

REPORT OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

2016

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 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.

In addition, in February 2016 the Board of Directors Regulations were amended with the aim, amongst others, of assigning to the Appointments Committee authority for monitoring, review and evaluation of the Company Corporate Social Responsibility Policy, and also changing the name of the Committee to the Appointments and Responsible Management Committee.

This report reviews the activity of the Bankia Appointments and Responsible Management Committee from 1 January 2016 to 31 December 2016 in relation to appointments and removal of directors and senior managers and to supervising compliance with the Corporate Social Responsibility Policy.

2. OPERATION AND RESPONSIBILITIES

The rules governing the operation and responsibilities of the Bankia Appointments and Responsible Management Committee are regulated in article 47 of the Bylaws and have been developed in article 15 of the Board of Directors Regulations. During 2016, the Bylaws and the Board of Directors Regulations were amended to adapt them to the amendments of the Bylaws that were approved at the Ordinary General Meeting of Shareholders of 15 March 2016, the purpose of which was to adapt the Bylaws to the new Good Governance Code of Listed Companies approved by Spain's securities exchange regulator, the Comisión Nacional de Mercado de Valores (CNMV) in February 2015, to the amendments of the Spanish Corporations Act introduced by Law 22/2015 of 20 July 5 on Auditing of Accounts, and by Law 5/2015 of 27 April 2015 to promote lending to business, and to introduce certain improvements of a technical nature deriving from the aforesaid provisions.

The Appointments and Responsible Management Committee provides supports to the Board of Directors, with general powers to propose and report on appointments and removals of directors and senior managers and to monitor, review and evaluate the Corporate Social Responsibility Policy.

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

There will be a quorum when one half plus one of the directors that are members of the Committee are present in person or by proxy. 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 Appointments and Responsible Management Committee will have general powers to propose and report on matters relating to appointments and removals of directors and senior managers and to supervising compliance with the Corporate Social Responsibility Policy. In particular, without prejudice to other tasks assigned to it by the Board, the Appointments and Responsible Management Committee is responsible for:

- a) Assessing the skills, knowledges, ability, diversity and experience required for the Board of Directors and, therefore, defining the necessary functions and abilities for candidates wishing to cover each vacancy, and assessing the necessary time and dedication to carry out their duties in an effective manner, ensuring that the non-executive directors have sufficient time available for proper performance of their duties.
- b) Identifying, recommending and making proposals to the Board of Directors of independent directors to be appointed by co-option or, where applicable, for submission to decision by the General Meeting of shareholders, and proposals for reelection or removal of those directors by the General Meeting.
- c) Identifying, recommending and reporting to the Board of Directors on proposals for the appointment of the other directors to be appointed by co-option or for submission to decision by the General Meeting of shareholders, and proposals for their reelection or removal by the General Meeting of shareholders.
- d) At the initiative of the Chairman, reporting, on a non-binding basis, on resolutions of the Board related to the appointment or removal of senior managers of the Group and the basic terms of their contracts, without prejudice to the authority of the Remuneration Committee regarding remuneration matters, and periodically reviewing the policy of the Board of Directors regarding selection and appointment of members of senior management of the Group and making recommendations to it.

- e) Analysing the existence and updating of plans for succession of the Chairman, the vice chairman, if applicable, and the chief executive officer and senior managers of the Company and, if applicable, making proposals to the Board of Directors in order for such succession to occur in an orderly and planned manner.
- f) Ensuring the independence, impartiality and professionalism of the secretary and assistant secretary of the board of directors, reporting on their appointment and removal for approval of the full board.
- g) Setting a goal of representation for the gender under-represented on the board of directors and developing guidance on how to increase the number of the under-represented gender to achieve this objective. Also, the Appointments and Responsible Management Committee will ensure, that when filling new vacancies, selection procedures do not suffer implicit biases that interfere with the selection of the under-represented gender.
- h) Regularly (at least once each year) evaluating the structure, size, composition and performance of the Board of Directors, if applicable making recommendations to it regarding possible changes.
- i) Regularly (at least once each year) evaluating the suitability of the various members of the Board of Directors and the board as a whole, and reporting thereon to the Board of Directors.
- j) Reporting to the Board of Directors on issues relating to good corporate governance of the Company regarding matters within the competence of the committee (objectives, management of talent, liability insurance, etc.) and making the proposals necessary for improvement thereof.
- k) Proposing the policy on selecting directors for the Board of Directors, and annually verifying compliance therewith.
- l) Without prejudice to the functions of the Audit and Compliance Committee, the Ethics and Conduct Committee will submit to the Appointments and Responsible Management Committee, periodically and, at least at the end of each financial year, a report on activities pursued in the discharge of its functions, in particular as regards oversight and monitoring of the Code of Ethics and Conduct.
- m) Reviewing the Company's Corporate Social Responsibility Policy, seeing to it that it is oriented toward the creation of value.

