

The Bankia logo consists of the word "Bankia" in a bold, yellow, sans-serif font, centered within a dark brown rectangular background.

Bankia

Board of Directors

25 May 2012

Annual Report on Director Remuneration

ANNUAL REPORT ON DIRECTOR REMUNERATION AT BANKIA, S.A.

The structure and content of this report on the remuneration of the directors of Bankia, S.A. has been prepared having regard to the most up-to-date Good Corporate Governance practices at both national and international level.

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT YEAR (2012)

A.1 Remuneration policy of the Company (2012)

1. Composition of the Board of Directors

Pursuant to article 37.1 of the Bylaws of BANKIA, the Board of Directors is made up of no fewer than five and no more than nineteen members, and responsibility for determining the exact number of members falls to the General Meeting.

The term of office is six years and directors may be re-elected for successive periods of the same duration.

On the Board of Directors of BANKIA, the external or non-executive directors (fifteen) account for the vast majority compared to the executive directors (three). There is also a significant number of independent directors (five).

Shown below is a table listing all members of the Board of Directors as at 31 December 2011, together with an indication of the type of directorship, the date of appointment and the positions held at BANKIA.

Director	Position	Type	Date of appointment	Other positions held at BANKIA
Mr. Rodrigo de Rato Figaredo	Chairman	Executive	16-06-2011	Executive Committee
Mr. Francisco Verdú Pons	CEO	Executive	16-06-2011	Executive Committee
Mr. José M. Fernández Norniella	Executive Director assigned to the Office of the Chairman	Executive	16-06-2011	Executive Committee / Board Risk Committee
Ms. Carmen Cavero Mestre	Director	Independent	16-06-2011	Audit and Compliance Committee
Mr. Arturo Fernández Álvarez	Director	Proprietary	16-06-2011	
Mr. Alberto Ibáñez González	Director	Independent	16-06-2011	Audit and Compliance Committee
Mr. Javier López Madrid	Director	Proprietary	16-06-2011	Executive Committee
Mr. Juan Llopart Pérez	Director	Others	16-06-2011	Appointments and Remuneration Committee/ Board Risk Committee

Director	Position	Type	Date of appointment	Other positions held at BANKIA
Ms. Araceli Mora Enguídanos	Director	Independent	16-06-2011	Audit and Compliance Committee / Board Risk Committee
Mr. José Antonio Moral Santín	Director	Proprietary	16-06-2011	Executive Committee / Appointments and Remuneration Committee
Mr. Francisco Juan Ros García	Director	Others	16-06-2011	Executive Committee
Mr. José Manuel Serra Peris	Director	Others	16-06-2011	Appointments and Remuneration Committee
Mr. Atilano Soto Rábanos	Director	Proprietary	16-06-2011	Executive Committee
Mr. Antonio Tirado Jiménez	Director	Proprietary	16-06-2011	Executive Committee / Board Risk Committee
Mr. Álvaro de Ulloa Suelves	Director	Independent	30-06-2011	Board Risk Committee
Mr. Claudio Aguirre Pemán	Director	Independent	07-07-2011	Executive Committee
Mr. Virgilio Zapatero Gómez	Director	Proprietary	07-07-2011	Executive Committee
Mr. Juan Martín Queralt	Director	Others	07-07-2011	

Mr. José Luis Olivas Martínez, who was appointed executive Vice Chairman of BANKIA on 16 June 2011, tendered his resignation on 21 November 2011. He did not receive any amount whatsoever in respect of the termination of his relationship with BANKIA.

Mr. Francisco Pons Alcoy was appointed executive Vice Chairman of BANKIA on 9 January 2012.

2. Remuneration policy for non-executive directors (2012)

According to article 49 of the Bylaws of BANKIA, the office of director is remunerated.

The remuneration payable to Board members comprises a periodic amount plus per diems for attending Board and committee meetings, notwithstanding reimbursement of the appropriate expenses. Responsibility for establishing this amount, distributing it among the various directors and the periodicity of payment falls to the Board of Directors.

Furthermore, and pursuant to article 49 of the Bylaws (mentioned above) and article 28 of the Regulations of the Board of Directors of BANKIA, non-executive directors who receive remuneration for their membership of any governing body at BANKIA's majority shareholder, i.e. Banco Financiero y de Ahorros, S.A., or at any of the credit institutions with a holding in that majority shareholder,² or who are employed (under an ordinary or senior management contract) by any of the institutions

² These are: Caja de Ahorros y Monte de Piedad de Madrid; Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja; Caja Insular de Ahorros de Canarias; Caja de Ahorros y Monte de Piedad de Ávila; Caixa d'Estalvis Laietana; Caja de Ahorros y Monte de Piedad de Segovia; and Caja de Ahorros de La Rioja.

mentioned, will not be entitled to receive any compensation whatsoever as BANKIA directors, except for reimbursement of appropriate expenses.

Furthermore, BANKIA has taken out civil liability insurance for its directors on the usual terms and conditions commensurate with the circumstances of BANKIA.

Lastly, the Board of Directors of Bankia is aware that the Company must take steps to comply with the requests made by the Bank of Spain in its letter of 17 February 2012, pursuant to the application of Royal Decree-Laws 2/2012 and 3/2012. In any event, the stipulations of the Ministerial Order made to implement the above-mentioned Royal Decree-Laws will apply.

3. Remuneration policy for executive directors (2012)

The remuneration policy for senior managers at Bankia, S.A., including the policy for Board members who exercise management functions, is governed by the following principles:

- **Flexibility:** the rules governing directors' compensation incorporate mechanisms that enable exceptional situations to be handled in a way that meets the needs arising at any given moment. Furthermore, the variable components of the remuneration are sufficiently flexible as to permit their adjustment to the point of eliminating variable remuneration, in accordance with the applicable law.
- **Timing:** the compensation payable to executive directors is set against a medium and long-term outlook in order to incentivise their performance from a strategic perspective and the achievement of short-term results.
- **Variability:** in view of the position of executive directors and their impact and influence on BANKIA's results, the amount of their remuneration includes a significant variable component, linked to their performance and the results obtained.
- **Link to the interests of the Company and its shareholders:** the amount of executive directors' compensation is directly linked to the extent to which the objectives of the Company and the shareholders are met. To that end, mechanisms are included which link the amount of compensation to the results obtained by the Company and its market value.
- **Multiple elements:** the remuneration package is made up of a set of elements that, in terms of their content (cash and non-cash), timing (short, medium and long-term) and security (fixed and variable), enable compensation to be adjusted to meet the needs of the Company and the executive directors alike.
- **Balance:** the Company's remuneration system establishes a balanced and efficient relationship between the fixed and variable components, with the result that the fixed component accounts for a sufficiently high proportion of the total remuneration.
- **Transparency:** since the rules governing compensation are explicit and familiar to the directors, they are able to form a clear idea of the total remuneration they can expect to receive at the end of the

financial year, as well as the conditions they would need to meet in order to obtain it.

