") must reach 13% at 31 December 2021 –calculated as the arithmetic mean of this indicator at 31 December 2019, 2020 and 2021– in order for 100% of the accrued Incentive to become vested in accordance with the Group's RoE objective.

If RoE for the Banking Business at 31 December 2021 (calculated in the manner described in the preceding paragraph) is less or more than 13%, the entire Target Incentive shall be adjusted accordingly as per the scale shown.

Mean RoE (%) Banking Business	% achievement
RoE <12%	0%
12% ≤ RoE ≤13%	50% ≤ X ≤100%
13% ≤ RoE ≤14%	100% ≤ X ≤150%
14% ≤ RoE	150%

6. Basic conditions for payment of the Incentive

a) Reaching the minimum threshold of compliance with targets.

b) Other conditions

Furthermore, the following conditions will be necessary and indispensable for payment:

- Being part of and active in the group on the accrual dates. The right to receive this Incentive shall automatically lapse if the employment or commercial relationship between Bank and employee terminates for any reason before the award date, without any obligation on the Bank to communicate this circumstance.
- The employee must retain the same functional level or responsibilities he or she held at the time the Plan was approved.

7.- Payment of the Incentive

- The Incentive shall be paid to the Beneficiaries, in cash and Bankinter, S.A. shares, in accordance with the following scheme:

a. Chief executive officer and participants who receive a particularly high amount of variable remuneration:

- 40% of the total Incentive accrued shall be paid immediately as follows:
 - 50% will be paid in cash, with the February 2022 payslip.
 - The remaining 50% shall be given to beneficiaries as 'net' Bankinter shares (i.e. after deducting the amount of personal income tax withholding for 2022), which shall be deposited in beneficiaries' securities accounts after the 2022 annual general meeting.
- The remaining 60% of the incentive accrued shall be paid, in fifths, over five years from the time it accrues (2023, 2024, 2025, 2026 and 2027). Each payment shall be made with 40% in cash and 60% in net shares.

b. Other executive directors and members of senior management

- 60% of the total Incentive accrued will be paid immediately as follows:
 - 50% will be paid in cash, with the February 2022 payslip.
 - The remaining 50% shall be given to beneficiaries as 'net' Bankinter shares (i.e. after deducting the amount of personal income tax withholding for 2022), which shall be deposited in beneficiaries' securities accounts after the 2022 annual general meeting.

- The remaining 40% of the Incentive accrued shall be paid, in fifths, over five years from the time it accrues (2023, 2024, 2025, 2026 and 2027). Each payment shall be 50% in cash and 50% in net shares.

c. Other participants

- 60% of the total Incentive accrued will be paid immediately as follows:
 - 50% will be paid in cash, with the February 2022 payslip.
 - The remaining 50% shall be given to beneficiaries as 'net' Bankinter shares (i.e. after deducting the amount of personal income tax withholding for 2022), which shall be deposited in beneficiaries' securities accounts after the 2022 annual general meeting.
- The remaining 40% of the Incentive accrued shall be paid, in thirds, over three years from the time it accrues (2023, 2024 and 2025). Each payment shall be 50% in cash and 50% in net shares.
- Delivered shares will be subject to a one-year retention period.
- Malus and clawback clauses shall apply in accordance with the Bank's remuneration policy.



**Activity report
of the Remuneration
Committee
of Bankinter
2019**

In accordance with articles 31 et seq. of the Corporate By-laws, Bankinter's board of directors has set up various committees to help it discharge its duties, including the remuneration committee, which aids the board on matters relating to remuneration.

The remuneration committee's delegated functions and rules of organisation and operation are governed by article 40 of the Rules and Regulations of the Board of Directors, which can be found on Bankinter's corporate website (www.bankinter.com/webcorporativa).

1. Composition

In accordance with the Rules and Regulations of the Board of Directors, the remuneration committee shall comprise non-executive directors only, with a majority of independent directors. The chairman shall always be an independent director.

