

ANNEX 1

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES

PARTICULARS OF ISSUER

ENDING DATE OF REFERENCE PERIOD	31/12/2014
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C.I.F.	A-14010342
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CORPORATE NAME
BANKIA, S.A

REGISTERED OFFICE
CL. PINTOR SOROLLA N.8, (VALENCIA)

FORM OF ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES

A COMPENSATION POLICY OF THE COMPANY FOR THE YEAR IN COURSE

A.1 Explain the company's compensation policy. Within this section include information regarding:

- General bases for and principles of the compensation policy.
- Most significant changes made to the compensation policy by reference to the policy used during the prior period, and the changes that have been made during the year in the terms for exercise of options already granted.
- Criteria used and composition of the groups of comparable companies the compensation policies of which have been reviewed in order to establish the company's compensation policy.
- Relative importance of the variable compensation categories by reference to the fixed categories, and criteria used to determine the various components of the compensation package of the directors (compensation mix).

Explain the compensation policy

A.1.1 Principles and guidelines:

- The Bankia compensation policy is based on strict compliance with Act 10/2014 of 26 June 2014 on governance, supervision and solvency of lending institutions (Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito, hereinafter the "AGSS"), Royal Decree Law 2/2012 of 4 February 2012, on reorganisation of the financial sector (Real Decreto-Ley 2/2012, de 3 de febrero, de saneamiento del sector financiero, hereinafter "Royal Decree Law 2/2012"), Act 3/2012 of 6 July 2012 on urgent measures to reform the labour market (Ley 3/2012, de 6 de julio, de medidas urgentes para la reforma del mercado laboral, hereinafter "Act 3/2012") and Order ECC/1762/2012 of 3 August 2012 (hereinafter "Order ECC/1762/2012").
- The compensation of directors is structured in accordance with the provisions of articles 49 and 50 of the Bankia Articles of Association and articles 27 and 28 of the Board of Directors Regulations.

Taking account of the foregoing, the compensation of directors of Bankia has the following features:

- The outside directors receive a periodic amount determined by the Board of Directors. In compliance with the aforesaid regulations, the annual amount in no case is in excess of €100,000.
- The inside directors receive fixed compensation the annual amount of which, in compliance with the aforesaid regulations, in no case is in excess of €500,000. While the entity receives support from the Fund for Orderly Bank Restructuring (Fondo de Reestructuración Ordenada Bancaria, hereinafter the "FROB"), no provision is made for the payment of attendance fees in respect of meetings of the Board of Directors or of Board Committees, without prejudice to reimbursement of the corresponding expenses.
- None of the directors of Bankia receives any compensation for such duties as they may perform within BFA.

Order ECC/1762/2012 provides that the variable compensation of the directors of entities that have received support from the FROB, but are not majority-owned by it, may reach 60% of annual gross fixed compensation. In this regard, the Bankia Board of Directors, at its meeting of 23 July 2014,

approved the compensation policy of the entity, including annual variable compensation as an element thereof. The design of the variable compensation scheme complies with the requirements established in the AGSS, Royal Decree Law 2/2012 and Order ECC/1762/2012. In any event, the Bank of Spain must expressly authorise the amount, accrual and payment of this variable compensation of directors.

In addition, the compensation policy of the directors that perform executive functions also is governed by the following principles, which are subject to compliance with the regulations and the Articles of Association of Bankia:

- Balance of the components of compensation: the compensation scheme is balanced and efficient as among the fixed and variable components, with the fixed component constituting a sufficiently high part of total compensation (in accordance with the applicable regulations).
- Focus on results and recognition of excellence: it recognises the achievement of extraordinary results, applying principles of payment for performance.
- Strategy and time horizon: the compensation is structured based on a medium and long-term view encouraging directors to act strategically, in addition to achieving short-term results.
- Linkage of the entity with its shareholders: the amount of the compensation of directors is directly correlated to the degree of achievement of the objectives of Bankia and the interests of the shareholders.
- Simplicity of regulation and communication: the various schemes comprising the compensation policy are governed in such manner that a director can determine the amount of total compensation it can achieve at the end of the year, as well as the conditions that must be fulfilled in order to do so.
- Risk and management: the compensation policy that is established is compatible with appropriate and effective risk management and with business strategy, values and long-term interests.
- External competitiveness: both the compensation policy and the corresponding amounts take account of market trends, and are positioned as against it in accordance with the entity's strategic planning.
- Gender equality: the compensation conditions applicable to Bankia directors are determined by the content of the position filled, without distinguishing based on the gender of the person occupying it, with discriminatory elements on that basis not being acceptable.

A.1.2 Most significant changes made in the compensation policy:

There are no significant changes in the compensation policy for directors of the entity by comparison with the policy applied during the prior year.

A.1.3 Criteria used to establish the compensation policy of inside directors:

The criteria when establishing Bankia's compensation policy are those deriving from compliance with the limitations introduced by the AGSS, Royal Decree Law 2/2002 and Order ECC/1762/2012, and application of the principles established for the entity's director group.

A.1.4 Compensation mix for inside directors:

In accordance with article 4 of Order ECC/1762/2012, the annual variable compensation of executives and directors of entities that have received support from the FROB, without being majority-owned thereby, may not exceed 60% of annual gross fixed compensation.

The contracts of inside directors of Bankia contemplate maximum variable compensation of €250,000, amounting to 50% of annual gross fixed compensation.

Thus, taking account of the foregoing, the compensation mix will be comprised of the following elements:

- Fixed compensation in an amount of €500,000.
- Variable compensation resulting from achievement of the fixed objectives, authorised by the Bank of Spain. This compensation is not to exceed the amount of €250,000.

A.2 Information on preparatory work and the decision-making process that has been used to determine the compensation policy and the role, if any, played by the Compensation Committee and other supervisory bodies in setting the compensation policy. This information if appropriate will include the mandate and composition of the Compensation Committee and the identity of the outside advisors the services of which have been used in the determination of the compensation policy. It will also state the nature of the directors, if any, that have participated in determination of the compensation policy.

Explain the process for determination of the compensation policy

In accordance with articles 249, 249 bis and 529 octodecies of the Capital Companies Act, in the version given by Act 31/2014 of 3 December 2014 amending the Capital Companies Act for the improvement of corporate governance, the following decisions regarding compensation policy correspond to the Board of Directors of the entity:

- The decisions related to compensation of directors, within the framework set by the articles and, if applicable, the compensation policy approved by the general meeting.
- Approval of the terms and conditions of the contracts of the managing director or directors that are given executive functions.
- Fixing the compensation of directors for performance of executive functions. Mandate to the Compensation Committee:

In accordance with article 15 bis of the Board of Directors Regulations and article 47 bis of the Bankia Articles of Association, the Compensation Committee has general authority to propose director and senior management compensation policy to the Board of Directors, as well as the individual compensation and other contractual terms of inside directors, and to ensure compliance therewith.

In addition, the Compensation Committee has the following authority:

- Reporting on compensation of senior management. In any event it will oversee the compensation of the Internal Audit, Risk and Legal Compliance Directors;

Periodically reviewing the compensation programmes, considering their appropriateness and utility.

- Ensuring the transparency of compensation and inclusion in the annual report on director compensation and the annual corporate governance report of information regarding compensation of directors and, to that end, submitting such information as may be appropriate to the board.
- Ensuring compliance with the compensation policy established by the Company.
- Referring to the board proposals related to compensation having an effect on risk and risk management of the company that are to be adopted by the board of directors, taking account of the long-term interests of the shareholders, investors and other stakeholders in the company, as well as the public interest, all of the foregoing without prejudice to the functions entrusted to the advisory risk committee in this regard.
- The Committee will consult with the Chairman and, if applicable, with the chief executive of the entity, especially on matters relating to inside directors and senior managers.

As discussed in section C.1 of this report, in compliance with the provisions of the AGSS, the Compensation Committee has been separate from the Nominating Committee since 22 October 2014.

Composition of the Compensation Committee:

The Board of Directors Regulations and the Articles of Association of Bankia provide that the Compensation Committee is comprised of outside directors and a majority of independent directors, with a minimum of 3 and maximum of 5 directors. In addition, the Compensation Committee is chaired by an independent director.

