

This document is a translation of and original text in Spanish. In case of any discrepancy between the English and the Spanish version, the Spanish version will prevail

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULAR

| | |
|---------------------------------------|------------|
| END OF RELATIVE FINANCIAL YEAR | 12/31/2017 |
| COMPANY TAX ID NO. (C.I.F) | A-14010342 |
| CORPORATE NAME | |
| BANKIA, S.A | |
| REGISTERED OFFICE | |
| PINTOR SOROLLA Nº 8, 46002, VALENCIA | |

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

| Date of last modification | Share capital (€) | Number of shares | Number of voting rights |
|---------------------------|-------------------|------------------|-------------------------|
| 03/24/2017 | 2,879,332,136,00 | 2,879,332,136 | 2,879,332,136 |

Indicate whether different types of shares exist with different associated rights:

Yes

No

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding Board members:

| Personal or corporate name of shareholder | Number of direct voting rights | Number of indirect voting rights | % of total voting rights |
|---|--------------------------------|----------------------------------|--------------------------|
| FROB | 0 | 1,747,181,979 | 60.68% |
| NORGES BANK | 87,260,523 | 0 | 3.03% |
| INVESCO LIMITED | 0 | 30,115,041 | 1.05% |

| Name or corporate name of the indirect owner of the participation | By: name or company name of the direct owner of the participation | Number of votings rights |
|---|---|--------------------------|
| FROB | BFA, TENEDORA DE ACCIONES, S.A.U. | 1,747,181,979 |
| INVESCO LIMITED | INVESCO ASSET MANAGEMENT LTD | 29,893,189 |
| INVESCO LIMITED | INVESCO POWERSHARES CAPITAL MANAGEMENT LLC | 126,690 |
| INVESCO LIMITED | INVESCO HONG KONG LIMITED | 95,162 |

Indicate the most significant movements in the shareholding structure during the financial year:

| Personal or corporate name of shareholder | Transaction date | Transaction description |
|---|------------------|--|
| NORGES BANK | 12/18/2017 | It has exceeded 3% of the share capital. |
| INVESCO LIMITED | 12/11/2017 | It has exceeded 1% of the share capital (only tax heaven). |

A.3 Complete the following tables detailing the members of the Board of directors who own voting shares in the company:

| Name or corporate name of Director | Number of direct voting rights | Number of indirect voting rights | % of total voting rights |
|--|--------------------------------|----------------------------------|--------------------------|
| MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ | 259,170 | 0 | 0.01% |
| MR. JOSÉ SEVILLA ÁLVAREZ | 55,012 | 0 | 0.00% |
| MR. ANTONIO ORTEGA PARRA | 75,000 | 0 | 0.00% |
| MR. JOAQUÍN AYUSO GARCÍA | 55,015 | 0 | 0.00% |
| MR. FRANCISCO JAVIER CAMPO GARCÍA | 50,315 | 0 | 0.00% |
| MRS. EVA CASTILLO SANZ | 25,000 | 0 | 0.00% |
| MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO | 21 | 30,268 | 0.00% |
| MR. JOSÉ LUIS FEITO HIGUERUELA | 49,452 | 0 | 0.00% |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | 16,358 | 0 | 0.00% |
| MR. ANTONIO GREÑO HIDALGO | 20,750 | 0 | 0.00% |

| Name or corporate name of the indirect owner of the participation | By: name or company name of the direct owner of the participation | Number of votings rights |
|---|---|--------------------------|
| MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO | QUINTORGE, S.L. | 30,268 |

| | |
|--|-------|
| % of total of voting rights held by Board of directors | 0.01% |
|--|-------|

Complete the following tables on members of the company's Board of Directors that hold rights over company shares:

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

| Personal or corporate name of related party |
|---|
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| BANKIA, S.A. |

Type of relationship: Contractual

Brief description:

Framework agreement governing the relations between BFA, Tenedora de Acciones S.A.U. (BFA) and Bankia, setting out the mechanisms necessary to, within the legal limits, ensure at all times an appropriate level of coordination between Bankia and BFA and group companies, and to manage and minimise any situations that may give rise to potential conflicts of interest between the two entities, while ensuring due observance and protection of the rest of the shareholders in an atmosphere of transparency in relations between the two entities.

| |
|--|
| Personal or corporate name of related party |
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| BANKIA, S.A. |

Type of relationship: Contractual

Brief description:

Service level agreement, development of the framework agreement, enabling BFA to manage its activity adequately using Bankia's human and material resources to prevent duplications.

| |
|--|
| Personal or corporate name of related party |
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| BANKIA, S.A. |

Type of relationship: Contractual

Brief description:

Cost-sharing agreement for lawsuits related to preferred participating securities and subordinated bonds.

| |
|--|
| Personal or corporate name of related party |
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| BANKIA, S.A. |

Type of relationship: Contractual

Brief description:

Agreement establishing an access mechanism allowing BFA, through Bankia, to avail of the liquidity and funding mechanisms set up by the ECB for credit institutions, as well as private deals inherent in the business of credit institutions.

| |
|--|
| Personal or corporate name of related party |
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| BANKIA, S.A. |

Type of relationship: Contractual

Brief description:

Cost-sharing agreement for lawsuits related to the IPO.

| Personal or corporate name of related party |
|---|
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| BANKIA, S.A. |

Type of relationship: Contractual

Brief description:

Master Agreement between BFA and Bankia. Article 11 (2) of the CRR, to govern the relations between BFA and Bankia with respect to defining and implementing the necessary mechanisms and procedures so that Bankia can comply with the obligations laid down in 11.2 of Regulation (EU) No 575/2013 and, in particular, verify that BFA complies with the capital requirements imposed in applicable legislation.

A.6 Indicate whether the company has been notified of any shareholders' agreements affecting the company in accordance with Article 530 and 531 of the Corporations Act ("LSC"). If so, provide a brief description and list the shareholders bound by such agreement:

Yes No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes No

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

Not applicable.

A.7 Indicate whether any individual or bodies corporate currently exercise control over the company pursuant to Article 4 of the Spanish Securities Market Act (Ley del Mercado de Valores). If so, please identify:

Yes No

| Personal or corporate name |
|-----------------------------------|
| BFA, TENEDORA DE ACCIONES, S.A.U. |
| Comments |

At 31 December 2017, BFA, Tenedora de Acciones, S.A.U. held shares representing 60.68% of Bankia, S.A.'s share capital. FROB held shares representing 100% of BFA, Tenedora de Acciones, S.A.U.'s share capital.

A.8 Complete the following tables on the company's treasury stock:

At financial year-end:

| Number of direct shares | Number of indirect shares (*) | % of total capital stock |
|-------------------------|-------------------------------|--------------------------|
| 20,023,158 | 0 | 0.70% |

(*) Held through:

Explain any significant changes during the year, in accordance with Royal Decree 1362/2007:

| Explain any significant changes |
|---------------------------------|
|---------------------------------|

Notice to the CNMV dated 05/18/2017 regarding the fact that acquisitions made using treasury shares totalled the 1% threshold at 05/17/2017. At said date, the total position of treasury shares totalled 0.508% of share capital.

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

On 24 March 2017, a resolution was adopted at the Ordinary General Shareholders' Meeting of Bankia, S.A. *"to grant authorisation to the Board of directors for the derivative acquisition of own shares in accordance with the limits and requirements established in the Corporations Act. Delegation of authority to the Board to implement this resolution, annulling the delegation granted by the previous General Meeting"*:

Authorisation for the Board of Directors, in the broadest terms possible, to engage in the derivative acquisition of own shares of Bankia, directly or through companies in its Group, subject to the following limits and requirements:

- a. Forms of acquisition: acquisition by way of purchase, by way of any other "intervivos" act for consideration or any other transaction permitted by Law, including out of profits for the financial year and/or unrestricted reserves.
- b. Maximum number of shares to be acquired: the acquisitions may be made, from time to time, on one or more occasions, up to the maximum permitted by Law.
- c. The price or consideration will vary from a minimum equal to the lesser of par value or 75% of the stock market price on the date of acquisition, and a maximum equal to up to 5% more than the maximum price achieved by the shares in free trading (including the block market) in the Continuous Market session on the date of acquisition.
- d. Duration of the authorisation: five (5) years from the date of this resolution.

The conduct of these transactions also will be in compliance with the rules in this regard contained in the Bankia Internal Code of Conduct.

To authorise the Board of Directors so that it may sell the shares acquired or use the own shares acquired, in whole or in part, for implementation of remuneration schemes that have delivery of shares or option rights on shares as their purpose or result therein, in accordance with the provisions of section 1 a) of article 146 of the Corporations Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the General Meeting of Shareholders of the Company held on 15 March 2016, which will therefore be rendered void.

The Board of Directors is authorised, on the broadest terms, to use the authorisation covered by this resolution for full implementation and development thereof, being entitled to delegate this authority, without distinction, to the Executive Chairman, to any of the directors, to the General Secretary and to the Board or any other person the Board expressly authorises for this purpose, with such breadth as it deems to be appropriate.

A.9. Bis Estimated free float:

| | % |
|-----------------------------|-------|
| Estimated free float | 38.60 |

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market

Yes

No

Description of legal restrictions

There are no restrictions on the transfer of securities of the entity except for legal restrictions.

Pursuant to article 17 of Law 10/2014 of 26 June 2014, on Governance, Supervision and Solvency of Credit Institutions any natural person or body corporate which, acting alone or in collaboration with others, decides to directly or indirectly acquire a significant share in a Spanish credit institution or directly or indirectly increase its interest therein whereby the percentage of voting rights or capital held therein equals or exceeds 20%, 30% or 50%, or where control of the credit institution is gained through the acquisition, must first notify the Bank of Spain, indicating the amount of the expected investment and any other information required by regulations. This information must be relevant for the evaluation, and proportional and appropriate to the nature of the potential acquirer and the proposed acquisition.

There are no legal or bylaw restrictions on the exercise of voting rights. Article 32.2 of the Bylaws states that those attending the General Meeting will be entitled to one vote for each share entitled or represented.

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent public takeovers bid by virtue of the provisions of Act 6/2007.

Yes

No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes

No

If applicable, indicate the different types of shares, and the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and detail the differences, if any, between the required quorum and that set forth in the Corporations Act (LSC) for convening the General Shareholders' Meeting.

Yes

No

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC:

Yes

No

Detail differences with regards to the system contemplated in the LSC.

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

The rules governing amendments to the Company's Bylaws are those set forth in the Corporations Act. Any amendment to the Bylaws is the responsibility of the General Meeting of Shareholders and will require, at first call, shareholders holding at least fifty percent of the share capital conferring voting rights to be present in person or by proxy. At second call, shareholders representing twenty-five percent of the share capital shall be sufficient.

Also, article 3.1 of the Bylaws stipulates that the Board of Directors is competent to agree on change of registered address within the same municipality.

B.4 Indicate the attendance figures for General Shareholders' Meetings held during the current and previous year:

| Date of General Shareholders' Meeting | Attendance data | | | | Total |
|---------------------------------------|-----------------|------------|----------------------|-------|--------|
| | % in person | % by proxy | % of absentee voting | | |
| | | | Electronic voting | Other | |
| 03/15/2016 | 65.18% | 10.60% | 0.00% | 0.92% | 76.70% |
| 03/24/2017 | 66.97% | 12.21% | 0.00% | 0.61% | 79.79% |
| 09/14/2017 | 67.81% | 14.25% | 0.01% | 0.41% | 82.48% |

B.5 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meetings:

Yes No

| | |
|---|-----|
| Number of shares required to attend the General Shareholders' Meeting | 500 |
|---|-----|

B.6 Section removed.

B.7 Indicate the address of and how to access the company's website to obtain corporate governance and General Shareholders' Meeting information that should be made available to the shareholders through the Company's website.

The Company's website address is: www.bankia.com, the domain name of which is entered at the Commercial Registry.

In accordance with article 52 of the Bylaws of Bankia, S.A., the Company will have, for the purposes envisaged in the applicable laws, a website (www.bankia.com) through which its shareholders, investors and the market will be generally advised of material or significant matters related to the Company, and the notices legally required to be published.

On the Company's website, upon call of general meetings, there must be an electronic shareholder forum, to which both individual shareholders and such voluntary associations as they may establish on the terms contemplated by law may have appropriately secure access, to facilitate their communication prior to the holding of general meetings.

In this respect, the www.bankia.com home page includes a menu entitled "Shareholders and Investors" with a "Corporate Governance and Remuneration Policies" section containing information on the entity's corporate governance. This section contains a specific sub-section providing access to the entity's annual corporate governance reports, and one providing access to documentation regarding the general meeting of shareholders.

The Company's website is available in Spanish and English.

C STRUCTURE OF COMPANY MANAGEMENT

C.1 Board of directors

C.1.1 Indicate the maximum and minimum number of Board members stipulated in the company Bylaws:

| | |
|---------------------------------|----|
| Maximum number of Board members | 15 |
| Minimum number of Board members | 5 |

C.1.2 Complete the following table with Board members details:

| Personal or corporate name of director | Representative | Category of Board member | Seat on the Board | Date of first appointment | Date of last appointment | Election procedure |
|--|----------------|--------------------------|-------------------------|---------------------------|--------------------------|-------------------------------|
| MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ | | Executive | CHAIRMAN | 05/09/2012 | 03/24/2017 | SHAREHOLDER MEETING AGREEMENT |
| MR. JOSÉ SEVILLA ÁLVAREZ | | Executive | CHIEF EXECUTIVE OFFICER | 05/25/2012 | 03/15/2016 | SHAREHOLDER MEETING AGREEMENT |
| MR. ANTONIO ORTEGA PARRA | | Executive | DIRECTOR | 06/25/2014 | 03/24/2017 | SHAREHOLDER MEETING AGREEMENT |
| MR. JOAQUÍN AYUSO GARCÍA | | Independent | DIRECTOR | 05/25/2012 | 03/15/2016 | SHAREHOLDER MEETING AGREEMENT |
| MR. FRANCISCO JAVIER CAMPO GARCÍA | | Independent | DIRECTOR | 05/25/2012 | 03/15/2016 | SHAREHOLDER MEETING AGREEMENT |
| MRS. EVA CASTILLO SANZ | | Independent | DIRECTOR | 05/25/2012 | 03/15/2016 | SHAREHOLDER MEETING AGREEMENT |
| MR. JORGE COSMEN MENÉNDEZCASTAÑEDO | | Independent | DIRECTOR | 05/25/2012 | 03/24/2017 | SHAREHOLDER MEETING AGREEMENT |
| MR. JOSÉ LUIS FEITO HIGUERUELA | | Independent | DIRECTOR | 05/25/2012 | 03/24/2017 | SHAREHOLDER MEETING AGREEMENT |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | | Independent | DIRECTOR | 25/25/2012 | 03/24/2017 | SHAREHOLDER MEETING AGREEMENT |
| MR. ANTONIO GREÑO HIDALGO | | Independent | DIRECTOR | 03/15/2016 | 03/15/2016 | SHAREHOLDER MEETING AGREEMENT |

| | |
|--------------------------------------|----|
| Total number of Board members | 10 |
|--------------------------------------|----|

Indicate the removals/dismissals that occurred on the Board of directors during the period being reported:

| Personal or corporate name of director | Personal or corporate name of director | Leaving date |
|--|--|--------------|
| MR. ÁLVARO RENGIFO ABBAD | Independent | 10/17/2017 |

C.1.3 Complete the following tables on the Board members and their different conditions:

EXECUTIVE BOARD MEMBERS

| Personal or corporate name of director | Position within the company structure |
|--|---|
| MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ | EXECUTIVE CHAIRMAN |
| MR. JOSÉ SEVILLA ÁLVAREZ | CHIEF EXECUTIVE OFFICER |
| MR. ANTONIO ORTEGA PARRA | EXECUTIVE DIRECTOR, AND GENERAL MANAGER OF PEOPLE, RESOURCES AND TECHNOLOGY |

| | |
|--|--------|
| Total number of executive Board members | 3 |
| Total % of Board | 30.00% |

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director:

MR. JOAQUÍN AYUSO GARCÍA

Profile:

He was born in 1955, he holds a degree in Civil Engineering from Universidad Politécnica de Madrid. He is a member of the Board of Directors of Bankia and in March 2016 he was appointed as Lead Director. He is chairman of the Appointments and Responsible Management Committee and a member of the Remuneration Committee and the Audit and Compliance Committee. In addition, he is the Chairman of the Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process.

Further, he is vice-chairman of Ferrovial, where he has worked his entire career, and is a member of its Executive Committee. He is chairman of Autopista del Sol, Concesionaria Española, and a member of the boards of directors of National Express Group PLC and Hispania Activos Inmobiliarios. He is a member of the Executive Board of Círculo de Empresarios, of the Advisory Board of the Instituto Benjamin Franklin at the Universidad de Alcalá de Henares and of the advisory board of AT Kearney.

He is also a member of the Fundación Integra and the Fundación Créate and vice-chairman of the management board of the Real Sociedad Hípica Española Club de Campo.

Name or corporate name of director:

MR. FRANCISCO JAVIER CAMPO GARCÍA

Profile:

He was born in 1955, he holds a degree in Industrial Engineering from Universidad Politécnica de Madrid. He is a member of Bankia's Board of Directors, chairman of its Risk Advisory Committee and a member of the Board Risk Committee and the Appointments and Responsible Management Committee. In addition, he is also a member of the Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process.

He is president of Asociación Española del Gran Consumo (AECOC) operators, and holds a directorship in Meliá Hotels International. He is also a member of the Advisory Board of AT Kearney (senior advisor) and of the Advisory Board of the Palacios Food Group (senior advisor).

He is a director of the Asociación para el Progreso de la Dirección (APD), and a trustee of the Fundación Bankia por la Formación Dual, the Fundación F. Campo and the Fundación Iter.

Mr. Campo began his professional career in Arthur Andersen and served as worldwide chairman of the Día Group and as a member of the Worldwide Executive Committee of the Carrefour Group and chairman of Zena Group and Cortefiel Group.

Name or corporate name of director:

MRS. EVA CASTILLO SANZ

Profile:

She was born in 1962, she holds a degree in Law and Business Studies from Universidad Pontificia de Comillas (E-3) in Madrid. She is a member of Bankia's Board of Directors since May 2012, chairs its Remuneration Committee and member of the Board Risk Committee and Risk Advisory Committee. In addition, she is also a member of the Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process.

She is a director of Telefónica, S.A., chairwoman of the Supervisory Board of Telefónica Deutschland.

She is also a member of the Boards of Trustees of Fundación Comillas-ICAI, Fundación Telefónica and Fundación Entreculturas. Previously Ms. Castillo worked in Merrill Lynch, where she became chairwoman of its Spanish subsidiary.

Name or corporate name of director:

MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO

Profile:

He was born in 1968, he holds a degree in Business Administration and an Master MBAI from Instituto de Empresa. He is a member of the Board of Directors of Bankia and of its Audit and Compliance Committee and Remuneration Committee.

Chairman of ALSA and vice-chairman of National Express Group, PLC, he is also a member of the Fundación Consejo España-China and of Fundación Integra.

Previously he worked in companies in tourism, banking and international trade in Spain, Switzerland, Hong Kong and China.

Name or corporate name of director:

MR. JOSÉ LUIS FEITO HIGUERUELA

Profile:

He was born in 1952, he holds a degree in Economics and Business from Universidad Complutense de Madrid. He is a member of the Board of Directors of Bankia and of its Audit and Compliance Committee since June 2012.

Qualified as a State Trade Expert and Economist and former ambassador of the Kingdom of Spain, at present he is member of the Economic and Financial Policy Commission of the CEOE and chairman and general manager of the Institute for Economic Studies (IEE). He is also an independent director of Red Eléctrica Corporación and he is a trustee of the Fundación Carlos III and the Fundación José Ortega y Gasset.

Previously he worked in the Spanish Ministry of the Economy, the International Monetary Fund, the OECD, the Banco de España and AB Asesores Bursátiles.

Name or corporate name of director:

MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS

Profile:

He was born in 1956, he holds a doctorate in Economics. He is a member of the Board of Directors of Bankia and of its Board Risk Committee, Risk Advisory Committee, Appointments and Responsible Management Committee and Remuneration Committee. He has been a member of the Board of Directors of BFA Tenedora de Acciones, S.A.U. and a member of its Audit and Compliance Committee and its Appointments and Remuneration Committee.

He is a lecturer in economics at the IE Business School specialised in Macroeconomics, International Economics and Financial Stability and holds a directorship in Red Eléctrica.

He has served as Chief Economist of the International Monetary Fund and as Chief economist and head of the Research Service at Banco Central Hispano and Banco Santander.

Name or corporate name of director:

MR. ANTONIO GREÑO HIDALGO

Perfil:

He was born in 1956, he holds a degree in Business Science and is a Certified Public Accountant. He is a member of the Board of Directors of Bankia and chairman of the Audit and Compliance Committee, having been appointed the committee's Financial Expert. In addition, he is also a member of the Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process. Previously, he was a member of the Board of Directors of BFA Tenedora de Acciones, S.A.U. and chairman of both its Audit and Compliance Committee and its Appointments and Remuneration Committee.

He has made his career at PricewaterhouseCoopers (PwC), where in 1995 he was appointed International Partner and from 2003 to 2010 was the partner responsible for the financial sector at PwC in Spain and he was a member of the PwC EMEA (Europe, Middle East and Africa) Financial Sector Management Committee.

He is also an independent director of Liberty Seguros.

