



NEW **CORPORATE**
GOVERNANCE
SYSTEM APPROVED

AUDIT AND COMPLIANCE
COMMITTEE AT THE
HELM OF **RESPONSIBLE**
MANAGEMENT

BANKIA PROVIDES
ONGOING TRAINING
TO THE BOARD



CORPORATE GOVERNANCE

One of Bankia's priority objectives is that its corporate governance be consistent with best domestic and international practices.



COMPOSITION OF
THE BOARD OF DIRECTORS
11 MEMBERS

MEETINGS OF THE BOARD
OF DIRECTORS IN 2015
18

BOARD MEMBER TERM
OF OFFICE
4 YEARS*

EVALUATION OF THE
BOARD OF DIRECTORS
ANNUAL

* Except serving directors: 6 years

GOVERNANCE MODEL

Bankia follows regulators' corporate governance recommendations, especially ensuring independent directors sit on its Board of Directors. The governance bodies are as follows:

GENERAL MEETING OF SHAREHOLDERS

It is the highest decision-making body regarding the matters within its authority given to it by law or the Bylaws, such as appointment and removal of directors, approval of the annual accounts, distribution of dividends, acquisition or disposal of assets, approval of Board remuneration policies, among others.

BOARD OF DIRECTORS

It is the body representing the bank. It has the broadest authority for its administration, except as to matters reserved to the General Meeting of Shareholders. Among its powers are approval of the strategic or business plan and management objectives and annual budgets, as well as investment, financing, corporate social responsibility and dividend policy.

The Bankia Board of Directors has five committees, the members of which are appointed based on their suitability vis-à-vis their knowledge, skills and experience, and the duties of each committee.

BOARD OF DIRECTORS



José Ignacio Goirigolzarri Tellaeche

- Executive chairman

José Sevilla Álvarez

- Chief Executive Officer

Alfredo Lafita Pardo

- Lead (independent) director

Antonio Ortega Parra

- Executive director

Joaquín Ayuso García

- Independent non-executive director

Francisco Javier Campo García

- Independent non-executive director

Eva Castillo Sanz

- Independent non-executive director

Jorge Cosmen Menéndez-Castañedo

- Independent non-executive director

José Luis Feito Higuera

- Independent non-executive director

Fernando Fernández Méndez de Andés

- Independent non-executive director

Álvaro Rengifo Abbad

- Independent non-executive director

Miguel Crespo Rodríguez

Non-director secretary

Antonio Zafra Jiménez

Non-director vice secretary

AUDIT AND COMPLIANCE COMMITTEE

4

INDEPENDENT
NON-EXECUTIVE
DIRECTORS

16

MEETINGS
IN 2015

- **Alfredo Lafita Pardo**
Chairperson
- **Joaquín Ayuso García**
- **Jorge Cosmen Menéndez-Castañedo**
- **José Luis Feito Higuera**

Miguel Crespo Rodríguez
Secretary

It monitors the effectiveness of internal control, internal audit, regulatory compliance and risk management systems, as well as the process of preparation and filing of mandatory financial information. It proposes the appointment, re-election and replacement of the external auditors and engages appropriately with them. It assesses compliance with the regulations of the governing bodies and the Bylaws, among other responsibilities.

REMUNERATION COMMITTEE

4

INDEPENDENT
NON-EXECUTIVE
DIRECTORS

10

MEETINGS
IN 2015

- **Eva Castillo Sanz**
Chairperson
- **Joaquín Ayuso García**
- **Jorge Cosmen Menéndez-Castañedo**
- **Alfredo Lafita Pardo**

Miguel Crespo Rodríguez
Secretary

It avails of general proposal-making and reporting powers on matters relating to the remuneration and other contractual terms and conditions of directors and senior officers. It reviews the remuneration programmes, considering their appropriateness and outcomes. It ensures transparency on remuneration, and verifies that the bank's remuneration policy is adhered to.

APPOINTMENTS COMMITTEE

4

INDEPENDENT
NON-EXECUTIVE
DIRECTORS

10

MEETINGS
IN 2015

- **Joaquín Ayuso García**
Chairperson
- **Francisco Javier Campo García**
- **Alfredo Lafita Pardo**
- **Álvaro Rengifo Abbad**

Miguel Crespo Rodríguez
Secretary

It has general authority to propose and report on the appointment and removal of directors and senior managers. It evaluates the necessary competencies, ability, diversity and experience in the Board of Directors. It defines the functions and skills needed by candidates to fill vacancies. It evaluates the time and dedication needed to effectively perform duties. It examines and organises succession plans in the governing bodies.

