

REGULATIONS OF GOVERNANCE OF THE
BOARD OF DIRECTORS OF BANCO
GUIPUZCOANO, S.A.

Preliminary Article. Justification and validity of the Regulations

The Board of Directors of Banco Guipuzcoano (hereinafter, the Board), in compliance with the recommendations of the Code of Good Governance (Olivencia Code), dated 26 February 1998, adopted these Regulations of Governance for its practices on 22 January 1999, conforming to the powers of own functioning established in Article 31 of the Bank's Memorandum and Articles of Association, and have the status of regulations governing the Bank's internal management. Its application is reported to the Bank's shareholders at the time the Annual Report is issued for every financial year and to Stock Exchanges and the Spanish Securities Commission.

These Regulations were updated on the following occasions:

-By resolution of the Board on 21 March 2003, in order to conform to the revision of the Memorandum and Articles of Association (new Article 60) approved in the Annual General Meeting of the Bank on 22 February 2003, which grants statutory status to the Audit Committee, and to apply the recommendations of the Aldama Report for the creation of a Strategy and Investment Committee.

-By resolution of the Board on 23 May 2003, to set forth the percentage of ownership of share capital that determines whether a director represents a substantial shareholder.

-By resolution of the Board on 23 January 2004, to conform to the final draft of Article 60 of the Memorandum and Articles of Association which was granted by resolution of the Board of Directors on 23 July 2003, incorporating the observations given by the Treasury and Financial Policy Management under the powers of rectification conferred in the Annual General meeting of 22 February 2003.

-By resolution of the Board of 21 December 2007, to conform to the unified code of Corporate Governance's Recommendations, approved by the Securities Commission on 22 May 2006.

These rules will remain in force until they are modified by the Board on proposal by its Audit Committee with the requirements set forth in Article 31, and timely reporting of any modification to shareholders, securities markets and their governing bodies.

Any mention in these regulations made with reference to the Committee of Experts may be understood as reference to both the Code of Good Governance and the Aldama Commission's Report.

Article 1. Mission of the Board

In accordance with Articles 33 and 34 of the Memorandum and Articles of Association, with the exception of those matters falling within the competence of Shareholders in General Meeting, the Board is the highest deciding and representative body of the Bank. In the fulfilment of its functions, the Board's primary objective is the attaining of maximum value for shareholders, with the absolute respect for laws in force, the directives of the monetary authorities, and the social and economic interests and of the setting in which the Bank operates, whilst striving for quality and excellence in its relations with its customers and investors.

To this effect and independently of those competences under the provisions of Article 34

of the Memorandum and Articles of Associations that may not be legally delegated, the Board is obliged to exercise the following functions, with the exception of those detailed below, without delegating them to the executive or management bodies responsible for the day to day management of the Bank.

- a) Approval of the Bank's general policies and strategies, specifically:
 - The Strategic (or Business) Plan and yearly management and budgetary objectives.
 - .- Investment and finance policy.
 - .- Definition of the framework for the group of companies.
 - .- Corporate governance policy.
 - .- Corporate social responsibility policy.
 - .- Remuneration policy and assessment of senior management performance.
 - .- Risk management and control policy and the periodic monitoring of internal information and control systems.
 - .- Policy regarding dividends and treasury share, with particular emphasis given to the limits placed on them.
 - .- Policies regarding information and communication by the Bank to shareholders, regulatory authorities, markets and the public.
 - .- Policies regarding alliances, collaboration and relations with other entities and substantial shareholders of the Bank.
- b) Control of compliance with systems of Bank government.
- c) Approval of financial reports that the Bank is obliged to publish periodically owing to its status as a listed company.
- d) Appointment and eventual removal of senior managers, on proposal by the Bank's chief executive, in addition to matters relative to their respective compensation clauses. Remuneration, including its control and management.
- e) Directors' remuneration.
- f) Those investments and operations defined as strategic by the amounts involved or special nature, except those for which resolution must be passed by Shareholders in General Meeting.
- g) Decisions for matters regarding the Bank's treasury share and those affecting the capital and own resources of the Bank.
- h) The creation or acquisition of shareholdings in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a similar nature that might damage the

transparency of the Group owing to their complexity.