He has served as a director representing the Deposit Guarantee Fund in Catalunya Bank.

| | |
|---|--------|
| Total number of independent directors % of the Board | 7 |
| % of the Board | 70.00% |

Indicate whether any director classified as independent receives any amount or benefit from the company or from his/her own group, in any concept other than the remuneration as a Board member, or whether he/she maintains or has maintained a business relation with the company or with any company within its group during the last financial year, in his/her own name or as significant shareholder, Board member or top executive of a company that maintains or has maintained such relationship.

Yes.

As the case may be, the Board shall include a statement outlining the reasons why it deems that said Board member can perform his/her duties in the capacity as independent Board member.

Personal or corporate name of director:

MR. JOAQUÍN AYUSO GARCÍA

Description of the relationship:

Financing agreements between Bankia and the Ferrovial Group and Service agreements between Bankia and the Group Alsa (Group National Express) and Financial Leasing Agreements between Bankia and the Real Sociedad Hípica Española Club de Campo.

Reasons:

The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee considers that Joaquín Ayuso García, member of the Board of Directors of Ferrovial, S.A, Autopista del Sol Concesionaria Española S.A. -AUSOL- (Ferrovial Group),

National Express Group PLC, and member of the management board of the Real Sociedad Hípica Española Club de Campo can continue to be classified as an independent director of Bankia S.A. despite the commercial relations between Bankia, S.A. and the Ferrovial Group , the Alsa Group (National Express Group), and la Real Sociedad Hípica Española Club de Campo given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the nonintervention by this director in the negotiations and decision making processes of either party; and (iv) in this case, the express intervention of the Board of directors and the Audit and Compliance Committee given the related-party nature of the relationship.

Personal or corporate name of director:

MR. FRANCISCO JAVIER CAMPO GARCÍA

Description of the relationship:

Financing agreements between Bankia and the groups Meliá Hotels International, and Group Empresarial Palacios Alimentación and Agreement of guarantee between Bankia and AECOC.

Reasons:

The Board of Directors of Bankia, S.A., based on report by the Appointments and Responsible Management Committee considers that Mr. Francisco Javier Campo García, member of the Board of Directors of Meliá Hotels International, Group Empresarial Palacios Alimentación (until June 2014)) and chairman of AECOC on behalf of Bankia, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, Meliá Hotels International, and Group Empresarial Palacios Alimentación and AECOC, and the companies of the Group, given (i) the ordinary nature of the relations, with business conducted under general market terms;(ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the nonintervention by this director in the negotiations and decision making processes of either party and ; and (iv) in this case, the express intervention of the Council and the Audit and Compliance Committee given the related-party nature of the relationship.

Personal or corporate name of director:

MRS. EVA CASTILLO SANZ

Description of the relationship:

Financing and services agreements between Bankia and Telefonica Group.

Reasons:

The Board of Directors of Bankia, S.A., based on report by the Appointments and Responsible Management Committee considers that Mrs. Eva Castillo Sanz, member of the Board of Directors of Telefónica, S.A., can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia and Telefónica S.A or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the nonintervention by this director in the negotiations and decision making processes of either party; and (iv) in this case, the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.

Personal or corporate name of director:

MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO

Description of the relationship:

Financing and services agreements between Bankia and the ALSA Group. (Group National Express).

Reasons:

The Board of Directors of Bankia, S.A., based on report by the Appointments and Responsible Management Committee considers that Mr. Jorge Cosmen Menéndez-Castañedo, a member of the Board of Directors of the National Express Group PLC, , can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and the ALSA Group (group National Express), given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the nonintervention by this director in the negotiations and decision making processes of either party; and (iv) in this case, the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.

Personal or corporate name of director:

MR. JOSÉ LUIS FEITO HIGUERUELA

Description of the relationship:

Finance and services agreements between Bankia and Mundigestión. And financial agreement between Bankia and Ortega and Gasset Foundation.

Reasons:

The Board of Directors of Bankia, S.A., based on report by the Appointment and Responsible Management Committee considers that Mr. José Luis Feito Higuera, significant shareholder of Mundigestión and member of the Ortega and Gasset Foundation, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Mundigestión, as well as the agreement between Bankia and Ortega and Gasset Foundation, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the nonintervention by this director in the negotiations and decision making processes of either party.

Personal or corporate name of director:

MR. ANTONIO GREÑO HIDALGO

Descripción de la relación:

Ownership asset operation (credit account cancelled in April 2017)

Declaración motivada:

The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee, considers that Antonio Greño Hidalgo may continue to be classified as an independent director of Bankia, S.A. despite the relations with Bankia, S.A. given (i) that they entail agreements and/or transactions arranged before he joined the board whose terms and conditions have not been modified since; (ii) the ordinary nature of the relations, with business conducted under general market terms; (iii) the rigorous contracting procedures for works and services followed by Bankia, S.A. in general and in this case in particular; and (iv) the non-intervention by this director in the negotiations and decision making processes of either party.

OTHER EXTERNAL BOARD MEMBERS

Identify other external directors and the reasons why can not be independent or proprietary and ties will be detailed, either with the company, its directors or its shareholders:

Indicate the variations, if applicable, that occurred during the period in the typology of each Board member:

C.1.4 Complete the following table with the information on the number of female Board members for the last four financial years and their category:

| | Number of female Board members | | | | % of total of Board members in each typology | | | |
|-----------------------|--------------------------------|-----------|-----------|-----------|--|-----------|-----------|-----------|
| | Year 2017 | Year 2016 | Year 2015 | Year 2014 | Year 2017 | Year 2016 | Year 2015 | Year 2014 |
| Executive | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | 0.00% |
| Proprietary | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | 0.00% |
| Independent | 1 | 1 | 1 | 1 | 14.29% | 12.50% | 12.50% | 12.50% |
| Other external | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | 0.00% |
| Total: | 1 | 1 | 1 | 1 | 10,00% | 9,09% | 9,09% | 9,09% |

C.1.5 Explain the measures, if applicable, taken by the company to ensure the inclusion of females onto the Board of Directors in an amount that may ensure the male/female equilibrium.

Explanation of the measures

Article 8 of the Board of Directors Regulations ensure that the selection procedures for directors encourage diversity of experience and knowledge, facilitate the selection of female directors and, in general, are not subject to implicit biases that may lead to discrimination.

Furthermore, and in accordance with Article 15 of the Board of Directors Regulations, the Appointment and Responsible Management Committee is responsible for setting a target representation of the least represented sex on the Board of Directors and for drawing up guidelines on how to increase the number of persons of the least represented sex with the view to reach said target. Moreover, the Committee shall ensure that, when filling new openings, the selection procedures are not marred by implicit biases that may hinder the selection of the least represented sex.

To this end, the Board of Directors Regulations establish that the Council will approve a director selection policy that is to be concrete and verifiable and that ensures the appointments or re-elections are based on a prior analysis of the needs of the Board of Directors and that favours a diversity of knowledge, experience, and gender in accordance with best corporate governance practices.

In the Director Selection Policy was approved by the Board of Directors, stipulates that selection procedures shall avoid any implicit bias that could imply discrimination and, in this respect, it shall not establish any requirements and/or apply any criteria that in any way could result in any type of discrimination.

In compliance with previous forecasts and in adherence to Recommendation 14 of the Good Governance Code of Listed Companies, which establishes that the director selection policy must pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020, the Bankia Board of Directors, at its meeting on 9 February 2017 and at the proposal of the Appointment and Responsible Management Committee, agreed to amend the Director Selection Policy, which was approved on 26 November 2015 and which forms part of the Company's Corporate Governance System.

In October 2017 a vacancy became available on the Board of Directors as a result of the resignation submitted by Independent Director, Mr. Álvaro Rengifo Abbad. At the Appointment and Responsible Management Committee meeting held on 27 October 2017, in fulfilment of the Director Selection Policy and the provisions of the Board of Directors Regulations, the beginning of the search and selection process to cover said vacancy was announced, where this selection process gave priority to the principle of diversity.

C.1.6 Explain the measures taken, if applicable, by the Appointments to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:

Explanation of the measures

As stated in the previous section, both the Board of Directors Regulations and the Director Selection Policy stipulate that the Board of Directors and the Appointment and Responsible Management Committee must ensure that, when filling new vacancies, the selection procedures are not marred by implicit biases that may hinder the selection of the least represented sex. In this respect, establishing requirements and/or applying criteria that in any way may entail any type of discrimination will be avoided.

In this respect, the Bankia Director Selection Policy was amended in the 2017 period, taking into account Recommendation 14 of the Good Governance Code of Listed Companies, which establishes that said director selection

policy must pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

If albeit the measures implemented, as the case may be, the number of female Board members is still scarce or non-existent, explain the reasons to justify such scarcity:

Explanation of reasons

At the 2017 reporting date, of the ten directors on the Company's Board of Directors, there was one woman director, representing 10% of all Directors and 14.29% of Independent Directors. Said woman director was the Chairwoman of one of the Committees of the Board of Directors and a member of three.

In compliance with the Company's Director Selection Policy and as a result of the resignation of Independent Director Mr. Álvaro Rengifo Abbad, the search and selection process to cover said vacancy has begun, where the principle of diversity has a preferential role.

C.1.6 bis Explain the conclusions of the Appointments on the verifiability of the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

Explain the conclusions

As set forth in the Director Selection Policy and pursuant to the Board of Directors Regulations, the Appointments and Responsible Management Committee is the body responsible for periodically reviewing the Policy, submitting to the Board of Directors its findings or making the proposals for amendments or improvements it deems appropriate. The Appointments and Responsible Management Committee is also responsible for running an annual check, based on the report submitted to the People, Resources and Technology General Department, on compliance with the policy.

Accordingly, the Board of Directors, at the proposal of the Appointment and Responsible Management Committee, at its meeting held on 9 February 2017, approved the amendment to the Bankia S.A. Director Selection Policy, ensuring the inclusion of the following criteria:

- Objective, verifiable and transparent process.
- Balanced membership, with a large majority of non-executive directors and an appropriate mix of independent, proprietary and executive directors.
- Diverse membership, with directors who have different professional and personal profiles (age, gender, nationality, etc.) who enrich and contribute a variety of points of view to debates and decision-making.
- Pursuit of having at least 30% of total Board places occupied by women directors before the year 2020.

In this respect, to cover the vacancy on the Board of Directors resulting from the resignation submitted by Independent Director Mr. Álvaro Rengifo Abbad in October 2017, the search and selection process to cover said vacancy has begun, where the principle of diversity has a preferential role.

C.1.7 Explain how shareholders with significant shares are represented on the Board.

There are no proprietary directors on Bankia, S.A.'s Board of Directors. At December 2017, of the 10 directors making up the Board, 3 are executive and 7 are independent.

At December 31, 2017, BFA, Tenedora de Acciones S.A.U (BFA) held 1,747,181,979 shares of Bankia, representing 60.68% of its share capital.

Since June 27, 2012, BFA is wholly owned by FROB, an institution under public law with its own legal personality and full public and private capacity to pursue its objectives, which is to manage credit institution restructuring and resolution processes.

At any rate, at the General Meeting of Shareholders of Bankia, S.A. held on June 29, 2012, on item 3 of the Agenda, the proposed appointments and ratification of directors were approved with 95% votes in favour of all valid votes and abstentions, equivalent to 57% of Bankia, S.A.'s share capital at the date of the meeting.

At the General Shareholders' Meeting held on March 15, 2016, a new independent director had been appointed, as well as the re-election of four directors, three independent directors and one executive director.

Furthermore, at the Annual General Meeting of Shareholders held on 24 March 2017 and in order to continue with the partial renewal of the membership of the Board of Directors begun in the previous period, the resolution was adopted to re-elect six directors: two executive directors and four independent directors.

C.1.8 Explain, if applicable, the reasons why proprietary members were appointed upon the request of shareholders with stakes amounting to less than 3 % of the share capital:

Detail any failure to address formal requests for Board representation from shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained:

Yes

No

C.1.9 Indicate whether any Board member has resigned from his/her post before the end of his/her term of office, whether reasons were given to the Board and how, and, if in writing to the entire Board, at least explain the reasons given by the Board member:

Personal or corporate name of director:

MR. ÁLVARO RENGIFO ABBAD

Brief description:

Mr. Álvaro Rengifo Abbad submitted his resignation as Company director by virtue of the writ dated 17 October 2017 and effective that same day.

The written notification submitted by Mr. Rengifo Abbad in which he resigned from the Company stated that his resignation from the position was the result of his appointment to Executive Chairman of CESCE (Compañía Española de Seguro de Crédito a la Exportación). The resignation was in response to the expectation that his new obligations would not allow him to dedicate the time required to properly perform his duties as Bankia Director.

C.1.10 Indicate, if any, the powers delegated by any Chief Executive Officers:

Personal or corporate name of director:

MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ

Brief description:

The Chairman of the Board of Directors has broad powers of representation and administration in accordance with the characteristics and requirements of the position of executive chairman of the entity, with all authority vested in him except for those that cannot be delegated by law or the Bylaws.

Personal or corporate name of director:

MR: JOSÉ SEVILLA ÁLVAREZ

Brief description:

Mr. Sevilla has been delegated jointly and severally all authorities than can be delegated to him by Law or the Bylaws in the areas of financial and risk management, financial control and internal audit, as well as real estate and investees and legal and tax and regulatory compliance advice.

C.1.11 Identify, if any, the Board members that hold administrator or directive positions in other companies making up the group of companies listed on the stock market:

C.1.12 List if any company Board members who likewise sit on the Boards of other non-group entities that are listed on the Spanish Stock Exchange, of which the company is aware

| Personal or corporate name of the Board member | Corporate name of the listed company | Post or duties |
|--|--------------------------------------|----------------|
| MR. JOAQUÍN AYUSO GARCÍA | FERROVIAL, S.A. | VICE-CHAIRMAN |
| MR. JOAQUÍN AYUSO GARCÍA | NATIONAL EXPRESS GROUP, PLC. | DIRECTOR |

| | | |
|--|--------------------------------------|---------------|
| MR. JOAQUÍN AYUSO GARCÍA | HISPANIA ACTIVOS INMOBILIARIOS, S.A. | DIRECTOR |
| MR. FRANCISCO JAVIER CAMPO GARCÍA | MELIÁ HOTELS INTERNATIONAL, S.A. | DIRECTOR |
| MRS. EVA CASTILLO SANZ | TELFÓNICA, S.A. | DIRECTOR |
| MRS. EVA CASTILLO SANZ | TELFÓNICA DEUTSCHLAND GMBH | CHAIRWOMAN |
| MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO | NATIONAL EXPRESS GROUP, PLC. | VICE-CHAIRMAN |
| MR. JOSÉ LUIS FEITO HIGUERUELA | RED ELÉCTRICA CORPORACIÓN, S.A. | DIRECTOR |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | RED ELÉCTRICA CORPORACIÓN, S.A. | DIRECTOR |

C.1.13 Indicate and, where appropriate, explain whether the Board regulations establishes rules about the maximum number of Boards on which its Directors may sit:

Yes

No

Explanation of rules

Bankia, S.A., as a credit institution, is subject to the restrictions contained in Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, which sets out the rules for incompatibilities and restrictions to which members of the Board of directors and general managers or similar of a credit institution are subject, and which regulates the number of Boards on which the directors of credit institutions may sit at the same time.

In this respect, article 8 of the Board of Directors Regulations states that the number of Boards on which directors may sit at the same time shall not exceed that set out in banking and company laws applicable at any given time.

C.1.14 Apartado derogado.

C.1.15 Indicate the total remuneration of the Board of Directors in the year:

| | |
|--|-------|
| Comprehensive remuneration of the Board of Directors (thousands of Euros) | 3,180 |
| Amount of accumulated pension rights held by current directors (thousands of Euros) | 0 |
| Amount of accumulated pension rights held by former directors (thousands of Euros)" | 1,479 |

C.1.16 Identify any senior management staff that is not also an executive Board member, and indicate the total remunerations paid to them staff during the financial year:

| Personal or corporate name | Post |
|-----------------------------------|--|
| MRS. AMALIA BLANCO LUCAS | DEPUTY GENERAL MANAGER OF COMMUNICATION AND EXTERNAL RELATIONS |
| MR. GONZALO ALCUBILLA POVEDANO | DEPUTY GENERAL MANAGER ATTACHED TO BUSINESS BANKING |
| MR. FERNANDO SOBRINI ABURTO | DEPUTY GENERAL MANAGER ATTACHED TO RETAIL BANKING |
| MR. MIGUEL CRESPO RODRÍGUEZ | GENERAL SECRETARY |
| MR. IÑAKI AZAOLA ONAINDIA | INTERNAL AUDIT CORPORATE MANAGER |

| | |
|--|-------|
| Total remuneration for senior executives (thousands of Euros) | 3,274 |
|--|-------|

C.1.17 Identify, if any, the members of the Board of Directors who are likewise members of the Board of Directors of companies that hold significant shares and/or group entities:

| Personal or corporate name of Board member | Corporate name of significant shareholder | Post |
|--|---|----------|
| MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ | BFA, TENEDORA DE ACCIONES, S.A.U. | CHAIRMAN |
| MR. JOSÉ SEVILLA ÁLVAREZ | BFA, TENEDORA DE ACCIONES, S.A.U. | DIRECTOR |
| MR. ANTONIO ORTEGA PARRA | BFA, TENEDORA DE ACCIONES, S.A.U. | DIRECTOR |

Provide details of any relevant relations, as the case may be, other than those contemplated in the previous section, between members of the Board of Directors and significant shareholders and/or group entities:

C.1.18 Indicate whether any of the rules and regulations of the Board were amended during the financial year:

Si

No

| Description of amendments |
|---------------------------|
|---------------------------|

The Board of Directors, following a favourable report by the Audit and Compliance Committee, agreed on 9 February 2017 to amend Article 8 (on qualitative composition) of the Board of Directors Regulations, in order to include a shareholding requirement for members of the Board of Directors, as a means of aligning their interests with those of the shareholders.

Furthermore, the Board of Directors agreed on 24 March 2017, following a favourable report by the Audit and Compliance Committee, to include a Final Provision in the Board of Directors Regulations, in order to establish the Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process.

The text of the Board of Directors Regulations is available for consultation on the entity's website (www.bankia.com).

C.1.19 Indicate the procedures for, appointing, re-electing, evaluating and removing Board members. Provide details of the competent bodies, the processes and criteria used for each procedure.

Directors shall be appointed, re-elected and ratified by the General Meeting of Shareholders or by the Board of Directors in conformity with the provisions set forth in prevailing legislation and in articles 37 to 40 of the Company's Bylaws and article 21 of the Board of Directors Regulations.

In particular, the Board of Directors may appoint among the shareholders as directors by co-option to cover vacancies arising during the term of office of the directors. Directors appointed by co-option shall provisionally hold the post until the date of the first General Meeting of Shareholders after being appointed by co-option, inclusive, which may resolve to ratify their appointment, whereby the appointment as director shall become permanent. In any event, from the date of appointment, directors appointed by co-option shall have the same rights and obligations as directors appointed directly by the General Meeting of Shareholders.

Directors appointed by co-option shall immediately stand down if their appointment is not ratified in the first General Meeting of Shareholders after they are appointed. Moreover, should any vacancies arise once a General Meeting is called but before it is held, the Board of Directors may appoint a director to fill the vacancy until the new General Meeting of Shareholders.

Any proposals for the appointment, re-election and ratification of directors which the Board of Directors lays before the General Meeting of Shareholders and any appointment decisions made by the Board itself under its powers of co-option are the responsibility of the Appointments and Responsible Management Committee, in the case of independent directors, or the Board itself, in the case of all other directors, and must be preceded by a Board report assessing the competence, experience and merits of the proposed candidate, which will be attached to the general meeting or Board meeting minutes.

In selecting directors, care will be taken to select persons of recognised business and professional good standing, competence, reputation and experience in the financial sector who are equipped to exercise good governance of the Company, in accordance with applicable laws and regulations in the matter.

The persons appointed as directors must satisfy the conditions imposed by Law or the Bylaws, at the time of taking office formally covenanting to fulfil the obligations and duties contemplated therein and in the Board of Directors Regulations.

Any legal person who is appointed a director must appoint a single natural person to perform the director's functions on a permanent basis. Any revocation of such an appointment by the legal person director will have no effect until a

replacement is appointed. In addition, the appointment of a natural person to act as representative will be subject to a report by the Appointments and Responsible Management Committee.

A natural person who is permanently appointed to perform the functions of a legal person director will meet the same suitability requirements, is subject to the same rules of incompatibility, has the same duties and is jointly and severally liable with the legal person director.

There is no age limit for appointment to or serving in this position.

Regarding the evaluation of directors, article 18 bis to the Board of Directors Regulations expressly govern the evaluation of the performance of the Board and that of its committees, as well as the performance of the Chairman. The performance of Board members and their individual contribution are evaluated annually, with special attention paid to the chairmen of the various committees.

The Chairman will organise and coordinate the periodic evaluation of the Board with the chairmen of the Audit and Compliance Committee, and the Appointments and Responsible Management Committee. Evaluations of Board committees shall be based on the reports presented by them to the Board of Directors. In addition, based on the report prepared by the Appointments and Responsible Management Committee, the Board will evaluate the chairman's performance on a yearly basis. Evaluation of the chairman is overseen by the Lead Independent Director.

At least every three years, to aid in the evaluation process the Board of Directors should engage an external facilitator, whose independence should be verified by the Appointments and Responsible Management Committee.

According to article 23 of the Board of Directors Regulations, directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the General Meeting or when they are to resign.

