Articles of Association of ABANCA Corporación Bancaria, S.A.
Abanca Banking Corporation, S.A. is the result of the merger between NCG Banco, S.A. and Banco Etcheverría, S.A.

Banco Etcheverría was founded in Galicia in the 18th century, and today it is the senior member of the Spanish banking industry. Throughout its many years of history, Banco Etcheverría has developed its activity continuously aimed at meeting the needs of its customers, and over generations it has achieved a distinguishing culture in customer service, very close to its customers and workforce, based on profound principles such as service and prudence. It is the aim of ABANCA Corporación Bancaria, S.A to maintain these qualities, beginning with the corporate headquarters of Banco Etcheverría.

In addition, and in consideration to the entities to which it owes its origin, ABANCA Corporación Bancaria, S.A declares its commitment to sustainable banking for the benefit of its customers, and above all its commitment to the revitalisation of the Galician business fabric and to foster the social and economic development of Galicia.

**PART I. THE COMPANY AND ITS SHARE CAPITAL**

**Section 1 Identification of the Company**

**Article 1. Company name**

The name of the company is "ABANCA Corporación Bancaria, S.A." (hereinafter the Company) and is governed by these articles of association and the applicable law and provisions.

**Article 2. Corporate purpose**

1. The Company is the continuation, without interruption nor exception, of all the banking business of Mr. Domingo Etcheverría Naveyra, who was a banker registered in the Register of Banks and Bankers under number 112, and its corporate purpose is constituted by:
   a) all manner of activities, operations and services of the banking business in general or those related directly or indirectly to it, which are permitted by law, including the provision of investment and auxiliary services as well as activities of insurance mediation; and
   b) the acquisition, holding, use and disposal of all kinds of securities.

2. The activities that constitute the corporate purpose may be performed totally or partially in an indirect manner, in any of the legally admitted forms and, specifically, through the ownership of shares or the interest in companies or entities with an identical or similar, accessory or complementary corporate purpose to such activities.
Article 3. Registered office, branches and corporate website

1. The registered office of the Company is located in the city of Betanzos, in Calle Cantón Claudino Pita, nº2, A Coruña, Spain.

2. The board of directors is competent to resolve to change the registered office within the same municipality.

3. The board is likewise competent to decide or agree on the creation, elimination or transfer of branches, subsidiaries, representative offices or offices of the Company, both in Spain and abroad, as well as to decide on whether to provide the services that fall within its corporate purpose without the need of permanent establishment.

4. The Company has a corporate website. The board of directors may resolve its modification, transfer or deletion.

Article 4. Duration and commencement of operations

1. The Company has been established for an indefinite period.

2. The Company began its operations on the date of execution of the deed of incorporation.

Section 2 Share capital and shares

Article 5. Share capital

The share capital is of two thousand four hundred fifty-three million six hundred fifty-seven thousand four hundred and thirteen euros (€ 2,453,657,413).

It is divided into two thousand four hundred fifty-three million six hundred fifty-seven thousand four hundred and thirteen shares (2,453,657,413), having a nominal value of one euro each (€ 1), fully subscribed and paid up, belonging to the same class and series. They are numbered consecutively from 1 to 2,453,657,413, both inclusive.

Article 6. Shareholder rights

1. The share grants its holder the status of shareholder and the rights established by law and these articles of association and, in particular, the following:

   a) The right to participate in the distribution of corporate earnings and equity resulting from a winding-up process;

   b) The pre-emption right to new shares or convertible debentures into ordinary shares;

   c) The right to attend and vote at general meetings;

   d) The right to contest corporate resolutions; and

   e) The right to receive information.
The scope of all shareholder rights is determined by law and by these articles of association.

2. The shareholders shall exercise their rights before the Company with loyalty and in accordance with the required good faith.

Article 7. Joint ownership, usufruct, pledge and other rights on shares

1. Each share is indivisible. The joint owners of a share shall appoint only one person to exercise the shareholder rights and they shall be jointly and severally liable before the Company for all the obligations derived from their status of shareholders.

2. The system of joint ownership, usufruct, pledge and seizure of shares of the Company shall be determined by law and other supplementary provisions.

Article 8. Representations of the shares

1. The shares are represented through book entries and shall be governed by the Spanish Securities Market Act and other applicable regulations.

