

**REPORT OF THE BOARD OF DIRECTORS ON THE APPOINTMENT, BY CO-OPTION,
OF MR. JAIME CARVAJAL HOYOS AS AN INDEPENDENT DIRECTOR**

I

On 26th May, 2018, Mr. Eduardo Zaplana Hernández-Soro, an independent director, had tendered his resignation from the position of Company Director, for reasons which were public knowledge; a resignation which was accepted by the Board of Directors on 29th May, 2018.

Mr. Zaplana had been in the category of Independent Director, in accordance with Article 529 duodecies 4 of the Capital Companies Act.

II

In accordance with the provisions of Article 529 decies of the Capital Companies Act, of Article 33^º of the Bylaws, and of Article 22 of the Rules of the Board of Directors, *“the members of the Board of Directors of a listed company will be appointed by the General Shareholders’ Meeting, or, when a vacancy is foreseen, by the Board itself, by co-option, without the need for the director appointed by the Board to be a shareholder of the Company”*.

An appointment by co-option has to be ratified by the next General Meeting of the Company.

III

The Appointments and Remuneration Committee, in its meeting of 26th June, 2018, evaluated, at the proposal of its Chairman, Mr. Marañón, the professional and biographical profiles of Mr. Jaime Carvajal Hoyos, the candidate proposed to fill the vacancy resulting from Mr. Zaplana’s resignation.

Mr. Carvajal holds a bachelor’s degree in Physics from Princeton University (New Jersey, USA).

Mr. Carvajal has provided services to various entities involved in analysis and financial investment management (Lehman Brothers and Iberacción), as well as to banking entities (The World Bank and Banco de Sabadell). He is a member of the Board of Directors of AllFunds Bank and non-executive Chairman of Evo Banco. He is currently a partner and the CEO of the investment bank Arcano Partners.

IV

The Appointments and Remuneration Committee decided that Mr. Carvajal:

- i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest) for appointment as a director;
- ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and
- iii) fulfils the legal and statutory requirements for inclusion in the category of independent director.

The Appointments and Remuneration Committee, in its meeting of 25th September 2018, unanimously proposed to the Board, to fill the vacancy resulting from the resignation of Mr. Eduardo Zaplana Hernández-Soro, the appointment, by co-option, of Mr. Jaime Carvajal Hoyos, as an independent director for the statutory period of four years, subject to ratification by the next General Meeting of the Company.

V

Mr. Jaime Carvajal Hoyos will serve in the capacity of independent Director, in accordance with Article 529 duodecies 4 of the Capital Companies Act, Article 7.1.3 of the Rules of the Board of Directors of 26th January, 2016, and Article 4.1 c) of the Company's Policy on the Selection of Directors, of 19th December, 2017.

VI

In view of the foregoing, the Board of Directors unanimously considered that Mr. Jaime Carvajal Hoyos possesses the appropriate ability, experience and merits, and fulfils the conditions, to be appointed by co-option as an independent director of the Company, and to adequately perform the duties of a Director. It therefore appointed, by co-option, Mr. Jaime Carvajal Hoyos as an independent director for the statutory period of four years, subject to ratification by the next General Meeting of the Company.

This report was unanimously approved by the Board of Directors, in accordance with Article 529 decies 5 of the Capital Companies Act, and will be attached to the minutes of the Board Meeting which formalised the appointment.

Leganés, 25th September, 2018.

The Board Secretary,

Rafael de Juan López