

# BFA-BANKIA REPORT YEAR III



**Bankia**  
LET'S KEEP WORKING

**Bankia**

LET'S KEEP WORKING

# BFA-BANKIA REPORT YEAR III

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# CHAIRMAN'S STATEMENT

When we unveiled our first strategic plan in November 2012, few thought we were capable of meeting all the ambitious objectives we had set ourselves.

Today, three years on, we have completed the plan, fulfilled all the goals therein and are poised to present our second strategic plan, also covering three years from 2016 to 2018.

Moreover, we have hit two years ahead of schedule all the 2017 targets set by the European Commission in the BFA-Bankia Group Restructuring Plan. This is a feat no other bank subject to such a plan in Europe has replicated.

The reasons for our success in meeting the demanding objectives set for us in both plans are two-fold. First, the huge effort by Bankia's employees over the last few years; their professionalism, commitment and endeavour, for which I am extremely grateful. And second, the trust and faith our customers have put in us. None of this would have been possible without them.

Our first strategic plan was carried out in two phases. The first running until the end of 2013 was, for us, a time for stabilisation and restructuring. We appointed a new Board of Directors, built an excellent corporate governance model, restructured our branch network closing a third of our branches, and integrated our processes and IT platforms. These were very challenging months, although a period during which we lay solid foundations for the next phase: regaining commercial momentum, transforming and developing our business and, above all, driving up and improving all our business indicators.

The outcome of this is that we can now humbly report we are a bank that boasts the best efficiency, solvency and returns on equity among the largest

banks, and has posted the highest attributable profit in Spain. This is excellent news for our shareholders because our key aim was to generate value for them and for the wider society, since 64% of Bankia's capital is in the hands of the State. It is also a great achievement because it allows us to increase dividends by 50%, demonstrating we have very robust capital and also that we are confident in our ability to post recurring profits in forthcoming years.

Significant challenges lie ahead, which we will face with realism but also with the hopes, enthusiasm and drive that has underpinned everything we have attained until now. We are aware there is still much left to improve, and that is why we are now launching our second strategic plan, which will be unveiled in the spring.

This plan will be customer focused. We have first listened to our customers through all the channels in place, and now is the time to meet their diverse and changing needs. As a first step in the plan, we wanted to present our new approach to our customers; a different way of dealing with them based on three attributes: simplicity, transparency and closeness. These attributes will shape everything we do, and the products and services we offer in the coming years. We have already started down this path with the policy on fees and commissions. The idea is straightforward: if a customer arranges for their salary to be paid into a Bankia account, they do not pay any commission across the board. This is not a one-off promotion or campaign: it is a new way of dealing with our

customers. Those first to benefit have been the two and a half million people who already have their salaries paid into an account with us. However, this policy will logically also benefit new customers who choose to bank with us. It is that transparent and that simple.

With customers at the heart of what we do, driving up service quality is therefore a cornerstone of our new plan. We know that customer satisfaction is tripled when customers are assigned a manager they know and trust at their branch. We also know that this level of satisfaction is even higher when customers feel their manager proactively seeks them out to offer advice. In short, this is what we refer to as closeness. The closeness customers call for.

Building on progress over the last three years, Bankia is now ready to take a greater qualitative leap. We are convinced that our bank's future lies in the fact that our customers can see we help make their lives easier, that we are useful to them. Indeed, if we are, they will strengthen their ties with us and become even more loyal. We are also convinced that this stems from a way of doing things, a way of behaving, which must be founded on constantly listening to what our customers want. This is because a product can be copied, a price matched, but excellent advice and service quality can only be achieved if our customers' goals are aligned with those of our teams: something that is very difficult to replicate. We also want our way of doing things to be transparent and open, offering simple products and services, with no small print or complicated clauses.



The aim of our plan is to offer the best proposal in the market; however, we cannot build a top-notch and long-lasting model of service excellence without attaining the highest levels of efficiency. If we want to offer customers the best, we must also strive to be the most efficient bank in Spain and boast above-average ROE. We are well aware of the challenges and hurdles we face, but we begin 2016 and our second strategic plan in a very strong position. We are a highly solvent and very efficient bank with healthy provisions; crucial to the years ahead. We are very conscious that we have to continue working hard to fulfil our goal of fully reimbursing taxpayers. I can guarantee that we certainly do not lack the enthusiasm, drive and commitment to do so.

A handwritten signature in black ink, consisting of a stylized 'J' and 'G' followed by a vertical line.

JOSÉ IGNACIO GOIRIGOLZARRI  
CHAIRMAN OF BFA AND BANKIA

*SIGNIFICANT CHALLENGES  
LIE AHEAD, WHICH WE WILL  
FACE WITH REALISM BUT  
ALSO WITH THE HOPES,  
ENTHUSIASM AND DRIVE  
THAT HAS UNDERPINNED  
EVERYTHING WE HAVE  
ATTAINED UNTIL NOW*

# 2015 MILESTONES

Bankia ends 2015 with a clean balance sheet, capital well above the regulatory minimum and the highest profit of any Spanish bank.

*Fully loaded CET 1 ratio:  
12.26% (+166 basis points).  
Far higher solvency ratio  
that required by regulators*

*NPL ratio:  
10.8%  
(-2.1 pp).  
NPLs down  
3.55 billion  
euros in  
12 months*

NEW LOANS

**€16.6 BN  
(+12.5%)**

*CUSTOMER  
FUNDS UP  
€3.8 BN*

**Bankia**  
*charges non-  
customers lowest  
commissions to  
use its ATMs of  
any of the large  
banks*

*CUSTOMER  
SATISFACTION  
SCORE:  
82.4%  
(+2.2 PP)*

**Bankia** signs  
agreement with  
**Sabadell** and **Euro  
6000** to provide  
its customers with  
access to a network  
of **17,808 ATMs**  
under great terms



# Completion of **2012-2015 Strategic Plan** with all objectives fulfilled

EUROPEAN  
COMMISSION'S  
DEMANDS IN THE  
RESTRUCTURING  
PLAN MET **TWO**  
**YEARS** AHEAD  
OF SCHEDULE

RETURN  
ON EQUITY:  
**10.6% (+2**  
**PERCENTAGE**  
**POINTS)**  
**HIGHEST**  
**OF THE**  
**LARGEST**  
**SPANISH**  
**BANKS**


Bank's first ever dividend pay-out,  
totalling **202 million euros**, and  
proposal to distribute a further  
**302 million euros** with a charge to  
2015 profits – an increase of 50%

BFA Group  
posted  
earnings of  
**€4.08 BN** over  
the three-year  
period

ATTRIBUTABLE  
PROFIT:  
**€1.04 BN**  
**+39.2%**

Efficiency ratio: **43.6%**  
**The most efficient of**  
**Spain's big banks**





“BANKS MUST LISTEN  
TO WHAT SOCIETY ASKS OF  
US AND EXPLAIN HOW WE  
ARE USEFUL TO IT”

*JOSÉ IGNACIO GOIRIGOLZARRI*





# WHO WE ARE

---

“Everyone in the organisation knows that together we can build a great project”.

*JOSÉ IGNACIO GOIRIGOLZARRI*



BANKIA HAS SPECIFIC **CHANNELS**  
**IN PLACE TO COMMUNICATE**  
WITH EACH STAKEHOLDER

---

THE NEW **2016-2018**  
**RESPONSIBLE MANAGEMENT**  
**PLAN** SETS OUT THE AIMS AND  
OBJECTIVES OF EACH STRATEGY  
VIS-À-VIS OUR STAKEHOLDERS

---

THE RESPONSIBLE MANAGEMENT  
COMMITTEE CHAMPIONS  
**SUSTAINABILITY AT BANKIA**

---

# MISSION, VISION AND VALUES

Bankia has a vision and mission that respond to a set of values guiding its activity. This sets the bank apart and enables it to forge strong and stable relationships that are essential to its business and for its stakeholders (customers, shareholders, employees, suppliers, society at large, etc.).

**VISION**  
WE TAKE A  
PRINCIPLE-BASED  
APPROACH IN ORDER  
TO PROVIDE YOU  
WITH THE BEST  
BANKING SERVICE

**MISSION**  
PROVIDE AN EFFICIENTE AND  
HIGH QUALITY SERVICE TO  
OUR CUSTOMERS

REWARD OUR SHAREHOLDERS  
COMPETITIVELY

MAKE A POSITIVE CONTRIBUTION  
TO THE PUBLIC FINANCES

PROVIDE OUR EMPLOYEES WITH  
OPPORTUNITIES FOR PROFESSIONAL  
DEVELOPMENT

HELP TO IMPROVE THE MARKET'S  
ASSESSMENT AND PERCEPTION  
OF THE FINANCIAL SYSTEM

**VALUES**  
PROFESSIONALISM  
INTEGRITY  
COMMITMENT  
PROXIMITY  
ACHIEVEMENT ORIENTATION



## OUR COMMITMENT

G4-24 G4-25

In short, Bankia's vision and mission, which are the driving force behind the 2016-2018 Responsible Management Plan, are to become a better and more trustworthy bank vis-à-vis respect for the values the bank has adopted as its own: professionalism, integrity, commitment, closeness and a focus on achievement. This mission is carried out while concentrating on our various stakeholders, each of whom constitutes a true force for change. In other words, a stimulus for reviewing and perfecting the products, services and processes affecting them.

### SHAREHOLDERS

As Bankia's owners, they are entitled to receive competitive compensation for their investments and appropriate mechanisms for communicating with the bank. Last year, the former right resulted in the distribution of the first dividend in Bankia's history. Communication mechanisms, meanwhile, are continuously improved by exploiting the opportunities that have opened up in the digital age.

### CUSTOMERS

One of Bankia's core objectives is to strive to provide a top-notch, efficient service. It achieves this by exhaustively monitoring the commercial network and the solutions it offers, allowing it to enhance the experience of retail and business customers alike. In part, this is made possible by offering personalised care and advice, along with initiatives such as the new zero-fees programme launched in 2016.

### EMPLOYEES

Talent searches and ongoing training are fundamental not only to fulfilling employees' legitimate aspirations to develop their careers at Bankia, but also

paving the bank's way to excellence. A survey was conducted in 2015 to identify and optimise the workplace climate, driving up employee satisfaction and dedication.

### SUPPLIERS

As laid down in Bankia's Code of Ethics and Conduct, relations with suppliers are based on mutual benefit, loyalty and honesty, transparency and equal opportunities, confidentiality and corporate social responsibility. Supplier approval and contracting processes are increasingly stringent, with a clear focus on diversification. The bank has channels in place to ascertain suppliers' concerns, suggestions and complaints in its search for the common good.

### SOCIETY

Bankia's investment in this area is primarily earmarked for projects answering the needs of the most vulnerable members of society: housing, emerging poverty, employability, local and rural development and disability. Charity work is conducted with the help of the bank's staff, who nominate some of the NGOs receiving donations. Bankia also sponsors various specific projects, demonstrating its commitment to society.

### THE ENVIRONMENT

The objective of the 2015-2019 Energy Efficiency Plan is to slash electricity and fuel consumption by 19% versus 2013. The rollout of remote energy management systems in offices and IT equipment, the replacement of air conditioning, and internal awareness raising campaigns are crucial elements of the plan, which has a budget of over 10 million euros.

## RESPONSIBLE MANAGEMENT POLICY

G4-25 G4-26

After the Responsible Management Policy was approved by the Board of Directors at the beginning of 2015, work has continued on drawing up the 2016-2018 Responsible Management Plan, which revolves around the bank's values and has two fundamental pillars: i) listening and speaking to stakeholders; and ii) continuous supervision and assessment of the outcomes of action taken. The plan will be signed off in early 2016 by the Board, who will also be responsible for managing, overseeing and controlling the plan.

Several aspects defining the responsible management policy already in place at Bankia were considered when drafting the 2016-2018 Plan. A realistic policy, because it affects the other plans rolled out by the bank; cross-cutting, i.e. applicable to all activities and staff; dedicated to all stakeholders, without exception; simple, clear and unique.

## CHANNELS OF DIALOGUE

### CUSTOMERS

- Letters and emails from the Chairman
- Branch network
- Customer Service
- Social networks
- 'Bankia Actualidad' (Bankia News) bulletin monthly newsletter
- Corporate websites
- Interviews and surveys
- Specific seminars and event days
- Confidential whistle-blowing channel
- Focus group

### SHAREHOLDERS AND INVESTORS

- General Shareholders' Meeting
- Branch network
- Road shows
- International conferences
- Shareholders' Office
- Corporate websites
- Shareholder and investor information service
- Focus group
- Corporate reports

### EMPLOYEES

- People managers
- Intranet
- On-line forums
- Focus groups
- 'Bankia On-line' magazine
- 'Bankia En30segundos' (Bankia in 30 seconds) weekly newsletter
- HR People line
- Seminars and event days
- Corporate websites
- Confidential whistle-blowing channel

### SUPPLIERS

- Supplier portal
- Supplier Service
- Specialised strategic supplier manager
- Satisfaction surveys
- Corporate websites
- Confidential whistle-blowing channel
- Focus group

### SOCIETY

- Branch network
- 'Bankia Actualidad' newsletter (Bankia News) monthly newsletter
- CSR mailbox
- Volunteers' Portal
- Social networks
- Corporate websites
- Annual report

### GOVERNING BODIES

- Internal and external workshops
- Meetings with staff
- Emails from the Chairman

## KNOW AND LISTEN

G4-19 G4-20 G4-21 G4-25 G4-27

As a starting point to implementing the Plan, an in-house survey (of managers and the commercial network) and another external campaign involving telephone interviews and focus groups (of customers, experts, regulators, key agencies, suppliers, analysts and the Media) were conducted to find out their

views and expectations. The outcome was a list of issues that Bankia must address and that basically coincide with those identified in the materiality study at the end of 2014 performed with the help of an independent consultant. The materiality analysis provides added value as it allows reporting in accordance with the AA1000APS standard and the recommendations set forth in the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative.

## IMPORTANT ISSUES

- 1 CORPORATE GOVERNANCE

---

- 2 RISK MANAGEMENT

---

- 3 INTEGRITY

---

- 4 ETHICAL SALES PRACTICES

---

- 5 ADAPTING TO CUSTOMER NEEDS

---

- 6 DEVELOPMENT OF HUMAN CAPITAL

---

- 7 DIVERSITY, EQUAL OPPORTUNITIES AND WORK-LIFE BALANCE

---

- 8 INNOVATION

---

- 9 FINANCIAL EDUCATION

---

- 10 FINANCIAL INCLUSIVENESS

---

- 11 SOCIAL ACTION

---

- 12 SUPPLY CHAIN MANAGEMENT

---

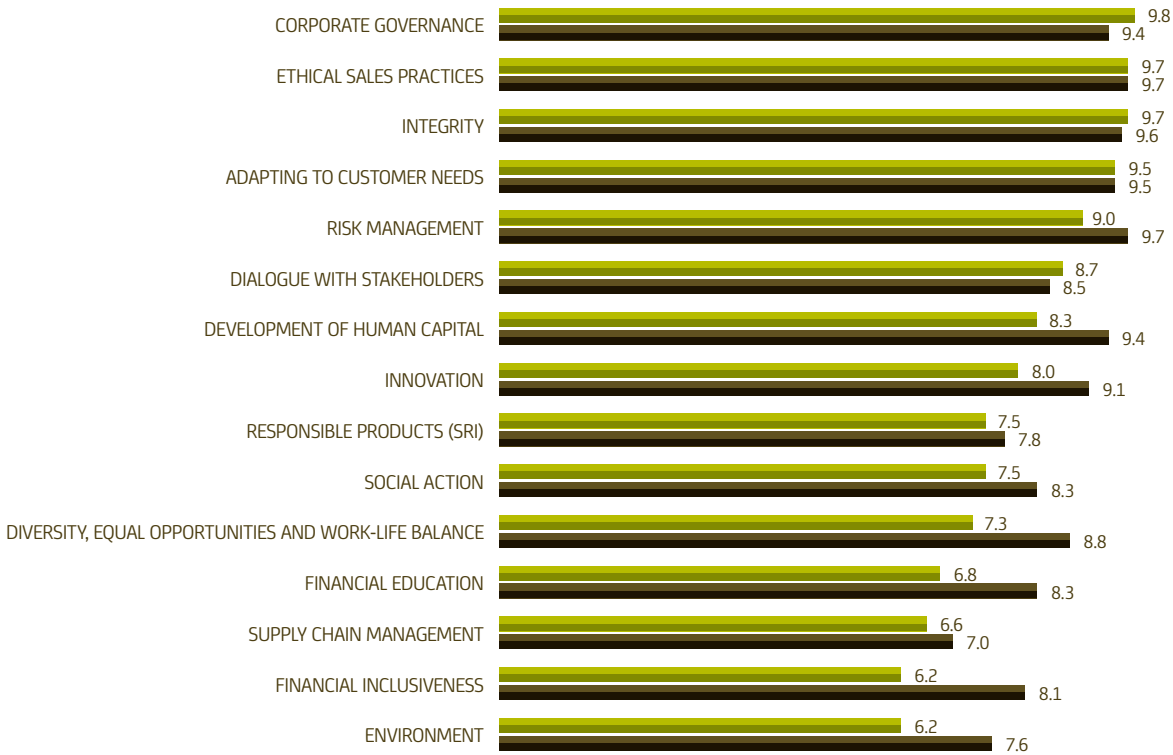
- 13 DIALOGUE WITH STAKEHOLDERS

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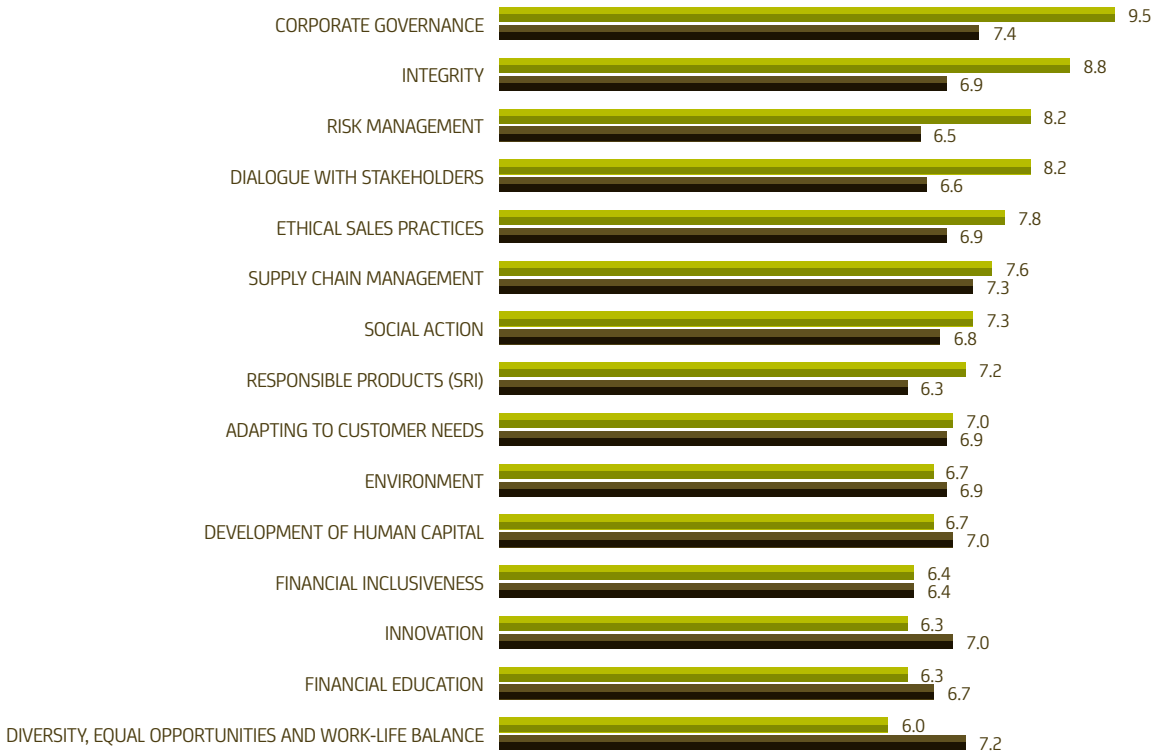
- 14 THE ENVIRONMENT: ECOEFFICIENCY, THREATS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

## IMPORTANCE GIVEN TO ISSUES IDENTIFIED

G4-19 G4-25 G4-27



## SCORE FOR BANKIA'S PERFORMANCE VIS-À-VIS THE ISSUES IDENTIFIED



● IN-HOUSE SCORE

● SCORE GIVEN BY EXTERNAL STAKEHOLDERS



## SCORE GIVEN BY EXTERNAL STAKEHOLDERS

G4-24 G4-25

The established mechanisms for dialogue and information analysis have allowed a raft of proposals to be drawn up that complement the strategies set out in the 2016-2018 Responsible Management Plan.

The strategies set forth in the 2016-2018 Responsible Management Plan are in line with the Ten Principles of the Global Compact (United Nations Global Compact for corporate social responsibility) and the Sustainable Development Goals approved by the members of this initiative in 2015.

### STRATEGY PROPOSAL

### PROPOSAL

#### CORPORATE GOVERNANCE

Integrate and encourage responsible management to contribute to building a culture of transparency and integrity, guaranteeing the interests of all stakeholders are met

#### CUSTOMERS

Forge full relationships of integrity tailored to customers' requirements, ensuring Bankia is recognised for its treatment and the trust generated

#### EMPLOYEES

Consolidate the corporate identity through a project that ensures Bankia's success is everyone's success, and the responsible management culture is present in every area of the business

#### SOCIETY

Gain recognition as a driver of social and economic development in the communities we serve, working to tackle the main concerns facing society and striving to maximise our positive impact

#### SHAREHOLDERS AND INVESTORS

Bolster transparent reporting of the bank's non-financial performance to analysts and investors, providing transparent and clear extra-financial information

#### SUPPLIERS

Encourage responsible management across the supply chain, evaluating counterparty risks and developing improvement plans that help to spread our responsibility commitment and fuel economic development in other productive sectors

#### THE ENVIRONMENT

Minimise environmental impact and cut associated costs through more efficient consumption of resources and appropriate environmental management across all processes

## NUMBER OF RESPONSIBLE MANAGEMENT COMMITTEE MEETINGS

# 4

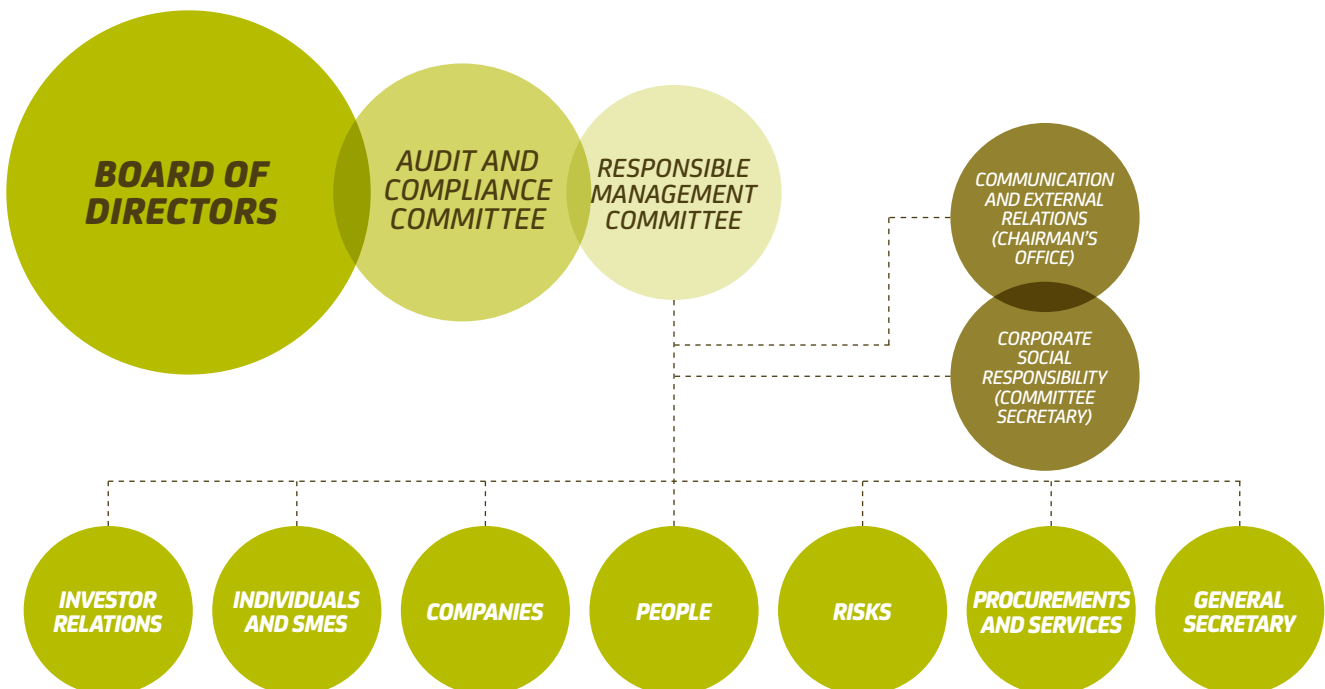
### RESPONSIBILITY FOR AND SUPERVISION AND EVALUATION OF RESPONSIBLE MANAGEMENT

Since November 2015, the Audit and Compliance Committee (ACC) comprising four non-executive directors has been charged with the following:

- Reviewing the Company's corporate social responsibility policy, seeing to it that it is aimed at creation of value.
- Monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance thereof.
- Monitoring and evaluating the processes of relationships with the various stakeholder groups.
- Evaluating everything related to non-financial risks of the Company, including the operational, technological, legal, social, environmental, political and reputation risks.

- Coordinating the process of reporting non-financial and diversity information, in accordance with applicable regulations and reference international standards.

The Responsible Management Committee was formed in December 2014. It meets quarterly and formally reports to the Audit and Compliance Committee, championing everything that stakeholders demand of Bankia day by day. In February 2016, under the auspices of the Board of Directors, the Appointments Committee assumes the undeleagatable powers corresponding to the functions of Responsible Management.





Red Pacto Mundial España  
WE SUPPORT

BANKIA IS A MEMBER OF THE SPANISH NETWORK  
OF THE UNITED NATIONS GLOBAL COMPACT.

THIS REPORT PROVIDES THE INFORMATION SET FORTH IN VERSION G4 OF THE GUIDELINES OF THE GLOBAL REPORTING INITIATIVE (GRI) PURSUANT TO ITS EXHAUSTIVE CRITERIA AND ALSO SERVES AS A PROGRESS REPORT. THE MEMORANDUM OF UNDERSTANDING SIGNED BY THE GRI AND THE UN GLOBAL COMPACT SETS OUT THE LINKS BETWEEN THE GRI INDICATORS AND GLOBAL COMPACT PRINCIPLES.

### **PRINCIPLE 1**

BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS WITHIN THEIR SPHERE OF INFLUENCE.

### **PRINCIPLE 2**

BUSINESS SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

### **PRINCIPLE 3**

BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING.

### **PRINCIPLE 4**

BUSINESSES SHOULD UPHOLD THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR.

### **PRINCIPLE 5**

BUSINESSES SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR.

### **PRINCIPLE 6**

BUSINESSES SHOULD UPHOLD THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND BUSINESSES

### **PRINCIPLE 7**

SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

### **PRINCIPLE 8**

BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

### **PRINCIPLE 9**

BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

### **PRINCIPLE 10**

BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

## SUSTAINABLE DEVELOPMENT GOALS

Bankia has signed up to the Sustainable Development Goals (SDGs) adopted by the UN General Assembly in September 2015, which is demonstrated by its

consideration of the SDGs when drawing up and developing the 2016-2018 Bankia Responsible Management Plan. The Plan sets forth the goals that Bankia can support in its area of activity, taking a sustainable and responsible approach to conducting its affairs.

## SUSTAINABLE DEVELOPMENT GOALS



● PRIORITY PRINCIPLES AT BANKIA

## INITIATIVES AND FORUMS OF WHICH BANKIA IS A MEMBER





GONZALO  
ALCUBILLA

JOAQUÍN  
LÓPEZ

JOSÉ CARLOS  
PLA

ANTONIO  
GREÑO

MIGUEL  
CRESPO

JOSÉ LUIS  
FEITO

JORGE  
COSMEN

ANTONIO  
ORTEGA

JOAQUÍN  
AYUSO

## BFA TENEDORA DE ACCIONES\*

### Board of Directors

Chairperson  
**José Ignacio Goirigolzarri**

Members  
**Antonio Greño**  
**Joaquín López**  
**Antonio Ortega**

Non-director secretary  
**Miguel Crespo**

**José Carlos Pla**  
**José Sevilla**

\* BFA Tenedora de Acciones is a holding company that holds the Bankia shares of the Fund for Orderly Bank Restructuring (Fondo de Reestructuración Ordenada Bancaria or the "FROB"), body governed by public law. At 31 December 2015, BFA Tenedora de Acciones held 64.234% of Bankia's capital.

# GOVERNING BODIES

- MEMBERS OF BFA'S BOARDS OF DIRECTORS
- MEMBERS OF BANKIA'S BOARD OF DIRECTORS
- NON-EXECUTIVE SECRETARY OF BFA BANKIA
  - BANKIA MANAGEMENT COMMITTEE



**JOSÉ SEVILLA**



**JOSÉ IGNACIO GOIRIGOLZARRI**



BFA Board of Directors  
Chairperson  
  
Bankia Board of Directors  
Chairperson

**ALFREDO LAFITA**



Lead Director

**EVA CASTILLO**



**FCO. JAVIER CAMPO**



**FERNANDO FERNÁNDEZ**



**ÁLVARO RENGIFO**



**AMALIA BLANCO**



**FERNANDO SOBRINI**



## BANKIA

### Board of Directors

Chairperson  
**José Ignacio Goirigolzarri**

#### Members

**Alfredo Lafita**  
**Antonio Ortega**  
**Joaquín Ayuso**  
**Francisco Javier Campo**  
**Eva Castillo**

CEO  
**José Sevilla**

**Jorge Cosmen**  
**José Luis Feito**  
**Fernando Fernández**  
**Álvaro Rengifo**

## BANKIA COMMITTEES

### Audit and Compliance Committee

Chairperson  
**Alfredo Lafita**

Members  
**José Luis Feito**  
**Jorge Cosmen**  
**Joaquín Ayuso**

Non-director secretary  
**Miguel Crespo**

### Appointments Committee

Chairperson  
**Joaquín Ayuso**

Members  
**Francisco Javier Campo**  
**Alfredo Lafita**  
**Álvaro Rengifo**

Non-director secretary  
**Miguel Crespo**

### Remuneration Committee

Chairperson  
**Eva Castillo**

Members  
**Alfredo Lafita**  
**Joaquín Ayuso**  
**Jorge Cosmen**

Non-director secretary  
**Miguel Crespo**

### Board Risk Committee

Chairperson  
**José Sevilla**

Members  
**Francisco Javier Campo**  
**Fernando Fernández**  
**Eva Castillo**

Non-director secretary  
**Miguel Crespo**

### Risk Advisory Committee

Chairperson  
**Francisco Javier Campo**

#### Members

**Eva Castillo**  
**Fernando Fernández**

Non-director secretary  
**Miguel Crespo**

## MARKET SHARES

RETAIL BRANCHES  
**8.9%**

CONSUMER LOANS  
**10.45%**

BUSINESS LOANS  
**14.0%**

DEBIT CARDS<sup>(1)</sup>  
**12.2%**

LIFE INSURANCE  
**5.1%**

PENSION PLANS  
**6.6%**

INVESTMENT FUNDS  
**5.44%**

Figures at September 2015. Source: Bank of Spain, June 2015



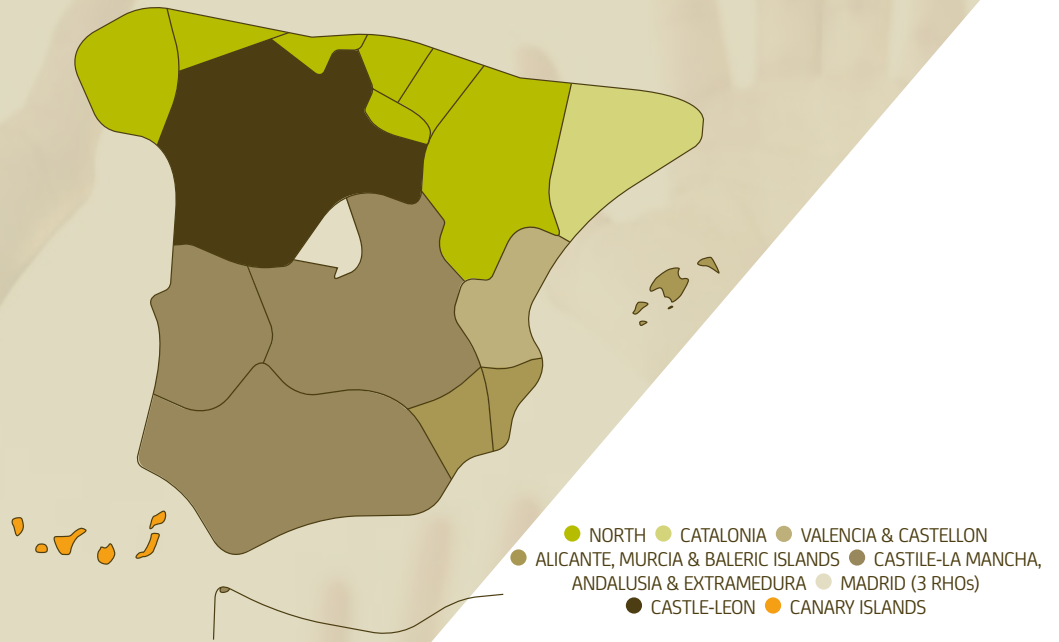
# BUSINESS MODEL AND STRUCTURE

Bankia specialises in providing services to individuals and companies, especially SMEs and the self-employed. It operates in Spain, with its business concentrated in the Autonomous Community of Madrid, Autonomous Community of Valencia, Canary Islands, Castile-Leon and Castile-La Mancha.