Directors who give up their place before their tenure expires, through resignation or otherwise, shall state their reasons in a letter to be sent to all members of the Board of Directors. The motivating factors shall be explained in the annual corporate governance report.

(Keep on section H)

C.1.20 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

| Description of amendments |
|---------------------------|
|---------------------------|

Various actions were initiated throughout the 2017 period and since the latest assessment exercise was performed, such as the following:

- The review and updating of the Corporate Governance System and specifically the Director Selection Policy in order to achieve various improvements.
- The review of the succession plans in relation to all the members of the Board of Directors.
- The establishment of a Corporate Governance System management procedure that provides for the control and monitoring of various aspects of the system and specifically the scheduling of matters intended to be addressed at the meetings of the governing bodies.
- The continuation of improvements made to the information given to members of the Board, both in terms of quality and the advanced delivery thereof.
- The continued progress in talent management and specifically in the analysis and development of the remuneration policies needed to attract and retain managerial talent.

C.1.20.bis Describe the evaluation process and the areas of the Board evaluated by an external facilitator with respect to the diversity of Board membership and competences, the performance and membership of its committees, the performance of the chairman of the Board of directors and the company's chief executive, and the performance and contribution of individual directors.

In relation to the 2017 period, an internal assessment was performed, based mainly on surveys performed on the members of the Board of Directors for the assessment of the Chairman, the Chief Executive Director, the Lead Director and the Board functioning and the individual assessment of directors. The internal evaluation links and complete the previous external evaluations - the external evaluation is mandatory every three years as established in the Bylaws of Bankia - and allows to develop a framework of assessment of the Board and their most relevant positions and it has focused main way in the following areas:

Chairman:

- The Chairman's performance in the 2017 period.
- Degree of fulfilment of the objectives established in the previous assessment.
- Establishment of objectives for the following assessment.

Chief Executive Officer:

- The Chief Executive Officer's performance in the 2017 period: strategy and management style.
- Overall assessment.
- Degree of fulfilment of the objectives established in the previous assessment.
- Establishment of objectives for the following assessment.

Evaluation of the chairmen of the Committees of the Board: performance and objectives 2018.

Evaluation of the Lead Director: performance.

Functioning of the Board and individual Directors:

- Assessment of Council Operation: overall assessment.
- Individual Director assessments.

C.1.20.ter Detail any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group.

Not Applicable. The assessment for the 2017 period was performed internally.

C.1.21 Indicate the cases in which Board members must resign.

According to article 23 of the Board of Directors Regulations, directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the General Meeting or when they are to resign.

Directors who give up their place before their tenure expires, through resignation or otherwise, shall state their reasons in a letter to be sent to all members of the Board of Directors. The motivating factors shall be explained in the annual corporate governance report.

Any proposal by the Board of Directors to dismiss an external director before the period of appointment stipulated in the Bylaws has elapsed should be based on and supported by a corresponding report from the Appointments and Responsible Management Committee. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Appointments and Responsible Management Committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in good corporate governance recommendations.

Without prejudice to the above, directors must place their offices at the Board of Directors' disposal and, if the Board deems it appropriate, tender their resignation in the following cases:

- When they are affected by any of the rules on incompatibility or prohibition or unsuitability prescribed by law.
- When they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.
For these purposes, any director of the Company must advise the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.
If a director is indicted or tried for any of the crimes specified in article 213 of the Corporations Act, the Board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not it is appropriate for the director to remain in the position.
- When they are seriously admonished by the Audit and Compliance Committee for violating their duties as directors.
- When their remaining as Directors could present a reputation risk to the interests of the Company.
- When they cease to hold the positions, offices or functions with which their appointment as executive directors was associated.
- In the case of proprietary directors, when the shareholder at whose initiative they were appointed disposes of its interest in the Company or reduces its interest to a level that requires a reduction in the number of proprietary directors.
- In the case of independent directors, when they no longer satisfy the conditions for being considered independent directors.

If a natural person representing a legal person director is in any of the situations described in the previous section, that person will be disqualified from acting as representative.

C.1.22 Section removed.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?:

Yes

No

If applicable, describe the differences.

C.1.24 Explain whether there are specific requirements other than those relating to Board members to be appointed Chairman.

Yes

No

C.1.25 Indicate whether the Chairman has the casting vote:

Yes

No

Matters in which there is a deciding vote

The final point of article 42.1 of the Bylaws states that in the event of a tie, the Chairman will have the casting vote.

C.1.26 Indicate whether the Bylaws or Board regulations set any age limit on Board members:

Yes

No

C.1.27 Indicate whether the Bylaws or Board regulations set a limited term of office for independent Board members, other than set in the law:

Yes

No

C.1.28 Indicate whether the Bylaws or the Board of Directors regulations stipulate specific regulations for delegating voting rights on the Board of Directors, how it is done and, in particular, the maximum number of delegations that may be conferred on a Board member, as well as whether there is any limitation on the classes to which proxies can be delegated in addition to any legal limitations. If so, provide brief details of said regulations.

According to article 18.1 of the Board of Directors Regulations, the directors will do everything possible to attend meetings of the Board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the Board. Proxies will be granted on a special basis for the meeting of the Board of Directors in question, when possible with instructions. Notice thereof may be given in any of the ways contemplated in the section 2 of article 17 of the Board of Directors Regulations, although non-executive directors may only grant proxies to another director in accordance with applicable legislation.

Similarly, article 30.4.b) of the Board of Directors Regulations states that a director is required to attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making. If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him.

According to article 17.6 of the Board of Directors Regulations, the agendas of Board meetings shall clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need to make a decision.

C.1.29 Indicate the number of Board meetings held during the financial year. Likewise indicate, if any, the number of times the Board met without the chairman in attendance. Proxies granted with specific instructions for the meeting shall be counted as attendances.

| | |
|--|----|
| Number of Board meetings | 28 |
| Number of Board meetings without the attendance of the Chairman | 3 |

If the chairman is also the company's chief executive, indicate the number of meetings held without the attendance, in person or by proxy, of any executive Board member chaired by the lead independent director.

| | |
|---------------------------|---|
| Number of meetings | 3 |
|---------------------------|---|

Indicate the number of meetings held by the different Board Committees during the financial year:

| Committees | Nº meetings |
|---|--------------------|
| AUDIT AND COMPLIANCE COMMITTEE | 20 |
| APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE | 17 |
| REMUNERATION COMMITTEE | 12 |
| RISK ADVISORY COMMITTEE | 36 |
| BOARD RISK COMMITTEE | 36 |
| MONITORING AND SUPERVISORY COMMITTEE FOR THE BANKIA AND BANCO MARE NOSTRUM MERGER PROCESS | 12 |

C.1.30 Indicate the number of Board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting shall be counted as attendances.

| | |
|---|--------|
| Number of Board meetings attended by all members | 23 |
| % of attendances of the total votes cast during the year | 96.07% |

C.1.31 Indicate whether the individual and consolidated financial statements submitted for authorisation to the Board of Directors are certified previously:

Yes No

Identify, where applicable, the person or persons who certified the company's individual and consolidated financial statements, for their authorisation by the Board:

| Name | Post |
|-----------------------|--|
| MR. SERGIO DURÁ MAÑAS | CORPORATE FINANCIAL CONTROLLER MANAGER |

C.1.32 Explain the mechanisms, if any, put in place by the Board of Directors to ensure that Board-prepared individual and consolidated financial statements are not presented at shareholders' general meetings with qualified audit report.

Article 53.3 of the Bylaws of Bankia, S.A. states that the Board of directors will arrange for definitive preparation of the accounts in a manner that will not result in qualifications by the statutory auditor. Nevertheless, when the Board believes it must maintain its position, it will, through the Chairman of the Audit and Compliance Committee, publicly explain the substance and scope of the difference and, also, will arrange for the statutory auditor also to state its comments in this regard.

Through the Audit and Compliance Committee, the Board of Directors oversees the entire process of preparing and issuing the financial statements of the Bank and its Group, and any quarterly and half-yearly financial reports that are prepared. One of the aims of this control and on-going contact with the auditor is to avoid qualifications in the Audit Report.

Bankia's Audit and Compliance Committee, all of whom will be non-executive directors and a majority, independent, shall perform all the duties set forth in applicable legislation. In particular but not exclusively, its basic responsibilities include the following:

- Report to the General Meeting of Shareholders on questions that are posed regarding matters within the competence of the committee and, in particular, on the audit findings, explaining how the audit has contributed to the integrity of the financial information and the Committee's role in this process.
- Supervise the effectiveness of the internal control of the Company, the internal audit, the regulatory compliance and risk management systems, and discuss with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit, without comprising its independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, along with the related follow-up period.
- Supervise the preparation and filing of regulatory financial information and submit to the Board of Directors recommendations or proposals designed to safeguard the integrity of the financial information and, in particular:
 - report to the Board of directors, in advance, on the financial information that the Company must publish periodically;
 - review the Company's accounts, to ensure compliance with legal requirements and proper application of generally accepted accounting principles, and report on changes to accounting principles and criteria proposed by management; and
 - review issue prospectuses and any periodic financial information the Board is required to provide to the markets and market supervisory bodies.
- Make recommendations to the Board of directors for the selection, appointment, reelection and removal of the statutory auditor, and oversee the selection process in accordance with EU legislation and the terms and conditions of engagement.
- Establish appropriate relations with the external auditors so as to receive information on matters that could jeopardise the external auditor's independence, so that they may be examined by the Committee, and on any other matters arising from the auditing of the Company's accounts and, as appropriate, authorise the services permitted under the terms of EU legislation and regulations regarding independence, and make any other disclosures required under applicable legislation and auditing standards. In particular:
 - act as a communications channel between the Board of directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements;
 - receive regular information from the external auditor on the audit plan and the results of the audit and ensure that senior management acts on the external auditor's recommendations;
 - ensure that the external auditor meets, at least once a year, with the Board in full to inform it of the work undertaken and developments in the Company's risk and accounting positions;
 - supervise compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;
 - ensure the independence of the external auditor in the exercise of its functions, as set out in section C.1.35 of this Report.
- Issue a report each year, prior to the release of the auditors' report, expressing an opinion on whether the independence of the external auditor or audit firms has been compromised. This report will contain a reasoned assessment of any additional non-audit services provided considered individually and in the aggregate, other than that of the legal audit and in relation to the auditors' independence and compliance with auditing standards.

C.1.33 Is the Board Secretary also a Board member?

Yes

No

Fill out the following table if the Board Secretary is not a Board member.

| Personal or corporate name of the Board secretary | Representative |
|---|----------------|
| MR. MIGUEL CRESPO RODRÍGUEZ | |

C.1.34 Section removed.

C.1.35 Indicate, as the case may be, the mechanisms implemented by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

As stipulated in article 14 of the Board of Directors Regulations, the Audit and Compliance Committee is responsible, inter alia, for ensuring the independence of the external auditor and therefore:

- Make recommendations to the Board of Directors for the selection, appointment, reelection and removal of the internal auditors, oversee the selection process in accordance with EU legislation and the terms and conditions of engagement, and receive regular information from the external auditor on the audit plan and the results of the audit and ensure that senior management acts on the external auditor's recommendations, and ensure the independence of the external auditor in the exercise of its functions, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and precisely.
- Maintain relations with the statutory auditor in order to gather information on any matters that may call the auditor's independence into question, as well as any other matters relating to the audit process, and engaging in such other communications with the statutory auditor as are provided for in the audit legislation and technical standards for audits;
- Ensure that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; and
- Ensure that the remuneration of the external auditor does not compromise its quality or independence;
- In the event of resignation of the external auditor, investigate the reasons for the resignation; and
- Ensure that the Company notifies any change of external auditor as a material disclosure, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

In any event, the Audit and Compliance Committee will also receive an annual statement from the external auditors certifying their independence in relation to the Company or entities directly or indirectly related to it, as well as detailed and individualised information about any additional services of any kind provided and the fees received from these entities by the independent auditor, or by individuals or entities related to it, in accordance with the laws on auditing.

The Committee shall issue a report each year, prior to the release of the auditors' report, expressing an opinion on whether the independence of the external auditor or audit firms has been compromised. This report will contain a reasoned assessment of any additional non-audit services provided considered individually and in the aggregate, other than that of the legal audit and in relation to the auditors' independence and compliance with auditing standards.

Article 38 of the Board of Directors Regulations states that the Board of Directors will establish mechanisms for the regular sharing of information with institutional investors who are among the Company's shareholders, and that the relations between the Board of Directors and institutional shareholders may not result in delivery to such shareholders of information that could give them a privilege or advantage over other shareholders.

Also, article 36.5 of the Board of Directors Regulations establishes that the Board of Directors shall draw up and implement a policy of communication with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

In this respect, the Policy of Information, Communication and Contacts with shareholders, institutional investors and proxy advisors approved by the Board of Directors and which forms part of the Company's Corporate Governance system, aims to engage and encourage permanent dialogue with the Company's stakeholders, particularly its shareholders, institutional investors and proxy advisors, in order to forge stable, strong and trusting relations and promote transparency within the framework of corporate interest, acting in accordance with the following principles: (i) transparent communication, (ii) information and ongoing dialogue, (iii) equal treatment and non-discrimination, (iv) commitment and integrity in the dissemination, communication and management of corporate information, (v) innovation, sustainability and development in the use of new technologies, and (vi) compliance with the Law and the Corporate Governance System.

C.1.36 Indicate whether the company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

Yes

No

Explain any disagreements with the outgoing auditor and the reasons for the same:

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its business group. If so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:

Yes No

| | Company | Group | Total |
|---|---------|--------|--------|
| Fees for non-audit work (in thousands of Euros) | 1.184 | 24 | 1,208 |
| Fees for non-audit work/total amount invoiced by the audit firm (in %) | 38.29% | 11.92% | 36.69% |

C.1.38 Indicate whether the audit report on the financial statement for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Commission to explain the content and scope of such reservations or qualifications.

Yes No

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statement of the company and/or its group. Likewise indicate the percentage of years the current audit firm has been auditing the accounts over the total number of years the financial statement have been audited:

| | Company | Group |
|--|---------|--------|
| Number of consecutive years | 5 | 5 |
| Number of years audited by the current auditing company / number of years the Company has been audited (in %) | 22.73% | 71.43% |

C.1.40 Indicate and give details of any procedures by which directors may seek external consultancy:

Yes No

| |
|---------------------------------|
| Details of the procedure |
|---------------------------------|

Directors of Bankia, S.A. have a duty to demand, and a right to request, from the Company all the information they need in order to perform their duties and have the broadest authority to seek information on any aspect of the Company, to examine its books, records, documents and other evidence of the Company's transactions, and to inspect all its facilities, according to article 26 of the Board of Directors Regulations.

The exercise of information rights will be channelled through the Chairman or Secretary of the Board of Directors. They will respond to director inquiries by providing the information directly, making the appropriate spokesmen within the organisation available as appropriate, or arranging for appropriate on-site review and inspection.

The Chairman or Secretary may refuse information if they consider that: (i) the information is not necessary for the proper performance of the director's functions; (ii) the cost of the information is unreasonable given the importance of the problem and the Company's assets and revenue; or (iii) the requested technical assistance may be adequately provided by Company experts and technicians.

Moreover, according to article 9.3 of the Board of Directors Regulations, the Chairman, as the person responsible for the efficient functioning of the Board of Directors, will draw up and submit to the Board, the estimated planning of ordinary and/or recurring issues to be addressed, oversee management of the Board and its effective operation, ensure that sufficient time is spent discussing strategic matters and agree and review refresher programmes for each director when circumstances dictate, and ensure that the directors receive sufficient information to be able to perform their function. Directors may request any additional information or advice they may require for the performance of their functions and may apply to the Board of Directors for assistance from independent experts where the special complexity or importance of the matters submitted for their consideration so require.

To give new directors a knowledge of the Company and its corporate governance rules, article 21.8 of the Board of Directors Regulations provides for an orientation and support programme. When circumstances so advise, the Company may also establish continuing professional development programmes for directors.

In addition, independent directors may channel through the Lead Independent Director all the matters and concerns they raise. Its mission is, inter alia, to voice the concerns of non-executive directors, organising any common positions of the independent directors and acting as a channel of communication or spokesperson for any such common positions. The Lead Independent Director may request that a meeting of the Board of Directors be convened and that items be included in the agenda.

Regarding Board committees, the Audit and Compliance Committee, the Appointments and Responsible Management Committee, the Remuneration Committee and the Risk Advisory Committee, for better performance of their duties, may seek the advice of outside professionals on matters within their remit (articles 14.9, 15.9, 15 bis.9, and 16.4, respectively, of the Board of Directors Regulations).

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes No

| |
|---------------------------------|
| Details of the procedure |
|---------------------------------|

The procedure for providing directors of Bankia, S.A. with the appropriate information to prepare meetings of the governing bodies is regulated in article 17.2 of the Board of Directors Regulations, which states that the Board of Directors will be called by individual notice, stating the agenda for the meeting in sufficient detail. This notice will be sent by fax, e-mail or letter to each of the directors, at least five (5) days in advance of the date contemplated for the meeting, unless, in the judgment of the Chairman, the urgency of the matters to be considered requires an urgent call, which may be made by telephone, fax, email or any other remote means, sufficiently in advance to allow the directors to fulfil their duty to attend.

The agenda of the meetings shall clearly indicate the matters on which the Board of Directors must adopt a decision or an agreement so that, prior to the meeting, directors can study or gather the information needed to make such adoption.

In addition, in the case of an urgent call, the Chairman wishes to submit for approval by the Board resolutions that are not included in the agenda, prior and express consent of a majority of directors in attendance is required, which must be duly noted in the minutes.

Directors may seek such additional information as they deem to be necessary regarding matters within the competence of the Board.

Information requests must be made to the Chairman or Secretary of the Board.

For purposes of both call of the Board and any communication with directors, the e-mail address the director provides to the Company of the time of accepting the position will apply, the director being required to notify the Company of any change in this regard.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the Board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

Yes No

| |
|---------------------------------|
| Details of the procedure |
|---------------------------------|

According to article 40 of the Bylaws, the members of the Board of Directors of Bankia, S.A. must satisfy the requirements of banking regulation to be considered to be honourable persons, suitable for exercise of that function. In particular, they must be of high commercial and professional integrity, have knowledge and experience appropriate to the performance of their duties and be willing to exercise good governance of the Company. Supervening failure to satisfy those requirements will be grounds for removal of the director.

As per article 23 of the Board of Directors Regulations, directors must place their directorships at the disposal of the Board of Directors and formally tender their resignations, if the Board deems it to be desirable, in the following circumstances:

- a) When they are affected by any of the rules on incompatibility or prohibition or unsuitability prescribed by law.

- b) When they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, any director of the Company must advise the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes indicated in article 213 of the Corporations Act, the Board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not it is appropriate for the director to remain in the position.

- c) When they are seriously admonished by the Audit and Compliance Committee for violating their duties as directors.
- d) When their remaining as directors could present a reputation risk to the interests of the Company.
- e) When they cease to hold the positions, offices or functions with which their appointment as executive directors was associated.
- f) In the case of proprietary directors, when the shareholder at whose initiative they were appointed disposes of its interest in the Company or reduces its interest to a level that requires a reduction in the number of proprietary directors.
- g) In the case of independent directors, when they no longer satisfy the conditions for being considered independent directors.

In addition, if a natural person representing a legal person director is in any of the situations described in the previous sections, that person will be disqualified from acting as representative.

C.1.43 Indicate whether any member of the Board of Directors has notified the company that he/she was tried or formally accused of any of the offences stipulated in Article 213 of the Corporations Act:

Yes

No

Indicate whether the Board of Directors has analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the Board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.

C.1.44 List the still valid significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile takeover bid or other kinds of transactions.

Number of beneficiaries: 7

Type of beneficiary

EXECUTIVE DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

Agreement description

EXECUTIVE DIRECTORS:

The contracts of the three executive directors contain a termination benefit of one year of fixed remuneration if the Company decides to terminate their employment unilaterally or in the event of a change of control of the Company. The contracts also contain a post-contractual non-compete clause equal to one year of fixed remuneration. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the executive directors shall comply with Royal Decree-Law 2/2012, Law 3/2012, and Law 10/2014.

MEMBERS OF THE MANAGEMENT COMMITTEE:

The contracts of four senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:

| | Board of Directors | General Meeting |
|----------------|--------------------|-----------------|
| Governing body | Yes | No |

| | Yes | No |
|--|-----|----|
| Is the General Meeting informed about the clauses? | X | |

C.2 Committees of the board of directors

C.2.1 Give details of all Committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external Board members on such Committees:

AUDIT AND COMPLIANCE COMMITTEE

| Name | Post | Tipology |
|-------------------------------------|------------------|-------------|
| MR. ANTONIO GREÑO HIDALGO | CHAIRMAN | Independent |
| MR. JOAQUÍN AYUSO GARCÍA | COMMITTEE MEMBER | Independent |
| MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO | COMMITTEE MEMBER | Independent |
| MR. JOSÉ LUIS FEITO HIGUERUELA | COMMITTEE MEMBER | Independent |

| | |
|--------------------------------|---------|
| % of proprietary Board members | 0.00% |
| % of independent Board members | 100.00% |
| % of other external | 0.00% |

Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.

The Audit and Compliance Committee of Bankia has attributed to it all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies which, given their length, are presented in section H of this Report.

With respect to its rules of organisation and functioning, article 14 of the Board of Directors Regulations states that the Audit and Compliance Committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any other employee. The

members of the Audit and Compliance Committee will be appointed by the Board of Directors taking account of their knowledge, aptitudes and experience in accounting or auditing or both, and the overall technical expertise in relation to the banking industry.

