03.3
DIRECTORS.

THE ROLE OF THE DIRECTORS IS KEY FOR THE BANK TO FUNCTION EFFECTIVELY. BANKIA HAS ESTABLISHED THE NECESSARY MECHANISMS TO ENABLE DIRECTORS TO PERFORM THEIR DUTIES WITH INDEPENDENCE AND PROFESSIONALISM AND HAS TOOLS IN PLACE TO PREVENT CONFLICTS OF INTEREST.

RE-ELECTION

To ensure appropriate renewal of Board members, the General Meeting of Shareholders held in March 2016 renewed part of the Board, re-electing one executive director and three independent directors.

INDEPENDENCE

During 2016 the Board of Directors was made up of 11 directors, of which three were executive and eight independent. Thus, 72.73% of the Board's members qualified as independent. This composition meets the recommendation of the Code of Good Governance of Listed Companies that at least the half the Board be made up of independent directors. This recommendation has also been expressly incorporated in the bylaws and so is now a binding rule for the bank.

Furthermore, again in accordance with the recommendations of the Good Governance Code, the lead director has been given the authority to voice and organise the concerns of the non-executive directors, so as to channel any common positions they may wish to adopt.

ASSESSMENT

In coordination with the chairs of the Audit and Compliance Committee and the Appointments and Responsible Management Committee, the chairman of the Board of Directors organises the periodic assessment of the Board's performance, which is carried out annually by an independent expert appointed from among the most respected firms in the market.

Similarly, once a year, under the direction of the lead director, the Board of Directors assesses the performance of the chairman of the Board, based on a prior report by the Appointments and Responsible Management Committee.

Bankia also annually assesses the suitability of the directors. To do this, it considers the directors' business and professional standing, their knowledge and experience in relation to the functions to be performed and their ability to exercise good governance of the bank. Lack of any these requirements is grounds for removal.

PERCENTAGE OF INDEPENDENT DIRECTORS

72.73%

Directors also regularly receive the latest economic and financial news, as well as updates on responsible management, technological innovation and banking regulations.

TRAINING

The bank has in place a training programme for members of the Board of Directors to enable them to deepen and fill any gaps in their knowledge on economic and social matters. The content of this programme is adapted each year, according to each director's needs, regulatory requirements and recommendations regarding international best practices.

The subjects covered are very varied, including risks, business, asset management, legal compliance, capital calculation, corporate social responsibility and technological innovation.

CONFLICTS OF INTEREST

Detecting and managing potential conflicts of interest is one of the priorities of corporate governance policy. The bank has various information and decision mechanisms for doing this, most notably the following:

- Directors must notify the Board of Directors of any direct or indirect conflict they or persons related to them may have with the interests of Bankia. They must also refrain from taking part in deliberations and voting on resolutions or decisions in which they or persons related to them have a direct or indirect conflict of interest.

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- Directors must take the necessary steps to avoid situations in which their interests, whether acting on their own behalf or on behalf of others, conflict with the interests of the company and their duties to the company. They must also exercise personal responsibility in the performance of their functions, using their own judgment and acting independently of any instructions from or ties to others.
- All directors must make an initial statement of potential conflicts at the time of assuming the post. The statement must be updated immediately if the stated circumstances change or new circumstances arise.

€100,000

Maximum remuneration
of all kinds received by non-executive directors.

60%

Annual variable remuneration
maximum percentage of annual fixed remuneration

€500,000

Executive directors
Maximum amount received per annum.

Each year, the Board of Directors approves a report on directors' remuneration and submits it to a consultative vote of the shareholders in General Meeting, as a separate item on the agenda.

REMUNERATION

Each year, the Board of Directors approves a report on directors' remuneration and submits it to a consultative vote of the shareholders in General Meeting, as a separate item on the agenda. The report includes full, clear and comprehensible information on directors' remuneration for the current year and, where applicable, for future periods.

At present, because the bank has received public financial support, directors' remuneration is subject to legal limitations. For example, overall remuneration of all kinds for directors that do not perform executive functions is limited to a maximum of 100,000 euros per year. Nor do directors receive any kind of attendance fees for attending Board meetings or the meetings of Board committees.

