

ANNEX 1

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

PARTICULARS OF ISSUER

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CORPORATE NAME
BANKIA, S.A.

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

FORM OF ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A

COMPANY REMUNERATION POLICY FOR CURRENT YEAR

A.1 Explain the Company's remuneration policy. Within this section include information regarding:

- Principles and general guidelines of the remuneration policy.
- Most significant changes made to the remuneration 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 groups of comparable companies whose remuneration policies have been examined to establish the company's remuneration policy.
- Relative importance of the variable remuneration categories by reference to the fixed categories, and criteria used to determine the various components of the remuneration package of directors (remuneration mix).

Explain the remuneration policy

A.1.1. Principles and guidelines of the remuneration policy

The principle and guidelines of the remuneration policy for Bankia directors are as follows:

- The Bankia remuneration policy is based on strict compliance with the following rules:
 - Regulations on compensation systems in credit institutions: Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions ("LRSS") and Royal Decree 84/2015 of 13 February 2015 implementing Law 10/2014 ("RD 84/2015").
 - Regulations on compensation systems of entities supported by the Fund for Orderly Bank Restructuring (FROB): 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 remuneration of directors is structured in accordance with the provisions of articles 49 and 50 of the Bankia Bylaws and articles 27 and 28 of the Board of Directors Regulations.

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

- Non-executive directors receive a specified periodic amount. Said amount is determined by the Board of Directors and, in compliance with the aforesaid regulations, the annual amount in no case is in excess of 100,000 euros.
- Executive directors receive fixed remuneration the annual amount of which, in compliance with the aforesaid regulations, in no case is in excess of 500,000 euros. While the entity receives support from the Fund for Orderly Bank Restructuring (hereinafter the "FROB"), no provision is made for the payment of per diem fees for attending 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 remuneration for duties they may perform within BFA.

Order ECC/1762/2012 provides that the variable remuneration of the directors of entities that have received support from the Fund for Orderly Bank Restructuring, but are not majority-owned by it, may reach 60% of annual gross fixed remuneration,

receivable starting three years after it accrues. In this regard, the remuneration policy of the entity includes annual variable remuneration. The design of the variable remuneration scheme complies with the applicable requirements. In any event, the amount, accrual and payment of this variable remuneration requires regulatory approval.

In addition to the principles and guidelines described above, the remuneration 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 Bankia Bylaws:

- Balance of the components of remuneration: The remuneration scheme is balanced and efficient as among the fixed and variable components, with the fixed component constituting a sufficiently high part of total remuneration (in accordance with the applicable regulations).
- Focus on results and recognition of excellence: The remuneration policy recognises the achievement of extraordinary results, applying principles of payment for performance.
- Strategy and time horizon: The remuneration is 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 director remuneration correlates directly with 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 remuneration policy are governed in such manner that a director can determine the amount of total remuneration 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 remuneration 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 remuneration 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 remuneration 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 remuneration policy:

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

A.1.3. Criteria used to establish the remuneration policy of executive directors:

The criteria when establishing Bankia's remuneration policy are those deriving from (i) compliance with the limitations introduced by the LRSS, Royal Decree Law 2/2002 and Order ECC/1762/2012, and (ii) application of the principles established for the entity's senior officer group.

A.1.4. "Remuneration mix" for executive directors:

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

Notwithstanding the above, the contracts of executive directors of Bankia contemplate maximum variable remuneration of 50% of annual gross fixed remuneration.

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

- Fixed remuneration of €500,000 euros.
- Variable remuneration resulting from achievement of targets and requiring authorisation. This remuneration is not to exceed 300,000 euros

A.2 Information on preparatory work and the decision-making process that has been used to determine the remuneration policy and the role, if any, played by the Remuneration Committee and other supervisory bodies in setting the remuneration policy. This information, if applicable, will include the mandate and composition of the Remuneration Committee and the identity of the outside advisors whose services have been used in determining the remuneration policy. It will also state the category of the directors, if any, who have participated in determining the remuneration policy.