RISK ADVISORY COMMITTEE

3

INDEPENDENT
NON-EXECUTIVE
DIRECTORS

36

MEETINGS
IN 2015

- **Francisco Javier Campo García**
Chairperson
- **Eva Castillo Sanz**
- **Fernando Fernández Méndez de Andés**

Miguel Crespo Rodríguez
Secretary

It advises the Board of Directors on the institution's general risk appetite and strategy. It oversees the pricing policy, and presents risk policies and proposes to the Board the bank's and group's risk control and management policy through the Internal Capital Adequacy Assessment Report (ICAAR). It supervises the internal risk control and management function, and proposes to the Board the credit risk approval hierarchy.

BOARD RISK COMMITTEE

3

INDEPENDENT
NON-EXECUTIVE
DIRECTORS

1

EXECUTIVE
DIRECTOR

35

MEETINGS
IN 2015

● **José Sevilla Álvarez**
Chairperson

● **Francisco Javier Campo García**

● **Eva Castillo Sanz**

● **Fernando Fernández Méndez de Andés**

Miguel Crespo Rodríguez
Secretary

It has operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the Board. It is also responsible for guiding and administering powers conferred on lesser bodies. It approves material transactions and establishes global risk limits. It also reports to the Board of Directors on risks that may affect the bank's capital adequacy, recurring results, operations or reputation.



The members of the Management Committee are **1** José Ignacio Goirigolzarri, Bankia's chairman; **2** José Sevilla, chief executive officer; **3** Antonio Ortega, executive director and general director of People, Organisation and Technology; **4** Miguel Crespo, secretary of the Board of Directors; **5** Amalia Blanco, deputy general director of Communications and External Relations; **6** Fernando Sobrini, deputy general director of Retail Banking, and **7** Gonzalo Alcubilla, deputy general director of Business Banking.



TRANSPARENCY AND THE CAPACITY
OF SHAREHOLDERS TO PARTICIPATE
IN THE **GOVERNANCE OF BANKIA**

THE POSITION OF **LEAD DIRECTOR**
HAS BEEN IN PLACE SINCE 2013

INVOLVEMENT OF **INDEPENDENT
NON-EXECUTIVE DIRECTORS**
ON BOARD COMMITTEES

PROGRESS IN CORPORATE GOVERNANCE

One of Bankia's priority objectives is that its corporate governance be consistent with best domestic and international practices.

Specifically, in compliance with the requirements of both national and European banking rules, and following the good governance recommendations and principles in the guides of supervisors and regulators, the Board of Directors approved the Corporate Governance System in 2015. This comprises a general framework of internal rules affecting the bank and the other Bankia Group companies.

The Corporate Governance System monitors and ensures the appropriate functioning of internal governance, guaranteeing that the bank and its group are managed in a prudent and proper manner. The overarching aim of the system is to ensure social interest is satisfied, i.e. the common interest of shareholders of an independent public company that its corporate purpose is carried out in a profitable and sustainable manner and that it generates long-term value. Its priority objectives are the following:

- Proper distribution of functions within the organisation.
- Prevention and resolution of potential conflicts of interest.
- Establishment of a transparent framework for relationships between Bankia and its shareholders.

The System was developed pursuant to the group's corporate values regarding

business ethics and corporate social responsibility, and draws on the good governance principles assumed and developed by the bank as part of the recommendations of the Code of Good Corporate Governance.

A fundamental part of the Corporate Governance System is the set of regulations that serves as a means of internal control for the overall group. The set of regulations constitutes the internal rules regulating the bank's corporate governance and operations, and basically consists of corporate policies and texts, and internal rules and procedures concerning conduct. In particular, it consists of the following documents:

BYLAWS AND REGULATIONS

They include the Bylaws, which establish the general governance guidelines; the regulations of the governing bodies (Regulations of the Board of Directors and General Meeting Regulations), and other regulations and codes, such as the Code of Ethics and the regulations concerning Customer Protection, Securities Market Conduct and the Confidential Whistle-blowing Channel.