The fixed remuneration of executive directors is not permitted to exceed 500,000 euros per year in aggregate, including remuneration received within the group, and their annual variable remuneration is not permitted to exceed 60% of that amount.

As regards variable remuneration, Bankia's Board of Directors, following the recommendations of the Remuneration Committee, has set the bank's objectives and gives priority to compliance with the Restructuring Plan. It has also set the parameters for adjusting the types of risk that affect its risk profile, taking into account the cost of capital and the need for liquidity.

In any case, variable remuneration requires authorisation from the Banco de España and, if authorised, will vest after three years, as required under applicable laws and regulations.

In 2016, for the first time in the last three years, the three executive directors earned variable remuneration in a total amount of 250,000 euros each. This remuneration will be paid in 2020 (60%), 2021, 2022 and 2023, half in cash and half in stock.

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REMUNERATION OF THE BOARDS OF DIRECTORS

NAME	SALARY	VARIABLE[1]	OTHER[2]	PSC	PER DIEMS	TOTAL
Gorigolzarri Tellaeche, José Ignacio	498	250	2	0	0	750
Sevilla Álvarez, José	495	250	5	0	0	750
Ortega Parra, Antonio	500	250	0	0	0	750
Ayuso García, Joaquín	0	0	0	0	100	100
Campo García, Francisco Javier	0	0	0	0	100	100
Castillo Sanz, Eva	0	0	0	0	100	100
Cosmen Menéndez-Castañedo, Jorge	0	0	0	0	100	100
Feito Higueruela, José Luis	0	0	0	0	100	100
Fernández Méndez de Andés, Fernando	0	0	0	0	100	100
Lafita Pardo, Alfredo	0	0	0	0	21	21
Rengifo Abbad, Álvaro	0	0	0	0	100	100
Greño Hidalgo, Antonio	0	0	0	0	61	61
Total consejeros	**1,493**	**750**	**7**	**0**	**782**	**3,032**

Figures in thousands of euros.

MANAGEMENT COMMITTEE

	FIXED	VARIABLE[3]	OTHER[2]	PSC	PER DIEMS	TOTAL
Total Management Committee	**1,565**	**725**	**48**	**124**	**0**	**2,462**

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

(1) In 2016 the executive directors earned a total of 250,000 euros (the set target amount), which they will receive from 2020. Of that total, 60% will be received in 2020 and the remaining 40% in 2021, 2022, and 2023. It will be paid 50% in cash and 50% in shares. These amounts are still awaiting final valuation and the authorisations and approvals required under applicable law.
(2) Corresponds to remuneration in kind for 2016.
(3) Includes the target amount of variable remuneration for 2016 of the four members of the Management Committee, which amounts to 725,000 euros, though still awaiting final valuation and approval.

The Appointments and Responsible Management Committee is responsible for assessing the competencies, knowledge and experience of Board members and defines the functions to be performed and the aptitudes required of the candidates for each post to be filled.

DIRECTOR SELECTION AND SUCCESSION PLAN

In compliance with legal requirements, the regulator's recommendations and corporate governance best practice, Bankia has a Director Selection Policy and a Senior Management Succession Plan.

The purpose of the Director Selection Policy, which is approved by the Board of Directors at the proposal of the Appointments at Responsible Management Committee, is to ensure that the bank has a Board of Directors made up of individuals with the necessary experience, knowledge and competencies to provide professional, independent supervision.

This policy is:

a) specific and verifiable.
b) ensures that the appointment and re-election proposals are based on a prior analysis of the Board of Directors' needs.
c) favours a diversity of knowledge, experience and gender.

The purpose of the Senior Management Succession Plan is to:

- Identify successors for the main management positions in the bank.
- Create effective development and career plans to ensure that candidates are prepared when the time comes.
- Detect succession weaknesses and establish action plans to remedy them.

Senior Management is understood to comprise:

- Chairman
- CEO
- Management Committee
- Corporate managers.

These plans are based on the following criteria:

- Structured, proactive management.
- Oriented to the organisation's present and also future needs.
- Integrated in the functions of the Board of Directors (Appointments and Responsible Management Committee and Lead Director).
- Annual review to update the plans, assess successors' performance, include new candidates, define additional development actions, etc.
- Career plans founded on job rotation as a means of ensuring significant learning and relevant professional experience, without excluding other types of action.