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DIRECTORS

DIRECTORS ARE KEY TO THE BANK'S EFFECTIVE OPERATION AND THE DEFENCE OF ITS STAKEHOLDERS' INTERESTS.

One of the essential features of the Board of Directors' role is its independence. For that reason, Recommendation 17 of the Code of Good Governance of Listed Companies advises that at least half the directors should be independent. This recommendation has been expressly incorporated into article 38 of Bankia's Bylaws.

In compliance with that article, between 1 January and 17 October 2017 the bank's Board of Directors was made up of 11 directors, of whom three were executive and eight independent, which means that 72.73% of the Board members were independent. The proportion changed slightly on 17 October as result of the resignation of the independent director Álvaro Rengifo. From that date until the end of the year, independent directors accounted for 70% of the Board.

ASSESSMENT

Another fundamental aspect to ensure proper functioning of the Board of Directors is the assessment of the Board's work, which is performed each year by an independent expert appointed from among the top firms in the market. The assessment is organised by the chairman of the Board, in coordination with the chairmen of the Audit and Compliance Committee and the Appointments and Responsible Management Committee.

Once a year, under the direction of the lead director, the Board of Directors assesses the performance of the Board's chairman, taking the prior report issued by the Appointments and Responsible Management Committee as a reference.

Bankia also conducts an annual assessment of the suitability of each director, based on the requirement that directors be individuals of recognised business and professional standing, have the necessary knowledge and experience to perform their functions and be capable of exercising good governance of the bank. This is independent of the assessment of the suitability of the Board of Directors as a whole, which is also required. Failure to meet the suitability requirements is grounds for removal of a director.

CONFLICTS OF INTEREST

Detecting and managing potential conflicts of interest is another of the priorities in corporate governance. Bankia has a number of general principles that apply to conflict of interest management. These principles are implemented and supplemented by the provisions of various internal regulations, including the corporate governance policy itself, the Code of Ethics and Conduct and the regulations of the Board of Directors, the General Meeting of Shareholders and on conduct in the securities markets.

For directors the main obligations are as follows:

- They must take the necessary steps to avoid finding themselves in situations in which their own interests or those of other persons 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.
- 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 or voting on resolutions or decisions in which they or persons related to them have a direct or indirect conflict of interest.

MORE THAN 70% OF BANKIA'S DIRECTORS ARE INDEPENDENT.

THE GROUP ASSESSES ITS DIRECTORS' SUITABILITY YEARLY.

TRAINING AND INFORMING DIRECTORS

Bankia has a training programme to help directors broaden their knowledge in economic and corporate matters. The content of this programme is adapted each year in the light of the directors' needs and regulatory requirements. The 2017 training plan included monthly sessions with the following content:

- Cyber security
- Risks
- Social action and sponsorship
- MiFID II
- Regulatory compliance update.
- Internal processes

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

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- They must make an initial statement of potential conflicts at the time of assuming the post. This statement must be

updated immediately if the stated circumstances change or new circumstances arise.

DIRECTORS COMPETENCY MATRIX

	José Ignacio Goirigolzarri	José Sevilla	Antonio Ortega	Joaquín Ayuso
Status	Executive	Executive	Executive	Independent
Number of years on the Bankia Board	5	5	3	5
Committee membership	-	(1)	-	(2) (3) (4) (5)
Membership of other boards	(A) (B)	(A)	(A) (C)	(D) (E) (F) (G)
Prior experience				
Senior management experience in banks/ financial institutions	●	●	●	
Senior management experience other (non-financial) industries	●		●	●
Areas of experience/competency				
Credit institutions	●	●	●	●
Financial markets	●	●	●	●
Risk management	●	●	●	
Auditing / Accounting	●	●	●	●
Strategy consulting			●	●
Legal / Regulatory framework	●	●	●	●
Public sector				
Technology sector	●	●	●	
Tourism/ Transport				●
Industrial sector				●
Consumer goods/ Distribution				
Real estate sector				●
Teaching / Research	●	●	●	

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*DIRECTORS RECEIVED
TOTAL REMUNERATION OF
EUR 3.18 MILLION IN 2017.*

REMUNERATION

The remuneration system for Bankia's directors and senior managers is governed by a number of principles, including a proper balance of remuneration types, results orientation and recognition of excellence, gender equality and internal fairness.