- **Simplicity:** the rules on remuneration are worded clearly and concisely, and the description of the rules as well as the calculation methods and applicable conditions that must be met to receive compensation are simplified as far as possible.
- **Internal fair treatment:** the applicable policy and the appropriate remuneration amounts are established having regard to the duties involved in the positions. The Company endeavours to ensure that similar positions are treated equally and, therefore, differently from other positions with dissimilar characteristics, in light of the degree of relative importance of the position for the Company.
- **External competitiveness:** the applicable policy and the appropriate remuneration take account of market trends, and are positioned with respect to the market in accordance with the Group's strategic plan.

In addition to the compensation components to which the executive directors are entitled as Board members, they are also entitled to remuneration comprising the following elements:

- Fixed remuneration.
- Variable remuneration linked to indicators of the director's or Company's performance.
- A benefits element, which will include the relevant pension and insurance schemes.
- Severance in the event of separation or any other form of termination of the legal relationship with BANKIA not due to breach by the director.

Furthermore, and in accordance with the stipulations of article 49 of the Bylaws and article 28 of the Board Regulations of BANKIA, executive directors who receive remuneration for their executive functions at the financial institution that is BANKIA's majority shareholder, or at the credit institutions with a holding in that majority shareholder,³ will not be entitled to receive any compensation whatsoever in respect of their executive functions at BANKIA, except for reimbursement of appropriate expenses.

If applicable, the executive directors of the Company will not be entitled to simultaneously receive remuneration in respect of per diems as a result of their membership of any governing body at BANKIA's majority shareholder or at any of the credit institutions with a holding in that majority shareholder.

The Chief Executive Officer, for his part, does not receive any remuneration whatsoever by reason of his membership of the Board of Directors of BANKIA, although he does receive €3,000 in respect of per diems for attendance at meetings.

³ These are: Caja de Ahorros y Monte de Piedad de Madrid; Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja; Caja Insular de Ahorros de Canarias; Caja de Ahorros y Monte de Piedad de Ávila; Caixa d'Estalvis Laietana; Caja de Ahorros y Monte de Piedad de Segovia; and Caja de Ahorros de La Rioja.

The Chairman, Vice Chairman and the Chief Executive Officer will not receive any remuneration whatsoever for their membership, on behalf of or representing the Group, of the boards of directors at investee companies.

Lastly, directors who perform executive or advisory functions that differ from the functions of supervision and collective decision-making inherent in their directorship, regardless of the nature of their relationship with BANKIA, will be entitled, pursuant to a resolution of the Board of Directors of BANKIA, to receive remuneration (whether employment or professional, fixed or variable, in cash or in kind) arising as a result of performing those functions, including participation in incentive schemes that may be generally established for members of senior management at the Company.

4. 'Remuneration mix' of executive directors (2012)

Pursuant to article 5.3 of Royal Decree-Law 2/2012, institutions in receipt of financial support from the Fund for the Orderly Restructuring of the Banking Sector, and in which the Fund does not have a majority stake, must limit the fixed remuneration paid in respect of all items to executive chairmen, chief executive offices and senior managers to €600,000 per annum.

Furthermore, article 5.2 of Royal Decree-Law 2/2012 provides that with respect to credit institutions in the situation described in the preceding paragraph, the variable remuneration of directors and senior managers for the financial years during which public financial support is provided will be deferred for three years and subject to the condition that results must be obtained to justify the receipt of such financial support. In any event, the stipulations of the Ministerial Order made to implement the above-mentioned Royal Decree-Laws will apply.

Accordingly, and in compliance with the above statutory provisions, the Company will pay the following amounts (which are estimates of the amount to be paid to the executive directors) in the 2012 financial year in respect of fixed and variable compensation, on an aggregate basis.

Fixed compensation: €2,400,000

Variable compensation: this will be the amount that results from meeting the established objectives and is authorised by the Bank of Spain, and will be deferred in accordance with article 5 of Royal Decree-Law 2/2012 and, if applicable, the implementing Ministerial Order.

A.2 Process for determining the remuneration policy and the role of the Appointments and Remuneration Committee

1. Composition of the Appointments and Remuneration Committee

The Board Regulations and the Bylaws of BANKIA stipulate that the Appointments and Remuneration Committee will be made up of no fewer than three and no more than seven directors, and that in all cases, the Chairman must be an external director. The composition of the Committee as at 31 December 2011 was as follows:

Director	Position	Type	Date of appointment
Mr. José Manuel Serra Peris	Chairman	Others	16-06-2011
Mr. Juan Llopart Pérez	Member	Others	16-06-2011
Mr. José Antonio Moral Santín	Member	Proprietary	16-06-2011

The Committee members are appointed by the Board of Directors.

2. Functions of the Appointments and Remuneration Committee

According to the Board Regulations and the Bylaws of BANKIA, the Appointments and Remuneration Committee has general powers in matters of remuneration, appointments and the removal of directors and senior managers. In particular, it performs the following duties:

- To make proposals to the Board of Directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of Shareholders, and proposals for re-election or removal of those directors by the General Meeting;
- To report, on a non-binding basis, on proposals of the Board of Directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of shareholders, and proposals for re-election and dismissal of those Directors by the General Meeting;
- To report, on a non-binding basis, on Board resolutions related to appointment or removal of senior managers of the Group proposed to the Board by the Chairman;
- To propose to the Board of Directors:
 - The remuneration policy for directors and senior managers.
 - The individual remuneration and other contractual terms of executive directors.
 - The standard terms for senior manager contracts.
- To periodically review the remuneration programmes, considering their appropriateness and utility;
- To ensure the transparency of remuneration and inclusion in the annual report on director remuneration and the annual corporate governance report of information regarding remuneration of Directors and, to that end, submitting such information as may be appropriate to the Board;
- To oversee compliance with the remuneration policy set by the Company; and
- To ensure the independence, impartiality and professionalism of the secretary and assistant secretary of the Board of Directors, reporting on their appointment and removal for approval of the full Board.