- i) Operations undertaken by the Bank with its Directors, substantial shareholders members of or represented on the Board or persons related to them (related operations), except when these operations fulfil the following criteria, in which case authorisation by the Board is not required:
 - .- When they are performed under standard contracts the conditions of which are applied in general to many customers.
 - .- When they are performed at the standard prices or rates set by the supplier of the goods of services to which they apply.
 - .- When their value is no greater than 1% of the Bank's annual revenues.
- j) Decisions regarding disposal of significant bank assets or concerning the taking on of liabilities and commitments exceeding those of normal operations.

These competences will be exercised by the Board and may not be delegated, except for those mentioned in paragraphs from c) to i), which may be taken on in case of urgency by the Executive committee, with later ratification by the Board in plenary meeting.

Article 2. Make up of the Board

Without prejudice to the limits set forth in Article 29 of the Memorandum and Articles of Association, the Board is made up of between 9 and 15 directors. Within the limits set, the Board will propose in General Meeting the number of directors that best suits the needs of representation and efficient functioning of the body.

The Board, within its competence to put forward candidates to serve as its members for election by Shareholders in General Meeting, or to cover its own vacancies provisionally by co-option, will designate those candidates that the Executive Committee proposes, except where there is formal and express divergence with the Executive Committee's choice. The Board will likewise ensure that the number of non-executive directors greatly exceeds the number of executive directors who is entrusted with the ordinary management of the Bank. Additionally, the Board will ensure that the larger group of non-executive directors will contain both owners of substantial shareholdings or representatives of stable substantial shareholders in the share capital of the Bank and professionals of acknowledged prestige who are not linked in any way either to the executive directors or to substantial shareholders (independent directors), and in such a proportion respectively as to reflect the ratio between the Bank's fixed and circulating capital. To merit the status of director representing substantial shareholder, the share capital holding represented must not currently be less than 1.5%.

Article 3. Board of Directors Structure

In accordance with Article 31 of the Memorandum and Articles of Association, the Board will appoint a chairman, one or two deputy chairmen, an Executive Committee and as many other committees or commissions as they decide or that are required by law or by the Memorandum and Articles of Associations. The Board will also appoint a secretary, whose position is incompatible with that of director.

The Chairman of the Board is the principal representative of the Bank and the maximum guarantor of the fulfilment of its objectives, whose basic mission is to boost the Board's activity in convening its meetings, setting the agendas for them and chairing its debates, in addition to promoting initiatives for its functioning that may be considered appropriate.

The Deputy Chairman of the Board will act for the chairman in cases of inability or absence. When more than one deputy chairman is appointed, they will be given an order so that the second will only act in case of absence or inability of the first.

Without prejudice to his or her described mission, when the chairman is at the same time the chief executive of the Bank, and to avoid risk to the governance of the Board owing to this situation, the deputy chairman will also have the power to convene the Board when petitioned by a minimum of two other directors, and to include on the agenda of any Board Meeting those items that have been requested with the same quorum. Also accorded is the power to arbitrate where differences arise between directors and the Board over the exercising of their entitlements to information regarding the Bank, and the deputy chairman may order senior managers of the Bank to provide data, reports, documents or access to the Bank's facilities to those directors, where it is considered appropriate.