Explain the process for determining the remuneration policy

In accordance with articles 249, 249 bis and 519 octodecies of the Corporations Act, in the version given by Act 31/2014 of 3 December 2014 amending the Corporations Act for the improvement of corporate governance, the following decisions regarding remuneration policy rest with the Board of Directors of the entity:

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

Mandate of the Remuneration Committee:

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

In addition, the Remuneration Committee has the following authority:

- Reporting on senior management remuneration. In all events, it will oversee the remuneration of the heads of Internal Audit, Risks and Regulatory Compliance.
- Periodically reviewing the remuneration programmes, considering their appropriateness and utility.
- 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.
- Overseeing compliance with the remuneration policy set by the Company.
- 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.
- The Committee will consult with the Chairman and, if applicable, with the main executive of the entity, especially on matters relating to executive directors and senior managers.

In compliance with the provisions of the article 36 of the LRSS, the Remuneration Committee has been separate from the Appointments Committee since 22 October 2014.

Composition of Remuneration Committee

The Board of Directors Regulations and the Bylaws of Bankia provide that the Remuneration Committee will be composed of a majority of independent directors, with a minimum of three and maximum of five directors. In addition, the Remuneration Committee will be 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; Office: Chair; Status: Independent; Appointment date: 22-10-2014
- Mr. Joaquín Ayuso García; Office: Member; Status: Independent; Appointment date: 22-10-2014
- Mr. Alfredo Lafita Pardo; Office: Member; Status: Independent; Appointment date: 22-10-2014
- Mr. Jorge Cosmen Menéndez-Castañedo; Office: Member; Status: Independent; Office: 22-10-2014

The composition of the Committee complies with the requirements of article 36 of the LRSS, 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 remuneration, allowing them to exercise effective and independent control of the remuneration policies and practices and incentives created for the management of risk, capital and liquidity.

Meetings of Remuneration Committee

Bankia's Remuneration 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 meets 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 once during 2016.

Risk Advisory Committee

According to article 16 of the Board of Directors Regulations, the Risk Advisory Committee works to ensure that the remuneration policies and practices established in the entity are rational. In this respect, the Risk Advisory Committee oversees, without prejudice to the functions of the Remuneration Committee, that the incentives policy contemplated in the remuneration system takes account of risk, capital, liquidity and the probability and timing of profits.

Identity of outside advisors

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

For preparation of this report Bankia has been advised by J&A Garrigues, S.L.P

A.3 Indicate the amount and nature of the fixed components, broken down, if applicable, of the remuneration for performance of duties of senior management of the executive directors, the additional remuneration as chairman or a member of any board committee, of the per diems for participation on the board and its committees or other fixed remuneration as a director, as well as an estimate of the fixed annual remuneration 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 remuneration

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

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

In the specific case of Bankia, the fixed remuneration 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 limits, account is taken of all remuneration received from the various entities in the Bankia Group, as well as the remuneration, per diems, indemnifications or similar items 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 fix remuneration of the Bankia directors has been determined as follows:

- The individual fixed amount to be received by non-executive directors in 2016 will be 100,000 euros 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 executive directors as fixed remuneration in 2016 will be 500,000 euros. For two of the executive directors, this amount will be the result of the sum of the cash remuneration and the in-kind remuneration corresponding to the amount of the medical insurance premiums paid by Bankia in favour of these directors. The fixed remuneration of the remaining director is solely cash remuneration.

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

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

In particular:

- Identify each of the remuneration 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 remuneration 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 (executive directors, proprietary non-executive directors, independent non-executive directors and other outside directors) that are beneficiaries of remuneration schemes or plans that incorporate variable remuneration.
- The underlying basis of such variable remuneration schemes or plans, the performance evaluation criteria used, as well as the evaluation components and methods for determining whether or not the evaluation criteria have been met, and an estimate of the absolute amount of the variable remuneration resulting from the current remuneration 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 remuneration schemes

The Bankia directors currently are not beneficiaries of medium-term remuneration plans, nor do they have any remuneration whatsoever in the form of profit-sharing or bonuses.

