

## **REGULATIONS OF THE BOARD OF DIRECTORS OF ARESBANK, S.A. (“ARES BANK”)**

### **CHAPTER I. INTRODUCTION**

#### **Article 1. Scope of the Regulations, rules of interpretation, approval and amendment.**

1. These Regulations aim to clarify, within full respect to what is established in the by-laws of the Bank, the structure of the Board of Directors, its rules of functioning and the obligations and rules of behaviour of its members.
2. The Board of Directors shall interpret these Regulations in conformity with the legal and by-laws provisions which may be applicable and with the recommendations on good corporate governance of companies, in what may be deemed applicable to a company of a closed structure, like the one currently existing in Aresbank.
3. The approval and amendment of these Regulations shall require the absolute majority of the directors attending to the meeting. The Board of Directors shall report to the General Shareholders Meeting of any amendment in the next meeting thereof.

### **CHAPTER II. STRUCTURE OF THE BOARD OF DIRECTORS AND TYPE OF DIRECTORS**

#### **Article 2. Composition and types of directors.**

The appointment of the members of the board, as also the determination of their number between a minimum of five and a maximum of twenty one, corresponds to the General Shareholders' Meeting.

At least one fourth of the members shall be of Spanish nationality and shall have the nature of independent directors.

#### **Article 3. Independent directors.**

The independent directors are those appointed in consideration to their personal and professional conditions that may carry out their functions without being affected by their relationships with the Bank, its shareholders or its management. They should be of Spanish nationality and fulfil the requirements that from time to time are contemplated in the regulations and good corporate recommendations of companies in Spain.

#### **Article 4. Executive directors.**

For the purposes of these Regulations, it is understood by executive directors those that have been granted a delegation of powers carried out in accordance with the formalities and effects provided for in the Capital Companies Act, as well as those directors which carry out functions of top management or are employees of the Bank.

Article 5. Proprietary directors.

For the purposes of these Regulations, it is understood by proprietary directors those who are shareholders or are appointed by the shareholders of the Bank as their representatives.

**CHAPTER III. BOARD OF DIRECTORS**

Article 6. Competences of the Board of Directors.

1. The Board of Directors should perform its duties with unity of purpose, independent judgement and treating all shareholders equally. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time, by complying with applicable law and by following generally accepted values and standards of behaviour.
2. Except for those matters which are reserved to the General Shareholders' Meeting, the Board of Directors is the highest decision-making body of the company. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the Board in full has the following competencies, responsibilities and functions:
  - a. The company's general policies and strategies, and in particular:
    - i. The strategic or business plan, management targets and annual budgets;
    - ii. Investment and financing policy;
    - iii. Design of the structure of the corporate group;
    - iv. Corporate governance policy, including the surveillance, control and periodic assessment of the effectiveness of the corporate governance system, as well as to take the proper measures to solve its deficiencies, if that is the case;
    - v. Administration and management of the entity, approval and surveillance of its strategic targets, its risk strategy and its internal governance;
    - vi. To guarantee the integrity of the accounting and financial reporting systems, including the financial and operative control and the compliance with regulations in force;
    - vii. To supervise the procedures for the disclosure of information and the communications related to the entity;
    - viii. To guarantee an effective supervision of the top management.
    - ix. Corporate social responsibility policy;
      - x. Propose directors' remuneration to General Shareholders' Meeting and, in the case of executive directors, deciding their additional consideration for their management duties and other contract conditions.
      - xi. Policies related to risk management compliance and audit functions, as well as the periodic monitoring of internal information and control systems;
      - xii. Dividend policy, as well as the policies and limits applying to treasury stock.
      - xiii. The appointment and dismissal of the Board Delegates of the company and the establishment of the conditions of their contracts.

- xiv. The appointment and dismissal of managers who directly depend on the Board of Directors or on some of its members, as well the establishment of the basic conditions of their contracts, including their remuneration.
- b. To take the following decisions:
  - i. On the proposal of the company's General Management, the appointment and removal of Managers of Department, their evaluation and remuneration and their compensation clauses.
  - ii. The financial information that must be periodically disclosed or delivered to the supervisor.
  - iii. Investments or operations considered strategic by virtue of their amount or special characteristics, unless it is considered that their approval corresponds to the General Meeting;
  - iv. The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c. Transactions which the company conducts with significant shareholders, shareholders with board representation, directors or other persons related to the directors as provided for in article 231 of the Capital Companies Act ("related-party transactions").