The Secretary of the Board, who, in accordance with Article 31 of the Memorandum and Articles of Associations, cannot be a director, will be appointed by the Board in plenary meeting, once a favourable report by the Executive Committee is given. The same procedure will be followed in case of the secretary's removal. The Secretary of the Board will have the main mission of recording and certifying the Board's resolutions, countersigned by the Chairman, and generally contributing to the good functioning of the body by processing meeting notices, providing the necessary information to directors for their addresses during the meetings and advising them in this time, particularly with regard to the legality of the Board's actions. The Secretary of the Board will ensure that the Board's actions conform to the letter and spirit of the law and its Regulations, including those approved by regulatory authorities, so that they may be in line with the Memorandum and Articles of Association of the Bank and the Regulations for Shareholders, for the Board and others that the Bank may have, and so that such actions may follow the guidelines for good governance accepted by the bank.

By imperative of the Memorandum and Articles of Association, the Board will have an Executive Committee with the powers accorded it in Articles 32 and 37, among which is the power to convene a plenary Board Meeting in addition to the chairman and the deputy chairman, as the case may be. The Executive Committee will always exclusively be made up of non-executive directors, with a minimum of three, and the Board will maintain the same proportion of directors representing substantial shareholders and independent directors as that of the Board itself. The Executive Committee will meet as many times as its chairman considers appropriate or when petitioned by two of its members with a minimum of once a month. Its activities, like those of the other committees of the Board, will be monitored by the Board through periodic reporting

which will be carried out as a specific item on the agenda of each Board Meeting.

Additionally, in compliance with the Law 44/2002 and in application of the guidelines for good governance, and without prejudice to other committees that may be created, the Board will also set up an Audit Committee, a Remuneration Committee and a Strategy and Investment Committee. All of these will be made up of non-executive directors, taking into account their knowledge, aptitude and experience, with a minimum of three members, and with the first two committees being chaired by an independent director. Lastly, and given that there was an already defined structure and distribution of functions among members of the Board in place at the time these Regulations were drawn up, the functions that the Committee of Experts' Report recommends should be assigned to a specific "Appointment Committee" are duties of the Executive Committee, which is the committee that currently can ensure better and more constant attention to the functions in question and which in its present make up also best reflects the proportion which should exist in the Board between independent directors and those representing substantial shareholders. This is without prejudice to what may be decided in the future.

The Board will appoint a chairman for the Strategy and Investment Committee and the Remuneration Committee to convene meetings, and a secretary, although this position is incompatible with service as a committee member. Both committees will meet as many times as considered appropriate to their functions or as set forth in the Memorandum and Articles of Association, with a minimum of once every six months. Officers and executives of the Bank may be summoned to these meetings if this is deemed appropriate.

The Executive Committee and the Audit Committee are subject to the Memorandum and Articles of Association for the appointment of their leaders and the rules of their functioning.

Minutes will be taken at meetings of the Executive Committee, the Audit Committee and the Remuneration Committee, and copies of these will be given to all members of the Board.

EXECUTIVE COMMITTEE

In addition to the specific missions entrusted to it by the Board under Articles 32 and 37 of the Memorandum and Articles of Association, it is designated these special functions by the Regulations:

Regarding the functioning of the Board of Directors

- a) To convene a plenary meeting of the Board on its own initiative.
- b) To review the structure and make up of the Board and proposing its adaptation to the specific present circumstances, in addition to the Code of Good Governance and the Aldama Report.
- c) To set the criteria for selection and dedication of Board members and put forward candidates for directors to the Board for co-option or for election in a General Meeting, and to propose appointment or removal of senior managers of

the Bank, as this committee has been delegated the functions that would correspond to an Appointment Committee.

d) To examine and arrange in an appropriate manner the succession of the chairman and chief executive and, as the case may be, to make proposals to the Board so that succession may take place in an orderly fashion.

e) To prepare information for the Board for the assessment of the Board's activities and those of the Bank.

AUDIT COMMITTEE

Article 60 of the Memorandum and Articles of Association confers the following minimum duties to the Audit Committee:

1. To report on issues under their competence put forward by shareholders in a General Meeting.
2. To propose to the Board for submission to the Shareholders in General Meeting the designation of an external account auditor or auditors.
3. To supervise the Bank's internal audit service.
4. To understand the process of financial reporting and the Bank's internal control systems.
5. To liaise with external auditors to receive information regarding any matter that may compromise their independence and any other matters concerning the carrying out of account audits, in addition to other communications subject to laws governing account auditing and technical auditing norms.