3. Meetings of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee of BANKIA meets whenever convened pursuant to a resolution of the Commission itself or of its Chairman and, in any event, at least four times a year. It also meets whenever the Board of Directors or its Chairman requests the preparation of a report or the adoption of proposals.

Resolutions are adopted by the majority vote of those present at the meeting, in person or by means of a representative, and the Chairman has the casting vote in the event of a tie.

As at the date of this report, the Committee had met on five occasions during the 2012 financial year.

4. External advice

BANKIA received advice from Towers Watson and the Hay Group on the design of the remuneration policy set forth in this report. It also received advice from J&A Garrigues, S.L.P. on the rules applicable to the policy as well as on the drafting of this report.

A.3 Amount and nature of the fixed remuneration components (2012)

The Board of Directors of Bankia is aware that the Company must take steps to comply, in the current year, with the requests made by the Bank of Spain in its letter of 17 February 2012, pursuant to the application of Royal Decree-Law 2/2012.

In this regard, and in accordance with article 5.3 of Royal Decree-Law 2/2012, the following limits have been established:

- With respect to non-executive directors at institutions in receipt of financial support from the Fund for the Orderly Restructuring of the Banking Sector, and in which the Fund does not have a majority stake, the remuneration payable to members of the governing bodies in respect of all items is subject to a limit of €100,000.
- With respect to executive directors, the Company will pay up to €600,000 per annum in respect of fixed remuneration for all items, including all remuneration earned within the Group.

For these purposes, the per diems received by non-executive directors for their membership of the Board of Directors and its dependent bodies, both at BANKIA and at other Group entities, will respect the above limit of €100,000 per annum.

Moreover, the fixed remuneration of executive directors in respect of their senior management functions is as follows, for **2012**:

- Mr. Rodrigo de Rato Figaredo: €600,000.
- Mr. Francisco Verdú Pons: €600,000.
- Mr. Francisco Pons Alcoy: €600,000.
- Mr. José Manuel Fernández Norniella: €600,000.

A.4 Amount, nature and main features of the variable remuneration components (2012)

1. System of annual variable remuneration (2012)

In accordance with article 5.2 of Royal Decree-Law 2/2012, with respect to credit institutions in receipt of financial support from Fund for the Orderly Restructuring of the Banking Sector, and in which the Fund does not have a majority stake, the variable remuneration of directors and senior managers for the financial years during which financial support is provided will be deferred for three years and subject to the condition that results must be obtained to justify receipt of such support. Nonetheless, and in observance with the foregoing, the applicable objectives system remains in place.

The Board of Directors of Bankia is aware that the Company must take steps to comply, for the current year, with the requests made by the Bank of Spain in its letter of 17 February 2012, pursuant to the application of Royal Decree-Law 2/2012.

Matters not affected by that instrument will continue to be governed by the provisions of the contracts and remuneration systems approved by the Company's governing bodies.

Directors with executive functions are included in the annual variable remuneration system for senior managers at the Company.

For these purposes, annual variable remuneration is regarded as remuneration the payment of which is subject to meeting, for each financial year, established objectives. It cannot, under any circumstances, become a vested right, with the result that its receipt in a particular financial year will not confer any additional salary entitlement on the director, and the amount received does not form part of the director's annual gross salary.

Since this is an exclusively functional complement, BANKIA may abolish or reduce it in accordance, as the case may be, with the terms and conditions agreed to in the contract, as a result of a change to the executive director's duties

Every year, or even during an ongoing financial year, the Company will establish the objectives that must be met in order for the annual variable remuneration to be paid, objectives that will be notified to each executive director in the appropriate manner.

The general variable remuneration system, in turn, features '*ex-ante*' mechanisms to bring remuneration into line with risks. These mechanisms are based on three fundamental premises:

- The internal capital adequacy assessment and the budget process are the cornerstone for establishing objectives to define the milestones for individuals, for business units and for the Group, which apply to all employees.
- The involvement of senior management staff in controlling assumed risks in combination with a stringent internal control system.
- The determination of a combination of moderate fixed and variable remuneration.

The Chief Executive Officer was guaranteed a specific amount of variable remuneration for his first year at the Company, i.e. 2011. This particular case of guaranteed variable remuneration is consistent with the applicable legislation on the matter, since it only applies to the CEO's first year at the Company, under article 76E.2.d) of Royal Decree 216/2008, of 15 February 2008, on equity of financial institutions.

2. Deferral of the payment of annual variable remuneration (2012)

Article 5.2 of Royal Decree-Law 2/2012 provides that for as long as financial support is being provided, the variable remuneration of executive directors will be deferred for three years and payment thereof is subject to the condition that results must be obtained to justify the grant of financial support, which will be assessed by the Bank of Spain.

Notwithstanding the foregoing, and with respect to variable remuneration for the 2011 financial year, the annual variable remuneration system applies to senior managers whose professional activities have a significant impact on their risk profile (hereafter, the 'supervised collective'), including the executive directors of BANKIA, in accordance with article 76E.2.d) of Royal Decree 216/2008, of 15 February 2008, on equity of financial institutions. This system was approved by the Appointments and Remuneration Committee (which decides on the deferral of the 2011 variable remuneration) and has the following characteristics:

- 50% of the variable remuneration will be paid in cash and the remaining 50% will be paid in shares.
- 60% of the annual variable remuneration, in cash as well as in shares, will be paid on the date scheduled for the other senior managers at the company.
- 40% of the variable remuneration, both the cash portion and the share portion, will be deferred for three years and will be paid in instalments of one-third as follows:
 - one-third, no earlier than 12 months and no later than 15 months after the first date of payment of the annual variable remuneration;
 - one-third, no earlier than 24 months and no later than 27 months after the first date of payment;
 - one-third, no earlier than 36 months and no later than 39 months after the first date of payment.
- Shares delivered to the executive directors will be inalienable during the year immediately after their delivery.