The Committee will be chaired by a non-executive director that, in addition, has knowledge, skills and experience in accounting, auditing or risk management. The Chairman of the Committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office. The Chairman of the Committee may, at any time, apply to the senior manager responsible for the Company's internal audit for information on internal audit activities. Also, independently of organisational reporting lines, the head of internal audit will maintain a functional relationship with the Audit and Compliance Committee and its Chairman. In any event, the Committee shall oversee the performance of the internal audit unit.

The Committee will have a Secretary and, optionally, an assistant secretary, who need not be directors and may be other than the secretary and assistant secretary of the Board of Directors, respectively.

The Committee will meet as often as called by resolution of the Committee itself or its Chairman, at least four times per year. Any member of the management team or employee of the Company that is required to do so must attend its meetings, to cooperate with it and provide access to any information it may have. The Committee also may require the attendance of the statutory auditor. One of its meetings will be used to evaluate the efficiency of and compliance with the Company's governance rules and procedures, and prepare the information the Board must approve and include in the annual public documentation.

Meetings of the Audit and Compliance Committee will be validly held when a majority of the Committee's members are present in person or by proxy. Resolutions will be adopted by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote. The members of the Committee may extend proxies to other members. The resolutions of the Audit and Compliance Committee will be maintained in a minutes book, each entry in which will be signed by the Chairman and the Secretary.

In terms of the most important actions taken in the 2017 period, the Audit and Compliance Committee mainly acted in the following areas:

- Financial and non-financial information and associated internal control mechanisms.
- The regulatory compliance.
- Corporate governance
- Related-party transactions.
- Risk management and control.
- The activity of internal audit.
- The activity of the external auditors.
- Monitoring of Committee action plans.

Every year the Audit and Compliance Committee draws up a report on the activities it has carried out each period and makes said report available to the shareholders when the Annual General Meeting is called. The report for the 2017 period contains the terms of the Technical Guide 3/2017 of the CNMV on audit Committees at public interest entities.

(Keep in Note H)

Identify the member of the Audit Committee who was appointed based on their knowledge and experience in accounting or auditing or both, and report the number of years during which the Chairman of this committee has held the post.

| | |
|--|---------------------------|
| Name of director with experience | MR. ANTONIO GREÑO HIDALGO |
| Number of years the Chairman has held his/her post: | 2 |

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

| Name | Post | Tipology |
|--|------------------|-----------------|
| MR. JOAQUÍN AYUSO GARCÍA | CHAIRMAN | Independent |
| MR. FRANCISCO JAVIER CAMPO GARCÍA | COMMITTEE MEMBER | Independent |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | COMMITTEE MEMBER | Independent |

| | |
|---------------------------------------|---------|
| % of proprietary Board members | 0.00% |
| % of independent Board members | 100.00% |
| % of other external | 0.00% |

Explain the responsibilities attributed to this committee, describe and provide a summary of its main highlights during the year.

The Appointments and Responsible Management Committee of Bankia has attributed to it all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies which, given their length, are presented in section H of this Report.

With respect to its rules of organisation and functioning, article 15 of the Board of Directors Regulations states that the Appointments and Responsible Management Committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any employee.

The members of the Appointments and Responsible Management Committee will be appointed by the Board of directors taking account of their knowledges, skills and experience and the Committee's tasks. The Committee will be chaired by a non-executive director appointed by the Board of directors. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Committee will have a Secretary and, optionally, an assistant Secretary, who need not be Directors and may be other than the Secretary and Assistant Secretary of the Board of Directors, respectively.

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

A majority of the members of the Committee, present in person or by proxy, constitute a quorum.

The Committee will adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

Regarding the main actions carried out in 2017, the Appointments and Responsible Management Committee focused its efforts primarily on six areas:

- The assessment of the Board and its Committees, the performance assessment on the Chairman, the Lead Independent Director and the General Secretary, and the individual director assessments.
- Annual verification of the nature of directors.
- Preparation of reports on appointments of directors and the management team.
- The directors and senior managers training plan.
- The directors and senior managers recruitment plan.
- Review, monitoring and evaluation of the Responsible Management Policy and Plan.
- Monitoring of the activities of the Ethics and Conduct Committee.
- Procedure for assessing suitability.
- The Annual Corporate Governance Report in the area of its remit.

The Appointment and Responsible Management Committee draws up a report on the activities it has carried out each period and makes said report available to the shareholders when the Annual General Meeting is called.

(Keep in Note H)

REMUNERATION COMMITTEE

| Name | Post | Tipology |
|--|-----------------|-------------|
| MRS. EVA CASTILLO SANZ | CHAIRWOMAN | Independent |
| MR. JOAQUÍN AYUSO GARCÍA | COMMITTE MEMBER | Independent |
| MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO | COMMITTE MEMBER | Independent |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | COMMITTE MEMBER | Independent |

| | |
|---------------------------------------|---------|
| % of proprietary Board members | 0.00% |
| % of independent Board members | 100.00% |
| % of other external | 0.00% |

Explain the responsibilities attributed to this committee, describe and provide a summary of its main highlights during the year.

The Remuneration Committee of Bankia has attributed to it all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies which, given their length, are presented in section H of this Report.

With respect to its rules of organisation and functioning, article 15 bis of the Board of Directors Regulations states that the Remuneration Committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any employee.

The members of the Remuneration Committee will be appointed by the Board of Directors, taking account of their knowledges, skills and experience and the Committee's tasks. The Committee will be chaired by a non-executive director appointed by the Board of directors. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Committee will have a Secretary and, optionally, an assistant Secretary, who need not be directors and may be other than the Secretary and assistant Secretary of the Board of directors, respectively.

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

A majority of the members of the Committee, present in person or by proxy, constitute a quorum.

The Committee will adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

Regarding the main actions carried out in 2017, the Remuneration Committee focused its efforts primarily on the following areas:

- The remuneration policy for directors and senior managers.
- The Annual Report on Director Remuneration.
- The Annual Corporate Governance Report in the area of its remit.

The Remunerations Committee draws up a report on the activities it has carried out each period and makes said report available to the shareholders when the Annual General Meeting is called.

(Keep in Note H)

RISK ADVISORY COMMITTEE

| Name | Post | Tipology |
|--|----------------|-------------|
| MR. FRANCISCO JAVIER CAMPO GARCÍA | CHAIRMAN | Independent |
| MRS. EVA CASTILLO SANZ | COMMITE MEMBER | Independent |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | COMMITE MEMBER | Independent |

| | |
|---------------------------------------|---------|
| % of proprietary Board members | 0.00% |
| % of independent Board members | 100.00% |
| % of other external | 0.00% |

Explain the responsibilities attributed to this committee, describe and provide a summary of its main highlights during the year.

The Risk Advisory Committee of Bankia has attributed to it all the duties required in by law, especially banking regulations. Given their length, they are presented in section H of this Report.

With respect to its rules of organisation and functioning, article 47 ter of the Bylaws and article 16 of Board of Directors Regulations states that the Risk Advisory Committee will be comprised of a minimum of (3) and maximum of (5) directors, who may not be executive directors, without prejudice to attendance, when so expressly resolved by the members of the Committee, of other directors, including executive directors, senior managers and any employee. In any event the number of members of the Risk Advisory Committee will be determined directly by way of establishment of that number by express resolution, or indirectly by way of filling vacancies or appointment of new members within the established maximum.

The members of the Risk Advisory Committee must have the appropriate knowledges, skills and experience to fully understand and control the risk strategy and risk tolerance of the Company. At least one third of its members must be independent directors. In any event, the chairman of the Committee will be an independent director. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The members of the Risk Advisory Committee will be appointed by the Board of directors, taking into account the directors' knowledge, skills and experience and the committee's duties.

There will be a quorum for the Committee when the majority of the directors that are a part thereof are in attendance, in person or by proxy. It will adopt its resolutions by absolute majority of the members of the Committee, present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

Regarding the main actions carried out in 2017, the Risk Advisory Committee advised the Board of Directors on the following key matters:

- Advice on the definition of the Company's and Group's overall propensity of risk, set out in the Risk Appetite and Tolerance Framework and in the risk budget.
- Advice on the approval of the Company's and the Group's risk control and management policy, identifying the various types of risk assumed by the Company and the Group, the levels of risk they are willing to take and the necessary corrective measures to limit their impact.
- Advice on the approval of Risk Manuals and Policies.
- Regular monitoring of the loan portfolio and the risks assumed by the Company and the Group, in the broadest sense, proposing to the Board the necessary corrective measures to adapt the risk assumed to the approved risk profile.

(Keep in Note H)

BOARD RISK COMMITTEE

| Name | Post | Tipology |
|--|------------------|-------------|
| MR. JOSÉ SEVILLA ÁLVAREZ | CHAIRMAN | Executive |
| MR. FRANCISCO JAVIER CAMPO GARCÍA | COMMITTEE MEMBER | Independent |
| MRS. EVA CASTILLO SANZ | COMMITTEE MEMBER | Independent |
| MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS | COMMITTEE MEMBER | Independent |

| | |
|---------------------------------------|--------|
| % of executive Board members | 25.00% |
| % of proprietary Board members | 0.00% |
| % of independent Board members | 75.00% |
| % of other external | 0.00% |

Explain the responsibilities attributed to this committee, describe and provide a summary of its main highlights during the year.

The Board Risk Committee is governed by article 16 bis of the Board of Directors Regulations. The Board Risk Committee is the body responsible for approving risks within the authority delegated to it and for overseeing and administering the exercise of the authority delegated to lower-ranking bodies, all this without prejudice to the oversight authority vested by law in the Audit and Compliance Committee. A list of this Committee's functions is provided in section H of this Report.

As regards the rules of organisation and functioning, article 16 bis of the Board of Directors Regulations states that the Board Risk Committee will be made up of no fewer than three (3) and no more than seven (7) directors. The Chairman of the Committee will be a director appointed by the Company's Board of Directors.

Resolutions of the Board Risk Committee will be adopted by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

The Board Risk Committee will have operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the Board.

The Board Risk Committee will have the specific delegated authority contemplated in the delegation resolution.

Also, copies of the minutes of meetings of this Committee will be made available to all directors.

Regarding the main actions carried out in 2017, the Board Risk Committee's principle activity is the approval of risks within the authority delegated to it and overseeing and administering the exercise of the authority delegated to lower-ranking bodies.

Given the executive nature of the Board Risk Committee, at its meeting the Committee analyses and, where appropriate, approves all specific risk transactions, finance programmes and the overall limits of prequalification attributed to it within the scope of authority delegated by the Board of Directors. It shall also assess and put forward, as appropriate, proposals of this nature which must be approved by the Board of Directors.

(Keep in Note H)

Indicate if executive composition reflects the participation in the Board of director's different directors depending on their category:

Yes No

MONITORING AND SUPERVISORY COMMITTEE FOR THE BANKIA AND BANCO MARE NOSTRUM MERGER PROCESS

| Name | Post | Tipology |
|-----------------------------------|------------------|-------------|
| MR. JOAQUÍN AYUSO GARCÍA | CHAIRMAN | Independent |
| MR. FRANCISCO JAVIER CAMPO GARCÍA | COMMITTEE MEMBER | Independent |
| MRS. EVA CASTILLO SANZ | COMMITTEE MEMBER | Independent |
| MR. ANTONIO GREÑO HIDALGO | COMMITTEE MEMBER | Independent |

| | |
|---------------------------------------|---------|
| % of proprietary Board members | 0.00% |
| % of independent Board members | 100.00% |
| % of other external | 0.00% |

Explain the responsibilities attributed to this committee, describe and provide a summary of its main highlights during the year.

The Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process is regulated by the Final Provision of the Board of Directors Regulations.

Without prejudice to the specific tasks that may be assigned to the Board of Directors during the Bankia and Banco Mare Nostrum Merger Process, the Committee shall have information, consultancy, and proposal powers and specifically the key role of continuously monitoring and supervising the Bankia and Banco Mare Nostrum merger process, both during its preliminary study and analysis phase and, where appropriate, with regard to compliance with the legal requirements established in applicable national and community regulations that, after approval by both entities' boards of directors and general meetings of shareholders, allow for the conclusion of the merger process. The Committee shall inform the Board of Directors of the development of said studies and analysis and of the compliance with said requirements, specifically looking after the interests of the Company, and therefore the interests of all its shareholders, guaranteeing autonomy and independence in the development of the merger process, both in the preliminary phase and, where appropriate, during the decision-making phase.

All this will be understood without prejudice to the competency of the Audit and Compliance Committee to be informed on the structural and corporate change operations the Company intends to carry out for its preliminary report and analysis for the Board of Directors on the economic conditions and the accounting impact and, specifically, on the proposed exchange ratio, in conformity with the terms of Article 14.8 of the Board of Directors Regulations.

In terms of the organization and operation rules, the Final Provision of the Board of Directors Regulation stipulates that the Committee shall exclusively comprise independent directors, specifically the Lead Independent Director and the chairman of the Appointment and Responsible Management Committee, who will act as chairman thereof, and the chairman of the Audit and Compliance Committee, the chairman of the Remunerations Committee and the chairman of the Risk Advisory Committee, without prejudice to the attendance, when expressly agreed by the members of the Committee, of other directors, including executive directors and any employees, consultants or experts that may collaborate in the Bankia and Banco Mare Nostrum merger process.

The Committee shall have a Secretary and, optionally, an assistant Secretary, who may not be directors and who may be individuals other than the Secretary and the assistant Secretary of the Board of Directors, respectively.

The Committee shall meet as often as called to do so by an agreement of the Committee itself or the Chairperson thereof. Any member of the management team or staff member that is requested to do so must attend the meetings and collaborate and grant access to any information at said member's disposal. The Committee may also require the attendance of the accounts auditor.

The required quorum for the Committee is at least the majority of the members thereof and the Committee shall adopt its decisions by absolute majority of the Committee members in attendance or represented at the meeting. In the event of a draw, the Chairperson shall have the casting vote. Committee members may choose another member to represent them. The Committee's decisions shall be recorded in a minutes book, where the Chairman and the Secretary shall sign all meeting minutes.

The Committee shall dissolve once the Bankia and Banco Mare Nostrum merger process has concluded.

In terms of the most important actions taken in the 2017 period, the main activity of the Committee was to effect the monitoring and supervising of the Bankia and Banco Mare Nostrum Merger process, especially the analysis of all merger-related documentation, the hiring of an independent expert to analyse the reasonableness, from a financial point of view, of the merger exchange ratio, the review of communications and authorizations with the supervisors and the examination of the documents relating to the call for the Extraordinary General Meeting, proposals for Board of Directors decisions: (i) the period within which creditors can oppose the merger; (ii) the condition precedent and authorizations; (iii) the execution of the merger; (iv) the date for accounting purposes; (v) assumption of the absorbed company's staff; (vi) assumption of the powers of the absorbed company; (vii) the entity agent and the odd-lot broker; (viii) the execution of a capital increase to satisfy the merger exchange ratio; and (ix) the delegation of powers, among others.

C.2.2 Complete the following table using the information relating to the number of female Board members who have served on the Board of Directors Committees over the past four financial years:

| | Number of female Board members | | | | | | | |
|---|--------------------------------|--------|-----------|--------|-----------|--------|-----------|--------|
| | Year 2017 | | Year 2016 | | Year 2015 | | Year 2014 | |
| | Number | % | Number | % | Number | % | Number | % |
| AUDIT AND COMPLIANCE COMMITTEE | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| REMUNERATION COMMITTEE | 1 | 25.00% | 1 | 25.00% | 1 | 25.00% | 1 | 25.00% |
| RISK ADVISORY COMMITTEE | 1 | 33.33% | 1 | 33.33% | 1 | 33.33% | 1 | 33.33% |
| BOARD RISK COMMITTEE | 1 | 25.00% | 1 | 25.00% | 1 | 25.00% | 1 | 25.00% |
| MONITORING AND SUPERVISORY COMMITTEE FOR THE BANKIA AND BANCO MARE NOSTRUM MERGER PROCESS | 1 | 25.00% | | | | | | |

C.2.3 Section removed

C.2.4 Section removed.

C.2.5 Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The regulation of the Audit and Compliance Committee is set forth in the Bylaws (articles 44 and 46) and the Board of Directors Regulations (articles 12 and 14). Both documents, as well as the composition of the committee, are permanently available for consultation on the Bankia website: www.bankia.com.

In the 2017 period, the Audit and Compliance Committee regulations were not amended.

The Audit and Compliance Committee submitted a report on the Committee's activity to the Board of Directors, which report reflecting the tasks the Committee performed in relation to the duties thereof with regard to the 2016 period. This report was made available to the shareholders when the General Meeting was held on 24 March 2017.

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

The regulation of the Appointments and Responsible Management Committee is included in the Bylaws (articles 44 and 47) and the Board of Directors Regulations (articles 12 and 15). Both documents, as well as the composition of the Committee, are permanently available for consultation on the Bankia website: www.bankia.com.

In the 2017 period, the Appointments and Responsible Management Committee regulations were not amended.

The Appointments and Responsible Management Committee submitted a report on the Committee's activity to the Board of Directors, which report reflecting the tasks the Committee performed in relation to the duties thereof with regard to the 2016 period. This report was made available to the shareholders when the General Meeting was held on 24 March 2017.

REMUNERATION COMMITTEE

The regulation of the Remuneration Committee is included in the Bylaws (articles 44 and 47 bis) and the Board of Directors Regulations (articles 12 and 15 bis). Both documents, as well as the composition of the Committee, are permanently available for consultation on the Bankia website: www.bankia.com.

In the 2017 period, the Remuneration Committee regulations were not amended.

The Remuneration Committee submitted a report on the Committee's activity to the Board of Directors, which report reflecting the tasks the Committee performed in relation to the duties thereof with regard to the 2016 period. This report was made available to the shareholders when the General Meeting was held on 24 March 2017.

RISK ADVISORY COMMITTEE

The regulation of the Risk Advisory Committee is included in the Bylaws (articles 44 and 47 ter) and the Regulations of the Board of directors (articles 12 and 16). Both documents, as well as the composition of the Committee, are permanently available for consultation on the Bankia website: www.bankia.com.

In the 2017 period, the Risk Advisory Committee regulations were not amended.

The Risk Advisory Committee presented to the Board of Directors an annual report on its activities, in which is reported the tasks carried out by the Committee in relation to its specific functions regarding year 2016.

BOARD RISK COMMITTEE

The regulation of the Board Risk Committee is set forth in the Bylaws (articles 44 and 48) and the Board of Directors Regulations (articles 12 and 16 bis). Both documents, as well as the composition of the Committee, are permanently available for consultation on the Bankia website: www.bankia.com.

In the 2017 period, the Board Risk Committee regulations were not amended.

The Board Risk Committee presented to the Board of Directors an annual report on its activities, in which is reported the tasks carried out by the Committee in relation to its specific functions regarding year 2016.

MONITORING AND SUPERVISORY COMMITTEE FOR THE BANKIA AND BANCO MARE NOSTRUM MERGER PROCESS

The Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process regulations are governed by the Final Provision of the Board of Directors Regulations, which was added to the Regulations by virtue of a Board decision dated 24 March 2017. The Board of Directors Regulations and the membership of the Committee are permanently available for reference on the Bankia website: www.bankia.com.

C.2.6 Section removed.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain the procedure, if any, for approving related-party and intragroup transactions.

Procedure for reporting the approval of related-party transactions

According to article 35 of the Board of Directors Regulations of Bankia, S.A., the Board of Directors shall review the transactions the Company engages in, directly or indirectly, with directors, shareholders or persons related to them.

Engaging in such transactions will require authorisation of the Board, after a favourable report from the Audit and Compliance Committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in applicable regulations.

There will be no obligation to advise the Board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions:

- a) they are pursuant to contracts the terms of which are basically standardised and customarily are applied to customers contracting for the type of product or service in question;
- b) they are at prices or tariffs established on a general basis by the one acting as the supplier of the goods or services in question or, when the transactions relate to goods or services for which there are no established tariffs, they are on customary market terms, comparable to those applied in commercial relationships maintained with customers having similar characteristics; and
- c) the amount is no more than 1% of the Company's annual revenue.

Transactions with directors in any event will be subject to the authorisation referred to in this article, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the Board of directors, simultaneously satisfying conditions (a) and (b) as set forth in section above.

A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in Article 35 of the Board of Directors Regulations.

D.2 Give details of transactions deemed significant due to the amount or relevant due to the aspect between the company and companies of its group, and the significant shareholders in the company:

D.3 Give details of transactions that are significant due to amount or that are relevant due to the nature between the company and companies of its group, and the managers and directors of the company:

D.4 Report on the significant transactions between the company and other entities in the same group provided they are not eliminated in the process of preparing the consolidated financial statements, and are not part of the normal company transactions with regards to purpose and conditions.

At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:

D.5 Indicate the amount of the transactions with other related parties.

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

Article 32 of the Board of Directors Regulations regulates the situation of conflicts of interest. This article place the obligation for directors to notify the Board of director's any situations of direct or indirect conflict of interest they, or persons related to them, may have the interests of the Bank. Also, article 31 of the Board of Directors Regulations, directors must refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest.

In addition, under the scope of the Internal Rules of Conduct for Securities Markets activities (RIC), article 37 establishes the duties of covered persons and article 38 the general rules for managing conflicts. The mechanisms for detecting conflicts of interest are based fundamentally on the obligation to disclose to Regulatory Compliance Department any situation of conflict of covered persons.