In performing its duties, the Audit Committee must:

1. Review the prospectuses of all public debt issues and the periodic financial information which the Board must provide to the market and its regulatory authorities, in addition to confidential financial statements and other information which must be submitted to the monetary authorities periodically.
2. Oversee the inspections carried out by monetary authorities, the Securities Commission and other competent authorities in the Bank concerning the Bank's activities.
3. Ensure that the Bank's internal control systems are adequate and updated, propose the appointment and removal of their managers and verify that the conclusions and recommendations given in reports issued by internal and external auditors of the Bank are taken into consideration.
4. Ensure compliance with these rules of governance, the Bank's internal code of conduct and that of its employees in relation to securities trading and with other general rules of the Bank.

The Audit Committee, the status of its members and rules of functioning will be governed

by the provisions of Article 60 of the Memorandum and Articles of Association.

REMUNERATION COMMITTEE

Without prejudice to the other duties the Board may assign it, the Remuneration Committee will have the following functions:

- a) To propose to the Board the means and amounts of the annual remuneration of the Board, under the provisions of Article 29 of the Bank's Memorandum and Articles of Association, and the annual remuneration of the Bank's senior management.
- b) To inform the Board of any transactions made by directors that may involve conflicts of interest or any other class of incompatibility with the Bank.
- c) To inform the Board of those transactions and conflicts of interest that may arise regarding any of the bank's substantial shareholders and propose the most appropriate cautions or measures to remind those shareholders of the loyalty to which Board members are bound.
- d) To prepare information on the Board's remuneration for inclusion in the annual report for approval in the General Meeting.
- e) To get information on incompatibilities of directors due to direct or indirect transactions with the Bank or operations with eventual profit for itself or for persons or entities related to it, and inform the Board of such situations.
- f) To propose to the Board the remuneration system for the Bank's personnel, and especially for its senior management, that is the most appropriate for the accomplishment of its strategic objectives.

STRATEGY AND INVESTMENT COMMITTEE

Without prejudice to the other duties the Board may assign it, the Strategy and Investment Committee will have the following functions:

- a) To participate actively in the definition and review of the strategy held by the Bank and its Group.
- b) To report to and make proposals to the Board, regarding strategic investment and disinvestment decisions that may be relevant to the Bank and its Group, taking into account their coherence with budgets and strategic plans.
- c) To identify, assess and follow up business risks and to report them to the Board periodically.

Article 4. Functioning of the Board of Directors

The Board will create a yearly action plan and will meet as often as is required, with a minimum of once a month. The meeting may be called by the chairman, the Executive

Committee or the deputy chairman acting in the capacity described by Article 3 of these Regulations. Notice for ordinary meetings must be given at least five days in advance, or fifteen days if the meeting is to be held outside of the Bank's registered office. Notice must be given by letter, fax, telegram or electronic mail authorised by the chairman or the secretary, by delegation of the former, and must include the agenda and the relevant, duly-prepared information. If the meeting is convened by the Executive Committee or the acting chairman, notice will be given at least two days beforehand by the same means, authorised by the Chairman of the Committee or the acting chairman and giving details of the agenda and the information that may accompany it.

In accordance with the provisions of Article 32 of the Memorandum and Articles of Association, the Board is validly constituted when there is a simple majority of its members attending in person. When, exceptionally, a member must be represented by another director, the replacement will come, as far as possible, from the same category (representing substantial shareholder or independent, etc.) as the absent director and with express instructions over the point of view to be taken concerning the different items on the agenda.

The chairman will arrange the Board's debates and will ensure that all directors have a chance to speak and take an active part in them. Resolutions will be carried by the majorities described in Articles 31 and 32 of the Memorandum and Articles of Association.