- n) Monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance thereof.
- o) Monitoring and evaluating the processes of relationships with the various stakeholder groups.
- p) Evaluating everything relating to the social, environmental, political and reputational risks of the Company, irrespective of the powers that rest with the Risk Advisory Committee and other committees for supervising risks.
- q) Coordinating the reporting of non-financial and diversity information, in accordance with applicable regulations and international benchmarks, independently of the powers that rest with other committees.

The Appointments and Responsible Management Committee will consult with the Chairman and, if applicable, with the first executive of the Company, especially on matters relating to executive directors and senior managers. For better performance of its duties, the Appointments and Responsible Management Committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence, and will receive appropriate funding to do so.

The Chairman and any director may make suggestions to the committee related to the matters within the scope of its competence and, in particular, may propose potential candidates to fill director vacancies.

In the discharge of its duties, the Appointments and Responsible Management Committee will take into account, insofar as possible and on continuous basis, the need to ensure that decision-making on the Board of Directors is not dominated by any one individual or small group of individuals such as could harm the interests of the institution as a whole.

3. COMPOSITION

The Appointments and Responsible Management Committee consisted entirely of independent external directors for the period between 1 January and 31 December 2016. Its members have been appointed by the Board of Directors, taking into account the knowledges, 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, but may be reelected once or more times for additional four-year periods.

On 15 March 2016, Mr. Alfredo Lafita Pardo tendered his resignation as member of the Bankia Board of Directors of Bankia and hence as member and chairman of the Appointments and Responsible Management Committee. At its meeting of 31 March 2016, the Board of Directors resolved to appoint Mr. Fernando Fernández Méndez de Andés as member of the Appointments and Responsible Management Committee.

Furthermore, as a result of the reelection of Mr. Joaquín Ayuso García and Mr. Francisco Javier Campo García as directors at the General Meeting of Shareholders of 15 March 2016, they were reelected as members of the Appointments and Responsible Management Committee.

Consequently, as from 31 March 2016 the Appointments and Responsible Management Committee has been composed of the following four directors:

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE ⁽¹⁾			
DIRECTOR	OFFICE	CATEGORY	APPOINTMENT DATE
Mr. Joaquín Ayuso García	Chairman	Independent	22-10-2014 ⁽²⁾
Mr. Francisco Javier Campo García	Member	Independent	22-10-2014 ⁽²⁾
Mr. Fernando Fernández Méndez de Andés	Member	Independent	31-03-2016
Mr. Álvaro Rengifo Abbad	Member	Independent	22-10-2014

Non-Director Secretary: Mr. Miguel Crespo Rodríguez

No member of the Appointments and Responsible Management Committee performs executive duties in the Company and all of them are classified as independent directors, so the requirement that its members be non-executive directors is met. Furthermore, all members of the Appointments and Responsible Management Committee were appointed by the Board of Directors based on their knowledges, skills and experience and the responsibilities of the Committee.

4. MAIN ACTIVITIES DURING 2016

The Appointments and Responsible Management Committee met a total of 12 times between 1 January 2016 and 31 December 2016. The average attendance (present or represented) of the

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

⁽²⁾ Reelected on 15 March 2016.

members of the Appointments and Responsible Management Committee was 100% during 2016. The meetings of the Committee were regularly attended by the Director and General Manager of People, Resources and Technology, as well as the Corporate Head of People. The Committee's meetings were also attended by the Deputy General Director of Communication and External Relations, the Head of Corporate Social Responsibility and Reputation and by the Head of Compensation and Management Systems to report on matters within their respective areas of competence. External advisors have also attended meetings when their presence was requested.