On the other hand, the Bankia Group has a Code of Ethics and Conduct which must be complied with by all persons who have any type of professional relation with the group. The purpose of the Code of Ethics is to establish ethical principles and general rules that shall shape the Group's activities and the individuals subject to the Code, both within the Group and in relations with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations.

The Group has a Confidential Whistleblowing Channel, where the staff can report any irregularities they detect in the compliance with the Code of Ethics and Conduct, involving directors, employers or suppliers. The Ethics and Conduct Committee are ultimately responsible for resolving conflicts of interest and its decisions are binding.

To resolve possible conflicts of interest between BFA and other group companies, efforts have been made to promote best practices in good governance in respect of relations between BFA and Bankia, including the signing of a Framework Agreement in 2011, which was updated on 28 February 2014. The objectives of this agreement are (i) to establish relations between both entities and between their respective group companies and ensure an adequate level of coordination, thereby minimising and regulating each company's areas of activity - at arm's length - and potential conflicts of interest that could arise in the future, (ii) to regulate the procedure to be followed should the members of Bankia's Board of Directors find themselves in a situation that conflicts directly or indirectly with the interests of BFA, establishing the obligation to declare this situation of conflict and refrain from taking part in the deliberation and discussion of issues at the heart of the conflict, (iii) to regulate information flows between Bankia and BFA to ensure both parties comply with their statutory accounting, tax and reporting obligations. In the event that a director is a member of the Boards of both BFA and Bankia, they shall refrain from being involved in the matters set forth in the Framework Agreement.

Regarding related-party transactions, the Framework Agreement establishes that related party transactions will be governed by the principles of transparency and the undertaking or render thereof on reasonable and equitable market terms, preferred treatment, and following diligence and confidentiality criteria. Bankia's Audit and Compliance Committee shall formally issue its opinion, by means of a report to the Company's Board of directors, on whether the related-party transactions are at arm's length. Following a favourable report from the Audit and Compliance Committee, the Board of directors shall approve all related-party transactions. Section 6.6 of the aforementioned Framework Agreement establishes the requirements to be met in the event of Bankia were to grant financing to BFA.

In addition, on 17 December 2015, the Board of Directors approved the Conflict of Interests Policy of Bankia, S.A., which sets forth the procedures for preventing conflicts of interests.

The Conflict of Interest Policy was updated by the Board of Directors on 27 October 2017. In conformity with said Policy, a conflict of interest is understood to exist when there is a direct or indirect contradiction, clash and/or incompatibility between the social interests of Bankia or any other Group company and the interest of its (i) directors; (ii) senior management personnel, (iii) shareholders, (iv) employees, (v) suppliers; or (vi) clients; or third parties directly or indirectly related thereto; or between clients.

D.7 Is more than one Group Company listed in Spain?

Yes

No

Identify the subsidiaries listed in Spain:

Subsidiarie Listed

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies:

Define any business relationship between the parent Company and the subsidiary listed company, and between this and the other companies of the Group

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms to resolve any possible conflicts of interest

RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risks Management System, including tax risks.

Risk management is a strategic pillar in the organisation. The primary objective of risk management is to safeguard the Group's financial stability and asset base, while creating value and developing the business in accordance with the risk appetite and risk tolerance levels set by the governing bodies. To this end, the Organization provides tools that allow for the assessment, control and monitoring of the requested and approved risk, delinquency management and the recovery of non-payment risks.

The Group's risk strategy is implemented with the aim to guarantee stable and recurring earnings, with an overall medium-low risk profile. To this effect, the key pillars of this strategy are as follows:

1. General principles governing the risk function.

2. Efficient risk governance.

3. An organizational model consistent with the risk function's general principals. In this regard and in keeping with the ECB's regulatory guidelines, the risk function management structure was updated in December 2017, bringing its activity under two specialised Corporate Departments:

- The Corporate Risk Department is responsible for defining all of the bank's risk management policies, creating and validating all risk methodologies and models and constituting a powerful and structured second line of defence in risk management, an aspect that is crucial for the bank's corporate governance. The following departments report to the Corporate Risk Department: the Global Risk Management Dept., the Market Risk and Operational Risk Dept., and the Risk Oversight and Control Dept.

- The Corporate Credit Risk Department is responsible for loan authorisation, monitoring and recoveries and for managing the real estate assets foreclosed by the bank. The following departments report to the Corporate Credit Risk Department: the Corporate Retail Loan Approval and Monitoring Dept., the Corporate Wholesale Loan Approval and Monitoring Dept., the Corporate Recoveries Dept., the Wholesale Customer Restructuring Dept., the Property Management Dept., the Debt and Portfolio Management Dept. and the Powers and Committees Dept.

4. A Transformation Plan, aimed primarily at enhancing the quality of reporting and providing better risk management tools. The initiatives identified for implementation over the 2016-218 period are as follows:

- Recoveries model: to make recovery more efficient by focusing more on specialisation and outsourcing tasks that generate less value.

- Lending enhancement: to achieve integrated customer management through a variety of promotion tools, contribute to the growth of the Group's lending portfolio with solvent customers and provide better customer service by reducing transaction response times.

- Early warnings: to improve the detection of impairments in the risk quality of our customers sufficiently in advance so that they can be managed appropriately, thereby minimising expected loss.

- Asset Allocation: to promote business development planning that targets the maximisation of economic value within the Risk Appetite and Tolerance Framework (RATF) and, at the same time, make inroads in cascading the RATF down so the business units have the necessary benchmarks for assessing whether their decisions are consistent with the risk appetite and tolerance statement.

- Risk culture enhancement: to extend and improve the risk culture in the Bank, mainly in respect of businesses, spreading the knowledge, the allowable criteria and suitable tools to steer lending growth to the portfolios/customers that best meet the Group's objectives.

- Development of Data Science in the risk function: The Group has initiated a project to develop and operate Big Data infrastructure that will allow for the better classification of both customers and non-customers using conventional and unconventional data.

• Internal Control:

In 2017 the internal control framework was further developed with the aim to provide an integral view of risks to ensure effective control thereof and the proper assignment of any roles and responsibilities involved in the strengthening of the governance framework.

• Tax risk:

A tax risk control procedure has been in place since 2015. The associated process describing this control is documented. In accordance with this procedure, all transactions approved by centralised committees or governing bodies are backed, where necessary, by an opinion from a tax advisor or, in his absence, a certified, external tax advisor. This is also required by the New Products Committee for the launch of each new product or service. For the remaining Committees, the groups responsible for making proposals must verify whether a tax opinion has been issued if so required in accordance with the established criteria.

Work will continue on the planned activities in the Entity's transformation process in 2018.

E.2 Identify the bodies responsible for preparing and implementing the risk management system, including tax risks.

On 26 June 2013, the European Council approved a regulation which, from 1 January 2014, made application of the capital agreements known as BASEL III effective for the entire European Union. This regulation is articulated in a capital requirements directive and a capital requirements regulation, known as CRD IV and CRR, respectively.

One of the main features of this regulation compared to previous regulations is the introduction of corporate governance as a core element of risk management. In this regard, Bankia answers fully to the spirit of the new regulation, with its governing bodies assuming responsibility for the oversight and control of risks:

- The Board of Directors is the highest governing body. It determines and approves the general internal control strategies and procedures, as well as the policies for the assumption, management, control and reduction of risks to which the group is exposed. It has several internal Committees, attributed different risk control and monitoring responsibilities.

- The basic responsibilities of the Audit and Compliance Committee include overseeing the efficiency of the internal control of the entity, the internal audit, where appropriate, and the risk management systems. Specifically, it is responsible for regularly reviewing internal control and risk management systems in order to properly identify, manage and report the main risks.

- Risk Advisory Committee. Article 38 of the Law on the Regulation, Supervision and Solvency of Credit Institutions (LOSSEC) establishes the need to create a Risk Committee whose members do not have executive duties. Therefore, in 2014, the Board Risk Committee was relieved of functions not related to authorisation of transactions (non-executive). These have been transferred to

the new Risk Advisory Committee, whose functions included those from the Board Risk Committee and those in the draft Royal Decree 84/2015 implementing the LOSSEC. The Risk Advisory Committee is currently the body responsible for overall risk management, taking the related decisions in accordance with the authorities delegated to it and being responsible for establishing and supervising compliance with the control mechanisms for the various types of risk, without prejudice to the supervisory authority legally corresponding to the Audit and Compliance Committee.

- The Board Risk Committee, with executive power and authority to approve the most significant transactions, may establish, as authorised by the Board of Directors, the overall limits in order for lower-ranking bodies to approve the others. With respect to credit risk, the risk approval structure and the risks, which due to their amount, are reserved for the Board Risk Committee are determined by the existing risk segments at any given time and the levels catalogued in accordance with their credit rating ("rating" or "scoring") based on models endorsed by the supervisor.

Furthermore, the risk function is mainly performed by the Corporate Risk Department (CRD) and the Corporate Credit Risk Department (CCRD), both of which report directly to the Chief Executive Director.

The following departments report to the CRD:

1. The Global Risk Management Dept.
2. The Market Risk and Operational Risk Dept.
3. The Risk Oversight and Control Dept.

And the following are the main departments that report to the CCRD:

1. The Corporate Retail Loan Approval and Monitoring Dept.
2. The Corporate Wholesale Loan Approval and Monitoring Dept.
3. The Corporate Recoveries Dept.
4. The Wholesale Customer Restructuring Dept.
5. The Property Management Dept.
6. The Debt and Portfolio Management Dept.
7. The Powers and Committees Dept.

E.3 Indicate the main risks, including tax risks, which may prevent the company from achieving its targets.

Macroeconomic risks: lower economic growth than expected would, in general, have an adverse impact on the business performance, provisions and margins.

Political risks: political uncertainty (governance difficulties, territorial issues, a fragmented parliament) could theoretically have a significant impact on the risk premium or hinder further improvement of the sovereign rating with the consequent impact in terms of growth and the general rise in funding sources for Spanish entities.

Regulatory risks: as a response by authorities to the mistakes that led to the international financial crisis, the financial sector has been subject to myriad regulatory reforms, which have considerably changed the way banks do business. In this respect, the Group continues to reinforce its corporate governance structure, as well as its capital and liquidity position, so that it can adapt successfully to the new banking business model in an increasingly competitive environment.

Using the conventional classification of risks generally used in the financial sector, Bankia analyses, measures and manages the following risks:

Credit risk

Understood as the risk of loss arising from the failure of a counterparty to meet its contractual obligations. This is the entity's main risk.

The loans and advances to customers continuing the trend of the last year, 33% in the wholesale segment (including public sector) and 67% in the retail segment.

Personal mortgages portfolio account for 59% of gross lending.

The credit risk affecting the total loan investment in the property development portfolio is 0.7% and highly provisioned.

Counterparty risk

Counterparty risk is the risk of loss for the Bank in its dealings in financial markets from the probability of a default by a counterparty in its contractual obligations.

Market risk

Market risk is the risk of loss caused by adverse fluctuations in prices of the financial instruments in which Bankia operates. Another risk related to market risk is liquidity risk.

As a result of the obligations assumed under the Recapitalisation Plan, the Entity has ceased its proprietary trading activity, thereby decreasing market risk in terms of VaR and the capital charge to cover this risk. The Restructuring Plan gears the Entity's activity in financial markets towards achieving two main goals: to provide services to customers (Franchise Banking) and to manage its own structural risks.

Activity in financial markets also exposes the entity to market liquidity risk, which arises from difficulties closing or covering positions due to an absence of counterparties in the market which can cause the price to be negatively affected in the case of sale.

Structural balance sheet interest rate risk

Structural balance sheet interest rate risk relates to potential losses in the event of adverse trends in market interest rates. Interest rate fluctuations affect both net interest income and equity. The intensity of the impact depends to a large extent on the different schedule of maturities and repricing of assets, liabilities and off-balance sheet transactions.

Liquidity and financing risk

Structural liquidity risk is defined as uncertainty, in adverse conditions, regarding the availability of reasonably-priced funds that allow for punctual compliance with commitments undertaken by the entity and for the financing of investing activity growth.

In addition to the various metrics, the entity has a clearly established a Contingency Plan, which identifies the alarm mechanisms and the procedures to follow in the event said plan is activated.

Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but not reputation risk.

Reputational risk

The Entity's approach includes mechanisms to assess, measure and manage new risks, enabling the Entity to respond quickly and efficiently to adverse situations that could pose reputational risk and result in financial losses. In this respect, the new corporate risk culture has led to a more demanding and rigorous risk management model embedded in the Entity's strategy and organisation that ensures comprehensive treatment of risks under the slogan "We are all risks".

Tax risk

In view of the possibility of sustaining a higher-than-expected tax effect on transactions, the reform to the Corporations Act included a series of measures designed to improve corporate governance, such as Tax Risk Management (TRM). Listed companies are obliged to manage tax risk appropriately and the Board of Directors of these companies is ultimately responsible in this respect.

E.4 Identify if the company has a risk tolerance level, including tax risks.

The entity has a Risk Appetite Framework that was approved by the Board of Directors.

Risk appetite is understood to be the level and type of risk that the Entity is prepared to accept in the course of its business to achieve its objectives, respecting regulatory restrictions and any commitments made. The Risk Appetite Framework establishes a set of elements that provide a complete view of the levels of appetite, tolerance and capacity for each of the risks and the comparison between same and the Entity's risk profile.

Furthermore, the Board of Directors approved the Capital Planning Framework which, together with the Risk Appetite Framework, sets out the Entity's strategic lines of action with respect to risk and capital in normal business circumstances. Both processes shape the planning of the Entity's activities and businesses.

The Recovery Plan (also approved and effective since February 2015) establishes the potential measures to be adopted in a hypothetical crisis situation. The measures would be triggered if the predefined level of any of the selected indicators in the plan were exceeded. They are consistent with those determined by the tolerance levels in the RAF.

Thus, the Board of Directors approved the necessary changes to the Risk Appetite statement, developing the relationship between the RAFT and the Strategic Plan, Business Model, Capital Planning, Recovery Plan and Budget, as well as the adaption of indicators, in order to adjust same to the various Supervisor requirements and to the risk control and monitoring needs.

E.5 Identify the risks, including tax risks that materialised during the financial year.

Credit Risk

The Bankia Group has reduced doubtful exposures, at 31 December 2017 amount EUR 12,117 million.

The decrease in the doubtful portfolio led to a reduction in the NPL ratio for loans and receivables to 8,89%.

Also worth noting is the breakdown of doubtful assets. At 31 December 2017, 45% of assets were classified in the doubtful category for subjective criteria or are in the "curing" period. Accordingly, no loans in this portfolio are past-due that imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay. This must be verified over a period of at least six months, but can be extended to the entire grace period where applicable.

Counterparty risk

To mitigate the risk of trading in derivatives with financial and non-financial institution counterparties, Bankia has entered into CMOF or ISDA framework contracts, which enable it to net negative and positive positions of the same counterparty. At 31 December 2017, there were 1,644 netting agreements. In addition, Bankia has collateral agreements (Appendix III of CMOF and CSA) to mitigate exposure of collateralisation to the market value of positions with the contribution of cash or bonds. There are currently 206 collateral agreements signed (115 derivatives, 78 repos and 13 securities loans). These agreements reduced the credit risk of the derivatives activity by 93.14%.

The value adjustment was EUR 111.57 million at 31 December 2017.

Market risk

Bankia's average VaR in 2017 was EUR 1.42 million, with a maximum of EUR 2.62 million and a minimum of EUR 0.78 million.

Interest rate VaR (EUR 1.13 million) follow FX VaR (EUR 0.23 million) accounted for the largest share of average VaR, both incorporate volatility VaR.

Structural balance sheet interest rate risk

In adverse movement in the yield curve could have a negative effect on the value of the Entity's assets and liabilities and its net interest margin. The rest of sensitivity measures calculated during the year were within the regulatory limits, which establish risk levels consistent with prudent management.

Liquidity and financing risk

The level of available liquid assets is very high and the reduction path of the commercial gap (loans less customer deposits) is allowing the Entity to cover its liquidity needs without needing to resort to the wholesale market. In addition, the Entity has sufficient liquidity contingency plans available for use in the hypothetical case of crisis of liquidity.

Operational risk

The operational risks materializing in the 2017 period is EUR 36.97 million. The most important operational risks relate to "execution, delivery and process management" (EUR 14.04 million) and "client practice" (EUR 12.03 million). These data do not include non-recurring losses relating to past behavioural risks (Annulled Shares, Preference Shares, Floor Clauses, etc.) with legal proceedings that are still in progress and are exceptional in nature.

E.6 Explain the response and monitoring plans for the most threatening risks, including tax risks, of the entity.

- Credit Risk. Credit risk is managed within the limits and guidelines established in the credit risk policy. It is supported by a set of tools that can be classified according to their functionality into the following categories:
 - o Risk classification.
 - o Risk quantification.
 - o Risk projection.
 - o Risk-adjusted return (RAR).
 - o Business revitalisation.
 - o Recovery management.
 - o Concentration risk management.
- Counterparty risk. The following overall limits are established to control Counterparty Risk:

Overall Risk Limit (risk ceiling from all of Bankia's operations with financial institutions), Fixed-income Underwriting Framework (covers underwriting for different issuers assuming final assumption of zero), Limit on Trading in Government Debt (ceiling on all Bankia's trading with an issuer that is a state-owned entity), Alco Portfolio Limit (structural portfolio allowing for fixed-income investment), and Derivatives Lines for Non-Financial Institutions (individual limits per counterparty).

To mitigate counterparty risk, the Entity performs daily analysis of exposures to counterparties in order to assess cumulative risk and control potential excesses, reconciles the derivative portfolios of each counterparty regularly and calculates daily the margins to be exchanged with counterparties that have a collateral agreement signed. In addition, it calculates, on a daily basis, the credit value adjustment (CVA), which measures the adjustment we must make to the value of derivatives assuming that they are risk-free to obtain their value adjusted for the risk of the counterparty's default.
- Market risk. Market risk is controlled through the establishment of limits based on VaR, calculated using the historical simulation method, sensitivity, maximum loss and size of the position. These limits are established according to maximum exposure approved annually by Senior Management and distributed among the different areas and business centres.

The main tools used to measure and control market risk are VaR with a 1-day time horizon and a 99% confidence level and sensitivity. The main movements in market factors used in sensitivity analysis are interest rates, equity prices, exchange rates, volatility and credit spreads.
- Structural balance sheet interest rate risk. The Entity has a structural risk management policies and procedures framework under which it monitors regulatory and other, stricter internal limits. Based on this, it controls and monitors the sensitivity of the interest

margin and the value of its assets and liabilities by simulating different interest-rate scenarios to complement regulatory scenarios. The measurement scheme covers the entire balance sheet (focusing on the impact of changes in interest rates on profit or loss) and on portfolios of held-to-maturity financial assets (mainly fixed-income).

- Liquidity and financing risk. To monitor this risk, the Entity has management policies and procedures in place that enable it to identify, measure, monitor and control the risks inherent in the management of liquidity and financing. The analysis includes different approaches, the liquidity gap in accordance with maturity and the financial structure, including the current/non-current ratio, as well as the calculation of different liquidity coverage ratios, underpinned by the regulatory liquidity ratio, based on different assumptions.

In addition, the Entity has appropriate liquidity contingency plans in place it may use in the hypothetical event of a liquidity crisis.

- Operational risk. In 2013, the Entity chose the standardised approach for calculating its capital requirements, subsequently making improvements in operational risk management on several fronts, including the real loss database and the extension of the self-assessment to all Group companies.

Bankia's operational risk management objectives are to foster a culture of operational risk management, especially with regard to risk awareness, assume responsibility and commitments, and service quality, ensure operational risks are identified and measured in order to prevent possible damages that could affect results.

Bankia performs Operational and Technological Risk Management that not only covers the recognition of events that generate losses and the accounting thereof, but also promotes the control thereof, in order to minimize potential negative effects through the continuous improvement of the processes and the reinforcement of operational controls.

Operational and Technological Risk Management must be implemented throughout the entity to contribute to the realisation of the institutional objectives, through the management, prevention and mitigation of associated risks.

(Keep on section H)

F INTERNAL RISKS MONITORING AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING (ICFR) PROCESS

Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.

F.1 The entity's control environment

Report, pointing out the main characteristics of at least:

F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective System of Internal Control over Financial Reporting (ICFR); (ii) its implementation; and (iii) its monitoring.

Article 4 of the Board of Directors Regulations expressly states the Board of Directors shall provide the markets with prompt, accurate and reliable information ("particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions"), and approve financial reporting the Company must regularly publish.

In addition, article 36.2 of the Board of Directors Regulations stipulates that "The Board will adopt the measures necessary to guarantee that quarterly, semi-annual and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles and policies as the annual financial statements and is equally reliable".

Meanwhile, the Audit and Compliance Committee's responsibility include, inter alia, supervising the preparation and filing of regulatory financial information and, in particular, reviewing the Company's accounts.

The Board of Directors has delegated in the Audit and Compliance Committee responsibility for overseeing that ICFR operates correctly.

Lastly, Senior Management is responsible for designing, ensuring and fostering the ICFR through the Corporate Financial Controller's Department, which shall perform any activities required to ensure the ICFR operates correctly.

F.1.2. The following elements, if existing, especially in relation to the process of elaborating the financial report:

- Departments and/or mechanisms in charge of: (i) designing and revising the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement throughout the entity.

Organisation Management is responsible for defining and proposing for adoption, in accordance with established regulatory requirements, strategic guidelines and policies, structure, size and functions of the Bank's different organisational groupings, as well as the operational procedures that regulate the performance of these functions in order to achieve the most efficient distribution of functions and resources possible.