3. Clause to adjust annual variable remuneration

Annual variable remuneration that is outstanding for payment under this system, whether in 2011 or in subsequent years, may be reduced or cancelled upon the occurrence of any of the following events:

- Poor financial performance of the consolidated group to which the Company belongs, which is attributable to the management of the executive director.
- Breach by the executive director of internal rules including, in particular, those relating to risk.
- Significant material reformulation of the financial statements of the Company due to the executive director's management, unless this is a result of an amendment to accounting legislation; or significant variations in the economic capital and the qualitative evaluation of the risks.

The executive directors may not enter into hedging transactions of any kind or take out any insurance in respect of deferred variable remuneration that is outstanding for payment, nor may they enter into hedging transactions in respect of shares subject to the rules on inalienability referred to above.

4. Objectives for the receipt of annual variable remuneration

The objectives are a key part of the annual variable remuneration system, since the final amount of such remuneration to be paid to each executive director will depend, to a large extent, on the degree to which those objectives have been achieved.

Every year, the Managing Body engages in an exercise to identify objectives which, *inter alia*, take account of the strategic needs determined on the basis of the internal capital adequacy assessment, planning for cash flow needs, risk management and control policies, as well as the projects and priorities assigned to each executive director for the financial year in course.

This process will result in specific measures and objectives for each executive director, subject to oversight by the Managing Body.

The objectives, their corresponding achievement markers and their relative weighting will be established by the Managing Body and revised by it at least once a year. For these purposes, the stipulations in BANKIA's Bylaws and the Board Regulations will apply.

In any event, receipt by the executive directors of the variable remuneration will be adapted to the requirements of Royal Decree 771/2011, of 3 June 2011, which modifies, *inter alia*, Royal Decree 216/2008, of 15 February 2008, on equity of financial institutions, with respect to the framework for prior authorisations issued by the Bank of Spain.

A.5 Main features of long-term savings systems (2012)

BANKIA has specific long-term commitments towards its executive and non-executive directors in matters of retirement, total disability, death, and severe or major dependency. For the 2012 financial year, Royal Decree-Law 2/2012 will apply to this category, with the result that the long-term savings systems will be adjusted in line with that instrument and its implementing legislation.

A.6 Severance agreed or paid in the event of termination of directorship (2012)

Notwithstanding the stipulations contained in the contracts entered into, additional provision seven of Royal Decree-Law 3/2012, of 10 February 2012, on urgent measures to reform the employment market (hereafter, 'Royal Decree-Law 3/2012'), provides that until BANKIA repays the financial assistance it has received, it may not, in cases of termination of its relationship and the executive directors, pay severance exceeding the lower of the following two amounts:

- €1,200,000; or
- Two years of stipulated fixed remuneration.

The above rule does not apply to directors and senior managers who joined the Company or its Group at the same time as or after the Fund for the Orderly Restructuring of the Banking Sector acquired a holding or provided financial assistance. In those cases, the Bank of Spain, in light of the contractual conditions and the outcome of the consolidation plan, may authorise the payment of higher amounts than those resulting from applying the bases under rules 3 and 4 of article 5.3.a) of Royal Decree-Law 2/2012, subject to the original limit of two years of fixed remuneration.

A.7 Features of the contracts between the executive directors and BANKIA

- Term

The contracts of the executive directors are for an indefinite term. Article 26 of the Board Regulations of BANKIA states that directors may be appointed for a maximum of six years and may be re-elected for successive periods of the same duration.

- Civil liability insurance

The contracts also require BANKIA to take out civil liability insurance covering directors in the performance of their duties.

- Professional secrecy and duty of confidentiality

Furthermore, the contracts contain an obligation to maintain professional secrecy. The duty of confidentiality is governed by article 31 of BANKIA's Board Regulations and applies even after the directors have left office.

- Non-compete obligation

The directors may not, for their own account or for the account of others, engage in any activity that is the same, similar or supplementary to the activity constituting the corporate purpose of BANKIA, except for the positions or offices that may be held at other Group companies.

A.8 Additional remuneration earned by directors for services other than those inherent in their office (2012)

No additional remuneration was paid for services provided to the Company other than those already included in this report.

A.9 Measures adopted in the remuneration policy on reducing exposure to excessive risks and adapting it to the Company's long-term objectives, values and interests (2012)

The remuneration policy approved by the Company prior to the entry into force of Royal Decree-Law 2/2012 included the following elements linking remuneration to risk:

- The annual variable remuneration of executive directors which is outstanding for payment under this system may be reduced or cancelled upon the occurrence of any of the following events:
 - Poor financial performance of the consolidated group to which the Company belongs, which is attributable to the management of the executive director.
 - Breach by the executive director of internal rules including, in particular, those relating to risk.
 - Significant material reformulation of the financial statements of the Company due to the executive director's management, unless this is a result of an amendment to accounting legislation; or significant variations in the economic capital and the qualitative evaluation of the risks.
- In compliance with article 76E.2 of Royal Decree 216/2008, of 15 February 2008, on equity of financial institutions, 50% of executive directors' variable remuneration is paid in shares, thereby linking their compensation to BANKIA's share performance. 40% of the variable remuneration, in shares as well as in cash, is deferred for a period of three years.
- The objectives that must be met in order to receive the variable remuneration, as described in section A.4 above, include team and individual objectives, which take account of factors such as actual and potential risks, capital consumption and cash flow.
- Shares awarded to the executive shareholders as variable remuneration may not be disposed of for a period of one year. In the case of the Chief Executive Officer, this period is extended to two years.

Since its establishment, the remuneration system approved by the Board has provided for the conversion of 40% of the total compensation as follows:

As part of their total compensation, and in order to link directors to the shareholders in achieving value, they directors will receive 20% of their remuneration as Board members in the form of shares, subject to the approval of the General Meeting. These shares are subject to rules on inalienability for a period of three years, after which the directors may dispose of them.