During 2015, Bankia approve several amendments to its Bylaws, General Meeting Regulations and Regulations of the Board of Directors to bring them into line with the corporate governance provisions set forth in several laws enacted in 2014 and 2015 (Planning, oversight and solvency of Credit



Institutions Act (Ley de Ordenación, Supervisión y Solvencia de Entidades de Crédito), Corporate Enterprises Act (Ley de Sociedades de Capital), the Audit Act (Ley de Auditoría), etc.) and the Code of Good Governance of Listed Companies approved by the Board of the National Securities Market Commission (CNMV) in February 2015.

The foregoing changes formalise and highlight the value of the good corporate governance practices the bank had already been implementing, regarding transparency and the capacity of shareholders of the bank to act in the governance of Bankia. This reinforces the appropriate shareholder information channels, and guarantees that Bankia has and provides the channels and mechanisms necessary to allow its shareholders to grant proxies; determining the rules applicable in the event of conflicts of interest, doubts regarding voting instructions and extension of the scope of proxies to matters not on the agenda (if any).

Further, the rules laid down in corporate documents on the duties and obligations of members of the Board of Directors, especially those concerning conflicts of interest, have also been reinforced. Provisions on the composition, functions and rules of conduct of the Board, the Regulations of the Board of Directors, and positions on the Board and on its committees have also been incorporated.

These changes complete those made regarding corporate governance over recent years and are a fundamental part of the bank's transformation process. In particular, in 2013 a lead director was appointed. This position strengthens the influence of independent non-executive directors on the Board of Directors and serves as a counterweight to the chairman's executive position.

The lead director directs the evaluation of the performance of the chairman, coordinates succession plans, guides the initiatives of the external directors and may request that the Board convene and include new items on the agendas of Board meetings.

In addition to the creation of lead director, over recent years the directors' terms of service have been reduced, the concept of independence has been reinforced pursuant to legislation, and a prominent role has been given to independent non-executive directors on the Board of Directors and the committees reporting to it.

CORPORATE POLICIES

They set the guidelines or principles governing functions, activities and processes, guaranteeing internal control and providing legal security. They are of a general nature and are intended to remain constant over time. In particular, the Board of Directors approved seven new policies in 2015 relating to the corporate policies signed off in response to legal requirements and recommendations on good governance:

GROUP STRUCTURE AND CORPORATE GOVERNANCE

It sets the general guidelines and principles for implementation within the group through its various subsidiaries and their respective governance bodies, as well as coordination among group companies.

BANKIA S.A. CORPORATE GOVERNANCE

It establishes the essential principles and elements of the corporate governance structure of the bank.

DIRECTOR SELECTION

It sets the requirements and criteria that the Board of Directors and the

7 NEW POLICIES APPROVED IN 2015

GROUP CORPORATE GOVERNANCE AND STRUCTURE POLICY
BANKIA S.A. CORPORATE GOVERNANCE POLICY
DIRECTOR SELECTION POLICY
SENIOR MANAGEMENT SELECTION POLICY
DIVIDENDS POLICY
CONFLICTS OF INTEREST POLICY
COMMUNICATION AND CONTACT POLICY

Appointments Committee are to take into account when selecting new members of the Board of Directors, as well as re-electing or ratifying those who are already directors. This policy encourages the appointment of a diverse range of individuals to the Board of Directors in terms of their knowledge, experience and gender.

SENIOR MANAGEMENT SELECTION AND APPOINTMENT.

It sets the requirements and criteria for selection and appointment of Bankia senior managers.

DIVIDENDS

It lays down the basic principles and criteria governing dividend distribution resolutions submitted by the Board of Directors for approval of the General Meeting or, if applicable, for interim dividends approved by the Board. It also establishes the obligations regarding publication of dividend-related matters pursuant to the principle of transparency.

CONFLICTS OF INTEREST

It sets the procedures for actions to prevent conflicts of interests of shareholders and members of the Board, as well as personnel of companies in the Bankia Group, with the bank, the parent company, other group companies and their customers.

COMMUNICATION AND CONTACT WITH SHAREHOLDERS, INSTITUTIONAL INVESTORS AND PROXY ADVISORS.

It encourages ongoing dialogue with each of the stakeholders in the bank, in particular shareholders and institutional investors and proxy advisors, the purpose being to establish sound and stable trust-based relationships and promote transparency in the social interest.



POWERS AND DELEGATIONS

These regulate delegation of decision-making authority for certain activities. They may complement certain policies and, in some cases, be of a temporary or tactical nature.