The Board will evaluate its own functioning yearly.

Article 5. Appointment and removal of Directors

Directors are appointed by Shareholders in General Meeting or by the Board (co-option), in accordance with the provisions of the Public Limited Companies Law and the Memorandum and Articles of Association. The Executive Committee may issue a previous report regarding possible candidates in order to assist the Board when it presents its proposals for appointment. The Board will provide justification for any decision not to accept any candidates put forward by the Executive Committee.

Any appointment of non-executive directors, whether representing substantial shareholders or independent, will be, as far as possible, for persons of acknowledged prestige and business competence. The Board may not propose any candidate with relation to the ordinary management of the Bank, or who has professional or commercial relations with executives or senior managers of the Bank. Directors must be available to carry out their duties effectively and for this reason they will form part of a number of Boards of Directors at the time of their appointment and during their service to the limits established by the laws in force.

Incorporation of any director to the Board will subject to a welcome programme arranged by the Secretary of the Board in order to better know his or her objectives and duties and the nature of the Bank.

Directors will serve on the Board for a maximum period of five years and may be re-elected until they attain the age of seventy, the maximum age permitted for the

appointment or re-election of directors of the Bank, in accordance with Article 29 of the Memorandum and Articles of Association.

All ballots cast by the Board in relation to the appointment, re-election and removal of directors are secret, and the directors subject to these ballots may not intervene in the procedure, including deliberation.

Article 6. Information for Directors

Directors are entitled to obtain accurate advice from the Bank, including external advice, if the circumstances require it, for the fulfilment of their duties.

Directors are also entitled to examine the books, registers and documents of any kind belonging to the Bank, to contact managers of the different Bank departments and to visit the Bank's facilities and offices.

In order for this entitlement to be exercised in an orderly fashion, directors will direct their requests for information and/or communication or visit to the Chairman or Secretary of the Board, who will provide the information or the appropriate persons for contact and decide the proper means to bring this about. When the Chairman of the Bank has executive duties, any difference of opinion between him and the director requesting the information will be arbitrated by the deputy chairman.

Article 7. Remuneration of the Board of Directors

In accordance with the provisions Article 29 of the Memorandum and Articles of Association, the Board will be remunerated with 5% of the annual net earnings of the Bank, which will be distributed among directors in relation to their attendance of its meetings and their collaboration and dedication, both to the Board and to the Committees they serve on. The remuneration received by the Board will figure as a specific reference in the Management Report to be submitted in the Annual General Meeting.

Article 8. Directors' duties

As the main mission of the Board is to carry out the general supervision of the Bank in the accomplishment of its objects, directors have a strict requirement for diligence in performing duties, including, among others, adequate gathering of information and preparation for plenary Board Meetings and meetings of the Committees they serve in; attending and actively participating in them; taking on of any additional duties that Board may entrust them with; reporting any irregularity or situation involving risk that they may be aware of in the Bank's day to day operations and the requesting of extraordinary meetings to deal with them and/or inclusion on the agenda of points they consider pertinent; and, in a general sense, dedication of the necessary time and effort to the effective carrying out of their duties.

Directors are also bound by loyalty to the Bank, to its shareholders and to other interests represented by it, and, therefore, accept the following obligations, among others:

- a) To keep secret the deliberations of the Board and the Committees that make it up, and any information to which access has been given during his or her service. The obligation of confidentiality remains in force even after the cessation of his or her service.
- b) Not to compete with the Bank or to participate in the administration or management or render professional service to companies or activities with totally or partially analogous objects to the Bank, or which carry out activities concurrently with those of the Bank. Only those positions or activities that are carried out in the companies or subsidiaries of the Bank's Group are excluded from those described previously.
- c) To abstain from carrying out direct or indirect professional or commercial transactions with the Bank, except with the Board's express authorisation after reporting by the Remunerations Committee.
- d) To abstain from intervening in deliberations affecting matters in which he or she has a personal interest. This interest is considered founded when the matter affects a family member of up to the fourth degree of kinship or to a company in which he or she acts in a management capacity or has a shareholding no less than 5% of share capital. Directors are obliged to give prior notification of any conflict of interest that might arise during their service.
- e) To abstain from making use of privileged information obtained from the Bank, especially regarding operations involving the purchase or sale of securities.
- f) Not to take advantage of an opportunity for business that may be beneficial to the Bank for own gain or that of a family member or of a company in which he or she has a shareholding not less than 5%, except with the Board's express authorisation after reporting by the Remunerations Committee.
- g) Not to use the Bank's assets for personal benefit, except for the carrying out of duties.
- h) To keep the bank informed at all times of the share capital holdings he or she may have and any association agreements he or she may have entered into with other shareholders.
- i) To inform the Bank of positions in and relevant relations with other companies that he or she may have, particularly those subject to rules governing senior bank management.
- j) To inform the Bank, by means of a letter addressed to all Board members, of the reason for early resignation or cessation of his or her service as director.
- k) To inform the Bank of legal suits in which he or she may be involved and record of any previous legal proceedings in which he or she was involved.
- l) To resign from his or her position as director where he or she no longer is in

possession of time or professional capacity to attend to obligations with the Bank and where, in consequence of actions in dealings with the Bank or in unrelated areas, serious damage to the credit and reputation of the Bank may be occasioned. Without prejudice to the above, if a director is processed or charged with any of the offences described in the provisions of Article 124 of the Public Limited Companies Law, the Board will review the case at its earliest convenience and will decide whether the director will continue in his or her post or will be provisionally or permanently suspended.

- m) To resign from service, in the case of directors representing large shareholders, when that shareholder sells his or her full shareholding in the Bank or if said shareholding is reduced to a level where a reduction in representative directors is also warranted.

Article 9. Shareholder relations

The Board will encourage communication by the Bank with its shareholders and will inform them periodically of the Bank's economic performance and will use appropriate means to ascertain their opinions regarding its management. The Board will also encourage effective participation of shareholders in General Meetings.

Public requests for proxies for general Meetings addressed to shareholders will explain clearly and in detail the way the representative will vote if the shareholder does not give instructions, in addition to possible existence of conflicts of interest with the Board or certain substantial shareholders regarding the item to be resolved.

Article 10. Relations of the Board with the Securities Market

The Board will maintain an active information policy with securities markets and will report any facts that are relevant to the Bank's share price, its shareholder structure and any changes to it with details of the ownership of substantial shareholdings and of partnership agreements that may be occurring among them. It will also inform of the policy maintained regarding treasury share. The Board will present in its annual report the Regulations of Governance of the Board that are in force and any modifications made to them and, as the case may be, the reasons for their not adopting fully or partially the guidelines of the Committee of Experts' Report.

The Board will provide to the markets and to their regulatory bodies the quarterly and half-yearly financial statements or any other customarily required adjusted for companies listed on official stock exchanges.

Article 11. Relations of the Board with Auditors

The Board will abstain from using the services of auditors or audit firms if the fees they charge for their audits or other services rendered by them or their group of companies

equal a large percentage of their total revenues, greater than 5% calculated on figures from the previous financial year. These direct or indirect fees will be received special mention in the annual report to be submitted in the Annual General Meeting.

The Board will ensure that in the drafting of the Bank's annual accounts there will be no exceptions of discrepancies by the auditors and is committed, if this should occur with the Board keeping to its criteria, a public explanation of its posture will be given in the Management Report.

The Board of Directors of Banco Guipuzcoano is committed to those additional and complementary conducts that are coherent with those previously described and in the spirit of the Committee of Experts. It is also committed to carrying out its mission in accordance with those duties described in the provisions of Article 127 of the current Public Limited Companies Law.

San Sebastian, 21 December 2007

The Secretary of the Board of Directors