2. In accordance with the requirements and the legally established procedure, the board of directors may appoint and substitute the entity in charge of keeping the accounting records of the entries.

3. The entity in charge of keeping the accounting records of the book entries shall report to the Company the transactions involving shares and the Company shall keep its own records with the identity of shareholders.

4. The person legally authorised to keep the accounting records of the book entries shall be presumed the lawful owner and, consequently, may require the Company to provide the services that the shares entitle them to.

5. In the event that the formal status of shareholder corresponds to people or entities under a fiduciary agreement, trust, or any other similar title, the Company may request them to provide the particulars of the real holders of the shares, as well as information regarding all acts entailing the transfer or encumbrance of such shares.

Article 9. Transfer of shares

The shares and rights they include may be freely transferred by all legal means.

Article 10. Unpaid subscriptions

In the event there are shares partially unpaid, shareholders shall pay up in the manner and time determined by the board of directors within a maximum period of five (5) years as of the date of the resolution providing for the capital increase.
Section 3 Increase in capital and reductions

Article 11. Increase in capital

1. The increase in capital may be carried out by issuing new shares or by increasing the nominal value of the already existing shares and, in both cases, the exchange value may consist of cash or in-kind contributions, including receivables set-off, or transformation of profits or reserves already on the assets of the Company. Likewise, the share capital may be increased partially from new contributions and partially through the transformation of profits or reserves.

2. If the capital increase is not fully subscribed within the prescribed period, the capital shall be increased to the amount actually subscribed, unless the agreement provides otherwise.

Article 12. Authorised capital

1. The shareholders at the general meeting, under the requirements for the amendment of the articles of association, may delegate to the board of directors the power to resolve, once or on more occasions, to increase the share capital up to a certain amount, in the manner and amount it may decide without prior consultation to the general meeting and within the legally established restrictions. The delegation may include the power to exclude or limit the pre-emptive rights in accordance with the applicable law.

2. The shareholders at the general meeting may also delegate to the board of directors the power to determine the date on which the adopted resolution of increasing the share capital is to be implemented and to set the terms thereof regarding all matters not specified by the shareholders at the general meeting, pursuant to legally established limits.

Article 13. Reduction of capital

1. The share capital may be reduced by decreasing the nominal value of the shares, by their amortisation or their consolidation and, in all cases, the aim may be to return the value of the contributions, releasing the obligation to pay unpaid subscriptions, establishing or increasing the legal reserve or voluntary reserves or restoring the balance between the share capital and net assets of the Company that has been reduced as a consequence of losses.

2. In case of capital reduction through the reimbursement of contributions, the shareholders may be paid in kind provided the conditions laid down in paragraph 4 of Article 38 are met.
Section 4 Issue of debentures and other securities

Article 14. Issue of debentures and other debt securities

1. The Company may issue debentures or other securities that recognise or create a debt in accordance with the terms provided in the law, as well as to secure the issues performed by its subsidiaries.

2. The board of directors shall be competent to resolve the issue and admission to trading of debentures as well as to grant warrants related to issuing debentures.

3. The shareholders at the general meeting shall be competent to decide to issue convertible debentures into shares or issue debentures that confer to the debenture holder a stake in corporate earnings, as well as others, issue of which is incumbent upon the general meeting in accordance with the law.

4. The shareholders at the general meeting may delegate to the board of directors the power to issue the debentures referred to in section 3 above. The board of directors may exercise such delegated power once or on more occasions and during a maximum period of five (5) years.

The shareholders at a general meeting may likewise authorise the board of directors to determine the time when the issue approved is to take place, as well as to set all the remaining terms not provided in the resolution adopted at the general meeting.

Article 15. Convertible and exchangeable debentures

Convertible and/or exchangeable debentures may be issued at a fixed (determined or determinable) or variable exchange ratio. The resolution of issuing shall determine whether the power to convert or exchange corresponds to the debenture holder or to the Company or, if applicable, if the conversion must necessarily occur at a particular time.

Article 16. Other securities

The Company may issue notes, warrants or other securities different to those referred to in the foregoing articles provided that they meet the requirements established by the applicable law.
PART II GOVERNING BODIES OF THE COMPANY

Section 1 Governing bodies and distribution of powers

Article 17. Governing bodies and distribution of powers

1. The governing bodies of the Company are the shareholders’ general meeting and the board of directors, which shall have the powers vested to them by law and these articles, which may be delegated in the manner and to the extent determined by law and by these articles.