CIRCULARS

These are simple and understandable summaries of the regulations required to be known by all of the bank's professionals. They highlight the aspects of greatest impact on their operational functioning.



ANNUAL EVALUATION OF
SUITABILITY OF BOARD MEMBERS

ALL BOARD MEMBERS HAVE
RECEIVED TRAINING ON **SOCIAL
AND ECONOMIC** MATTERS

COMPLETE, CLEAR AND
UNDERSTANDABLE
INFORMATION ON **THE BOARD
REMUNERATION POLICY**

DIRECTORS

Through the Appointments Committee, the Board of Directors evaluates the competencies, knowledge, capacity, diversity and experience required of this body, and sets a target for the number of Board positions occupied by the minority gender group.

EVALUATION AND TRAINING OF DIRECTORS

The Chairman of the Board of Directors organises and coordinates regular evaluations of Board members with the chairperson of the Audit and Compliance Committee and the chairperson of the Appointments Committee. These evaluations are performed by an independent expert selected from among leading firms in the market.

Once a year, under the guidance of the lead director, the Board of Directors also evaluates the Chairman's performance, based on a prior report from the Appointments Committee.

Bankia carries out an evaluation of the suitability of the members of the Board of Directors, considering that members must be individuals with a track record of commercial and professional repute, and suitable knowledge and experience to perform their duties, and be in a position to properly govern the bank, without overlooking the suitability of the Board of Directors taken as a whole. Failure to satisfy these requirements will be grounds for removal of a director.

On the other hand, the entity has an ongoing training programme to broaden the knowledge of members of the Board of Directors regarding economic and social matters. The

content thereof is adapted on an annual basis in accordance with the needs of the directors, regulatory requirements and recommendations related to best international practices. In 2015, Board members received a total of around 100 hours of training.

CONTENT OF TRAINING PROVIDED

INVESTMENT PRODUCTS AND INSTRUMENTS

BUSINESS INTELLIGENCE

LABOUR MARKET: WORKFORCE SIZE AND WORKING CONDITIONS

TALENT MANAGEMENT

INTERNATIONAL TRADE

IT SECURITY

RISKS: SUPERVISORY REVIEW AND EVALUATION (SREP)

RISKS: PILLAR II

RISKS: ASSET ALLOCATION

REMUNERATION

Each year, the Board of Directors approves the director remuneration policy. This policy is put before the General Meeting of Shareholders and submitted to an advisory vote as a separate point on the agenda. The report includes complete, clear and comprehensible information on the approved policy for the year in progress, as well as any policy planned for future years.

Nevertheless, given the current circumstances of the bank, which has public financial support, the limitations on remuneration established by law are applicable.

The remuneration of Board members not performing executive duties, for example, is capped at a maximum of 100,000 euros per annum for all components of their pay. Moreover, no consideration is paid by way of per diems for attending meetings of the Board or the standing committees.

Executive director remuneration is capped at 500,000 euros per annum for

all categories, including compensation from within the group, while their variable remuneration cannot exceed 60% of this amount.

As proposed by the Remuneration Committee, Bankia's Board of Directors has identified targets that must be met for entitlement to variable remuneration, giving priority to fulfilment of the Restructuring Plan and defining the parameters for adjusting the types of risks affecting the institution's risk profile, taking into account the cost of capital and liquidity required.

Express approval is required from the Bank of Spain before variable remuneration can be paid, which if approved, will be settled three years after it is accrued, pursuant to prevailing rules.

Based on all of the foregoing, the distribution of remuneration among the members of the Board of Directors (see attached table) was the same as in 2014: executive directors received 500,000 euros, after waiving collection of variable remuneration, and independent non-executive directors, 100,000 euros.