The remaining 20% is converted into variable remuneration (linked to the objectives of integrating the *Cajas* under the Institutional Protection System into the Bank and being floated on the stock exchange) and, in all cases, its receipt is subject to authorisation from the Bank of Spain.

In short, the periodic portion of compensation is reduced by 40% and replaced by the two items described above which, as indicated, must be approved in advance before being paid, once the financial year has come to a close.

Notwithstanding the foregoing, on the occasion of the publication of Royal Decree-Law 2/2012 in the Official State Gazette on 4 February 2012, BANKIA introduced the appropriate measures to adapt itself to the new requirements and limits established in that instrument.

B REMUNERATION POLICY PLANNED FOR THE FUTURE (2013 ONWARDS)

B.1 Remuneration policy for the future (2013 onwards)

The remuneration policy of the Board of Directors described in section A.1 above is the policy that will apply in the years ahead, in implementation of the resolutions adopted by the Company's various corporate bodies. However, the Appointments and Remuneration Committee, in the exercise of the functions conferred on it by the Board Regulations (described in subsection 2 of section A.2 above), will periodically review the Board's remuneration policy and submit the appropriate proposals to it with respect to the items and amounts under the policy, having regard to the evolution of the business as well as the results of the Company.

In particular, the Appointments and Remuneration Committee will closely monitor any amendments that may be made to the rules on compensation systems at financial institutions. As indicated above, the Company has adapted its remuneration policy to the provisions contained in Royal Decree-Law 2/2012.

As a consequence of that legal instrument (and as explained in subsection 2 of section A.2 of this report), the annual variable remuneration payable in respect of the 2011 financial year will have an effect, in terms of its calculation, on the 2012, 2013, 2014 and 2015 financial years. Furthermore, it is contemplated that the shares actually awarded as a consequence of calculating the 2011 annual variable remuneration may not be disposed of by the executive directors, at least for a period of one year, with the result that shares awarded in 2015 will not be transferable until 2016 at the earliest.

The variable remuneration for 2012 will depend on the results of the plan drawn up for the receipt of financial assistance and payment thereof will be deferred for three years, in accordance with Royal Decree-Law 2/2012 and, as appropriate, the implementing Ministerial Order.

Process of developing the remuneration policy planned for the future (2013 onwards)

The Appointments and Remuneration Committee, in the exercise of the functions conferred on it by the Board of Directors of BANKIA, conducts a periodic review of the remuneration policy applicable to Board members.

Accordingly, the Appointments and Remuneration Committee may submit proposed amendments on the policy to the Board with respect to the compensation items as well as their amounts, having regard to the economic climate, the Company's results, the strategy of the Group and legal requirements.

Every year, the Appointments and Remuneration Committee prepares a report on the remuneration of Board members. This report is submitted to the General Meeting of Shareholders as a separate agenda point for its consultative approval.

In addition, at least once a year, the Appointments and Remuneration Committee commissions an independent central evaluation of the application of the remuneration policy, in order to determine the level of compliance with the compensation guidelines and procedures adopted by the Appointments and Remuneration Committee, in the exercise of its supervisory duties.

B.2 Incentives established by the Company in the remuneration system to reduce exposure to excessive risks and adapt it to the Company's long-term objectives, values and interests (2013 onwards)

In order to adapt the remuneration policy to the requirements laid down in the applicable legislation (in particular Royal Decree 771/2011) on risks, and to bring executive directors' remuneration into line with the creation of value for shareholders, the Board of Directors of BANKIA, acting on a proposal from the Appointments and Remuneration Committee, took the following decisions during the 2011 financial year, which will apply in the financial years ahead and must be implemented in connection with Royal Decree-Law 2/2012:

- Remuneration in the form of equity instruments:

The following measures have been introduced in relation to the possibility of paying BANKIA's directors in Company shares:

- Executive directors: 50% of the variable remuneration will be paid in shares. These shares will be inalienable for a period of one year following their award.
- All Board members: as part of their fixed remuneration, directors will receive 20% of their compensation as Board members in the form of shares. These shares will be inalienable for a period of three years.

- Deferral of annual variable remuneration:

40% of the variable remuneration, both in cash and in shares, will be deferred for three years and will be paid in instalments of one-third in the years of deferral.

- Introduction of a clause to reduce variable remuneration or a '*malus*' clause:

The annual variable remuneration of executive directors which is outstanding for payment under this system may be reduced or cancelled upon the occurrence of any of the following events:

- Poor financial performance of the consolidated group to which the Company belongs, which is attributable to the management of the executive director.
- Breach by the executive director of internal rules including, in particular, those relating to risk.
- Significant material reformulation of the financial statements of the

Company due to the executive director's management, unless this is a result of an amendment to accounting legislation; or significant variations in the economic capital and the qualitative evaluation of the risks.

- Objectives applying to annual variable remuneration: the objectives that must be met in order to receive the variable remuneration include factors such as actual and potential risks, capital consumption and cash flow.

C. REMUNERATION IN THE LAST FINANCIAL YEAR (2011):

C.1 Overview of how the remuneration policy for directors was applied during the last financial year (2011)

In the 2011 financial year, bearing in mind that the Company's shares were admitted to trading on July 20, 2011, the Appointments and Remuneration Committee approved the proposed remuneration policy applicable to the Company and its directors on 26 July 2011, which was then approved by the Board of Directors on 27 July 2011.

The details of the fixed remuneration of executive directors for the 2011 financial year, contained in table a).i) of section D.1 below, relate to a full year. The amount actually received is detailed in footnotes (1) and (2) of that table.

Shown below is a list of the objectives set for the executive directors in the 2011 financial year:

CHAIRMAN AND VICE CHAIRMAN	
Strategic plan	55%
Integration plan	
Public offering of the Company	
Organisational structure	
Company results	45%

CHIEF EXECUTIVE OFFICER	
Integration plan	55%
Public offering of the Company	
Strategic plan	
Efficiency plan	
Company results	45%

The variable remuneration of the Chairman, Vice Chairman and Chief Executive Officer for the 2011 tax year was determined by the Board of Directors, acting on a proposal from the Appointments and Remuneration Committee, having regard to the extent to which the above objectives were met. As a result, the annual variable remuneration for 2011 earned by the Chairman, Vice Chairman and Chief Executive Officer is detailed in table a).i) of section D.1 below. The Chairman, Vice Chairman and Chief Executive Officer will receive those amounts in accordance with the payment and deferral system for the 2011 financial year, which is the same as that for the 2012 financial year (described in subsection 2 of section A.4 above). That payment system meets the requirements of article 76F of Royal Decree 216/2008, of 15 February 2008, on equity of financial entities. Payment of the variable remuneration is subject to it being suitably justified to the Bank of Spain.