2. The general shareholders’ meeting is responsible to decide on all matters that have been conferred to it legally or by these articles. In particular and merely by way of example, it is responsible for:

   a) The approval of the annual accounts, allocation of profits and approval of corporate management, as well as the approval, where applicable, of the consolidated annual accounts.

   b) The appointment and removal of directors, liquidators and, where applicable, auditors of accounts, and the exercise of corporate liability actions against any of them.

   c) The amendment of the articles of association, unless the law confers such power to the directors.

   d) The increase and reduction of share capital.

   e) The elimination or limitation of the right to pre-emptive subscription.

   f) The acquisition, disposal or contribution of essential assets to another company.

   g) The transfer to subsidiaries of essential activities carried out until that time by the Company itself, though it retains full ownership thereof.

   h) The approval, where applicable, of the operating regulations of the shareholders’ general meeting.

   i) The authorisation to the board of directors to increase the share capital and to issue convertible debentures or those that confer a stake in corporate profits, as provided for by the applicable law and these articles of association.

   j) The agreement on the listing of the shares of the Company in any official secondary market.

   k) The transformation, merger, demerger or global transfer of assets and liabilities as well as the relocation of the registered office abroad, except when the law assigns such power to the directors with respect to any of the aforementioned matters.

   l) The authorisation to acquire treasury shares.

   m) The approval of the remuneration policy for directors under the terms established in the applicable law.
n) The decision on the application of remuneration systems consisting in the delivery of shares or rights thereto, as well as any other remuneration system referenced to the value of the shares, under the terms provided for by the applicable law.

o) The winding-up of the Company.

p) The approval of the final liquidation balance sheet.

q) The transactions whose effect is tantamount to the liquidation of the Company.

r) The decision on issues submitted to the general meeting by resolution of the board of directors;

s) The decision on any other matters as determined by law or the articles of association.

In relation to the provisions of paragraphs f) and g) above, the activities or the operational assets shall be presumed essential when the volume of the transaction exceeds twenty-five percent of the value of the assets stated in the balance sheet.

3. The powers not vested by law or the articles of association to the general meeting shall correspond to the board of directors. In particular, the general meeting shall not instruct the board of directors or submit for the board’s approval the implementation of decisions or resolutions on certain management issues. The board of directors may, in turn, delegate functions to one or more commissions or committees and to one or more directors under the terms provided for by these articles of association and in the delegation agreement.

Section 2 The shareholders’ general meeting

Article 18. Types of general meetings

1. The general meetings may be ordinary or extraordinary.

2. The annual general meeting must be held necessarily within the following six (6) months after the annual closing of the financial year in order to review corporate management, to approve, where appropriate, the accounts of the previous year, and to decide on the allocation of profits as well as to approve, where appropriate, the consolidated accounts, without prejudice to their power to deliberate and decide on any other matter included in the agenda of the meeting. The annual general meeting shall still be valid even if convened or held out of time.

3. All meetings other than that provided for by the preceding paragraph shall be deemed extraordinary general meetings.

4. All general shareholders’ meetings, whether ordinary or extraordinary, shall be subject to the same rules regarding procedures and powers.
Article 19. Convening of the general meeting

1. It is the responsibility of the board of directors to convene the general meeting, in accordance with the provisions of the Spanish Companies Act. The shareholders’ general meeting may be held, upon approval of the board of directors, at the registered office of the Company, in A Coruña, or also in Lugo, Ourense, Pontevedra, Santiago de Compostela or Vigo, cities where the different General Regional Management departments of “ABANCA Corporación Bancaria, S.A.” are located in Galicia.

2. Also, the shareholder or shareholders that represent the legally required minimum percentage shall have the right to request the board of directors to convene a general meeting whenever they deem it fit.

Article 20. Right to attend

1. Holders of any number of shares who had registered them in their favour in the relevant accounting register five (5) days prior to the date of the general meeting and who are current in the payment of outstanding subscriptions shall be entitled to attend the shareholders’ general meetings.

   To attend the general meeting, it is a mandatory requirement to use the corresponding nominative attendance card, which will be issued as per the list of shareholders having such right.

2. The directors must attend general meetings, although their attendance shall not be required for the valid constitution of the meeting.