As indicated in section A.1, the Bankia Board of Directors has approved the entity's remuneration policy including annual variable remuneration as an element thereof. This remuneration policy is applicable to Bankia professionals, including the executive directors.

This scheme has been designed in such manner that variable remuneration 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 amount, accrual and payment of this variable remuneration requires regulatory approval.

The essential features of this remuneration are described below:

- The scheme accrues solely and exclusively on 31 December of each calendar year.
- The annual variable remuneration of executive directors will in no case exceed 60% of annual gross fixed remuneration, that is, 300,000 euros for each executive director.
- In no event does it vest, for which reason its attainment 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 executive director.
- Annually, or even during the year in course, the Bankia Board of Directors, at the proposal of the Remuneration Committee, sets the targets that will determine the possible receipt of the annual variable remuneration. In this regard, Bankia has identified objectives which, amongst other aspects, take into account the strategic needs determined from the internal assessment of capital adequacy, the liquidity requirements plan, and risk management and control policies. Based on their scope, there are three types of objectives to be included in the Bankia annual variable remuneration scheme:
 - Global objectives of the Entity (V1): Quantitative objectives that will reflect 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 achieving the objectives of the unit or group in which they work. Achievement of unit objectives may be shared by the unit members. Where it is not possible to set individual objectives, the person will be assigned the objectives of the unit to which he or she belongs. 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): Measurement of the qualitative aspects of director performance, such as results focus, customer focus and continuous improvement.

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

Variable Remuneration = (Target Variable Remuneration) x (% Overall Achievement)

In this regard:

- Target Variable Remuneration: as stated above, for executive directors this will be 250,000 euros.
- Overall achievement percentage: this will be determined by the weighted sum of the results obtained, using the following formula:

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

Where:

PCG: Overall Achievement Percentage.

%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:

Objective V1 will have a weighting of 40%
Objective V2 will have a weighting of 50%
Objective V3 will have a weighting of 10%

In addition:

- Failure to obtain a minimum achievement of 55% in the evaluation of V1 will prevent receiving the part of variable remuneration corresponding to this objective.
- Failure to obtain an achievement level of 60% in the overall evaluation of V2 will prevent receiving the variable remuneration corresponding to this objective.
- Failure to obtain 55% of the maximum score in the overall evaluation of V3 will prevent receiving the variable remuneration corresponding to this objective.

- The entity has formed an Objectives Committee, the function of which is to ensure and certify the deployment, monitoring, assessment and calculation of variable remuneration, in accordance with the established criteria, methodology and process. This Committee on a permanent basis is composed of the Corporate Personnel Department, Corporate Office of the Comptroller, Corporate Risk Department, Corporate Legal Affairs, Tax and Compliance Department, Corporate Retail Network Department and Corporate Business Banking Department.

- Royal Decree Law 2/2012 provides that the beginning of receipt of annual variable remuneration will be deferred for three years after it is accrued. That is, the variable remuneration, if any, will be paid fully in 2020, after the 3-year deferral has elapsed after the accrual date (2017, 2018 and 2019).

- On the payment date, the remuneration will be paid 50% in cash and 50% in shares. The shares cannot be traded for a term of one year after delivery.

- The annual variable remuneration of executive directors that is pending payment under this scheme may be reduced (malus clause) or cancelled (clawback clause) under certain circumstances. These clauses are described in the section E below.

- Lastly, with the 2015 strategic plan having been completed, in accordance with article 34.1 of the LRSS, the entity is considering implementing a variable remuneration system tied to multi-year results of Bankia. Said multi-year variable remuneration will be designed in accordance with the requirements laid down in the LRSS and in Royal Decree Law 2/2012.

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 undertaken any 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 indemnifications

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 executive directors with Bankia, it may not pay indemnifications exceeding the lesser of the following amounts:

- 1,000,000 euros; or
- Two years of the stipulated fixed remuneration.