At the date of preparation of the Report, the composition of the committee was as follows:

- Ms. Eva Castillo Sanz; Position: Chairman; Status: Independent; Date of appointment: 22/10/2014
- Mr. Joaquín Ayuso García; Position: Member; Status: Independent; Date of appointment: 22/10/2014
- Mr. Alfredo Lafita Pardo; Position: Member; Status: Independent; Date of appointment: 22/10/2014
- Mr. Jorge Cosmen Menéndez-Castañedo; Position: Member; Status: Independent; Date of appointment: 22/10/2014

The composition of the Committee complies with the requirements of article 36 of the AGSS, since all members are independent directors. All of them have demonstrated capacity to perform their duties on the Committee by reason of their extensive experience in banking and/or senior management positions and their knowledge in the field of compensation, allowing them to exercise effective and independent control of the compensation policies and practices and incentives created for the management of risk, capital and liquidity.

Meetings of the Compensation Committee:

Bankia's Compensation Committee meets whenever it is called by resolution of the committee itself or its Chairman, with a minimum of four meetings per year. It also will meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

Resolutions are adopted by majority vote of those in attendance in person or by proxy at the meeting, with the Chairman having a casting vote in the event of a tie.

At the date of preparation of this report the committee has met twice during 2015.

Identity of outside advisors:

As regards definition of the compensation policy, Bankia has been advised by Towers Watson.

For preparation of this report Bankia had the advice of J&A Garrigues, S.L.P.

A.3 Indicate the amount and nature of the fixed components, broken down, if applicable, of the compensation for performance of duties of senior management of the inside directors, the additional compensation as chairman or a member of any board committee, of the per diems for participation on the board and its committees or other fixed compensation as a director, as well as an estimate of the fixed annual compensation resulting therefrom. Identify other benefits that are not paid in cash and the basic parameters on the basis of which they are granted.

Explain the fixed components of compensation

Fixed compensation is the basic component of the compensation policy. This category of compensation is tied to the essential features inherent in the positions filled and their organisational importance, and the scope of responsibility assumed.

In the compensation structure of the directors, fixed compensation must constitute a sufficiently high part of the total compensation, thereby allowing maximum flexibility regarding the variable components.

In the specific case of Bankia, the fixed compensation of directors complies with the maximums established in Royal Decree Law 2/2012 and described in section A.1.1 of this Report.

When calculating the limits, account is taken of all compensation received from the various entities in the Bankia Group, as well as the compensation, per diems, indemnifications or similar amounts that the executives and directors receive from entities in which they hold any position for or on behalf of Bankia.

In accordance with the foregoing, the fixed compensation of the Bankia directors has been determined as follows:

- The individual fixed amount to be received by outside directors in 2015 will be €100,000 per annum. In this regard, the directors do not receive any amount as per diems for participating on the board and its committees.
- The annual amount to be received by each of the inside directors as fixed compensation in 2015 will be €500,000. For two of the inside directors, this amount will be the result of the sum of the cash compensation and the in-kind compensation corresponding to the amount of the medical insurance premiums paid by Bankia in favour of these directors. The fixed compensation of the remaining director is solely cash compensation.

In addition, if these directors receive per diems from other group entities or investees, the compensation of the director will be adjusted by subtracting from the fixed compensation the amount corresponding to the aforesaid per diems, such that the annual fixed compensation in no case will be greater than €500,000.

A.4 Explain the amount, nature and main features of the variable components of the compensation schemes.

In particular:

- Identify each of the compensation plans of which the directors are beneficiaries, the scope thereof, the date of approval, the date of implementation, the term of validity and the main features. In the case of option plans on shares and other financial instruments, the general features of the plan are to include information regarding the conditions for exercise of the options or financial instruments for each plan.
- Indicate any compensation under profit-sharing or bonus plans, and the reason it is paid.
- Explain the basic parameters and basis for any annual bonus scheme.
- The classes of directors (inside directors, proprietary outside directors, independent outside directors and other outside directors) that are beneficiaries of compensation schemes or plans that incorporate variable compensation
- The underlying basis of such variable compensation schemes or plans, the criteria for evaluation of performance that are used, as well as the components of and methods for evaluation to determine whether or not the evaluation criteria have been met, and an estimate of the absolute amount of the variable compensation resulting from the current compensation plan, based on the degree of fulfilment of the hypotheses or objectives taken as a reference.
- If applicable, the information is to include a report on the payment deferral periods that have been established and/or the periods for retaining shares or other financial instruments, if any.

Explain the variable components of the compensation schemes
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The Bankia directors currently are not beneficiaries of medium-term compensation plans, nor do they have any compensation whatever in the form of profit-sharing or bonuses.

As indicated in section A.1, the Bankia Board of Directors in 2014 approved the entity's compensation policy including annual variable compensation as an element thereof. This compensation policy is applicable to Bankia professionals, among them including the inside directors.

This scheme has been designed in such manner that variable compensation is aligned with the interests of the shareholders and prudent management of risks and generation of value in the long term for the entity. In any event, the Bank of Spain will have express authorisation of the amount, accrual and payment of the variable compensation of the directors.

The essential features of this compensation are described below:

- The scheme accrues solely and exclusively on 31 December of each calendar year.
- The annual variable compensation of inside directors in no case will exceed €250,000 for each inside director, amounting to 50% of annual gross fixed compensation.
- It in no case vests, for which reason obtaining it in a given period will not result in the director's acquiring any additional salary right in this regard, the amount received as a part of annual gross salary of the director not vesting.
- As it is an exclusively functional supplement, Bankia may eliminate or reduce it, if applicable in accordance with any contractually-agreed terms, as a result of a change in the duties performed by the inside director.

The components of the variable compensation scheme are described in section E below.

- As established by Royal Decree Law 2/2012, the beginning of receipt of annual variable compensation will be deferred for three years after it is accrued. That is, the variable compensation, if any, will be paid fully during the fourth year, after the three years of deferral counted from the date of accrual have elapsed.
- On the payment date, the compensation will be paid 50% in cash and 50% in shares. The shares will be restricted for a term of one year after delivery.
- The annual variable compensation of inside directors that is pending payment under this scheme may be reduced (malus clause) or cancelled (drawback clause) under certain circumstances. These clauses are described in the section E below.

A.5 Explain the principal features of the long-term savings schemes, including retirement and any other survival benefit, financed in whole or in part by the company, whether funded internally or externally, with an estimate of the amount thereof or the equivalent annual cost, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions for vesting of the economic rights in favour of directors and compatibility thereof with any kind of indemnification for early termination of the contractual relationship between the company and the director.

Also indicate the contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes.

Explain the long-term savings schemes
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Bankia currently has not assumed long-term savings schemes with its directors.

A.6 Indicate any indemnification agreed or paid in the event of termination of a director's duties

Explain the indemnification

As provided in the Seventh Additional Provision of Act 3/2012, until Bankia returns the financial support received, in the case of termination of a relationship binding inside directors with Bankia, it may not pay indemnifications exceeding the lesser of the following amounts:

- €1,000,000; or
- Two years of the established fixed compensation.

Indemnification for termination of contract includes any amount of an indemnifying nature that the manager or administrator may receive as a result of termination of the contract, whatever the reason, source or purpose, so the sum of all amounts that may be received may not exceed the stated maximums.

On the other hand, outside directors have no agreed indemnification in the event of termination of their duties.

A.7 Indicate the conditions to apply to the contracts of inside directors exercising senior management functions. The report is to include, inter alia, the duration, the limits on amounts of indemnification, minimum terms of employment (cláusulas de permanencia), terms of advance notice, as well as payment as a substitute for the aforesaid advance notice, and any other clauses related to hiring bonuses, indemnification or golden parachutes for early termination of the contractual relationship between the company and the inside director. Include, inter alia, noncompetition, exclusivity, minimum terms or loyalty and post-contractual noncompetition clauses or agreements.

Explain the terms of the contracts of the inside directors

The contracts of the inside directors are adapted to the limits on compensation and payments for termination of contract established by Royal Decree Law 2/2012, Act 3/2012 and Order ECC/1762/2012.