3. The chairperson of the shareholders’ general meeting may authorise access to the meeting to any person considered convenient. The shareholders’ general meeting, however, may revoke such authorisation.

Article 21. Attendance to the shareholders’ general meeting by proxy

1. All shareholders entitled to attend the general meeting may be represented by proxy, even if that person is not a shareholder, by fulfilling the requirements and formalities required by these articles of association and, as the case may be, by law.

2. Representation can always be revoked. The attendance of the shareholder being represented at the general meeting shall have the effect of revoking the representation by proxy, regardless of the date thereof.

3. The chairperson of the general meeting is empowered to determine the validity of the proxies as well as their compliance with the requirements for attendance at the meeting, and this function may be delegated to the secretary.

Article 22. Establishment of the shareholders’ general meeting

1. The general meeting, whether ordinary or extraordinary, shall be validly constituted on first or second calling when the shareholders present or represented by proxy hold the legally established capital share with a right to vote.
2. The validity of the constitution is determined with respect to each of the resolutions to be adopted and, if necessary, the agenda will be reduced to issues for which there is sufficient quorum.

3. Notwithstanding the foregoing, the general meeting will be duly constituted as a universal meeting as long as it is present or represented all the capital and those attending unanimously agree to hold the meeting and the agenda.

4. Any absences that take place after the general meeting is duly constituted shall not affect the meeting from being held.

Article 23. The chairperson and the secretary of the shareholders’ general meeting

1. The general meeting shall be chaired by the chairperson of the board of directors or, alternatively, by the deputy chairperson and in the absence of both the chairperson and deputy chairperson, by a member of the board appointed by simple majority by the shareholders in attendance, or in the absence of those mentioned by a shareholder elected by the shareholders by simple majority.

2. The chairperson shall be assisted by the secretary of the meeting. The secretary of the board of directors shall serve as secretary for the shareholders’ general meeting or, alternatively, the deputy secretary, and in their absence, a member of the board appointed by simple majority by the shareholders in attendance, or in the absence of those mentioned, a shareholder elected by the shareholders by simple majority.

3. The chairperson shall declare the shareholders’ meeting duly constituted, shall direct the debate, shall solve any doubt that may arise from the agenda, shall put an end to debates when an issue has been sufficiently discussed, shall announce the voting results and, in general, shall exercise all powers necessary for the smooth organisation and progress of the shareholders’ general meeting.

Article 24. List of attendees

1. Before addressing the items on the agenda, the list of attendees shall be prepared by the secretary, with the legal content to be included at the beginning of the minutes of the meeting or attached thereto as an annex signed by the secretary, upon approval of the chairperson.

2. The list of attendees may also be prepared by means of a file or computerised. In such cases, the means used shall be set forth in the minutes and the sealed cover of the file or electronic support shall show the appropriate identification signed by the secretary with the approval of the chairperson.

3. Due to the fact that is an universal general meeting of shareholders, the list of attendees shall be recorded in the minutes, followed by the signature of each of them, below the date and place and the agenda.

Article 25. Deliberations and adoption of resolutions

Once the list of attendees is created, the chairperson shall, if appropriate, declare the general meeting duly constituted and shall determine whether all the items
1. included in the agenda may be addressed or should instead limit the general meeting to address those issues they may be able to discuss and resolve on.

2. The chairperson shall submit for deliberation the issues included in the agenda as they appear on it and shall conduct the discussions so that the meeting develops in an orderly manner. Once the chairperson considers an issue has been sufficiently discussed, it shall be put to the vote.

3. Each item on the agenda shall be voted individually.

Notwithstanding the above, the issues that are substantially independent and, in all cases, even when they appear under the same item of the agenda, shall be voted separately, namely:

a) the appointment, ratification, re-election or removal of each director;

b) the amendment of the articles of association or the regulations of the general meeting, either each article or group or articles that have autonomy themselves; and

c) those matters that are thus so specified by these articles of association.

4. Those attending the general meeting shall have one vote for each share they own or represent.

5. A shareholder of the Company will be in conflict of interest and shall not exercise the right to vote that correspond to their shares when the resolution to be taken is intended to:

a) discharge them from an obligation or grant them a right;

b) provide them with any type of financial assistance, including the provision of warranties in their favour; or

5. A shareholder of the Company will be in conflict of interest and shall not exercise the right to vote that correspond to their shares when the resolution to be taken is intended to:

a) discharge them from an obligation or grant them a right;

b) provide them with any type of financial assistance, including the provision of warranties in their favour; or

c) exempt them from the obligations derived from the duty of loyalty legally established for directors as provided for by the legislation.