Indemnification for termination of contract includes any amount of an indemnifying nature that the manager or director 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.

In addition, the indemnification amounts will be subject to the requirements set out in subparagraphs h) and i) of article 34.1 of the LRSS. In this respect, such indemnifications as may be paid to executive directors must be based on the results obtained by the Entity over time and shall not reward poor results or misconduct.

Furthermore, non-executive directors have no agreed indemnification in the event of termination of their duties.

A.7 Indicate the conditions to apply to the contracts of executive directors exercising senior management functions. The report is to include, inter alia, the duration, the limits on amounts of indemnification, minimum terms of employment, 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 executive 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 executive directors
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The contracts of executive directors are adapted to the limits on remuneration 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 executive 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 executive directors do not contain any kind of minimum term clause.
- Terms of advance notice: the contracts of executive directors contain a 3-month advance notice requirement.
- Hiring bonuses: the contracts of the executive directors do not contain any kind of hiring bonus.
- Noncompetition: 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: 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 remuneration they will receive one time their fixed remuneration. In the event of breach, the director must return the remuneration and six additional monthly amounts.
- Professional secrecy and duty of confidentiality: the contracts of the executive 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 removes 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 remuneration.
- Amounts to be received in the event of early termination of the contract: in accordance with the contracts signed by the executive 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 remuneration of the executive director. These amounts in all cases will be paid in accordance with the requirements established in the LRSS and its implementing regulations.

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

Explain the additional remuneration

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

A.9 Indicate any remuneration 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 remuneration to the directors in the form of advances, loans and guarantees granted.

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

Explain the in-kind remuneration

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

A.11 Indicate the remuneration 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 remuneration 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 remuneration 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 remuneration 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 remuneration received by the director

Explain the other remuneration categories

There are no other remuneration categories

A.13 Explain the actions taken by the company regarding the remuneration 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 remuneration policy is responsive to the long-term results of the company, measures establishing appropriate balance between fixed and variable components of remuneration, 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 remuneration based on results when those components of remuneration 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 remuneration policy in force does not encourage excessive risk-taking by the executive directors and is in accordance with the objectives, values and long-term interests of the entity.

In this regard, the Bankia remuneration 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 remuneration scheme, the Bankia Board of Directors, on proposal of the Remuneration 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 executive directors provide that the amount of variable remuneration will not exceed 50% of fixed remuneration.

Regarding the procedure for payment of the variable remuneration, 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 remuneration policy, in order to verify whether the remuneration procedures and guidelines adopted by the Remuneration 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 REMUNERATION POLICY PROJECTED FOR FUTURE YEARS

Repealed.

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

C.1 Explain in a summary manner the main features of the remuneration categories and structure of the remuneration policy applied during the most-recently closed period, which results in the details of individual remuneration 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 remuneration categories and structure of the remuneration policy applied during the period

Structure of the remuneration policy:

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

In this regard, the non-executive directors received annual fixed remuneration in the amount of 100,000 euros. No amount whatsoever 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 executive directors, each of them has received an annual amount of 500,000 euros as fixed remuneration. In the case of the two executive directors, the cost of the medical insurance premium has been included within fixed remuneration.

The structure of the annual variable remuneration is the one described in the Annual Report on Remuneration of Directors for 2015. In this regard, the variable remuneration receivable depends on the degree of achievement of three types of objectives:

- Global objectives of the Entity (V1): These objectives and their relative weighting were as follows:

- Profitability (40%): (i) Profit before provisions and (ii) provisions for impairment of assets.
- Capital adequacy (40%): CET1 Phase In Ratio (pre-dividend).
- Efficiency (20%): Efficiency Ratio (ex net financial trading income and exchange differences).

Failure to obtain a minimum achievement of 90% in the evaluation of V1 precludes receipt of the part of variable remuneration corresponding to this objective.