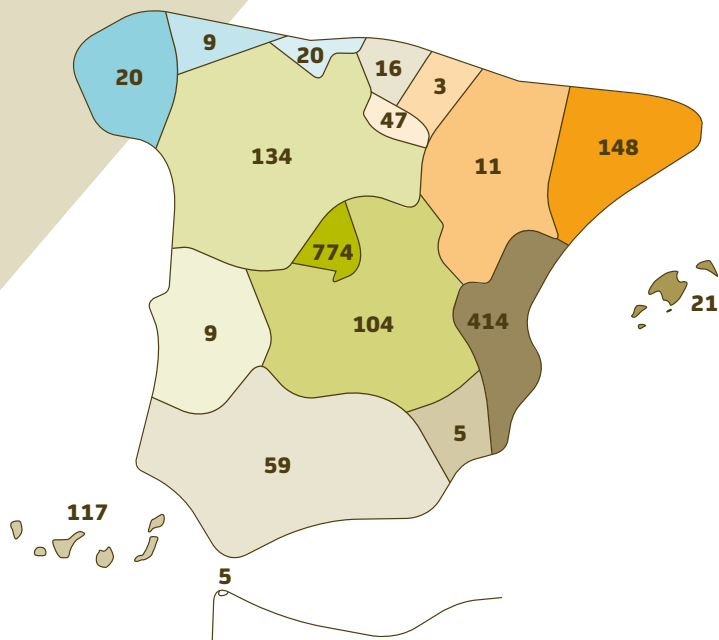
## ACTIVITIES



## REGIONAL HEAD OFFICES



## DISTRIBUTION OF RETAIL BANKING BRANCHES

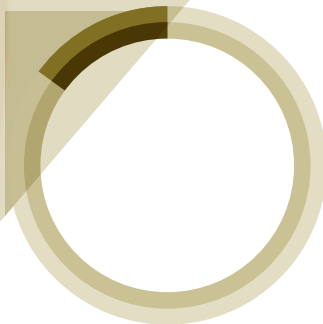






ATM REPLACEMENTS BETWEEN START 2013 AND DECEMBER 2015

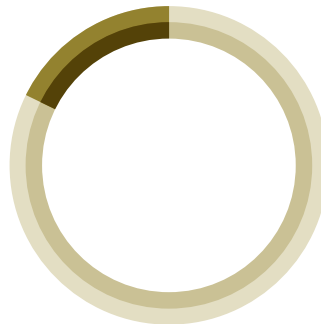
**3,026**



● NEW ATMs **79%**  
● RECYCLED ATMs **21%**

TOTAL ATMs AT DECEMBER 2015

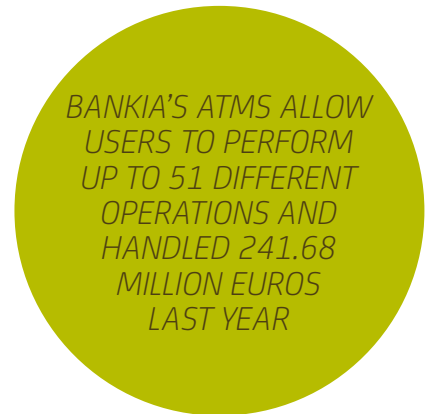
**5,516**



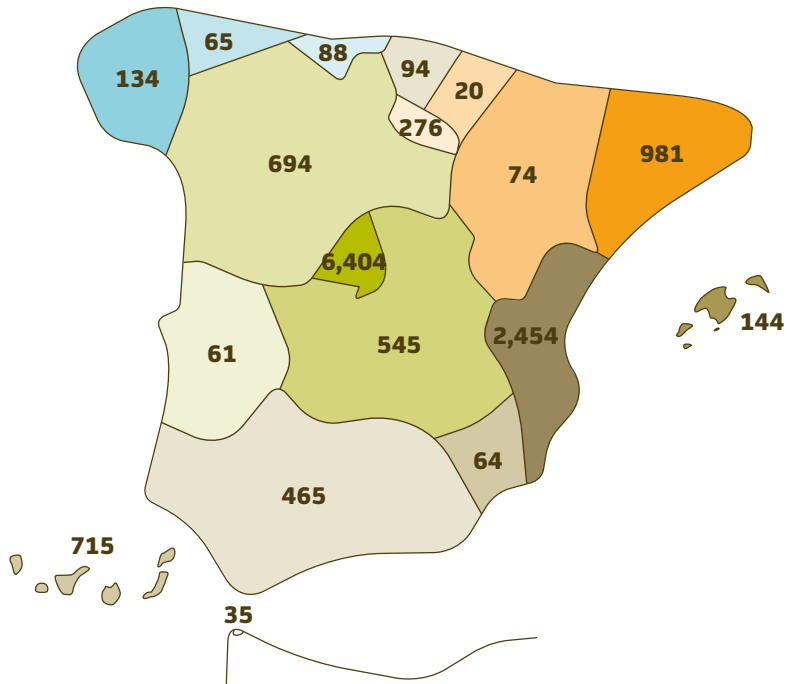
● BRANCH ATMs **4,830**  
● NON-BRANCH ATMs **686**

NUMBER OF ATMS IN LESS POPULATED AREAS

**607**



## DISTRIBUTION OF WORKFORCE



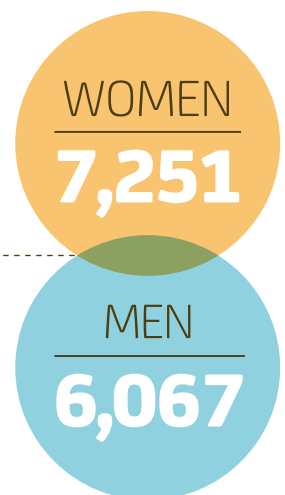
**TOTAL 13,318**

CUBA 2\*

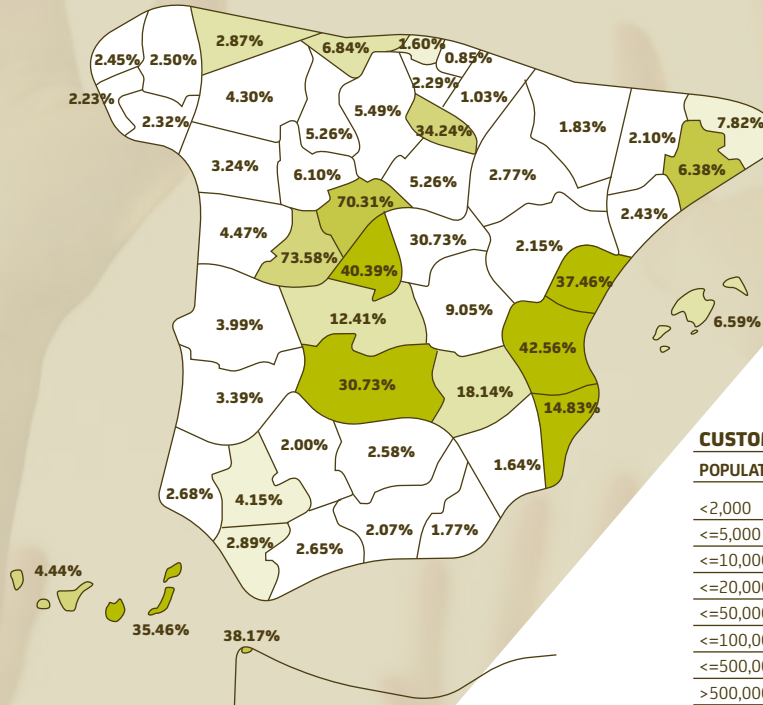
SHANGHAI 3\*\* \*\*

\* Branches with no banking activity.

\*\* Figure amended after the report went to print.



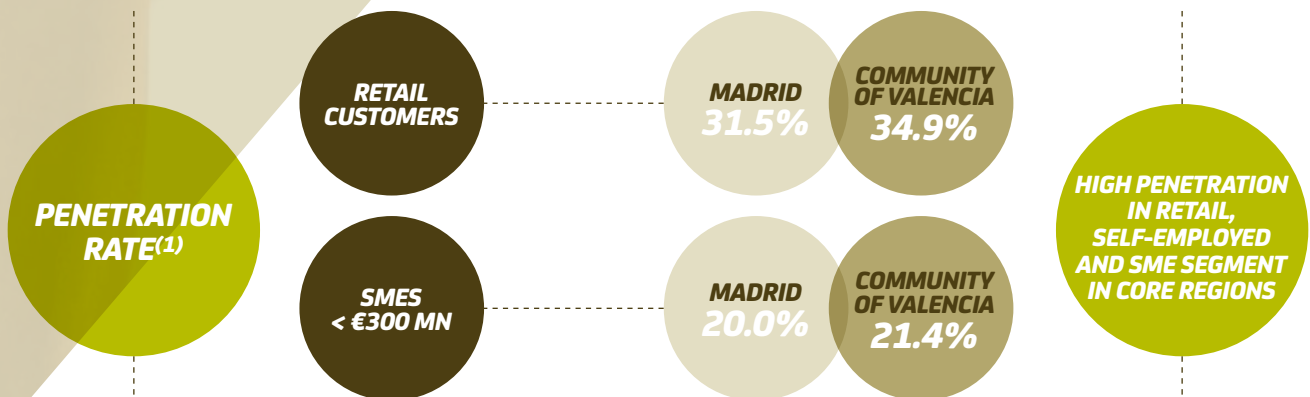
## MARKET SHARE BY PROVINCE



### CUSTOMERS BY POPULATION SIZE

POPULATION	DEC. 2013	DEC. 2014	DEC. 2015
<2,000	4.31 %	4.45 %	4.96 %
<=5,000	6.62 %	7.13 %	6.18 %
<=10,000	8.64 %	9.63 %	8.79 %
<=20,000	6.84 %	7.84 %	7.22 %
<=50,000	10.98 %	12.93 %	11.45 %
<=100,000	14.11 %	16.35 %	15.05 %
<=500,000	13.27 %	15.74 %	14.25 %
>500,000	26.99 %	29.78 %	28.35 %

## NATIONAL REACH WITH HIGH MARKET SHARES IN CORE AREAS

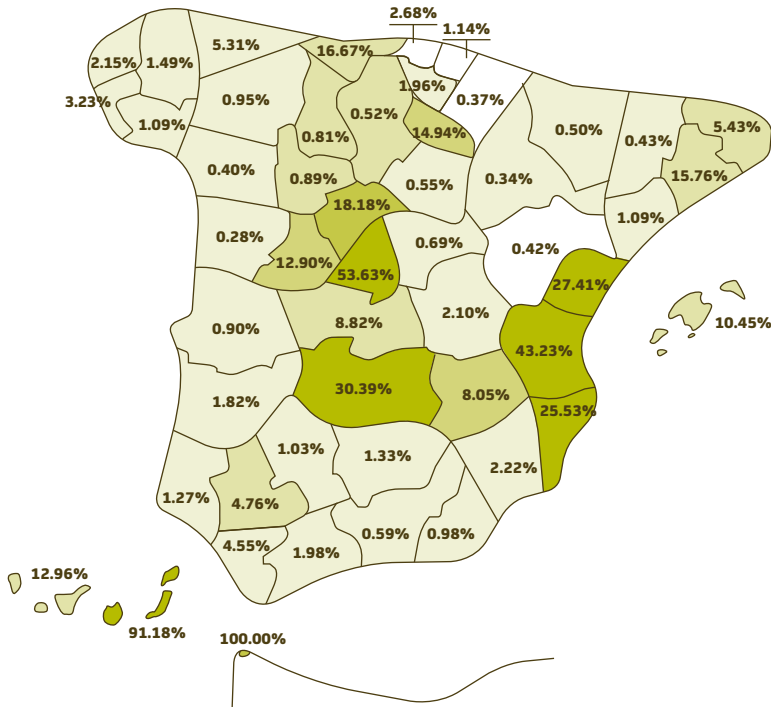


Bankia customers as a % total customers in sector

## NUMBER OF BRANCHES IN LESS POPULATED AREAS

# 284

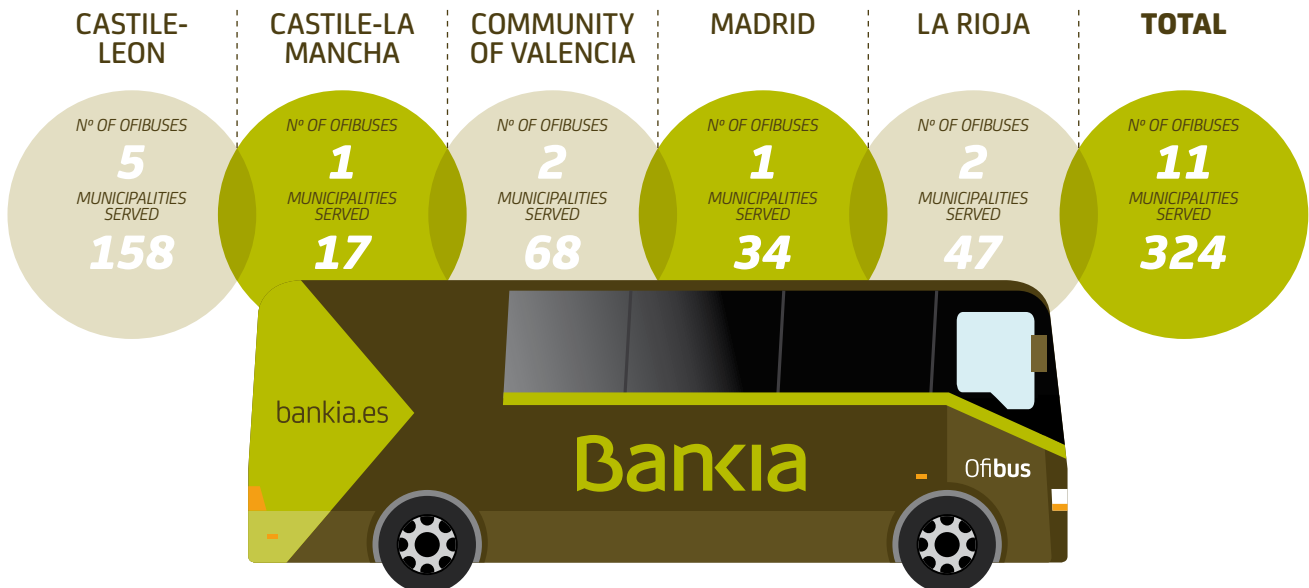
## PERCENTAGE OF MUNICIPALITIES WITH BANKIA BRANCHES



### DISTRIBUTION OF THE BRANCH NETWORK BY POPULATION CENTRE

<2,000	4.07 %
<=5,000	4.53 %
<=10,000	6.03 %
<=20,000	5.31 %
<=50,000	10.41 %
<=100,000	11.85 %
<=500,000	23.70 %
>500,000	34.11 %
<b>TOTAL</b>	<b>100.00%</b>

## NUMBER OF OFIBUSES





CAPITAL HELD  
BY BFA  
**64.2%**

---

FREE-FLOAT  
**35.8%**

---

NOMINAL  
SHARE VALUE  
**€0.80**

---

DIVIDEND  
PAID  
**€0.0175/SHARE**

---

DIVIDEND YIELD  
**1.62%**

---

# SHAREHOLDING STRUCTURE

Bankia had 435,755 shareholders at 31 December 2015. The number of issued shares remained constant during the year at 11,517 million, 35.77% of which were traded freely on the market while the remaining 64.23% were held by BFA.

Over the first six months, Bankia's share capital was subject to the following measures approved by the Board of Directors in April 2015:

- Offsetting of negative reserves with a charge to the share premium and a capital reduction.
- Capital reduction to bolster the legal reserve.
- Capital reduction to increase voluntary reserves.

The nominal share value was set at 0.80 euros.

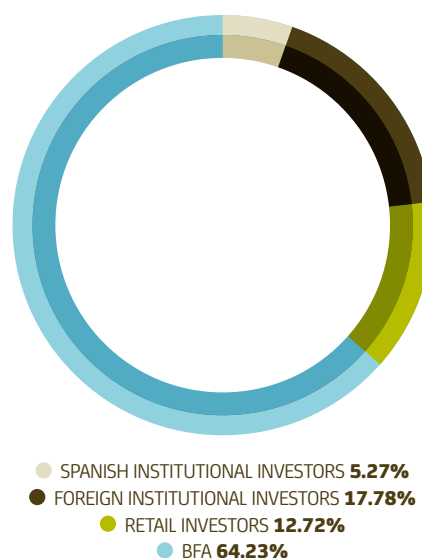
The aim of these measures was to enhance the capital structure and did not affect the carrying amount of the shares.

## DIVIDEND

On 7 July, Bankia distributed its first ever dividend with a charge to 2014 profits, fully paid out in cash. The dividend amounted to 1.75 euros, whereby the total pay-out was 202

million euros, representing 27% of total earnings. This sees the bank continuing to repay the bailouts received in 2012 and 2013; a process that commenced in 2014 when 7.5% of its capital was sold off.

## MAIN SHAREHOLDERS



MAIN BANKIA SHAREHOLDERS BY INVESTOR TYPE	% SHARE CAPITAL AS AT 31/12/2015	% SHARE CAPITAL AS AT 31/12/2014	ANNUAL VARIATION (PP)	ANNUAL VARIATION (%)
BFA	64.23%	62.21%	2.02	3.25%
Spanish institutional investors	5.27%	3.86%	1.41	36.53%
Foreign institutional investors	17.78%	19.60%	-1.82	-9.29%
Retail investors	12.72%	14.33%	-1.61	-11.24%

Source: Bankia shareholder register

## SHAREHOLDERS

**168,158 VISITS** TO THE SHAREHOLDER AND INVESTORS SECTION OF THE CORPORATE WEBSITE

**1,332 CALLS** AND **372 EMAILS** WITH QUERIES HANDLED BY THE SHAREHOLDER'S OFFICE

**544 CONSULTATIONS** WITH INSTITUTIONAL INVESTORS AND ANALYSTS FROM **331 FIRMS**, 83% OF WHICH ARE INTERNATIONAL

**76.67% QUORUM** AT THE 2015 GENERAL MEETING - 10% HIGHER THAN IN 2014

The General Meeting of Shareholders is the bank's most senior representative body and ensures that shareholders are treated the same and profit-sharing and voting rights are equal. From the date of publication of the call to a General Meeting, shareholders can access all information about these meetings on the Bankia website and from the Shareholder's Office. They can also

submit questions or ask for clarification of agenda points through the appropriate communication channels such as the Electronic Shareholders' Forum.

At the 22 April 2015 General Meeting in Valencia, approximately 76.67% of the bank's capital was represented – 10% more than in 2014.

THE GENERAL MEETING OF SHAREHOLDERS IS THE BANK'S MOST SENIOR REPRESENTATIVE BODY AND ENSURES THAT SHAREHOLDERS ARE TREATED THE SAME AND PROFIT-SHARING AND VOTING RIGHTS ARE EQUAL



## PERCENTAGE OF BANKIA'S INSTITUTIONAL INVESTORS THAT APPLY SOCIALLY RESPONSIBLE INVESTMENT POLICIES

# 54%

### COMMUNICATION CHANNELS

Bankia's articulates its commitment to dialogue with its shareholders and the investor community through different channels, establishing open, continuous and transparent communication:


#### CORPORATE WEBSITE

This is the main channel and is offered in Spanish and English. Its content is continuously updated. The website ensures equal and symmetric access to information for all, and features a Shareholder Corner. The website was revamped during 2015 through the following improvements:

- Option to subscribe to the new Shareholder and Investor Service newsletter and access previous editions.

- Specific section on dividends.
- More intuitive presentation of financial reporting.
- New wording and layout of FAQs.
- Inclusion of latest reports from ratings agencies and evolution over time.
- A quarterly report on mortgage covered bonds and issues.





The Investor's Calendar provides dates of earnings presentations, general meetings, conferences, dividend payouts and other important events. The documents and presentations issued to participants at these specialised forums and broadcasts of the bank's main results presentations are also offered here.

#### **SHAREHOLDER AND INVESTOR SERVICE NEWSLETTER**

This free regular electronic newsletter was first issued in July 2015. It is emailed to subscribers and provides information on the bank's results, financial reports, news, material disclosures, indicators, research and presentations, events, videos, infographics and other interesting links. It can also be downloaded from the website.

#### **SHAREHOLDERS' OFFICE**

This service provides transparent, direct and open lines of communication through which shareholders can obtain information about the group, the Bankia share and the advantages of being a Bankia shareholder, and make enquiries and suggestions. During 2015, it handled 1,332 calls and 372 emails from shareholders.

Other well-used communication channels in 2015 were the text messaging service (84,550 messages on quarterly results sent), corporate social network profiles, quality surveys and the commercial network

### **INSTITUTIONAL INVESTORS**

The Investor Relations and Ratings Department hosted 10 roadshows during the year, as well as 16 international conferences, fieldtrips and numerous individual visits to share information on the bank's performance and results,

resolve doubts and exchange opinions. The events were attended by 540 institutional investors (with equity and fixed-income investments), analysts, brokers and ratings agencies from 325 firms in 23 countries.

Bankia was also a keynote speaker to institutional investors at five financial conferences, and broadcast four webcasts on quarterly earnings through a platform that enables viewers to submit questions in real time.

### **MORE AND BETTER INFORMATION**

Bankia has incorporated specific social, environmental and governance information into its standard reporting for institutional investors and shareholders to meet a growing demand among the specialist public for information on non-financial matters.

The bank strives to be proactive and act with transparency to keep its various stakeholders (analysts, investors, brokers, shareholders, ratings agencies, banking counterparties, clearing houses and other financial institutions and public agencies) abreast of developments through communiqués and regular meetings.

All the information disseminated is first published on the corporate website and/or by the Spanish National Securities Market Commission (CNMV), ensuring the principles of information transparency, equal treatment and non-discrimination are adhered to.

## SHAREHOLDER ENQUIRIES HANDLED

# 1,704

### BENEFITS FOR SHAREHOLDERS

Bankia's strategy to eliminate fees and commission was launched in early 2016 and has improved terms for individual shareholders as they are no longer required to have their salaries paid into an account at the bank to enjoy zero-fees banking. They only have to hold a thousand or more shares deposited with the bank to avoid paying administration and maintenance fees for their demand accounts, regular debit card fees, commission on euro transactions for any amount and through any channel (online and mobile banking, ATMs and in-branch), and for paying in cheques issued in Spain into any of their bank accounts.

Bankia also offers its shareholders the following exclusive benefits:

- Special terms and discounts with the Tarjeta Oro credit at the standard credit card rate and the Tarjeta Platinum at the "Oro" rate.
- 15% discount on rewards in the Bankia Dream Points program.

*BANKIA HAS  
INCORPORATED  
SPECIFIC SOCIAL,  
ENVIRONMENTAL AND  
CORPORATE GOVERNANCE  
INFORMATION INTO ITS  
STANDARD REPORTING FOR  
INSTITUTIONAL INVESTORS  
AND SHAREHOLDERS*

SHAREHOLDERS  
ATTENDING AND/  
OR REPRESENTED AT  
GENERAL MEETINGS

# 6,726





NO. OF BANKIA EMPLOYEES  
**13,318\***

WOMEN IN MANAGEMENT  
POSITIONS  
**1,521**

MANAGERIAL APPOINTMENTS  
THROUGH INTERNAL PROMOTIONS  
**294**

RELOCATIONS ARRANGED IN 2015  
**4,028**

EMPLOYEES INVOLVED IN  
TRAINING PROGRAMMES  
**3,111**

FOCUS GROUPS WITH EMPLOYEES  
**30**

\* Data for Bankia, S.A.



# HUMAN CAPITAL

Bankia is staffed by 13,318 people who work tirelessly to ensure responsible management practices shape every aspect of the business. Efficient management, the identification and nurturing of internal talent, and ongoing staff training were at the heart of the main projects completed in 2015.

Personnel management activity was intense throughout 2015 due to two circumstances. First, a new voluntary redundancy plan was launched in May, which involved 253 employees leaving. Second, new distribution and commercial models were developed and consolidated, entailing:

- The opening of 16 agile branches manned by 102 employees.
  - The establishment of advisory branches to which 227 financial advisors were assigned.
  - The opening of multi-channel branches involving 133 hires.
- The strengthening of the SME segment, with 105 new professionals assigned to the area head offices and reviews of the job profiles of 153 employees assigned to branches.
  - The winding up of the Recovery and Settlement Centres, which were replaced by the Recovery Centres, involving the subsequent reassignment of staff and functions.

In all, 4,028 members of staff were reassigned to achieve the right organisational structure, especially at management level.



*277 SPECIALISED  
FINANCIAL ADVISORS  
WERE HIRED TO  
STAFF THE ADVISORY  
BRANCHES*

## TRAINING

During 2015, the training plan focused on promoting people's core competences, aligning the training actions carried out with the bank's priorities while associating processes for measuring how these are converted into results. 774,677 hours of training were provided; up 15.75% year on year.

Most worthy of note was the introduction of training itineraries to improve the management team's skills as part of the process to redefine the bank's culture and shift focus towards value-based management and maximise the bank's competitive advantage. The first were run for the managers of Plus+ branches and branches with specialist advisors, retail banking and business banking commercial managers, business centre managers, and private banking managers.

Efforts also focused on:

- Continuing to run the itineraries for SME and personal banking account

managers in order to bolster the knowledge and skills associated with their positions.

- Synchronising the new programmes for specialised managers (financial advisors, business banking managers and asset managers) with the training itineraries of their management.
- Strengthening long-term customer relations (especially with SMEs, micro-enterprises and independent contractors) and providing commercial advice on products and services.
- Evaluating the training of retail and business banking staff vis-à-vis credit risks in order to draw up individual training plans to bridge any gaps.
- Running a specific training plan for multi-channel managers on changes in the bank's distribution models.
- Training staff on P&L management, foreign trade, operational management, and insurance and anti-money laundering legislation.

*A KEY DEVELOPMENT  
WAS THE INTRODUCTION  
OF TRAINING  
ITINERARIES TO IMPROVE  
THE MANAGEMENT  
TEAM'S SKILLS*



INVESTED IN TRAINING

**€7.50 MN**

EMPLOYEES TRAINED

**13,040**

COURSES RUN

**857**

HOURS OF TRAINING  
PER EMPLOYEE

**58.17**

TRAINING  
PROVIDED ONLINE

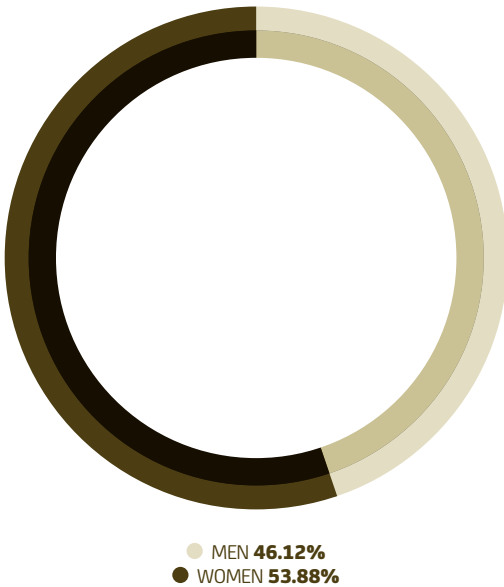
**64.5%**

TRAINING ON TECHNOLOGICAL  
DEVELOPMENTS AND  
THE ROLLOUT THEREOF

**17,775 h.**

TRAINING

TRAINING HOURS  
BY GENDER (%)



TRAINING HOURS BY  
PROFESSIONAL CATEGORY (%)



## PROFESSIONAL DEVELOPMENT AND TALENT MANAGEMENT

There were 294 appointments in 2015: 35 senior managers (including 11 area managers), 166 branch managers, 45 Central Services managers (including 2 team leaders) and 48 deputy branch managers.

Talent searches entailed 1,477 interviews in addition to and complementing the 4,557 interviews carried out the previous year. This interview process was widened in 2015 to include sales and technical personnel.

In order to develop the professional careers of staff with the greatest potential, new management skills development programmes were run for 59 professionals during the year. The objectives of the programmes were to:

- Offer an overview of the level of critical skills required by the management function.
- Provide learning scenarios in which these skills can be put to use.
- Draw up individual plans designed to enhance performance and boost leadership qualities in collaboration with coaches.

A new skills development programme was also rolled out for skilled individuals who are one step away from moving into senior management. Two programmes were run in the last quarter, benefitting 30 professionals (deputy branch managers, managers of staff in business support and commercial areas).

A supplementary coaching programme was also drawn up in 2015 for staff who had already completed the management skills course. Nine individuals took part.

FOR SUPPORTING EMPLOYEES' STUDIES

**€264,798.17**

FOR SUPPORTING CHILDREN'S EDUCATION\*

**€9,284,303.44**

BENEFITTED FROM MATERNITY/PATERNITY LEAVE

**851 EMPLOYEES**

DISABLED PEOPLE WORKING FOR THE BANK

**148 EMPLOYEES**

EMPLOYEES WITH REDUCED WORKING HOURS TO CARE FOR CHILDREN AND FAMILY MEMBERS

**314 EMPLOYEES**

\* Includes disabled children and children that do not sleep at home.

## INTERNAL APPOINTMENTS IN 2015

---

# 294

## EMPLOYEES EVALUATED FOR PERFORMANCE AND/OR PROFESSIONAL DEVELOPMENT

---

# 1,777

Other action in this area included:

### **SENIOR MANAGEMENT PROGRAMME (PAD)**

For corporate directors, running from October 2015 to mid-2016. Forty-four professionals signed up for the course.

### **CAREER DEVELOPMENT PLANS (PDC)**

Targeting employees capable of filling top positions to meet the bank's existing and future needs. During the first quarter, 38 plans were started along with another in October, in addition to the 12 plans launched in 2014. These plans include work placements in different parts of the organisation, the possibility of participating in strategic projects, etc.

### **MENTORING PROGRAMME**

Which was launched in the first quarter of 2015 and runs for 18 months. It involves 62 mentors.

### **PLANS TO FOSTER TALENT PROVIDING PARTICIPANTS**

With an overview of the business and the bank, ensuring Bankia can cover emerging organisational needs internally. At year end, 298 employees from the commercial network and 50 members of Central Services had signed up.

### **TALENT POOL PROGRAMME**

Designed to find and train young people capable of occupying positions that require a high degree of specialisation: capital markets, treasury, corporate banking, private banking, financial management, etc. A total of 12 individuals from the pool were assigned to their final posts in these areas at the end of December.

## MANAGEMENT STYLE

Every company with an ambition to lead has its own unique management style. A task force was set up in April 2015 to define Bankia's management style and the underlying principles thereof. This group's duties also included establishing the bank's values as the foundations of its conduct and defining the boundaries of management responsibility.

The task force's conclusions led to the drafting of the bank's Management Style Guide and the creation of a self-awareness and self-analysis tool, and helped shape training and communication plans. An example of the latter is the inclusion of management style modules in the development itineraries for area managers and business centre managers.

## WORKPLACE CLIMATE, CULTURE AND COMMITMENT

The first Bankia Workplace Climate Survey was conducted during the second half of 2015 in order to:

- Gather objective and relevant information on the satisfaction and commitment of the bank's staff.
- Obtain indicators that can be compared with those of other organisations.
- Analyse differences in existing workplace micro-climates.
- Identify the drivers of satisfaction or dissatisfaction and therefore, the levers that can be moved to manage the internal climate.
- Design overarching and specific action plans to align climate, culture and commitment with the Strategic Plan.

Groundwork for the survey comprised individual interviews and five focus groups involving members of Retail Banking, Business Banking and Central Services.

An anonymous and confidential questionnaire was drawn up based on this work consisting of 61 closed and four open questions, which was sent to the bank's staff.

The outcomes of the survey and subsequent action based on the results will be published in 2016.

## STAFF HEALTH AND SAFETY

The bank is committed to fostering a working environment based on the health and safety of its staff, implementing a consistent and coordinated health and safety policy.

The Health and Safety Management System comprises all the activities aimed at preventing, eliminating or minimise occupational risk. This is achieved through an annual programme approved by the National Health and Safety Committee.

Various agreements have also been signed between the management and employees' representatives to improve working conditions. For example, the protocols for situations involving violence or robberies are executed immediately in a coordinated way to support and help employees.

Bankia runs preventive campaigns to promote good health as well as collaborative actions with the Spanish Cancer Association, which seek to raise awareness and inform all members of the organisation. Blood donation campaigns have also been organised in collaboration with different public organisations.

### STAFF HEALTH AND SAFETY

**2015**

Absenteeism	6.12
Total working hours lost due to absenteeism	1,360,867
Workplace accident rate	0.29
Total working hours lost due to workplace accidents	6,916
Total number of employees taking sick leave	3,571
Total work-related death	0



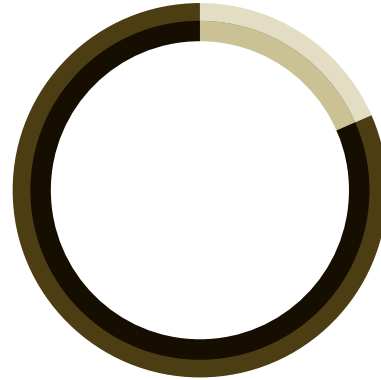
## WORKFORCE PROFILE

### BY GENDER



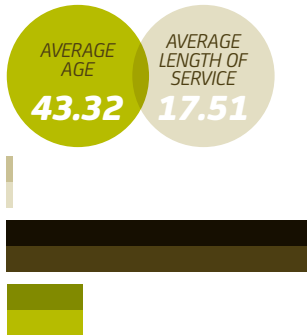
● MEN AS A % OF TOTAL WORKFORCE **45.55%**  
 ● WOMEN AS A % OF TOTAL WORKFORCE **54.45%**

### BY BUSINESS AREA



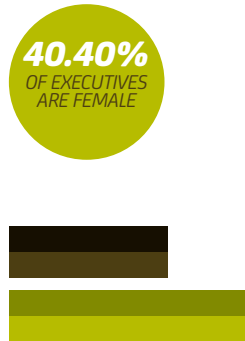
● CENTRAL SERVICES STAFF AS A % OF TOTAL WORKFORCE **14.81%**  
 ● COMMERCIAL NETWORK STAFF AS A % OF TOTAL WORKFORCE **85.19%**

### BY LENGTH OF SERVICE (YEARS)



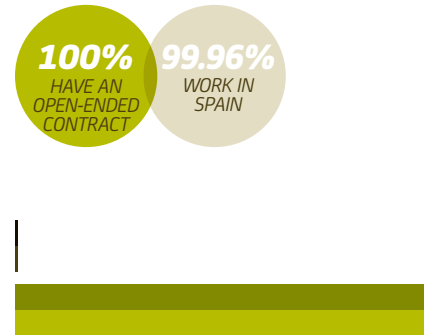
● STAFF UNDER 30 AS A % OF TOTAL WORKFORCE **0.54%**  
 ● STAFF BETWEEN 30 AND 50 AS A % OF TOTAL WORKFORCE **79.75%**  
 ● STAFF OVER 50 AS A % OF TOTAL WORKFORCE **19.71%**

### BY MANAGEMENT POSITIONS



● TOTAL NO. OF FEMALE MIDDLE MANAGERS **40.40%**  
 ● TOTAL NO. OF MALE MIDDLE MANAGERS **59.60%**

### BY CONTRACT TYPE

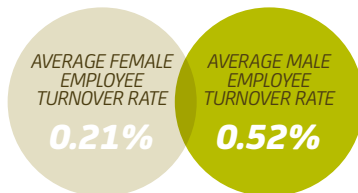


● STAFF ON OPEN-ENDED CONTRACTS AS A % OF TOTAL WORKFORCE **100%**  
 ● STAFF ON FIXED-TERM CONTRACTS AS A % OF TOTAL WORKFORCE **0%**

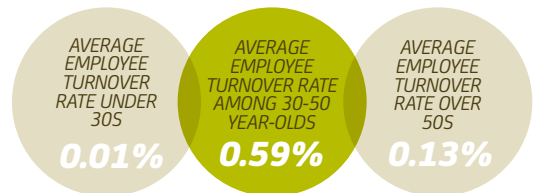
### UNWANTED EXTERNAL TURNOVER RATE



### AVERAGE EMPLOYEE TURNOVER RATE



### AVERAGE EMPLOYEE TURNOVER RATE BY AGE





## FAMILY PLAN

The Family Plan is designed for both children and adults, because its mission is to develop competences and skills from the earliest age to enable disabled people to become integrated

in society, to have a job and a career, as well as professional, personal and social development through an accompaniment plan that is personalised for each beneficiary according to their age and personal situation.

## MULTI-DISCIPLINARY WORK

### **SUPPORTING PEOPLE WITH DISABILITIES**

ASSESSMENT AND DIAGNOSIS  
EARLY STIMULATION  
THERAPIES AND TREATMENT  
PSYCHOSOCIAL REHABILITATION  
ADAPTED PHYSICAL ACTIVITY  
SOCIALISATION AND  
NORMALISATION CAREERS ADVICE  
EMPLOYMENT INTERMEDIATION  
GRANTS AND TRAINING  
ADAPTATIONS SUPPORTED  
EMPLOYMENT



EMPLOYEES'  
CHILDREN HELPED  
THROUGH THE  
FAMILY PLAN

**86**

### **FAMILIES**

INFORMATION-ADVICE  
CONTACT NETWORKS  
FAMILY RESPITE CARE  
FAMILY THERAPIES

# TOTAL VIEWS OF THE **BANKIA ONLINE** MAGAZINE

# 689,972

## ESCUCHA ACTIVA ACTIVE LISTENING

Bankia has implemented an internal communications strategy based on “active listening”, designed to boost continuous improvement in the organisation, strengthening the employee’s “voice” as a driver of change. All of this is achieved through close relationships and feedback, which enables opinions and suggestions from the workforce to be redirected towards the corresponding departments in order to help with detecting and solving problems and ensuring that the improvement measures adopted are correct.