It is advisable that related-party transactions should be reviewed on the basis of a favourable report from the Audit Committee, the Risk and Compliance Committee or some other committee handling the same function.

- d. Approval of transactions which authorization corresponds to the Board of Directors as per the internal authority levels in force.

The above powers cannot be delegated with the exception of those mentioned in b., which may be delegated to the Executive Committee and/or to the Board Delegates, if any.

## **CHAPTER IV. STRUCTURE OF THE BOARD OF DIRECTORS**

### Article 7. Chairman, Vice Chairman, Board Delegates and Executive Committee.

- 1. The Board of Directors shall designate a Chairman amongst its members, who shall have the powers and functions established in article 33 of the by-laws.

The Chairman of the Board cannot exercise the position of managing director or first executive of the bank simultaneously unless this situation is considered advisable and the Bank of Spain so authorizes.

2. The Board of Directors may also designate one Vice Chairman, who shall be non executive. In the event of absence, disability or sickness of the Chairman, his duties shall be performed by the Vice Chairman.
3. The Board of Directors may designate an Executive Committee which shall be formed by a minimum of three and a maximum of nine directors.

The Board may also delegate all or part of its functions, except those that cannot be delegated by law or by-laws provisions, in one or more Board Delegates.

4. As a general rule, no unlimited joint and several powers of attorney will be delegated by the Board of Directors.

#### Article 8. Secretary of the Board.

1. The Secretary of the Board of Directors shall assist the Chairman in his duties and see the proper operation of the Board, for which purposes he shall, most importantly, give to the Directors such advice and information as may be requisite, keep custody of the corporate documents, duly record the proceedings of meetings in the minutes books, and attest to the resolutions adopted by the Board. He will not need to be a Director in order to hold such position.
2. The Secretary shall at all times ensure the formal and substantive legality of all action taken by the Board and ensure observance and periodic review of the procedures and rules of governance of the Board.
3. The Board of Directors may appoint a Vice Secretary, who need not be a Director, in order that he shall assist the Secretary of the Board or replace him, in the event of absence, in the performance of his duties as Secretary of the Board of Directors. Unless otherwise resolved by the Board of Directors, the Vice Secretary may attend the meetings of the Board in order to assist the Secretary in the performance of his duties and the drafting of the minutes of the meeting.

#### Article 9. Audit Committee.

##### 1. Membership

The Audit Committee shall be composed of a minimum of three Board Members, all of whom shall be external and not executives, out of which majority of them shall be independent Board Members.

In any case, the Committee's Chairman shall be an independent Board Member who, additionally, shall have both knowledge of and experience in accounting techniques and principles and auditing management.

The Secretary of the Committee will be the Secretary of the Board.

##### 2. Functions

The Audit Committee has the main responsibility to supervise the process of preparation and presentation of the mandatory financial information and to ensure that the financial information that is made available to the Board of Directors is accurate and complete and that it represents the true and fair view of the entity.

In addition, the Audit Committee has the following functions:

2.1. In connection with the information and internal control systems:

- a. Supervise the preparation process and the integrity of the financial information regarding the bank by reviewing compliance with applicable standards and the correct application of accounting criteria.
- b. Periodically review the internal control and risk management systems so that important risks are identified, managed and made known and the risk policies and management identify at least:
  - i. The different types of risks (credit, interest, liquidity, operative, technological, legal, reputation, etc.) that the bank faces, including, among the financial or economic risks, contingent liabilities or other off-balance-sheet risks.
  - ii. The setting of the risk level that the bank considers acceptable.
  - iii. The planned measures to mitigate the impact of the risks identified, in case they were to materialize.
  - iv. The information and internal control systems that will be used to control and manage the risks mentioned, including contingent liabilities or off-balance-sheet risks.
- c. Establish and supervise a mechanism that will enable employees to report confidentially and, if it is considered appropriate, anonymously, potentially significant irregularities, especially any financial and accounting irregularities they may notice inside the bank.
- d. Review before it is issued, the periodic financial information that, in addition to the annual information, is provided to the markets, shareholders and their oversight bodies, and ensure that this information is prepared according to the same principles and practices as those applied to the annual financial statements.