In the exercise of its functions, the Appointments and Remuneration Committee met on seven occasions in the 2011 financial year. In this connection, it should be borne in mind that the Appointments and Remuneration Committee was constituted on 16 June 2011.

Mr. José Luis Olivas Martínez, who was appointed Vice Chairman of BANKIA on 16 June 2011, tendered his resignation on 21 November 2011. He received all payments that were outstanding at that date although he did not receive any amount whatsoever in respect of the termination of his relationship with BANKIA.

In response to the request made by the Bank of Spain in its letter to the Chairman dated 27 October 2011, BANKIA engaged J&A Garrigues, S.L.P to prepare a report in order to have it conduct, as an independent expert, an assessment of the remuneration policy's compliance with Royal Decree 216/2008, of 15 February 2008, on equity. The report prepared by this independent expert was sent to the Bank of Spain by the specified deadline.

Furthermore, BANKIA has scrupulously complied with the disclosure requirement set forth in transitional provision twenty-two of Circular 3/2008, introduced by Circular 4/2011, of 30 November 2011. The requested information was published on the Company's website by the deadline established for that purpose.

C.II Details of individual remuneration earned by the directors in the last financial year (2011)

1. Individual remuneration of each director earned during the financial year

a) Remuneration earned at the Company:

i) Gross remuneration in cash (in thousands of euros)

Name	Salary	Per diems ^(A)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Severance	Other items	Year total for 2011
Mr. Rodrigo de Rato Figaredo	763 ⁽¹⁾	120	— ⁽²⁾ Waived ⁽³⁾	None	41	None	None	924
Mr. Francisco Verdú Pons	1,010 ⁽¹⁾	27	1,540 ⁽²⁾ Waived ⁽³⁾	None	None	None	None	2,577
Mr. José Manuel Fernández Norniella	184 ⁽¹⁾	74	— ⁽²⁾ Waived ⁽³⁾	None	61	None	None	319
Mr. Claudio Aguirre Pemán	None	61	Waived ⁽³⁾	None	15	None	None	76
Ms. Carmen Caveró Mestre	None	70	Waived ⁽³⁾	None	16	None	None	86
Mr. Arturo Fernández Álvarez	None	74	Waived ⁽³⁾	None	None	None	None	74
Mr. Alberto Ibáñez González	None	70	Waived ⁽³⁾	None	33	None	None	103
Mr. Javier López Madrid	None	74	Waived ⁽³⁾	None	15	None	None	89
Mr. Juan Llopert Pérez	None	74	Waived ⁽³⁾	None	35	None	None	109
Mr. Juan Martín Queralt	None	61	Waived ⁽³⁾	None	None	None	None	61
Ms. Araceli Mora Enguídanos	None	70	Waived ⁽³⁾	None	16	None	None	86
Mr. José Antonio Moral Santín	None	61	Waived ⁽³⁾	None	35	None	None	96
Mr. Francisco Juan Ros García	None	70	Waived ⁽³⁾	None	15	None	None	85
Mr. José Manuel Serra Peris	None	74	Waived ⁽³⁾	None	29	None	None	103

Name	Salary	Per diems ^(A)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Severance	Other items	Year total for 2011
Mr. Atilano Soto Rábanos	None	70	Waived ⁽³⁾	None	19	None	None	89
Mr. Antonio Tirado Jiménez	None	74	Waived ⁽³⁾	None	41	None	None	115
Mr. Álvaro de Ulloa Suelves	None	61	Waived ⁽³⁾	None	15	None	None	76
Mr. Virgilio Zapatero Gómez	None	61	Waived ⁽³⁾	None	15	None	None	76

(A) The column relating to per diems includes payments in respect of per diems for attendance at Board meetings and fixed remuneration for Board membership, earned in the 2011 financial year.

- (1) Relates to the period from the date on which the director joined Bankia.
- (2) The short-time variable remuneration has yet to receive the required authorisation from the Bank of Spain and will be paid in accordance with subsection 2 of section A.4 of this report. Short-term variable remuneration, when authorised, cannot exceed 70% of the amount provided for in the contract. The application for authorisation from the Bank of Spain was sent on 5 March 2012. The Chief Executive Officer was guaranteed a specific amount of variable remuneration for his first year of the Company, i.e. 2011.
- (3) The directors waived the short-term variable remuneration to which they were entitled under the remuneration system in their capacity as Board members.

Outgoing Board member at 21 November 2011:

Name	Salary	Per diems ^(A)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Severance.	Other items	Year total for 2011
Mr. José Luis Olivas Martínez	425	81	_____ ⁽¹⁾ Waived ⁽²⁾	None	17	None	None	523

(A) The column relating to per diems includes payments in respect of per diems for attendance at Board meetings and fixed remuneration for Board membership, earned in the 2011 financial year.

- (1) The short-time variable remuneration of Mr. Olivas as Executive Director has yet to receive the required authorisation from the Bank of Spain and will be paid in accordance with subsection 2 of section A.4 of this report. Short-term variable remuneration, when authorised, cannot exceed 70% of the amount provided for in the contract. The application for authorisation from the Bank of Spain was sent on 5 March 2012.
- (2) Mr. Olivas waived the short-term variable remuneration to which he was entitled under the remuneration system in his capacity as Board member.