The principal terms of these contracts are described below:

- Term: the contracts of the inside directors are for an indefinite term. Article 22 of the Bankia Board of Directors Regulations states a maximum term of appointment as a director of four years. Directors may be reappointed for successive terms of the same length.
- Minimum term clauses: the contracts of the inside directors do not contain any kind of minimum term clause.
- Terms of advance notice: the contracts of inside directors contain three-month advance notice provisions.
- Hiring bonuses: the contracts of the inside directors do not contain any kind of hiring bonus.
- Noncompetition (no concurrencia): the directors may not, on their own behalf or on behalf of another, engage in an activity that is the same as or analogous or complementary to Bankia's corporate purpose, except for such positions in which they may serve in other Group companies.
- Noncompetition (no competencia): the directors may not, on their own behalf or on behalf of another, engage in an activity that is the same as or analogous or complementary to Bankia's corporate purpose during the year following their departure from the entity. As compensation they will receive one time their fixed compensation. In the event of breach the director must return the compensation and six additional monthly amounts.

- Professional secrecy and duty of confidentiality: the contracts of the inside directors of Bankia include an obligation to maintain professional secrecy. The duty of confidentiality is regulated in article 30 of the Bankia Board of Directors Regulations, and applies even when the director has left office.
- Termination by decision of the entity: if Bankia unilaterally terminates a director or there is a change in control of the entity, and there has been no material breach of the contract by the director, the director will be entitled to receive indemnification equivalent to one year's fixed compensation.
- Amounts to be received in the event of early termination of the contract: in accordance with the contracts signed by the inside directors, in application of legislation currently in effect, the amounts and quantities in that category received by them, independently of their origin and nature, in particular including indemnification for termination or resignation and the post-contractual noncompetition provision, together in no case will exceed the total amount of two years of the annual fixed compensation of the inside director. These amounts in all cases will be paid in accordance with the requirements established in the AGSS and its developing regulations.

A.8 Explain any additional compensation accrued to directors as consideration for services rendered other than those inherent in the position.

Explain the additional compensation

There is no additional compensation for services rendered to the entity other than as already indicated in this Report.

A.9 Indicate any compensation in the form of advances, loans and guarantees granted, indicating the interest rate, the essential features and the amounts eventually repaid, as well as the obligations assumed on their behalf by way of guarantee.

Explain the advances, loans and guarantees granted

There is no compensation to the directors in the form of advances, loans and guarantees granted.

A.10 Explain the main features of in-kind compensation

Explain the in-kind compensation

Bankia pays the cost of the medical insurance premium of two inside directors. The amounts are set forth in section D.1, although this amount is deducted from fixed compensation.

A.11 Indicate the compensation earned by a director by virtue of payments made by the listed company to a third party entity within which the director serves, when the purpose of such payments is to compensate the director's services within the company.

Explain the compensation earned by the director by virtue of payments made by the listed company to a third party entity within which the director serves

There is no compensation earned by the directors of Bankia by virtue of payments made by the listed company to a third party entity within which the director serves.

A.12 Any category of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered to be a related party transaction or when payment thereof distorts the true and fair view of the total compensation received by the director.

Explain the other compensation categories

There are no other compensation categories.

A.13 Explain the actions taken by the company regarding the compensation scheme to reduce exposure to excessive risk and to adapt it to the long-term interests, values and objectives of the company. This if applicable is to include reference to: measures contemplated to ensure that the compensation policy is responsive to the long-term results of the company, measures establishing appropriate balance between fixed and variable components of compensation, measures adopted regarding those categories of personnel the professional activities of which have a material impact on the company's risk profile, recovery clauses or formulas to allow claims for return of variable components of compensation based on results when those components of compensation have been paid based on data the inaccuracy of which is thereafter clearly demonstrated, and measures contemplated for the avoidance of conflicts of interest, if applicable.

Explain the actions taken to reduce risks

The compensation policy currently in effect does not lead to excessive risk-taking by the inside directors and is in accordance with the objectives, values and long-term interests of the entity.

In this regard, the Bankia compensation policy, as it is an entity that has received financial support from the FROB, in its design is limited by the provisions set forth in Royal Decree Law 2/2012 and Order ECC/1762/2012.

Regarding the annual variable compensation scheme, the Bankia Board of Directors, on proposal of the Compensation Committee, has undertaken identification of objectives, giving priority to implementation of the Restructuring Plan and defining the parameters to adjust the kinds of risks affecting the risk profile of the entity, taking account of the cost of capital and the necessary liquidity.

In addition, as has been indicated, the contracts of inside directors provide that the amount of variable compensation will be €250,000, amounting to 50% of fixed compensation.

Regarding the procedure for payment of the variable compensation, the scheme contemplates the ex post facto adjustments discussed in section A.4 (payment in shares, deferral and withholding periods, "malus" clauses and "clawback" clauses).

Finally, Bankia has undertaken centralised and independent evaluation of the application of the compensation policy, in order to verify whether the compensation procedures and guidelines adopted by the Compensation Committee in its supervisory function have been complied with, and to establish whether the latter is compatible with appropriate and effective risk management. The result of this evaluation was positive.

B COMPENSATION POLICY CONTEMPLATED FOR FUTURE YEARS

B.1 Make a general forecast of the compensation policy for future years that describes that policy in respect of: fixed components and per diems and compensation of a variable nature, relationship between compensation and results, retirement schemes, terms of contracts of inside directors, and a forecast of the most significant changes in the compensation policy by comparison with preceding periods.

General forecast of compensation policy

At the date of preparation of this report no substantial changes are contemplated in the basic principles of the director compensation policy as described in section A.1 of this Report. These principles will continue to be applied in future years, in compliance with the requirements established in the AGSS, Royal Decree Law 2/2012, Act 3/2012, Order ECC/1762/2012 and any other rules replacing them in the future.

The Board of Directors, together with the Compensation Committee, has analysed the recommendations, both national and international, in the context of transparency and good governance, that have been published regarding compensation of directors and senior executives, in order to ensure that its compensation policy is consistent with those compensation standards. The conclusion is that the compensation scheme in effect within Bankia is consistent with the current rules. It is the entity's intention, within the framework of current regulations, to make such changes in its compensation policy as may be necessary as a result of such new measures or rules as may be made public in the future regarding compensation within lending institutions as may be warranted, in order at all times to adapt its compensation policy to best compensation practices and good governance of lending institutions. Also, the compensation policy will be adjusted to the evolution of compliance with the Recapitalisation Plan, as well as the circumstances and environment existing from time to time.

B.2 Explain the decision-making process for establishment of compensation policy contemplated for future years, and the role, if any, played by the compensation committee.

Explain the decision-making process for establishment of the compensation policy

In accordance with articles 249, 249 bis and 519 octodecies of the Capital Companies Act, the following decisions regarding compensation policy correspond to the entity's Board of Directors:

- The decisions related to compensation of directors, within the framework set by the articles and, if applicable, the compensation policy approved by the general meeting.
- Approval of the terms and conditions of the contracts of the managing director or directors that are given executive functions.
- Fixing the compensation of directors for performance of executive functions.

The Compensation Committee, in exercise of the functions that have been attributed to it by the board regulations, as described in point A.2 above, will periodically review the compensation policy of the Board of Directors, and if applicable will submit such proposals as it deems to be appropriate to it.

In particular, the Compensation Committee will closely monitor compliance with the maximums on compensation established by Royal Decree Law 2/2012 and such amendments as may occur in the scope of regulation of compensation schemes of financial institutions.

On an annual basis the Compensation Committee will prepare a report on compensation of members of the Board of Directors. This report will be submitted to an advisory vote of the General Shareholders Meeting, as a separate point on the agenda.

B.3 Explain the incentives created by the company in the compensation scheme to reduce exposure to excessive risk and adapt it to the long-term interests, values and objectives of the company.

Explain the incentives created to reduce risks

Regarding the incentives created in the compensation scheme to reduce exposure to excessive risk and adjust risk to objectives, values and long-term interests of the entity, Bankia will proceed as provided in sections A.1, A.4 and A.13.