2.2. In connection with the Internal Auditing:

- a. The bank's internal audit service shall come under the supervision of the Board of Directors, to which the internal audit service shall report. Notwithstanding this provision, the bank's internal audit service shall attend to the requests for information they receive from the Audit Committee as part of the performance of their duties.

- b. Supervise the internal audit and ensure its independence and effectiveness.
  - i. Propose the selection, appointment, re-election and dismissal of the person responsible for internal auditing;
  - ii. Propose the budget for this service; receive periodic information on its activities;
  - iii. Verify that top management takes into account the conclusions and recommendations included in its reports.

2.3. In connection with the External Auditor:

- a. Submit proposals to the Board for the election, appointment, re-election and replacement of the external auditor, as well as the terms of his hiring.
- b. Receive information regularly from the external auditor regarding the audit plan and the results of its execution, and verify that top management takes his recommendations into account.
- c. Ensure the External Auditor's independence, for which purpose the Committee shall:
  - i. Advise the Board of Directors of the change of auditor, submitting at the same time a statement of any disagreements that may have arisen with the outgoing auditor and, if such disagreements have occurred, a description of their content.
  - ii. Ensure that the company and the auditor respect the standards in force governing the provision of services other than auditing services, the limits imposed on the degree of concentration of the auditor's business, and, in general, any and all other standards that have been established to ensure auditors' independence.
  - iii. If the external auditor resigns, examine the circumstances that provoked his resignation.
- d. Serve as a communication channel between the Board and the Accounts Auditor, evaluate the results of each audit and the replies by the management team to his recommendations and mediate in any cases of discrepancies between the Auditor and management with regard to the principles and criteria that are applicable to the preparation of the financial statements. Specifically, the Committee shall strive to ensure that the statements that are finally presented to the General Shareholders' Meeting are free of reserves or provisions in the audit report.

3. Committee working rules

- a. The Audit Committee shall meet whenever it is convened by agreement of the Committee members themselves or by its Chairman, and shall meet at least three times each year.

- b. Attendance at the meetings is mandatory, and members must give the Committee their cooperation and provide it with access to any information held by any member of the management team or of the company's staff that may be required for this purpose. The committee may also require the attendance of the Accounts Auditor.
- c. One of the meetings shall obligatorily be devoted to evaluating the efficiency and control of the company's governance rules and procedures, and to review the information that the Board is ready to approve and include in the annual public documentation.
- d. The Committee shall be considered to have a quorum when at least half of its members, personally present or represented by others, are in attendance. A majority vote of those in attendance (members or their representatives) is required for the Committee to be able to adopt its agreements. The Committee Chairman shall vote to break ties. The Committee members may delegate their representation to other members, but no member shall be able to represent more than two members in addition to himself.
- e. The Committee may obtain outside advice if this were to be considered necessary.
- f. Through its Chairman, the Audit Committee shall make reports to the Board of Directors at least twice each year.

#### Article 9 bis. Risk and Compliance Committee.

##### 1. Membership

The Risk and Compliance Committee shall be composed of a minimum of three Board Members, all of whom shall be external and not executives, out of which one at least shall be an independent Board Member.

In any case, the Committee's Chairman shall be an independent Board Member.

The Secretary of the Committee will be the Secretary of the Board.

##### 2. Functions

###### 2.1. In connection with the Risk functions

- a. The bank's Risk Management Department shall come under the supervision of the Board of Directors, to such department shall report. Notwithstanding this provision, said Department shall attend to the requests for information they receive from the Audit\_Risk and Compliance Committee as part of the performance of their duties.

- b. Supervise the Risk Management Department and ensure its independence and effectiveness.
  - i. Propose the selection, appointment, re-election and dismissal of the person responsible for risk functions of the Risk Management Department;
  - ii. Propose the budget for this Department; receive periodic information on its activities;
  - iii. Verify that top management takes into account the conclusions and recommendations included in its reports.
- c. Analyse and recommend the strategy about the risk policies of the Bank.
- d. Verify that the bank has adequate human and material resources that permit to implement the approved risk policies.
- e. Propose to the Board of Directors any change to improve the risk policies.
- f. Propose to the Board the limits for the approval of transactions for the different internal authority levels.
- g. Report to the Board any problem arising from the different risks assumed.