The following directors (all independent) sat on Bankinter's remuneration committee at the end of 2019:

Chairman:

- Gonzalo de la Hoz Lizcano (independent external director)

Members:

- Jaime Terceiro Lomba (independent external director)
- Rafael Mateu de Ros Cerezo (independent external director)
- Mr Fernando Masaveu Herrero (external proprietary director)
- Teresa Martín-Retortillo Rubio (independent external director)
- Álvaro Álvarez-Alonso Plaza (independent external director)

The secretary of the board of directors acts as secretary of the committee.

2. Operation and running

In order to fully discharge its duties, the remuneration committee shall meet as often as it or its chairman agrees to convene a meeting.

The committee may instruct its own chairman to invite the Bank's chairman, vice-chairman (if executive), chief executive officer, or any other executive directors or senior officers to attend committee meetings called to discuss and vote on executive directors or senior officers other than those in attendance, or to discuss matters concerning the remuneration of senior officers. The committee must always consult the chairman, vice-chairman (if executive) and the chief executive officer before carrying any resolution or drawing up any report in relation to those matters.

The remuneration committee shall have access to all information and documentation needed to properly discharge its duties, and may seek the assistance of advisers, consultants, experts and other independent professionals.

The chairman of the remuneration committee shall report to the board of directors on all activities and work performed by the committee, whether at specific meetings scheduled for that purpose or at the next board meeting if the chairman deems this necessary. The committee shall provide board members with copies of the minutes of such meetings.

3. Remit

The remuneration committee has the following remit, pursuant to article 40 of the Rules and Regulations of the Board of Directors:

1. Submitting the director remuneration policy and the individual remuneration of directors to the board of directors for its approval, along with the corresponding annual director remuneration report (which the board shall then lay before shareholders at a general meeting for a consultative vote).
2. Submitting a proposal to the board of directors on the individual remuneration of executive directors and, as the case may be, external directors, for the performance of duties other than those of a director and other terms and conditions of their contracts.
3. Proposing the remuneration policy for senior managers, including managing directors or those who perform senior management duties and report directly to the board, to executive committees or to chief executive officers, as well as their individual remuneration and other basic terms and conditions of their contracts.
4. Setting the remuneration of members who are not considered senior managers but who receive significant remuneration (especially variable remuneration), and whose activities may have a significant impact on the Group's risk profile.
5. Verifying the extent of compliance with the remuneration policy in general during the financial year and enforcing compliance.
6. Conducting regular reviews of remuneration programmes; assessing their implementation and effectiveness; and ensuring that director remuneration conforms to standards of moderation and the Bank's results.
7. Ensuring transparent remuneration and that it is mentioned in the annual report and in any other annual reports containing information on director remuneration; and, to this end, submitting relevant information to the board.

8. Reporting on incentive plans for senior managers or employees that are pegged to the performance of the Bank's listed share price or other variable indices, as well as on remuneration systems for the Bank's management team based on collective insurance systems or deferred remuneration systems, if applicable.
9. Performing such other duties as may be delegated to the committee under these rules and regulations or by the board of directors.

4. Activities of the committee in 2019

The committee performs its duties with complete operational independence. It is led by its chairman, who sets a calendar of meetings and (if necessary) calls any meetings that were not originally envisaged in that calendar; decides the business to be included on the agenda; and decides which Bank employees, senior officers or third parties deemed necessary for the proper performance of the committee's duties should attend meetings. The committee always has full support from the Bank's executive departments and support units, and reports regularly on its activities to the board of directors.

Committee meetings in 2019

The remuneration committee held five meetings in 2019. Full attendance was reported at all such meetings, with all committee members either present or duly represented by proxy.

The main activities undertaken by Bankinter's remuneration committee in 2019 are described below:

4.1. Determining the individual remuneration of the non-executive chairman, the executive directors and the senior management and submitting a proposal to the board.

- Remuneration of the non-executive chairman of the board:

The remuneration committee advised the board of directors to update the remuneration of the board's chairman, who receives only fixed remuneration. The adjustment, subject to information in the Report on the remuneration of directors, is submitted to a consultative vote at the annual general meeting, is 1.1%, the same as for the remuneration of directors for their supervisory duties, which the same as the inflation rate for 2019.