The company has therefore implemented channels that enable the perceptions and opinions of the company’s staff to be continually collected via an employee focus group, suggestions and best practices forums, the possibility to publish comments in real time in all sections of the online magazine and in the videos published in the audiovisual

space, and tests carried out among “internal communication correspondent” employees.

In November 2015, the Bankia Online magazine for staff received an award for the best online internal communications platform by the Internal Communications Observatory: set up by Instituto de Empresa, the journal Capital Humano, and global consultancy firm Atravia.

TOTAL VIEWS  
OF CORPORATE  
INFORMATION  
PUBLISHED ON  
THE INTRANET

**3,104,668**

TOTAL VISITS  
TO THE  
AUDIOVISUAL  
SPACE

**334,245**

TOTAL EMPLOYEES  
PARTICIPATING  
IN INTERNAL  
COMMUNICATIONS  
CHANNELS

**34,797**

TOTAL EMPLOYEE  
FORUMS SET UP

**633**

TOTAL NUMBER  
OF SUGGESTIONS/  
COMMENTS  
RECEIVED  
THROUGH THESE  
FORUMS

**2,083**



ROE  
**10.6%**

---

EFFICIENCY RATIO  
**43.6%**

---

ASSETS  
**€213.7 BN**

---

CUSTOMER FUNDS  
**€119.8 BN**

---

MARKET CAPITALISATION  
**€12.37 BN**

---

PUBLIC AID REPAID  
**€1.63 BN**

---





# ACCOMPLISHING OUR PLANS

---

Bankia has successfully completed its 2012-2015 Strategic Plan and become the most solvent, profitable and efficient of the large Spanish banks.

GDP  
**3.2%**

---

INFLATION  
**0%**

---

HOUSE PRICES  
**+1.8%**

---

MORTGAGES ARRANGED  
**+19.8%**

---

NEW CREDIT  
**€467.93 BN**

---

JOB CREATION (EPA)  
**525,100**

---

# ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT

The economic context in 2015 was dominated by the intense decline in commodity prices, fears of a hard landing in China and outflows of capital from emerging economies. There was also a change of cycle in US monetary policy in December and the Federal Reserve raised interest rates for the first time in almost 10 years.

In this context, the performance of the main economies and regions was unevenly distributed. On the one hand, net commodity-exporting economies, mostly in emerging economies in Latin America and Asia, suffered inflationary pressures, resulting from a substantial depreciation of their currencies, a tightening of financial conditions and a notable weakening of economic activity (as was the case in Brazil, for example). On the other hand, the rest of the economies, in general, registered very low inflation rates. A number found some traction, as is the case of the main developed economies. Other economies, most net commodity-importing emerging economies, including China, maintained fairly robust growth.

On balance, the world economy once again experienced a somewhat disappointing performance in 2015. Global growth was just 2.6%, slipping from the 2.7% reached in 2014, and well below the rates above 4% posted prior to the financial crisis.

The highlight regarding the main central banks was the confirmation of the diverging trends of their monetary policies. The European Central Bank (ECB) expanded the asset purchase programme it started in the last quarter of 2014 to include debt from sovereigns, agencies and local and regional governments, extending its target volume to 60 billion euros

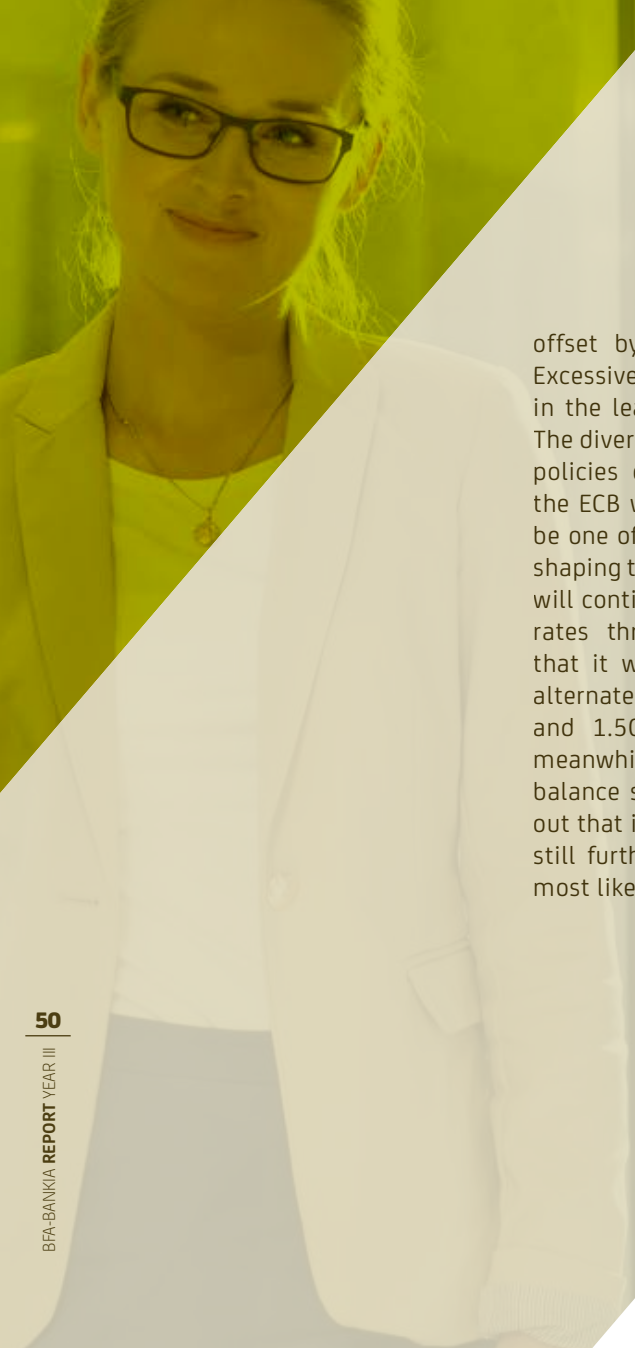
per month until March 2017. It also increased the cost to banks of holding their surplus liquidity at the ECB by dropping the deposit facility rate from -0.20% to -0.30%, pushing rates along the whole Euribor curve into negative territory, with the exception of the 12-month rate, which moved close to zero.

Meanwhile, the Fed initiated the cycle of interest rate hikes by increasing its target range to 0.25%-0.50%. In any case, thanks to the central banks' cautious attitude and the sharp fall in the oil price, which has reduced inflation, the year-end level of government debt was better than expected at the start of the year, with generally very modest increases in yield.

Spain's risk premium reached a high of 160 bp in the summer, due to the Greek crisis (there were even fears Greece might leave the euro). It then fell to levels at the start of the year (around 100 bp) before rising once more to 120 bp at year-end due to uncertainties about the outcome of the general elections.

Forecasts for 2016 are relatively optimistic, although the macroeconomic situation is set to remain flat rather than improve. World economic growth is only expected to rise slightly year on year with the expected quickening of growth in Europe and Japan being





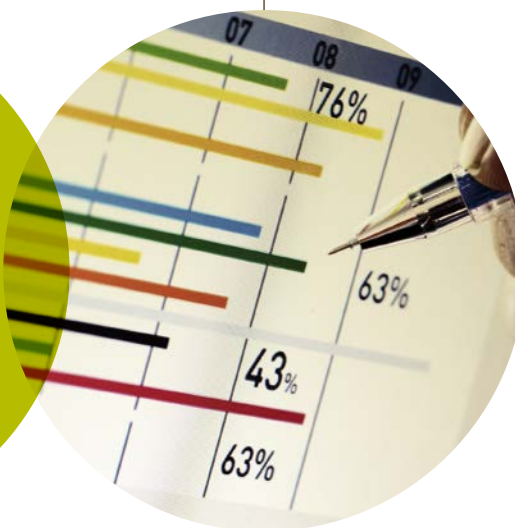
offset by lower growth in the US. Excessively low inflation will persist in the leading developed economies. The divergence between the monetary policies of the Federal Reserve and the ECB will remain in 2016 and will be one of the most influential factors shaping the financial markets. The Fed will continue to normalise its interest rates throughout 2016: we expect that it will raise rates by 0.25% at alternate meetings to between 1.25% and 1.50% at year end. The ECB, meanwhile, will continue to expand its balance sheet and it cannot be ruled out that it will not cut its deposit rate still further, although this is not the most likely scenario.

## SPANISH ECONOMY

In 2015 the Spanish economy continued the recovery, registering the fastest GDP growth in eight years (+3.2% vs +1.4% the previous year), putting it in the spotlight as one of the fastest growing economies in the eurozone.

The drivers of this growth included both internal and external expansionary stimuli. On the one hand, cheaper oil, depreciation of the euro, reactivation of the European economies, and the ECB's QE programme had a positive impact on the incomes and expectations of households and businesses. In Spain, the intensity of fiscal consolidation

*IN 2015 THE SPANISH ECONOMY CONTINUED THE RECOVERY, PUTTING IT IN THE SPOTLIGHT AS ONE OF THE FASTEST GROWING ECONOMIES IN THE EUROZONE*





## HOUSING MARKET TRANSACTIONS

# 350,000

dropped somewhat, personal income tax was cut, the focus of manufacturing shifted towards exports, and the reforms and progress made in redressing the internal imbalances and boosting competitiveness created the right conditions for a faster recovery.

That said, the progressive decline in global growth forecasts, primarily in emerging economies, and a certain dampening of some cyclical drivers caused the quarterly GDP growth rate to wane over the course of the year from an extraordinary 1% on average during the first six months to 0.8% at the back end of the year.

Domestic demand not only continued to be the driving force of the economy but also gained importance during the year, making the greatest contribution to GDP growth since 2007 thanks to buoyant investments and above all household spending.

In line with the upswing in demand, better credit terms and the need to renew the capital stock used in production, investment in capital goods rose sharply. The dramatic slump in construction during the crisis also came to an end with the sector posting its first positive figure in eight years. Household spending was fuelled by an uptick in disposable income as many jobs were created, taxes were cut and inflation fell to extreme lows. External demand continued to drag down GDP growth because of the sharp increase in imports due to the high levels of domestic expenditure. This was partially offset by exports, driven by the upturn in European economies and improved competitiveness.

The housing market continued to build on the positive figures posted in 2014. House sales (rising to 350,000),

mortgages, prices and even new housing permits rose sharply from all-time lows. The widespread increase in economic activity, job creation and more relaxed borrowing conditions underpinned a gradual recovery in domestic demand, which added to the uptick in external demand.

The upswing in domestic saving – reaching the highest level since 2007, made the dynamism of investments compatible with a significant increase in financing capacity in the economy.

Inflation remained in negative territory for much of the year, and after the knock-on effect of the intense slump in oil prices at the end of 2014, inflation closed the year positive, albeit very low. This rise in inflation also sparked domestic demand and euro depreciation.

The outlook for 2016 is that the expansionary phase will continue, although at a somewhat more sedate pace. We therefore forecast that GDP will grow by around 2.8%. In any event, one cannot rule out the risks and uncertainties fuelling a downturn such as the performance of some emerging economies and of the commodities and financial asset markets. High levels of debt continue to make the Spanish economy more vulnerable and highly dependent on foreign finance.

## BANKING BUSINESS AND REGULATIONS

The growth of the national economy has continued to drive the recovery of the banking sector. The increased financing needs of Spanish businesses and households have been met by a boost in new lending by banks under very favourable conditions, allowing the total volume of private sector lending to continue to recover and probably rise next year for the first time since 2009. A contributing factor has been the improvement in asset quality, as reflected in the fall in the NPL ratio, bringing the cost of risk back towards normal levels.

Even so, the pressure on profits has become more severe. On the one hand, the very low interest rate environment has pushed the interest rate spread down to record low levels, eroding the basic margins of the banking business. On the other hand, 2015 was marked by various regulatory and supervisory milestones that have significantly affected banks' strategy and performance.

In the eurozone, 2015 was a key year in the constitution of the Banking Union: the European initiative designed to protect the euro's integrity, breaking the vicious circle between banking risk and sovereign risk, enhancing prevention and management of banking crises and spurring market integration. 2015 was the first full year of the Single Supervisory Mechanism: the first pillar of the Banking Union which puts direct supervision for more than 80% of the sector's assets in the hands of the European Central Bank.

With regard to crisis management, the Single Resolution Mechanism

(the second pillar of the project) also became operational in 2015, except for the bail-in functions, which come into force in January 2016 along with the gradual introduction of the Single Resolution Fund. The new bail-in instruments will extend banks' capacity to absorb losses to all unsecured debt. A new requirement for own funds and debt has been introduced to ensure this is effective. Known as the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), this is applicable on an individual basis and will gradually be imposed on all European credit institutions as from 2016.

The single deposit guarantee fund (the third and last pillar of the Banking Union) is taking longer to set up. At the end of 2015, the European Commission approved a preliminary proposal, which it is expected will continue to be hotly debated.

At a world level, work on crisis management for systemic banks has progressed. In November, the Financial Stability Board approved the final version of the TLAC (Total Loss-Absorbing Capacity) ratio which is in line with the MREL. It will be a standard ratio applicable to globally systemic important banks only as from 2019.

Work continued in Spain last year to adapt legislation to European regulations. In June, the Bank Recovery and Resolution Directive was transposed in Spanish law, although some doubts remain as to the bail-in hierarchy. Moreover, to ensure the treatment of banks' deferred tax assets is compatible with European rules on state aid, the Spanish government approved an amendment to the Corporations Act with the consent of the European Union and the ECB. This

## GDP GROWTH FORECAST FOR 2016

adjustment guarantees the stability of the calculation of regulatory capital for Spanish banks.

All these rules are a step towards a banking system that is better prepared to deal with the new challenges ahead and more resilient to future crises. The positive results of the European Banking Authority's last transparency exercise published in November are proof of this, showing that the banking system is more robust and underpinned by a greater capital cushion.

# 2.8%

*2015 WAS A CRUCIAL  
MILESTONE IN THE  
CONSTRUCTION OF THE  
BANKING UNION: THE  
EUROPEAN PROJECT  
DESIGNED TO SECURE THE  
EURO'S FUTURE*



THREE-YEAR PROFIT  
**€4.081 BN**

---

**5 POINT** GROWTH IN  
ROE SINCE 2013

---

**12.1 POINT**  
IMPROVEMENT IN  
EFFICIENCY RATIO

---

**7.03 POINT** RISE IN  
GROUP'S SOLVENCY RATIO

---

**3.8 POINT**  
FALL IN NPL RATIO  
SINCE 2013

---

**€95.488 BN** REDUCTION  
IN BALANCE SHEET

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# STRATEGIC PLAN 2012-2015

The BFA-Bankia Group has complied with the 2012-2015 Strategic Plan announced on 28 November 2012.

In little more than three years, the bank has dramatically improved key aspects of its activity both quantitatively and qualitatively, such as: solvency, profitability and efficiency, customer satisfaction, and market shares. This general progress was achieved despite a difficult economic and financial environment (interest rates at all-time lows, intense competition, growing regulatory pressures, etc.). The bank also had to respond to the unforeseen

impact of various contingencies arising from its past management, in particular the management of hybrid instruments and the consequences of the IPO.

Despite these difficulties, between 2012 and 2015 Bankia became the most solvent, efficient and profitable of Spain's big banks, guaranteeing its future. A summary of the extent to which the plan was fulfilled is shown in the chart below.

## FULFILLING 2012-2015 STRATEGIC PLAN OBJECTIVES

		2015	2015 TARGET
<b>1</b> DRIVE UP OUR PROFITABILITY	<b>STRENGTHEN OUR COMPETITIVE POSITION</b>		MARKET SHARE GROWTH
	<b>OPTIMISE THE ASSET MIX</b>	-€61 BN	-€50 BN
	<b>DRIVE UP EFFICIENCY</b>	43.6%	<45%
	<b>CUT THE BANK'S RISK PREMIUM</b>	43 BP	50 BP
<b>2</b> CONTINUE IMPROVING OUR FUNDAMENTALS	<b>LIQUIDITY</b>		
	<b>LOAN-TO-DEPOSIT RATIO (%)</b>	101.9%	<110%
	<b>LIQUIDITY GENERATED</b>	€44.6 BN	€28.8 BN
	<b>SOLVENCY</b>		
<b>CAPITAL GENERATED</b>	€6.8 BN	€5.4 BN	
<b>RANKING</b>	#1	AMONG OF HIGHEST	
<b>3</b> COMPETITIVE ROE OF APPROX. 10%	<b>ROE</b>	10.6 %	10%
	<b>RANKING</b>	#1	AMONG OF HIGHEST



## WINNING MARKET SHARE

Bankia's goal in the recently completed Strategic Plan as regards competitive positioning was to grow in high-value products in which the Bank's presence was low. Since 2012, it made gains vis-à-vis the following products:

- Market share in investment funds rose from 4.39% to 5.44%, i.e. an improvement of 24%. Over the same period, it brought in 411 million euros of net contributions to pension funds.
- On the funding side, market share in credit cards went from 5.25% to 6.57% – an increase of more than 25%. In 2015, consumer finance reached a total of more than 1.13 billion euros, compared to 305 million euros in 2012.
- Turning to lending to businesses, the share of trade finance went from 2.67% in 2012 to 7.6% in 2015; and in receivables discounting, from 6.15% to 7.47%.

The improvement in customer service quality drove up the bank's competitive position, as demonstrated in the results of the surveys conducted. In 2012, Bankia just scraped a pass for service quality (measured through mystery shopper surveys) with a score of 5.55 out of 10; below the average for the banking industry as a whole. In 2015, however, it achieved a good score of 7.28, beating the sector average. The customer satisfaction index has also taken a leap from 77.3% to 82.4%. As a result of all this, the bank's sales capacity has grown from 22.7 to 34.6 products sold per employee per month.

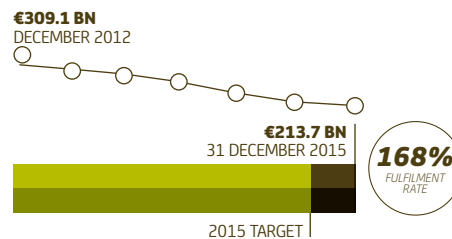
## DIVESTMENT AND EFFICIENCY

From a balance sheet management perspective, one of the challenges facing the BFA-Bankia Group has been to reduce its volume of non-performing assets (NPAs). The target set in this regard was a reduction of 50 billion euros to 40 billion euros, which was easily reached. Non-core assets fell by 61.4 billion euros, with the portfolio standing at 28.6 billion euros.

Another key factor for the sustainability of the project is efficiency. Bankia's efficiency ratio (percentage of revenue spent) in 2012 was 55.7%. Its goal was to reduce that figure below 45% (the lower, the more efficient the bank) and last year it hit 43.6%.

## BALANCE SHEET

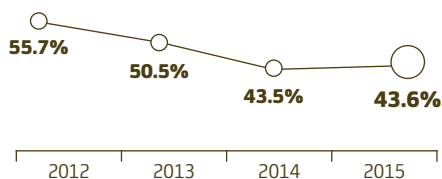
BFA data



2015 TARGET  
TOTAL ASSETS  
**€252.2 BN**

## EFFICIENCY RATIO

Bankia data



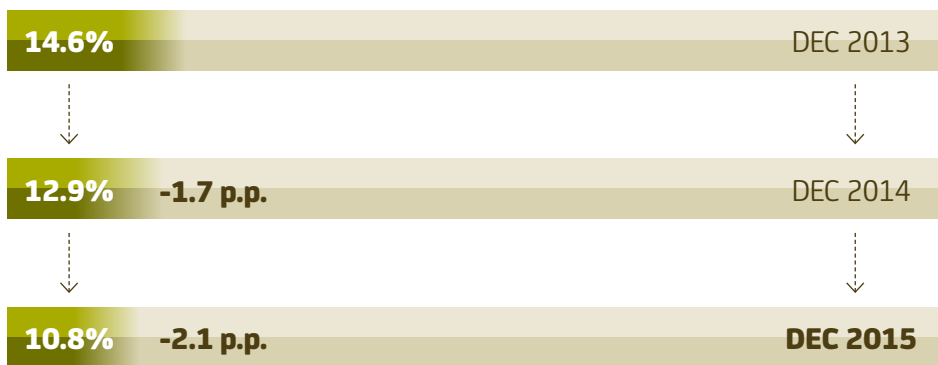
In 2012, Bankia faced a drastic balance sheet clean-up. Accordingly, it mapped out a return to balance sheet normality, where provisions would be no more than 0.5% of the loan portfolio. In 2015 this goal was met, with a risk premium of 0.43%.

Despite the provisions taken in 2012, the Bank's provisioning effort continued throughout these three years, with a further 3.3 billion euros of provisions being recognised in order to strengthen the balance sheet. As a result, Bankia has succeeded in maintaining its coverage ratios despite reducing the balance of doubtful loans by 7 billion euros from its peak.

*THE BANK'S SALES CAPACITY HAS GROWN FROM 22.7 TO 34.6 PRODUCTS SOLD PER EMPLOYEE PER MONTH*



## LOW NPL RATIO





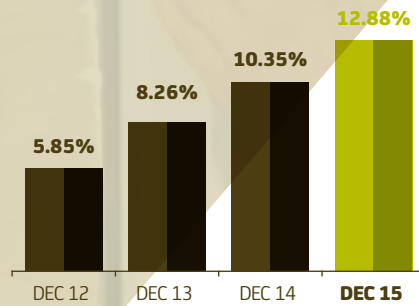
## BOLSTERING SOLVENCY

One of the key aims of the Strategic Plan was to position the bank among the most solvent banks in the sector. It was an ambitious commitment, given that following the injection of state aid, the BFA-Bankia Group had a fully-loaded Basel III CET1 ratio of 5.85%. This ratio covered the regulatory minimum at that time, but today would be clearly

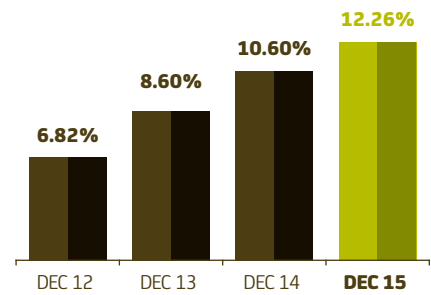
insufficient, as capital requirements have been toughened for the whole of the industry.

Even so, strong organic capital generation over these three years, through profits and reduction of risk-bearing assets, has driven the fully-loaded Basel III CET1 ratio up to 12.88% – more than double that in 2012 and one of the highest of the big banks.

### CHANGE IN FULLY-LOADED BASEL III CET1 RATIO, BFA GROUP



### CHANGE IN FULLY-LOADED BASEL III CET1 RATIO, BANKIA GROUP



## CAPITAL



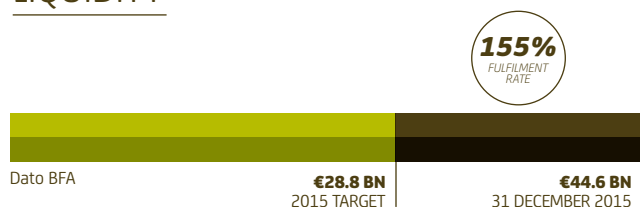
126%  
FULFILMENT RATE

2015  
CAPITAL  
GENERATION TARGET  
**€5.4 BN**

The results achieved with respect to liquidity were also higher than those envisaged in the plan. The BFA-Bankia Group generated 44.6 billion euros of liquidity over the three years, compared to its initial target of 28.8 billion euros. As a result, drawdowns

on the European Central bank's facility, which were slated to decrease from 71.5 billion euros to 51.9 billion euros, fell to only 19.5 billion euros, which even takes into account recourse to the targeted longer-term refinancing operations (TLTRO).

## LIQUIDITY



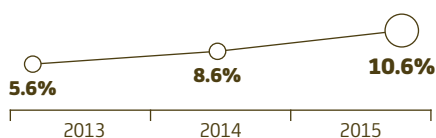
2015  
LIQUIDITY  
GENERATION TARGET  
**€28.8 BN**

## IN SHORT: GREATER PROFITABILITY AND RECOGNITION

Bankia topped off the successful completion of the Strategic Plan by driving up its return on equity from 5.9% in 2013 to 8.6% in 2014 and 10.6% in 2015; outstripping the 10% target and the highest of the bank's peers. These figures do not take into account the impact of the provisions recognised in 2014 and 2015 to cover the litigation in connection with the IPO; a contingency not anticipated when the bank's Strategic Plan was drafted. If the provisions are included, the ROE stands at 9%, which is also the highest of the big banks.

## ROE\*

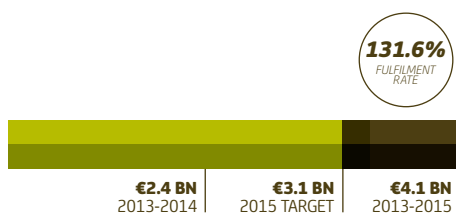
Bankia data



Excluding IPO provisions.

Additionally, the BFA-Bankia Group's accumulated net profit over the period was 4.08 billion euros, well above the 3.1 billion euros estimated in the Strategic Plan.

## PROFIT\*



2015  
NET PROFIT  
TARGET  
**€3.1 BN**

\* Net profit of BFA Group no including effect of exchange of hybrids or tax effects.

Thanks to all these strengths, Bankia has earned recognition from the markets, having raised 5.8 billion euros during these three years through debt issues (senior, subordinate and covered bonds) and the sale of 7.5% of its capital to institutional investors.

The Bank's achievements are also reflected in its outstanding share performance compared to the group of banking peers. Taking as a reference the value of the six largest banks between May 2013, when the new Bankia shares started trading, and 2015 year-end, Bankia beats the industry average by 73.2%.

ATTRIBUTABLE PROFIT  
**+39.2%**

---

OPERATING EXPENSES  
**-4.8%**

---

OPERATING PROFIT  
**+12.5%**

---

CUSTOMER FUNDS  
**+€3.795 BN**

---

CONSUMER AND  
BUSINESS LOAN BOOK  
**+3.5%**

---

FULLY-LOADED  
CAPITAL RATIO  
**+166 BP**

---

# KEY INDICATORS AND FINANCIAL INFORMATION FOR 2015

Bankia hit its targets in 2015, ending the year as the most profitable, robust and solvent bank. Off the back of this progress, it proposed increasing the dividend by 50%, thereby taking a further step to repaying the aid received from taxpayers.

## RESULTS

Bankia's strength in 2015 enabled it to confidently face the challenge it has set itself of becoming the best commercial bank in Spain.

Two key achievements stand out: the increase in customer funds and the excellent performance of lending to the bank's core segments such as consumer loans and finance for SMEs and independent contractors. The NPL book was also slashed by over 3.5 billion euros, and Bankia attained the highest level of solvency of all Spain's large banks.

### **PROFITABILITY: IMPROVEMENTS ACROSS THE BOARD**

Attributable profit reached 1.04 billion euros, having risen by 39.2%, while the return on equity climbed from 8.6% in 2014 to 10.6% in 2015; outstripping the target set in the Strategic Plan. These figures do not take into account the provisions recognised in the last two years to cover the litigation in connection with the IPO. Had they been included, ROE would have been 6.6% in 2014 and 9% in 2015.

Net interest income totalled 2.74 billion euros, registering a decrease of 6.4% as a result of the downward pricing of the SAREB bonds. Stripping out this effect, net interest income would have risen 1.7%, despite the

highly competitive environment, drop in interest rates to zero, and Bankia's decision to withdraw floor clauses. New lending and lower funding costs contributed to this increase.

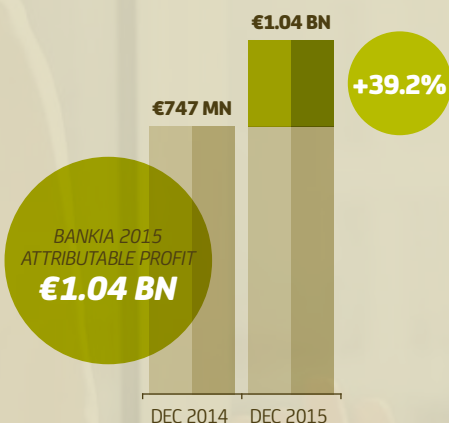
Fee and commission income basically remained stable (-1%) at 938 million euros. In contrast, gains on financial assets and liabilities (281 million euros) were up 29.2%, mainly from the rotation of the ALCO (fixed-income) portfolio.

Operating expenses fell 4.8% to 1.66 billion euros, helping offset the squeeze on income and maintain the efficiency ratio at 43.6% over the whole year (43.5% in 2014).

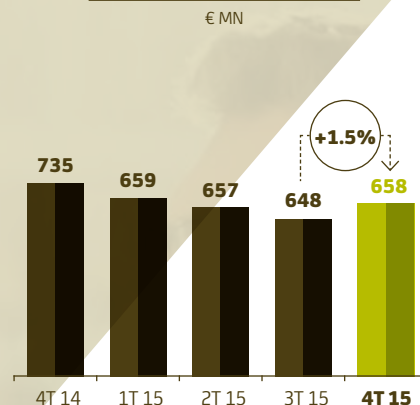
Although the balance of non-performing loans and foreclosed assets shrank, it was necessary to set aside provisions of 724 million euros; however, this was 34.6% less than in 2014. The cost of risk (volume of provisions as a percentage of loans) dropped from 0.60% to 0.43%.

As a result of all of the above, operating profit amounted to 1.6 billion euros (+12.5%) and profit before tax, 1.64 billion euros (+33.6%). After tax, profit attributable to non-controlling interests and the effect of the provisions for the IPO litigation, reported profit attributable to the group totalled 1.04 billion euros.

## PROFIT



## NET INTEREST INCOME, EXC. CNB

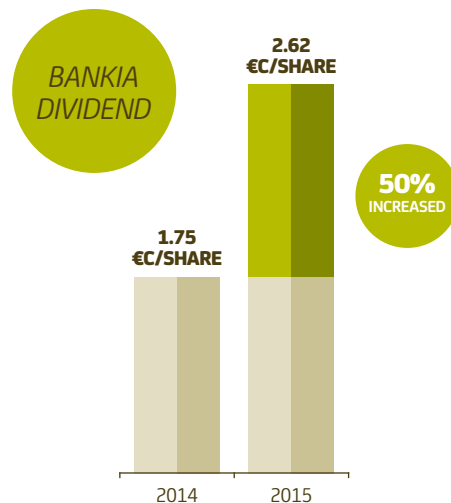


### DIVIDEND: 50% HIGHER

Given these results, the Board of Directors resolved to propose to the General Meeting the distribution of a dividend of 2.625 euros per share with a charge to 2015 profit, compared to 1.75 euros in 2014. The pay-out (percentage of profit distributed as dividends) stands at close to 30%.

In absolute terms, Bankia will return to its shareholders 302 million euros, 194 million euros of which will go to the State, through the parent BFA which controls 64.2% of the bank and is solely owned by the FROB. A total of 1.63 billion euros of public aid will have been refunded (after the dividend pay-out).

## DIVIDEND

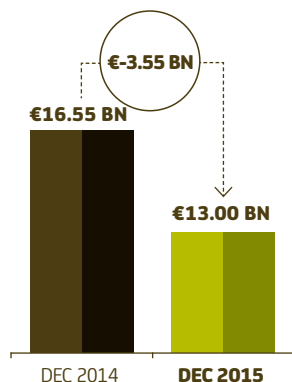


### CLEAN-UP: A MORE ROBUST BALANCE SHEET

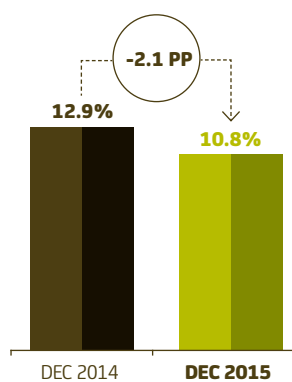
Bankia is consistently paring down the balance of non-performing loans each quarter, both organically and by selling off loan books. Last year, the NPL portfolio was reduced by 3.55 billion euros to just under 13 billion euros. The NPL ratio (10.8%) was cut by more than two points, while the coverage ratio for NPLs on the balance sheet rose from 57.6% to 60%.

As well as reducing the NPL ratio, Bankia also managed to offload 9,190 foreclosed assets (52% more year on year), whereby the net on-balance sheet value of these assets fell from 2.88 billion euros at year-end 2014 to 2.69 billion euros at December 2015.

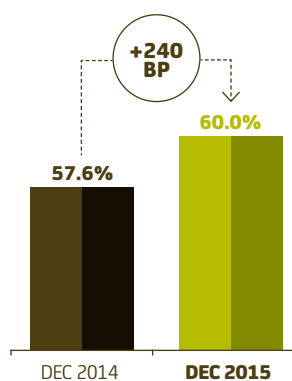
### NPL BOOK



### NPL RATIO



### NPL COVERAGE RATIO



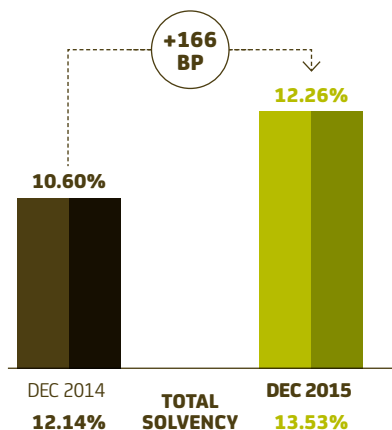
### SOLVENCY: EARLY FULFILMENT OF BASEL III REQUIREMENTS

Bankia ended the year with a fully-loaded Basel III common equity (CET1) ratio of 12.26%; complying ahead of schedule with the requirements that will come into force in 2019. In 2015, the bank bolstered its solvency by 166 basis points, while the fully-loaded total capital ratio climbed from 12.14% to 13.53%. The phase-in CET1 ratio – applicable under prevailing regulations – stood at 13.89% at 31 December and the phase-in total capital ratio at 15.16%. These figures are well above the minimum requirement set by the European Central Bank and the Bank of Spain for 2016: phase-in CET1 ratio of 10.31%.

The increase in solvency would have been higher still without the IPO provision.

In terms of liquidity, the customer funding gap continues to narrow, falling from 13.66 billion euros to 8.45 billion euros on year (-38.1%). The LTD ratio shrank from 105.5% to 101.9%, which ultimately shows that practically all loans are financed using customer deposits.

### BANKIA FL CET1 RATIO





### BUOYANT SALES

Bankia's commercial network continued to perform strongly last year. Customer funds rose by 3.3% or 3.8 billion euros. The volume of deposits rose 2.2%, while the volume of insurance, pension plans and investment funds climbed by 8.2%.

The volume of new loans went up consistently, especially consumer loans (+38%) and loans to SMEs and the self-employed (+16%). This resulted in the balance of loans to both segments, including repayments, going up by 3.5% to 46.8 billion euros.