6. The resolutions of the meeting shall be adopted by simple majority of votes of the shareholders in attendance or by proxy, so that a resolution shall be deemed adopted when there are more votes of the share capital present or represented in favour than against. Those cases where a greater majority is required by law are excluded.

7. The board of directors may develop in the notice convening the general meeting all required procedural aspects of the general meeting with respect to the law, the articles of association and, where appropriate, the regulations of the general meeting.

Section 3 The board of directors

Article 26. The board of directors

1. The Company shall be governed by a board of directors.

The board of directors shall be subject to the applicable law and by these articles of association. In addition, the board shall approve the regulations of the board that
2. members and commissions, as well as rules of conduct for its members; in those regulations the issues regulated by these articles and also other organisational matters of the Company may be developed, and in all cases with respect to the content of the articles and applicable laws, including those of the banking industry. The regulations of the board of directors shall consider the best practices for good corporate governance on trading and sectoral areas. The shareholders’ general meeting shall be duly informed on the approval of the regulations of the board and its amendments.

Article 27. Management and supervisory powers

1. The board of directors has the broadest powers to manage the Company and, except for matters that lie within the purview of the general meeting, in accordance with the provisions of the applicable law and these articles of association, it is the maximum decision-making body of the Company.

2. The board shall assume, without the possibility of delegating, those powers that legally come within the purview of their direct knowledge as well as those necessary for the responsible exercise of the general supervisory function; the board will be able to delegate the remaining ones to one or more executive directors and one or more executive commissions. The board will have the power to constitute specific committees with management, proposal or reporting responsibilities in specific areas. The board regulations shall detail the specific content of the functions reserved for the board of directors.

Article 28. Powers of representation

1. The power to represent the Company, in and out of court, corresponds to the board of directors that shall act collectively.

2. The provisions of this article shall be considered without prejudice to any other delegations and either general or special powers of attorney that may be granted.

Article 29. Quantitative composition of the board of directors and term of office

1. The board of directors shall consist of a minimum of five (5) and not more than fifteen (15) members, who may not be shareholders.

2. It corresponds to the general meeting determining the number of members within the aforementioned limits.

3. The directors shall hold office for a period of four (4) years and they may be reappointed one or more times for periods of equal duration. Substitute directors for one or more directors may be appointed in the event they leave office for whatever the reason is.

Article 30. Offices of the board of directors

1. The board of directors shall appoint a chairperson and, where appropriate, one or more deputy chairpersons numbered ordinally, who shall take over the
chairperson’s responsibilities in order of rank in the event of absence, inability or
vacancy. The chairperson is the highest representative of the Company. The
chairperson shall also conduct the discussions within the board and may execute any
resolution raised from it through special delegation. In the case of an equality of votes,
the chairperson shall have a casting vote within the board’s polls.

2. The board of directors shall appoint a secretary and, optionally, a deputy secretary, who
shall take over the secretary’s responsibilities in case of absence, inability or vacancy; the
appointment of both may fall in those who are not directors, in which case they may
speak but not vote.

Article 31. Meetings of the board of directors

1. The board of directors shall meet as often as necessary for the proper performance of
their duties and at least once every two months. The board meetings shall be convened
by the chairperson, on his or her own initiative or at the request of at least one third of
the members. In this latter case, the chairperson shall convene the extraordinary
session within a maximum period of three (3) working days as of the reception of the
request in order to hold it within the time specified in paragraph 2 of this article, and
including in the agenda the issues to be discussed.

2. The board of directors shall be convened by written notice, in which shall be stated in
sufficient detail the agenda of the meeting. This meeting notice is to be sent by fax,
e-mail or post to each of the directors, with a minimum of five (5) calendar days prior
to the date set for the meeting, unless the urgency of the issues requires, according
to the chairperson’s judgement, an urgent meeting, which will be carried out by
telephone, fax, email or any electronic means, with at least twenty-four (24) hour
notice.

3. The meetings of the board of directors shall be held physically at the place specified
in the notice, or by video conference or by multiple conference call.

4. The board of directors may also adopt its resolutions in writing, without holding a
meeting (previously by means of fax or email and sending the original by post
afterwards), if no directors object to this procedure.