- Unit objectives (V2): These objectives measured the individual contribution of the director to achieving the objectives of the unit or group where his or her executive functions are performed, taking into account, the current and potential risks, capital consumed and liquidity.

Failure to obtain a minimum achievement of 60% in the evaluation of V1 precludes receipt of the part of variable remuneration corresponding to this objective.

- Individual evaluation (V3): These objectives measure qualitative aspects of the director's performance, such as results, customer focus and continuous improvement.

Failure to obtain a minimum achievement of 55% in the evaluation of V1 precludes receipt of the part of variable remuneration corresponding to this objective.

The weighting of each of the aforesaid objectives is as follows:

- V1: 40%.
- V2: 50%.
- V3: 10%.

Lastly, payment of the annual variable remuneration is conditional on achievement of the targeted Profit Before Tax ("PBT"). Thus, depending on the level of achievement of PBT per the Recapitalisation Plan (1,336 million euros), the variable remuneration resulting from the system described above may be reduced by 50% or even not be paid.

The coefficient to be applied to the variable remuneration resulting from the system described above, in accordance with the degree of PBT achievement, is set out in the following table:

- If level of PBT achievement per Restructuring Plan is less than 100%, coefficient is 0.0.
- If level of PBT achievement per Restructuring Plan is greater than or equal to 100% and less than 105%, coefficient is 0.5.
- If level of PBT achievement per Restructuring Plan is greater than or equal to 105%, coefficient is 1.0.

According to the applicable legislation, payment of variable remuneration to directors of entities whose restructuring or rescue has involved public funding will require regulatory authorisation.

Regarding the payment of the variable remuneration for 2015, the three executive directors waived receipt of any kind of remuneration of this kind.

Decisions made by the Remuneration Committee:

According to article 36 of the LRSS, Bankia has an independent Remuneration Committee separate from the Appointments Committee.

The Remuneration Committee met 10 times during 2015 and reviewed the following matters relating to the remuneration policy:

- Analysis of the Bankia remuneration policy's alignment with the LRSS requirements and with the rest of the rules on remuneration.
- Review of the internal, central and independent evaluation of the remuneration policy for 2014.
- Review of the Annual Report on Remuneration of Directors for 2014, for its subsequent approval by the Board of Directors.
- Supervision and approval of the proposed contractual novations of the top-level executives of BANKIA.
- Modification of the remuneration policy in relation to the procedure for payment of the variable remuneration and the principle of proportionality.
- Followup on the proposal regarding payment of the variable remuneration accrued in 2014 and notification thereof to the European Central Bank.
- Favourable report on the proposal presented regarding payment of the variable remuneration accrued in 2014, for subsequent review and approval by the Board of Directors.
- Supervision and proposal to the Board of Directors of the design of variable remuneration for the year.

D DETAILS OF INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual period 2015
EVA CASTILLO SANZ	Independent	From 01/01/2015 to 31/12/2015.
JORGE COSMEN MENENDEZ-CASTAÑEDO	Independent	From 01/01/2015 to 31/12/2015.
JOSE LUIS FEITO HIGUERUELA	Independent	From 01/01/2015 to 31/12/2015.
FERNANDO FERNANDEZ MENDEZ DE ANDES	Independent	From 01/01/2015 to 31/12/2015.
ALFREDO LAFITA PARDO	Independent	From 01/01/2015 to 31/12/2015.
ALVARO RENGIFO ABBAD	Independent	From 01/01/2015 to 31/12/2015.
JOSE IGNACIO GOIRIGOLZARRI TELLAECHÉ	Executive	From 01/01/2015 to 31/12/2015.
JOSE SEVILLA ALVAREZ	Executive	From 01/01/2015 to 31/12/2015.
ANTONIO ORTEGA PARRA	Executive	From 01/01/2015 hasta 31/12/2015.
JOAQUIN AYUSO GARCIA	Independent	From 01/01/2015 hasta 31/12/2015.
FRANCISCO JAVIER CAMPO GARCIA	Independent	From 01/01/2015 hasta 31/12/2015.