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

Remuneration at Bankia is made up of a fixed part, based on the person's position and any functional or

personal supplements applicable in each case, and a variable part.

The variable part must be consistent with the interests of shareholders, prudent risk management and long-term value generation for the company. In any case, variable remuneration will be paid only if it is sustainable, based on Bankia's overall situation, and if it is justified by the bank's results.

In the bank's current situation, having received public financial support, the remuneration received by the Board of Directors is limited by law. This means, for example, that the remuneration of directors who have no executive functions is limited to 100,000 euros per year.

Nor do directors receive attendance fees for taking part in Board meetings or the meetings of Board committees.

At the same time, the fixed remuneration of all kinds received by executive directors may not exceed 500,000 euros per year in total, including any remuneration received within the group. Also, their annual variable remuneration may not exceed 60% of that amount.

The amount, accrual and payment of any variable remuneration requires the express approval of the competent supervisory authorities. Once approved, it does not vest until three years after the date of accrual, in accordance with regulations. In 2017, for the second year in a



100,000 €

Maximum remuneration
of all kinds for directors who
have no executive functions.



500,000 €

Executive directors
Maximum fixed amount
received per year.



60%

**Maximum annual
variable remuneration**
as a % of annual
fixed remuneration

row, the executive directors José Ignacio Goirigolzarri, José Sevilla and Antonio Ortega each accrued a total of 300,000 euros of variable remuneration. If authorised, this remuneration will be paid in 2021 (50%), 2022 and 2023, half in cash and half in shares.

BOARD OF DIRECTORS REMUNERATION

SURNAME(S) AND FIRST NAME	SALARY	FIXED REMUNERATION	SHORT-TERM VARIABLE REMUNERATION ⁽²⁾	LONG-TERM VARIABLE REMUNERATION ⁽³⁾	REMUNERATION FOR MEMBERSHIP OF BOARD COMMITTEES	INDEMNITIES	TOTAL 2017
Goirigolzarri Tellaeche, José Ignacio	500	--	250	50	--	--	800
Sevilla Álvarez, José	500	--	250	50	--	--	800
Ortega Parra, Antonio	500	--	250	50	--	--	800
Ayuso García, Joaquín	--	100	--	--	--	--	100
Campo García, Francisco Javier	--	100	--	--	--	--	100
Castillo Sanz, Eva	--	100	--	--	--	--	100
Cosmen Menéndez-Castañedo, Jorge	--	100	--	--	--	--	100
Feito Higuera, José Luis	--	100	--	--	--	--	100
Fernández Méndez de Andés, Fernando	--	100	--	--	--	--	100
Rengifo Abbad, Álvaro ⁽¹⁾	--	80	--	--	--	--	80
Greño Hidalgo, Antonio	--	100	--	--	--	--	100
TOTAL DIRECTORS	1,500	780	750	150	0	0	3,180

Figures in thousands of euros.

- (1) On 17 October 2017 Mr. Álvaro Rengifo Abbad ceased to be a director. The amounts shown are for the period from 1 January to 17 October 2017.
- (2) The target amount of annual variable remuneration for 2017 of the three executive directors was 250 thousand euros per director. The amount of annual variable remuneration accrued by the three directors in 2017 is awaiting final assessment and the authorisations and approvals required under applicable law.
- (3) The target amount of long-term variable remuneration for 2017 of the three executive directors was 150 thousand euros per director, although this remuneration, together with the annual variable remuneration, may not exceed 60% of the fixed remuneration. The amount of long-term variable remuneration accrued by the three directors in 2017 is awaiting final assessment and the authorisations and approvals required under applicable law.

MANAGEMENT COMMITTEE REMUNERATION

	SHORT-TERM REMUNERATION ⁽¹⁾	LONG-TERM REMUNERATION ⁽²⁾	POST-EMPLOYMENT BENEFITS ⁽³⁾	TERMINATION BENEFITS	TOTAL 2017
Total Management Committee	2,357	302	123	--	2,782

Figures in thousands of euros.