Article 32. Constitution and adoption of resolutions by the board of directors

1. The meetings of the board of directors shall be duly constituted when more than half
of its members, present or represented, attend the meeting.

2. Except in those cases where the law establishes a qualified majority, the resolutions of
the board of directors shall be adopted by an absolute majority of the directors present
or represented at the meeting.

3. Each member of the board has (1) vote.

4. All the directors may appoint proxy another director. The non-executive directors may
only do so for in favour of another non-executive director. A proxy may be specifically
appointed for a meeting of the board of directors and this fact may be communicated
to the chairperson or secretary of the board by any of the means described in
paragraph 2 of previous article.
Article 33. Minutes of the meeting of the board of directors

1. The secretary of the board, or alternatively, the deputy secretary, shall cause minutes of the meeting that must be approved by the chairperson or, in case of absence, by the deputy chairperson.

2. The minutes shall be approved by the board at the end of the session or at the next immediate meeting.

Article 34. Delegation of powers and commissions or committees of the board of directors

1. The board of directors may appoint from among its members one or more executive directors, determining which members are to occupy those positions and what their duties are. The board may delegate all powers that can be delegated pursuant to the applicable law and these articles of association.

2. The board of directors shall constitute the committees and commissions with or without delegated powers required by the applicable law at all times. The board of directors may also constitute other committees or commissions with delegated powers or functions that the board determines. The structure, functions and rules of operation of all these committees and commissions shall be developed in the regulations of the board of directors and, where appropriate, in the specific regulations of those committees or commissions.

Article 35. Compulsory commissions of the board

1. In accordance with article 34.2 of these articles of association, the board of directors shall create and keep within it at least (i) an audit or audit and compliance commission; (ii) an appointments commission and a remuneration commission or, jointly, pursuant to the terms established by law, an appointments and remuneration commission; and (iii) a comprehensive risk commission. The board of directors may modify the denomination of these commissions, maintaining their composition and powers according to the law or these articles of association.

2. The composition requirements of the commissions referred to in paragraph 1 shall be detailed in the regulations of the board of directors and shall comply at all times with the provisions of the applicable law.

3. The powers of each of these commissions shall be those lawfully provided for in each case, as well as those provided for in the regulations of the board of directors. When the law expressly allows a specific function to be attributed to various commissions, the board may decide to which commission should correspond that function, and it shall be noted in the regulations of the board of directors.

4. The regulations of the board of directors shall also detail the rules of organisation and proceedings of each commission.
Article 36. Remuneration of directors

1. The office of director is remunerated.

2. The amount of remuneration that can be paid by the Company to its directors for all concepts shall not exceed the annual amount that the shareholders at the general meeting determine for that purpose. The amount thus fixed shall be maintained until it is amended by a new resolution adopted at the general meeting.

3. The remuneration of the directors in their capacity as such (i.e., for their supervisory and collective decision making functions) shall consist of a fixed annual amount and attendance allowances, without detriment of the reimbursement of the expenses for attending meetings of the board of directors and its commissions, provided they are previously justified. The establishment of the exact amount to be paid within the limit approved by the general meeting, its distribution among the different directors (which may differ from one to another), and the periodicity of payment corresponds to the board of directors in accordance with the applicable law. The directors who also carry out executive functions will not be paid these retribution components given that they can be considered as subsumed within the fixed remuneration agreed pursuant to the following section.

4. The executive directors’ remuneration, whatever the nature of their relationship with the Company is (labour-common or senior management-commercial or provision of services) will be made up of one or several of the following remuneration components: (a) a fixed component in cash which is appropriate in view of the services and responsibilities undertaken by the director; (b) a variable component, linked to indicators of the performance of the director or the Company and its group, which shall be paid by the means resulting from applicable legislation at each moment; (c) the access to certain benefits, which shall include supplementary social benefit schemes and insurance policies, as appropriate; (d) severance payments in the event of dismissal or any other termination of the legal relationship with the Company other than as a result of a breach by the director; and (e) compensation deriving from the establishment of a non-competition obligation; all of that within the applicable legal framework.

In addition, executive directors may be paid through shares or call option rights on them or by remuneration referenced to the value of the shares, provided that the application of any of these remuneration schemes is previously agreed by the general meeting. Such agreement shall determine, where appropriate, the number of shares to be received, the strike price of the call option rights, the reference value of the shares and the duration of the corresponding remuneration plan.

