03.2 PROGRESS IN CORPORATE GOVERNANCE

BANKIA AMENDED THE BOARD OF DIRECTORS REGULATIONS TO INCLUDE THE RULES ON THE FUNCTIONING AND POWERS OF THE BMN MERGER MONITORING AND OVERSIGHT COMMITTEE AND DIRECTORS' OBLIGATION TO HOLD SHARES.

In March 2017 Bankia re-elected six members of its Board of Directors for a four-year term: two executive directors (José Ignacio Goirigolzarri and Antonio Ortega) and four independent directors (Jorge Cosmen, José Luis Feito, Fernando Fernández and Álvaro Rengifo, although the latter resigned from this position in October). With this renewal, the group complies with the recommendations of the European Central Bank (ECB), and the Board of Directors continues to have a large majority of independent directors, in line with corporate governance best practice.

In February 2017, after considering a favourable report from the Audit and Compliance Committee, the Board of Directors agreed to amend the Board Regulations to include the obligation that all Board members have an equity interest in the bank. The aim is to more closely align the interests of directors with those of the shareholders.

MERGER PROCESS

The bank also adopted various decisions in relation to the merger with BMN. In order to ensure total autonomy and independence in its actions, at the proposal of the lead director and after considering a report by the Audit and Compliance Committee, the Board of Directors approved the creation of the Bankia-BMN Merger Monitoring and Oversight Committee.

This Committee, which was dissolved in January 2018 once the legal merger had been completed, was made up of the lead independent director and chairman of the Appointments and Responsible Management Committee, who acted as chairman; the chairman of the Audit and Compliance Committee; the chairman of the Remuneration Committee; and the chairman of the Risk Advisory Committee.

The committee had power to inform, advise and make proposals and, in particular, was given the critical task of continuously monitoring the merger, both in its preliminary research phase and, where applicable, as regards compliance with the legal requirements established in the merger terms and conditions. The Committee reported to the Board of Directors on the progress of the merger, seeking in particular to protect the interests of the group and all its shareholders.

Furthermore, in order to ensure total independence of the Board of Directors to make decisions in the exclusive interest of Bankia, its three executive directors announced their intention to abstain in all deliberations and voting on the merger, given their ties as directors of BFA, Tenedora de Acciones, S.A.U.

BANKIA COMPLIES WITH ALL THE RECOMMENDATIONS OF THE CODE OF GOOD GOVERNANCE OF LISTED COMPANIES THAT ARE APPLICABLE TO IT.

COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

Bankia maintains its commitment to the Code of Good Governance of Listed Companies and compliance with its recommendations. Of the Code's 64 recommendations, the bank complies fully with the 59 that are applicable to it.

The other five recommendations do not apply to Bankia. They are Recommendations 2, 10, 11, 37 and 38, relating to disclosures about listed subsidiaries, the action to be taken if certified shareholders complete or submit new proposals in the General Meeting agenda, the payment of attendance bonuses at General Meetings and the creation of an Executive Committee. All these matters either do not arise or do not exist in Bankia.