



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

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.

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



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.