### GROWTH AT BFA

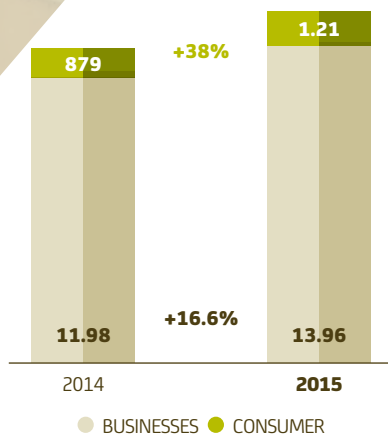
Bankia's parent, BFA, posted a pre-tax profit of 1.6 billion euros, practically four times higher than in the previous year, including the IPO provisions (780 million euros in 2014 and 1.06 billion euros in 2015).

Looking at the BFA Group's solvency, its fully-loaded CET1 ratio was 12.88% at year-end, having risen by 253 basis points over the year. The phase-in CET1 ratio increased from 13.28% to 14.58%.

### NEW LOANS GRANTED

€ BN

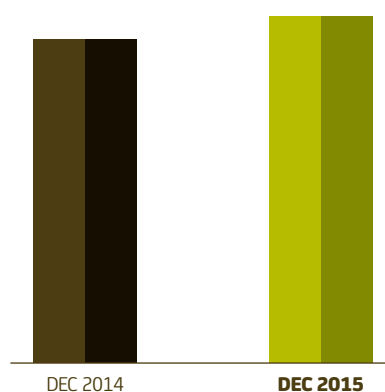
12.86 → +18% → 15.18



### CUSTOMER FUNDS

€ BN

115.97 → +3.3% → 119.76





## SHARE PRICE PERFORMANCE

The financial markets picked up somewhat in 2015 in the advanced economies, although there was a slowdown in the emerging economies. The US also hiked interest rates for the first time since June 2006, oil prices slumped, and stock markets fluctuations became gradually more pronounced.

In this climate, the IBEX lost 7.15%, with the financial sector clearly losing ground. Bankia's share closed the year at 1.074 euros, 13.25% down year on year, although it still outperformed the shares of the six big listed Spanish banks. The average volume of Bankia shares traded stood at 34.3 million shares, equivalent to an average cash amount of 41.3 million euros per session.

## NUMBER OF SHARES IN ISSUE

**11,517,328,544**

## AVERAGE DAILY TRADING VOLUME

**34,339,691 NO. OF SHARES**  
**€41,302,153**

### HIGH

**€1.360**

### LOW

**€1.011**

## SHARE PRICE AT 31/12/2015

**€1.074**

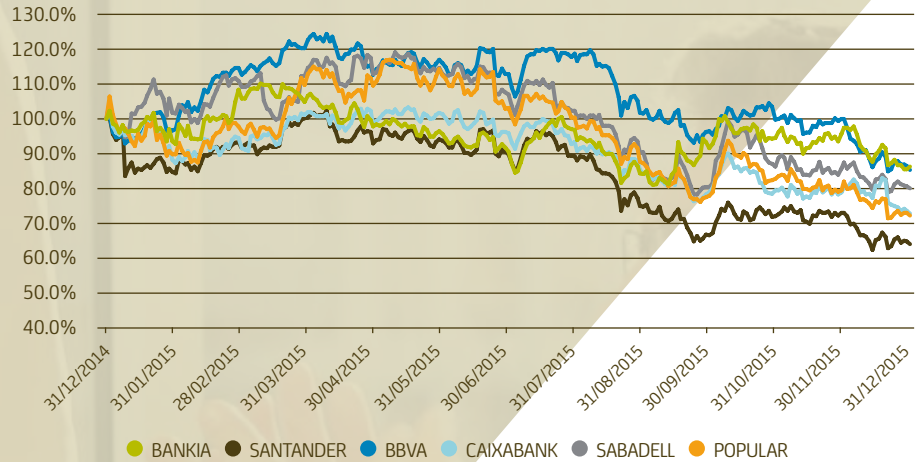
## MARKET CAPITALISATION AT YEAR-END 2015

**€12.37 BN**



*BANKIA SHARE  
OUTPERFORMED  
SHARES OF  
SIX BIG LISTED  
SPANISH BANKS  
IN 2015*

## SHARE PRICE OF SPAIN'S BIG BANKS



### ANALYSTS' CONSENSUS

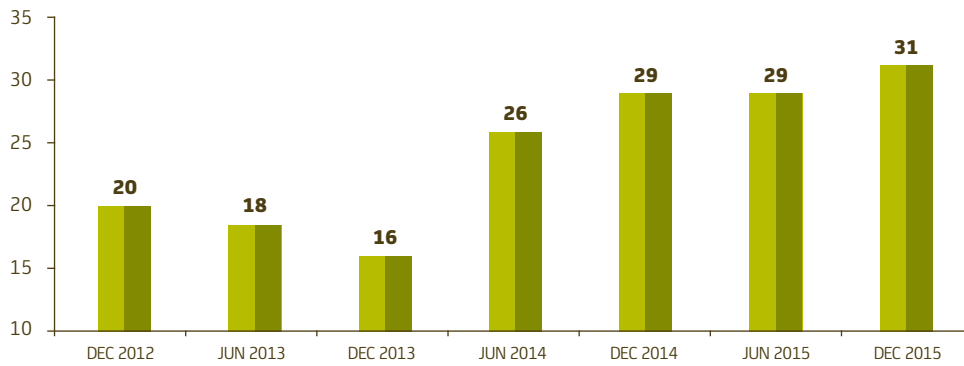
At 31 December, 31 stock analysts actively tracked and published target prices for the Bankia share – two more than in 2014. The consensus target share price was 1.23 euros at that time.

Most analysts issued Buy recommendations (45.16% compared to 20.7% a year earlier), while 22.58% recommended holding and 32.26% selling.

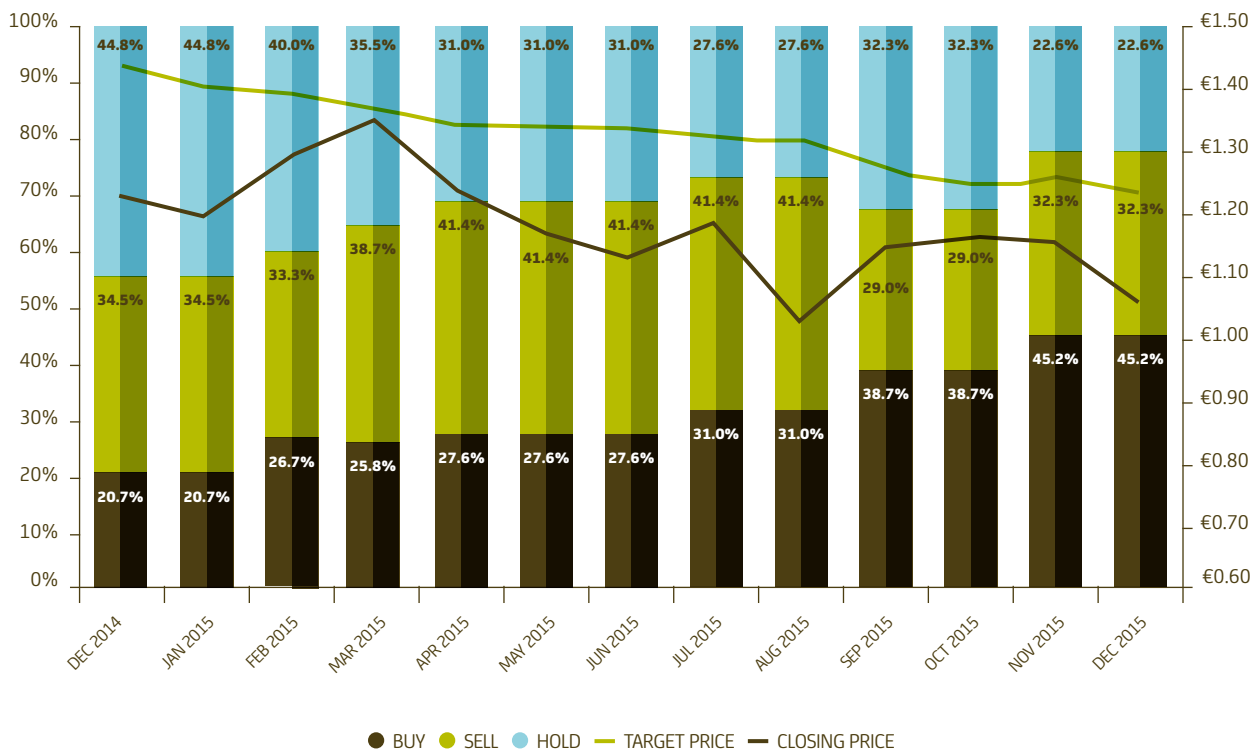
CONSENSUS TARGET SHARE PRICE WAS 1.23 EUROS PER SHARE, SUGGESTING A REVALUATION OF 15% VERSUS THE MARKET PRICE



## NUMBER OF ANALYSTS TRACKING SHARE



## VARIATION IN RECOMMENDATIONS, TARGET PRICE AND CLOSING PRICE



## RATING

The ratings of European banks were affected in 2015 by the entry into force of Directive 2014/59/EU. Ratings agencies responded to this new directive by adapting their methodologies to reflect the decreased inclination of Member States to bail out banks. As a result, the long-term, ratings fell to converge with banks' viability ratings.

### STANDARD & POOR'S

On 3 December, this agency ratified Bankia's BB/B rating, upgrading the outlook from Stable to Positive. The withdrawal of a notch for sovereign support was offset by an improvement in the risk profile of the bank, the stand-alone credit profile (SACP) of which rose from bb- to bb. In doing so, the agency recognised Bankia's success in strengthening risk management and the swift clean-up of its NPL book.

Previously, on 22 April Standard & Poor's also confirmed the long-term BB rating, upgrading the outlook from Negative to Stable due to the progress made in reducing exposure to problem assets and the potential benefits from an improvement in asset quality off the back of transforming the risk management model.

The rating of Bankia's mortgage covered bonds was upgraded from A/Negative to A+/Stable over the course of 2015.

### FITCH

On 1 April, the agency upgraded Bankia's viability rating two notches from bb- to bb+. At the same time, it ratified the long-term BBB-/Negative rating, due to the downward pressure on the rating as a result of removing the sovereign support rating, having adapted and implemented the new methodology.

On 19 March, after the widespread withdrawal of the sovereign support rating for banks, Fitch downgraded Bankia's long-term rating a notch from BBB- to BB+, which therefore converged with the bb+ viability rating. The outlook was upgraded from Negative to Positive, reflecting the potential upside in the short to midterm if Bankia continued to reduce its stock of problem assets and bolster capital.

The rating for mortgage covered bonds was upgraded on 6 April from BBB+/Stable to A-/Stable, while the outlook was upgraded to Positive on 16 September.





### DBRS

On 19 October, this agency upgraded the rating for mortgage covered bonds by two notches from A (high) to AA. Previously and after a full review of Bankia's bonds, the agency had ratified the A (high) rating on 24 September.






### MOODY'S

In October 2013, Bankia announced that it had decided to end its contractual relationship with Moody's. The ratings Moody's continues to publish for Bankia are therefore classified as Unsolicited and Non-participating. While the agency has been asked on several occasions to stop publishing ratings for Bankia, it is Moody's unilateral decision when to stop doing so.

## BANKIA RATINGS

	S&P		FITCH	
	DEC. 14	DEC. 15	DEC. 14	DEC. 15
	<b>LONG-TERM</b>	BB	BB	BBB-
<b>OUTLOOK</b>	NEGATIVE 	POSITIVE	NEGATIVE 	POSITIVE
<b>VIABILITY RATING</b>	bb- 	bb	bb- 	bb+
<b>SHORT-TERM</b>	B	B	F3	B

## MORTGAGE COVERED BOND RATING

	S&P		FITCH		DBRS	
	DEC. 14	DEC. 15	DEC. 14	DEC. 15	DEC. 14	DEC. 15
	<b>LONG-TERM</b>	A 	A+	BBB+ 	A-	A (high) 
<b>OUTLOOK</b>	NEGATIVE 	STABLE	STABLE 	POSITIVE	-	-



“THE 2016-2018 STRATEGIC PLAN IS CUSTOMER-CENTRIC. BANKIA’S AIM IS TO BE USEFUL TO CUSTOMERS. THIS IS THE ONLY WAY TO ACHIEVE OUR GOAL: TO BE THE BEST COMMERCIAL BANK IN SPAIN”.

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*JOSÉ IGNACIO GOIRIGOLZARRI*

# 2016-2018 STRATEGIC PLAN

Having completed the 2012-2015 Strategic Plan, the objectives of which were met satisfactorily in a highly complex environment, Bankia is drawing up its 2016-2018 Strategic Plan, which aims to focus more heavily on the fundamental aspects of the bank's activity.

This new strategic phase begins in far more favourable circumstances, albeit not without challenges. Bankia moves forward with a robust level of solvency (with one of the highest CET1 levels in the sector). It has a good efficiency ratio and is also a bank with a notable capacity to generate profits.

Its strategy is founded on these three pillars (solvency, efficiency and

profitability) with a view to overcoming current headwinds in the financial sector: erosion of margins as a result of low interest rates, growing supervisory and regulatory requirements, the digital revolution, changes in customer habits, intense competition, etc. These are major challenges that the new Strategic Plan aims to transform into great opportunities for Bankia to become the best commercial bank in Spain.

*THE STRATEGIC PLAN  
WILL RUN FOR  
THREE YEARS AND  
WILL BE CUSTOMER  
FOCUSED*







## CUSTOMER FOCUS

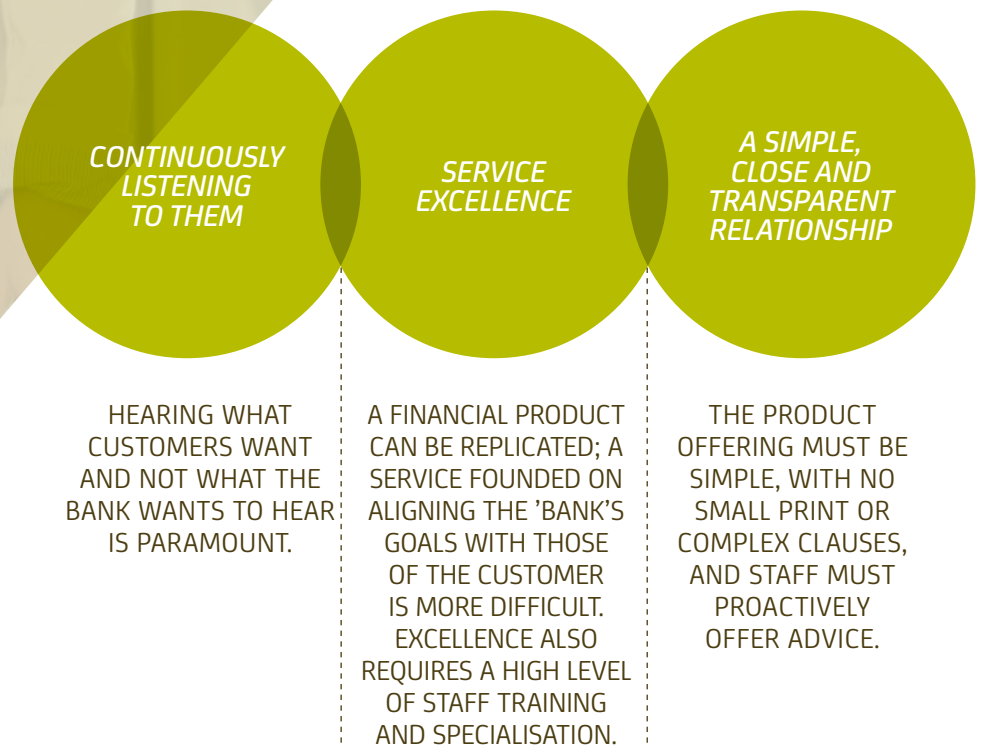
The new 2016-2018 Strategic Plan will have the customer at its heart. 'Bankia's priority is to find out what customers want and appropriately meet their needs, which change rapidly and vary from one group of customers to another. The goal is to take a qualitative leap in dealings with them to ensure that bank is useful to them and makes their lives easier. This is the shortest road to gaining their faith and loyalty. Bankia obviously wants to attract new customers, but building on

the care given to existing customers and their trust.

These concepts form the framework of the ideas underlying the bank's strategy, but specific measures and decisions are necessary to develop them. Some of these have already started to be put into practice:

- The policy on ATM fees. The bank reached an agreement with Euro 6000 and Banco Sabadell to provide customers access to a network of 17,800 ATMs across Spain, which

## FOCUSING ON FULFILMENT OF CUSTOMERS' NEEDS INVOLVES



## PEOPLE BENEFITTING FROM THE “FOR BEING YOU” PROGRAMME

# 2.4 MN

they can use to withdraw cash for free or for a maximum fee of 65 euro cents. Users therefore avail of the largest network in the country under beneficial conditions. After the new law came into force, a fee of 98 euro cents was also established for users who are not customers of Bankia or members of the alliance. As a result, Bankia charges the lowest fee among operators of the largest ATM networks in Spain.

- The “Por ser tú” [For being you] programme launched in early 2016 builds upon, simplifies and perfects the aforesaid proposal of establishing a link between customer loyalty and zero-fee transactions. Bankia listened to its customers using a raft of surveys and other tools for gauging their opinion (starting with the Chairman inviting them to email him) and concluded that the offering described beforehand is not well understood. It therefore decided to clarify it and extend the fee waiver to customers who arrange for funds of at least 450 euros (salaries) or 200 euros (pensions) to be paid into their accounts each month. This benefits 2.4 million customers and saves the 40 million euros per annum.

Over the next three years, the bank will regularly launch new initiatives, always with the aim of meeting customers’ needs and providing them with an excellent service, combining quality with reasonable pricing. The first steps taken have been made possible by the bank’s efficiency and therefore, the new plan will continue to focus on positioning the bank as the most efficient in Spain. The group will also pursue its policy of having a very robust balance sheet with strong provisions, and will remain staunchly committed to posting a ROE that is above average for the industry.

*THE NEW PLAN WILL CONTINUE TO FOCUS ON POSITIONING THE BANK AS THE MOST EFFICIENT IN SPAIN, WITH A HEALTHY BALANCE SHEET AND ROBUST PROVISIONS, ALONG WITH A ROE THAT IS ABOVE AVERAGE FOR THE INDUSTRY*



NEW **CORPORATE**  
**GOVERNANCE**  
SYSTEM APPROVED

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

---

BANKIA PROVIDES  
**ONGOING TRAINING**  
TO THE BOARD

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# **CORPORATE GOVERNANCE**

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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**

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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**

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

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

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# 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.



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**ANNUAL** EVALUATION OF  
SUITABILITY OF BOARD MEMBERS

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

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

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# 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.

## 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 <sup>(1)</sup>	OTHER <sup>(2)</sup>	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
<b>Directors total</b>	<b>1,493</b>	<b>800</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>2,300</b>

Figures in thousands of euros.

## MANAGEMENT COMMITTEE

	FIXED	VARIABLE	OTHER <sup>(2)</sup>	PSC	PER DIEMS	TOTAL
<b>Total</b>	<b>1,525</b>	<b>678</b>	<b>47</b>	<b>99</b>	<b>0</b>	<b>2,349</b>

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

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**179**

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

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**23**

MEETINGS OF THE ETHICS  
AND CONDUCT COMMITTEE

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**12**

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# 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.

<b>TYPE OF REPORTS OF MISCONDUCT RECEIVED</b>	<b>2014</b>	<b>2015</b>
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
<b>Total reports of misconduct submitted</b>	<b>12</b>	<b>11</b>



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





**FINANCIAL ADVICE** IS THE GREATEST  
VALUE-ADDED SERVICE RETAIL BANKING  
OFFERS ITS CUSTOMERS

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BANKIA FOCUSES ON THREE KEY AREAS  
WHEN SERVING BUSINESSES:

**ADVICE, FINANCE AND SUPPORT  
FOR INTERNATIONALISATION**

---

BANKIA IS COMMITTED TO **BUILDING  
A MULTI-CHANNEL OFFERING** TO  
BE ABLE TO SERVE EVERY TYPE OF  
CUSTOMER AND IN ANY CIRCUMSTANCES

---

BANKIA HAS ENHANCED ITS SYSTEM  
FOR **EVALUATING INVESTMENTS**  
FROM AN ENVIRONMENTAL, SOCIAL AND  
CORPORATE GOVERNANCE PERSPECTIVE



# **BUSINESS MODEL**

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*“In order to successfully attract customers, a multi-channel strategy is crucial, offering our customers a consistent experience through both physical and digital channels”.*

---

*JOSÉ IGNACIO GOIRIGOLZARRI*



**THIRD BEST SPANISH BANK**  
IN CUSTOMER SERVICE

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CUSTOMER SATISFACTION INDEX  
**82.4%**

---

SATISFACTION SURVEYS  
**112,080**

---

POST-SALE SURVEYS  
**2,400**

---

“PLUS+” BRANCHES FOR ADVICE  
**52**

---

COMPLAINT RESPONSE  
TIME REDUCTION  
**40%**

---

# THE CUSTOMER AT THE HEART OF WHAT WE DO

In an increasingly competitive environment, Bankia's primary goal is to have satisfied, loyal customers. In all its activities the bank gives priority to delivering an increasingly efficient, high quality service, striving always to meet the needs and expectations of consumers.

Customer behaviour is changing very fast and the bank is adapting to respond to the new demands. Keeping pace with customers in this transformation, without moving too fast or too slow, requires above all an ability to listen. Only by listening will the bank be able to detect users' emerging demands and measure their satisfaction with the service they receive.

It is precisely this alignment with customers' needs that has inspired Bankia's Strategic Plan 2016-2018. One of the first measures associated with the new plan is the launch of the "sin comisiones" (no fees) strategy. Since the start of this year, the only requirement for individual customers to sign up to this programme is to have their salary (minimum 450 euros per month) or pension (minimum 200 euros per month) paid directly into their Bankia account. The programme offers a total exemption on all the demand accounts of all qualifying customers, old or new. This is just one initiative, of the many yet to come, that has resulted from listening to customers.

## MEASURING QUALITY

Another result of the concern for listening to customers and delivering the highest quality is Plan Avanza, a programme to improve service quality in

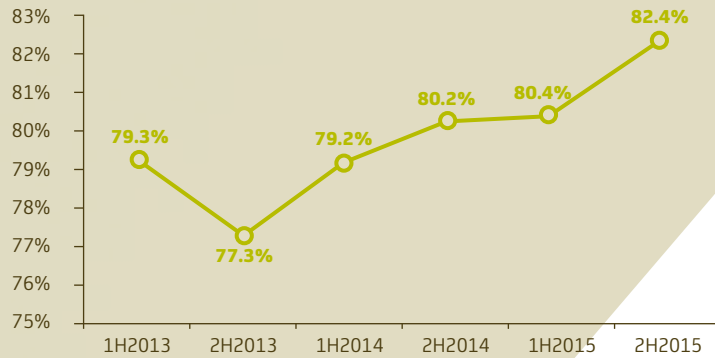
the branches that demands an in-depth knowledge of the customer experience. To gain that knowledge, satisfaction levels are measured continuously, especially in respect of the activities that have the biggest impact on the bank's sales performance.

This regular monitoring helps keep management processes and methods constantly under review and serves to identify the branches that can be used as a model and those that need the most improvement, for which specialised improvement plans are developed.

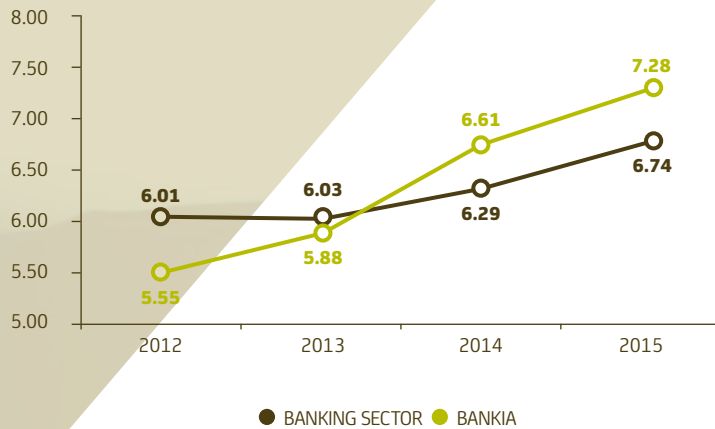
One of the measurement tools used is satisfaction surveys. In 2015 a total of 112,080 satisfaction surveys were conducted, with a view to finding out what customers expected and to what extent their expectations were met in their interactions with Bankia.

Another customary method of measuring service quality is mystery shopping (unannounced visits to branches by supposed customers, whose real mission is to report back on the service they receive). Mystery shopping services are usually provided by outside companies and the results allow comparisons between the objective quality of different financial institutions. Bankia has risen to third place among Spanish banks in service quality, with an above-average score.

### CUSTOMER SATISFACTION (%)



### THIRD BEST RESULTS IN MYSTERY SHOPPING ACTIONS



This improvement is a consequence of having put the customer at the centre of the bank's activities, involving the whole organisation, from the Individuals, Businesses and Private Banking segments to central services. Central services, for example, have signed service level agreements that demonstrate their determination to deliver a quality service to the branches, with all that this entails for the end customer.

The quality performance improvement is also attributable to the new segmentation of branches by customer profile. Of the 1,941 retail banking branches in Spain, 52 are "Plus+" branches, devoted purely to financial advising; 135 are Agile Branches (open all day), focused on the more transactional services; and 462 are situated in the areas surrounding the Agile Branches and are open mornings and afternoons. The remaining 1,254

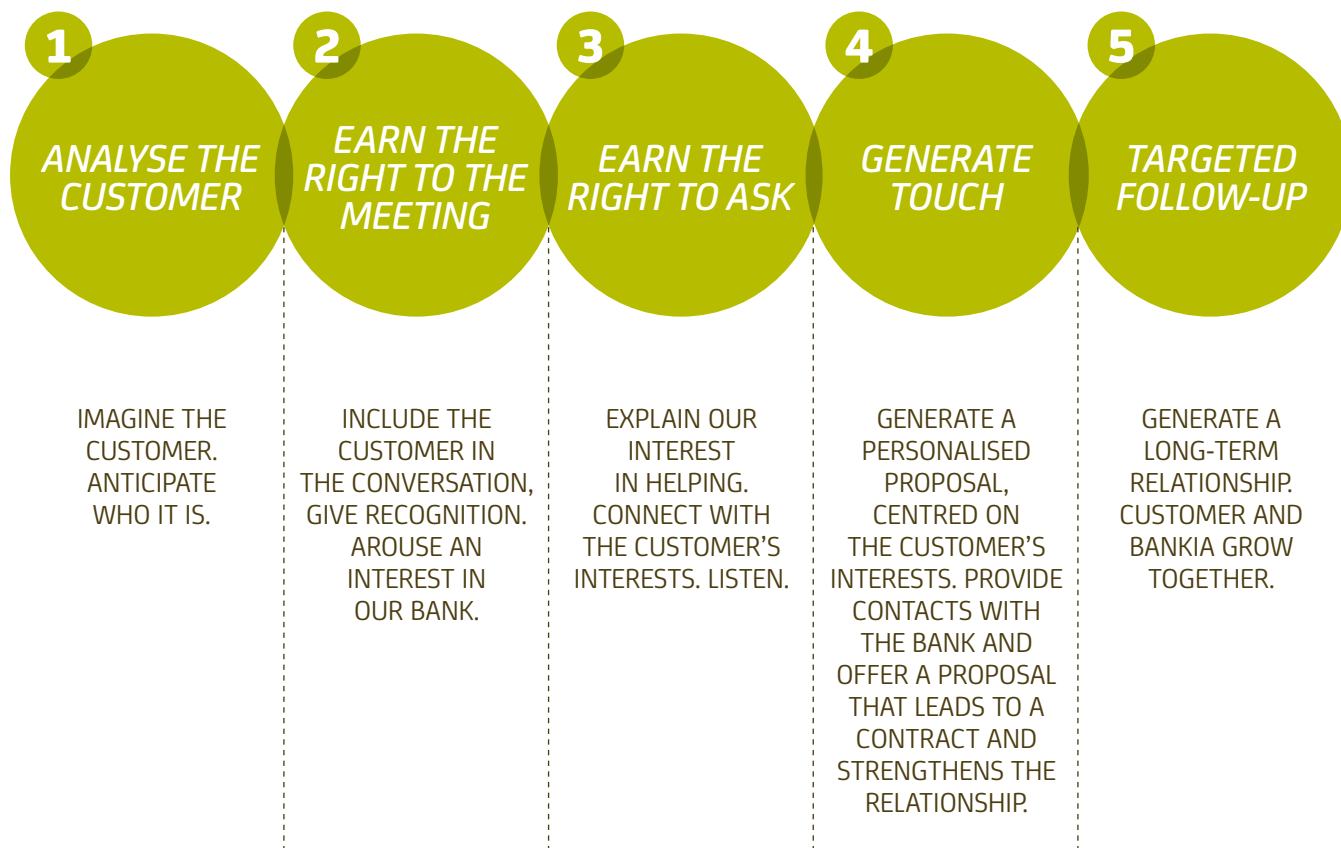
are universal branches. To serve business customers, the bank has 61 business centres (two of them embedded in other branches) and two corporate banking branches. Bankia Banca Privada has 13 branches, which serve high net worth customers who require specialised advice.

Another way of measuring service quality is through post-sale surveys. A total of 2,400 such surveys were conducted in 2015, achieving product acceptance of 73.1%.

### RELATIONAL QUALITY

During the second half of 2015, the Relational Quality Model was implemented in the retail banking network. This model shifts the marketing paradigm away from product-focused actions towards a customer-focused approach, with the aim of building unique relationships with customers, centred on customers' emotions and needs. The bank's aim is to reach more customers in a different way, following a five-step model.

## RELATIONAL QUALITY MODEL



Branches that follow this process see immediate improvements in productivity, value added to customers, overall customer satisfaction and customer acquisition. Starting in December, specific workshops were held to support the implementation process, reinforcing the steps of the model and capitalising on success stories.

The Relational Quality Model is fundamental to the strategy Bankia has adopted for 2016 to position itself in relation to customers.


## CUSTOMER SERVICE

Bankia's Customer Service Department (CSD) is an independent body which helps to improve the bank's relations with its users, always in as equitable a way as possible and following applicable law and industry best practices.

Over the course of 2015, the CSD designed new complaints and claims management procedures, so as to deliver a faster, more satisfactory response. These procedures include:



*THE RELATIONAL  
QUALITY MODEL IS  
FUNDAMENTAL TO  
THE STRATEGY BANKIA  
HAS ADOPTED FOR  
2016 TO POSITION  
ITSELF IN RELATION TO  
CUSTOMERS*



*DURING 2015,  
BANKIA'S CUSTOMER  
SERVICE DEPARTMENT  
(CSD) DEvised NEW  
PROCEDURES FOR  
HANDLING CLAIMS AND  
COMPLAINTS TO OFFER  
QUICKER SATISFACTORY  
RESPONSES*

- An early detection system for the most common complaints, so that all areas of the bank can work to resolve them.
- An online training module aimed at encouraging employees to be proactive in resolving incidents that lie within their scope of responsibility.
- A tool for monitoring complaints at regional level, broken down by customer type, with special emphasis on complaints relating to treatment received in the branches.

The CSD also put special effort into reducing response times, with the result that by the end of the year the average was 28 days, compared to 47 days the previous year, a reduction of 40% in just one year. The target for 2016 is to increase the branches' capacity to resolve incidents for themselves, providing solutions designed for the most common incidents.

Complaints handling is governed by Customer Care Regulations. Complaints are channelled through the complaint forms available at all Bankia branches, which include both the bank's own forms and those supplied by the supervisory bodies (Banco de España, CNMV).

### COMPLAINTS ACCEPTED FOR INVESTIGATION

# 49,318

### COMPLAINTS RECEIVED FROM CUSTOMERS

# 67,703

### COMPLAINTS RESOLVED IN THE CUSTOMER'S FAVOUR

# 22,693

### AVERAGE RESPONSE TIME FOR ACCEPTED CUSTOMER COMPLAINTS

# 28 DAYS





PERSONAL ACCOUNT  
MANAGERS  
**1,943**

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BRANCHES WITH  
PERSONAL ACCOUNT  
MANAGERS  
**1,314**

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FINANCIAL ADVISERS  
**232**

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BRANCHES WITH  
FINANCIAL ADVISERS  
**52**

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# INDIVIDUALS, SMES AND THE SELF-EMPLOYED

Retail Banking serves individuals, the self-employed and SMEs with a turnover of up to 6 million euros, aiming to strengthen their ties with Bankia by adding value to the products and services offered and ensuring the highest possible quality in customer service and advice.

The advice is provided by specialised professionals, boosting satisfaction rates and opening up new business opportunities. At year-end 2015, more than 1,600,000 customers, i.e. more than a quarter of the total, had an account manager assigned to them.

Acquiring and retaining customers, cross-selling, expanding the product range and adapting the bank's services and image to a more advanced, up-to-date scenario are the general principles that guide Bankia's retail banking activities. To put these principles into effect, the bank relies on customer segmentation, so that each customer type can be treated according to its needs.

## **BANCA PRIVADA**

Aimed at high net worth customers who require personalised advice across many different fields. Bankia Banca Privada combines the advantages of a financial boutique with the backing of a large financial group, which enables it to offer the full range of banking services.

## **PERSONAL BANKING**

This is a service provided throughout the retail network to customers with annual income of more than 45,000 euros or financial net worth of 75,000 euros. It is provided by 2,175 highly qualified personal account managers, who work exclusively with this segment. One of Banca Personal's

main objectives is to promote contact between account managers and customers. To achieve this, the account managers have specific contact functionalities via remote channels, mainly Oficina Internet, where the customer can arrange a meeting with his account manager.

## **HIGH POTENTIAL**

Introduced in 2015 in order to detect each customer's business growth expectations and provide a service in line with the customer's needs. At 31 December, the Banca Personal and High Potential segments had specialised account managers deployed throughout the branch network. In branches that have no specialised account manager assigned to them, this service is provided by the branch manager.

## **INDIVIDUALS**

Personal customers who do not fit in any of the other segments have access to a full range of products, from sight and demand savings deposits to debit and credit cards and guarantees. Direct deposit of income, direct debit, insurance and investment and pension funds are also available to all customers. Some services in the Individuals segment are targeted at particular age groups, such as the Mi Primera Cuenta and Cuenta Joven accounts for children and young people, the Tarjeta Joven youth card, the Portal and Discount Club for young people, and Bankia Sénior.

The highest value added service the retail banking service provides to its customers is financial advice, which in 2015 resulted in 120,926 investment proposals and the creation of 80,748 portfolios, in each case for a specific purpose such as retirement. The financial advisers have a wide range of Bankia products at their disposal, including 60 international funds.

Another important product is consumer finance, which over 2015 as a whole amounted to 1.21 billion euros, up 38% on the previous year. At year-end, more than 1.8 million customers had a pre-approved line of credit, which could be taken out in less than a minute through any of the bank's channels. There is also a standing offer of tailored financing for the occasions when it tends to be most needed, e.g. when large purchases have to be made and before loans fall due.

In 2015, the FinanExpress service, which can be used to cover card purchases, bills or even taxes, was extended to all the bank's channels. More than 136,000 FinanExpress loans were granted for an aggregate amount in excess of 55 million euros. Also in consumer finance, February saw the launch of the Créditos campaign, offering up to a 100% discount on auto or home insurance to those who take out a loan.

Bankia lent 1.42 billion euros to households for home purchase.

On the liabilities side, besides term deposits, structured products and investment and pension funds, Bankia launched the Ahorro 5 savings deposit, a recently regulated long-term product that can be used to supplement the

retirement pension, has no age limit and pays interest that is exempt from personal income tax. With Ahorro 5, the saver knows beforehand the return on each amount invested and his money is fully insured by the Deposit Guarantee Fund.