It is also responsible for defining and making any changes to the functions attributed to the Bank's groupings, upholding the principles of segregation of duties and organisational efficiency, as well as preparing and keeping up to date the Bank's Operations Manual and publishing the organisational chart on the website, both the organisational structure, the Process Map, which provides an overall view of the Bank's key processes. Specifically, the latter provides information on the activities carried out, the parties involved in carrying them out and the tools used in the financial information management process.

Such updates are duly approved by the pertinent authorised party in accordance with the prevailing system of authorities and delegated responsibilities in place for Human Resources and Organisational matters and and properly communicated to the organization.

- Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the correct actions and sanctions.

The Bankia group has a Code of Ethics and Conduct, approved by the Board of Directors constituting one of the essential pillars of its System of Corporate Governance to create a corporate culture and extend behavior patterns based on corporate values: integrity, professionalism, commitment, and achievement orientation.

The Code of Ethics and Conduct is mandatory for all Bankia professionals and governs their relationships both within the Company and with customers, suppliers, shareholders and others that have dealings with Bankia. It sets the standards that must their behaviour in their daily work and in their decision making. It sets forth the rules and guidelines of professional conduct applicable to all employees and directors of the Entity and all the Bankia Group's businesses and activities.

The objective of the Code of Ethics and Conduct is to regular permitted and prohibited conduct and set out the ethical principles and general rules that must guide the actions of the Group and the people within the scope of application.

Bankia's Board of Directors and governing bodies are responsible for ensuring all activities focus on this goal, dealing with potential breaches and, if needed, taking corrective measures as and when required.

All people to whom the Code of Ethics and Conduct applies have received a copy. It has also been published on the corporate intranet and on the Company's website. In addition, a specific training programme sets up for all professionals of the Entity. The objectives of this programme include teaching these professionals how to apply Code of Ethics and Conduct correctly and report any behaviour that breaches the Code by using the Confidential Whistleblowing Channel.

Bankia has an Ethics and Conduct Committee, whose functions are decided by the Board of Directors. These include operating the measures necessary to handle ethically questionable conduct; overseeing compliance with the Code of Ethics and Conduct; as well as performing annual assessments of the degree of compliance with the Code and drafting reports for senior management.

- Whistle-blowing channel, which enables reporting of irregularities of financial and accounting nature to the Audit and Compliance Committee, in addition to possible breaches of the code of conduct and irregular activities in the organisation. Notifying whether these are confidential.

The Bankia Group has a Confidential Whistleblowing Channel provided for by the Code of Ethics and Conduct, which all Entity employees and suppliers may use to file a confidential, written report on any possible financial or accounting irregularities that may potentially relevant or on any other behaviour breaching the Code of Ethics and Conduct.

The Confidential Whistleblowing Channel has a set of regulations approved by the Audit and Compliance Committee setting out the mechanisms for receiving, filtering, classifying and handling reports submitted, all in accordance with the criteria issued by the Spanish Data Protection Agency in this respect, and guaranteeing confidentiality as it is managed by an external firm with road experience in the field which refers complaints, queries or suggestions to the Ethics and Conduct Committee.

Both the Code of Ethics and Conduct and the confidential whistleblowing channel are core elements of the crime prevention and detection model.

The Committee on Ethics and Conduct provides the Audit and Compliance Committee an activity report at the end of each period.

- Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.

Bankia has established mechanisms to ensure individuals involved directly in collating financial information and preparing and reviewing financial reporting have the professional skills and competence to perform such duties. In this respect, these individuals are continuously updated on prevailing legal requirements and are sufficiently able to efficiently perform their tasks and duties.

The Personnel Strategy and Policy Division of Bankia's oversees the Group's training activities and programmes, and keeps an up-to-date record of all training courses provided and the content thereof. Specifically, regular training and refresher courses are provided to personnel involved in the ICFR and its oversight that cover at least accounting standards, auditing, internal control and risk management.

As well as induction training, during the year further training may be provided to attend to specific training needs not envisaged at the offset, such as training in response to regulatory changes or in response to specific requests from departments for certain courses.

F.2 Financial Reporting Risks Assessment

At least reporting the following:

F.2.1. What are the main characteristics of the process of identifying risks, including those of error or fraud, with regards to:

- Whether the process does exist and is documented.

Bankia has developed a procedure to identify material areas and relevant processes that provide for potential risk events (including the risk of errors and fraud) that may significantly affect the Group's financial information.

This process is documented, setting out the frequency, methodology, types of risks, controls performed, and the frequency and supervisors of such controls, where the Corporate Financial Controller's Department is responsible for implementing and updating said process.

- Whether the process covers the entire objectives of the financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), if updated and at what frequency.

This procedure, it has been designed taking into account all financial reporting objectives (existence, occurrence integrity, valuation, presentation and disclosures, and rights and obligations), it is up dated once a year, using the latest financial information. However, this assessment will also be carried out whenever circumstances not previously identified arise that result in possible errors in the financial information or when substantial changes in transactions could lead to new risks.

- The existence of a process for identifying the consolidation perimeter, considering, among other things, the possible existence of complex corporate structures, instrumental or special purpose entities.

The Company therefore avails of a monthly procedure for updating and verifying the scope of consolidation performed by the - Corporate Financial Controller's Department. This procedure is based on the Group's consolidation tool and enables Bankia to ensure any variations in the scope of consolidation in the different reporting periods are correctly included in the Group's consolidated financial statements.

The Regulations of the Board of Directors also authorise the Board to approve resolutions concerning the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and the Group.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputation, environmental, etc.) in the manner in which they affect the financial statements.

The risk identification process takes account of the impact of other types of risks (e.g. operational, technological, financial, legal, tax, reputational, and environmental) to the extent that these could affect the Bank's financial reporting.

- Which corporate governance body supervises the process?

The Audit and Compliance Committee's duties include supervising the effectiveness of internal control and, specifically, periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed.

F.3 Control activities

Indicate, specifying their main characteristics, the existence of at least the following:

F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the ICFR, to be published at the stock market, indicating responsibilities, as well as the descriptive documents of cash flows and monitoring (even in connection with fraud risks) of the various types of transactions that could materially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgements, estimates, evaluations and relevant projections.

As stated in section F.1.1, the Board of Directors has delegated the authority to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

The main duties of this Committee are:

1.- Supervise the effectiveness of the Company's internal controls, internal audit, regulatory compliance and risk management systems and discuss with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit, all while safeguarding independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, along with the related follow-up period. In particular, regarding internal reporting and control systems:

- verify the appropriateness and integrity of internal control systems and review the appointment and replacement of those responsible for them;
- review and supervise the preparation and integrity of the financial information regarding the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements and the proper application of accounting principles;
- periodically review the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed;
- establish and supervise a mechanism whereby staff can confidentially report any irregularities with potentially serious implications they detect within the Company, in particular financial or accounting irregularities; and
- establish and supervise a system for preventing and detecting crimes that may result in criminal liability for the Company.

2.- Supervise the preparation and filing of regulatory financial information and make recommendations or submit proposals to the Board of Directors to safeguard the integrity of the financial information, and in particular:

- Report to the Board of directors, in advance, on the financial information that the Company must publish periodically;
- review the Company's accounts, to ensure compliance with legal requirements and proper application of generally accepted accounting principles, and report on changes to accounting principles and criteria proposed by management; and
- review issue prospectuses and any periodic financial information the Board is required to provide to the markets and market supervisory bodies.

The responsibilities of the Corporate Financial Controller's Department include, inter alia, overseeing accounting and tax management, and the preparation of the Group's periodic financial statements, as well as the financial information disclosed to the markets and regulatory bodies.

This Department is also in charge of designing, implementing, ensuring, regularly updating and fostering the System of Internal Control Over Financial Reporting (ICFR).

Depending on the nature and frequency of the financial reporting, different levels of responsibility have been assigned to different departments in the organisation:

- The preparation of regulatory half-yearly and annual financial information is the responsibility of the Corporate Financial Controller's Department, under the Chief Executive Officer.
- The preparation of quarterly financial information for analysts and investors is the responsibility of the Corporate Finance Department, under the Chief Executive Officer.

When preparing this information, the Corporate Financial Controller's Department and the Corporate Finance Department call on the support of the departments and/or units responsible for collating certain supporting information that has to be disclosed in the periodic financial reports. In addition, once the information has been prepared, and before it is published, these departments and units are also required to review and give final approval of the information under their responsibility.

Within the process of preparing half-yearly and year-end financial information, the Corporate Financial Controller's Department is responsible for the accounting records arising from the various transactions that took place in the Bank and the main control activities identified in the accounting close process based on the materiality thresholds defined. In this preparation, control procedures have been defined and implemented that guarantee the quality of information and its reasonableness ahead of its presentation to management.

In this respect, the Corporate Internal Audit Department is tasked with contributing, independently, objectively and in an advisory capacity, to the achievement of the institution's objective through the systematic evaluation of the Bank's risk management, management control and processes, issuing recommendations to enhance their effectiveness.

The Audit and Compliance Committee is also involved in this review, notifying the Board of Directors, previously, of its conclusions on the financial information that the Company must publish periodically.

Ultimately, the Board of Directors approves the financial information that the Company must periodically disclose. These duties are set forth in the Board of Directors Regulations, as described in point F.1.1 above. This approval is formalised in the minutes of the various Board and Committee meetings.

The description of the ICFR is examined by the Corporate Financial Controller's Department and the Corporate Internal Audit Department.

Within the framework of the specific controls and activities regarding transactions that may significantly affect the financial statements, the Bankia Group has identified material areas and specific risks, as well as significant processes in these areas, differentiating between business processes and transversal processes, and has documented in detail each of the processes, flows of activities, existing risks, mitigate controls, the frequency thereof, and those responsible for carrying out these activities.

Critical areas and meaningful processes are determined by applying quantitative criteria, complemented by qualitative criteria, to the main figures of the consolidated public financial statements, taking into account the defined materiality thresholds.

The business processes identified affect the following critical areas:

- Loans and receivables.
- Financial liabilities at amortised cost.
- Debt securities.
- Derivatives.
- Non-current assets held for sale.
- Investments.
- Tax assets and liabilities.
- Provisions.
- Fees and commissions for service transactions.
- Active and non-active treasury.

The transversal processes identified are as follows:

- Accounting close.
- Consolidation.
- Judgements and estimates.
- General IT controls.

Accordingly, the accounting close process includes the following phases:

- Accounting close process, including revision, analysis and control tasks to ensure that the monthly financial information offers a true and fair view of the Entity.
- Preparation of financial statements.
- Preparation of confidential financial statements for supervisory bodies.
- Preparation of public information.

The estimate and assumption process is supported by a specific Policy approved by the Management Committee, the purpose of which is to address the most relevant elements subject to assumptions and estimates, the classification thereof, generally used hypotheses and/or estimates (be they objective or subjective) and the individuals responsible for making them. This policy applies to balances and transactions identified as significant within the Bankia Group and that entail estimates or assumptions to an extensive degree due to the various tiers of the Group as a part of the process of preparing financial information, these mainly refer to the following:

- The fair value of certain financial and non-financial assets and liabilities.
- Impairment losses on certain financial assets, considering the value of the guarantees or collateral received and non-financial assets (mainly real estate), as well as the contingent liabilities.
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and obligations and another long term obligations.
- The estimate of costs to sell and the recoverable amount of non-current assets held for sale, investment properties and inventories acquired by the Group in payment of debt, by nature, condition and purpose.
- The useful life, fair value and recoverable amount of tangible and intangible assets.
- The recoverability of recognised tax assets.
- The estimate, at each date, of the potential impacts of legal proceedings and claims lodged against the Group in the course of its business.
- The estimate, at each date, of the potential impacts of the existence of tax assessments appealed and the results of tax inspections for the years open for review.

The supervisor of each of the affected areas is responsible for preparing the estimates. The Corporate Financial Controller's Department is responsible for gathering said estimates and presenting them to the relevant bodies for the notification and approval thereof.

Said estimates are presented at least on an annual basis to the Management Committee, prior to being included in the Group's Annual Accounts, where ultimately the Board of Directors is the body responsible therefor, as indicated in the Annual Accounts.

As part of the Entity's ICFR assessment process, in 2014 an internal certification process was designed and implemented to ensure the reliability of the half-yearly/annual financial information for its disclosure to the market. In this process, each person in charge of the key controls identified certifies, for the given period, the effective execution of the controls.

The Entity carried out two certification processes in 2017 for the preparation of the halfyearly and annual financial statements. No significant incidents were uncovered that could have a material effect on the reliability of the financial information.

For the preparation of financial statements, the Corporate Financial Controller presents the results of the certification process to the Board of Directors and the Audit and Compliance Committee.

Moreover, the Corporate Internal Audit Department carries out supervisory functions, as described in sections F.5.1 and F.5.2.

F.3.2. Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating them, operational continuity and separation of functions) that back the entity's relevant processes with regards to the elaboration and publication of the financial report.

The Corporate Financial Controller's Department prepares specifications for the policies and procedures concerning IT systems that are used to prepare and publish financial information.

The Information Security General Policy and Regulations rolled out across the Entity's IT systems are applied to the systems on which financial reporting is based and those used for its preparation and control.

The People, Resources and Technology Department is responsible for the Bank's IT and telecommunication systems. Its duties include defining and monitoring the security policies, circular and guides, and standards for applications and infrastructures, including the IT internal control model.

The key tasks assumed by this department in relation to IT systems are as follows:

- Surveillance and control data access and physical security systems.
- Surveillance and control data access and logical security systems.
- Back-up management.
- Management of scheduled tasks.
- Incident management.
- Systems incident management.

The Bankia Group has set of rules regulations, including the Information Security General Policy and Regulations, which are mandatory for all persons who process information, within which the General policy and the General safety regulations of information are integrated. These documents are available to all employees on the Corporate intranet.

The Information Security General Policy constitutes the general regulatory framework, setting for the responsibilities with respect to data protection and covering the general philosophy, the goals, the principles and the acceptable ways of proceeding with respect to information security, and constituting the first level of this set of rules and regulations. The objective is to adequately protect the information of the Bankia Group.

The General Security Regulations detail the actions and controls applied to protect the Bankia Group's information. Its aim is to support and facilitate the Policy. In this respect, it sets out governance of information security, defining the access-protection measures and controls, and implementation of the documented operational procedures and guidelines, which are reviewed periodically in order to manage security in applications. It defines the principles of segregation of duties, the management of back-up copies, the definition of responsibilities and functions regarding security, training and raising awareness among those who process data, as well as issues regarding confidentiality, integrity and availability of information and assets.

The Company's development process, which broadly encompasses the development of new applications or modification of existing applications and appropriate management of these projects, is based on maturity models that guarantee software quality and, especially, the appropriate processing of transactions and the reliability of information.

The Entity has a Business Continuity Policy that sets out the lines of action to prevent or minimise the potential losses for the Entity caused by a disruptive event. This policy also guarantees the Bankia has defined and tested strategies for each critical function that ensure its business processes are restored and recovered. These lines of action are reviewed periodically through a test plan to ensure that all continuity preparations are performed adequately and produce optimal results in the recovery of business processes.

Bankia also has eight information security operating processes and another five business continuity processes considered internal control procedures.

The Company has back-up architecture in its main processing centres. Back-up policies and procedures also ensure information is available and can be recovered in the event of a loss.

Back-up procedures and recovery plans are evaluated by independent units to ensure they are effective and that transactions involving financial information are appropriately processed and registered.

F.3.3. Policies and procedures of internal control aimed at supervising the management of activities sourced out to third parties, including the aspects of valuation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

The Bankia Group has a delegation policy for outsourcing services and functions approved by the Board of Directors, along with a governance model for outsourcing management of the delegation functions and services.

The delegation Policy for services and functions, understood as delegating to a third party the provision of services and/or exercise of functions inherent in the normal or typical provision of banking or investment services, outlines the criteria and guidelines necessary to address specific aspects of delegation to: comply with applicable legislation; identify, measure, control and management the inherent outsourcing risks (operational, reputational and concentration); and adopt appropriate measures to prevent or mitigate exposure to potential risks, in particularly when essential services or functions are outsourced.

The Bankia Group's outsourcing Delegation Policy for the services and functions is supplemented with information and monitoring procedures, which are applied until the outsourcing arrangement is concluded (including the preparation on reasons underlying the outsourcing, the arrangement of the outsourcing agreement, completion of the agreement until its conclusion, contingency plans, exit strategy). In this respect, it is supplemented with the supplements the Governance Model for Outsourcing Management. Among other things, implementation of model unifies the risk management procedures associated with the outsourcing, prevents functional overlaps and ensures regulatory compliance.

Before delegation outsourcing essential functions and services, the Entity conducts a feasibility study of the service or function, and selects and evaluates providers.

The feasibility study of the delegation service or functions to be outsourced takes into consideration, inter alia, the following factors: regulatory issues that affect the outsourcing; the impact of the outsourcing on the entity's business and the operational, reputational and concentration risks it could entail; the entity's ability to supervise the outsourced functions effectively and manage the risks associated with the outsourcing adequately and its experience in doing so; and preparation, application and maintenance of an emergency data recovery plan in the event of catastrophes and regular verification of IT security mechanisms as necessary in light of the outsourced function or service.

Providers are selected and evaluated in accordance with a number of factors to ensure: that they have the competence, ability and experience, necessary authorisations and permits to provide the outsourced essential service or function reliably and professionally that apply to the most relevant laws and regulations; that they effectively provide the outsourced service or function, supervision the correction provision and that they have personnel with appropriate training and experience; communicates any event that may significantly affect the effective performance of the delegated function or service; cooperates with the supervisory authority in all matters relating to the activities delegated to it; adequately manages the risks associated with the delegation, and to this end, it has appropriate measures to do this (to protect the confidential information of the entity and its clients and performs periodic back-up and information security tests); and establishes, implements and maintains an emergency and contingency plan to maintain its activity and limit losses in the event of serious incidents in the business.

The responsibility for the monitoring and continuous monitoring of the service's performance or functions performed by the supplier is primarily the organizational unit that manages the service in Bankia and, secondly, the Outsourcing Control Center. For the proper control and monitoring of the service, meetings are held periodically during the year with the provider, which are regulated in the contract in terms of assistants, periodicity and aspects to be addressed. Periodically produces reports on the monitoring, that in the case of essential services or functions are reported to the Board of Directors, upon review of its content by the corporate internal audit department.

In any event, no functions that are relevant or could materially affect the Group's financial information are currently outsourced by Bankia.

The Company contracts independent experts to obtain certain evaluations, calculations and estimates used to prepare the individual and consolidated financial statements published on the securities markets. In general, the main areas contracting such services are related to actuarial calculations, real estate appraisals, financial instrument valuations and investments/disposals.

In this regard, the individual person in charge of each affected area monitors the results of the reports produced to determine their consistency and reasonableness. The Corporate Financial Controller's Department also receives these reports, analyses them and compares the conclusions with the information disclosed in the financial statements.

F.4 Information and communication

Indicate, specifying their main characteristics, the existence of at least the following:

F.4.1. A specific function entrusted with defining, maintaining accounting policies updated (area or department of accounting policies) and resolving doubts and conflicts derived from their interpretation, maintaining constant communication with those in charge of the

transactions in the organisation, keeping the accounting policies manual updated and reporting to the units through which the entity operates.

The Corporate Financial Controller's Department, dependant of the CEO, is responsible for defining and updating the Bankia and Group's accounting policies and regulatory requirements. Its duties include the following:

- Analysing the accounting standards issued by the various pertinent authorities that could have an impact on the Group's financial statements.
- Maintaining and updating existing accounting manuals and plans.
- Analysing and calculating the accounting impacts of the Group's new products, businesses and operations.
- Referring to and interpreting accounting standards in order to draft basic announcements, policies, judgements and estimates for subsequent practical application.
- Coordinating communication with the supervisory accounting authorities.
- Coordinating work schedules and liaising with external auditors.
- Preparing reports on and developing specific rules.

Bankia's Corporate Financial Controller's Department is also responsible for receiving and resolving any doubts or disputes over interpretation of the accounting treatment of specific transactions in the Group, both the parent company and the subsidiaries included in the scope of consolidation.

The Accounting Policies Manual, approved by the Management Committee, is updated at least annually. Changes in new regulations and recommendations issued by the various bodies are included therein and communicated to all areas affected and published on the Corporate Intranet.

F.4.2. Mechanisms for gathering and preparation of financial information in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as detailed information about the ICFR.

The Bankia Group boasts IT systems and applications that enable it to aggregate and standardise the individual accounting records of the Group's business areas and subsidiaries to the required level of detail, in order to prepare the individual and consolidated financial statements disclosed to the markets.

The Corporate Financial Controller's Department is responsible for define accounting policies and procedures to be applied generally in the preparation of separate financial statements by companies that are majority owned by Bankia (subsidiaries hereinafter "companies" or "investees") for their reporting to the Group so it can prepare its consolidated financial statements, and compiling and listing Bankia's reporting obligations. It also regulates the minimum content of the reporting to be provided by Group companies and the deadlines for submitting such information.

Likewise, Bankia has a procedure in place for centralising the compiling of information corresponding to companies that compose the Group which includes the criteria and models to assure receipt of consistent information. There are also a series of controls implemented that allow the reliability and accuracy of the information received from the subsidiaries to be ensured.

The Corporate Financial Controller's Department is responsible for preparing public financial information of a regulatory nature.