During 2016 the Committee examined and submitted to the Board for approval the main issues regarding appointments and supervision of the Corporate Social Responsibility Policy, primarily dealing with the following issues:

4.1. EVALUATION OF THE BOARD AND ITS COMMITTEES, EVALUATION OF THE CHAIRMAN AND INDIVIDUAL EVALUATION OF DIRECTORS

In compliance with the provisions of article 18 bis of the Board of Directors Regulations, in 2016, in coordination with the chairman of the Company and the Chairman of the Audit and Compliance Committee, the Chairman of the Appointments and Responsible Management Committee carried out the process of evaluating the Board of Directors referred to by article 18 bis of the Board of Directors Regulations. The results were reported to the Committee, underscoring that this was the fourth such evaluation carried out and that a good part of the recommendations made in the evaluations have been put into practice. The Committee was also informed of the evaluation performed on the operation of the Board committees.

In this respect, the Appointments and Responsible Management Committee also informed the Board of Directors on the evaluation led by the Lead Independent Director of the Board Chairman's performance, as well as on the individual evaluations of the directors.

In these evaluations, the Appointments and Responsible Management Committee was supported by technical advising from independent experts of recognised prestige.

The Committee meeting of 4 February 2016 heard a report from an outside expert of recognised prestige on the Board of Directors, the various delegated committees of the Board, the performance of the functions of the Chairman, Chief Executive Officer, Lead Independent Director and Board Secretary, along with an individualised evaluation of each director.

4.2. ANNUAL VERIFICATION OF THE CLASSIFICATION OF DIRECTORS

As provided in article 8.4 of the Board of Directors Regulations, the Appointments and Responsible Management Committee at its meeting of 27 January 2016 reviewed and verified the classification of each director, and made a favourable report to the Board of Directors regarding said classification. At its meeting on 10 February 2016, the Board of Directors reviewed the proposal and reported thereon in the Annual Corporate Governance Report. The Committee verified that of the eleven directors on the Board of Directors, eight are independent and three are executives, thus complying with the Good Governance Code recommendation that in listed companies the number of independent Directors should represent, at least, half of the total directors.

4.3. REPORTS ON APPOINTMENTS

In relation to its responsibilities for appointments, during 2016 the Appointments and Responsible Management Committee submitted and reported on nominations of members of the Board of Directors, on nominations to offices on the Board and to senior management positions.

At its meeting of 4 February 2016, the Committee reported in favour of the proposed appointment of Mr. Antonio Greño Hidalgo to a directorship in the Company, in the category of Independent Director, for the bylaws mandated term of four years, replacing Mr. Lafita, who had tendered his resignation as member of the Bankia Board of Directors effective as from the conclusion of the General Meeting of Shareholders of 15 March 2016.

At that same meeting of 4 February 2016, the Committee resolved to report favourably on the proposed reelection of the following directors of the Company for the bylaws mandated term of four years:

- Mr. José Sevilla Álvarez, in the category of Executive Director.
- Mr. Joaquín Ayuso García, as Independent Director.
- Mr. Francisco Javier Campo García, as Independent Director.
- Ms. Eva Castillo Sanz, as Independent Director.

Those proposals were approved by the General Meeting of Shareholders on 15 March 2016.

Furthermore, and likewise as a consequence of Mr. Alfredo Lafita Pardo's resignation as director and hence as member of the Committee and as Lead Independent Director of the Company, the Appointments and Responsible Management Committee at its meeting of 10 March 2016 resolved

to report favourably on the proposals to appoint Mr. Fernando Fernández Méndez de Andés as member of the Appointments and Responsible Management Committee and Mr. Joaquín Ayuso García as Lead Independent Director. The functions and responsibilities of the Lead Independent Director are regulated in article 9.1 of the Board of Directors Regulations. In addition to the legal duties of the office, the Lead Independent Director of Bankia chairs the Board of Directors in the absence of the Chairman, gives voice to the concerns of non-executive directors, organising the possible common positions of independent directors and serving as communication channel or spokesperson for those common positions; and maintains contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, on the terms set out in the Corporate Policy on Information, Communication and Contacts with shareholders, institutional investors and proxy advisors. The Lead Independent Director coordinates the Chairman's succession plan and directs the evaluation of the Chairman's performance of his functions.

At its meeting of 16 March 2016, the Committee reported favourably on the following proposals:

- Appointment of Mr. Antonio Greño Hidalgo as member and Chairman of the Audit and Compliance Committee.
- Appointment of Mr. Fernando Fernández Méndez de Andés as member of the Remuneration Committee.
- Continuation of Mr. José Sevilla Álvarez, Mr. Francisco Javier Campo García and Ms. Eva Castillo Sanz as members of the Board Risk Committee, consequent to their reelection as members of the Board of Directors.