## NEW “SIN COMISIONES POR SER TÚ” PROGRAMME

Another line of implementation of the business strategy for the Individuals segment is the “sin comisiones” (no fees) programme, which springs from a business model based on cross-selling, taking an all-round view of the customer. During 2015, the “sin comisiones” programme benefitted current accounts, debit cards, cheque deposits and credit transfers in euros, with a limit of 3,000 euros and with special conditions for certain customer groups.

In January 2016, the bank decided to position itself with a new strategy, focused mainly on customers whose income is paid directly into their account, and released 2.4 million customers from paying fees. Under the new plan, the only condition for individual customers to benefit from the fee exemption is to have their income, be it salary or pension, paid directly into their account, with a minimum of 450 euros for salaries and 200 euros for pensions. The fee exemption applies, without limitation, to all of a given customer's accounts, the usual debit cards, credit transfers within Spain in euros, transfers to other EU countries through any channel, cheque deposits and Bankia credit card fees (subject to just one purchase per year). The exemption applies equally to old and new customers.

## DISTRIBUTION NETWORK

Bankia has 1,941 retail branches, grouped in 100 areas, which report to 10 regional head offices, each of which has four large departments: risk control, commercial management, agency network and recoveries. Bankia is segmenting its retail banking network into different types of branches, so as to be able to tailor its services to customers' needs.

Besides the full-service branches, Bankia has 135 Agile Branches, partial service branches and the Plus+ Branches opened in 2015 in the provinces of Madrid, Valencia and Castellón, with the aim of reaching a total of 180 in 2016 (in 2015 there were 52 of these branches). It also has recoveries centres, settlement centres and developer branches.

### AGILE BRANCHES

BRANCHES SPECIALISING IN OVER-THE-COUNTER TRANSACTIONS

ALL-DAY OPENING, EXTENDED TO 6PM

IN HIGH FOOTFALL AREAS

AT STRATEGIC SITES,  
USING OUR BEST PROPERTIES

SUPPORT NEARBY ADVISORY BRANCHES  
(462 PARTIAL-SERVICE BRANCHES IN SURROUNDING AREAS)

SELL SIMPLE PRODUCTS

HAVE LARGE NUMBER OF ATMS



AVERAGE  
CUSTOMER  
SERVICE TIME

**3'43"**

AVERAGE NUMBER  
OF CUSTOMERS  
SERVED PER DAY

**230**

AVERAGE  
WAITING TIME  
TO BE SERVED

**3'29"**

PERCENTAGE  
OF CUSTOMERS  
USING SERVICES  
IN AFTERNOONS

**18%**

AVERAGE NUMBER  
OF TRANSACTIONS  
PER DAY

**255**



### PLUS+ BRANCHES

SPECIALISING IN PROVIDING ADVICE

LOCATED IN MICRO-MARKETS WHERE THERE IS AN AGILE BRANCH

AT STRATEGIC LOCATIONS

STAFFED BY HIGHLY TRAINED FINANCIAL ADVISERS

SERVE CUSTOMERS SEEKING ADVICE

OFTEN ALSO GIVE SPECIALISED ADVICE TO SMES,  
MICRO-ENTERPRISES AND RETAILERS

Bankia also has an agency network, whose activity is focused on customer acquisition, both individuals and businesses. The main agent is MAPFRE, which distributes the Bank's products and services through its commercial network under an agency agreement. In 2015, a total of 774 Bankia branches received customers and business from 3,519 distributor sales staff and 350 distributor branches. In addition, Bankia has its own network of nine financial agents and 78 representatives. At year-end, this agency channel had a total of 7.3 billion euros of business with 254,000 customers.

Customer service extends through the online, mobile and telephone banking channels, as well as through the traditional self-service terminals (ATMs), numbering 4,830 on-site and 686 off-site. The ATMs are available twenty-four hours a day for account inquiries, cash withdrawals, bill and tax payments, credit transfers, ticket purchases and mobile phone top-ups, among other transactions.

## SMES AND SELF-EMPLOYED

The SMEs and Self-Employed business is strategically important for Bankia and the efforts the bank has made in this segment have translated into continued significant growth in this business year after year. One of Bankia's priorities is to increase its business with this type of customer, which mainly means increasing lending to these groups.

In 2015, the bank's lending to SMEs and the self-employed totalled 3.44 billion euros, 44.6% more than the previous year. The total increase breaks down as a 43% increase in lending to SMEs and a 72.8% increase in lending to the self-employed. SMEs and the self-employed accounted for 86.7% of business lending, with a total of 47,656 loans, up 45.3% on the previous year

To serve these customers, the bank has a management model based on

*153 SME MANAGERS  
ACROSS 153 BRANCHES  
AND 106 SME  
MANAGERS BELONGING  
TO VARIOUS REGIONAL  
DIVISIONS HELPING  
PROVIDE A QUICKER  
SERVICE TO CUSTOMERS*



specialised advice and closeness, following the philosophy that companies should see their Bankia advisor as just another member of their staff, whom they can consult any time they need financial advice.

Small and medium businesses with sales of less than 6 million euros per year are served by the Retail Banking Directorate but are offered a specialised service. The branches with most SME customers have specialised sales staff, who offer advice and products specifically designed for these customers, as well as for self-employed business owners. In total, the bank has 259 of these specialised managers. Branches that do not have a SME account manager have a manager who specialises in their needs, usually the branch manager.

To get closer to customers, Bankia has the “Reconquer your neighbourhood” plan, where branch managers or specialised account managers call on local retailers, SMEs and self-employed professionals to offer them exclusive products and services on very competitive terms. The branch managers also undertake to visit customers regularly at their place of business and provide them with financial advice.

During 2015, numerous initiatives aimed at promoting sales to SMEs, retailers and the self-employed were started.

- **Tax loan.** An interest-free loan to finance tax payments, where the customer simply pays an account opening fee, the amount of which is based on the customer’s credit history and the chosen repayment period.

## TOTAL NO. OF SME ACCOUNT MANAGERS

# 259

## TOTAL NO. OF SME, MICRO- ENTERPRISE SELF-EMPLOYED AND RETAILER CUSTOMERS

# 647,944

- **Free premium legal advisory service.** The bank has also decided to offer SMEs, retailers and the self-employed, free of charge subject to a certain minimum commitment, a legal protection service that includes access to expert lawyers for legal advice and drafting of contracts and appeals, among other things.
- **Mobile POS terminal.** A device that allows professionals to collect payment for their services from anywhere, using their smartphone or tablet.
- **Free web site creation.** A solution that allows SMEs, retailers and the self-employed to start up their online business.



## PRODUCTS FOR SPECIFIC PURPOSES AND GROUPS

### INDIVIDUALS

PRODUCT	CUSTOMER SEGMENT	DESCRIPTION
Consumer loan modification	Individuals	Absorbs and refinances the loans of customers who are unable to pay off consumer loans
Migrant remittances	Immigrants	Family aid remittances to the countries of origin
NGO cards*	Individuals	Debit or credit card where the holder contributes a percentage of the net profit from the use of the card in retail establishments to associations and foundations affiliated with the NGO programme.
Fundación Síndrome de Down	Individuals, self-employed, small retailers, SMEs and businesses	A solidarity card, where Bankia pays a percentage of the fee revenue to Fundación Síndrome de Down de Madrid. Both individuals and businesses can be holders of this card.
Paralimpics card	Individuals, self-employed, small retailers, SMEs and businesses	Bankia will donate a percentage of the revenue from fees and use in retail establishments. So that individuals and businesses collaborate with the Spanish Paralympic Committee and Paralympic sports federations at no additional cost or effort..
Aquí-Allá debit and prepaid card	Immigrants	Offers remittance solutions and facilities to immigrants in Spain who want to transfer money to relatives in their country of origin.
Carné Joven affinity card	Young people/children	In collaboration with the Youth Departments of the autonomous communities of the Canary Islands, Valencia, Castilla y León, Castilla la Mancha and Ceuta, Bankia issues the Carné Joven, in the form of a debit card, at no additional cost to the holder. Bankia also helps to the sponsor the Carné Joven youth card in various autonomous communities.
Agro financing	Individuals and businesses engaged in crop and livestock farming and fisheries	Credit to the agricultural, livestock and fishing sector. Advances on CAP funds and subsidies. Investment loans for the acquisition and adaptation of land and the repair and renewal of machinery
ICO loans	Self-employed, SMEs, businesses, public and private sector entities (foundations and NGOs)	Credit to businesses, SMEs and specific sectors in the areas of business startup and entrepreneurship, innovation and technology and for internationalisation
EIB line	Self-employed, SMEs and midcaps	Financing of business projects in Spain and the EU for this type of company and self-employed business owners. This line of financing is not available for projects in certain sectors, including weapons production, real estate development, gaming and tobacco production and sale.
Home refinancing	Individuals	Mortgage modification, forbearance and protection of mortgage debtors who have no resources (RD 6/2012)
Business refinancing	Self-employed, retail establishments, SMEs and mid and large companies	Modification of unsustainable debt and zero instalment loan facilities for business activities

### PAYMENT INSTRUMENTS

### FINANCING

## PRODUCTS FOR SPECIFIC PURPOSES AND GROUPS

	<b>PRODUCT</b>	<b>CUSTOMER SEGMENT</b>	<b>DESCRIPTION</b>
<b>CONSUMER CREDIT</b>	Crédito Joven	Young people	Universal personal consumer loan (for education, furniture, vehicles, etc.) for customers aged 18 to 30
<b>INSURANCE</b>	Farming insurance	Individuals and businesses engaged in crop and livestock farming and fisheries	Cover for activities in the farming, livestock and fishing sector and related operations
	Insurance for solar photovoltaic plants	SMEs and mid and large companies	Cover for assembly damage, material damage, general liability and loss of income for lack of sun (hours and intensity)
	Modular health insurance	Individuals	Access to health care and private treatment. Tailored cover, with modules that can be taken out together or separately, according to the particular need.
<b>ASSET MANAGEMENT</b>	Pioneer Funds – Global Ecology	Individuals and businesses	Investment in securities of companies involved exclusively in sustainable development (alternative energy, recycling, water treatment, biotech, etc.)
	Employer Plans	Individuals and businesses	Investment according to ESG criteria on a hybrid basis: best-in-class screening, supplemented by exclusion criteria
<b>SERVICES</b>	NGO credit transfers	Individuals and businesses	Free credit transfers to specified charitable and social entities ( <a href="http://www.bankia.es/is/services/credit-transfers-to-ngo">http://www.bankia.es/is/services/credit-transfers-to-ngo</a> )
	Online correspondence	Individuals	Allows customers to view correspondence relating to their products and services in digital (PDF) format via Oficina Internet and Oficina Móvil
	Supplier payment service	Self-employed, retail establishments, SMEs and mid and large companies	Allows the customer to centralise payments to suppliers. Streamlined payments processing, cost reduction, control and security
	Non-resident certificate application service	Immigrants	Processing of the application for a non-resident certificate (first application and renewal)

### \*NGO CARDS AT 31/12/2015



In 2015, a total of 368 organisations were affiliated to the NGO programme: seven linked to the personalised NGO card (Unicef, Acnur, Cruz Roja, Acción Contra el Hambre, Ayuda en Acción, Manos Unidas, Medicus Mundi) and 361 linked to the generic NGO card.

CUSTOMERS  
**23,567**

---

LOANS  
**€28.89 BN**

---

MANAGED FUNDS  
**€12.86 BN**

---

BUSINESS CENTRES  
**63**

---

SPECIALISED  
ACCOUNT MANAGERS  
**233**

---

PENETRATION RATE  
**35.5%**

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# BUSINESS BANKING

This is the group division that serves companies with annual sales of more than six million euros. It ended 2015 with more than 23,500 customers. It has a very diversified portfolio, including companies in all the productive industries, although services, construction and supplies are particularly well represented, jointly accounting for 50% of the total.

The goal of the business banking area is to combine long-term profitability for the bank and value creation for shareholders with good service to customers, in particular as regards the financing of their projects. To serve these customers, at the end of 2015 Bankia had 59 business centres, two business corners inside other branches and two corporate banking branches, in Madrid and Barcelona.

The commercial policy has two main objectives: to offer minimum prices based on the cost of funds and the company's level of risk and to actively seek out cross-selling opportunities, i.e., to ensure that the customer benefits from as many of the bank's products and services as possible. The risk assessment is performed individually by specialised teams at a regional or national level, depending on the scale of each operation.

## ADVICE, FINANCE AND SUPPORT FOR INTERNATIONAL GROWTH

Bankia offers companies three key types of services to accompany and help them at every step they take. The aim is for customers to feel that Bankia is part of the company, working with them to improve their results. The first type of service is advice, the second, financing and the third, support for internationalisation.

In order to provide the best advice, the Business Centres have 233 specialised account managers, who in turn have the support of the bank's risk specialists, legal counsel and experts in capital markets, trade and marketing.

In financing, Bankia continues to increase its volume of lending, whether for working capital or for investment. In 2015, it granted a total of 10.53 billion euros of loans to companies with sales of more than six million euros, 9.6% more than the previous year. Adding to this figure the 3.22 billion euros of loans to SMEs and the 216 million euros granted to the self-employed, the total came to 13.96 billion euros, up 16.6%. Bankia has also granted 16.09 billion euros of pre-approved credit to companies, both customers and non-customers, for short and long-term finance.

In syndicated loans, which are the responsibility of the Capital Markets Directorate, in 2015 Bankia ranked fourth in the Spanish financial system, with 3.8 billion euros, representing 5.1% of the total.

In support for internationalisation, Bankia offers a wide range of services and products for companies looking to enter the export market, from short-term working capital finance for foreign purchases and sales and international reverse factoring, factoring or forfaiting to medium and long-term investment and development finance for projects tendered for outside Spain. To resolve its customers' needs and doubts, the bank offers personalised advice from trade specialists throughout its branch network and an exclusive telephone and online service, "Línea Experta Comex", to respond to customers' trade finance inquiries.

Bankia's support for companies' foreign trade activity totalled 8.73 billion euros, an increase of 20.9%. The bank grew its base of customers with foreign trade activity by 19.8%. This growth came after a 13.4% increase in export-import finance, from 5.43 billion euros to 6.16 billion euros, and a 43.5% increase in international guarantees issued, bringing the total to 2.57 billion euros, compared with 1.79 billion euros in 2014.

By autonomous community, Bankia granted 3.6 billion euros to support the foreign trade activities of companies in the Community of Madrid, a year-on-year increase of 25%. They were followed by companies in Catalonia (1.55 billion euros, up 15%), the Valencian Community (1.03 billion euros, up 18%) and the Basque Country (622 million euros, up 49%). The communities with the fastest year-on-year growth in trade financing were the Balearic Islands (120%), the Basque Country (49%), Murcia (43%), Cantabria (43%), Extremadura (39%) and Andalusia (28%).

## TECHNOLOGICAL DEVELOPMENT

Alongside its financing activity, during 2015 Business Banking redoubled its efforts to build closer relationships with customers and help them improve their businesses, especially in terms of technology and digital transformation. To do that, it offered its customers the following new services:

- Bankia Índicex, a free self-assessment tool for detecting weaknesses in a company's online sales strategy, so as to find solutions and boost the company's sales.
- A tool that helps companies manage currency risk and allows them to directly and automatically enter into interest rate hedges.
- Creation of a transparent, effective website, so that suppliers who are not Bankia customers can consult and receive advance payment of receivables which the buyers of their products or services have ordered to be paid through the bank (reverse factoring).
- Advice from companies specialising in state aid, so that Bankia customers have ready access to all the available information on subsidies, be they local, regional, national or EU.

## ONLINE BANKING

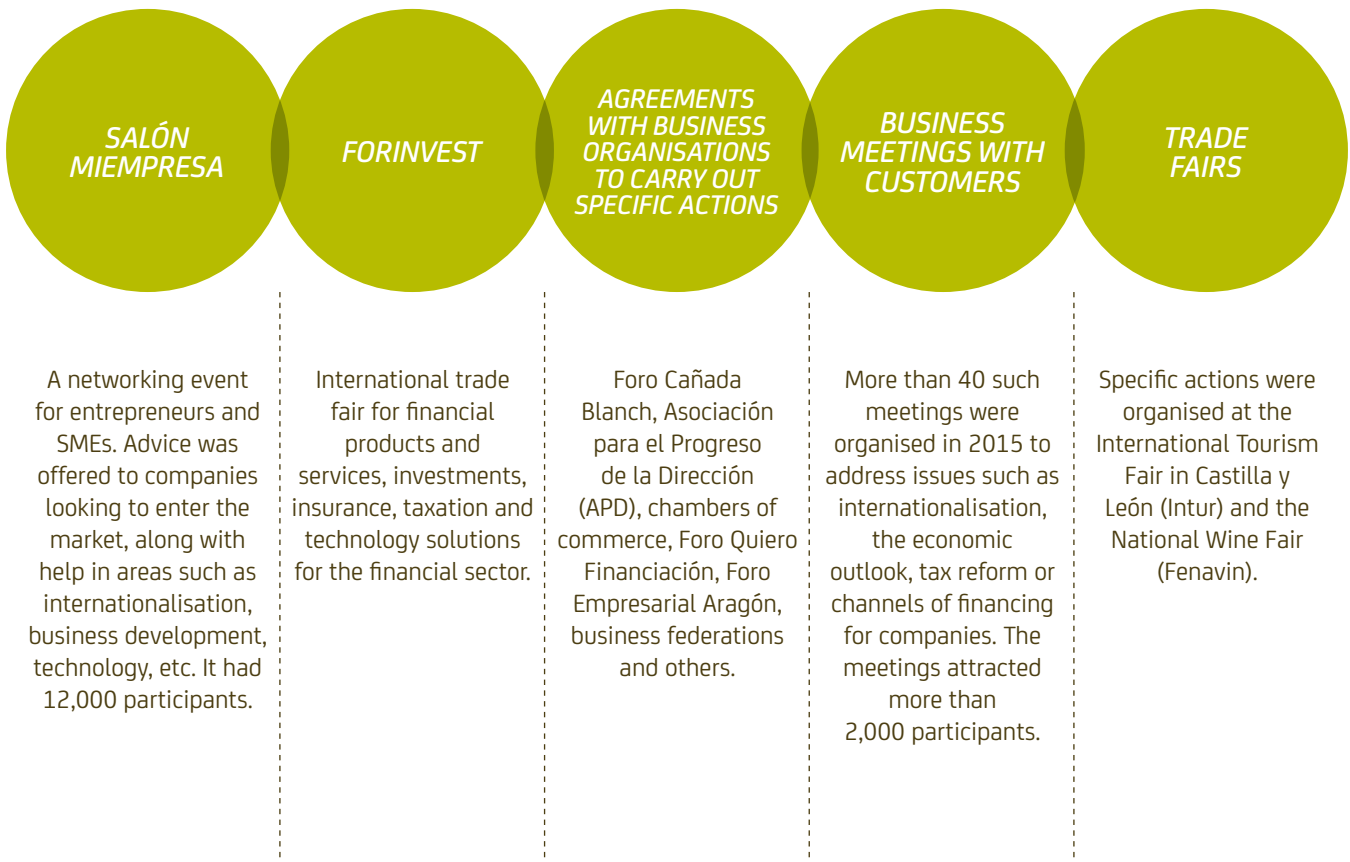
Following the implementation, from 2014 onward, of the new Oficina Internet Empresas online platform, the online banking service has established itself as a privileged channel for doing business with customers in this area. At 31 December 2015, the online

## LOANS TO COMPANIES WITH SALES OF MORE THAN SIX MILLION EUROS

# €10.53 BN

channel had 356,435 users (including mid and large companies, SMEs, self-employed, retail establishments, their legal representatives, etc.), who carried out more than 394 million transactions during the year. The new platform includes improvements such as multicompany access, revamped browsing, and collection and payment functionalities.

### BUSINESS SPONSORSHIPS





CUSTOMERS  
**5,144**

---

BUSINESS VOLUME  
**€5.05 BN**

---

INVESTMENT  
FUNDS, PENSION  
PLANS AND SICAVS  
**€2.27 BN**

---

WEALTH  
MANAGERS  
**46**

---

BRANCH MANAGERS  
WITH AN ASSIGNED  
PORTFOLIO  
**8**

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# PRIVATE BANKING

The customers of Bankia Banca Privada have access not only to the traditional, banking products and services but also to other, specific products, notably advice from highly qualified personal account managers, who can offer solutions tailored to their needs.

The service is provided through an exclusive network of 13 specialised branches, which draw support from any Bankia division that can help the account managers find answers to the financial, wealth or tax issues raised by the customer, whether relating to the customer's personal affairs or professional activity.

Bankia Banca Privada thus simultaneously offers its customers advice and management in a wide range of specialised and customisable financial products, with the backing of a large group.

Through its branch network it offers the main assets traded in the markets, a wide range of national and international investment funds in all their variants, structured deposits, pension plans and collective investment companies (SICAVs), both from within the group and from external suppliers.

The personal account managers tailor the proposal for each customer to the customer's risk profile, expected return and investment horizon. This advisory service was especially highly valued during 2015 due to the volatility of the markets during the year.

Last year two specific products were launched:

## **LORIGA INVERSIONES 2015**

Sicav, a conservative absolute return fund that aims to deliver attractive returns with limited risk, thanks to strict control of volatility.

## **AN ISSUE OF TWO-YEAR SENIOR BONDS**

Aimed specifically at private banking clients.

The portfolio of socially responsible investment funds was also expanded in 2015 to cover practically all the possible asset classes and investment strategies. Besides the diversification, professional management and favourable tax treatment that are common to all funds, socially responsible investment funds offer a new management approach, which not only produces attractive returns but also helps improve society and the environment.

At 31 December 2015, Bankia Banca Privada had 5,144 customers, 54 personal account managers (46 wealth managers and 8 branch managers with an assigned portfolio), 5.05 billion euros in business volume and 2.27 billion euros in investment funds, pension plans and SICAVs.

POLICIES  
**1.99 MN**

PREMIUMS WRITTEN  
**€484 MN**

SAVINGS MANAGED  
**€5.78 BN**

# BANCASSURANCE

Bankia carries on its insurance activity following the distribution model established in the agreement entered into with Mapfre in 2014.

Pursuant to that agreement, a joint venture called Bankia Mapfre Vida was set up to take charge of insurance within the life business. Mapfre has a 51% interest in the joint venture and Bankia the remaining 49%. The non-life business is entrusted directly to Mapfre, except for policies for companies with annual sales of more than two million euros, which receive differentiated treatment.

The alliance with Mapfre was an important step towards the goal of adopting a single, integrated insurance distribution model for the entire commercial network, with improved efficiency and quality and a product catalogue specific to Bankia. With that goal in mind, already in 2013 Bankia reorganised the various insurance agents in which it had a presence, including Mapfre Caja Madrid, Aseval and Laietana Vida. The agreements with other non-group companies were also reviewed at that time to make the bank's range of insurance products more consistent and more homogeneous.

For Bankia it is strategically important to deliver a good service in the insurance activity, both for individuals (savings, health, life, auto, home) and for businesses (trade, third-party liability, transport, credit). Overseeing this activity and providing specialised support to the network is the responsibility of the Bancassurance Directorate, which in 2015 continued to work to equip the branches with the best tools for marketing the policies to their customers.

## ACTIONS AND RESULTS

The actions carried out include employee training (216,658 hours of training given), adapting the marketing and sales system to the bancassurance channel, downsizing the product catalogue, simplifying sales procedures and putting appropriate aftersales support in place. Additionally, between May and August, specific action was taken to promote sales of life, accident, household, auto and health insurance through the branches.

As a result of these efforts, net premiums written in 2015 reached 484 million euros, an increase of 11% compared to the previous year, while the mathematical provisions for life savings insurance came to 5.78 billion euros. At 30 September, according to ICEA (Investigación Cooperativa entre Entidades Aseguradoras), Bankia's market share of net premiums written in Spain through the bancassurance channel was 2.57%, rising to 6.02% in the case of risk insurance.

## INVESTMENT FUNDS

*ASSETS***€11.96 BN (+23.34%)***UNITHOLDERS***515,308**

## PENSION FUNDS

*ASSETS***€6.86 BN (+1.17%)***UNITHOLDERS WITH BALANCES***834,848**

# ASSET MANAGEMENT

Bankia supplies investment products to its commercial network through Bankia Fondos and Bankia Pensiones, which at 31 December 2015 managed a joint total of 18.82 billion euros of assets, 14% more than the 16.48 billion euros managed the previous year.

If Bancassurance is added, the volume of savings managed by Bankia at year-end 2015 was 24.17 billion euros, which is 1.39 billion euros, or 6%, more than in 2014.

The growth in these three savings lines (funds, pensions and insurance) has been steady over the last four years, thanks to the launch of products increasingly tailored to customers' needs and the circumstances of the environment. The 2012 total of 19.28 billion euros grew to 20.55 billion euros in 2013, 22.79 billion euros in 2014 and 24.17 billion euros in 2015. This represents growth of 25% over that period.

Bankia is committed to responsible investing and one of its goals is to continue to apply ESG (environmental, social and good governance) criteria in asset analysis and selection.

## BANKIA FUNDS

Bankia's fund manager offers a wide range of competitive, high quality products in all categories (money market, fixed-income, equity, mixed, guaranteed, global, etc.) and all geographical areas (national and international). This variety allows it to meet the needs of different customer profiles, from the most conservative, whose priority is capital preservation, to the more adventurous, who are willing to take certain risks in the interest of a higher return.

At the end of 2015, Bankia Fondos held 11.96 billion euros in securities, well above the 9.7 billion euros held in 2014. This 23.34% increase in the volume of assets managed coincided with an improvement in return, despite the turmoil that shook the equity market during the year. All this put Bankia Fondos in fifth place among Spanish fund managers, with a share of 5.44%, compared to the previous year's 4.98%, according to Inverco, the Spanish Association of Investment and Pension Funds.

During 2015, risk-profiled products were the ones that attracted the most interest among Bankia Fondos clients, reaching a total of 4.56 billion euros, an increase of 3.18 billion euros compared to 2014. Risk-profiled products, which already account for more than 38% of the fund manager's volume, invest most of their assets in other funds, resulting in a highly diversified portfolio, both in terms of assets and in terms of geographical areas.

Bankia has two ranges of risk-profiled products, each made up of three products with different risk levels for the customer to choose from. The "Soy Así" range is made up of directional funds, designed to obtain income in line with market performance. The "Evolución" range aims for a positive return in the medium term, regardless of any short-term oscillations that may occur.



Lastly, the assets placed in the 48 open-ended investment companies (SICAVs) administered by Bankia remained practically stable. At the end of 2015 they were valued at 273 million euros.

## BANKIA PENSIONES

Bankia has for many years been making significant efforts to encourage long-term saving to supplement the future state pension. To do this it continually offers advice through its commercial network and has effective simulation tools to resolve any queries that may be raised in this respect.

As regards supply, Bankia owns 100% of two pension fund management companies and also has an interest in, and distribution agreements with, the insurance company Caser. This allows it to offer savers various different types of pension fund (individual, employment and associated), always following the principle of tailoring the product as far

as possible to each customer's needs and retirement horizon.

At 31 December 2015, the total value of Bankia's pension funds was 6.86 billion euros, compared to 6.78 billion euros in 2014. Of the end-of-year total, 71.96% related to individual plans and the rest, to employer and associated plans.

## RESPONSIBLE INVESTMENT

In 2015 the bank improved its system for evaluating investments according to environmental, social and corporate governance criteria. Through an international provider of socially responsible investment services, investments are categorised based on a hybrid criterion, using best-in-class screening combined with two exclusion criteria: non-compliance with the principles of the Global Compact and involvement in controversial weapons.

*BANKIA HAS FOR MANY YEARS BEEN MAKING SIGNIFICANT EFFORTS TO ENCOURAGE LONG-TERM SAVING TO SUPPLEMENT THE FUTURE STATE PENSION*



## AT BANKIA PENSIONES, COVERAGE UNDER SRI CRITERIA

# €1.017 BN\*

(APPROXIMATELY 61% OF THE ASSETS  
MANAGED IN EMPLOYER PENSION PLANS)

\*Figure amended after the report went to print.

The Asset Management Risk Management Directorate, which is responsible for controlling these non-financial risks, presents and analyses the information provided by the SRI provider, along with the changes in the ESG ratings of the issuers of financial assets, in the Risks Committee. It also prepares detailed information on the ESG ratings of the pension fund portfolios and the implementation of ESG criteria and actions taken, so that the Commercial Directorate can present them to the control committees of each employer fund.

The Investments Directorate has incorporated ESG criteria into all the decision making that previously was based on fundamental and market criteria. This also allows it to monitor the company's commitment, compliance and future plans in ESG matters.

*THE INVESTMENTS  
DIRECTORATE HAS  
INCORPORATED ESG  
CRITERIA INTO ALL THE  
DECISION MAKING THAT  
PREVIOUSLY WAS BASED  
ON FUNDAMENTAL AND  
MARKET CRITERIA*



**TELEPHONE BANKING**

CUSTOMERS

**3,523,997**

TRANASCTIONS

**70,112,016****ONLINE BANKING**

CUSTOMERS

**3,597,925**

TRANSACTIONS

**1,201,454,074****MOBILE BANKING**

CUSTOMERS

**1,075,451**

TRANSACTIONS

**803,827,785**

# MULTI-CHANNEL MARKETING

Technological change and the development of the information society have given banks new ways of serving their customers. Counter service is still needed and will continue to be needed, but online and mobile banking are gaining ground. That is why all financial institutions see correct multi-channel customer service as a priority.

Bankia is no exception and in 2015 created the Corporate Directorate for New Distribution Models, which is responsible for carrying out the bank's multi-channel transformation project. The priorities within this strategic frame are to improve the customer experience and drive digital sales. Essentially, the aim is to have more channels through which to serve customers and offer products and services, without losing the personal relationship and always with an optimal level of quality.

In recent years, competitors have emerged from other sectors, usually specialising in one or other of the products that used to be exclusive to banks (payment instruments, financing, investments, etc). To meet this direct competition, financial institutions can exploit the opportunities arising from their customer knowledge and the information they gather from their activities (Big Data).

## INCREASING DIGITALISATION

At year-end 2015, 56% of multi-channel customers already used a mobile phone or tablet (as the only channel or in combination with other channels) to do business with Bankia and used the new functionality of the bank's digital app, which has modal screens in which customers are unintrusively informed about matters of interest to them, thus increasing communication and closeness. Further progress was made

in migrating transactional services to remote channels ("Cuando Quieras" plan), which is something that will continue and evolve, focussing more on people and putting the emphasis on full use of the digital channels.

An example was the start-up of the free "Conecta con tu experto" service, which will be key to delivering multi-channel customer service in the future, especially to the more digital customers. At 31 December this service had 88 specialised account managers and 104,412 customers, who received specialised service from their assigned account manager. These customers have access to the usual digital channels, including the Oficina Internet, Oficina Telefónica, Oficina Móvil, and so on. At the same time, they have specialised advice from an account manager (always the same person), who is there when they need help to carry out any transaction and whom they can contact by any electronic means.

A new evolved Oficina Internet was created, offering customers four different ways to interact with Bankia: web, phone, email and chat. The service is personalised through a new, simpler and more intuitive procedure, which has already been used by more than 953,000 customers.

The optimisation of online processes has encouraged customers to sign up for products such as pre-approved loans through the digital channels and has allowed

personalised digital advertising actions, which have proven effective in attracting attention and improving conversion rates, i.e., turning visits into sales.

## ATM NETWORK

In the last two years, 54.8% of the installed ATMs have been renewed and adapted and the range of services they offer has been expanded. Bankia cash machines, for example, allow users to request an electronic receipt to be delivered to their mobile phone or email address, unlock their PIN, pay taxes and obtain pre-approved credit. In 2015, as part of the effort to strengthen the sales network, the agreement to locate cash machines in the Madrid metro was extended and Bankia was awarded the contracts to install ATMs in the El Prat (Barcelona) and Manises (Valencia) airports.

Digital channels and ATMs allow Bankia to serve customers who live in areas of low population or where there is no branch. The bank has a total of 607 ATMs in such areas. To reach these areas, the bank also has the mobile branches service. A total of 11 mobile branches serve 324 municipalities in Castilla y León, Castilla-La Mancha, the Valencian Community, the Community of Madrid and La Rioja.

Bankia has adapted 60% of its ATMs with audio systems, keyboards and screens that make them accessible to people with any degree of disability, especially vision impairment.

## MEANS OF PAYMENT

Bankia continues to develop new technologies, including in payment instruments. The main line of development is the Bankia Wallet application, which allows the user to manage all his cards. The number of contactless cards is growing, both of the traditional kind (more than 1.1 million) and in the form of stickers (slightly over 103,000). The latest major development is the launch of mobile payments using NFC technology, so that users can pay for their purchases completely securely in retail outlets that have contactless POS terminals.

The new developments in cards are as follows:

- Crédito Plus. Pack of two cards: one for everyday use and one for deferred payment of larger purchases.
- Collaboration agreement with the Spanish Paralympic Committee to introduce new types of cards (debit and business), improve the price for the customer and provide financial support to sportspeople through the donation of part of the income from these cards.
- Agreement to issue the Carné Joven youth card in Castilla-La Mancha, in both financial and non-financial form, similar to those Bankia already has in other autonomous communities.

ATMs

5,516

NEW ATMS  
INSTALLED

693

ATMS  
IN AREAS OF  
LOW POPULATION

607

ATMS  
ADAPTED  
FOR THE BLIND

3,316

TRANSACTIONS  
CARRIED OUT  
THROUGH ATMS

241,684,673

## STOCK OF ATMs RENEWED

# 54.8%

- Acceptance, in stores and ATMs connected with Bankia, of UnionPay cards, of which there are 5,000 million units in circulation around the world and which are used by the more than 250,000 Chinese tourists that visit Spain each year.
- New ServiRed “Tú decides” programme, in which establishments that have a POS terminal may offer immediate credit.

Following the approval of the new decree regulating fees for the use of ATMs, Bankia signed an agreement with Euro6000 and Sabadell that entitles Bankia customers to favourable terms on cash withdrawals at more than 17,800 ATMs throughout Spain. Bankia thus offers its customers the biggest ATM network in the country on the most advantageous terms. Also, for non-customers Bankia offers the cheapest rates of any of the large networks in Spain..

### BUSINESS INTELLIGENCE

During 2015 the Business Intelligence Directorate was integrated in the Corporate Directorate for New Distribution Models. The purpose of this integration is to facilitate the development of the bank’s Business Intelligence Transformation Plan, within the framework of the Multi-channel Transformation Plan. In 2015, work was started in three areas:

#### BIG DATA

Development of advanced multi-channel analytics, which is vital in order to get a comprehensive view of the customer and drive sales with offers tailored to each profile. Implementation of a commercial prioritisation engine, which in a multi-channel marketing context enforces consistency and prioritises business opportunities through the different channels

#### CRM

Creation of advanced segmentations, so as to have a multidimensional view of the customer portfolio as regards its captured value, its potential value and its future value. A modelling system is in place that identifies a commercial offering for 100% of customers 100% of the time. Two million customers already have a Next Best Offer identified.

#### COMMERCIAL ACTIONS.

Optimisation of the effort-to-results ratio in terms of total sales, product consumption per customer and sales per employee.

TOTAL NO.  
OF CARDS

6,365,712

TOTAL NO.  
OF POS TERMINALS

97,913

TOTAL NO. OF  
CONTACTLESS  
CARDS

1,101,727

TOTAL NO. OF  
BANKIA WALLET  
STICKERS

103,144

TOTAL NO. OF  
BANKIA WALLET  
APP DOWNLOADS

46,340



## PLANS FOR THE FUTURE

Over the course of 2016, many of the projects started in 2015 that are part of important transformation plans will be consolidated and implemented in full:

### RENEWAL OF DIGITAL CHANNELS

Over the period to 2017, the public website, the app and the private website will be renovated as part of the strategy of adapting the channels to the goals of enhancing the customer experience and improving product marketing. The aim is to achieve a greater closeness to customers and results orientation.

