

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

Fiscal Year 2012

Bankia

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1. Introduction

1.1. Establishment and Composition

The Audit and Compliance Committee was established on June 16, 2011 by resolution of the Bank's Board of Directors. Pursuant to the provisions set forth in the Bylaws and in the Board of Directors Rules (Articles 46 and 15, respectively), the Audit and Compliance Committee shall comprise a minimum of 3 and a maximum of 7 Directors; at least the majority of the members shall be non-executive independent Directors. Likewise, pursuant to the amendment to the Bylaws approved by the shareholders at the General Meeting of Shareholders held of June 29, 2012, the number of Directors serving on the Committee shall be determined directly by setting such number by express resolution or indirectly by filling vacancies or by appointing new members without exceeding the maximum set forth.

To such end, the Bank's Board of Directors appointed the following first members of the Audit and Compliance Committee: Mr. Alberto Ibáñez González (Chairman), Ms. Carmen Cavero Mestre (Committee Member) and Ms. Araceli Mora Enguádanos (Committee Member).

Subsequently, at its meeting of May 25, 2012, the Board of Directors resolved to accept the resignations submitted by Mr. Alberto Ibáñez González, Ms. Carmen Cavero Mestre and Ms. Araceli Mora Enguádanos as Directors and as members of the Audit and Compliance Committee. As a result, at its meeting held on June 01, 2012, the Board of Directors resolved that the Audit and Compliance Committee would comprise the following persons: Mr. José Wahnnon Levy (Chairman), Mr. José Luis Feito Higuera (Committee Member) and Mr. Jorge Cosmen Menéndez-Castañedo (Committee Member).

In addition, as a result of the resignation submitted by Mr. José Wahnnon Levy, at its meeting of June 08, 2012, the Board of Directors resolved to appoint Mr. Alfredo Lafita Pardo member and Chairman of the Audit and Compliance Committee.

The Secretary of the Board of Directors and Secretary General of Bankia, Mr. Miguel Crespo Rodríguez, serves as the non-Director Secretary of the Audit and Compliance Committee.

After June 08, 2012, the Audit and Compliance Committee comprised the persons indicated above, who continued to serve in their positions as of fiscal 2012 close.

AUDIT AND COMPLIANCE COMMITTEE			
DIRECTOR	TITLE	STATUS	DATE APPOINTED
Mr. Alfredo Lafita Pardo	Chairman	Independent	06-08-2012
Mr. José Luis Feito Higuera	Committee Member	Independent	06-01-2012
Mr. Jorge Cosmen Menéndez- Castañedo	Committee Member	Independent	06-01-2012

Non-Director Secretary: Mr. Miguel Crespo Rodríguez.

All members of the Audit and Compliance Committee are independent Directors.

1.2. Regulatory Framework and Competencies

The creation and governance of Audit and Compliance Committees is fundamentally set forth in the Stock Market Act (Law 24/1988, of July 28). Additional Provision Eighteen of the Law governs the composition, functioning and competencies of audit committees of entities that issue securities traded on organized secondary securities markets. More recently, Law 12/2010, of June 30, entered into force. It amended the Accounting Auditing Law (Law 19/1988, of July 12), the Stock Market Act and the homologized text of the Stock Companies Law, Final Provision Four, paragraph two of that law amended the Stock Market Act, specifically amending paragraphs 2 and 4 of Additional Provision Eighteen of the Stock Market Act, broadening the competencies of audit committees and setting forth the minimum content of mandatory competencies for listed stock companies.

The competencies of the Audit and Compliance Committee are set forth in Article 46 of the Bylaws and have been developed in Article 15 of the Board of Directors Rules.

The primarily functions of the Audit and Compliance Committee are the following:

- Informing through its Chairman and/or Secretary the General Meeting of Shareholders of any matters raised by shareholders within its area of responsibility.
- Monitor the effectiveness of the Company's internal controls and, as appropriate, internal auditing and the risk management systems as well as discuss with the account auditors or audit firms any material weaknesses in the internal control system detected during the audit.
- Supervise the process of preparing and submitting mandatory financial data.

- Propose to the Board of Directors for submittal to the General Meeting of Shareholders the appointment of account auditors.
- Establish appropriate relationships with account auditors to receive information on matters that could put their independence at risk and any other information related to the account audit process as well as any other communications provided for in legislation relating to auditing and auditing standards.
- Receive annually from the account auditors the written confirmation of their independence from the Bank and entities directly or indirectly related to it as well as information on the additional independent audit services they provide.
- Issue annually, prior to the issuance of the account auditors' report, a report stating an opinion on the independence of the account auditors or the audit firm.
- Examine compliance with the Board of Directors rules, the manuals and procedures to prevent money laundering and the financing of terrorism, the internal code of conduct, and, in general, the Company's rules for governance and compliance, proposing improvements as required.