*EXECUTIVE DIRECTORS
RECEIVED FIXED
REMUNERATION OF
500,000 EUROS LAST
YEAR, AFTER WAIVING
COLLECTION OF VARIABLE
REMUNERATION, AND
INDEPENDENT NON-
EXECUTIVE DIRECTORS,
100,000 EUROS*



REMUNERATION OF THE BOARD OF DIRECTORS

NAME	SALARY	FIXED	VARIABLE ⁽¹⁾	OTHER ⁽²⁾	PSC	PER DIEMS	TOTAL
Goirigolzarri Tellaeché, José Ignacio	498	0	0	2	0	0	500
Sevilla Álvarez, José	495	0	0	5	0	0	500
Ortega Parra, Antonio	500	0	0	0	0	0	500
Ayuso García, Joaquín	0	100	0	0	0	0	100
Campo García, Francisco Javier	0	100	0	0	0	0	100
Castillo Sanz, Eva	0	100	0	0	0	0	100
Cosmen Menéndez-Castañedo, Jorge	0	100	0	0	0	0	100
Feito Higuera, José Luis	0	100	0	0	0	0	100
Fernández Méndez de Andés, Fernando	0	100	0	0	0	0	100
Lafita Pardo, Alfredo	0	100	0	0	0	0	100
Rengifo Abbad, Álvaro	0	100	0	0	0	0	100
Directors total	1,493	800	0	7	0	0	2,300

Figures in thousands of euros.

MANAGEMENT COMMITTEE

	FIXED	VARIABLE	OTHER ⁽²⁾	PSC	PER DIEMS	TOTAL
Total	1,525	678	47	99	0	2,349

Figures in thousands of euros. Does not include the three executive directors

(1) The target amount of variable remuneration for 2015 for the three executive directors was 250,000 euros each. The executive directors waived their entitlement to variable remuneration for 2015.

(2) Corresponds to remuneration in kind for 2015.

CONFLICTS OF INTEREST

The detection and management of potential conflicts of interest is one of the priorities of the corporate governance policy. To that end, the bank has various reporting and decision-making mechanisms, the most notable of which are as follows:

- The directors must report to the Board any direct or indirect conflicts of interest they or their related parties may have with Bankia. Also, they must refrain from attending and participating in deliberations regarding matters directly or indirectly affecting them personally or their related persons.
- Board members must take the necessary measures to avoid situations in which their interests – either on their own account or someone else’s – can be in conflict with the bank’s interests and their duties towards it. They must also perform their duties under the principle of personal responsibility, freely using their judgment or criteria and independence regarding third party instruments and relationships.
- All directors must make a first declaration of potential conflicts upon becoming a director. The declaration must be updated immediately in the event of any change in the circumstances declared, or the appearance of new circumstances.



EMPLOYEES RECEIVED
TRAINING ON CODE OF
ETHICS AND CONDUCT

179

REPORTS RECEIVED
THROUGH THE
CONFIDENTIAL WHISTLE-
BLOWING CHANNEL SINCE
IT WAS LAUNCHED IN 2013

23

MEETINGS OF THE ETHICS
AND CONDUCT COMMITTEE

12

CORPORATE INTEGRITY

Bankia's Code of Ethics and Conduct has four cornerstones: ethical principles and values, corporate ethics, market integrity and ethics, and personal ethics.

CODE OF ETHICS AND CONDUCT

The Bankia Group has a Code of Ethics and Conduct. The Code sets out the rules and criteria on professional conduct that must be adhered to and applied by all the institution's staff and officers and across all the group's activities and businesses. The requirement of ethical standards of behaviour and corporate integrity is an indispensable requirement to preserve confidence in and respect for the bank.

The objectives of the Code of Ethics and Conduct are as follows:

- Regulate permitted and prohibited conduct by the institution.
- Establish the ethical principles and general rules to guide actions of the group and employees among themselves and in their relationships with customers, shareholders, suppliers and, in general, all persons and entities with which the group has direct or indirect relationships.

The Bankia Code of Ethics and Conduct has various elements:

ETHICAL PRINCIPLES AND VALUES

They are commitment, integrity, professionalism, proximity and a performance-focused approach.

CORPORATE ETHICS

The Code establishes the values that

must guide relations between the Bankia Group and its staff, customers, suppliers and society as a whole. In particular, institutional conflicts of interest are prevented using Chinese walls to avoid the possibility of abusive or unlawful use of the non-public information on its investment decisions and other activities obtained through its relations with customers, suppliers or privileged institutional relations.

ETHICS AND INTEGRITY IN MARKET DEALINGS

A series of procedures and controls has been defined and implemented to ensure compliance with international standards in this regard. In particular, policies have been established to prevent market manipulation and the use of insider information, and to encourage free competition and transparency. Policies have also been developed to prevent the commission of corruption offenses. Bankia in this regard has various control mechanisms and training plans for managers and other employees. There also are various specific recommendations combating corruption in contracting with suppliers, incentives and credit risk.

