

REPORT OF THE REMUNERATION COMMITTEE

2015

Bankia

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1. INTRODUCTION

The Appointments and Remuneration Committee of Bankia was formed on 16 June 2011 by resolution of the Company's Board of Directors. On 22 October 2014, as a consequence of the entry into force of the Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions, the Board of Directors resolved to disband the Appointments and Remuneration Committee and set up two separate committees: an Appointments Committee and a Remuneration Committee.

This report reviews the activity of the Bankia Remuneration Committee from 1 January 2015 to 31 December 2015 on matters of the director and senior manager remuneration policy, as well as on matters of individual remuneration and other contractual terms and conditions of executive directors, monitoring the compliance therewith.

2. OPERATION AND RESPONSIBILITIES

The rules governing the operation and responsibilities of the Bankia Remuneration are regulated in article 47 of the Bylaws and have been developed in article 15 bis of the Board of Directors Regulations. In 2015 the Board of Directors Regulations were amended with the aim, amongst others, of adapting the powers and functions of the Remuneration Committee to the Recommendations of the new Good Governance Code of Listed Companies approved by the Spanish Securities Markets Commission (Comisión Nacional del Mercado de Valores; hereinafter, the CNMV) in February 2015.

The Remuneration Committee provides support to the Board of Directors, with general powers to propose and report on matters of director and senior manager remuneration, as well as authority to propose to the Board of Directors the remuneration policy for directors and senior managers, individual remuneration and other contract terms and conditions of executive directors.

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

There will be a quorum when a majority of the directors that are members of the Committee are present in person or by proxy. Its resolutions will be adopted by absolute majority of the Committee members, present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

According to article 15 of the Board of Directors Regulations, the Remuneration Committee will have general powers to propose and report on matters relating to remuneration of directors and senior managers. In particular, the Remuneration Committee is responsible for:

- a) Making proposals to the Board of Directors for the policy on the remuneration of directors and general managers or senior managers who report directly to the Board, executive committees or the Chief Executive Officer, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance.
- b) Reporting on senior management remuneration. In all events, it will oversee the remuneration of the heads of Internal Audit, Risks and Regulatory Compliance.
- c) Periodically reviewing the remuneration programmes, weighing their adequacy and their yields, the remuneration policy applied to the directors and senior management, including share-based compensation actions systems and their application, as well as ensuring that their individual remuneration is proportionate to which is paid to the other directors and senior management of the Company.
- d) Ensuring transparency in remuneration and the inclusion of information about directors' remuneration in the Annual Report on Directors Remuneration and the Annual Corporate Governance Report, submitting such information as may be necessary to the Board for that purpose.
- e) Verifying that the remuneration policy set by the Company is observed.
- f) Making proposals to the Board on any remuneration decisions to be made by the Board of Directors that may have an impact on risk and the entity's risk management, taking into account the long-term interests of shareholders, investors and other stakeholders into account, as well as the public interest, all this without prejudice to the functions assigned to the Risk Advisory Committee on these matters.
- g) Ensuring that conflicts of interest do not undermine the independence of any external advice the Committee engages.
- h) Verifying the information on director and senior officer remuneration contained in corporate documents, including the annual directors' remuneration statement, for which purpose it will submit a report to the Board of Directors.

The Remuneration Committee will consult with the Chairman and, if applicable, with the main executive of the Company, especially on matters relating to executive directors and senior managers.

For better performance of its duties, the Remuneration Committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence.

3. COMPOSITION

The Bankia Remuneration Committee consisted entirely of independent external directors for the period between 1 January and 31 December 2015. Its members were appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the tasks of the Committee. The Committee is chaired by an independent director appointed by the Board of Directors. The Chairman of the Committee must be replaced every four years, and may be reelected one or more times for terms of the same length.

The Remuneration Committee was composed of the following four directors during 2015:

REMUNERATION COMMITTEE ⁽¹⁾			
DIRECTOR	OFFICE	CATEGORY	APPOINTMENT DATE
Ms. Eva Castillo Sanz	Chair	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 member of the Remuneration Committee performs executive duties in the entity and all of them are classified as Independent Directors, so the requirement that its members be external non-executive directors is met. Furthermore, all members of the Remuneration Committee were appointed by the Board based on their knowledge, ability and experience and the responsibilities of the Committee.

4. MAIN ACTIVITIES DURING 2015

The Remuneration Committee met a total of 10 times between 1 January 2015 and 31 December 2015.

⁽¹⁾ The background and professional experience of the members of the Remuneration Committee may be consulted on the Company's website: www.bankia.com

The average attendance (present or by proxy) of the members of the Remuneration Committee was 97.5% during 2015. The meetings of the Committee were regularly attended by the Director and General Director of People, Organisation and Technology, as well as the Corporate Head of People; also attending meetings of the Committee to report on matters within their remit were the Corporate Director of Internal Audit and the Head of the Corporate Office of the Comptroller.

During 2015 the Committee examined and submitted to the Board for approval the main remuneration matters, principally dealing with the following issues:

4.1. REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGERS

The Remuneration Committee periodically reviews the remuneration policy applied to directors and senior managers of the entity. In this connection, at its meeting of 19 January 2015 the Bankia Remuneration Policy was presented and aligned with the provisions of Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions. Also presented at that meeting was the annual report of the independent expert on internal, central and independent evaluation of the Bankia remuneration policy and its alignment with the applicable legal rules, as provided in article 33.2 of Law 10/2014.

At the Committee meeting of 27 October 2015 there was likewise presented the report prepared by an independent expert on the Bankia variable remuneration policy and its alignment with the applicable rules on remuneration.

The Committee meeting of 20 July 2015 analysed the draft Bank of Spain Circular to credit institutions on supervision and solvency and its implications for remuneration matters, as well as the rules on conflicts-of-interest and limitations for directors and general managers and similar officers of credit institutions.

4.2. ANNUAL REMUNERATION REPORT AND ANNUAL CORPORATE GOVERNANCE REPORT

At its meeting of 20 February 2015, the Remuneration Committee agreed to issue a favourable report on the Annual Remuneration Report for directors for 2014. At the same meeting, the Committee agreed to issue a favourable report on all those issues within its area of competence in the 2014 Annual Corporate Governance Report, as well as on the annual report of the Committee's activities. Said documents were made available to the shareholders when the General Meeting of Shareholders of 22 April 2015 was called.

In relation to Bankia's corporate governance, the Remuneration Committee was informed of the proposed Bankia Corporate Governance System composed of a set of internal standards and procedures essentially aimed at satisfying the corporate interest, understood to be the common interest of all shareholders of an independent company focused on profitable and sustainable pursuit of its corporate objects and the creation of long-term value.

4.3. OTHER ISSUES ADDRESSED BY THE COMMITTEE

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

- Identified group: update of the group and modification of the remuneration conditions for certain members.
- Proposed targets for 2015.
- Evaluation of the remuneration policy performed by an independent expert.