F.5 Monitoring of the functioning of the system

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The activities of supervising the ICFR performed by the Audit and Compliance Committee, and of whether the entity has an internal audits system that is empowered to support the Committee in supervising the internal monitoring system, including the ICFR. Also provide information on the scope of the assessment of the ICFR performed during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

Bankia's Board of Directors Regulations establishes that the internal audit function shall fulfil the information requirements of the Audit and Compliance Committee needed to perform its duties

Bankia's Corporate Internal Audit Department, which reports functionally to the Audit and Compliance Committee and organically to the Chief Executive Officer. At 31 December 2017, the Corporate Internal Audit Department had 92 employees.

The functions of Bankia's Corporate Internal Audit Department include supporting the Audit and Compliance Committee in ensuring the internal control system operates correctly, by performing financial reviews of reporting procedures.

The Bankia Group's Corporate Internal Audit Department has annual audit plans which are submitted to the Committee of Audit and Compliance, for its favorable report, and which are subsequently approved by the Board of Directors. The reports issued refer, inter alia, to the assessment of risk management, internal control, corporate governance and IT systems processes, including an analysis of assets and their appropriate financial accounting classification.

The audit for the year 2017 Plan includes assessment activities that have covered aspects related with the process of preparation of the financial information. Furthermore, in the 2017 period, within the established rotation plan for the supervision of the internal financial information control system (SCIIF) and pursuant to the 3-year period recommended by CNMV, 12 of the processes identified at the Entity were reviewed. The scope for each of the reviewed periods is as follows:

- The sufficiency of the controls implemented to mitigate the identified risks.
- Evidence of execution of the controls identified in the ICFR documentation.
- The result of the self-assessment of controls defined in the last two semesters.

Procedures are in place in Bankia regarding the roll-out of action plans to correct and mitigate any weaknesses detected in the internal control system. An action plan is proposed and approved by the areas involved to resolve any weakness detected, which defines responsibilities and deadlines for implementing the action.

The Corporate Internal Audit Department regularly provides the Audit and Compliance Committee with outcomes of the verification and validation procedures performed by the audit teams, which also includes the action plans designed to correct the most significant weaknesses detected.

The minutes of the meetings of the Audit and Compliance Committee set out the activities performed in relation to supervision, planning (approval of the annual operations plan, allocation of responsibilities to implement the plan, etc.) and the review of the results obtained.

F.5.2. Whether there is a discussion procedure by which the accounts auditor (pursuant to the stipulations of the NTA), the function of the internal audits and other experts may report the significant weaknesses identified in the internal monitoring during the revision of the financial statements or all the others entrusted to them to the top management and to the audits Committee or to the directors of the entity. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

Bankia's Board of Directors Regulations establish the following responsibilities for the Audit and Compliance Committee:

- In relation to Internal Audit: safeguard the independence and effectiveness of the internal audit and regulatory compliance functions; proposing the selection, appointment and removal of the head of internal audit functions, who will report directly to the Company any incidents occurring during the audit and submit an activities report at the end of each year; propose the budget for those departments; receive periodic reports on their activities; and verify that senior management is acting on the findings and recommendations in its reports.
- With respect to the company's external auditors: "establish appropriate relations with the external auditors so as to receive information on matters that could jeopardise the external auditor's independence, so that they may be examined by the committee, and on any other matters arising from the auditing of the Company's accounts and, as appropriate, authorise the services permitted under the terms of EU legislation and regulations regarding independence, and make any other disclosures required under applicable legislation and auditing standards. In particular:
 - Act as a communications channel between the Board of directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements;
 - Receive regular information from the external auditor on the audit plan and its execution and ensure that senior management acts on the external auditor's recommendations;
 - Ensure that the external auditor meets, at least once a year, with the Board in full to inform it of the work undertaken and developments in the Company's risk and accounting positions;
 - Supervise compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;
 - Ensure the independence of the external auditor in the exercise of its functions.

In any event, the committee will also receive an annual statement from the external auditors certifying their independence in relation to the Company or entities directly or indirectly related to it, as well as detailed information about any additional services of any kind provided and the fees received from these entities by the independent auditor, or by individuals or entities related to it, in accordance with the laws on auditing.

The Audit and Compliance Committee will meet as often as called by resolution of the committee itself or its chairman, at least four times per year. One of its meetings will be used to evaluate the efficiency of and compliance with the Company's governance rules and procedures, and prepare the information the Board must approve and include in the annual public documentation.

Bankia's Internal Audit Department keeps senior management and the Audit and Compliance Committee continually updated about significant internal control weaknesses identified in the audits and the reviews performed during the year on Bankia's financial information, as well as the status of the action plans to mitigate such weaknesses.

Bankia's auditor has direct access to Bankia's senior management, holding regular meetings to obtain the information needed for it to conduct its work and to notify management of the control weaknesses detected during the audit.

In addition, the auditor regularly informs the Audit and Compliance Committee of the findings of its audit and review of Bankia's financial information, including any aspect that it deems relevant, and assists the aforementioned Committee when presenting financial information.

F.6 Other information of interest

Not applicable

F.7 Report from the external auditor

Report:

F.7.1. Whether the external auditor revised the ICFR information issued to the markets and, if so, the entity must include the corresponding report as annex. Otherwise, if that is not the case, the entity must provide its reasons.

In 2017, Bankia's external auditor reviewed the information contained in section F of the annual corporate governance report regarding ICFR in accordance with generally accepted professional standards in Spain regarding the engagement of the agreed procedures and, in particular, as provided for in the guidance document on the audit report on information provided by listed companies on their ICFR issued by professional bodies and auditors, and published by the CNMV on its website.

The external auditors' report is included as an appendix to the annual corporate governance report.

G DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the degree to which the company follows the recommendations of the Good Governance Code of Listed Companies.

In the event that a recommendation is not or is only partially followed, the entity should include detailed explanation of its reasons such that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of general nature shall not be acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

Explanation

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Compliant

Partially compliant

Explanation

Not applicable

3. During the annual general meeting the chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance,

supplementing the written information circulated in the annual corporate governance report, in particular.

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant

Partially compliant

Explanation

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

Partially compliant

Explanation

5. The Board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a Board approves the issuance of shares or convertible securities without preemptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant

Partially compliant

Explanation

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and Remuneration Committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant

Partially compliant

Explanation

7. The company should broadcast its general meetings live on the corporate website.

Compliant

Explanation

8. The audit committee should strive to ensure that the Board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

Partially compliant

Explanation

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

Partially compliant

Explanation

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of directors, with particular regard to presumptions or deductions about the direction of votes.

- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant

Partially compliant

Explanation

Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this report.

Compliant

Partially compliant

Explanation

Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant

Partially compliant

Explanation

13. The Board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant

Explanation

14. The Board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs; and.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of Board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

Partially compliant

Explanation

15. Proprietary and independent directors should constitute an ample majority on the Board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

Partially compliant

Explanation

16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Compliant

Explanation

17. Independent directors should be at least half of all Board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of Board places.

Compliant

Explanation

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a Board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Compliant Partially compliant Explanation

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant Partially compliant Explanation Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant Partially compliant Explanation Not applicable

21. The Board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a Board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant Explanation

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant Partially compliant Explanation

23. Directors should express their clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the Board, even if he or she is not a director.

Compliant Partially compliant Explanation Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant Partially compliant Explanation Not applicable

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of directors regulations should lay down the maximum number of company Boards on which directors can serve.

Compliant Partially compliant Explanation

26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant Partially compliant Explanation

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant Partially compliant Explanation

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant Partially compliant Explanation Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant Partially compliant Explanation

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant Partially compliant Explanation

31. The agendas of Board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need. For reasons of urgency, the chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant

Partially compliant

Explanation

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant

Partially compliant

Explanation

33. The chairman, as the person charged with the efficient functioning of the Board of directors, in addition to the functions assigned by law and the company's Bylaws, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the Board and, where appropriate, the company's first executive officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant

Partially compliant

Explanation

34. When a lead independent director has been appointed, the Bylaws or Board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the Board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant

Partially compliant

Explanation

Not applicable

35. The Board secretary should strive to ensure that the Board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant

Explanation

36. The Board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the Board's functioning.
- b) The performance and membership of its committees.
- c) The diversity of Board membership and competences.
- d) The performance of the chairman of the Board of directors and the company's first executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of Board committees.

The evaluation of Board committees should start from the reports they send the Board of directors, while that of the Board itself should start from the report of the nomination committee.

Every three years, the Board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant Partially compliant Explanation

37. When an executive committee exists, its membership mix by director class should resemble that of the Board. The secretary of the Board should also act as secretary to the executive committee.

Compliant Partially compliant Explanation Not applicable

38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee's minutes.

Compliant Partially compliant Explanation Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant Partially compliant Explanation

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board's non-executive chairman or the chairman of the audit committee.

Compliant Partially compliant Explanation

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant Partially compliant Explanation Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or Independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the Board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant Partially compliant Explanation

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant Partially compliant Explanation

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant Partially compliant Explanation Not applicable

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant Partially compliant Explanation

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated Board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of directors.

Compliant Partially compliant Explanation

47. Appointees to the Nomination and Remuneration Committee – or of the nomination committee and Remuneration Committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant Partially compliant Explanation

48. Large cap companies should operate separately constituted nomination and Remuneration Committees.

Compliant Partially compliant Explanation

49. The nomination committee should consult with the company's chairman and first executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant Partially compliant Explanation

50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the Board the standard conditions for senior officer contracts.

- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant Partially compliant Explanation

51. The Remuneration Committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant Partially compliant Explanation

52. The terms of reference of supervision and control committees should be set out in the Board of directors regulations and aligned with those governing legally mandatory Board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The Board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first Board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all Board members.

Compliant Partially compliant Explanation Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the Board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant Partially compliant Explanation

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant Partially compliant Explanation

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant Partially compliant Explanation

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant Explanation

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explanation

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to longterm value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant Partially compliant Explanation Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant Partially compliant Explanation Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant Partially compliant Explanation Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant Partially compliant Explanation Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explanation Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant Partially compliant Explanation Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant Partially compliant Explanation Not applicable

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. This section may include any other information, clarification or observation related to the above sections of this Report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption.

1.-OTHER INTEREST INFORMATION (I)

Bankia has a System of Corporate Governance approved by the Board of Directors and inspired by the Bankia Group's corporate values with respect to business ethics and corporate social responsibility: integrity, professionalism, commitment, closeness and focus on achievement.

This system is also underpinned by the principles of good governance assumed and developed by the Company in the Corporate Governance Policy, and as regards internal governance, by Definition of the Bankia Group Structure, approved by the Company's Board of Directors based on the recommendations of the Good Governance Code for Listed Companies approved by the Board of the CNMV in 2015.

Bankia's System of Corporate Governance comprises a set of internal policies, standards and procedures in accordance with prevailing legislation and the scope of corporate autonomy supported therein, ultimately aimed at satisfying the corporate interest, understood as the common interest of all shareholders of an independent, public limited company (sociedad anónima) focused on the profitable and sustainable pursuit of its objects and the creation of long-term value, which in the case Bankia entails a broad institutional and retail shareholder base.

Bankia's System Of Corporate Governance comprises mainly (i) Corporate Texts, (ii) Internal Procedures and Rules of Conduct and (iii) Corporate Policies.

(i) Corporate Texts:

- Bylaws.
- General Meeting Regulations.
- Board of Directors Regulations.

(ii) Internal Procedures and Rules of Conduct:

The Company and the Group also have other internal procedures and rules of conduct that comply with regulatory requirements in legal or statutory provisions, or those arising from good governance recommendations.

These include, among others, the following rules and procedures:

- Code of Ethics and Conduct.
- Internal Rules of Conduct for Securities Markets.

Said basic texts within the scope of codes of conduct are developed and complemented through other internal procedures and provisions, such as the Client Protection Regulations and the Confidential Whistleblowing Channel Regulations, as well as others addressing issues like of the prevention of money laundering and terrorist financing, all of which falls within the framework of Bankia's commitment to promote an ethical corporate culture and the fulfilment and advancement of the Entity's responsible behaviour.

(iii) Corporate Policies:

These policies determine the general principles and guidelines that regulate the governing bodies, duties, activities and processes of the Company and its Group, establishing a framework for action that grants legal security to the company and its Group. They are general in nature and permanent. They were approved by the Board of Directors, taking into account the relevant legal requirements, such as good governance recommendations.

Specifically, Bankia's System Of Corporate Governance includes, inter alia, the following:

- the Bankia Corporate Governance Policy and the Bankia Group Structure Definition Policy.
- the Policy on Information, Communication and Contacts with shareholders, institutional investors and proxy advisors.
- Director Selection Policy.

- Policy on the remuneration of directors and general managers or those who develop their functions of senior management.
- Policy on the selection and appointment of members of senior management.
- Risk management and control policies.
- Policy on investments and financing, which establishes the general guidelines and framework for action in these matters at Bankia and its Group, same being materialized in the entity's Strategic Plan.
- Responsible Management Policy.
- Dividend Policy.
- Policy on treasury shares.
- Conflicts of Interest Policy.

In the 2017 period, several Corporate Policies were reviewed and updated, in addition to the Bankia Corporate Governance System, in order to make some last changes thereto deriving from legal regulations and to adapt same to the changes in the Corporate Texts, as well as to include recent recommendations from the supervisory bodies.

2.-OTHER INTEREST INFORMATION (II)

SECTION A.1.

As a result of the absorption of Banco Mare Nostrum, S.A. (BMN) by Bankia, S.A., ratified by both entities' General Meetings of Shareholders on 14 September 2017, and for the purposes of satisfying the exchange deriving there from, Bankia increased its share capital to the nominal amount of EUR 205,630,814.00 by issuing and distributing a maximum of 205,630,814 ordinary shares with a nominal value of EUR 1 (€1.00) each.

The newly issued shares are ordinary, of the same and only class and series as those currently in circulation, and have the same rights as of the date the deed of merger is entered at the Commercial Registry of Valencia. Specifically, said shares, starting at said date, will confer the holders thereof the right to receive social gains in the same terms as the other holders of Bankia shares in circulation on said date.

The subscription of new shares was reserved for BMN shareholders by virtue of the merger exchange, where, in conformity of the terms of Article 304.2 of the Corporations Act, Bank shareholders have no right to preferential subscription.

Once the relative regulatory authorizations were granted, on 29 December 2017, Bankia and BMN granted the public deed of the merger, which was duly entered at the Commercial Registry of Valencia on 8 January 2018, effective as of 2 January 2018, the date on which it was submitted.

As a result of increase, the capital was set at 3,084,962,950,00 euros represented by 3,084,962,950 shares of a nominal value (€1.00) euro each.

SECTION A.2

On 12 December 2017 BFA, Tenedora de Acciones, S.A.U. sold part of its direct holding in Bankia, S.A., comprising 201,553,250 shares that represented 7.0% of the share capital. The transaction was effected through a private placement procedure between qualified investors.

On the same date and pursuant to the notice sent to the CNMV registries, Norges Bank reached a direct shareholding of 2.459% of Bankia share capital, and an additional 0.802% relating to voting rights through financial instruments. Furthermore, pursuant to the notice sent to the CNMV registries on 19 December 2017, Norges Bank reported that it reached a direct shareholding of 3.031% of Bankia share capital, and an additional 0.313% relating to voting rights through financial instruments.

Likewise, Invesco Ltd. communicated to the CNMV registries that it had reached a shareholding of 1.046% of Bankia share capital.

Also communicated is the fact that State Street Bank and Trust and Chase Nominees Ltd., in their capacity as international custodian/depository banks, appear in the Company's shareholder registry at 31 December 2017 as having shareholdings of 5.78% and 3.24%, respectively, of Bankia share capital. Nevertheless, the Company understands that said shareholdings are held on behalf of third parties, where no third party has, to the Company's knowledge, a shareholding equal to or greater than 3% of the share capital or voting rights.

Likewise, once the merger between Bankia and BMN was executed, considering that as a result of the merger exchange the FROB became a direct holder of 134,013,851 ordinary Bankia shares, BFA increased its capital by virtue of the non-monetary contribution of these shares, so that BFA held a participation consisting of 1,881,195,830 shares representing 61.03% of the capital of Bankia to January 31, 2018.

SECTION A.9.bis

The reported percentage of floating capital was calculated after deducting the percentage of capital held at 31 December 2017 by BFA, as a controlling shareholder, by the members of the Board of Directors and by the Company in treasury.

The percentage of floating capital calculated after also deducting the capital held by the other two shareholders that have notified the CNMV registries in December 2017 of their being significant shareholders (Norges Bank and Invesco Ltd) would be 34.53%.

SECTIONS C.1.2., C.1.3. AND C.1.7.

The appointments of the directors listed in this section were ratified at the General Meeting of Shareholders held on June 29, 2012, except for Mr. Antonio Ortega Parra, who was appointed by cooption by the Board of Directors on June 25, 2014. His appointment was ratified at the General Meeting of Shareholders held on April 22, 2015 and Mr. Antonio Greño Hidalgo, who was appointed director by resolution of the General Meeting of Shareholders held on March 15, 2016.

Mr. José Sevilla Álvarez, Mr. Joaquín Ayuso García, Mr. Francisco Javier Campo Garcia and Mrs. Eva Castillo Sanz were re-elected as directors by resolution of the General Meeting of Shareholders held on March 15, 2016.

Mr. José Ignacio Goirigolzarri Tellaache, Mr. Antonio Ortega Parra, Mr. Jorge Cosmen Menéndez-Castañedo, Mr. José Luis Feito Higuera, Mr. Fernando Fernández Méndez de Andés and Mr. Álvaro Rengifo Abbad were re-elected as directors as agreed by the Annual General Meeting of Shareholders held on 24 March 2017. On the same date the Board of Directors agreed to re-elect Mr. José Ignacio Goirigolzarri Tellaache as Executive Chairman of the Company.

At the Extraordinary General Meeting of Shareholders held on 14 September 2017, and as a result of the Common Draft Terms of Merger entered into by Bankia, S.A. and Banco Mare Nostrum, S.A., the agreement was made to appoint Mr. Carlos Egea Krauel as another external director, for a four-year statutory period, effective as of and contingent upon the entry at the Commercial Registry of Valencia of the deed of merger of Banco Mare Nostrum, S.A. by Bankia, S.A.

The effectiveness of the new director's appointment was also subject to the relevant regulatory authorisations, in accordance with the terms of Royal Decree 84/2015, of 13 February, which enacted Law 10/2014, of 26 June, on regulation, supervision and solvency of credit institutions.

Once the relevant regulatory authorisations were obtained, on 29 December 2017 Bankia and BMN granted the public deed of merger and the appointment of Mr. Carlos Egea Krauel, where same was duly entered at the Commercial Registry of Valencia on 8 January 2018. His registration as a director of the Entity was annotated in the Register of Senior Officials of the Bank of Spain on 12 January 2018.

SECTION C.1.12.

Mrs. Eva Castillo Sanz is Chairman of the Supervisory Board of Telefonica Deutschland GMBH.

SECTION C.1.15

- The line item "Remuneration of the Board of Directors (thousands of Euros)":

Includes remuneration of executive and non-executive directors.

On 17 October 2017 Mr. Álvaro Rengifo Abbad resigned as director. The amounts shown correspond to the period from 1 January to 17 October 2017.

The targeted amount of annual bonuses for the three executive directors was EUR 250 thousand per director in 2017. The data corresponding to the annual bonuses accrued by these three directors in 2017 is pending both definitive assessment and the permits and approvals contemplated in prevailing legislation.

The targeted amount of long-term bonuses for the three executive directors was EUR 150 thousand per director in 2017; note, however, that the sum of that remuneration and the annual bonus may not exceed 60% of their fixed remuneration. The data corresponding to the long-term bonuses accrued by these three directors in 2017 is pending both definitive assessment and the permits and approvals contemplated in prevailing legislation.

- The line item "Amount of accumulated pension rights held by current directors (thousands of Euros)":

Includes executive and non-executive directors' remuneration.

On 17 October 2017 Mr. Álvaro Rengifo Abbad resigned as director. The amounts shown correspond to the period from 1 January to 17 October 2017.

- The line item "Amount of accumulated pension rights held by former directors (thousands of Euros)":

The total amount corresponding to the rights accumulated and updated as at 31/12/2017 held by Mr. Rodrigo de Rato Figaredo, Mr. Francisco Verdú Pons, Mr. José Luis Olivas Martínez and Mr. José Manuel Fernández Norniella. The last contribution effected by Bankia was in the 2012 period.

SECTION C.1.16

- The line item "Total senior management remuneration (thousands of euros)":

Includes the target amount of annual and multiannual variable remuneration for 2017 amounting to EUR 1,218 thousand, although it is pending evaluation and final approval.

- Clarification of "members of senior management":

The internal auditor is included in this group Mr. Iñaki Azaola Onaindia, Corporate Manager of Internal Audit, to pursuant to the instructions for filling out this document.

SECTION C.1.17

Mr. José Ignacio Goirigolzarri Tellaeche is the natural person representative FROB, Chairman of BFA, Tenedora de Acciones, S.A.U.

SECTION C.1.19 (Keep)

Any proposal by the Board of Directors to dismiss an external director before the period of appointment stipulated in the Bylaws has elapsed should be based on and supported by a corresponding report from the Appointments and Responsible Management Committee. The Board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Appointments and Responsible Management Committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in good corporate governance recommendations.