ETHICAL STAFF

Acceptance of any kind of gift, gratuity, income or fee in relation to transactions of Bankia and influencing matters that could give rise to actual or potential conflicts of interest are expressly prohibited.

The Corporate Governance System covers and guarantees proper functioning of internal governance, thus ensuring sound and prudent management of the bank and its group.

The group employees are required to know the Code of Ethics and Conduct, complying with it and cooperating in facilitating compliance therewith. This commitment includes reporting any indication or certainty of violation thereof of which they are aware through channels established for that purpose.

To facilitate application of the code and the internal flow of information, the Audit and Compliance Committee approved the establishment of a Confidential Whistle-blowing Channel. It may be used to report any non-compliance by way of an internal digital platform or by email.

The channel has a regulation approved by the Audit and Compliance Committee, establishing mechanisms for receiving, filtering, classifying and resolving reports of misconduct submitted, in accordance

with the criteria of the Spanish Data Protection Agency.

This channel is managed by a specialist firm outside the Bankia Group (currently PwC), overseen by the Ethics and Conduct Committee; ensuring all reports of misconduct received are analysed by an independent party, and that only those people who are strictly necessary to the investigation and resolution have access to the information. The reporting process is totally confidential and the anonymity of the communication through the channel is respected, except for those persons that are directly involved in responding and/or act to verify the reported facts.

The Code of Ethics and Conduct and the Confidential Whistle-blowing Channel are key elements of the crime detection and prevention model. Both tools are available on the Bankia corporate website and the employee intranet.

In application of the Code of Ethics and Conduct rules, during 2015 170

*THE CONFIDENTIAL
WHISTLE-BLOWING
CHANNEL IS MANAGED
BY A THIRD PARTY
ENSURING THAT ALL
COMPLAINTS RECEIVED
ARE HANDLED AT
ARM'S LENGTH*



REPORTS TO THE CONFIDENTIAL WHISTLE- BLOWING CHANNEL

11

sanctions were imposed for non-compliance therewith. The sanctioned practices were for breaching instructions/inappropriate conduct, financing of employees and third parties, violation of the Data Protection Act and falsification/manipulation. Of the total instances of non-compliance, 39 were considered to be very serious and resulted in 27 disciplinary dismissals and 12 demotions. The remaining 131 were resolved by way of written reprimands or warnings.

11 submissions received in 2015, one of which was an inquiry and ten complaints.

TYPE OF REPORTS OF MISCONDUCT RECEIVED	2014	2015
Market abuse		
Workplace bullying	1	1
Irregular conduct with suppliers	1	2
Misappropriation or syphoning off of resources	1	
Accounting and auditing aspects	1	2
Confidentiality or use of insider information		
Conflicts of interest	1	
Question/Suggestion	3	1
Falsification of contracts, reports or records		
Infringements regarding securities or equities trading		
Environmental protection		
Information security		1
Physical security		
Bribery or corruption		
Infringement of employee rights		1
Other	4	3
Total reports of misconduct submitted	12	11



EMPLOYEES RECEIVING
TRAINING ON THE PREVENTION
OF MONEY LAUNDERING AND
TERRORIST FINANCING

611

EMPLOYEES RECEIVING CRIMINAL
RISK PREVENTION TRAINING

10.560

EVALUATION OF ANTI-MONEY
LAUNDERING PROCEDURES

ANNUAL

INTERNAL CONTROL AND COMPLIANCE

Bankia has the necessary organisational structure and operating mechanisms in place to ensure the regulations governing its activity are complied with and it carries on its business in an appropriate manner.

PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM

The Bankia Group actively collaborates with the authorities responsible for overseeing and controlling compliance with Spanish laws designed to prevent the laundering of money from illicit activities and the financing of terrorism, which faithfully transposes the European Union directives on the matter. In this regard, Bankia has established mandatory rules and procedures concerning:

- Compliance with the rules in effect regarding prevention of money laundering and following the recommendations of domestic and international authorities.
- Implementing appropriate rules of action and control and communication systems to prevent use of the bank for money laundering.
- Establishing policies for the acceptance of customers and appropriate procedures for identification and knowledge of customers, guaranteeing that all employees know and observe them.

The Bankia Group has global policies on prevention of money laundering and the financing of terrorism that are binding on all group companies, their employees and collaborators. These policies are subject to ongoing review

to adapt them to legislative changes in the area. In order to guarantee compliance, each subsidiary and each grouping with greater exposure to the risk of money laundering has its own manager and a specific manual on prevention policies and procedures.