## 2.2 In connection with the Compliance functions

- a. The Compliance function, which is located within the Legal and Compliance Department, shall come under the supervision of the Board of Directors, to which it shall report through the Audit, Risk and Compliance Committee, meeting its request for information as a part of the performance of its duties.
- b. Supervise the Compliance function and ensure its independence and effectiveness.
  - i. Propose the selection, appointment, re-election and dismissal of the person responsible for risk functions of the Legal & Compliance Department;
  - ii. Propose the budget for this Department; receive periodic information on its activities regarding the Compliance function;
  - iii. Verify that top management takes into account the conclusions and recommendations included in its reports.
- c. Verify that the bank has the adequate human and material resources that permit to implement the Compliance function and the prevention of money laundering function.
- d. Supervise the control of the manuals and procedures for preventing money laundering, of the compliance manuals and, in general, of the rules of governance of the institution.

## 3. Committee working rules

- a. The Risk and Compliance Committee shall meet whenever it is convened by agreement of the Committee members themselves or by its Chairman, and shall meet at least three times each year.
- b. Attendance at the meetings is mandatory, and members must give the Committee their cooperation and provide it with access to any information held by any member of the management team or of the company's staff that may be required for this purpose. The committee may also require the attendance of the Accounts Auditor.
- c. One of the meetings shall obligatorily be devoted to evaluating the efficiency and control of the company's governance rules and procedures, and to review the information that the Board is ready to approve and include in the annual public documentation.
- d. The Committee shall be considered to have a quorum when at least half of its members, personally present or represented by others, are in attendance. A majority vote of those in attendance (members or their representatives) is required for the Committee to be able to adopt its agreements. The Committee Chairman shall vote to break ties. The Committee members may delegate their representation to other members, but no member shall be able to represent more than two members in addition to himself.
- e. The Committee may obtain outside advice if this were to be considered necessary.
- f. Through its Chairman, the Risk and Compliance Committee shall make reports to the Board of Directors at least twice each year.

#### Article 10. Nominations and Remunerations Committee.

1. Membership
  - a. The Nominations and Remunerations Committee shall be composed of a minimum of three Board Members, all of whom shall be external and not executives, out of which one at least shall be an independent Board Member.
  - b. The Committee's Chairman shall be an independent Board Member.
  - c. The General Management, and the Head of Human Resources in the issues that may concern him, will be entitled to participate in the meetings of the Committee, with voice but without voting rights.
  - d. The Secretary of the Committee will be a member of the Legal and Compliance Department.
2. Functions.
  - a. Oversee the proposals of appointments of Directors and Key Management Positions for the daily development of the financial activity and control areas, for the subsequent

- ratification of the Board of Directors; inform on the appointments and terminations of the Departments Managers that General Management proposes to the Board.
- b. Oversee and approve the remuneration's policies, both fixed and variable, its general principles and its adequacy to the Law, related to their limits and application, for its subsequent ratification by the Board; propose to the Board the remuneration policy for the Directors.
  - c. Oversee compliance with the remuneration policy set by the company.
  - d. Oversee the selection processes and permanently, the suitability of Directors and Key Management Positions for the daily development of the financial activity and control areas, evaluate the balance of skills, knowledge and experience of the Board, define the roles and capabilities required for the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
  - e. Make contingency and replacement plans of Key Management Positions, examine or organise, in appropriate form, the succession of the General Management and of the Board Delegate, if any, making recommendations to the Board so the handover proceeds in a planned and orderly manner
3. Committee working rules.
- a. The Nominations and Remunerations Committee will meet as convened by agreement of the members of the Committee or by its Chairman's decision, at least once and maximum four times a year. If it is necessary to hold more meetings they will be as per proposal of the Chairman of the Board of Directors or the General Management.
  - b. Attendance to the meetings is compulsory. The members of the Management Team or personnel of the company should provide the Committee their collaboration and provide the access to all information in their possession that could be necessary for their purposes.
  - c. For decision-making, the affirmative vote of at least two thirds of the members of the Committee is required. If there are urgent issues because of selection processes, appointments, remuneration, etc. decisions may be taken by circulation through email on the initiative of the Chairman; those decisions will be subsequently ratified in the next Committee's meeting to be held.
  - d. The Secretary of the Committee, in agreement with its Chairman, will make the calls for the meetings and will draw up its Agenda, he will prepare and keep the records of the meetings held, he will organize the decisions taken by circulation through email and will be coordinated in everything that could be necessary with Human Resources, Organization and Methods, Internal Audit and Legal and Compliance Departments for the development of procedures, authorizations of the Bank of Spain, reporting and reviews of Compliance. He will also coordinate with the Secretary of the Board those matters which are subject to ratification or approval by the Board of Directors, for its inclusion in the Agenda of the Board meetings.
  - e. The Secretary of the Committee will also keep the records of the Minutes of the suitability assessments done by the Committee in order to record its compliance and to allow inspections works by the Authorities.