Without prejudice to the above, directors must place their offices at the Board of Directors' disposal and, if the Board deems it appropriate, tender their resignation in the following cases according to article 23.4 of the Board of Directors Regulations as stated in Section C.1.21 of this report.

SECTION C.1.29

With regard to the merger process between Bankia and Banco Mare Nostrum, Mr. José Ignacio Goirigolzarri Tellaeche, in his capacity as Executive Chairman of the Company, and Mr. José Sevilla Álvarez and Mr. Antonio Ortega Parra, in their capacity as Executive Chairmen of the Company, informed the Board of Directors that, given their relationship as members of the Board of Directors of BFA, Tenedora de Acciones, S.A.U., in their capacity as Bankia Chairman and Directors, respectively, they had decided to abstain from participating in any deliberations and votes regarding the merger process, both during the preliminary study and analysis phase and thereafter, where appropriate, during the decision-making phase.

Consequently, the Chairman and the two Executive Directors of Bankia abstained from participating in any deliberations and votes among the Board of Directors on those matters related to the merger process between Bankia and BMN.

In this respect, 3 of the Board of Directors meetings held in the 2017 period were called and chaired by the Lead Independent Director, as deliberations and votes were held regarding matters related to said process, where only Independent Directors attended and voted at said meetings.

SECTION C.1.39

Regarding Bankia, S.A. as a mercantile company, whose Corporate name since 1995 was Altae Banco, S.A. In addition, it should be indicated that the Company auditing the Bank has formed part of the Andersen firm since 2001. Banco Altae, S.A. is not considered to have come from the former Banco de Crédito y Ahorros, S.A.

SECTION C.2.1

FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE.

Without prejudice to other tasks assigned to it by the Board, the Audit and Compliance Committee will have all the functions assigned to it under legislation, in particular and without limitation the following basic responsibilities:

- a) Reporting to the general meeting of shareholders on questions posed in respect of matters within the competence of the committee, in particular regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the committee in this process.
- b) Monitoring the effectiveness of the internal control of the Company, the internal audit, regulatory compliance, and systems for risk management, and discussing significant weaknesses in the internal control system detected in the development of the audit with the auditor, all without compromising its independence. For such purposes, the committee if applicable may submit recommendations or proposals to the board of directors and the corresponding term for their monitoring. In particular, regarding internal reporting and control systems:
 - verifying the appropriateness and integrity of internal control systems and reviewing the appointment and replacement of those responsible therefor;
 - reviewing and monitoring the process of preparation and the integrity of the financial information on the Company and, where appropriate, the Group, reviewing compliance with legal provisions, appropriate definition of the scope of consolidation and proper application of accounting principles;
 - periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed;
 - seeing to the independence and effectiveness of the internal audit and regulatory compliance functions; reviewing the annual work plan; proposing the selection, appointment and removal of the head of internal audit functions, who will report directly to the committee on issues arising in the conduct thereof and at the end of each year will submit an activities report; proposing

the budget for those departments; receiving periodic reports on their activities; and verifying that senior management is acting on the findings and recommendations in its reports. In particular, the internal audit function will respond to information requests received from the audit and compliance committee in the exercise of its duties;

-monitoring the performance of the regulatory compliance unit, the head of which will report directly to the committee on issues arising in the implementation of the annual work plan, and at the end of each financial year will submit an activities report;

-establishing and supervising a mechanism that allows employees, on a confidential basis, to communicate potentially significant irregularities, specially financial and accounting, arising within the Company, promoting compliance with the Code of Ethics and Conduct approved by the Company, verifying the functioning of the Ethics and Conduct Committee within the scope of its authority, which committee will submit an activities report to the audit and compliance committee at the end of each financial year; and

-establishing and supervising the existence of a model for prevention and detection of crimes that may result in criminal liability of the Company.

c) Monitoring the process of preparation and presentation of the required financial information and presenting recommendations or proposals to the board of directors, aimed at safeguarding its integrity, and in particular:

-reporting in advance to the board of directors on the financial information which the Company must make public on a regular basis;

-reviewing the Company's accounts, monitoring to compliance with legal requirements and proper application of generally accepted accounting principles, and reporting on proposed changes of accounting standards and principles suggested by management; and

-reviewing the issue prospectuses and the periodic financial information, if any, that the board is required to provide to the markets and market supervisory bodies.

d) Submitting to the board of directors proposals for selection, appointment, reelection and replacement of the auditor, taking responsibility for the process of selection, in accordance with the provisions of Community regulations, as well as the terms of its engagement.

e) Establishing the appropriate relationships with the external auditor to receive information regarding such questions as may result in a threat to the independence thereof, for review by the committee, and any others related to the process of auditing accounts and, when appropriate, authorising the permitted services, on the terms contemplated in the Community regulations and in the applicable rules regarding independence, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In particular:

-acting as a communications channel between the board of directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements;

-receiving regular information from the outside auditor on the audit programme and its implementation, and verifying that senior management is acting on its recommendations;

-ensuring that the external auditor at least annually has a meeting with the full board of directors to report to it on the work performed and the evolution of the accounting and risk situation of the Company;

-supervising compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;

-ensuring the independence of the external auditor in the performance of its duties and, to that end:

- maintaining relationship with the statutory auditor in order to gather information on any matters that may call the auditor's independence into question, as well as any other matters relating to the audit process, and engaging in such other communications with the statutory auditor as are provided for in the audit legislation and technical standards for audits;
- ensuring that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
- seeing to it that the remuneration of the external auditor for its work does not compromise its quality or independence;
- in the event of resignation of the external auditor, reviewing the underlying reasons; and
- supervising that the Company reports any change of auditor as a material disclosure, accompanied by a statement regarding the existence of disagreements with the outgoing auditor and, if applicable, the substance thereof.

In any event, annually it must receive from the external auditors a declaration of their independence as regards the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to and the corresponding fees perceived from such entities by the external auditor or persons or entities related thereto, pursuant to the rules regulating the activity of auditing accounts.

f) Annually, prior to the issue of the audit report, issuing a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised. This report in any event must contain a reasoned evaluation of the provision of each and every one of the additional services referred to in the preceding section that have been provided, taken individually and as a whole, other than the legal audit, as regards the scheme of independence of the auditors and regulations governing the activity of auditing accounts.

g) Examine and supervising compliance with these regulations, the Company's internal code of conduct for the securities markets, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and

compliance rules, and making the necessary proposals for improvement thereof. In particular, the audit and compliance committee is to:

- Supervise the shareholder and investor communications and relationships strategy, including small and medium-sized shareholders.
 - Periodically evaluate the adequacy of the Company's corporate governance system in order for it to fulfil its mission of promoting the interests of society and, as applicable, taking account of the legitimate interests of stakeholder groups.
 - Evaluate everything related to operational, technological and legal risks of the Company, independently of the powers that rest with the risk advisory committee and other committees for supervising risks.
 - Receive information and, if applicable, issue reports regarding measures disciplining members of the board of directors or senior management of the Company.
- h) Reporting to the board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, as well as and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- i) Reporting in advance to the board of directors on any matters within its remit envisaged by law, the bylaws and the board regulations.
- j) Any other functions entrusted to it or authorised by the board.

The provisions of paragraphs d), e) and f) of the preceding subsection will be understood to be without prejudice to the rules regulating auditing of accounts.

The Audit and Compliance Committee will also report to the Board on related-party transactions, before the Board makes any decision in this respect.

The Audit and Compliance Committee shall be informed of any fundamental changes or corporate transactions the Company is planning, so the Committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

FUNCTIONS OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

The Appointments and Responsible Management Committee will have general authority to propose and report on the appointment and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the Board, the Appointments and Responsible Management Committee will have the following tasks:

- a) assessing the skills, knowledge, 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, 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 to develop guidance on how to increase the number of the under-represented gender to achieve this objective. Also, the committee will ensure, that by providing new vacancies selection procedures do not suffer of 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 for selection of directors to 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, an activities report in relation to performance 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 aimed at 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, independently of the powers that rest with the risk advisory committee and other committees for supervising risks;

- q) coordinating the process of reporting non-financial and diversity information, in accordance with applicable regulations and international standards of reference, independently of the powers that rest with other committees.

The committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.

For better performance of its duties, the 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 performance of its duties, the appointments committee will take into account, inasmuch as possible and on a continuing basis, the need to ensure that the board of directors' decision-making is not dominated by one individual or by a small group of individuals such as could harm the interests of the entity as a whole.

FUNCTIONS OF THE REMUNERATION COMMITTEE

The Remuneration Committee shall be 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 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, including those that may have an impact on risk and the Company'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 managers' 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 committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.

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

FUNCTIONS OF THE RISK ADVISORY COMMITTEE

The Risk Advisory Committee will perform the following functions:

- a) Advising the board of directors regarding overall risk exposure of the Company, current and future, and its strategy in this regard, and assisting it in overseeing the implementation of the strategy.
Notwithstanding the foregoing, the board of directors will be responsible for the risks assumed by the Company.
- b) Ensuring that the pricing policy for assets and liabilities offered to customers takes full account of the business model and risk strategy of the Company. If it does not, the risk advisory committee will present the board of directors with a plan for correction thereof.
- c) Determining, together with the board of directors, the nature, amount, format and frequency of reporting on risks that is to be received by the risk advisory committee itself and the board of directors.
- d) Collaborating for the establishment of rational remuneration practices and policies. To that end, and without prejudice to the functions of the remuneration committee, the risk advisory committee will monitor whether the incentives policy contemplated in the remuneration system takes account of risk, capital, liquidity and the probability and timing of profits.
- e) Submitting risk policies to the board of directors.
- f) Proposing the risk control and management policy of the Company and the Group to the board of directors, by way of the Capital Self-Evaluation Report (Informe de Autoevaluación de Capital, or "IAC"), which in particular will identify:
 - The various kinds of risk, financial and nonfinancial (inter alia operating, technological, legal, social, environmental, political and reputation) to which the Company and the Group are exposed, including contingent liabilities and other off-balance-sheet risks within financial or economic risks.
 - The internal reporting and control systems to be used to control and manage the referenced risks, including contingent liabilities and off-balance-sheet risks.
 - The risk levels assumed by the Company.
 - The corrective measures to limit the impact of the identified risks, should they materialise.
- g) Referral to the board of directors of proposals for:
 - Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those deriving from the macroeconomic environment as related to the status of the economic cycle.

- Approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.
 - Periodic reports of the results of verification and control functions undertaken by the Company's units.
- h) Undertaking periodic monitoring of the loan portfolio of the Company and the Group, with the purpose of proposing to the board of directors the control of the adaptation of the risk assumed to the established risk profile, with particular attention to the principal customers of the Company and the Group and the distribution of risks by business sector, geographical areas and types of risk.
 - i) Periodically verifying evaluation systems, processes and methodologies and criteria for approval of transactions.
 - j) Proposing to the board of directors the evaluation, monitoring and implementation of the instructions and recommendations of supervisory entities in the exercise of their authority and, if applicable, referring proposals of actions to be taken to the board of directors, without prejudice to following the instructions received.
 - k) Verifying that the risk reporting processes of the Company are those appropriate for management of the risks assumed, and, if not, proposing such improvements as it deems to be necessary for correction thereof.
 - l) Proposing to the board of directors the Company's scheme of Credit Risk Authority.
 - m) Supervising the internal risk control and management function, the head of which will, at the end of each financial year, submit an activities report to the committee, and evaluating whether the risk unit has the processes, technical resources and human resources necessary for proper fulfilment of its functions in an independent manner, in accordance with the risk profile of the Company.

In particular, the risk advisory committee will supervise the functions of the risk unit in relation to:

- Assurance of the good functioning of the risk control and management systems, in particular that all important risks affecting the Company are appropriately identified, managed and quantified.
- Active participation in the elaboration of the risk strategy and in important decisions regarding the management thereof.
- Seeing to it that the risk control and management systems adequately mitigate the risks within the context of the policy defined by the board of directors.

For the proper performance of its duties, the risk advisory committee will have unrestricted access to the information on the risk status of the Company and, if necessary, to the risk management unit and specialised external advisors.

The Director of the risk unit will be a senior manager, meeting the requirements set forth in the applicable regulations and in the performance of his/her duties having direct access to both the board of directors and the board and advisory risk committees, that Director being removable in accordance with the provisions of applicable regulations.

FUNCTIONS OF THE BOARD RISK COMMITTEE

The Board Risk Committee shall have the following functions, among others:

- a) Make decisions within the scope of the authority delegated by the Board of Directors in risk matters specifically provided for in the Board's current delegation resolution.
- b) Within its scope of authority, set the overall preclassification limits for account holders or customer groups in relation to exposures by risk class.
- c) Report to the Board of Directors on risks that may affect the Company's capital adequacy, recurring results, operations or reputation.
- d) With respect to the approval of risk types other than credit risk, the authorities of the Board Risk Committee will be those delegated to it by the Board of Directors at any given time.

MONITORING AND SUPERVISORY COMMITTEE FOR THE BANKIA AND BANCO MARE NOSTRUM MERGER PROCESS

Once finished the process of merger, the Board of Directors in its meeting of January 25, 2018, and prior favourable report from the Audit and Compliance Committee, has agreed to extinguish the Monitoring and Supervisory Committee for the Bankia and Banco Mare Nostrum Merger Process and, consequently, modify the rules of the Board of directors by the removal of the aforementioned Disposal.

SECTION D.1

In 2017, the Audit and Compliance Committee reported, prior to approval by the Board of Directors, on the transactions that, in accordance with article 35 of the Board of Directors Regulations, are considered related party transactions.

SECTION D.2.

No significant shareholder, or parties related thereto, carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, pursuant to Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied on a half-yearly basis by the issuers of securities listed on secondary markets.

SECTION D.3

See note 43 of the individual annual accounts and note 46 of the consolidated annual accounts for 2017 of Bankia, S.A. as a supplement to this section and notwithstanding that they are not related-party transactions for the purposes of the provisions of Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied on a half-yearly basis by issuers of securities listed on secondary markets.

None of the members of the Board of Directors or other member of the Bank's senior management, or company in which these individuals are directors, members of senior management, significant shareholders, or any related parties thereto have carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, as far as the Bank is aware, pursuant to Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied by the issuers of securities listed on secondary markets.

SECTIONS D.4 and D.5

There have been no transactions with such characteristics.

SECTION E .6

Tax risk. In 2015 saw the implementation of tax risk control, the associated process describing this control was documented, as follows. All transactions approved by centralised committees or governing bodies are backed by an opinion from a tax advisor or, in his absence, a certified, external tax advisor. This is also required by the New Products Committee for the launch of each new product or service. For the remaining Committees, the groups responsible for making proposals must verify whether a tax opinion has been issued if so required in accordance with the established criteria.

SECTION G.6

The Company intends to draw up the reports of 2018 indicated in the recommendation sufficiently in advance of the Ordinary General Meeting of Shareholders. In particular, the annual report of the Audit and Compliance Committee is included in the information about the auditor's independence, related-party transactions and the functioning of the Audit and Compliance Committee.

SECTIONS G.37 AND G.38

The Bylaws and the Board of Directors Regulations allow the Board of Directors to create an Executive Committee. However, one has not been set up and no members to it have been appointed. Therefore, in accordance with article 45 of the Bylaws, when the Executive Committee is not constituted, the Board of Directors will retain its authority.

3.- OTHER INTEREST INFORMATION (III)

In terms of Corporate Governance, the Company is not subject to other than Spanish Legislation.

Institutional initiatives adhered to by Bankia:

- Code of Best Tax Practices of the Spanish Tax Authorities (CBPT). In 2016, the Board of Directors of Bankia agreed to adhere to the Code of Best Tax Practices of the Spanish Tax Authorities (CBPT). The Code of Best Tax Practices contains recommendations, which are undertaken voluntarily by the Spanish Tax Authorities and signatories, to enhance the application of the Spanish tax system by increasing legal security, mutual cooperation based on good faith and legitimate trust between the Tax Authorities and companies, and the application of responsible tax policies at companies with the knowledge of the Board of Directors.
Date of adhesion: March 31, 2016.
- The Code of Best Practices for the able restructuring of mortgage loans for normal residence. Adhesion to the Code is voluntary and implies accepting a series of mechanisms designed to enable the restructuring of mortgage loans of borrowers experiencing extraordinary difficulties in meeting their payment obligations, as set forth in Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgagors without funds.
Date of adhesion: April 10, 2012.
- Housing Social Fund (Fondo Social de Vivienda). The fund was created pursuant to an agreement spearheaded by the Economy and Competitiveness Ministry, the Health, Social Services and Equality Ministry, the Development Ministry, the Bank of Spain, the Spanish Federation of Towns and Provinces (FEMP), the Third Sector Platform (non-governmental organisations), the banking employers' association and 33 credit institutions. The Social Housing Fund provides housing to families in a particularly vulnerable situation that have been evicted since 1 January 2008 for non-payment of a mortgage loan or other regulated circumstances. Bankia has contributed 2,921 homes to the Fund.
Date of adhesion: January 17, 2013.
- United Nations Global Compact. Bankia promotes and embraces the 10 universal principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.
Date of adhesion: November 15, 2013.
- SpainSIF. Platform created in Spain to promote socially responsible investment (SRI). The platform includes financial institutions, fund managers, SRI service providers and not-for-profit organisations.
Date of adhesion: January 1, 2011.
- Forética (Forum for the Assessment of Ethical Management). A multi-stakeholder organisation that works together with companies to promote ethical and socially responsible policies based on the engagement and participation of all stakeholders through decision forums.
Date of adhesion: November 2012.

- Diversity Charter. Initiative framed under European Union non-discrimination policies implying a voluntary commitment to support diversity and non-discrimination in the workplace.
Date of adhesion: April 23, 2014.
- Fundación SERES (Responsible Society and Businesses). Spanish non-governmental organisation (NGO) comprising more than 100 companies set up to foster commitment of companies to improve society through responsible actions aligned to the strategy of each company that creates value for everyone.
Date of adhesion: July 29, 2014.
- Fundación LEALTAD. A not-for-profit organisation that offers individuals and companies independent, objective and consistent information on NGOs to help them decide which one to collaborate with, and guide them in monitoring their donations. This information is based on free analysis of transparency by the foundation of NGOs that request it voluntarily.
Date of adhesion: July 2, 2014.
- Fundación ETNOR (foundation for ethics in business and organisations). Non-profit organisation founded in 1991 to promote acknowledgement, dissemination and respect for the ethical values inherent to economic activity and the quality of public and private organisations and institutions.
Date of adhesion: November 5, 2015.
- Plan de Educación Financiera (financial literacy plan) of the CNMV and the Bank of Spain. Plan to spread a financial culture in society, providing tools and knowledge to aid in financial decision-making.
Date of adhesion: January 1, 2011.
- Asociación para la Autorregulación de la Comunicación Comercial (Autocontrol). Platform comprising self-regulation systems, as industry's response to the demands of society for guarantees of confidence and credibility in advertising, without intending to replace legal control, but rather to complement this was co-regulation.
Date of adhesion: January 1, 2011.
- The Spanish Association of Advertisers (Asociación Española de Anunciantes) is the non-profit professional association that represents advertising companies in the defence of their interests in all matters affecting commercial communication. It represents advertising companies (more than 200 associates) so that they can communicate and dialog with society ethically, responsibly and efficiently. The association defends the freedoms of communication and competition and seeks the recognition of the value of their brands' communication.
Date of adhesion: January 1, 2011.
- Spanish Association of Social Responsibility Directors (DIRSE). The purpose of this association is to know, define and demarcate the status of the profession of CSR managers with rigour and, accordingly, dignify their management function and professional performance. It also aims to identify and transfer to Spain the trends of similar associations in other countries that have provided inspiration.
Date of adhesion: December 16, 2015
- The Spanish Green Growth Group (Grupo Español de Crecimiento Verde) is an association that promotes public-private collaboration to make joint progress regarding environmental challenges, through solutions regarding climate change mitigation and adaptation, the decarbonisation of the economy and the promotion of a circular economy. This association encourages companies to participate in national and international debate forums and shares information to point out opportunities for Spanish companies.
Date of adhesion: November 2, 2017
- The Company and Society Foundation (Fundación Empresa y Sociedad) is an organization that drives social change through business innovation and promotes innovative ideas through studies, collaborative forums and services. It works through a permanent observatory on business, economy and society, and provides associative services to identify business solutions and contents, form part of innovation committees and collaborate with business work groups.
Date of adhesion: September 6, 2017
- Fundación Empresa y Clima (FEC). FEC is a corporate benchmark in the mitigation of and adaptation to climate change, which shares a commitment to environmental protection and the reduction of CO2 emissions in all industrial, financial, legal, and public awareness dimensions.
Date of adhesion: June 1, 2016.
- Dow Jones Sustainability Index (DJSI). Bankia was included in this index 2016, which recognises it as one of the most sustainable companies in the world. Only 28 banks in the world (of which 11 are European, including three Spanish banks) are included in the index. The DJSI evaluates companies' economic, environmental and social performance.
Date of adhesion: September 9, 2016.
- FTSE4Good Index. This is an internationally renowned index, in which Bankia was included for the first time in 2016. It is designed to facilitate investment in companies that manage their businesses in accordance with ESG (environmental, social and corporate governance) criteria and that are international benchmarks for sustainability (understood as corporate social responsibility).
Date of adhesion: December 30, 2016.
- CDP is an independent organization, not-for-profit organisation with the world's largest database of corporate information on climate change and representing more than 820 institutional investors. It provides the only global system for companies to report on their environmental impacts and the measures adopted to reduce them.
Date of participation: January 1, 2012.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 22/02/2018.

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

Yes

No