Bankia has appropriate systems and controls for proper segmentation of customers, products and transactions, based on the risk profile, the detection of suspicious operations and proper identification, acceptance and knowledge of its customers. According to legislation, anti-money laundering procedures are examined annually by an independent expert to detect any possible incidents and, if necessary, propose improvements. The results of the examination are referred to the Board of Directors.

The group is aware that the best form of prevention is to inform and raise the awareness of its staff, and therefore places special importance on training, which is provided through the institution's annual plans. In 2015, 611 group employees received training in this area.



PREVENTION OF CRIMINAL RISK

Bankia has a model of organisation, prevention, management and control of criminal risks that was approved by the Audit and Compliance Committee by delegation from the Board of Directors.

The Bankia criminal risk prevention model identifies the activities within the context of which the offenses to be prevented may be committed, as well as the necessary protocols and procedures to avoid behaviour that may result in criminal offenses. The model establishes implementation of controls (some of a general nature and other more specific ones assigned to previously appointed managers) and adopts the behaviour rules contained in the bank's Code of Ethics and Conduct.

In addition, the model incorporates a system of actions including measures to draw employees' attention to the importance of compliance with the controls and standards. In 2015, 10,560 group employees received training in this area.

The bank's criminal prevention manager, appointed by the Board of Directors, is the Chief Compliance Officer. This manager is responsible for supervision and verification of the existence of measures and procedures to reduce the risk of commission of the offenses..

MARKETING AND COMMUNICATIONS POLICY

Bankia has a firm commitment to compliance with and application of the principles and standards regulating the advertising of banking institutions. Thus all advertisements issued by the bank respect the values of truth, objectivity, loyalty and honesty.

The commitment to respect of the indicated values is reflected in:

- 1.** The existence of a Policy for Commercial Communications with Customers, approved by the Board of Directors. It sets forth the mandatory criteria and standards for the process of creation and launch of the bank's advertising.
- 2.** Bankia's membership of Autocontrol, an independent association for advertising self-regulation.

DATA PROTECTION AND INFORMATION SECURITY

Bankia has established a set of measures to guarantee appropriate application of the principles of and customer rights regarding data protection. The standards include instructions and provisions regarding the information that must be provided in data collection, the duty of secrecy and custody thereof, the need to obtain consent for processing thereof and the exercise of the rights of access, correction and erasure.

Information is one of the most important assets of Bankia. Therefore protection thereof is one of the priorities that must be met by persons processing Bankia information. The bank also has a legal and ethical obligation to guarantee, on the same terms, the information regarding its customers, collaborating entities and the competent governmental agencies.

Bankia directly assumes a very significant part of the responsibility for ensuring comprehensive security, as a financial institution serving those using its services. To that end, it has identified two broad areas of application: Information Security and Business Continuity Security.

Information Security protects Bankia information used to achieve its business objectives by way of application of the Bankia Information Security Rules, which are mandatory for all persons processing Bankia information.

The Business Continuity Policy establishes the capacity of the bank to respond to business interruptions or incidents, with the purpose of continuing operations, providing assurance to customers and complying with the legal and regulatory requirements regarding the matter.

INTERNAL CONTROL

The Corporate Internal Audit Department is responsible for overseeing and assessing the effectiveness of the bank's reporting, internal control, risk management and corporate governance systems. It is also charged with verifying compliance with internal and external regulations, regularly providing the bank's Audit and Compliance Committee and Senior Management with progress reports on and the results of the Annual Auditor Plan, proposed recommendations and the degree of completion thereof.

This reporting obligation is fulfilled by presenting an Audit Update Report to the Audit and Compliance Committee and Management Committee every three months.

Internal Audit's jurisdiction encompasses all of the group's activities. It has unlimited access to the information needed to carry out its duties and to all of the bank's premises. In the performance of its work, Internal Audit can contact and collect information from any director or employee in the organisation. The Corporate Internal Audit Department

COMPLETED AUDITS OF PROCESSES,
PRODUCTS AND CENTRES

257

COMPLETED AUDITS OF
THE AUDITOR PLAN NETWORK

835

FRAUD PREVENTION ALERTS

911

is also a member of and participates actively in several committees controlling the group's activity, such as the Regulatory Compliance Committee, the Ethics and Conduct Committee, the Operational Risk Committee and the Anti-money Laundering Committee.