### GROWTH IN MULTI-CHANNEL CUSTOMERS

The effort already begun will continue until 2018. A new “Cuando Quieras” plan, centred on the digital world, will be started. This plan will be targeted at customers who already use the channels but are not aware of all their possibilities. Customers will perceive Bankia as being more accessible and as offering a comprehensive, professional service through its digital channels. Mobile internet use will be a particularly important part of this strategy.

### GROWTH OF SALES

The channel improvements that have already been implemented and those to come over the next few years will drive online sales. Actions will also be taken to retain and acquire customers in various segments by offering attractive terms for all their digital banking transactions. Besides improving its sales, these actions will bring Bankia closer to its customers, meeting each need as it arises.

### CONNECT WITH YOUR EXPERT

Professionalism and closeness are the key advantages of this service and if 2015 was the launch year, 2016 will be the year it reaches cruising speed. The customer base will be expanded and new centres will be opened to cover the different regions in which Bankia is present. Specialised personal advice and extended opening hours will add benefits to a channel offering in which people will find a variety of ways to stay in touch with their bank.

### DIGITAL CULTURE PLAN

In 2016 this plan will involve the whole workforce and entails creating training itineraries and implementing the multi-channel approach in the bank's commercial systems. A clear commitment to this objective already exists at all levels and the Digital Culture Plan will further reinforce it.

### BUSINESS INTELLIGENCE PLATFORM

This platform will be implemented in 2016, so as to gradually increase the bank's functionalities and profitability. Offers to customers will continue to increase in number and degree of personalisation and increasingly will be available in any channel.

### STRENGTHENING OF COMMERCIAL ACTIONS

The management of commercial actions will be targeted to achieve better results, adapting the actions to customers' real needs as detected through data processing. The incorporation of a Big Data ecosystem will also allow improvements in risk analysis and expand the offering of pre-classified risk.

E-COMMERCE  
CARD  
TRANSACTIONS

**22,836,018**

TOTAL VALUE OF  
TRANSACTIONS  
PERFORMED

**€1.23 BN**

ACCESS  
THROUGH  
**m.bankia.es**

APP  
DOWNLOAD



*MOST ONLINE  
BANKING  
TRANSACTIONS CAN  
ALSO BE PERFORMED  
THROUGH MOBILE  
BANKING ANYTIME,  
ANYWHERE*

TRANSFERS  
CARD-ACCOUNT TRANSFERS  
MOBILE TELEPHONE TOP-UPS  
CONTRIBUTIONS TO PENSION PLANS  
AND INVESTMENT FUNDS  
VIEW, DOWNLOAD AND FILE  
ELECTRONIC CORRESPONDENCE  
OBTAIN FINANCE THROUGH  
FINANEXPRESS SERVICE

## ATM MASTER PLAN

MILLION  
EUROS INVESTED

**100**

NEW  
ATMS INSTALLED

**2,346**

TRANSACTIONS  
DIVERTED TO ATM  
NETWORK THROUGH  
CUANDO QUIERAS  
PLAN

**14 MILL.**



**Bankia**

DAYS A YEAR

**365**

HOURS A DAY

**24**

*ATMS OFFER  
OUR CUSTOMERS  
AN END-TO-END  
SERVICE*

TOTAL NO. OF  
ASSETS SOLD  
**9,190 UNITS**

---

INCOME FROM  
ASSET SALES  
**€643 MN**

---

# REAL ESTATE ASSETS

Since 2014, the management, supervision and marketing of BFA-Bankia's real estate assets has been entrusted to Haya Real Estate, a member of the Cerberus group. Haya is also responsible for property maintenance and for keeping the assets in optimal condition for disposal. Ultimately, the goal is for BFA-Bankia to dispose of these assets with the least possible adverse impact on its income statement.

Substantial progress was made during 2015 in building knowledge of the real estate portfolio and a major effort was made to make more assets available for sale, both physically and legally. To speed up subsequent sales, a specific management unit was set up and tasked with promoting sales through Bankia's commercial network.

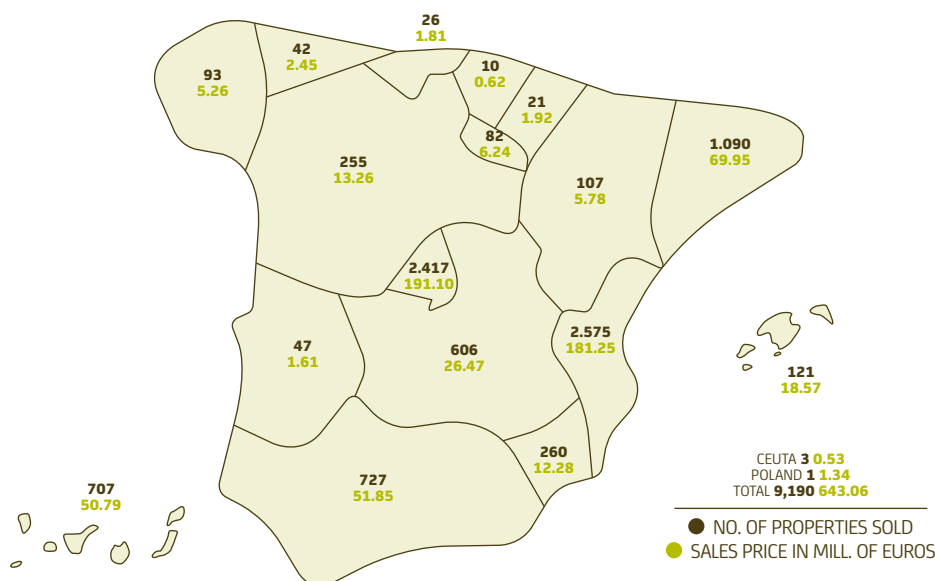
Thanks to all this, backed by continuous national and local advertising campaigns throughout the year, the stock of real estate assets decreased for the first time. A total of 9,190 units were sold for a total amount of 643 million euros. This represents an increase of 40.8% in number of sales and 14.6% in revenue. Some 48.83% of the sales were channelled through the bank's

branches, 46.64% through agents and the rest through the website.

The main targets for 2016 are:

- Continue to implement general measures aimed at disposing of real estate assets.
- Ensure that divestment is oriented primarily to sale and only secondarily to rental, which should only be the aim in special circumstances or in connection with the Social Housing Pool.
- Increase transparency in the offering of assets for sale to the public.
- Avoid exclusivity in marketing and sales.

## MAP OF SALES BY AUTONOMOUS COMMUNITY



SALES IN 2015  
**220 INVESTEEES**

---

REVENUE  
**€909 MN**

---

CAPITAL GAINS  
**€307 MN**

---

SALES OF DEBT  
PORTFOLIOS  
**€3.83 BN**

---

# INVESTEES

The Strategic Plan 2012-2015 included ambitious divestment commitments aimed at accentuating Bankia's profile as a commercial bank.

During the last year of the plan, the divestment process was completed through the orderly disposal of companies unrelated to the bank's core business that still remained in its portfolio. The strategy, as in previous years, was implemented taking advantage of the opportunities that offered the highest return.

Specifically, thanks to the efforts of its specialised investment managers, during 2015 BFA-Bankia divested from a total of 220 companies (37 group subsidiaries), 71 of which were industrial or financial companies and 149 real estate companies. These divestments brought proceeds of 909 million euros and capital gains of 307 million euros.

At 31 December 2015, the BFA-Bankia Group had holdings in nearly 170 unlisted companies of various types, from financial and banking-related firms (asset management, bancassurance) to industrial, real estate and services firms. Apart from group subsidiaries such as Bankia Fondos and Bankia Pensiones, the main investments were Globalvía (50%), for which a sale agreement has been signed, and Torre Norte Castellana. The aim is to divest from these other firms in the course of 2016, along with Renovables Samca (33.3%), Corporación Financiera Habana (60%), Grupo NAU (48.6%) and other smaller investments. Various corporate restructurings and structured disposals that will bring significant benefits are also planned or under way.

## PORTFOLIO OF DEBT

In 2015, in three transactions, a total of 1.61 billion euros of corporate loans were sold directly to brokers and funds in the secondary market:

- A 407 million-euro portfolio of collateralised loans associated with the hotel sector, classified as doubtful.
- A 559 million-euro portfolio of real estate developer exposures, of which 434 million euros were classified as very doubtful.
- A 645 million-euro portfolio of industrial loans.

Disposals of granular loans (for small amounts) reached a total of 1.7 billion euros, including a 1.21 billion-euro portfolio of secured loans, of which 1 billion euros were classified as doubtful and 205 million euros as very doubtful.

In total, the portfolios sold came to 3.31 billion euros: 2.75 billion euros were from Bankia (23% classified as very doubtful) and 557 million euros from BFA (94% very doubtful).

Besides the portfolios just mentioned, the group disposed of a further 515 million euros of mainly real estate developer loans.





SOCIAL INVESTMENT  
**€16.20 MN**

---

DIRECT BENEFICIARIES  
OF SOCIAL INITIATIVES  
**270,000 PEOPLE**

---

PAYMENTS TO SUPPLIERS  
**€747.67 MN**

---

ACTIVE SUPPLIERS  
**2,799**

---

ENVIRONMENTAL  
PROTECTION INVESTMENT  
**€3.15 MN**

---

ELECTRICITY CONSUMED GENERATED  
BY RENEWABLE ENERGY SOURCES  
**100%**

---



# EXTERNAL RELATIONS

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Bankia creates value in the local community: It supports the most vulnerable members of society, boosts economic development, and mitigates the environmental impact of the bank's activities.

AGREEMENTS SIGNED  
WITH REGIONAL GOVERNMENTS  
TO SUPPORT VOCATIONAL  
EDUCATION & INTERNSHIPS

**9**

PROPERTIES CONTRIBUTED  
TO SOCIAL HOUSING POOL

**1,982**

EMPLOYMENT SUPPORT PLAN  
OFFERED TO MORE THAN

**4,030 CUSTOMERS**

EMPLOYMENT INTEGRATION  
PROGRAMMES FOR PEOPLE WITH  
DISABILITIES

**€1.26 BN**

FOUNDATIONS AND ASSOCIATIONS  
SUPPORTED THROUGH SOCIAL  
ACTION PROGRAMMES

**OVER 830**

VOLUNTEERS FROM THE BANK  
AND THEIR FAMILIES

**407**

# SOCIETY

Our mission is to help to those who most need it and contribute where possible to enhancing the regions in which Bankia operates.

## AREAS OF SOCIAL ACTION

For the third year running, Bankia focused its efforts on projects attending to the urgent needs of the most vulnerable members of society and initiatives working to find solutions in the medium term, above all those that help people find work. Under this premise, action was taken in the areas of housing and emerging poverty, education, employability, local and rural development, education, employability, local and rural development, and disability.

In 2015, the bank bolstered its total social investment by 16% to 16.2 million euros. Upwards of 830 foundations received support, with more than 270,000 people benefitting directly.

## SUM OF SPONSORSHIP + SOCIAL ACTION



- HOUSING AND EMERGING POVERTY **2.72%**
- EDUCATION **21.07%**
- EMPLOYABILITY **9.21%**
- LOCAL AND RURAL DEVELOPMENT **36.90%**
- DISABILITY **7.77%**
- CORPORATE SPONSORSHIP **11.67%**
- VOLUNTEERING **10.65%**



*IN 2015, THE BANK BOLSTERED ITS SOCIAL INVESTMENT BY 16% TO 16.2 MILLION EUROS*



## HOUSING AND EMERGING POVERTY

Bankia's support in this area has been through its banking business, adapting the terms and conditions of mortgages to enable customers to continue paying them, as well as through direct action through the Social Housing Pool and offering special rental terms to the most disadvantaged families.

For the most vulnerable members of society, the bank increased the number of homes rented at reduced rates, and contributed a total of 1,982 properties to the Social Housing Pool. More than 1,500 contracts were signed with families in difficulty, who could also apply for additional aid to pay their rent.

Bankia's social rental properties are spread across Spain and can be viewed and applied for through the [www.bankia.com](http://www.bankia.com) website, although the bank also has agreements with the Canary Islands, Catalonia, Valencia and La Rioja regional governments allowing them to offer these homes to people selected through their welfare services.

Bankia provides a form on its website to apply for housing, which applicants can use to complete the entire process to request a home from the Social Housing Pool. A new website shared by the entire financial sector was created in 2015, which will go live in 2016 to enable users to search for available social housing offered by the banks.

BANKIA'S SOCIAL RENTAL PROPERTIES ARE SPREAD ACROSS SPAIN AND CAN BE VIEWED THROUGH THE [WWW.BANKIA.COM](http://WWW.BANKIA.COM) WEBSITE

### RENTED SOCIAL HOUSING: SOCIAL HOUSING POOL AND SPECIAL RENTALS

	2014	2015
SHP applications	2.104	584
Special rental applications	700	570
<b>Total applications received</b>	<b>2,804</b>	<b>1,154</b>
Distribution by situation		
<b>Pending</b>		
SHP applications pending	635	525
Special rental applications pending	50	27
<b>Rejected</b>		
SHP applications rejected (2)	1.253	11
Special rental applications rejected	37	20
<b>Approved</b>		
SHP applications approved	35	59
Special rental applications approved	140	40
<b>Signed</b>		
SHP applications signed of	181	135
Special rental applications signed off	473	503
<b>Total number of social rental agreements signed</b>	<b>654</b>	<b>638</b>



## EDUCATION

Bankia supports the FP Dual vocational education & internships programme, which combines learning in both the classroom and workplace. This programme provides students with a professional qualification and work experience, boosting their chances of finding work.

The bank backs this type of training in pursuit of transforming the education and economic system to help eradicate a major blight on the country: youth unemployment. Bankia's projects are designed to forge closer ties between young people and business and help ensure training plans meet companies' needs. The bank runs local and national campaigns in this area in partnership with educational centres, businesses, regional governments and the Ministry of Education, Culture and Sport.

One of the numerous stand-out projects launched by the bank in 2015 was the creation of a Higher Diploma in Business Administration and Finance, which is offered at training centres in Madrid and Valencia. A pioneering initiative in the Spanish banking sector, this course will see 150 students being trained in portfolio management (SMEs, private banking and business banking) and multi-channel banking in the first two cohorts attending the two-year course.

Bankia and the Bertelsmann Foundation have also opened the DUAL+ Innovation and Knowledge Centre, designed to provide spaces for analysis and agreements to run vocational education and internship projects.

In 2015, Bankia signed a collaboration agreement with the Extremadura regional government to run vocational education and internship projects. This agreement comes off the back of those entered into with the regional governments of Galicia, Valencia\*, Murcia, Cantabria, Castile-La Mancha, Castile-Leon, La Rioja and Catalonia in 2014.

\* Came to an end in June 2015

## FINANCIAL MANAGEMENT AND EDUCATION TRAINING COURSES

# 75

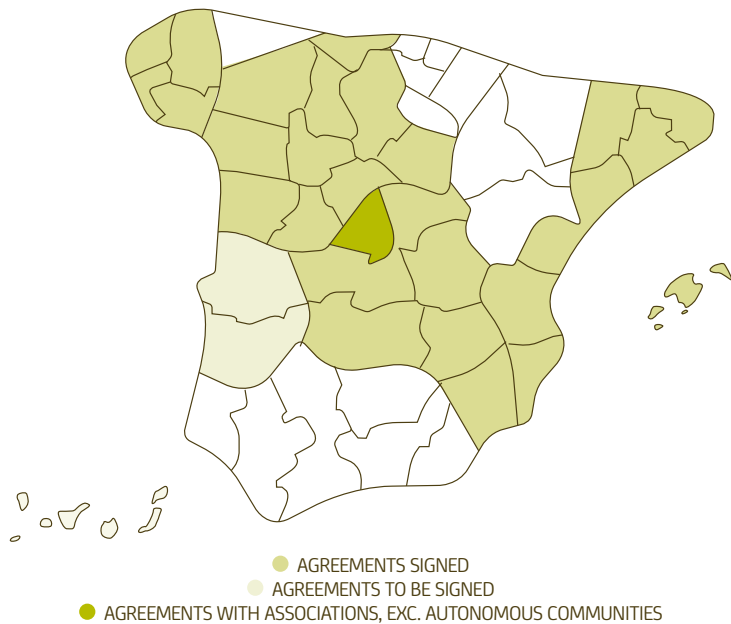
PARTICIPANTS IN VOCATIONAL EDUCATION & INTERNSHIPS (FP DUAL) PROGRAMME

# 850

FP DUAL TRAINING COURSES

# 20

## AGREEMENTS SIGNED WITH REGIONAL GOVTS TO SUPPORT VOCATIONAL EDUCATION & INTERNSHIPS





## SUBSCRIBED CUSTOMERS TO EMPLOYMENT PROJECTS

# 898

### EMPLOYABILITY

In addition to training young people to improve their job prospects, the bank is also involved in another area of social action, helping those most struggling to gain a foothold in the job market to find work or start working for themselves. It helps start up new small enterprises, primarily in the service sector, and offers specialised training.

Bankia also worked with the Red Cross and Cáritas in 2015, providing 1.2 million euros for training, internships and support for entrepreneurs, which directly benefitted 3,773 individuals.

Specific programmes were also run in Valencia and Madrid for especially vulnerable groups such as female victims of gender violence, former prison inmates (through the Integra Foundation), and young people at risk of exclusion (with the Norte Joven Association). Bankia is aware that its social responsibility also entails supporting customers who are out of work.

It therefore launched the Employment Support Plan in the second half of 2014 along with the Randstad Foundation and Randstad Services.

The programme offers unemployed customers a training itinerary and job search service for six months, during which they can receive help and advice. A total of 898 people have signed up to the programme since its launch, with 45% finding work.

### LOCAL AND RURAL DEVELOPMENT

One of Bankia's social investment priorities is to equally distribute its contributions among the different projects across Spain that boost development in all the areas in which its customers live. To do so, it works with 426 associations and foundations in the various provinces.

*A TOTAL OF 898 PEOPLE  
HAVE SIGNED UP TO  
THE EMPLOYMENT  
SUPPORT PLAN, WITH  
45% FINDING WORK*



## INVESTMENT IN FOUNDATIONS AND ASSOCIATIONS SUPPORTING LOCAL AND RURAL DEVELOPMENT PROGRAMMES

# €5,98 BN

Bankia also strives to involve as many stakeholders and other groups in these projects, including foundations, employees, customers and young people. Key achievements in 2015 included:

### FOUNDATIONS

Call for bids for funding aimed at enhancing the job prospects of those most in need, with a budget of over 2.2 million euros. The funding was distributed through the Montemadrid, Caja Rioja, Caja Ávila, Caja Segovia, Bancaja, Caja Canarias and Caja Castellón foundations. 312 associations took part.

### EMPLOYEES

The Solidarity Network was strengthened in 2015 across the whole of Bankia as a way of allowing staff to fulfil business objectives by collaborating with an NGO chosen by employees. Retail Banking, Business Banking and Private Banking supported a total of 197 projects, with contributions amounting to 1.24 million euros.

### CUSTOMERS IN 2015

Bankia took the first step towards involving customers in the bank's social action. A pilot project was run in Catalonia and Aragon, with the bank's business customers voting for NGOs in the Solidarity Network in each region and having the chance to nominate others. Bankia also engaged customers in Operation Kilo supporting food banks in Spain. The "Contigo Dos Pueden Ser Cuatro" [With You, Two Equals Four] campaign also saw the bank matching customer and employee donations. In total, 5,035 litres of milk and 2,356 of oil, 3,294 kilos of vegetables, 1,700 items of general produce, 2,579 children's kits, and 1,439 hygiene kits were collected.

### YOUNG PEOPLE

Bankia's willingness to involve everyone in its social action also inspired the

## LOCAL IMPACT SOLIDARITY NETWORK 2015



197 projects of different NGOs  
 €1.25 MN donations in 2015  
 44,000 direct beneficiaries in more than 117 municipalities

"Historias en Red" [Online Stories] campaign to encourage volunteering and provide a donation to the NGOs participants support. Fifteen stories by students at all stages of learning were chosen, describing a wide range of activities such as setting up a free clothes market for the homeless, building an allotment at a centre for the disabled, and running a basic health and hygiene campaign at a school with especially vulnerable immigrants. The bank donated a sum of 33,000 euros.

## DISABLED PEOPLE

Bankia worked very hard to assist disabled people, setting aside the entire budget in this area of social action to projects helping disabled people boost their employability and find work. A total of 47 organisations across 15 provinces received 1.25 million euros from the bank to enhance the job prospects of more than

8,400 people with intellectual, physical or sensory disabilities or mental illness.

Projects involved farming and gardening placements, university education for people with an intellectual disability, career guidance and intermediation services, a special employment centre specialising in textile production, supported employment, etc.



MN DISTRIBUTED  
AMONG 47 NGOS  
ACROSS SPAIN

**€1.25 MN**

DISABLED  
PEOPLE HELPED

**8,400**





# AN ENGAGED TEAM



The involvement of Bankia's workforce is vital to the continuity of its social action. Employees are involved in choosing more than 200 NGOs through the Solidarity Network and other initiatives, such as "Planta tu Proyecto" [Name your Project] which raised 64,140 euros in its third edition to be distributed among 12 social organisations nominated and voted for by staff. Their involvement is crucial during the volunteer days, 70 of which were organised in 2015. Some of these are also attended by family members to raise their awareness and encourage them to participate in the NGOs' different activities (workshops on how to look after oneself, cooking, career advice, sports, with disabled people, at-risk children, etc.).

Bankia has permanent volunteers who attend training sessions for disabled

people, such as those run by the Randstad Foundation, Asprodema, the Integra Foundation and the Adecco Foundation.

Employees are also actively involved in other symbolic programmes such as "Correr con Doble Meta" [Run with a Dual Goal] which involves Bankia donating a euro for every kilometre run by its staff at official events. The 30,000 euro target for 2015 was smashed, and the money raised goes to Sandra Ibarra Foundation initiatives to fight cancer.

The achievements of the charity runners in the 2015 Madrid Marathon are especially noteworthy, who participated to raise money for the ASION association for parents of children with cancer.

VOLUNTEERING INITIATIVES RUN

119

BENEFICIARIES OF VOLUNTEERING INITIATIVES

838

INITIATIVES PROPOSED BY STAFF THROUGH "PLANTA TU PROYECTO"

20

VOLUNTEERS FOR FINANCIAL MANAGEMENT AND EDUCATION TRAINING COURSES

39

PARTICIPANTS' AVERAGE SATISFACTION SCORE OUT OF 10

8.2

## SOCIAL SPONSORSHIP

In order to offer help to those who most need it, tackle unemployment and the consequences of the economic crisis, and in short, contribute where possible to enhancing the regions in which Bankia operates, the bank has funded a variety of projects with a social slant, including:

### **BANKIA SYMPHONIC ORCHESTRA (OSB)**

This is a new project launched in 2015 with the aim of discovering new musical talent, recognising hard work and effort, providing continuous training, and helping top young musicians find work once their free training comes to an end. Bankia's OBS is a professional musical ensemble whose programme of activities promotes youth employment and social and artistic purpose through

excellence, bringing music closer to all walks of Spanish society as a universal language. During 2015, two series of concerts were run in Valencia, Peñíscola, Alicante, Ávila and Madrid.

### **“BANKIA ESCOLTA VALÈNCIA” [BANKIA LISTEN VALENCIA]**

This programme aims to promote musical education and prevent students from dropping out of school through music groups. It primarily involves awarding study grants to music school students in the region of Valencia. In 2015, a total of 1,289 people received aid of 531,900 euros. A concert is also hosted paying homage to Valencian musicians.

### **GRASS-ROOTS SPORT**

Bankia is sponsoring sport at a level far removed from sponsorship of the main sports at an elite level. Its aim is to

*IN ORDER TO OFFER  
HELP TO THOSE  
WHO MOST NEED IT  
AND CONTRIBUTE  
WHERE POSSIBLE  
TO ENHANCING THE  
REGIONS IN WHICH  
BANKIA OPERATES*



## PEOPLE RECEIVING ASSISTANCE THROUGH THE BANKIA LISTENS VALENCIA PROGRAMME

# 1,289

encourage playing sports and training among the youngest in society. Over a thousand girls and boys have benefitted from this sponsorship at the schools of Gran Canaria Basketball Club (Las Palmas), Puente Romanillos Athletics Club (Ávila) and the Futsal Indoor Football Club (Segovia).

### **FUTURE ANDALUSIANS AWARDS**

These awards recognise young people in Andalusia who excel in science, sport, social action, business and culture. They are run in collaboration with the Joly Group.

### **“AHORA + QUE NUNCA” [NOW + THAN EVER]**

Campaign run by the Red Cross in partnership with the Diario de Ávila newspaper. This campaign entailed the collection of toys over Christmas that were then distributed during Epiphany. Its patron is the young tennis player, Paula Arias. The campaign was run for the third year in 2015.

### **YOUNG TALENT AWARDS**

Also in its third year, this event is run in collaboration with the Levante newspaper and recognises outstanding young people in the sciences, sport, social action, business and culture in Valencia.

### **VENERO CLARO SUMMER CAMPS**

An agreement is in place with the Caja de Ávila Foundation through which grants have been given to over 400 children who worked especially hard at school to attend these summer camps in Ávila.

### **“EADADES DEL HOMBRE” [AGES OF MAN]**

Sponsorship of the tenth edition of this exhibition, revalidating Bankia's commitment to promoting culture and preserving historic heritage. The

exhibition was shown at four temples in Ávila and Alba de Tormes throughout 2015. 402,352 visitors enjoyed the exhibitions over the course of eight months. It was the most visited cultural event of the year in Castile-Leon.





SUPPLIER SATISFACTION INDEX  
**75.8**

ACTIVE APPROVED SUPPLIERS  
**82.37%**

SUPPLIERS CLASSIFIED  
WITH CSR CRITERIA  
**1,288**

NEW SUPPLIERS  
**508**

ACTIVE SME SUPPLIERS  
**448**

SUPPLIER PAYMENTS  
MADE WITHIN 30 DAYS  
**97.08%**

CONTRACTS MANAGED  
VIA E-CONTRACT  
**88.1%**

# SUPPLIERS

In 2015, Bankia was the first Spanish financial institution to receive UNE-CWA 15896 accreditation for its procurements management system, prompted by the growing impact on companies' risks of their supply chains due to the increasing complexity and internationalisation thereof.

This standard aims to achieve excellence in the purchasing departments of organisations through a standard quality commitment that adds value to the company and ensures that all environmental, ethical and sustainability aspects are observed. AERCE (the Spanish Association of Purchasing, Procurement and Provisioning Professionals) of which Bankia is a member, helped develop the UNE-CWA 15896 standard.

In 2015, the bank also approved specific rules of conduct for the procurements team in accordance with the Code of Conduct signed off by the Board of Directors and the rules of the International Federation of Purchasing and Supply Management (IFPSM). These rules are based on criteria including: mutual benefit, loyalty and honesty, objective decision-making, transparency and equal opportunities, confidentiality, integrity and independence in relations, and corporate social responsibility.

In 2015, Bankia received three awards in the categories of "Innovation", "Transformation of the procurements function" and "Procurements manager of the year" at the sixth edition of the Procurements Diamond Awards handed out each year by AERCE.

## PROCUREMENT POLICY AND PROCESS IMPROVEMENTS

During 2015, Bankia redoubled its commitment to diversifying its supply chain, pledging to bring in a number of new suppliers every year equivalent to at least a tenth of the total. In 2015, 508 new suppliers were included among a total of 3,398 authorised suppliers, representing 14.95% of the total list of authorised suppliers.

Furthermore, the bank decided to give priority to suppliers that show respect for their employees and focus on quality and protection of the environment and human rights. It also blocks any procurement from suppliers that fail to comply with legal, tax, employment, environmental, health and safety or human rights requirements. Supplier contracts also include environmental clauses and an annex related to occupational risk prevention if the service is being provided at the bank's own facilities.

The Supplier Certification Process is based on best social responsibility practices, with a special 30% weighting for CSR, HR and environmental criteria, while breaches of various requirements results in exclusion.

As part of its push to achieve excellence in this area, Bankia has established that the Supplier Certification Process is intrinsic to forging commercial relations with suppliers. The process allows it to identify any economic, social and environmental risks by evaluating the information all suppliers are required to provide. This information is submitted through the Suppliers Portal, where the results of such evaluations are also published. 3,398 suppliers had been approved at year-end 2015.

As well as adopting a more stringent approach when contracting suppliers, Bankia has introduced several pledges vis-à-vis procurement request approvals whereby no less than 80% of requests are signed off by the agreed deadline. Work continues to roll out e-contracts and e-billing, speeding up processes and facilitating compliance with the obligations assumed. In 2015, 88.1% of contracts were paperless, while e-billing accounted for 47.18% of the total. This latter development drove down payment times, with 96,99% of invoicing being settled within 30 days.

TOTAL PAYMENTS  
TO SUPPLIERS

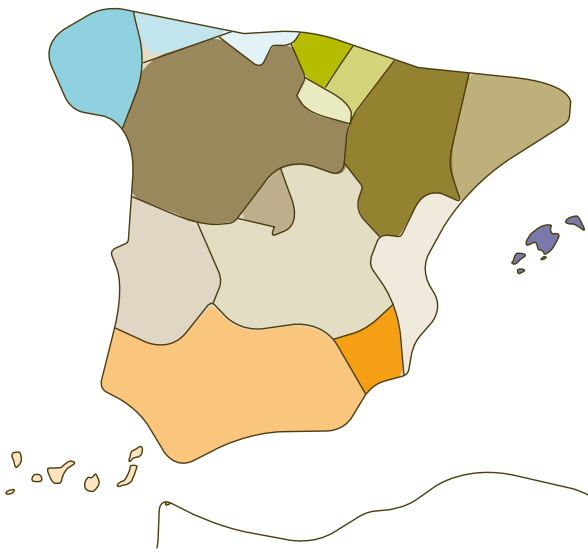
**€747.67 MN**

## SUPPLIER RELATIONS CHANNEL

The different channels through which suppliers can contact Bankia were reinforced in 2015:

- The Confidential Whistleblower Channel, created in 2013 to detect potential breaches of the bank's Code of Ethics and Conduct. This is available to suppliers and managed by an independent third party.
- The Supplier Service Department, enabling suppliers to submit complaints, claims and suggestions related to invoice payments and the provision of contract related services, and disagreements related to supplier selection processes. All submissions via SAP are dealt with by the Chairman's Office.
- Satisfaction surveys, assessing the perception of Bankia's suppliers about aspects such as the courtesy shown to them, the bank's willingness to deal with complaints, the negotiating process, and compliance with payment commitments. The May 2015 survey was sent to more than a thousand suppliers. The results showed that 75.8% of suppliers scored their level of satisfaction with the bank equal to or greater than 7 out of 10.
- Supplier "sponsors", created in 2013 to facilitate contact and to effectively monitor collaboration with suppliers. Strategic suppliers are assigned a sponsor who is responsible for resolving any doubts or problems that may arise in their dealings with Bankia.

## MAP OF ACTIVE SMEs



ANDALUSIA	15	ARAGÓN	5	ASTURIAS	3	BALEARIC ISLANDS	3
CANARY ISLANDS	11	CASTILE-LEON	4	CASTILE-LA MANCHA	8	VALENCIA	27
MADRID	285	CATALONIA	44	GALICIA	7	LA RIOJA	2
MURCIA	3	NAVARRE	2	BASQUE COUNTRY	11	EXTREMADURA	1
		CEUTA	1				

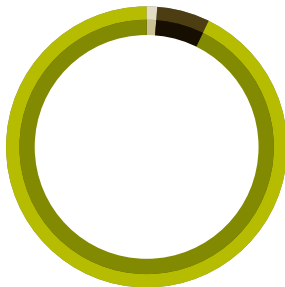
TOTAL, AUTONOMOUS COMMUNITIES **432** (\*FOREIGN SMEs **18**)

## AVERAGE SUPPLIER PAYMENT PERIOD

# 11,666 DAYS

## SUPPLIER PROFILE

### CLASSIFICATION OF APPROVED SUPPLIERS



- TOTAL NUMBER OF APPROVED SUPPLIERS CLASSIFIED AS STRATEGIC **1.49%**
- TOTAL NUMBER OF APPROVED SUPPLIERS CLASSIFIED AS PREFERRED **5.99%**
- TOTAL NUMBER OF APPROVED SUPPLIERS CLASSIFIED AS TRANSACTIONAL **92.52%**

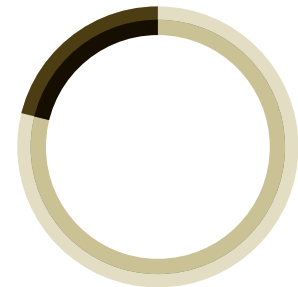
### CLASSIFICATION OF ACTIVE SUPPLIERS BY SECTOR\*



- UTILITIES, SERVICES AND OTHERS SECTOR **36.12%**
- FINANCIAL AND MEDIA SECTOR **29.96%**
- IT SECTOR **9.79%**
- CONSTRUCTION SECTOR **6.74%**
- ENGINEERING AND ELECTRIC SECTOR **4.37%**
- WOOD, PAPER AND PRINTING SECTOR **4.37%**
- OTHERS SECTOR **8.64%**

\* With annual turnover exceeding 3,000 euros

### SMEs THAT ARE ACTIVE SUPPLIERS



- IN THE BANK'S MAIN AREAS OF ACTIVITY **82.59%**
- OUTSIDE THE MAIN AREAS SERVED BY BANKIA **17.41%**

### A TOTAL OF 3,398 APPROVED SUPPLIERS, 2,799 OF WHICH ARE ACTIVE SUPPLIERS



- TOTAL NUMBER OF INACTIVE APPROVED SUPPLIERS **599**
- TOTAL NUMBER OF ACTIVE APPROVED SUPPLIERS **2,799**

### ACTIVE SUPPLIERS DOMICILED LOCALLY



- TOTAL NUMBER OF FOREIGN ACTIVE APPROVED SUPPLIERS (OUTSIDE LOCAL AREA) **4.00%**
- TOTAL NUMBER OF SPANISH ACTIVE APPROVED SUPPLIERS (IN LOCAL AREA) **96.00%**

### % BILLING FROM LOCAL SUPPLIERS



- PAYMENTS TO FOREIGN SUPPLIERS AS A PERCENTAGE OF TOTAL BILLING **2.56%**
- PAYMENTS TO SPANISH SUPPLIERS AS A PERCENTAGE OF TOTAL BILLING **97.44%**

BANKIA CONSIDERS MEASURING  
ITS ENVIRONMENTAL FOOTPRINT  
AS PRIMORDIAL

---

MILLION INVESTMENT IN  
ENERGY EFFICIENCY PLAN  
**€10 MN**

---

REDUCTION IN CONSUMPTION  
OF FOSSIL FUELS  
**30.9%**

---

ELECTRICITY CONSUMED GENERATED  
BY RENEWABLE ENERGY SOURCES  
**100%**

---

INCREASE IN THE USE OF AUDIO-CONFERENCES  
AND MULTI-VIDEO CONFERENCES  
**23.11%**

---

CUSTOMERS USING E-CORRESPONDENCE  
**3,033,341**

---



# ENVIRONMENT

The bank's environmental policy was reviewed and redefined in 2015 in order to bring it into line with stakeholder requirements, pledges made, and the new ISO 14001 standard. The new fundamental principles, approved by the Management Committee in March, are:

*A PLEDGE TO TACKLE CLIMATE CHANGE, ACHIEVE ECOEFFICIENCY AND PREVENT WASTE GENERATION, ALL WITHIN THE FRAMEWORK OF A CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM*



*PROFESSIONALISM, THROUGH TRAINING AND AWARENESS-RAISING OF ALL STAFF TO ENGAGE THEM IN ENVIRONMENTAL PROTECTION AND ALIGN THEIR PERFORMANCE TARGETS WITH COMPETENT ENVIRONMENTAL MANAGEMENT*

*TARGET-BASED APPROACH, WITH ONGOING ENHANCEMENTS TO ENVIRONMENTAL MANAGEMENT. THE PROPOSAL IS TO ADOPT BEST PRACTICES AND ESTABLISH ENVIRONMENTAL PERFORMANCE INDICATORS TO MEASURE THE CORPORATE CARBON FOOTPRINT*



*INTEGRITY, BASED ON ACTING ETHICALLY, RESPONSIBLY AND TRANSPARENTLY, FOCUSING ON COMPLIANCE WITH PREVAILING LEGISLATION*



*PROXIMITY TO SUPPLIERS, TO ENCOURAGE ENVIRONMENTALLY FRIENDLY PRACTICES AMONG THEM*



## ENERGY EFFICIENCY PLAN

Bankia has a 2015-2019 Energy Efficiency Plan built upon the results of the analysis and diagnosis of the status of the branch network and corporate offices in 2013. The plan covers the vast majority of work centres and its goal is to drive down electricity and fuel (natural gas and diesel) consumption by 19% compared to the base year.