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

a) Remuneration earned within the reporting company:

i) Cash remuneration (€ 000s)

Name	Salary	Fixed remuneration	Per diems	S-term variable remuneration	L-term variable remuneration	Remuneration for membership on Board Committees	Indemnifications	Other categories	Total 2015	Total 2014
JOSE IGNACIO GOIRIGOLZARRI TELLAECHE	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) Remuneration schemes based on shares

iii) Long-term savings schemes

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

i) Cash remuneration (€ 000s)

Name	Salary	Fixed remuneration	Per diems	S-term variable remuneration	L-term variable remuneration	Remuneration for membership on Board Committees	Indemnifications	Other categories	Total 2015	Total 2014
JOSE IGNACIO GOIRIGOLZARRI TELLAECHÉ	0	0	0	0	0	0	0	0	0	0
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) Remuneration schemes based on shares

iii) Long-term savings schemes

c) Summary of remuneration (€ 000s):

The summary should include the amounts earned by the director in respect of all types of compensation disclosed in this report (in thousands of euros).

For long-term savings plans, include the contributions or allocations to schemes of this type:

Name	Remuneration earned in the Company				Remuneration earned in group companies				Totals		
	Total cash remuneration	Amount of shares awarded	Gross profit on options exercised	Total 2015 Company	Total cash remuneration	Amount of shares awarded	Gross profit on options exercised	Total 2015 group	Total 2015	Total 2014	Contribution to long-term savings schemes during year
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 remuneration 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 remuneration of directors.

In 2015 Bankia directors received no variable remuneration whatsoever, for which reason their remuneration 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 remuneration for the prior period, indicating the number of negative votes, if any:

	Number	% of total
Votes cast	8,758,286,906	76.04%

	Number	% of total
Votes against	6,299,913	0.07%
Votes in favour	8,751,879,201	99.93%
Abstentions	107,792	0.00%

OTHER INFORMATION OF INTEREST

If there is any relevant aspect of director remuneration 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 remuneration practices and structure of the company as regards its directors, briefly explain.

Regarding section A.3 and C.1, we would note the following:

The annual variable remuneration of executive 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 (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 remuneration 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 remuneration;

iv. Failure of the director to earn a right to annual variable remuneration 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 remuneration;

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 by the director to meet the conditions of fitness established in the procedures 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 directors in office and those that have left the entity and may have remuneration pending collection.

In addition, if during a year Bankia obtains negative financial results (losses), without taking one-off results into account, the director will not receive either the annual variable remuneration 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 remuneration 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 remuneration, any of the following circumstances arises, Bankia may demand that the director return the aforesaid variable remuneration, or even set off such amounts to be returned against other remuneration 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 is seen that the calculation and payment of annual variable remuneration was based, in whole or in part, on information the serious inaccuracy or falsehood 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 Remuneration Committee, if applicable, will determine whether circumstances that should result in application of this clause have occurred, and the variable remuneration, if any, that is to be returned to the entity.

Regarding the quantitative information in section D 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 is in respect of the cost of medical insurance in the amount of 1,756 euros.

- The 500 thousand euros indicated in the section "cash remuneration" in table c) of point D.1, includes fixed remuneration and the cost of medical insurance in the amount of 1,756 euros.

- Quantitative information regarding Mr. Sevilla:

- The amount indicated in the "other categories" section of table a).i under point D.1 above is in respect of the cost of medical insurance in the amount of 5,268 euros.

- The 500 thousand euros indicated in the section "cash remuneration" in table c) of point D.1, includes fixed remuneration and the cost of medical insurance in the amount of 5,268 euros.

- In relation to the information in section D.3, we wish to note that the figure for abstentions corresponds to the number of blank votes.

This annual report on remuneration was approved by the board of directors of the company at their meeting of 10 February 2016.

Indicated if there were directors who voted against or abstained from voting on approval of this Report.

Yes

No