Guaranteed indemnity clauses in senior management contracts:

With respect to the Executive Directors Mr. Rodrigo de Rato Figaredo, Mr. Francisco Verdú Pons and Mr. José Manuel Fernández Norriella, information and data on this matter can be found in paragraph e) of the Annex to the 2011 Report of Corporate Governance of Bankia, S.A.

ii) Remuneration systems based on shares

Name	Name of the plan and date of establishment	Shares awarded in financial year t ⁽¹⁾
		Number of shares
Mr. Rodrigo de Rato Figaredo		Waived
Mr. José Manuel Fernández Norriella		Waived
Mr. Claudio Aguirre Pemán		Waived
Ms. Carmen Caveró Mestre		Waived
Mr. Arturo Fernández Álvarez		Waived

Mr. Alberto Ibáñez González		Waived
Mr. Javier López Madrid		Waived
Mr. Juan Llopart Pérez		Waived
Mr. Juan Martín Queralt		Waived
Ms. Araceli Mora Enguídanos		Waived
Mr. José Antonio Moral Santín		Waived
Mr. Francisco Juan Ros García		Waived
Mr. José Manuel Serra Peris		Waived
Mr. Atilano Soto Rábanos		Waived
Mr. Antonio Tirado Jiménez		Waived
Mr. Álvaro de Ulloa Suelves		Waived
Mr. Virgilio Zapatero Gómez		Waived

(1) The directors waived the shares to which they were entitled in their capacity as Board members under the approved remuneration system.

Outgoing Board member at 21 November 2011:

Name	Name of the plan and date of establishment	Shares awarded in financial year t (1)
		Number of shares
Mr. José Luis Olivas Martínez		Waived ⁽¹⁾

(1) Mr. Olivas Martínez waived the shares to which he was entitled in his capacity as Board member under the approved remuneration system.

iii) Long-term savings systems

Name/period	Contribution by the Company for the financial year (in thousands of €)
Mr. Rodrigo de Rato Figaredo	489
Mr. Francisco Verdú Pons	533
Mr. José Manuel Fernández Norniella	104
Mr. Claudio Aguirre Pemán	34
Ms. Carmen Caveró Mestre	39
Mr. Arturo Fernández Álvarez	39
Mr. Alberto Ibáñez González	39
Mr. Javier López Madrid	39
Mr. Juan Llopart Pérez	39
Mr. Juan Martín Queralt	35
Ms. Araceli Mora Enguídanos	39
Mr. José Antonio Moral Santín	39
Mr. Francisco Juan Ros García	39
Mr. José Manuel Serra Peris	39
Mr. Atilano Soto Rábanos	39
Mr. Antonio Tirado Jiménez	39
Mr. Álvaro de Ulloa Suelves	36
Mr. Virgilio Zapatero Gómez	35

Outgoing Board member at 21 November 2011:

Name/period	Contribution by the Company for the financial year (in thousands of €)
Mr. José Luis Olivas Martínez	170

b) Remuneration earned by the directors of the Company for their membership of boards of directors at other Group companies ^(D):

i) Gross remuneration in cash (in thousands of euros)

Name/ Classification/ Earning period financial year t	Salary	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of board committees	Severance	Other items (B)	Year total 2011
Mr. Rodrigo de Rato Figaredo	None	None	None	None	None	None	None	None
Mr. Francisco Verdú Pons	None	None	None	None	None	None	None	None
Mr. Claudio Aguirre Pemán	None	None	None	None	None	None	None	None
Ms. Carmen Cavero Mestre (C)	None	48	None	None	None	None	None	48
Mr. Arturo Fernández Álvarez (A)	None	27	None	None	None	None	14	41
Mr. José M. Fernández Norriella (A)	None	27	None	None	None	None	60	87
Mr. Alberto Ibáñez González	None	None	None	None	None	None	None	None
Mr. Javier López Madrid (A)	None	27	None	None	None	None	14	41
Mr. Juan Llopart Pérez (A)	None	47	None	None	None	None	None	47
Mr. Juan Martin Queralt	None	None	None	None	None	None	None	None
Ms. Araceli Mora Enguidanos	None	None	None	None	None	None	None	None
Mr. José Antonio Moral Santín (A)	None	62	None	None	None	None	None	62
Mr. Francisco Ros García	None	None	None	None	None	None	None	None
Mr. José Manuel Serra Peris (A)	None	None	None	None	None	None	67	67
Mr. Atilano Soto Rábanos (A)	None	None	None	None	None	None	None	None
Mr. Antonio Tirado Jiménez (A)	None	28	None	None	None	None	None	28
Mr. Álvaro de Ulloa Suelves	None	None	None	None	None	None	None	None
Mr. Virgilio Zapatero Gómez (A)	None	27	None	None	None	None	60	87

(A) The information relates to amounts for the period during which the remuneration system of Bankia, S.A. has been in place as from July 1, 2011.

(B) Relates to remuneration received as the individual representative of a legal entity director.

(C) This director is no longer a member of the board of directors of the company to which the remuneration relates.

(D) This table includes the remuneration earned by directors for their membership of boards of directors at other Group companies as well as remuneration earned at non-Group investee companies as from the date of the Group's constitution on 16 June 2011.

ii) Remuneration systems based on shares

During the 2011 financial year, the directors of BANKIA did not earn any additional remuneration in shares for their membership of boards at other group Companies.

iii) Long-term savings systems

During the 2011 financial year, the directors of BANKIA did not participate in any long-term savings system for their membership of boards at other Group companies.

iv) Other benefits (in thousands of euros)

During the 2011 financial year, the directors of BANKIA did not receive nor were they beneficiaries of other corporate benefits for their membership of boards at other Group companies.

c) Remuneration summary:

Shown below is a summary of the amounts in respect of all remuneration items included in this report which were earned by the directors, in thousands of euros.

The contributions made to long-term savings systems have been included.