1.3. Functioning and Attendance

Pursuant to Article 15 of Board of Directors Rules, the Committee shall:

- Meet whenever called by resolution of the Committee itself or by its Chairman and at minimum four times each year.
- The Committee shall have a quorum with the attendance in person or by proxy of at least one half of its members; it shall adopt resolutions by majority vote of those present or represented at the meeting. The Chairman shall cast the tie-breaking vote.
- Members of the Committee may delegate their representation to other Committee members.
- Committee resolutions shall be recorded in a Minute Book which shall be signed for each meeting by the Chairman and the Secretary.

During the period from January 1 to December 31, 2012, the Committee met a total of 18 times, with nearly 100% attendance of its members. From June 2012 to December 31, 2012, after the Committee composition changed, it met a total of 9 times, with 100% of its members attending in person or by proxy.

In addition to the members of the Committee, the Head of Internal Audit, the Comptroller and the Head of Regulatory Compliance. The Independent Auditor, as part of his duty to report to the

Committee, has always attended meetings when his presence was required, attending a total of 7 meetings either to report on his activities or to hear the financial information submitted to the Committee.

Article 15 of the Board Rules sets forth that the Committee may request the presence of any Bank employee. To such end, in 2012, in addition to the regular attendees cited above, Committee meeting attendees included the following officers:

- General Director of the Office of Chairman.
- Chief Financial Officer.
- Director of Tax Advising.
- Director of Wholesale Businesses.
- Director of Proprietary Business Financing.
- Director of Monitoring and Recoveries.
- Director of Risks.
- Director of the Central Services Audit Area.
- Director of the Markets and Corporate Audit Area.
- Director of the Investment Management Area.

2. Activities Report

The Audit and Compliance Committee has acted primarily in six major spheres, which are the following:

- The Group's financial information.
- Independent audit activity.
- Internal audit activity
- Regulatory Compliance activity.
- Related-Party Transactions.
- Corporate Governance.

2.1. Financial Information

The Committee has channeled its competence into the framework for oversight of the preparation of financial information with the attendance of the Comptroller to explain the Bank's accounting and financial statements and the quarterly closings prior to their submittal to the Board of Directors and subsequent disclosure to the market and submittal to the pertinent oversight bodies.

At its meeting held on March 27, 2012, the Committee was informed by the independent auditor about the monitoring of independent auditing work on the 2011 annual accounts. These accounts were first formulated by the Board of Directors at its meeting held on March 28, 2012.

Subsequently, at its meeting held on May 25, 2012, with the attendance of the independent auditor, the Committee acknowledged it had been informed of them so the reformulation of the individual and consolidated annual accounts for fiscal year 2011 could be forwarded to the Board of Directors; there were no objections or express exceptions to forwarding the accounts to the Board of Directors.

Comptroller's reported, explaining in detail the process of preparing and adapting Bankia's individual and consolidated financial statements as well as the key trading, non-performing assets and hedging figures. The Committee was also informed of the appropriateness of the figures presented with respect to the application of accounting criteria, since the information is clear, relevant and reliable, in conformity with the accounting circular of the Banco de España.

In particular, the difference that occurred on the occasion of the presentation of the accounts initially formulated at the Committee meeting held on March 27, 2012. At the May 25, 2012 meeting the independent auditor presented a draft report in which he stated a favorable opinion on Bankia's accounts, which present, in all material respects, a fair view of the assets and financial condition as of December 31, 2011, and include all the necessary and sufficient information for their interpretation and proper comprehension in accordance with applicable standards.

With respect to the half-yearly accounts as of June 30, 2012, and the annual accounts for fiscal year 2012, they were likewise audited by Deloitte, although the 2012 annual accounts and management report are expected to be formulated by the deadlines stipulated by law (prior to March 31) are first presented to the Committee for its review.

2.2. Independent Audit Activity

It was resolved at the Committee meeting held on May 25, 2012, to forward to the Board of Directors the motion to propose to the General Meeting of Shareholders the reappointment of Deloitte as the auditor for Bankia and its consolidated group for fiscal year 2012. To such end, the shareholders at the Bank's General Meeting of Shareholders held on June 29, 2012, reappointed Deloitte as the auditor for the 2012 annual accounts of Bankia and its consolidated group.