The components (which in any case shall include a fixed element) and the amount of the executive directors’ remuneration will be determined by the Board upon a proposal from the remuneration commission in accordance with the articles of association and the directors’ remuneration policy approved, where applicable, by the general meeting and without exceeding the maximum amount approved by the general meeting.

Moreover, the terms and conditions of the remuneration for the performance of executive functions shall be included in a contract between the executive director and the Company which shall comply with the remuneration system provided in
the articles of association must be approved by the board of directors with the favourable vote of two thirds of its members, and must be annexed to the minutes of the meeting. The director concerned shall not attend the discussion and participate in the poll. The director shall not receive any remuneration for performing executive functions, amounts of which are not provided for in that contract.

The board shall ensure that the remuneration of the directors is aligned with market conditions and take into account the degree of responsibility and commitment involved in the role of each director. In any case, the remuneration of members of the governing bodies of the Company shall comply with the provisions that, on this issue, are contained in the corporate and banking regulations.

5. The Company may take out liability insurance for its directors, under common market conditions and proportional to the circumstances of the Company.

6. Termination of office of the executive directors shall not affect, as the case may be, the rights arising from their contractual relationship with the Company.

7. The board shall submit to the shareholders general meeting of the Company, under the terms provided by law at all times, the remuneration policy for directors that shall adjust, as appropriate, to the remuneration system set out in the articles of association."

SECTION II OTHER PROVISIONS

Section 1 The annual accounts

Article 37. Financial year and preparation of the annual accounts

1. The financial year shall coincide with the calendar year, beginning on 1st January and ending on 31st December of each year.

2. Within a maximum period of three (3) months after the closing date of each financial year, the board of directors shall formulate the annual accounts, the directors’ report, the proposed allocation of profits and, where appropriate, the consolidated accounts and the directors’ report.

3. The board of directors shall endeavour to definitely formulate the accounts so that there are no provisos by the auditor. However, when the board considers that its criteria must prevail, it shall publicly explain to the general meeting, through the chairperson of the audit commission, the content and scope of the discrepancy and shall also endeavour the auditors to report on their considerations in that regard.

4. The individual and consolidated annual accounts and the directors’ report of the Company shall be reviewed by the auditor appointed by the general meeting before the end of the year to be audited.
Article 38. Approval and filing of annual accounts and dividends

1. The annual accounts shall be submitted to the approval of the shareholders’ general meeting.

2. Once the annual accounts are approved, the general meeting shall resolve on the allocation of the results of the financial year, subject to legal limitations.

3. If the general meeting agrees to pay dividends, it shall determine the time and method of payment and it may entrust this function to the board. The board of directors may decide to distribute the amounts from dividends on account, with the limitations and meeting the requirements established by law.

4. The dividend and the amounts on account of dividends may be fully or partially satisfied in kind, provided that the goods or securities to be distributed are homogeneous (unless unanimous consent) and not distributed at a lower value than that on the balance sheet of the Company.

5. Within the month following the approval of the annual accounts, the directors shall file in the Spanish Companies House that corresponds to the registered office of the Company the certification of the resolutions of the general meeting stating the approval of the annual accounts and allocation of results, attaching a copy of both individual and consolidated financial statements as well as the directors’ report and the auditors’ report.

Section 2 Winding-up of the Company

Article 39. Winding up of the Company

The Company shall be liquidated in the cases and under the requirements provided for by the legislation currently in force.

Article 40. Liquidators

1. Once the Company is wound up, all members of the board of directors whose appointment is valid and registered in the Spanish Companies House shall become de jure liquidators, unless the general meeting appoints other liquidators in the winding-up resolution.

2. In the event that the number of directors is not odd, the youngest director shall not act as liquidator.

Article 41. Representation of the wound-up Company

In the event of winding-up, the power of attorney shall jointly and severally correspond to each of the liquidators.
Article 42. Distribution of the liquidation proceeds

The liquidation proceeds may be fully or partly paid by goods or rights originally provided by each shareholder according to the terms established by the general meeting.

Article 43. Supervening assets and liabilities

In the event the Company is wound up and unregistered from the Spanish Companies House, if new corporate assets or liabilities appear, the provisions of the applicable law shall apply.

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June 2018