In any event, the design and the process for payment of annual variable compensation established in the future will comply with the requirements set forth in current regulations and will include the elements necessary to reduce exposure to excessive risk and adapt it to the objectives, values and long-term interests of the entity.

C OVERALL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE MOST-RECENTLY CLOSED PERIOD

C.1 Explain in a summary manner the main features of the compensation categories and structure of the compensation policy applied during the most-recently closed period, which results in the details of individual compensation earned by each of the directors reflected in section D of this report, and summarise the decisions taken by the board for application of the aforesaid categories.

Explain the compensation categories and structure of the compensation policy applied during the period

Structure of the compensation policy:

The compensation policy for directors complies with the limits established in Royal Decree Law 2/2012 and Order ECC/1762/2012.

In this regard, the outside directors received annual fixed compensation in the amount of €100,000. No amount whatever has been paid as per diems for attendance at meetings of the Board of Directors or its committees, subject to reimbursement of the corresponding expenses.

Regarding the inside directors, each of them has received an annual amount of €500,000 as fixed compensation. In the case of two inside directors, the cost of the medical insurance premium has been included within fixed compensation.

Regarding the payment of the variable compensation for 2014, the three inside directors waived receipt of any kind of compensation of this kind.

Decisions taken by the Nominating and Compensation Committee:

Article 36 of the AGSS, which became effective on 31 October 2014, provides that lending institutions must form a compensation committee separate from the nominating committee. The Bankia Board of Directors thus resolved, on 22 October 2014, to form a Nominating Committee and a separate and independent Compensation Committee.

As a result of the two resolutions, the Board of Directors of the entity resolved to eliminate the Nominating and Compensation Committee (the "NCC"), the functions and duties of which as

contemplated in the Articles and the Board of Directors Regulations have been performed by the Nominating Committee and the Compensation Committee, respectively.

The Nominating and Compensation Committee, until 22 October, and the Compensation Committee, from the aforesaid date, met six times during 2014, reviewing the following matters related to compensation policy:

- Approval of the compensation policy applicable to the Bankia professionals, which (i) defined the general principles, (ii) developed the elements comprising the compensation scheme, from the perspective of overall compensation, and (iii) established the methodology used to determine the applicable compensation level.

In turn, specific conditions were approved regulating the form and dates of payment, as well as the requirements and conditions for payment of annual variable compensation of persons whose professional activities have a significant effect on the risk profile of the entity, in particular senior managers, professionals assuming risks, those exercising control functions, and all workers receiving overall compensation placing them at the same pay scale as senior managers and professionals that assume risks, the professional activities of which have a significant effect on its risk profile.

- Supervision and proposal to the Board of Directors of the contracts of top-level executives of Bankia and modification of the compensation conditions of certain members of that group.
- Monitoring of the audit actions of the Bank of Spain related to compensation policy.
- Review of the Compensation Report and Annual Report on Corporate Governance for 2013, for subsequent approval by the Board of Directors.
- Review of the information on compensation having prudential relevance for the BFA Group, in the part corresponding to Bankia.
- Study of developments of a regulatory nature regarding compensation policy in lending institutions. By way of example, the following developments occurring in 2014 were analysed:

-Act 10/2014 of 26 June 2014 on governance, supervision and solvency of lending institutions.
-CNMV Notice adopting the ESMA (European Securities and Market Authority) Guidelines on Compensation Policy within the scope of MIFID.
-Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

- Review of employees to be included within the identified group in accordance with Delegated Regulation (EU) No 604/2014 for subsequent validation by the Board of Directors.
- Review of the proposed application for renewal of risk insurance coverage for directors of the entity.
- Supervision of advance commitment of expenses related to provision of such insurance as, eventually, may affect the members of the Identified Group in the exercise of their functions in their capacities as such, including after the labour relationship ends.
- Proposal for amendment of the Board of Directors Regulations of the entity in order to adapt it to the AGSS as regards corporate governance and compensation.
- Proposal of appointment of the members of the new board committees.

D DETAILS OF COMPENSATION INDIVIDUALLY EARNED BY EACH OF THE DIRECTORS

Name	Type	Earned in 2013
EVA CASTILLO SANZ	Independent	From 01/01/2014 to 31/12/2014.
JORGE COSMEN MENENDEZ-CASTAÑEDO	Independent	From 01/01/2014 to 31/12/2014.
JOSE LUIS FEITO HIGUERUELA	Independent	From 01/01/2014 to 31/12/2014.
FERNANDO FERNANDEZ MENDEZ DE ANDES	Independent	From 01/01/2014 to 31/12/2014.
ALFREDO LAFITA PARDO	Independent	From 01/01/2014 to 31/12/2014.
ALVARO RENGIFO ABBAD	Independent	From 01/01/2014 to 31/12/2014.
JOSE IGNACIO GOIRIGOLZARRI TELLAECHÉ	Inside	From 01/01/2014 to 31/12/2014.
JOSE SEVILLA ALVAREZ	Inside	From 01/01/2014 to 31/12/2014.
ANTONIO ORTEGA PARRA	Inside	From 25/06/2014 to 31/12/2014.
JOAQUIN AYUSO GARCIA	Independent	From 01/01/2014 to 31/12/2014.
FRANCISCO JAVIER CAMPO GARCIA	Independent	From 01/01/2014 to 31/12/2014.

D.1 Complete the following tables regarding the individual compensation of each of the directors (including compensation for performance of executive duties) earned during the period.

a) Compensation earned within the reporting company:

i) Cash compensation (€ 000s)

Name	Salary	Fixed compensation	Per diems	Short-term variable compensation	Long-term variable compensation	Compensation for service on Board committees	Indemnifications	Other categories	Yearly total 2013	Yearly total 2012
JOSE IGNACIO GOIRIGOLZARRI TELLAECHÉ	498	0	0	0	0	0	0	2	500	500
JOSE SEVILLA ALVAREZ	495	0	0	0	0	0	0	5	500	500
ANTONIO ORTEGA PARRA	500	0	0	0	0	0	0	0	500	500
JOAQUIN AYUSO GARCIA	0	100	0	0	0	0	0	0	100	100
FRANCISCO JAVIER CAMPO GARCIA	0	100	0	0	0	0	0	0	100	100
EVA CASTILLO SANZ	0	100	0	0	0	0	0	0	100	100
JORGE COSMEN MENENDEZ-CASTAÑEDO	0	100	0	0	0	0	0	0	100	100
JOSE LUIS FEITO HIGUERUELA	0	100	0	0	0	0	0	0	100	100
FERNANDO FERNANDEZ MENDEZ DE ANDES	0	100	0	0	0	0	0	0	100	100
ALFREDO LAFITA PARDO	0	100	0	0	0	0	0	0	100	100
ALVARO RENGIFO ABBAD	0	100	0	0	0	0	0	0	100	100

ii) Compensation schemes based on shares

iii) Long-term savings schemes

b) Compensation earned by directors of the company for membership on boards of other group companies:

i) Cash compensation (€ 000s)

Name	Salary	Fixed compensation	Per diems	Short-term variable compensation	Long-term variable compensation	Compensation for service on Board committees	Indemnifications	Other categories	Yearly total 2013	Yearly total 2012
JOSE IGNACIO GOIRIGOLZARRI TELLAECHÉ	0	0	0	0	0	0	0	0	0	36
JOSE SEVILLA ALVAREZ	0	0	0	0	0	0	0	0	0	0
ANTONIO ORTEGA PARRA	0	0	0	0	0	0	0	0	0	0
JOAQUIN AYUSO GARCIA	0	0	0	0	0	0	0	0	0	0
FRANCISCO JAVIER CAMPO GARCIA	0	0	0	0	0	0	0	0	0	0
EVA CASTILLO SANZ	0	0	0	0	0	0	0	0	0	0
JORGE COSMEN MENENDEZ-CASTAÑEDO	0	0	0	0	0	0	0	0	0	0
JOSE LUIS FEITO HIGUERUELA	0	0	0	0	0	0	0	0	0	0
FERNANDO FERNANDEZ MENDEZ DE ANDES	0	0	0	0	0	0	0	0	0	0
ALFREDO LAFITA PARDO	0	0	0	0	0	0	0	0	0	0
ALVARO RENGIFO ABBAD	0	0	0	0	0	0	0	0	0	0

ii) Compensation schemes based on shares

iii) Long-term savings schemes

c) Summary of compensation (€ 000s):

The summary must include the amounts corresponding to all compensation categories included in this report that have been earned by the director, in thousands of euros.