- (1) Includes the target amount of annual variable remuneration for 2017 of the four members of the Management Committee, amounting to 732 thousand euros, although awaiting final assessment and approval.
- (2) The target amount of long-term variable remuneration, together with the annual variable remuneration, may not exceed 60% of the fixed remuneration. The amount of long-term variable remuneration accrued in 2017 is awaiting final assessment and the authorisations and approvals required under applicable law.
- (3) Relates to the contributions made for pensions and life insurance premiums.

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SELECTION AND SUCCESSION PLAN

Bankia has a director selection policy and a Senior Management Succession Plan, in accordance with regulatory requirements, regulators' recommendations and corporate governance best practice.

The director selection policy is approved by the Board of Directors at the proposal of the Appointments and Responsible Management Committee. Its purpose is to ensure that directors have the necessary experience, competences and knowledge to deliver independent, professional oversight. Also, proposals for appointment or re-election must be based on an analysis of the Board of Directors' needs. The bank's policy favours gender diversity, as well as diversity of knowledge and experience.

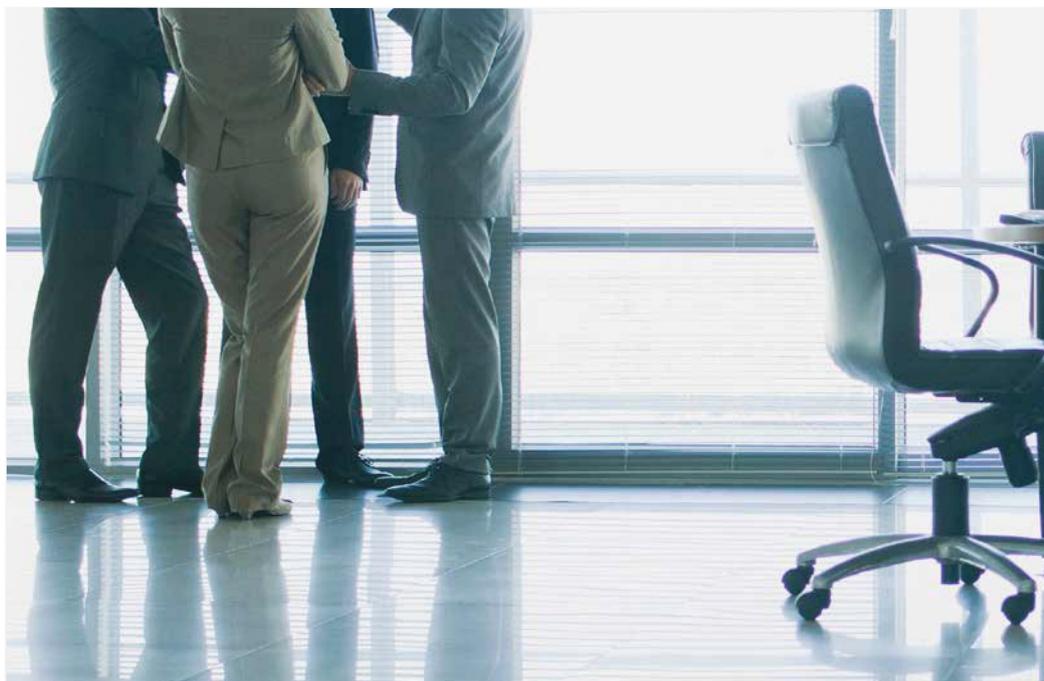
The Senior Management Succession Plan (which includes the posts of chairman and CEO, the members of the Management Committee and the corporate general managers) is analysed by the Appointments and Responsible Management Committee.

The plan's main goal is to identify successors for the bank's top posts and create development and career plans to ensure that the candidates for senior positions in the bank are properly prepared to take on the responsibility when the time comes.

It also focuses on detecting any succession weaknesses and establishing action plans to remedy them.

The succession plans must be managed in a structured, proactive way and must meet the following criteria:

- Combine the organisation's present and future needs.
- Be integrated in the Board of Directors' functions (Appointments Committee and lead director).



- Be reviewed annually to assess successors' performance, add new candidates, define additional development actions, etc.
- Foster job rotation to ensure effective learning and facilitate acquisition of the necessary professional experience.

*BANKIA HAS A SENIOR
MANAGEMENT SUCCESSION
PLAN THAT IS ANALYSED BY THE
APPOINTMENTS AND RESPONSIBLE
MANAGEMENT COMMITTEE.*