Bankia's process map currently stipulates that Internal Audit's work encompasses six processes:

- Preparation of the Audit Plan.
- Audits of centres in the commercial network.
- Audits of processes, centres and systems.
- Follow-up of recommendations.
- Development of audit systems.

TAX POLICY

The promotion of responsible tax policy, the support for prevention and combat of fraud and the development of transparency programmes are principles ensuring sustainable and efficient development. There are key elements in promoting the confidence of the various stakeholders.

Bankia adopts specific measures for the management and control of tax risks, has implemented internal control systems and has approved policies governing the manner of acting to improve transparency, responsibility and good corporate governance in the corporate tax policy and tax risk management area.

It is the Board of Directors that determines the tax strategy, approves the risk (including tax risk) policy, supervises the internal reporting and control systems, approves investments that involve special tax risk, and approves the creation or acquisition of interests domiciled in tax havens. For its part, the Audit and Compliance Committee supervises the system for management of tax risks and reports to the Board on the creation or purchase of interests domiciled in countries or territories that are considered to be tax havens.

THE TAX PRINCIPLES GOVERNING BANKIA'S BUSINESS ARE AS FOLLOWS

TRANSPARENCY

Bankia maintains a transparency policy regarding its tax management and payment of its taxes, thus complying with the regulatory requirements related to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

COMPLIANCE WITH TAX OBLIGATIONS

Bankia at all times applies the tax regulations in effect in Spain, the territory within which it engages in all of its business, as well as the pertinent international guides and standards, e.g. the guidelines and action plans of the Organisation for Economic Cooperation and Development (OECD). Bankia files the tax returns required by the tax regulations, makes the corresponding self-assessments and pays its tax debts in Spain on a timely basis.

EXPOSURE TO TAX RISK

When analysing transactions with special tax risk, Bankia takes account of the short and long-term impact, corporate reputation for shareholders and customers, the relationship with governments and tax authorities, and other areas of the organisation.

THE BOARD OF DIRECTORS MUST APPROVE THE FOLLOWING TRANSACTIONS

TRANSACTIONS BETWEEN RELATED ENTITIES

Transactions between related entities are always carried out at market value.

TAX HAVENS

Bankia does not operate in tax havens for the purpose of evading its tax obligations.

STRUCTURES

Bankia does not use artificial tax structures aimed at tax evasion that are not in compliance with the spirit of local or international regulations.

COMPANY DIVESTITURES

Bankia diligently analyses the tax implications deriving from processes of divestiture in which it is involved, in order to clarify any kind of tax risk.

EMPLOYEES RECEIVING CYBER SECURITY AWARENESS TRAINING

2,396

USE OF TAX INCENTIVES

Bankia applies the tax incentives established by the regulations.

RELATIONSHIP WITH AUTHORITIES AND GOVERNMENTS

Bankia uses transparent and ethical channels of communication, both with tax authorities and with other public institutions and agencies. The relationships that Bankia maintains with public agencies are always guided by the principles of transparency, mutual confidence, good faith and loyalty between the parties.

EXTERNAL TAX ADVISERS

Bankia engages the services of independent experts of proven reputation. In no case does it engage persons or entities of dubious repute.

PRODUCTS MARKETED

The products marketed by Bankia that have potential tax advantages are in compliance with applicable tax regulations. The tax information provided to customers is transparent.

On 1 January 2016 the regulations related to automatic exchange of financial information (the Common Reporting Standard) entered into effect.

Bankia collects information on the countries of tax residence and tax identification numbers of the holders of accounts affected by the regulations. This information is periodically reported to tax authorities, which will exchange this information with the authorities of the other signatory countries.

INFORMATION SYSTEMS

The BFA-Bankia Group is immersed in a major transformation project: the

redesign of its information systems. The project affects the entire organisation since it covers all corporate information of a regulatory, analytical and commercial nature and that related with risks.

The goal is to move towards an information governance model that is on a par with the highest standards in the market and complies with RDA rules defined in the regulation on risks stemming from the demands of the Basel Committee on Banking Supervision.

The project has three lines of action:

- Organise information through a single repository and common vocabulary
- Optimise information provision and standardise and introduce more flexible mechanisms for using information
- Roll out an information quality control and governance model, creating the post of Chief Data Officer