- Remuneration of executive directors and senior management:

Bankinter's remuneration committee has scrutinised the following matters relating to the remuneration of executive directors:

- Recommendation submitted to the board of directors, at a meeting held on 16 December 2019, on the amount of fixed and variable remuneration payable to executive directors in 2020. In setting these amounts, the committee relied on reports drawn up by external consultants, which included a group of domestic and European peer entities, as was the case the year before. Further information on this point can be found in the report on director remuneration available on the corporate website. The committee also advised the board of directors on the best structure of indicators and weightings for determining annual variable remuneration for 2020, as per the approved remuneration policy. It also recommended suitable indicator attainment levels for payment of variable remuneration. All of this information is duly explained in the report on director remuneration made available to shareholders. When drawing up its proposal, the remuneration committee requested a report from the risk committee confirming that the incentives set out in the remuneration system are consistent and compatible with the Bank's position in terms of risk, capital, liquidity and probability and opportunity for profit. The risk committee received an assessment of the suitability of parameters and values proposed as targets for the 2020 variable incentive. The report concluded that the targets are consistent with Bankinter's risk appetite and show a suitable balance between the different targets so as not to encourage behaviour or conduct that might generate excessive risk-taking.
- Verification of the achievement of targets of the annual variable remuneration accrued in 2019 and the multi-year variable remuneration (2016-2018) and the related terms of settlement, in accordance with the Bank's general remuneration policy applicable for 2019. The committee also relied on the certificate issued by the chief HR and internal communication officer, the chief financial officer, and the chief risk officer, confirming that the financial information warranting payment of the accrued annual variable remuneration and multi-year variable remuneration accrued is adequate and has been validated by the relevant departments.

4.2. Multi-year variable remuneration (long-term incentive)

At a meeting held on 18 February 2019, the remuneration committee advised the board of directors to approve the implementation of a multi-year incentive plan for executive directors, among other beneficiaries. The characteristics of this plan are described in the report on the remuneration of directors approved (in a consultative vote) at the annual general meeting held in March 2019. The remuneration committee received information from the approval to the date of this report on the achievement of the plan objectives. The related data are presented in the report on the remuneration of directors.

4.3.- Proposed annual report on director remuneration

In 2019, in compliance with its duties, the remuneration committee analysed and approved the report on director remuneration of directors for 2018, pursuant to art. 541 de of the Spanish Companies Act. This approval was then laid before shareholders at the annual general meeting held in 2019. The report was found to be compliant with the form, content and structure defined in Circular 2/2018, of 12 June, of the Spanish National Securities Market Commission la Comisión Nacional del Mercado de Valores, which for the first time permitted institutions that did not wish to use the standardised electronic document to present their report in a free format. However, they must comply with the minimum requirements provided in that Circular, and must be necessarily accompanied by statistical appendices in order to continue to provide a minimum amount of information in a standardised format to help the CNMV with the compilation and subsequent processing of data, so that the CNMV can continue to exercise its supervisory functions effectively.

The remuneration committee decided to submit its proposed report on the remuneration of directors to the board of directors in the free format, respecting the minimum content to be included and accompanying it with the statistical appendices.

This report contains a description of the remuneration policy for the financial year in progress, an overall summary of how the policy was applied in the previous year and details of the individual remuneration accrued by each of the directors in the financial year in question.

The report on director remuneration was approved by 91.019% of the total share capital present in person and represented by proxy at the 2019 general meeting of shareholders.

As at the date of issue of this activity report, the remuneration committee submit for approval by the board of directors the report on the remuneration of directors with data for 2020 and 2019, also in the free format, so that, as appropriate, the board could submit it for a consultative vote at the annual general meeting to be held in March 2020.

4.4. Verification of information on the remuneration of executive directors and senior managers in corporate documents

The committee has verified the information on the remuneration of executive directors and senior managers contained in the corresponding note to the financial statements, the annual report on director remuneration and the Pillar 3 disclosure report.