The independent auditor attending the Audit and Compliance Committee meetings whenever matters related to the functions he performs were on the Agenda, as indicated in paragraph 1.3 of this report.

There has been ongoing interaction between the independent auditor and the Internal Audit Department and Comptroller's. The Committee resolved to request the periodic presence of the independent auditors' management at Committee meetings.

In this regard, the presence of the independent auditor at Committee meetings was primarily for the following purposes:

- Present the draft unqualified individual and consolidated annual accounts audit report for fiscal year 2011.
- Present the planning, scope and conclusions of the half-yearly accounts as of June 30, 2012.
- Present the planning and scope of the annual accounts for fiscal year 2012.

To such end, the independent auditor provided detailed information to the Committee on the planning and progress on the work performed, highlighting the principal issues and phases of the accounts review work, the schedule set forth and any material specific issues for the year. The Committee carefully analyzed all the information submitted to it throughout its meetings.

The Audit and Compliance Committee verified the professional fees paid by the various Bankia Group companies to the global Deloitte group in fiscal 2012. They break down as follows:

- For auditing Bankia S.A.'s annual accounts and the consolidated half-yearly and annual accounts of the Bankia Group for fiscal year 2012, €1,973,000.
- For auditing and reviewing the fiscal year 2012 financial statements of the foreign branches and subsidiaries integrated into the Bankia Group, €1,102,000.
- For the performance of other verification and audit-like services performed pursuant to regulatory requirements or those of the bodies overseeing the entities comprising the Group, €559,000.
- For other professional services rendered for the various entities of the Group, €1,423,000, of which €104,000 pertain to tax advisory services.

The services the Bankia Group contracts for satisfy the independence requirements set forth in Law 12/2010 of June 30, which modified Law 19/1988 of July 12, on Account Auditing; they do not include the performance of tasks incompatible with the audit function.

The Committee received the auditor's written confirmation of his independence from the Bankia Group and its entities directly or indirectly linked to the entity pursuant to the requirements set forth by the Accounts Auditing Law. The Committee believes that there are no objective reasons to question the independence of the independent auditor. Therefore, pursuant to the Stock Market Act, the Committee will issue a report in this sense prior to the issuance of the audit report on the fiscal year annual accounts.

2.3. Internal Audit Activity

The Internal Audit function set forth in Bankia's Audit Function Statute is notable as an independent, objective evaluation and consulting activity intended to add value to the Bank, helping it to achieve its purposes by contributing a systematic, disciplined focus and to evaluate the financial and risk management processes, the monitoring of internal controls, the information systems and the Bank's corporate governance.

The Committee resolved at its meeting of January 17, 2012, to report favorably on the 2012 Audit Plan, which focuses on the audit planning process, the preparation of the risk maps for the commercial network as well as affiliates and the centralized audit function, the primary audit work focusing on the strategic plan and the integration process and regulatory environment.

The Committee has received regular, periodic reports following up on the Audit Plan and the actions carried out by the Internal Audit Department. These can be divided into two categories, those related to the commercial network and the business environment (in-person and remote audit and network processes audit) and centralized audit work focusing on accounting, financial, risk, media and technology reviews.

The primary focus of the 2012 Audit Plan, the first plan for Bankia, is the listed bank (Bankia) and the secondary focus is its parent company (BFA).

The Audit and Compliance Committee is responsible for supervising the efficacy of the company's internal controls, internal audit and the risk management systems and particularly for being familiar with and supervising the preparation process and integrity of company and Group information. To this end, Bankia's Internal Audit Department reported to the Committee on the project to launch the processes to ensure the adequacy of the Financial Information Internal Control Systems (SCIIF) for purposes of compliance with prevailing law and the guide issued by the Spanish Securities Market Commission (CNMV). In 2012, the Bank worked with an outside consultant for the appraisal and design of the SCIIF. Beginning this year, the Internal Audit Department will control its application every 3 years for the main processes identified.

2.4. Regulatory Compliance Activity

Bankia's Chief Compliance Officer regularly attends Committee meetings to discuss matters within his competence. The 2012 Legal Compliance Plan was presented at the March 15, 2012 meeting. It includes all the actions, projects and activities to be carried out during the year in connection with legal compliance. The Plan also comprises an Oversight Plan, focusing on reviewing compliance with specific policies and procedures and evaluating the risks of specific activities, and a Compliance Projects Plan intended to develop policies and procedures and to improve the compliance management processes.