In the case of long-term savings schemes, the report is to include the contributions to or funding of this kind of scheme:

Name	Compensation earned in the Company				Compensation earned in group companies				Totals		
	Total cash compensation	Amount of shares granted	Gross profit from options exercised	Total for 2013 from company	Total cash compensation	Amount of shares delivered	Gross profit from options exercised	Total for 2013 from group	Total for 2013	Total for 2012	Contribution to savings schemes during the period
JOSE IGNACIO GOIRIGOLZARRI TELLAECHÉ	500	0	0	500	0	0	0	0	500	500	0
JOSE SEVILLA ALVAREZ	500	0	0	500	0	0	0	0	500	500	0
ANTONIO ORTEGA PARRA	500	0	0	500	0	0	0	0	500	500	0
JOAQUIN AYUSO GARCIA	100	0	0	100	0	0	0	0	100	100	0
FRANCISCO JAVIER CAMPO GARCIA	100	0	0	100	0	0	0	0	100	100	0
EVA CASTILLO SANZ	100	0	0	100	0	0	0	0	100	100	0
JORGE COSMEN MENENDEZ-CASTAÑEDO	100	0	0	100	0	0	0	0	100	100	0
JOSE LUIS FEITO HIGUERUELA	100	0	0	100	0	0	0	0	100	100	0
FERNANDO FERNANDEZ MENDEZ DE ANDES	100	0	0	100	0	0	0	0	100	100	0
ALFREDO LAFITA PARDO	100	0	0	100	0	0	0	0	100	100	0
ALVARO RENGIFO ABBAD	100	0	0	100	0	0	0	0	100	100	0
TOTAL	2,300	0	0	2,300	0	0	0	0	2,300	2,300	0

D.2 Report on the relationship between compensation obtained by directors and the results or other measures of profitability of the entity, if applicable explaining how the changes in profitability of the company may have influenced changes in compensation of directors.

In 2014 Bankia directors received no variable compensation whatever, for which reason their compensation was exclusively of a fixed nature.

D.3 Report on the result of the advisory vote of the general meeting on the annual report and compensation for the prior period, indicating the number of negative votes, if any:

	Number	% of total
Votes cast	7,998,742,131	69.45%

	Number	% of total
Votes against	12,448,304	0.16%
Votes for	7,986,129,163	99.83%
Abstentions	164,664	0.01%

E OTHER INFORMATION OF INTEREST

If there is any relevant aspect of director compensation that it has not been possible to include in the other sections of this report, but that it is necessary to include in order to set forth more complete and reasoned information regarding the compensation practices and structure of the company as regards its directors, briefly explain.

Regarding section A.4., we would note the following:

Elements of the annual variable compensation scheme:

- Annually, or even during the year in course, the Bankia Board of Directors, on proposal of the Compensation Committee, establishes the corresponding objectives upon the achievement of which the possible receipt of annual variable compensation depends. In this regard, Bankia has identified objectives, giving priority to implementation of the Restructuring Plan, defining the parameters to adjust the kinds of risks affecting the risk profile of the entity, taking account of the cost of capital and the necessary liquidity. Based on their scope, there are three kinds of objectives to be included in the Bankia annual variable compensation scheme:

–Global objectives of the entity (V1): they are the quantitative objectives reflecting the overall results of the entity, representing the priorities most important to Bankia's strategy. They are based on maintaining a sound capital base and fulfilment of the Strategic Plans and/or Reorganisation Plans.

–Unit objectives (V2): individual contribution to achievement of the objectives of the unit or group in which they work. Achievement of unit objectives may be shared by the members thereof. In those cases in which it is not possible to establish individual objectives, they will be assigned the objectives of the unit of which they are a part. The objectives preferably will be quantitative and will take account, to the extent possible, of current and potential risks, use of capital and liquidity.

–Individual evaluation (V3): they measure the qualitative aspects of director performance, such as results focus, customer focus and continuous improvement.

- The variable compensation to be paid will be determined by applying the following formula:

Variable Compensation = (Target Variable Compensation) x (Overall Achievement %) x (Pre-tax Profit Coefficient)

In this regard:

–Target Variable Compensation: as has been stated above, for inside directors it is €250,000.

–Overall achievement percentage: It will be determined by the weighted sum of results obtained, using the following formula:

$PCG = (\%CV1 \times PV1) + (\%CV2 \times PV2) + (\%CV3 \times PV3)$ Where:

–PCG: Overall Achievement Percentage (Porcentaje de Cumplimiento Global).

–%CV(n): Achievement Percentage reached for each of the objectives.

–PV(n): Weighting of each of the objectives, provided that a minimum level of achievement of objectives is reached. The weighting of each of the objectives is as follows: V1: 40%; V2: 50%; V3: 10%.

In addition:

–Failure to obtain a minimum achievement of 55% in the evaluation of V1 will prevent receiving the part of variable compensation corresponding to this objective.

–Failure to obtain an achievement level of 60% in the overall evaluation of V2 will prevent receiving the variable compensation corresponding to this objective.

–Failure to obtain 55% of the maximum score in the overall evaluation of V3 will prevent receiving the variable compensation corresponding to this objective.

–Pre-tax Profit Coefficient: In any event, for 2014 and 2015 payment of the annual variable compensation is conditioned on achieving the Pre-tax Profit objective, so depending on the degree of compliance with the Pre-tax Profit objective pursuant to the Recapitalisation Plan, the resulting variable compensation from the scheme described above may be reduced by 50%, or even not paid. The coefficient to be applied to the variable compensation resulting from the scheme described above, depending on the degree of compliance with the Pre-tax Profit objective, is as indicated below:

–Degree of Pre-tax Profit objective compliance based on the Restructuring Plan: <100%: Coefficient: 0.0

–Degree of Pre-tax Profit objective compliance based on the Restructuring Plan: ≥100% and <105%: Coefficient: 0.5

–Degree of Pre-tax Profit objective compliance based on the Restructuring Plan: ≥105%: Coefficient: 1.0

- The entity has formed an Objectives Committee, the function of which is to ensure and certify the deployment, monitoring, assessment and calculation of variable compensation, in accordance with the established criteria, methodology and process. This committee on a permanent basis is comprised of the heads of the corporate personnel office (Dirección Corporativa de Personas), general corporate audit office (Dirección Corporativa de Intervención General), corporate risk office (Dirección Corporativa de Riesgos), regulatory compliance office (Dirección de Cumplimiento Normativo), sub-office for private banking (Dirección General Adjunta de Banca de Particulares) and sub-office for business banking (Dirección General Adjunta de Banca de Negocios).

Malus and clawback clauses:

The annual variable compensation of inside directors that is pending payment under this scheme may be reduced or cancelled upon occurrence of any of the following circumstances during the vesting period:

- i. Poor financial performance of Bankia. This circumstance will be deemed to exist when the entity obtains negative financial results (has losses) for a year. To determine whether there were negative financial results, the possible losses obtained by reason of one-off transactions during the year will not be taken into account.

This circumstance will also be deemed to exist when there is conduct generating significant losses for the entity in which the director participated or for which the director is responsible.

In this case, the director will not receive the annual variable compensation corresponding to the year in question to which the losses relate, nor the deferred amounts to be paid to the director in the year in which the annual accounts reflecting those losses are approved.

- ii. Material restatement of the entity's financial statements deriving from the director's management, except when the restatement is appropriate based on an amendment of an accounting standard; or significant changes in capital and qualitative evaluation of risks;
- iii. Failure of Bankia to pass the bank stress test required by the European Banking Authority, in each of the years of calculation and payment of annual variable compensation;
- iv. Failure of the director to earn a right to annual variable compensation for a year as a result of the effect on the results of the year of transactions booked in prior years in which the director did earn a right to receive annual variable compensation;
- v. If the director has been sanctioned for violation of the code of conduct and other internal regulations, in particular those related to risks, applicable thereto;
- vi. Failure the director to meet the conditions of fitness established in the procedure manual for evaluation of fitness of directors, general managers or those in comparable positions, and key personnel.