4.5. Determining the identified staff

Each year, the remuneration committee verifies and defines the composition of, and potential exclusions from, the identified staff of Bankinter Group, in accordance with prevailing regulations and the policy for determining the identified staff of Bankinter Group.

4.6. Review of remuneration policies and procedures

- Director Remuneration Policy for 2019, 2020 and 2021:

The remuneration committee continuously reviews remuneration policies and procedures. It makes any changes deemed necessary to bring them in line with the most stringent domestic and foreign recommendations and standards.

The committee advised the board to submit a new director remuneration policy for 2019, 2020 and 2021, which superseded and replaced, for 2019 and 2020, the existing director remuneration policy of Bankinter, S.A. That policy was approved at the annual general meeting held in March 2019, with 91.655% of votes in favour.

This new director remuneration policy is being submitted to the general meeting for the three years mentioned (rendering the current remuneration policy null and void) not because of changes in the principles, foundations, structure or other characteristics of the director remuneration policy prevailing at that time, but rather to include, in a single document, all the information required of Bankinter as a credit institution and listed company.

- Motion for modification of the Director Remuneration Policy for 2020, 2021 and 2020 to be paid before shareholders at the annual general meeting to be held in March 2020:

At its meeting of 17 February 2020, the remuneration committee has prepared, for submission to the board in full, a report on the proposed modification of the Director Remuneration Policy for 2019 to 2021, inclusive. If approved, it will replace in full the policy approved at the annual general meeting held on 21 March 2019, without prejudice to any effect occurring or established while it was in force.

The proposed amendments to the remuneration policy approved on 21 March 2019 are justified by the following reasons:

The current remuneration policy authorises the board of directors to modify and adjust the number of shares to be delivered to executive directors are part of the deferred variable remuneration in shares under the following terms⁵:

"The board of directors is authorised to modify and adjust the number of shares to be delivered on each of the aforementioned dates when an increase in capital in the form of a bonus share issue and/or with a charge to reserves, a split or reverse split of the outstanding shares, or any other corporate transaction of a similar nature or having similar effects has been carried out between the date of approval of the related resolution and the date of effective delivery."

Bankinter's board of directors is authorised to modify and adjust the number of shares to be delivered as part of the deferred variable remuneration in shares when there is a bonus share issue, a *split* or a *reverse split* of Bankinter shares, or "*any other corporate transaction of a similar nature or having similar effects*".

Nevertheless, the possibility of different situations, events or special circumstances arising, or regulatory requirements or recommendations to be issued by regulatory or supervisory bodies, and corporate transactions may trigger changes in the unit value of Bankinter's shares, which could therefore affect the initial value of the investment made by any Bankinter shareholder must be clearly explained in the aforementioned policy. In these cases, Bankinter's board of directors is also authorised to make the necessary adjustments to offset the loss of value of the Bank's shares resulting exclusively from these situations, events, special circumstances or corporate transactions to maintain the balance of its remuneration system.

To do so, Bankinter must have the appropriate corrective mechanisms to ensure that variable remuneration is the same as the amount that would have been paid if such events had not occurred.

The proposed amendments to the remuneration policy have been explained in the report prepared by the remuneration committee and made available to shareholders on Bankinter's corporate website for the announcement of the general meeting at which the amendments will be submitted for approval.

The remuneration committee considers that the proposed modification is in line with applicable regulators, particularly regarding remuneration of listed credit institutions, and complies with criteria of prudence in risk-taking, good governance and transparency, and is aligned with the interests of shareholders.

4.7.- Exercise of duties in Group subsidiaries

⁵ Section 3.3.c) ii of the Bankinter director remuneration policy on the timing, terms and conditions for delivering variable remuneration.

The remuneration committee exercise duties at Group level on an ongoing basis both specifically and in coordination with areas under its remit.

In some cases, it assumes remuneration committee duties of Group companies that, although they do not have their own committees because of their size and composition, need supervision of matters under the remit of this committee. Specifically, it performs this duty in Group companies Bankinter Consumer Finance, Bankinter Asset Management, Bankinter Venture Capital and Bankinter Luxembourg.