Name/ Classification	Remuneration earned at the Company			Remuneration earned at Group companies (1)				Total		
	Total remuneration	Gross benefit from the options exercised	Year total 2011 Company	Total remuneration in cash	Amount of shares awarded	Gross benefit from the options exercised	Year total 2011 Group	Year total 2011	Year total t-1	Contribution made to savings systems during the financial year
Mr. Rodrigo de Rato Figaredo (3)	924(2)			None				924		489
Mr. Francisco Verdú Pons	2,577 (2)			None				2,577		533
Mr. José Manuel Fernández Norniella(3)	319 (2)			87				319		104
Mr. Claudio Aguirre Pemán (3)	76			None				76		34
Ms. Carmen Cavero Mestre (3)	86			48				134		39
Mr. Arturo Fernández Álvarez (3)	74			41				115		39
Mr. Alberto Ibáñez González (3)	103			None				103		39
Mr. Javier López Madrid (3)	89			41				130		39
Mr. Juan Llopart Pérez (3)	109			47				156		39
Mr. Juan Martín Queralta (3)	61			None				61		35
Ms. Araceli Mora Enguídanos (3)	86			None				86		39
Mr. José Antonio Moral Santín (3)	96			62				158		39
Mr. Francisco Juan Ros García (3)	85			None				85		39
Mr. José Manuel Serra Peris (3)	103			67				170		39
Mr. Atilano Soto Rábanos (3)	89			None				89		39

Name/ Classification	Remuneration earned at the Company			Remuneration earned at Group companies (1)				Total		
	Total remuneration	Gross benefit from the options exercised	Year total 2011 Company	Total remuneration in cash	Amount of shares awarded	Gross benefit from the options exercised	Year total 2011 Group	Year total 2011	Year total t-1	Contribution made to savings systems during the financial year
Mr. Antonio Tirado Jiménez (3)	115			28				143		39
Mr. Álvaro de Ulloa Suelves (3)	76			None				76		36
Mr. Virgilio Zapatero Gómez (3)	76			87				163		35

(1) Also includes remuneration earned at non-Group investee companies as from the date of the Group's constitution on 16 June 2011.

(2) The total remuneration of the executive directors includes fixed salary. Their variable remuneration is subject to authorisation from the Bank of Spain. The application for authorisation was sent to the Bank of Spain on 5 March 2012. The Chief Executive Officer was guaranteed a specific amount of variable remuneration for his first year at the Company, i.e. 2011.

(3) The directors waived the amounts in respect of short-term variable remuneration and remuneration based on shares to which they were entitlement in their capacity as Board members.

Outgoing Board member at 21 November 2011:

Name/ Classification	Remuneration earned at the Company			Remuneration earned at Group companies				Total		
	Total remuneration	Gross benefit from the options exercised	Year total 2011 Company	Total remuneration in cash	Amount of shares awarded	Gross benefit from the options exercised	Year total 2011 Group	Year total 2011	Year total t-1	Contribution made to savings systems during the financial year
Mr. José Luis Olivas Martínez	523 (1)			None				523		170

(1) The total remuneration of Mr. Olivas includes fixed salary. His variable remuneration is subject to authorisation from the Bank of Spain. The application for authorisation was sent to the Bank of Spain on 5 March 2012.

This annual report on the remuneration of the directors at BANKIA was approved by the Board of Directors of the Company at its meeting on 25 May 2012.

Directors who voted against the approval of this report or who abstained:

Yes / No

Name or corporate title of the directors who did not vote in favour of the approval of this report	Vote (against, abstention, non-attendance)	Reasons

Bankia

**REPORT ON THE APPOINTMENTS AND
REMUNERATION COMMITTEE
2011**

Formation and composition

The Appointments and Remuneration Committee was formed on 16 June 2011 by the Board of Directors of Bankia, S.A.

The Board appointed the following persons as members of the Committee:

- Mr. José Manuel Serra Peris, Chairman.
- Mr. Juan Llopart Perez, Director.
- Mr. José Antonio Moral Santín, Director.
- Mr. Miguel Crespo Rodríguez, Secretary.

At 31 December 2011 the composition of the Board remained the same as above.

Regulation and Responsibilities

The Committee is regulated by article 47 of the Bylaws and article 16 of the Board Regulations.

The Appointments and Remuneration Committee is composed of three Directors. All three are non-executive directors.

The members of the Appointments and Remuneration Committee will be appointed by the Board of Directors, based on the knowledge, ability and experience of the Directors and the responsibilities of the Committee. The Committee will be chaired by a non-executive Director appointed by the Board of Directors. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be Directors and may be other than the Secretary and Assistant Secretary of the Board of Directors, respectively.

The Committee will meet as often as called by resolution of the Committee itself or its Chairman, at least four times per year. Further, it also will meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

There will be a quorum when one half plus one of the Directors that are members of the Committee are present in person or by proxy.

The Committee will adopt its resolutions by majority vote of those in attendance at the meeting, in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

The Appointments and Remuneration Committee will have general authority to propose and report on remuneration and nominating matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the Board, the Appointments and Remuneration Committee will be responsible for:

(a) making proposals to the Board of Directors of independent Directors to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of shareholders, and proposals for re-election or removal of those Directors by the General Meeting;

(b) reporting, on a non-binding basis, on proposals of the Board of Directors for appointment of other Directors to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of shareholders, and proposals for re-election and dismissal of those Directors by the General Meeting;

(c) reporting, on a non-binding basis, on Board resolutions related to appointment or removal of senior managers of the Group proposed to the Board by the Chairman;

(d) proposing to the Board of Directors:

- (i) the remuneration policy for Directors and senior officers;
- (ii) the individual remuneration and other contractual terms of executive Directors; and
- (iii) the standard terms for senior officer contracts.

(e) periodically reviewing the remuneration programmes, considering their appropriateness and utility;

(f) ensuring the transparency of remuneration and inclusion in the annual report on Director remuneration and the annual corporate governance report of information regarding remuneration of Directors and, to that end, submitting such information as may be appropriate to the Board;

(g) overseeing compliance with the remuneration policy set by the Company; and

(h) to ensure the independence, impartiality and professionalism of the secretary and assistant secretary of the Board of Directors, reporting on their appointment and removal for approval of the full Board.

For better performance of its duties, the committee may seek the advice of outside professionals on matters within its competence.

Activity during the year

The Committee met seven times over the course of 2011.

The effective attendance rate of the Committee members was 100%.

The Commission mainly acted to develop the remuneration system in Bankia, S.A. and, in particular, took up the following specific questions:

- Remuneration policy for members of the del Board of Directors.
- Remuneration policy for executive Directors.
- Remuneration policy for senior management.
- Remuneration policy for executives.
- Proposals regarding senior management objectives.
- Analysis of senior management objectives.
- Annual general conditions of the variable compensation system for executive Directors.