The aforesaid clauses will be applicable for both acting directors and those that have left the entity and may have compensation pending collection.

In addition, if during a year Bankia obtains negative financial results (has losses), without taking one-off results into account, the director will not receive either the annual variable compensation corresponding to the year to which the losses relate or the deferred amounts to be paid in the year in which the annual accounts reflecting those negative results are approved.

In any event the variable compensation will be paid only if sustainable in accordance with the situation of Bankia as a whole, and justified based on the results of the entity.

In addition if, during the three years following the calculation and payment of annual variable compensation, any of the following circumstances arises, Bankia may demand that the director return the aforesaid variable compensation, or even set off such amounts to be returned against other compensation of any kind the director is entitled to receive ("clawback"). These circumstances are as follows:

- i. If the director has been sanctioned for serious violation of the code of conduct and other internal regulations, in particular those related to risks, applicable thereto.
- ii. When it appears that the calculation and payment of annual variable compensation was based, in whole or in part, on information the serious inaccuracy or falsity of which is subsequently clearly demonstrated, or risks assumed during the period in question materialise, or other circumstances not foreseen or assumed by the entity arise, that have a material adverse effect on the results of any of the years in the "clawback" period.

The Compensation Committee if applicable will determine whether circumstances that should result in application of this clause have occurred, and the variable compensation, if any, that is to be returned to the entity.

Regarding the quantitative information in section D.1 of this Report, we wish to note the following:

- Quantitative information regarding Mr. Goirigolzarri:

–The amount indicated in the "other categories" section of table a).i. under point D.1 above corresponds to the cost of medical insurance in an amount of €1,848.

–The €500,000 amount indicated in the "cash compensation" section of table c) under point D.1 includes the fixed compensation and the cost of medical insurance in the amount of €1,848.

- Quantitative information regarding Mr. Sevilla:

–The amount indicated in the "other categories" section of table a).i. under point D.1 above corresponds to the cost of medical insurance in an amount of €5,158.

–The €500,000 amount indicated in the "cash compensation" section of table c) under point D.1 includes the fixed compensation and the cost of medical insurance in the amount of €5,158.

- Quantitative information regarding Mr. Ortega:

–On 25 June 2014 Mr. Antonio Ortega Parra was appointed as an inside director of Bankia. The amount of salary that is stated corresponds to the amounts paid by Bankia for his service as a member of senior management until 24 June 2014, and as a member of the Board of Directors from 25 June to 31 December 2014.

Regarding the quantitative information in section D.3 of this report, we wish to note the following: The figure regarding the number of abstentions corresponds to the number of votes in blank.

This annual compensation report was approved unanimously by the board of directors of the company at its meeting of 23/02/2015.

State whether there are any directors who voted against or abstained from voting to approve this Report.

Yes

No

REPORT OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

2014

Bankia

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1. INTRODUCTION

Act 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions published in the Official State Gazette on 27 June 2014, establishes the obligation of credit institutions to create an Appointments Committee and a Remuneration Committee, as of 31 October 2014.

Pursuant to this law, the bank's Board of Directors, at its meeting on 22 October 2014, agreed to amend the Board of Directors Regulations in order to create an Appointments Committee and a Remuneration Committee, defining their functions and appointing their members and their respective chairmen and secretaries, as well as disbanding the Appointments and Remuneration Committee that had existed until that time and dismissing its members.

This report covers the activities performed by the Appointments and Remuneration Committee from 1 January 2014 until 22 October 2014 in relation to the appointments, dismissals and the remuneration of directors and senior managers. Annex I includes the functions, composition and activities performed by the Appointments Committee from the date it was created until 31 December 2014, while Annex II includes the functions, composition and activities performed by the Remuneration Committee, also from the date it was created until the end of the year.

2. FUNCTIONING AND RESPONSIBILITIES

The rules on the functioning and responsibilities of Bankia's Appointments and Remuneration Committee until the aforementioned resolution of 22 October 2014 are governed by articles 47, 47 bis and 47 ter of the company's bylaws, having been implemented via articles 15, 15 bis and 15 ter of the Board of Directors Regulations.

The Appointments and Remuneration Committee provides supports to the Board of Directors, having general powers to propose and report on appointments and removals of directors and senior managers, as well as responsibility for proposing the remuneration policy for directors and senior management to the Board of Directors, and the individual remuneration and other contractual conditions of executive directors, ensuring that these are observed.

The Appointments and Remuneration Committee meets as many times as it is called by agreement of the Committee itself or its chairman, and at least four times every year. It shall also meet every time that the Board of Directors or its chairman requests a report or proposals.

The Committee shall be validly convened when half plus one of the directors of the Committee are present or represented. Its resolutions shall be passed by a majority of votes of those present or represented at the meeting. In the case of a tie, the Chairman shall have the casting vote.

The Appointments and Remuneration Committee had general powers to propose and report on matters relating to appointments and removals of directors, and the remuneration of directors and the senior management, in accordance with articles 15 and 15 bis of the Board of Directors Regulations. In particular, the Appointments and Remuneration Committee was responsible for the following, notwithstanding any other tasks assigned to it by the Board:

- a) Evaluate the skills, knowledge and experience required by the Board of Directors in order to define the functions and capabilities required by candidates to cover each vacancy, and to assess the amount of time and dedication required to effectively perform the role.
- b) Submit proposals to the Board of Directors regarding appointments of independent directors to be made by co-optation or, if applicable, for the decision to be submitted to the General Meeting of Shareholders, as well as proposals for re-elections or dismissals of these directors by the General Meeting.
- c) Report, on a non-binding basis, the proposals of the Board of Directors regarding appointments of the remaining directors, to be made by co-optation or, if applicable, for the decision to be submitted to the General Meeting of Shareholders, as well as proposals for re-elections or dismissals of these directors by the General Meeting.
- d) Report, on a non-binding basis, the resolutions of the Board relating to the appointment or dismissal of senior managers in the group.
- e) Examine and organise the succession plan for the Company's governing bodies, in relation to the issues established by corporate legislation.
- f) Report on the appointment and removal of the secretary and vice-secretary of the Board of Directors to be approved by the complete Board, in order to ensure their independence, impartiality and professionalism.
- g) The Committee shall ensure that, in the event of few or no female directors, the selection procedures used when vacancies arise do not suffer from an implicit bias that hinders the selection of female directors, seeking to ensure that women with the appropriate professional profile are included among the potential candidates.
- h) Propose to the Board of Directors the remuneration policy for directors and senior managers, as well as the individual remuneration and other contractual conditions of executive directors, ensuring that these conditions are fulfilled.

- i) Report on remuneration matters relating to senior managers. In all cases, it shall supervise the remuneration of the Director of Risks and the Chief Compliance Officer.
- j) Periodically review the remuneration programmes, assessing their suitability and performance.
- k) Ensure the transparency of the remuneration provided and the inclusion of information about directors' remuneration in the Annual Report on Directors' Remuneration and the Annual Corporate Governance Report, submitting any information that may be appropriate to the Board.
- l) Ensure that the remuneration policy established by the company is followed.

The Appointments Committee may use the resources that it deems appropriate in order to fully perform its duties, including seeking advice from external professionals in relation to matters under its area of responsibility.

The chairman and any other director may send suggestions to the Committee in relation to matters in its area of competence, and in particular may also propose potential candidates to cover vacancies of directors.

3. COMPOSITION

The Appointments and Remuneration Committee consisted entirely of independent external directors for the period between 1 January and 22 October 2014. Its members were appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the functions of the Committee. The Committee was chaired by an independent director appointed by the Board of Directors. The chairman of the Committee must be replaced every four years, but may be re-elected once or more times for additional four-year periods.