Article 11. Other committees of control.

The Board of Directors, by ordinary majority, may incorporate others committees of control which will be formed by at least three directors, one of them independent, who will be chairing them. The Board of Directors shall report on the incorporation of these committees in the next General Shareholders Meeting.

**CHAPTER V. FUNCTIONING OF THE BOARD OF DIRECTORS**

Article 12. Calling.

1. The Board of Directors shall be called by the Chairman for its celebration at least every three months, and as many times it is required by the interest of the Bank. It is understood that such interest exists when two or more directors request the calling of a meeting. In case of absence or sickness of the chairman, the calling shall be effected by the Vice Chairman, if any, and in case of their absence or sickness, by two Board members.
2. The calling shall have to be communicated to each of the directors through fifteen days prior notice to the day set up for the holding of the meeting in writing (which includes notice by fax or by electronic and data telecommunication means). To such purpose, the directors should indicate their postal address, fax number or e-mail to where the calling should be sent.
3. The calling shall include the matters which are foreseen to be discussed in the meeting, but the Board of Directors shall be able to take validly resolutions concerning matters not included in the agenda, when the interest of the Bank so advises.
4. In case that the meeting is urgent, the above mentioned notice period could be shortened in the measure which may be necessary, following the opinion of the Chairman (or, in its case, of the Vice Chairman or other director substituting him).

Article 13. Rules of constitution.

The Board of Directors shall be validly constituted when concur to the meeting, present or represented, more than one half of the directors.

Article 14. Representation.

The directors may be represented by other director in the meeting, within the limits established in the By-laws. The representation should be granted in written form for each of the meetings of the board, or in any other manner that permits the Secretary to verify the identity of the represented director, and, in its case, the instructions given with respect to the resolutions which may be taken by the Board of Directors.

Article 15. Universal Board of Directors.

For the purposes of these Regulations, it is understood by Universal Board of Directors a meeting which is convened with the presence of all the directors, provided they accept unanimously its celebration.

Article 16. Discussion and taking of resolutions.

1. Without prejudice of the right of information which corresponds to them prior the holding of the meetings, the directors have the obligation and the right to request as many information and clarifications they may deem necessary for the exercise of their vote. Every director has the right to expressly include in the minutes his observations concerning the insufficiency of the information requested.
2. Unless otherwise provided for in law or by-laws regulations, resolutions shall be taken by the absolute majority of the directors attending to the meeting. The Chairman shall direct debate at the meetings of the Board, and in the event of a tie when a vote is taken, he shall have the casting vote.

Article 17. Voting in writing and without session.

In accordance with legal and By-laws regulations, a voting in writing and without session could be effected pursuant to the following rules:

1. All kinds of resolutions could be taken following this procedure, but it is not recommended that it is followed unless urgency issues so justify it.
2. The initiative for the proposal of voting corresponds to the persons entitled, pursuant to the By-laws and these Regulations, with the right to call a meeting, who should ensure that the proposal has been duly notified. There is no obligation to respect minimum notice periods. A reasonable term to take the resolution shall be established on a case by case basis by the person taking the initiative of the proposal.
3. Unless otherwise provided for in law or by-laws regulations, for the approval of resolutions in writing and without session the absolute majority of the directors shall be required, provided there is no evidence of the express opposition of any of the directors to such procedure, communicated to the Chairman or to the Secretary of the Board, within the term to take the resolution.
4. Once the above mentioned voting without session has been rejected to take place, the board could be called to be held within the five following days, to debate the matters proposed for their approval without session.