This objective will be met by investing more than 10 million euros over five years that will be used, among other measures, to install remote energy management systems in offices and IT equipment, renew air conditioning, and carry out internal awareness campaigns

A number of specific measures were taken in 2015 to boost energy efficiency at the Las Rozas corporate centre:

- Replacement of uninterruptible power supply (UPS) systems using low energy alternatives.
- Replacement of cooling units.
- Study, analysis and adaptation of air conditioning in the data processing centre (DPC).

*€3.15 MILLION INVESTED DURING 2015 IN SPECIFIC ENVIRONMENTAL PROTECTION MEASURES: ENERGY EFFICIENT EQUIPMENT, DOMOTICS, BUILDINGS MAINTENANCE, AND STUDY AND ANALYSIS OF POTENTIAL IMPROVEMENTS*

Work was also carried out at the Paseo de la Castellana 189 building for the same reason:

- Installation of a Compass lift destination management system.
- Swapping out of halogen lighting for LED units on floors 22 to 24 and in the lift lobby and emergency stairways.
- Replacement of burners in boilers.

General energy saving measures for the commercial network were also fully defined and started to be rolled out in 2015:

- Approval was given to replace air conditioning at 54 branches, 13 of which received new systems during the year.
- A further 97 were given the green light to install centralised energy management systems using temperature and light sensors, energy meters, light regulators and climate control devices. Work was completed at 28 of these branches.
- Two branches equipped with domotics were also selected for the installation of autotransformers to monitor and measure energy savings made.
- The low energy IT equipment acquired at a cost of over 33 million euros in 2014 began to bear fruit.

Thanks to its clean energy drive, since 2013 Bankia has managed to eliminate the indirect emissions associated with electricity consumption in all of its buildings and across its commercial network. It also has two photovoltaic solar arrays installed on the Pintor Sorolla building in Valencia (the bank's headquarters) and another in the Canary Islands. Its goal for 2016 is to ensure 100% of electricity demand is met using renewable sources.

# CUSTOMERS USING E-CORRESPONDENCE

# 43.27%

## OTHER CONSUMPTION AND WASTE MANAGEMENT

The following action was taken with regard to other consumption:


- Paper consumption: e-contracts and e-billing through a digital platform that validates and processes all payments without using a single sheet of paper.
- Water consumption: Installation of water saving devices on taps at 55.4% of the bank's branches and 66.7% of its offices. The goal is to cut water consumption by 5%.

Waste was reduced by donating some equipment. Over the last three years, upwards of 350 items of electronic and IT equipment have been donated to numerous educational centres and NGOs dedicated to social causes. This makes a major contribution to the work of these organisations, while preventing these devices from being sent to landfill.

CONSUMPTION OF MATERIALS <sup>1</sup>	2015	2014	2013	UNITS
Total paper consumption (DIN A4)	743.13	658.9	797.7	Tonnes
Total consumption of white paper produced using virgin pulp with a low environmental impact (DIN A4) <sup>2</sup>	1.63	1.3	4.2	Tonnes
Consumption of paper produced using virgin pulp with a low environmental impact as a percentage of total (DIN A4)	100.0	100.0	100.0	Percentage
Total consumption of paper receipt rolls	689.8	608.1	603.2	Tonnes
Total consumption of printer cartridges	14,575	13,328	18,906	Printer cartridges
Total recycled paper consumption (DIN A4)	741.5	657.6	793.5	Tonnes
Percentage of paper recycled (DIN A4)	99.78	99.8	99.5	Percentage
Percentage of printer cartridges recycled	99.82	99.7	99.3	Percentage

<sup>1</sup> Data for Bankia, S.A.

<sup>2</sup> Paper supplied by manufacturers with FSC and PEFC certifications, which guarantee that the materials used come from sustainably-managed forests.

ENERGY AND WATER CONSUMPTION <sup>1</sup>	2015	2014	2013	UNITS
Total primary energy consumption	16.182	16.794	34.321	GJ
Total natural gas consumption	12.644	11.674	25.600	GJ
Total fuel consumption	3.538	5.120	8.721	GJ
Total electricity consumption <sup>2</sup>	379.638	369.051	461.490	GJ
Total water consumption <sup>3</sup> 	280.446	305.516 <sup>4</sup>	89.088	Cubic metres

<sup>1</sup> Data for Bankia, S.A.

<sup>2</sup> Figure for total electricity consumption. 100% of the electricity acquired was generated by renewable energy sources (green energy).

<sup>3</sup> Total water supplied by mains networks. Buildings: Las Rozas, Pº Castellana, 189 and Pº Castellana, 259-A, in Madrid; Pintor Sorolla, 8, in Valencia; Pza. Santa Teresa, in Avila; Triana, 20, in Las Palmas de Gran Canaria; and Cervantes, 22, in Segovia. Branch network: consumption estimated using bills.

<sup>4</sup> Data recalculated based on estimate of branch network water consumption under 2015 criteria.

Unsorted waste bins have also been phased out in the largest buildings, with specific bins being installed in

common areas to separately collect non-confidential paper, packaging and batteries.

<b>WASTE<sup>1</sup> (tonnes)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>TOTAL NON-HAZARDOUS WASTE SENT FOR REUSE AND/OR RECYCLING</b>	<b>1,522.46</b>	<b>895.28</b>	<b>1,625.7</b>
Paper	683.07	812.2	1,521.6
IT equipment	785.84	38.9	46.7
Printer cartridges	37.16	33.9	33.4
Batteries	0.25	0.14	0.05
Packaging	15.06	9.4	16.0
Glass	1.06	0.7	1.3
Vegetable oil	0.02	0.04	0.04
<b>TOTAL NON-HAZARDOUS WASTE SENT TO LANDFILL</b>	<b>2.10</b>	<b>11</b>	<b>6.6</b>
Portable IT devices	2.04	10.6	0.0
Bank cards	0.06	0.4	6.6
<b>TOTAL HAZARDOUS WASTE GENERATED</b>	<b>0.77</b>	<b>0.65</b>	<b>1.18</b>
Hazardous waste handled by an authorised waste management company and recycled	0.76	0.32	0.56
Hazardous waste handled by an authorised waste management company and sent to a safe waste storage facility	0.01	0.33	0.62

1 Data for Bankia, S.A.

*BANKIA IS A STAUNCH  
SUPPORTER OF CLEAN  
ENERGY AND CONTINUES  
TO PURCHASE ALL OF ITS  
ELECTRICITY FROM CLEAN  
AND RENEWABLE SOURCES  
(GREEN ENERGY)*



## TONNES OF CO<sub>2</sub> EMISSIONS PREVENTED BY PURCHASING ELECTRICITY FROM RENEWABLE

# 39,018.30

### TACKLING CLIMATE CHANGE

Climate change is one of the greatest challenges in the field of environmental management.

The Energy Efficiency Plan 2015-2019 was approved in 2014, marking an important milestone for the company as part of its strategy to combat climate change. This plan is a continuation of Bankia's commitment to clean energy and to continue to purchase all of its electricity from clean and renewable sources (green energy). Thanks to this initiative, since 2013 Bankia has managed to eliminate the indirect emissions associated with electricity consumption in all of its buildings and across its commercial network.

In the field of renewable energy, Bankia has six photovoltaic solar arrays, one of which is installed on the Pintor Sorolla building in Valencia (the bank's headquarters) and five are in the Canary Islands, with a total capacity of 2,586.60 kW.

Audio-conferencing and multi-videoconferencing facilities as an alternative to business travel continued to be used heavily in 2015 to minimise fuel consumption and reduce the polluting emissions associated with transport. In 2015, 4,464 requests for these services were received, with 79,431 people making use of them.

The protocol for measuring our carbon footprint is now well established and a comprehensive review of emissions sources has been carried out, increasing the coverage of the information taken into account in search of continuous management improvement and to offer a more comprehensive overview.



Each year, Bankia completes the Global Climate Change Report questionnaire drawn up by the Carbon Disclosure Project (CDP) to analyse its climate change strategy and management.

Bankia obtained a score of 100 B in 2015 (the average score for the financial sector is 84 C), positioning it as the second best Spanish bank and a leader worldwide as a member of the CDP Climate Disclosure Leadership Index 2015 (CDLI).



Bankia was given the highest possible score for corporate transparency (100) vis-à-vis climate change, improving on its 2014 score by three points. In this regard, thoroughness, integrity and quality when answering the questionnaire are all assessed and scored.

Bankia also achieved the second best score for its performance (B) concerning action taken to cut carbon emissions and mitigate climate change-related business risks. The information provided in the questionnaire is used to evaluate the action taken to fight and respond to climate change, and transparently report thereon.

<b>EMISSIONS<sup>1</sup> (tonnes)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>TOTAL SCOPE 1 EMISSIONS<sup>2,3</sup> (REF. GRI)</b>	<b>3,632.28</b>	<b>3,348.1</b>	<b>4,083.1</b>
Direct CO <sub>2</sub> e emissions from natural gas consumption	717.9	662.8	1,453.5
Direct CO <sub>2</sub> e emissions from fuel consumption	273.95	346.5	623.4
Direct CO <sub>2</sub> e emissions from refrigerant gas recharging	2,640.43	2,338.8	2,006.2
<b>TOTAL SCOPE 2 EMISSIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>
Indirect CO <sub>2</sub> e emissions from electricity consumption <sup>4</sup>	0	0	0
<b>TOTAL SCOPE 3 EMISSIONS<sup>2</sup></b>	<b>5,004.83</b>	<b>4,672.7</b>	<b>4,195.4</b>
Indirect CO <sub>2</sub> e emissions from business trips <sup>5</sup>	3,315	3,281.0	2,810.9
Indirect CO <sub>2</sub> e emissions from commutes (Ofibus shuttle service)	325	249.1	47.8
Indirect CO <sub>2</sub> e emissions from commutes (shared transport)	9.2	9.2	9.2
Indirect CO <sub>2</sub> e emissions from consumption of paper (DIN A4) and printer cartridges	1,227.1	1,089.0	1,327.5
Indirect CO <sub>2</sub> e emissions from water consumption <sup>6</sup> <span style="background-color: #92d050; border-radius: 50%; padding: 2px;">G4-22</span>	96.5	25.2	--
Indirect CO <sub>2</sub> e emissions from waste management	32.1	19.2	--
<b>OTHER EMISSIONS<sup>7</sup></b>			
CO emissions	0.21	0.21	0.41
NO <sub>x</sub> emissions	1.55	1.53	3.10

1 Data for Bankia, S.A.

2 Sources of emissions factors used: IPCC 2006/2013, CORINAIR 2007, U.S. U.S. EPA, Spain – GHG Inventory Report 1990-2013 (2015), DEFRA 2015, Guide for calculating GHG emissions (2014) – Catalan Office for Climate Change, Environmental Paper Network (2012) and Carbon Impact Studies: Toner Refills at Cartridge World – Comparative Carbon Footprints (2008).

3 Global warming potentials for 100 years published in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (2013) have been considered.

4 100% of the electricity acquired was generated by renewable energy sources (green energy). This has prevented the emission of 39,018.3 tonnes of CO<sub>2</sub>. Source: Electricity Labelling and Source Guarantee System (2014). National Markets and Competition Commission.

5 The emissions relating to business trips made by employees by plane, train and leased fleet vehicles were also included, as well as the emissions related to the mileage travelled by employees in their own vehicles, for work purposes. Widened in 2015 to include staff business trips by coach and boat.

6 The scope of water consumption for 2015 and 2014 has been widened, with 2014 emissions being recalculated.

7 Source: CORINAIR 2007.

## PARTICIPATION IN ENVIRONMENTAL INITIATIVES

Pursuant to its environmental policy, the bank participates in the following initiatives:

### **“UN MILLÓN DE COMPROMISOS POR EL CLIMA” [A MILLION CLIMATE PLEDGES]**

Headed up by the Ecodes ecology and development foundation, the Spanish Office for Climate Change, and the Biodiversidad Foundation. This initiative aims to recognise the efforts of companies, institutions and citizens involved in curbing climate change. Bankia's commitments consist of:

- Buying electricity from a renewable energy supplier.
- Using LED lighting.
- Using water saving devices.
- Using video-conferencing and online meetings.
- Procuring cooling/air conditioning systems that are fluorinated gas free.
- Optimising paper use.
- Separating and recycling waste.
- Verifying the carbon footprint of the bank, and its products and events.

Bankia is not only involved in this initiative at an institutional level, but also encourages its staff and primary stakeholders (customers, suppliers, etc.) to make their own pledges.

*BANKIA WAS GIVEN THE HIGHEST POSSIBLE SCORE FOR CORPORATE TRANSPARENCY (100) VIS-À-VIS CLIMATE CHANGE FOR ITS THOROUGHNESS, INTEGRITY AND QUALITY WHEN ANSWERING THE CDP GLOBAL CLIMATE CHANGE REPORT QUESTIONNAIRE*

### **CLIMATE CHANGE CLUSTER**

Coordinated by Forética, Spain's sole representative on the World Business Council for Sustainable Development (WBCSD). This brings businesses together to serve as a meeting point for fostering leadership, knowledge, the exchange of ideas and discussions about climate change. In order to be a member, an organisation must have a climate change strategy, regularly publish performance indicators, and appoint a long-standing intermediary at departmental management or executive level.

### **EARTH HOUR**

Bankia has taken part in this project since 2012, and participates in the campaign by turning off the lights at its flagship buildings on the day and hour established by the organisers.



## ENVIRONMENTAL TRAINING AND AWARENESS-RAISING

In order to honour the pledges set out in the Code of Ethics and Conduct, employees from various specific groups completed an online course in 2015 reminding them of the main environmental challenges and action taken by Bankia to tackle them. Participants also received training on really simple best practices at home and in the workplace.

Workforce awareness-raising included in-house forums to foster dialogue, discuss proposals and encourage staff participation in the initiatives Bankia backs at corporate level (see information attached). For the first time, the Bankia blog and the Bankia Online magazine publicised the most important events in this area such as the Climate Change Conference in Paris.

During 2016, new content was posted on the website and intranet in order to fully engage personnel in protecting the environment.

## SUPPLIER SURVEYS

As part of the supplier approvals process, a specific evaluation is conducted of their environmental performance and management (including the carbon footprints of their products and services). They are informed of the principles they should adhere to in their dealings with Bankia and of best environmental practices.

The suppliers with the greatest impact are invited to attend workshops that contribute to improving working practices and making Bankia a more sustainable and environmentally friendly organisation day to day.

One of the challenges in 2016 is to include a raft of environmental criteria in the bank's tender specifications.

*DURING 2016, NEW CONTENT WAS POSTED ON THE WEBSITE AND INTRANET IN ORDER TO ENGAGE 100% OF EMPLOYEES IN PROTECTING THE ENVIRONMENT*



# EMPLOYEES RECEIVING ENVIRONMENTAL AWARENESS

# 872

## TRAINING

# 18

## SUPPLIERS

## ACCREDITATION

Bankia's headquarters in Valencia, operations centre in Madrid, and the Las Rozas building in Madrid (home to Bankia's data processing centre) boast an Environmental Management System that has been certified.

The goal for 2016 is to adapt the documentation on Bankia's Environmental Management System to the new ISO 14001: 2015.



TOTAL EXPOSURE

**€195.3 BN**

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NPLS

**€-3.55 BN**

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NPL RATIO

**10.6%**

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COVERAGE RATIO

**59.97%**

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MORTGAGE EXPOSURE

**61%**

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EXPOSURE  
TO BUSINESSES

**19%**

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# **RISK MANAGEMENT**

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The primary objective of risk management is to safeguard the group's financial stability and asset base, while creating value and developing the business in the manner decided by the group's governing bodies.



## A STRATEGIC PILLAR

Risk management is one of the bank's strategic pillars. Its main objective is to preserve the group's financial and capital strength, driving value creation and business development in accordance with the risk appetite and risk tolerance set by the group's governing bodies. To achieve this, the bank provides tools for the assessment, control and monitoring of requested and authorised risk, the management of non-performing loans and the recovery of defaulted risks.

Within this frame of reference, in 2015 the bank completed a risk function transformation project aimed at improving information quality and providing better tools, so as to bring the function into line with national and international best practices. This project specifies the general principles

of the risk function (which include global scope, independence and top management commitment) and creates a comprehensive organisational model encompassing the complete risk life cycle.

In addition, significant steps were taken in 2015 to streamline the lending process by setting individual exposure limits and to increase the efficiency of recoveries processes. In recoveries, new tools were introduced, the level of specialisation was increased and certain processes were optimised, all of which contributed to the marked reduction in Bankia's non-performing loans in 2015.

These advances tie in with the Transformation Plan 2016-2018 (see attached information), which will continue to improve risk management.

*SIGNIFICANT STEPS  
WERE TAKEN IN 2015  
TO STREAMLINE THE  
LENDING PROCESS BY  
SETTING INDIVIDUAL  
EXPOSURE LIMITS  
AND TO INCREASE  
THE EFFICIENCY OF  
RECOVERIES PROCESSES*



## TEN PRINCIPLES OF RISK MANAGEMENT

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1

INDEPENDENT, GROUP-WIDE RISK FUNCTION THAT PROVIDES THE NECESSARY INFORMATION FOR DECISION MAKING AT ALL LEVELS.

2

OBJECTIVE DECISION MAKING, TAKING ACCOUNT OF ALL THE RELEVANT RISK FACTORS (BOTH QUANTITATIVE AND QUALITATIVE).

3

ACTIVE RISK MANAGEMENT AT EVERY STAGE OF THE RISK LIFE CYCLE, FROM PRE-APPROVAL CREDIT ANALYSIS UNTIL THE DEBT IS EXTINGUISHED.

4

CLEAR PROCESSES AND PROCEDURES SUBJECT TO REGULARLY REVIEW IN LIGHT OF CHANGING NEEDS, WITH CLEARLY DEFINED LINES OF RESPONSIBILITY.

5

INTEGRATED MANAGEMENT OF ALL RISKS THROUGH RISK IDENTIFICATION AND QUANTIFICATION, AND HOMOGENEOUS RISK MANAGEMENT BASED ON A COMMON MEASURE (ECONOMIC CAPITAL).

6

DIFFERENTIATED RISK TREATMENT, APPROVAL PROCESS AND MANAGEMENT PROCEDURES, BASED ON RISK CHARACTERISTICS.

7

DEVELOPMENT, IMPLEMENTATION AND DIFFUSION OF ADVANCED DECISION SUPPORT TOOLS THAT WILL FACILITATE RISK MANAGEMENT, MAKING EFFECTIVE USE OF NEW TECHNOLOGIES.

8

DECENTRALISED DECISION MAKING, USING THE AVAILABLE METHODOLOGIES AND TOOLS.

9

RISK VARIABLE TO BE INCLUDED IN BUSINESS DECISIONS IN ALL AREAS: STRATEGIC, TACTICAL AND OPERATIONAL.

10

THE OBJECTIVES OF THE RISK FUNCTION AND RISK MANAGEMENT STAFF MUST BE ALIGNED WITH THE OBJECTIVES OF THE BANK AS A WHOLE, SO AS TO MAXIMISE VALUE CREATION.



## CAPITAL PLANNING AND RECOVERY PLAN

Following the recommendations of the main international regulatory and supervisory bodies and in line with the European Banking Union project, in February 2015 the Board of Directors approved the Capital Planning Framework. Together with the Risk Appetite Framework (approved in 2014, setting maximum risk levels and establishing monitoring and responsibility mechanisms), the Capital Planning Framework defines the group's strategic lines of action in normal business conditions.

As a complementary measure, in February 2015 the Board approved the Recovery Plan, which determines the measures that may be taken in a hypothetical crisis situation. The plan would be activated if any of the selected indicators (which coincide in their definition with the indicators used to set tolerance levels in the Risk Appetite Framework) exceeded the level set in the plan.

Subsequently, in July 2015 the Board of Directors approved certain amendments to the statement of the Risk Appetite Framework, specifying its relationship with the Strategic Plan, the business model, capital planning, the Recovery Plan and the budget. The Board also approved a statement of risk appetite and tolerance in terms of recurring and extraordinary return and a set of additional qualitative benchmarks that serve to determine more precisely and in more detail the level of risk the bank is willing to assume.

At the same time, in 2015 the bank set about preparing the internal capital adequacy assessment (ICAAP) and internal liquidity adequacy assessment

(ILAAP) processes, in accordance with the new ECB criteria. Both processes are also very relevant within the framework of the Banking Union project.

## CORPORATE GOVERNANCE IS KEY

One of the most significant aspects of the European banking supervision system is the introduction of corporate governance as a key element in risk management. Under the new regulations, banks must establish sound corporate governance procedures; effective systems of risk identification, management, control and reporting; appropriate internal control mechanisms; and remuneration policies and practices that are compatible with appropriate and effective risk management.

BFA-Bankia fully adheres to the spirit of the new regulation. In 2014 it developed a clear organisational structure to ensure effective functioning of risk supervision and control; and in 2015 it reinforced the role and status of the Executive Director of Risk Management, whose expertise and independence of judgment are fundamental to the proper performance of the system of responsibilities.

The structure of the governing bodies is as follows:

### BOARD OF DIRECTORS

The Board of Directors is the highest governing body. It determines and approves the overall internal control strategies and procedures and the policies for the approval, management, control and reduction of risk. Reporting to the Board are various committees with authority over risk control and risk monitoring.

### AUDIT AND COMPLIANCE COMMITTEE

One of the basic responsibilities of this committee is to supervise the effectiveness of the bank's internal control, internal audit and, where appropriate, risk management systems.

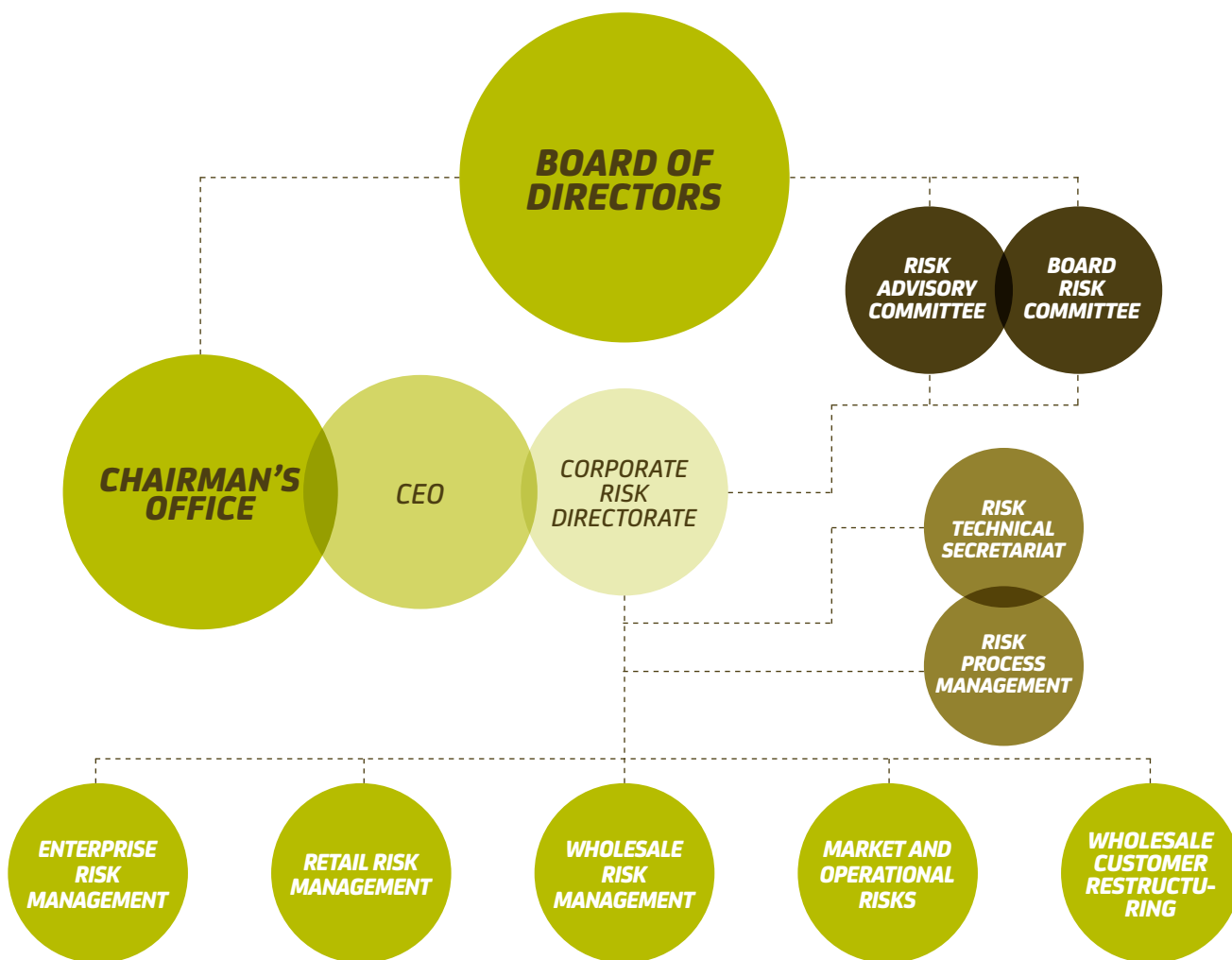
### RISK ADVISORY COMMITTEE

The main function of this committee is to advise the Board of Directors on the bank's overall risk propensity, both current and future, and its risk strategy. Other functions of the Risk Advisory

Committee are to oversee the pricing policy, assist in preparing a rational remuneration policy and periodically monitor the loan portfolio.

### BOARD RISK COMMITTEE

The Board Risk Committee is the executive body responsible for approving risks within the scope of its authority and for overseeing and administering the exercise of delegated authority by lower-ranking bodies, without prejudice to the oversight authority vested by law in the Audit and Compliance Committee.



## NEW TRANSFORMATION PLAN

As regards the challenges to be met in the immediate future, the main themes of the New Transformation Plan 2016-2018 are as follows:

### **OPTIMISED RECOVERIES MODEL**

Efforts to develop a highly automated, specialised and optimised recoveries model must continue. This will be done by making more intensive use of collection agencies and by centralising loan processing and systematising the sale of small portfolios.

### **PROMOTION OF SOUND LENDING**

One of the tasks of the Corporate Risk Directorate is to promote good quality lending. With that goal in mind, a plan is in place to stimulate the use of models for analysing the available information on customers and non-customers and to improve the credit rating system.

### **EARLY WARNING SYSTEM**

The goal is to build the necessary infrastructure to detect potential impairments before they materialise and so be able to take early management measures. This will require developing specific tools.

### **ASSET ALLOCATION**

The business must be oriented to maximising economic value, while respecting the levels established in the Risk Appetite Framework. The aim of this project is to extend the concept of efficient allocation of scarce resources.

### **CULTURE AND TRAINING**

To extend the risk culture, the bank will promote a training plan that will have an impact on the risk profile (better knowledge of policies and tools) and data quality (aiming to make the approvals process more efficient).

## TOOLS

Risk management is implemented through a series of tools. These tools are as follows:

### **CLASSIFICATION**

Rating and scoring tools are used to classify borrowers and transactions by risk level. Practically all portfolio segments are subject to classification, based mainly on statistical models. Classifying risk not only assists risk decision making but also helps to incorporate the risk appetite and risk tolerance set by the bank's governing bodies into decision making. The risk classification framework also includes the so-called monitoring levels system, which classifies risks in four categories: Level I or high risk (risks to be extinguished in an orderly manner); Level II or medium-high risk (risks to be reduced); Level III or average risk (risks to be maintained); and all other exposures.

### **QUANTIFICATION**

Credit risk is quantified using two measures: the expected loss of the portfolios, which reflects the average amount of losses and is associated with the determination of provisioning requirements; and the unexpected loss, which is the likelihood that the actual loss in a given period will substantially exceed the expected loss, thus affecting the level of capital considered necessary to meet objectives. The parameters for measuring credit risk, which are derived from internal models, are exposure at default, probability of default based on rating grade and loss given default, or severity.

### **PROJECTION**

Stress tests are another key element of credit risk management, as they can be used to assess portfolio risk profiles

and capital adequacy in adverse scenarios. The purpose of stress testing is to assess the systemic component of risk, while also taking portfolio-specific vulnerabilities into account. It involves analysing the impact of macroeconomic stress scenarios on the risk parameters and migration matrices.

### **RISK-ADJUSTED RETURN**

The return on a transaction must be adjusted for the cost of the various risks it entails, not only credit risk. It must also be compared with the volume of capital that must be allocated to cover unexpected losses (economic capital) and meet regulatory capital requirements (regulatory capital).

### **BUSINESS DEVELOPMENT**

One of the functions of risk management is to create value and develop the business in accordance with the risk appetite framework established by the governing bodies. The Risk Directorate therefore has shared responsibility for developing the lending business by providing tools and criteria for identifying potential customers, simplifying decision processes and allocating lines of risk, always within the set tolerance levels.

### **RECOVERY MANAGEMENT**

Recovery management is an end-to-end process that starts even before the first non-payment occurs and covers all phases of the recovery cycle until a settlement is reached, whether friendly or otherwise. At the retail level, early warning models are used to identify potential problems and provide solutions, which may involve adjusting the terms of the borrowing. In relation to business borrowing, the system of levels, described earlier, is also designed to allow early management of arrears.

*RISK MANAGEMENT INVOLVES CLASSIFICATION, PROJECTION, RISK-ADJUSTED RETURN, BUSINESS DEVELOPMENT, RECOVERY MANAGEMENT AND CONCENTRATION RISK MANAGEMENT*



### **CONCENTRATION RISK MANAGEMENT**

In Bankia, various tools are used to analyse and monitor concentration risk. Among other things, a methodology similar to that used by rating agencies is applied, assessing the main exposures as a percentage of capital and in terms of income-generating capacity.

## RISK PROFILE

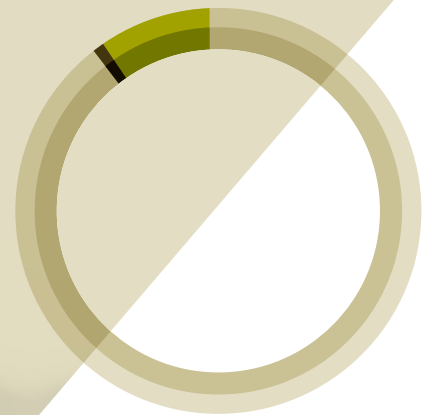
Based on the distribution of risk-weighted assets (RWAs), Bankia's risk profile shows a clear predominance of credit risk, as can be observed in the figure:

## CREDIT RISK

The main characteristics of the credit risk profile and its development during 2015 are as follows:

- Some 61% of the total loan book is accounted for by the mortgage portfolio. The second largest portfolio is businesses, with 19%.
- The distribution of loans to customers between the wholesale and retail segments remains similar to 2014, with 31% wholesale and 69% retail. The portfolio of real estate development-related assets fell 34% in 2015 and represents only 1% of the total.
- The bond portfolio decreased by 13.15 billion euros, mainly as a result of debt maturities.
- The Bankia Group ended 2015 with non-performing assets (NPAs) down 3.55 billion euros, easily outperforming the budget. A substantial part of the reduction of exposure came through the process of selection and sale of non-performing portfolios, which started in 2013 and culminated in six sales during 2015, with the disposal of 1.91 billion euros of non-performing exposures. Excluding that amount, the change in NPAs attributable to management's handling of risk monitoring and recoveries was 1.64 billion euros. Thanks to all this, the NPL ratio reached 10.6%, 2.3 points less than at the end of 2014.

## RISK PROFILE



- CREDIT RISK **89%**
- MARKET RISK **1%**
- OPERATIONAL RISK **10%**



- BUSINESSES **19%**
- PUBLIC SECTOR **6%**
- SPECIAL FIN. **4%**
- DEVELOPERS **1%**
- FINANCIAL INTERMEDIARIES **1%**
- MORTGAGE **61%**
- CONSUMER AND CREDIT CARDS **3%**
- MICRO-ENTERPRISES AND SELF-EMPLOYED **5%**



- By component, 55% of the doubtful assets are doubtful for objective reasons, including default, insolvency and litigation. 33% is doubtful for “subjective” reasons (reasons other than default), based on the impairment assessment applied to borrowers. The remaining 11% consists of refinanced or restructured exposures in a cure period. In these cases, a solution has been reached with the customer and the bank is waiting to see whether the solution has been effective. This result has been achieved while at the same time increasing the NPL coverage ratio, which went from 57.6% at year-end 2014 to 59.97% at the end of 2015.
- The portfolio distribution of credit risk at the close of 2015, measured using exposure at default (EAD), expected loss, economic capital and regulatory capital, would be as shown in the accompanying chart.

## DISTRBUTION OF DOUNTFUL LOANS BY COMPONENT



- OBJECTIVELY DOUBTFUL **55%**
- SUBJECTIVELY DOUBTFUL AND RETURNED-TO-PERFORMING **45%**

PORTFOLIO	EAD	REGULATORY CAPITAL		ECONOMIC CAPITAL		EXPECTED LOSS	
MILLIONS OF EUROS							
Public sector	<b>45,740</b>	180	0.4%	256	0.6%	179	0.4%
Banks	<b>26,937</b>	298	1.1%	134	0.5%	65	0.2%
Businesses	<b>40,751</b>	1,760	4.3%	1,715	4.2%	3,268	8.0%
Developers	<b>1,744</b>	90	5.1%	161	9.2%	687	39.4%
Mortgage	<b>67,559</b>	1,965	2.9%	1,193	1.8%	2,087	3.1%
Consumer	<b>2,665</b>	123	4.6%	80	3.0%	90	3.4%
Cards	<b>3,376</b>	65	1.9%	48	1.4%	37	1.1%
Micro-ent. & self-empl.	<b>6,327</b>	227	3.6%	149	2.3%	617	9.8%
Equity	<b>241</b>	39	16.1%	23	9.7%	2	0.9%
<b>Total</b>	<b>195,341</b>	<b>4,746</b>	<b>2.4%</b>	<b>3,759</b>	<b>1.9%</b>	<b>7,034</b>	<b>3.6%</b>



From an analysis of these data, it can be concluded that the bank has more than sufficient provisions and capital to face both expected and unexpected losses with a very high level of confidence.