The Appointments and Remuneration Committee comprised the following directors, from 1 January 2014 until 22 October 2014 :

APPOINTMENTS AND REMUNERATION COMMITTEE			
DIRECTOR	OFFICE	STATUS	APPOINTMENT DATE
Mr Joaquín Ayuso García	Chairman	Independent	01/06/2012
Mr Francisco Javier Campo García	Member	Independent	01/06/2012
Mr Alfredo Lafita Pardo	Member	Independent	22/05/2013
Mr Álvaro Rengifo Abbad	Member	Independent	08/06/2012

Non-director Secretary: Mr. Miguel Crespo Rodríguez

No director member of the Appointments and Remuneration Committee performed executive functions in the company and all members were independent directors, fulfilling the requirement that the majority of the members of the Committee are independent. Furthermore, all of the members of the Appointments and Remuneration Committee were appointed by the Board taking into account their knowledge, skills and experience, as well as the functions of the Committee.

4. MAIN ACTIVITIES DURING 2014

The Appointments and Remuneration Committee met a total of six times between 1 January 2014 and 22 October 2014.

The average attendance (present or represented) of the members of the Appointments and Remuneration Committee was 96% during this period. The meetings of the Committee were regularly attended by the Director and General Director of People, Organisation and Technology, as well as the Corporate Director of People and the Chief Compliance Officer.

During the year the Committee has examined and submitted to the Board its approval on the main appointments and remuneration matters, principally dealing with the following issues:

4.1. REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The Appointments and Remuneration Committee verifies that the remuneration policy for directors and the senior management complies with the limits established in current legislation, especially Royal Decree-Law 2/2012, Law 3/2012 and Order ECC/1762/2012.

The Committee, at its meetings of 6 February 2014 and 4 March 2014, examined Bankia's Remuneration Policy for 2014, agreeing to recommend it to the Board of Directors. The general principles of the remuneration policy require it to be balanced, results-orientated, strategic, bonding, simple, compatible, equitable and competitive. In the second of the aforementioned meetings, the Committee agreed to issue a favourable report on the information of prudential relevance regarding remunerations of the BFA Group, in the part corresponding to Bankia.

In the meeting of 6 June 2014, the Committee agreed to recommend the proposal regarding the appointment of the CEO and an executive director.

Furthermore, the Committee recommended the addition of the Deputy General Director of Retail Banking and the Deputy General Director of Business Banking to the senior management team at its meeting of 22 July 2014.

4.2. EVALUATION OF THE BOARD AND OF THE CHAIRMAN

In 2014, and in coordination with the chairman of the bank and the chairman of the Audit and Compliance Committee, the chairman of the Appointments and Remuneration Committee carried out the process of evaluating the Board of Directors, as required by article 9.5 of the Board of Directors Regulations.

The Appointments and Remuneration Committee also apprised the Board of Directors of the performance of the chairman of the Board.

The Committee received technical advice from an independent expert in both processes.

4.3. ANNUAL VERIFICATION OF THE CLASSIFICATION OF DIRECTORS

At its meeting on 6 February 2014, the Appointments and Remuneration Committee verified the classification of each director, making a proposal that was reviewed by the Board of Directors at its meeting on 17 February 2014, and recording its findings in the Annual Corporate Governance Report in accordance with article 8.3 of the Board of Directors Regulations. The Committee verified that of the ten directors on the Board of Directors as of this date, eight were independent and two were executives.

4.4. EVALUATION OF THE SUITABILITY OF DIRECTORS AND SENIOR MANAGERS

As a result of Royal Decree 256/2013 of 12 April, which incorporates the criteria of the European Banking Authority of 22 November 2012 regarding the evaluation of the suitability of the members of the Board of Directors and key personnel into the regulations on credit institutions, at its meeting on 4 March 2014 the Appointments and Remuneration Committee reported in favour of the group of people subject to the suitability evaluation for 2014.

As a result of the coming into force of Delegated Regulation (EU) N° 604/2014 of the Commission, which supplements Directive 2013/36/UE of the European Parliament and the Council with regards to the technical regulations related to the appropriate qualitative and quantitative criteria for determining the categories of personnel whose professional activities have significant influence on the risk profile of an institution, the Appointments and Remuneration Committee was informed (on 22 July 2014) of the need to update the Manual on the procedure for evaluating the suitability of directors, general managers or similar positions and key personnel, so that the persons subject to the evaluation of suitability procedure are limited to the group identified by qualitative criteria (risk takers and control functions).

4.5. REPORTS ON APPOINTMENTS

With regards to its responsibilities for appointments, in 2014 the Appointments and Remuneration Committee presented and reported on the corresponding proposals of appointments of members of the Board of Directors, their roles, the appointments of the Board's committees, as well as the management team.

At its meeting of 6 June 2014, the Committee issued a favourable report on the following proposals:

- Ratification of Mr José Ignacio Goirigolzarri Tellaeche as executive chairman of the company, granting him all powers that may be delegated by law and the bylaws.
- Appointment of Mr José Sevilla Alvarez as Chief Executive Officer of the company.
- Appointment of the General Director of People, Organisation and Technology, Mr Antonio Ortega Parra, as an executive director of the company.
- Appointment of the director Ms. Eva Castillo Sanz as a member of the Board Risk Committee.
- Appointment of Mr Fernando Sobrini Aburto as Deputy General Director of Retail Banking.
- Appointment of Mr Gonzalo Alcubilla Povedano as Deputy General Director of Business Banking.

At its meeting of 13 October 2014 the Appointments and Remuneration Committee issued a favourable report on the proposal to amend the Board of Directors Regulations to adapt them to Law 10/2014 on the organisation, supervision and solvency of credit institutions with regards corporate governance matters. As a result of this amendment, the Committee recommended the appointment of the following members to the new committees of the Board of Directors:

➤ Appointments Committee:

Chairman: Mr Joaquín Ayuso García

Members: Mr Francisco Javier Campo García

Mr Álvaro Rengifo Abbad

Mr Alfredo Lafita Pardo

➤ Remuneration Committee:

Chairman: Ms. Eva Castillo Sanz

Members: Mr Alfredo Lafita Pardo

Mr Joaquín Ayuso García

Mr Jorge Cosmen Menéndez-Castañedo

➤ Risk Advisory Committee:

Chairman: Mr Francisco Javier Campo García
Members: Ms. Eva Castillo Sanz
Mr Fernando Fernández Méndez de Andés

- The Audit and Compliance Committee and the Board Risk Committee will continue with their current members.
- The secretary of the Board of Directors' committees will be Mr Miguel Crespo Rodríguez, general secretary and secretary to the Board of Directors.

4.6. DIRECTORS' TRAINING PLAN

In response to the need for information and training of the members of the Board of Directors and its committees, the Appointments and Remuneration Committee, at its meeting of 6 June 2014, analysed the Directors' Training Plan, which is initially based on the following general areas: regulatory framework, transparency and reporting requirements, changes in supervision, and specific areas of the bank's management of interest to directors.

4.7. ANNUAL REMUNERATION REPORT AND ANNUAL CORPORATE GOVERNANCE REPORT

At its meeting of 6 February 2014, the Appointments and Remuneration Committee agreed to issue a favourable report on the Annual Remuneration Report for directors corresponding to 2013. At the same meeting, the Committee agreed to issue a favourable report on all those issues within its area of competence in the Annual Corporate Governance Report 2013.

4.8. OTHER ISSUES ADDRESSED BY THE COMMITTEE

In the performance of its duties, the Appointments and Remuneration Committee also examined and reported on various issues during the year, including the following:

- Insurance.
- Framework of incompatibilities and limitations on chairmen, directors and senior managers of credit institutions.
- Responsibilities of the Board of Directors: latest developments and regulatory trends.
- Identification of the group: identification of the group and modification of the remuneration conditions of certain members.

- Creation of the position of Corporate Directors and the Transformation Committee, as well as the appointments of these directors.
- Management of talent, to improve the annual net position of the organisation's talent pool.
- Modification of the company's Bylaws and the Board of Directors Regulations.

ANNEX I

APPOINTMENTS COMMITTEE

The meeting of the company's Board of Directors on 22 October 2014, having received a favourable report from the Appointments and Remuneration Committee, agreed to amend the Board of Directors Regulations, disbanding the Appointments and Remuneration Committee and creating a separate Appointments Committee and a Remuneration Committee in accordance with Law 10/2014 on the organisation, supervision and solvency of credit institutions.