Article 18. Authorization of proposals by circulation.

For urgent management proposals that require the authorization of the Board as per the Internal Authority Levels in force, such proposals can be approved, if it is the case, pursuant to the following rules:

1. The Chairman (or, in its absence, the Board Delegate if any, or the Secretary of the Board) shall circulate the proposal by e-mail or telefax to each and every one of the Directors, requesting their approval. Each Director will acknowledge receipt of the request for approval.
2. Directors will respond as soon as possible, within the term of five (5) working days from the receipt of the request for approval, except in case of force majeure. The answers will be addressed to the Chairman or, in his absence, to the Board Delegate if any or to the Secretary of the Board. In case of urgent requests, early answers will be appreciated.
3. A proposal will be authorized when, when, at least (i) one half of the Directors' answers are received within the term stated in paragraph 2. above, and (ii) at least two thirds of the responses received are favourable to the proposed transaction, being one of them the Chairman's one. Otherwise, the proposal will be deemed rejected.
4. Proposals requested for approval by circulation, either authorized or rejected, shall be reported in the next Board meeting and shall be included in the minutes of such meeting.

#### Article 19. Minutes.

The resolutions of the Board of Directors shall be registered in a book of minutes, which will be signed by the Chairman and the Secretary, or by the persons who have to substitute them in accordance with the legal and By-laws regulations. The minutes shall be approved by the Board of Directors at the end of the meeting or in the next one. The resolutions taken by voting in writing and without session shall be included as annex to the minutes of the next meeting (as well as being minuted on their own).

### **CHAPTER VI. RIGHTS AND OBLIGATIONS OF THE DIRECTORS**

#### Article 20. Remuneration.

The directors shall be entitled to receive their remunerations which correspond to them in accordance with the By-laws.

#### Article 21. Information.

The directors have the right and the obligation to inform themselves diligently on the development of the management of the Bank. For such purpose, they may require as much information and data as they deem necessary, verbally or in writing. The requests for information shall be addressed to the Chairman or to any of the executive directors. These ones shall ratify in full the demands of the directors, as well as give instructions, in its case, to the management of the Bank, to inform the interested directors of the matters of their competence.

#### Article 22. Obligations of the directors.

The directors shall privilege the interest of the Bank over their own interest in accordance with the provisions of the law shall performance their position and fulfil their duties imposed by the laws and By-Laws of the company with the diligence of a prudent businessman and shall act with the loyalty of

a faithful representative, acting in good faith and in the best interest for the company. They shall refrain from any forbidden behaviour by the corporate and banking regulations in force from time to time and follow, in its case, the procedure provided for in these Regulations in those situations in which they could be in a conflict of interest.

Article 23. Obligation of attendance.

The directors have the obligation to attend personally or through representation to the meetings of the Board of Directors and to participate in the voting without session when the urgency of the resolution in the opinion of the chairman or of the person substituting him, so requires.

Article 24. Procedure for business opportunities.

1. No director may take advantage for himself or for any person vinculated to him in the sense of article 231 of the Capital Companies Act, of a particular business opportunity in which the company may have any interest, save in the case in which such opportunity has been expressly rejected by the Bank.
2. The director affected shall give written notice to the chairman of the business involved, who shall call the Board or, in its case, propose a voting without session or circulate a proposal to authorise the transaction or, in its case, declare the interest of the Bank to participate in the same.
3. The affected director shall absent himself from the discussion and voting on the matter, without prejudice of his duty of attendance for the purposes of constitution of the meeting. Nevertheless, his participation shall not be taken into account in order to calculate the absolute majority of the votes corresponding to the attending directors.

Article 25. Other cases of conflict of interest.

The directors shall communicate to the Board the situations of direct or indirect conflict with the Bank in which they may be. In such a case, the affected directors should act pursuant to the provisions of Article 24.3.