The Committee received half-yearly reports on Bankia's Internal Rules of Conduct (RIC) control activity on the Securities Markets approved by the Board of Directors at its meeting of June 16, 2011,

and reviewed at its meeting of September 05, 2011. The Committee also favorably reported on the motion to modify the Customer Care Service Regulations and the Legal Entities Criminal Liability Prevention Model. To such end, at its October 23, 2012 meeting, the Committee, by delegation to the Board, approved Bankia's Manual for Prevention and Detection of Crimes.

The Audit and Compliance Committee also reported favorably to the Board of Directors with respect to approval of the Bank's Ethics Code and the establishment of a Complaints Channel and Rules governing that Channel.

Bankia's Ethics Code was approved by the Board of Directors at its July 25, 2012 meeting. The Code sets forth Bankia's commitment to its customers, its staff and society in general. It is applicable to the members of Bankia's management bodies, executive management and employees and the companies within its Group, regardless of where they are located.

The Complaints Channel is configured as a confidential channel for complaints for the exclusive use of persons subject to the Ethics Code. They may use it individually to file complaints in connection with potentially grave financial and accounting irregularities uncovered at any of the Bankia Group companies.

Other actions reported to the Committee regarding which the Committee has reported favorably to the Board include the motion to update the Commercial Communication Policy and the periodic reporting of dealings with oversight bodies. The Committee was also informed on matters including the policies established by the entity with respect to conflicts of interest, prevention of market abuse, data protection, protection of customer assets, money laundering prevention and reporting on MiFID regulations.

At its August 28, 2012 meeting, the Committee resolved to forward the motion to update the list of Group entities subject to the Internal Rules of Conduct, deleting therefrom the savings banks that were part of the Institutional Protection System (SIP) that gave rise to Bankia.

2.5. RELATED-PARTY TRANSACTIONS

Since Bankia's shares are listed on securities markets, it had to establish a Framework Agreement governing the transactions and services rendered by its parent company, Banco Financiero y de Ahorros, S.A. (BFA), in terms of transparency, coordination, documentation, transfer pricing, management of potential conflicts of interest and minority shareholder protection. The intent of establishing the Framework Agreement is to ensure that both entities, when providing services to one another to add value and act according to efficiency criteria, see to it that their actions respect the independence of each of them and protect the interests of their minority shareholders.

As a result of the entry of the Orderly Bank Restructuring Fund (FROB) into the shareholder structure of BFA, it became necessary to adapt the clauses of the Framework Agreement to the new situation, and to adapt the service level agreement executed by BFA and Bankia on June 27, 2011. The Committee reported favorably on this modification at its meeting of August 28, 2012.

The Audit and Compliance Committee is the management body responsible for overseeing the Framework Agreement, with the following competencies:

- The power to gather information and interview the persons and agencies designated by BFA that it deems necessary to carry out its oversight function.
- Evaluate the current circumstances and issue a detailed report prior to the Board of Directors approves the transaction, except for transactions which based on their amount, terms or their customary or recurring nature do not require such authorization. This report focuses particularly on transactions being executed at market prices, protecting the minority interests and ensuring there are no conflicts of interest.
- Oversee and ensure the adequate disclosure of related-party transactions as set forth in the Framework Agreement or as they must be reported in the Annual Corporate Governance Report, first reporting to the Board of Directors.

Throughout its meetings during the fiscal year the Committee prepared the pertinent Related-Party Transactions reports, forwarding them to the Board of Directors for its approval.

The Committee has also analyzed the proposed risk transactions related to members of the Bank's governing bodies in compliance with the provisions of Article 37 of the Board of Directors Rules.

2.6. Corporate Governance

Article 15.4 of the Board of Directors Rules sets forth that *“one of its meetings shall be dedicated to evaluating the efficiency and compliance of the Company governance rules and procedures and to preparing the information that the Board must approve and include in the annual public documentation.”*

Pursuant to that Article, the Committee periodically monitors the efficiency and compliance of the governance rules and procedures, focusing on the internal and external regulatory framework and good governance related to the relationship between the governance bodies and the executive management of the Bank and on the oversight function of the Board of Directors and the Committee's role in such oversight work. In performing the evaluation of the information that the Board must approve and include in the annual public documentation, once such information has been prepared the Committee will oversee the appropriateness of its content.

In this regard, the Committee reported favorably to the Board with respect to the content of the Annual Corporate Governance Report for fiscal year 2011, and it was subsequently approved by the General Meeting of Shareholders.

Finally, the Audit and Compliance Committee, working with the Nomination and Remuneration Committee, participated in the preparation of the report evaluating the functioning of the Board of Directors and its Committees during fiscal year 2011.