The Appointments Committee is governed by article 15 of the Board of Directors regulations. It will consist of non-executive directors with a majority of independent directors, with a minimum of three members and a maximum of five.

The members of the Appointments Committee will be appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the functions of the Committee. It will be chaired by an independent director appointed by the Board of Directors, who must be replaced every four years, but may be re-elected once or more times for additional four-year periods.

The Committee will have a secretary and optionally, a vice-secretary, both of whom may be non-directors and be people other than the secretary and vice-secretary of the Board of Directors, respectively.

The Appointments Committee will meet as many times as it is called by agreement of the Committee itself or its chairman, and at least four times every year. It shall also meet every time that the Board of Directors or its chairman request a report or proposals from the Committee. The Committee shall be validly convened when half plus one of the directors of the Committee are present or represented.

Its resolutions shall be passed by a majority of votes of those present or represented at the meeting. In the case of a tie, the Chairman shall have the casting vote.

The Appointments Committee shall have general powers to make proposals and to report on matters relating to appointments and dismissals of directors and senior managers. In particular, the Appointments Committee will be responsible for the following, notwithstanding any other tasks assigned to it by the Board:

- a) Evaluate the skills, knowledge, capabilities, diversity and experience required by the Board of Directors. It shall therefore define the functions and abilities required by candidates for each vacancy and shall assess the amount of time and dedication required to effectively perform each role.

- b) Identify, recommend and, if appropriate, submit proposals to the Board of Directors for appointments of directors to be made by co-optation or, if applicable, for the decision to be submitted to the General Meeting of Shareholders, as well as proposals for re-elections or dismissals of these directors by the General Meeting.
- c) Report, on a non-binding basis, the resolutions of the Board relating to the appointment or dismissal of senior managers of the group; periodically review the Board's policy in relation to the selection and appointment of members of the group's senior management; and prepare recommendations for the Board.
- d) Examine and organise the succession plan for the Company's governing bodies, for those issues established under company legislation.
- e) Report on the appointment and removal of the secretary and vice-secretary of the Board of Directors to be approved by the complete Board, to ensure their independence, impartiality and professionalism.
- f) Establish a target figure for the under-represented gender on the Board of Directors and prepare guidelines of how to increase the number of people on the Board from the under-represented gender in order to achieve this target. The Committee shall ensure that, in the event of new vacancies, the selection procedures are not affected by any implicit bias that hinders the selection of people of the under-represented gender.
- g) Periodically evaluate, at least once every year, the structure, size, composition and actions of the Board of Directors, making the appropriate recommendations to the Board with regards to any changes.
- h) Periodically evaluate, at least once every year, the suitability of the different members of the Board of Directors and the Board as a whole, and report its findings to the Board.
- i) The Committee shall consult the chairman, and the CEO of the company if appropriate, especially in relation to matters regarding executive directors and senior managers.
- j) Inform the Board of Directors about any issues related to the good corporate governance of the company in matters that fall within the Committee's area of competence (targets, management of talent, liability insurance, etc.) and make the necessary proposals to improve these matters.

The Committee may use the resources it deems appropriate in order to fully perform its duties, including seeking advice from external professionals in relation to matters within its area of responsibility.

The chairman and any other director may make suggestions to the Committee in relation to matters that fall within its area of competence, and in particular may propose potential candidates to cover vacancies of directors.

The Appointments Committee consisted of the following directors, from the date of its creation until 31 December 2014:

APPOINTMENTS COMMITTEE ⁽¹⁾			
DIRECTOR	OFFICE	STATUS	APPOINTMENT DATE
Mr Joaquín Ayuso García	Chairman	Independent	22/10/2014
Mr Francisco Javier Campo García	Member	Independent	22/10/2014
Mr Alfredo Lafita Pardo	Member	Independent	22/10/2014
Mr Álvaro Rengifo Abbad	Member	Independent	22/10/2014

Non-director Secretary: Mr Miguel Crespo Rodríguez

No director member of the Appointments Committee performs executive functions in the company and all of its members are independent directors, fulfilling the requirement that the majority of its members are independent. Furthermore, all of the members of the Appointments Committee were appointed by the Board taking into account their knowledge, skills and experience as well as the functions of the Committee.

The Appointments Committee has met once between the date of its creation until 31 December 2014.

⁽¹⁾ The professional profile of the members of the Appointments Committee can be consulted on the bank's website: www.bankia.com

ANNEX II

REMUNERATION COMMITTEE

As previously mentioned, the meeting of the company's Board of Directors on 22 October 2014, having received a favourable report from the Appointments and Remuneration Committee, agreed to amend the Board of Directors Regulations, disbanding the Appointments and Remuneration Committee and creating a separate Appointments Committee and a Remuneration Committee in accordance with Law 10/2014 on the organisation, supervision and solvency of credit institutions.

The Remuneration Committee is governed by article 15 bis of the Board of Directors regulations. It will consist of non-executive directors with a majority of independent directors, with a minimum of three members and a maximum of five.

The members of the Remuneration Committee will be appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the functions of the Committee. The Committee will be chaired by an independent director appointed by the Board of Directors, who must be replaced every four years, but may be re-elected once or more times for additional four-year periods.

The Committee will have a secretary and optionally, a vice-secretary, both of whom may be non-directors and be people other than the secretary and vice-secretary of the Board of Directors, respectively.

The Remuneration Committee will meet as many times as it is called by agreement of the Committee itself or its chairman, and at least four times every year. It shall also meet every time that the Board of Directors or its chairman request a report or proposals from the Committee. The Committee shall be validly convened when half plus one of the directors of the Committee are present or represented.

Its resolutions shall be passed by a majority of votes of those present or represented at the meeting. In the case of a tie, the Chairman shall have the casting vote.

The Remuneration Committee shall be responsible for the following:

- a) Propose to the Board of Directors the remuneration policy for directors and senior managers, as well as the individual remuneration and other contractual conditions of executive directors, ensuring that these conditions are fulfilled.
- b) Report on remuneration matters relating to senior managers. In all cases, it shall supervise the remuneration of the Director for Internal Audit, the Director of Risks and the Chief Compliance Officer.
- c) Periodically review the remuneration programmes, assessing their suitability and performance.

- d) Ensure transparency regarding remuneration and include information about directors' remuneration in the Annual Report on Directors' Remuneration and the Annual Corporate Governance Report, submitting any information that may be appropriate to the Board.
- e) Ensure that the remuneration policy established by the company is followed.
- f) Send proposals to the Board regarding any remuneration that may have repercussions on the company's risk and management of risk, which should be adopted by the Board of Directors, taking into account the long-term interests of shareholders, investors and other stakeholders, as well as the public interest, all notwithstanding the functions entrusted to the Risk Advisory Committee in this area.
- g) The Committee shall consult the chairman, and the CEO of the company if appropriate, especially in relation to matters regarding executive directors and senior managers.

The Remuneration Committee may use the resources it deems appropriate in order to perform its duties to its full satisfaction, including seeking advice from external professionals in relation to matters within its area of responsibility.

The Remuneration Committee consisted of the following four directors, from the date of its creation until 31 December 2014:

REMUNERATION COMMITTEE ⁽²⁾			
DIRECTOR	OFFICE	STATUS	APPOINTMENT DATE
Ms. Eva Castillo Sanz	Chairman	Independent	22/10/2014
Mr Joaquín Ayuso García	Member	Independent	22/10/2014
Mr Jorge Cosmen Menéndez-Castañedo	Member	Independent	22/10/2014
Mr Alfredo Lafita Pardo	Member	Independent	22/10/2014

Non-director Secretary: Mr Miguel Crespo Rodríguez

No director member of the Remuneration Committee performs executive functions in the company and all of its members are independent directors, fulfilling the requirement that the majority of its members are independent. Furthermore, all of the members of the Remuneration Committee were appointed by the Board taking into account their knowledge, skills and experience as well as the functions of the Committee.

The Remuneration Committee has not held a meeting between the date of its creation until 31 December 2014.

⁽²⁾ The professional profile of the members of the Appointments Committee can be consulted on the bank's website: www.bankia.com