The Committee likewise reported favourably, for submission to the Board of Directors, on the continuation of Mr. José Sevilla Álvarez as Chief Executive Officer.

The Appointments and Responsible Management Committee also issued a favourable report to the Board of Directors on the nominations of officers of the entity and on proposals for internal organisational changes.

4.4. 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 Responsible Management Committee at its meeting of 20 December 2016 was informed of the 2017 Directors Training Plan (3rd cycle of continuous training sessions for directors).

4.5. RESPONSIBLE MANAGEMENT

As a result of the assignment to the Appointments and Responsible Management Committee of responsibilities for monitoring, review and evaluation of the Company's Corporate Social Responsibility Policy, it receives regular reports on the status of the projects comprised by the Annual Responsible Management Plan and on responsible management activities, as well as on the activities of the Responsible Ethics Committee, the body responsible for integrating and coordinating responsible management actions, with the participation of other areas of the Bank.

At its meeting of 27 April 2016 the Committee received and reported favourably on the proposal to amend the Bankia Responsible Management Policy to adapt it to the new recommendations included in the Good Governance Code of Listed Companies approved by the CNMV.

The Bankia Responsible Management Plan undergoes half-yearly monitoring by the Appointments and Responsible Management Committee to gather information on the strategic lines, the different departments involved, the ongoing projects and the objectives that have been charted.

At the meeting of 24 October 2016 the Committee received a report on the Human Rights Policy (Respect for and Compliance with Human Rights), which laid out the institution's human rights responsibilities, the responsible management instruments specifically designed for evaluating and monitoring human rights issues. The Human Rights Policy was approved by the Board of Directors at that same meeting.

The Committee meeting of 22 September 2016 featured a report on the results of the annual Dow Jones Sustainability Index (DJSI) evaluation, which marked Bankia's inclusion in the most important and prestigious sustainability index in the world, with the attendant highly positive reputational impact and enhanced appeal for investors.

With respect to the Ethics and Conduct Committee, at its meeting of 29 June 2016 reports were received on the activities carried on since its formation, its composition and matters addressed. The Committee's ordinary meetings have been held on a monthly basis.

4.6. SUITABILITY EVALUATION PROCEDURE

On 27 April 2016 the Committee heard the proposal for modification of the Manual on Suitability Evaluation Procedures, aimed at adapting the manual to Commission Delegated Regulation (EU)

No 604/2014. The modification revised the identified group, increasing the number of persons included in that category and designating the following offices as subject to suitability testing:

- Members of the Board of Directors.
- Members of the Management Committee.
- Persons with internal control responsibilities.
- Persons holding key positions with material impact on the risk profile.

The meeting of 29 June 2016 received information on the beginning and development of the annual suitability evaluation of Board members and key staff.

The annual suitability evaluation report was presented to the Committee on 24 October 2016, reporting that evaluations had been conducted of the 11 members of the Board of Directors and of 56 persons included in the institution's key staff. After the information was analysed, all of the persons subject to the evaluation declared they met the conditions of commercial and professional suitability laid down in the Manual. On the Board of Directors, all of the persons evaluated declared they are in a position to exercise good governance of the Bank, and, consequently, that there are no factors that pose a conflict of interests or prevent them from dedicating sufficient time to their duties.

4.7. ANNUAL CORPORATE GOVERNANCE REPORT

At its meeting of 27 January 2016 the Appointments and Responsible Management Committee agreed to issue a favourable report on the 2015 Annual Corporate Governance Report in relation to all those issues within its area of competence.

4.8. OTHER MATTERS ADDRESSED BY THE COMMITTEE

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

- Proposals to amend the Bylaws, General Meeting Regulations and Board of Directors Regulations, with the aim, amongst other purposes, of assigning responsibility for supervising compliance with the Corporate Social Responsibility Policy to the Company's Appointments Committee and, consequently, changing the Committee's name to the Appointments and Responsible Management Committee.
- At its meeting of 22 September 2016, the Committee received a report on the request for information sent by the Bank of Spain to all credit institutions in relation to the Register of

Senior Officers managed by said supervisor. The information was provided in due time and form.

- Identified group: update of the identified group (entries and departures).
- Insurance.
- Labour climate.
- Bankia Executive Style Book.
- Recognition Programme 2016.
- Governance model in investee companies.