The bank's credit risk policy was approved by the Board of Directors of Bankia and BFA in July 2015. The policy objectives are to maintain responsible, stable lending in line with the bank's strategy; set prices appropriately; limit concentration; ensure quality of information; and align the risk policy with capital needs.

The general criteria for credit risk approval are implemented through five action themes:

#### **1. RESPONSIBLE LENDING**

The bank must offer the financing that best meets the customer's needs and ability to pay. At the retail level, the customer must be given the necessary information to understand the risks associated with the financing.

#### **2. RETAIL AND SME BANKING FOCUS**

The financing of real estate activities, projects, acquisitions and assets is restricted.

#### **3. KNOWLEDGE OF THE CUSTOMER'S CREDITWORTHINESS**

This must be founded on a thorough analysis of the customer's credit history and ability to pay, as well as a knowledge of the customer's sector.

#### **4. APPROPRIATE LENDING**

The financing must be consistent with the customer's size and profile, balanced between short and long-term finance and in line with the collateral valuation.

#### **5. CALIBRATION OF ENVIRONMENTAL AND SOCIAL RISKS**

The environmental impact of the customer's business activity must be

taken into account. The granting of new loans to customers who do not respect human and labour rights is also restricted.

A diversification strategy, setting limits per individual and per sector, is needed. The credit risk policy also introduces specific approval criteria for each portfolio segment. For instance, the rating and coverage guidelines for consumer loans are different from those for mortgage lending and for consumer and credit card finance.

## MARKET RISK

Market risk is the risk of losses arising from adverse movements in the prices of the financial instruments in which Bankia trades.

During 2015, as a result of the undertakings given in the Recapitalisation Plan, the bank's activity in financial markets was still limited. Specifically, its proprietary trading activity remained on hold, reducing market risk and the need for capital to cover it.

Nevertheless, during 2014 and 2015 Bankia invested considerable effort in preparing a study on updating its systems for measuring market risk, so as to improve the current metrics, meet the new regulatory challenges and respond appropriately to the need for the group to take part in the various exercises organised by the European Banking Authority (EBA) and the ECB, as it did in various tests during 2015.

The result of this study, together with the study of counterparty risks, gave rise to the presentation and approval of a project to update the bank's market and counterparty risk platforms.

Within the approved project, the market risk challenges for 2016 include integrating all market risk operations, tools and reporting in a single application and taking part in all the exercises proposed by the EBA and the ECB.

## COUNTERPARTY RISK IN FINANCIAL MARKETS

Counterparty credit risk is the risk that a counterparty will fail to meet its contractual obligations, giving rise to a loss for the bank in its financial market activity.

In 2015, completing the project launched at the end of 2014, the calculation of the credit valuation adjustment (CVA) and its transmission to accounts was automated. At the request of the ECB, in June 2015 the CVA was modified and since then has been calculated using market data.

Also in 2015, a study was conducted on the systems for measuring counterparty risk and a project was approved to update the platform (see market risk information), which will need to be implemented in 2016.

The calculation of the capital consumption of the non-financial entities' derivatives was modified during the year to reflect the future potential risk of their operations. Bankia also became a member of the London Clearing House for transactions in euros. In addition, the bank took part in various counterparty risk exercises required by the EBA and the ECB.

*DURING 2014 AND  
2015, BANKIA INVESTED  
CONSIDERABLE EFFORT  
IN PREPARING A STUDY  
ON THE UPDATING  
OF MARKET RISK  
MEASUREMENT  
SYSTEMS*



## INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is the risk of loss resulting from adverse movements in market interest rates. Changes in interest rates affect both net interest income and the value of assets and liabilities. The intensity of the impact depends to a large extent on the maturity and repricing structure of assets, liabilities and off-balance-sheet positions. At Bankia, the management of interest rate risk in the banking book, as with other risks, is based on a clear separation of roles and responsibilities.

In 2015, Bankia improved the scope of measurement and control of this type of risk. At the end of the year, the sensitivity limits were adapted based on the lowest risk profile consistent with the structure of the bank's balance sheet. At the same time, the perimeter and frequency of calculation at group level was increased.

Additionally, the foundations were laid for the development during 2016 of a broader range of behavioural assumptions, in line with international best practices. Work is under way to develop periodic tests of the banking book, following the guidelines and formats of the EBA and ECB stress tests.

## LIQUIDITY AND FUNDING RISK

Bankia wishes to maintain a long-term funding structure in accordance with the liquidity of its assets, seeking maturity profiles that are compatible with the generation of stable, recurring cash flows. The aim is to manage the balance sheet without liquidity strains in the short term.

To that end, the group identifies, controls and monitors its liquidity position daily. In line with the retail business model on which its banking activity is based, the bank's main source of funding is customer deposits. To cover any additional liquidity requirements the bank uses the national and international capital markets and has sizeable funding activity in the repo markets. As a complementary measure, in case of crisis situations, the bank holds various assets as collateral at the ECB, which allow it to obtain immediate liquidity. Moreover, constant asset surveillance identifies the assets that can be used immediately as a liquidity reserve in times of market stress.

As a complement to the monitoring of liquidity risk in normal business conditions, an action framework has been designed that will help prevent and manage liquidity stress events. The cornerstone of this framework is the Contingency Funding Plan (CFP), which defines the committees responsible for plan monitoring and activation and establishes a protocol that sets out responsibilities and internal and external communication flows, as well as the action plans to bring the risk profile back within the bank's tolerance limits. The CFP is accompanied by the establishment of metrics in the form of specific monitoring alerts and the development of metrics complementary to the regulatory liquidity and funding risk indicators.

In 2015, Bankia strengthened the liquidity risk management framework by developing periodic stress testing programmes for different types of crisis and time horizons and by fine-tuning the basic intra-day liquidity indicators. Looking to 2016, the bank has set itself the goal of more fully integrating the regulatory liquidity measures in management and taking measures to improve its long-term funding profile.

## OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. This definition includes legal risk, but excludes reputational risk.

To manage operational risk, Bankia aims to:

- Promote a culture of operational risk management, oriented in particular to awareness building, acceptance of responsibility, commitment and service quality.
- Ensure that operational risk is identified and measured.
- Apply continuous improvement systems in processes, control structure and mitigation plans.
- Find new risk transfer mechanisms that will limit exposure.
- Ensure that contingency and business continuity plans are in place.

In 2015, the group contacted various leading insurance companies and brokers to study the options for covering operational losses, especially cyber risk.

The bank also collaborated in the startup of an online training plan, aimed at branch staff, covering the basics of operational risk and operational risk management in branches.

Additionally, Bankia developed a specific methodology for analysing operational risk in outsourced functions through the management units that oversee the outsourcing arrangements. This methodology has been implemented in a small number of layers and is expected to be extended to all of them in 2016, when the corporate ARO application is also due to be updated.



*OPERATIONAL RISK IS  
THE RISK OF LOSS  
RESULTING FROM  
INADEQUATE OR FAILED  
PROCESSES OR SYSTEMS,  
HUMAN FACTORS OR  
EXTERNAL EVENTS*



## ENVIRONMENTAL RISK

Given the nature of its activity, a bank has only a very limited direct environmental impact. However, it exerts a very significant indirect influence through its decisions to invest in the assets and production activities of its customers. Consequently, the environmental risk inherent in customers' production activity may be transferred to the bank in two ways:

- Credit risk. Credit risk may arise from environmental impacts on the viability of the customer's business, an increase in the business's costs, loss of cash flows, or civil or criminal penalties, among other things.
- Reputational risk. The threat of climate change and society's awareness of

environmental issues has prompted closer scrutiny of the environmental repercussions of the activities of banks' customers, thus increasing the reputational risk for banks.

To manage environmental risk, Bankia has a tool that assigns corporate customers an environmental rating, which provides qualitative information complementary to that provided by the financial rating. The environmental rating can be used to assess the environmental impact of a company's activities, how the environmental impact may affect the viability of the company's businesses and, consequently, its influence on the bank's credit risk.

The bank has established a scale of levels that reflect a company's environmental situation:

TO MANAGE ENVIRONMENTAL RISK, BANKIA HAS A TOOL THAT ASSIGNS CORPORATE CUSTOMERS AN ENVIRONMENTAL RATING, WHICH PROVIDES QUALITATIVE INFORMATION COMPLEMENTARY TO THAT PROVIDED BY THE FINANCIAL RATING



## MAS RATING SCALE



The tool can be used to obtain an overall rating of the portfolios of large and medium-sized companies. The result of the assessment shows

that 75% of the obligors or customers and 62% of the drawn exposure is in portfolios rated as having low or very low environmental risk.

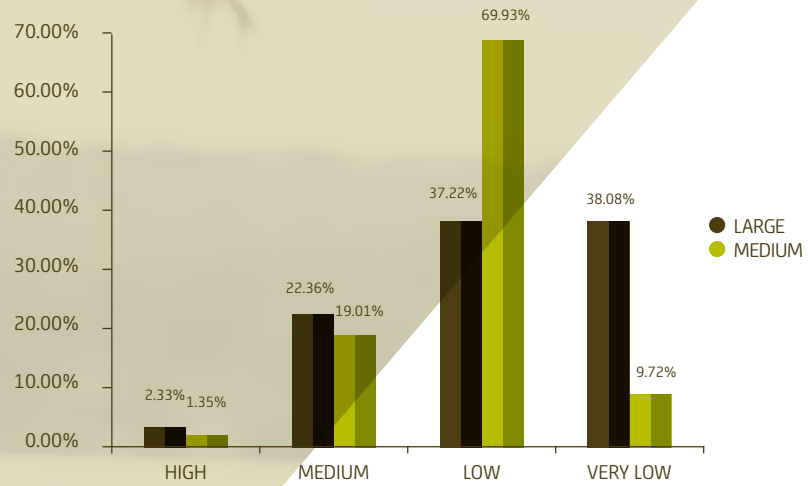
## ENVIRONMENTAL RISK

RATING BAND	OBLIGORS		DRAWN EXPOSURE	
	NUMBER	%	€	%
Very low	606	15.7%	6,658,533,092	39.5%
Low	2,433	63.0%	5,954,566,590	35.3%
Medium	761	19.7%	3,849,521,979	22.8%
High	60	1.6%	406,615,391	2.4%
<b>Total</b>	<b>3,860</b>	<b>100.0%</b>	<b>16,869,237,053</b>	<b>100.0%</b>



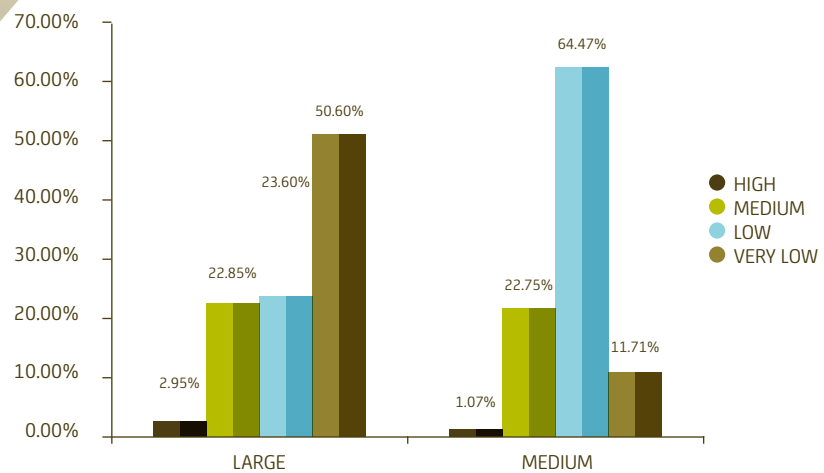
Taking the large and medium-sized businesses separately and looking at the percent distribution of the two portfolios in number of borrowers or customers, the figure is as follows:

### BUSINESS BORROWERS BY CREDIT RATING (%)



The percent distribution in drawn exposure is as follows:

### BUSINESS BORROWERS BY DRAWN EXPOSURE (%)



# NEGOTIATED SOLUTIONS SINCE 2012

# 173,983

## SOCIAL RISK

Last year, in a credit market context characterised by a moderate recovery and the persistence of difficulties in meeting loan obligations, especially under mortgage agreements, Bankia broadened its policy of offering its customers negotiated solutions, both in the early stages of delinquency (forbearance, surrender in satisfaction of debt) and in cases where the asset has already been foreclosed.

Bankia continued its policy of mortgage modifications, with the aim of enabling households to adapt their loans to their ability to pay, on the most flexible terms. A total of 12,341 modifications of this kind were carried out during the year.

At the same time, 934 transfers of homes in satisfaction of mortgage debt were accepted and the terms and conditions of 12,341 mortgages were adapted to the obligors' real ability to meet their obligations to Bankia. In all cases, these were negotiated solutions, aimed at avoiding evictions among social groups of proven special vulnerability, while at the same time seeking to minimise the loss to the bank.

## NEGOTIATED SOLUTIONS

CONCEPT	YEAR				TOTALS	
	2012	2013	2014	2015	TRANSACTIONS	%
Total no. of homes handed over in lieu of payment	3.356	1.5901	1.497	934	7.377	4,89%
Total no. of foreclosed homes	9.207	4.614	5.570	3.968	23.359	16,06%
Total no. of mortgage modifications	19.049	23.178	14.079	12.341	68.647	42,68%
Total no. of consumer loan modifications	12.640	23.752	12.821	9.253	58.466	27,00%
Total no. of loans to self-employed/ businesses modified	3.402	5.667	3.477	3.588	16.134	9,37%
<b>Total negotiated solutions</b>	<b>47.654</b>	<b>58.801</b>	<b>37.444</b>	<b>30.084</b>	<b>173.983</b>	<b>100,00%</b>



BANKIA CONTINUED ITS POLICY OF MORTGAGE MODIFICATIONS, WITH THE AIM OF ENABLING HOUSEHOLDS TO ADAPT THEIR LOANS TO THEIR ABILITY TO PAY

Since 2012 Bankia has accepted a total of 7,377 transfers of property in satisfaction of debt and has executed 68,647 mortgage modifications. In doing so it has helped mitigate one of the most dramatic consequences of the economic crisis for households, namely, the loss of their home as a result of the supervening impossibility of servicing the debt that was used to finance it. During 2015 a total of 3,968 homes were foreclosed (that is to say, recovered by the bank as a result of a court decision).

The help that Bankia provides to customers in need is not confined to mortgage customers. Last year the bank also renegotiated the terms of 9,253 consumer loans and 3,588 loans to self-employed individuals and businesses. The cumulative totals since 2015 are 69,203 and 19,374, respectively.

## POLICY ON THE FINANCING OF CONTROVERSIAL ACTIVITIES

One of Bankia's commitments is to set criteria that will promote good banking practices. For that purpose the bank defines specific policies for potentially sensitive sectors and activities on account of their social implications, such as investments or financing in certain weapons companies, organisations involved in the violation of human rights or any activity that may entail a violation of the fundamental rights of the individual

In relation to the arms industry, the policy requires that transactions relating to controversial weapons (antipersonnel mines, scatter ammunition and biological or chemical weapons) be rejected. The financing of projects for countries at war or subject to a UN embargo is also prohibited.

*BANKIA'S  
COMMITMENT OBLIGES  
IT TO REFUSE TO  
FINANCE COMPANIES  
THAT HAVE BEEN  
PROVEN TO VIOLATE  
HUMAN RIGHTS*



## RENEGOTIATED CONSUMER LOANS AND LOANS TO SMES AND THE SELF-EMPLOYED

Bankia's commitment also obliges it to refuse to finance transactions with companies that have been proven to infringe human rights in areas such as employment conditions, freedom of association, safety at work or equality. Isolated events are not sufficient proof of failure to respect fundamental rights.

Similar restrictions will be adopted in the case of illegal activities such as money laundering, terrorist financing, tax evasion, fraud or corruption.

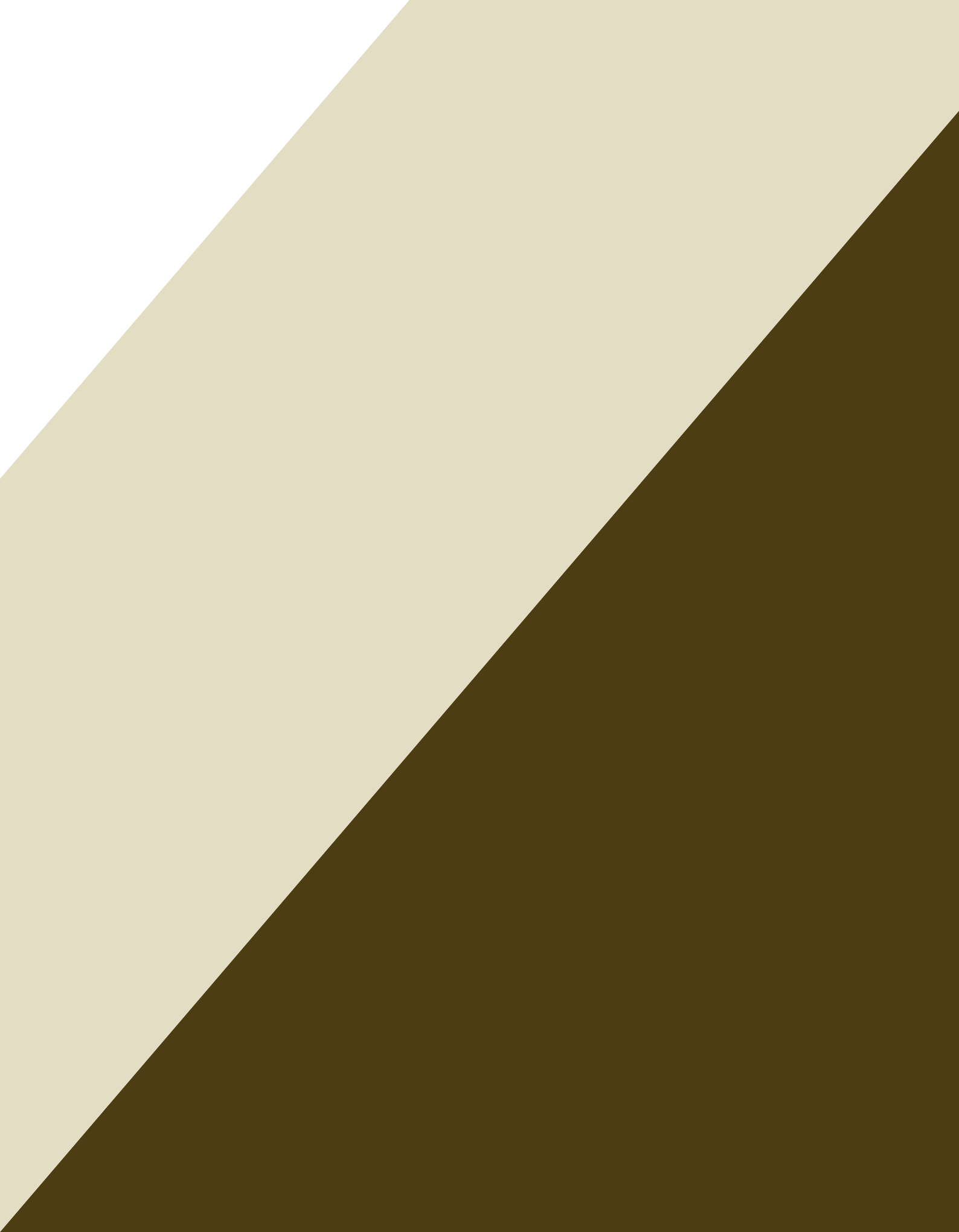
The Internal Risk Control Directorate is responsible for carrying out quarterly checks to ensure that no transactions are entered into with customers who engage in such activities. In 2015 Bankia detected no transactions that conflict with these policies, which suggests that any potentially compromised project is rejected before it can enter the formal credit decision process.

# 12,841

**TRANSACTIONS**

*IN 2015 BANKIA DETECTED  
NO TRANSACTIONS THAT  
CONFLICT WITH THESE POLICIES,  
WHICH SUGGESTS THAT ANY  
POTENTIALLY COMPROMISED  
PROJECT IS REJECTED BEFORE  
IT CAN ENTER THE FORMAL  
CREDIT DECISION PROCESS*





# GRI 4 INDICATORS

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## SCOPE AND EXTERNAL AUDIT OF THE EXTRA-FINANCIAL INFORMATION

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G4-18

The scope of the independently reviewed extra-financial information in this report is based on the G4 Guidelines with the Comprehensive option and the Financial Services Sector Supplement of the Global Reporting Initiative (GRI). These guidelines include a set of principles and indicators designed to define the scope and coverage of extra-financial reporting, while ensuring the quality of the information provided. Furthermore, the Report has been prepared taking into consideration compliance with the principles laid down in the AA1000 APS (2008) standard issued by Accountability.

In the preparation of this report, Bankia called on the services of an independent expert to carry out an exhaustive materiality analysis for the purposes of carrying out various stakeholder consultations and identifying the most relevant matters that must be covered in this report. The GRI G4 Content Index is provided hereon.

During the entire process of compiling and presenting information, Bankia adheres to the principles of balance, comparability, accuracy, timeliness, clarity and reliability required to ensure the quality of the information presented in this report. The work was performed by an external assurance provider (Ernst & Young); the same firm responsible for auditing the consolidated financial statements. The Audit and Compliance Committee is responsible for assuring the external assurance provider's independence.

The information reviewed covers the financial activities performed by the Bankia Group. Any indicators with a different scope are specified in the GRI indicators table. Where required for clarification purposes, the methods used to calculate the data and estimates applied, are explained in the relevant tables or chapters of the report to make them easier to understand.



INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>STRATEGY AND ANALYSIS</b>					
<b>G4-1</b>	Statement by the organisation's most senior decision-maker (person holding an executive management position, chairman or similar officer) concerning the relevance of sustainability to the organisation and its strategy	•	*	✓	Page 04-05
<b>G4-2</b>	Description of key impacts, risks and opportunities	•	*	✓	Page 10-29 Page 46-73 Page 162-181
<b>ORGANISATIONAL PROFILE</b>					
<b>G4-3</b>	Name of the organisation	•	*	✓	Bankia S.A.
<b>G4-4</b>	Primary brands, products, and services	•	*	✓	Page 22 - 29 Page 98 - 135
<b>G4-5</b>	Location of organisation's headquarters	•	*	✓	Pintor Sorolla, nº 8 (46002 Valencia)
<b>G4-6</b>	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	•	*	✓	Page 22 - 29
<b>G4-7</b>	Nature of ownership and legal form	•	*	✓	Bankia is inscribed in the Valencia Companies Register (Volume 9,341, Book 6,623, File 104, Sheet V-17,274). It is a credit institution supervised by the Bank of Spain, and is inscribed in the Bank of Spain's Administrative Register with the BE Code: 2038, BIC: CAHMESMMXXX
<b>G4-8</b>	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	•	*	✓	Page 22 - 29 Page 98 - 135
<b>G4-9</b>	Scale of the reporting organisation, including: a. Number of employees b. Number of transactions c. Net sales (for private sector organisations) or net revenues (for public sector organisations) d. Total capitalisation broken down in terms of debt and equity (for private sector organisations) e. Quantity of products or services provided	•	*	✓	Key indicators
<b>G4-10</b>	a. Total number of employees by employment contract and gender b. Total number of permanent employees by employment type and gender c. Total workforce by employees and supervised workers and by gender d. Total workforce by region and gender e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f. Report any significant variations in employment numbers	•		✓	Pág 36 - 45
<b>G4-11</b>	Percentage of total employees covered by collective bargaining agreements	•		✓	100%

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-12</b>	Describe the organisation's supply chain	•	*	✓	148 - 151
<b>G4-13</b>	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	•		✓	Page 37 Page 76-87
<b>G4-14</b>	Report whether and how the precautionary approach or principle is addressed by the organisation	•		✓	Page 162-181
<b>G4-15</b>	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	•		✓	Page 18-19 Page 159
<b>G4-16</b>	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation holds a position	•		✓	Page 18-19 Page 159

## MATERIAL ASPECTS AND BOUNDARY

<b>G4-17</b>	Group entities: a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	•	*	✓ Page 197	Note 15.1 to the financial statements. Page 102
<b>G4-18</b>	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content	•	*	✓ Page 197	Page 183
<b>G4-19</b>	List all the material Aspects identified in the process for defining report content	•	*	✓ Page 197	Page 15
<b>G4-20</b>	Report the aspect boundary within the organisation for each material aspect	•	*	✓ Page 197	Page 14
<b>G4-21</b>	Report the aspect boundary outside the organisation for each material aspect	•	*	✓ Page 197	Page 14
<b>G4-22</b>	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	•	*	✓ Page 197	Page 155 Page 158
<b>G4-23</b>	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	•		✓ Page 197	There were no significant changes in the scope, the aspect boundaries or the valuation methods, except for the matter reported under G4-22

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>STAKEHOLDER ENGAGEMENT</b>					
<b>G4-24</b>	Provide a list of stakeholder groups engaged by the organisation	•	*	√ Page 197	Page 12
<b>G4-25</b>	Report the basis for identification and selection of stakeholders with whom to engage	•	*	√ Page 197	Page 12-16
<b>G4-26</b>	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	•	*	√ Page 197	Page 13
<b>G4-27</b>	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concern	•	*	√ Page 197	Page 15
<b>REPORT PROFILE</b>					
<b>G4-28</b>	Reporting period for information provided	•		√	Year 2015
<b>G4-29</b>	Date of most recent previous report (if any)	•		√	Year 2015. Year 2 Report
<b>G4-30</b>	Reporting cycle	•		√	Annual
<b>G4-31</b>	Provide the contact point for questions regarding the report or its contents	•		√	bankiacomunicación@bankia.com
<b>G4-32</b>	Report the 'in accordance' option and External Assurance Report	•		√	Page 197
<b>G4-33</b>	Assurance policies and involvement of senior executives	•		√	Approval of sustainability content of Year 3 Report by Board of Directors External review performed by E&Y.
<b>GOVERNANCE</b>					
<b>G4-34</b>	Report the governance structure of the organisation, including committees of the highest governance body Identify any committees responsible for decision-making on economic, environmental and social impacts	•	*	√	Page 20-21 Page 74-79
<b>G4-35</b>	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	•	*	√	Page 17 Page 77-79
<b>G4-36</b>	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	•	*	√	Page 17 Page 77-79

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-37</b>	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	•	*	✓	Page 13 Page 17 Page 77-79
<b>G4-38</b>	Report the composition of the highest governance body and its committees by: a. Executive or non-executive b. Independence c. Tenure on the governance body d. Number of each individual's other significant positions and commitments, and the nature of the commitments e. Gender f. Membership of under-represented social groups g. Competences relating to economic, environmental and social impacts h. Stakeholder representation	•	*	✓	Page 20-21 Page 74-79
<b>G4-39</b>	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	•	*	✓	Page 77-79
<b>G4-40</b>	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	•	*	✓	Page 78 Page 85
<b>G4-41</b>	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	•	*	✓	Page 83 Page 87
<b>G4-42</b>	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	•	*	✓	Page 11 Page 17 Page 78-79
<b>G4-43</b>	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	•	*	✓	Page 17 Page 85
<b>G4-44</b>	Evaluation of the Board of Directors and action taken.	•	*	✓	Page 85
<b>G4-45</b>	Board of Director's role in the identification and management of economic, environmental and social risks and opportunities, and in stakeholder engagement.	•	*	✓	Page 14-17 Page 166-167
<b>G4-46</b>	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	•	*	✓	Page 78-79 Page 166-167
<b>G4-47</b>	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	•	*	✓	Page 77-79
<b>G4-48</b>	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered.	•	*	✓	The sustainability content of the Year 3 Report is approved by the Board of Directors
<b>G4-49</b>	Report the process for communicating critical concerns to the highest governance body.	•		✓	Page 17 Page 166-167

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-50</b>	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	•		✓	Page 162-181
<b>G4-51</b>	Remuneration policies for the Board of Directors and senior executives	•	*	✓	Page 87
<b>G4-52</b>	Report the process for determining remuneration Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management Report any other relationships which the remuneration consultants have with the organisation	•	*	✓	Page 86-87
<b>G4-53</b>	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	•	*	✓	Page 77-78 Page 86
<b>G4-54</b>	Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country			✓	Not available
<b>G4-55</b>	Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country			✓	Not available
<b>ETHICS AND INTEGRITY</b>					
<b>G4-56</b>	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	•	*	✓	Page 11 Page 88-91
<b>G4-57</b>	Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	•	*	✓	Page 94
<b>G4-58</b>	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	•	*	✓	Page 94
<b>ECONOMIC</b>					
<b>G4-EC1</b>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	•	*	✓	Breakdown EC indicators
<b>G4-EC2</b>	Financial implications and other risks and opportunities for the organisation's activities due to climate change	•	*	✓	Page 152-161 Page 176-179
<b>G4-EC3</b>	Coverage of the organisation's defined benefit plan obligations	•	*	✓	Staff costs. Note 36 to the financial statements. Page 141

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-EC4</b>	Financial assistance received from government	•	*	✓	Grants for training: €1,995,600.15
<b>G4-EC5</b>	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	•	*	✓	According to the collective agreement, basic salaries are only broken down by professional category
<b>G4-EC6</b>	Proportion of senior management hired from the local community at locations of significant operation	•	*	✓	100% of senior management are Spanish. Subchapter Corporate Governance
<b>G4-EC7</b>	Development and impact of infrastructure investments and services supported	•	*	✓	Page 138-147
<b>G4-EC8</b>	Significant indirect economic impacts, including the extent of impacts	•	*	✓	Page 44 Page 95 Page 139-140 Page 179-180 Page 148-151
<b>G4-EC9</b>	Proportion of spending on local suppliers at significant locations of operation	•	*	✓	Page 148 Page 151

## ENVIRONMENT

<b>G4-EN1</b>	Materials used by weight or volume	•	*	✓	Page 155
<b>G4-EN2</b>	Percentage of materials used that are recycled input materials	•	*	✓	Page 155
<b>G4-EN3</b>	Energy consumption within the organisation	•	*	✓	Page 155
<b>G4-EN4</b>	Energy consumption outside of the organisation	•	*	✓	Page 155
<b>G4-EN5</b>	Energy intensity	•	*	✓	29.72 GJ / employee
<b>G4-EN6</b>	Reduction of energy consumption	•	*	✓	Page 154, 155
<b>G4-EN7</b>	Reductions in energy requirements of products and services	•	*	✓	Page 154, 155
<b>G4-EN8</b>	Total water withdrawal by sources	•	*	✓	Page 155
<b>G4-EN9</b>	Water sources significantly affected by withdrawal of water	•		✓	All Bankia's work centres are in urban areas, with appropriate water withdrawal and distribution services provided by suppliers
<b>G4-EN10</b>	Percentage and total volume of water recycled and reused	•		✓	Page 155
<b>G4-EN11</b>	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	•		✓	All Bankia's offices are in urban areas, and therefore none are located in, or adjacent to, this type of protected area



INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-EN12</b>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	•		✓	Bankia's activity does not impact biodiversity
<b>G4-EN13</b>	Habitats protected or restored	•		✓	None
<b>G4-EN14</b>	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	•		✓	Bankia's activity does not impact biodiversity
<b>G4-EN15</b>	Direct greenhouse gas (GHG) emissions (scope 1)	•	*	✓	Page 158
<b>G4-EN16</b>	Energy indirect greenhouse gas (GHG) emissions (scope 2)	•	*	✓	Page 158
<b>G4-EN17</b>	Other indirect greenhouse gas (GHG) emissions (scope 3)	•	*	✓	Page 158
<b>G4-EN18</b>	Greenhouse gas (GHG) emission intensity	•	*	✓	0,7208 tCo <sub>2</sub> e / € mill
<b>G4-EN19</b>	Reduction of greenhouse gas (GHG) emissions	•	*	✓	Page 158
<b>G4-EN20</b>	Emissions of ozone-depleting substances (ODS)	•	*	✓	Page 158
<b>G4-EN21</b>	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	•	*	✓	Page 158
<b>G4-EN22</b>	Total waste water discharge by nature and destination	•	*	✓	All Bankia's offices are in urban areas, and therefore all waste water is discharged into the municipal sewer system Bankia has a number of waste permits for its Castellana 189 work centre (by volume)
<b>G4-EN23</b>	Total weight of waste by type and processing method used	•	*	✓	Page 156
<b>G4-EN24</b>	Total number and volume of significant spills	•	*	✓	Bankia's activity does not result in spills
<b>G4-EN25</b>	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationall	•	*	✓	Bankia does not transport, import or export hazardous waste
<b>G4-EN26</b>	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	•	*	✓	Bankia's activity does not impact biodiversity
<b>G4-EN27</b>	Extent of impact mitigation of environmental impacts of products and service	•	*	✓	Page 154-155
<b>G4-EN28</b>	Percentage of products sold and packaging materials that are reclaimed by category	•	*	✓	Page 156
<b>G4-EN29</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	•	*	✓	No significant environmental fines have been received. Significant fines are those disclosed in Note 1.8 (Page 12)

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-EN30</b>	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	•	*	✓	Page 158
<b>G4-EN31</b>	Total environmental protection expenditures and investments by type	•	*	✓	Page 152 Page 154
<b>G4-EN32</b>	Percentage of new suppliers that were screened using environmental criteria	•	*	✓	Page 148-149
<b>G4-EN33</b>	Significant actual and potential negative environmental impacts in the supply chain and actions taken	•	*	✓	No significant environmental impacts have been identified
<b>G4-EN34</b>	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	•	*	✓	No significant environmental fines have been received

## SOCIAL PERFORMANCE

<b>G4-LA1</b>	Total number and rates of new employee hires and employee turnover by age group, gender, and region	•	*	✓	Page 43
<b>G4-LA2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	•	*	✓	Collective labour agreement applicable, no differentiation in this regard
<b>G4-LA3</b>	Return to work and retention rates after parental leave, by gender	•	*	✓	100% retention rate as per collective labour agreement and prevailing legislation
<b>G4-LA4</b>	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	•		✓	15 days according to the Workers' Statute
<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	•		✓	100%
<b>G4-LA6</b>	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and by gender	•		✓	Page 42
<b>G4-LA7</b>	Workers with high incidence or high risk of diseases related to their occupation	•		✓	Page 42
<b>G4-LA8</b>	Health and safety topics covered in formal agreements with trade unions	•		✓	Page 42
<b>G4-LA9</b>	Average hours of training per year per employee by gender, and by employee category	•	*	✓	Page 39
<b>G4-LA10</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	•	*	✓	Page 37- 41
<b>G4-LA11</b>	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	•	*	✓	Page 40-41

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-LA12</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	•	*	✓	Page 43 Page 20-21
<b>G4-LA13</b>	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	•	*	✓	According to the collective agreement, basic salaries are only broken down by professional category
<b>G4-LA14</b>	Percentage of new suppliers that were screened using labour practices criteria	•	*	✓	Page 148-150
<b>G4-LA15</b>	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	•	*	✓	No significant actual impacts for labour practices have been identified in the supply chain
<b>G4-LA16</b>	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	•		✓	Page 91
<b>HUMAN RIGHTS</b>					
<b>G4-HR1</b>	Total number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	•		✓	Page 18-19 Page 179-181 Page 22-21
<b>G4-HR2</b>	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	•		✓	No specific training provided on these matters, other than on aspects relating to Bankia's activity
<b>G4-HR3</b>	Total number of incidents of discrimination and corrective actions taken	•	*	✓	No knowledge of any claims, reports, lawsuits or litigation relating to incidents of discrimination
<b>G4-HR4</b>	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	•		✓	No activities or operations have been identified that are exposed to this type of risk
<b>G4-HR5</b>	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	•		✓	No activities or operations have been identified that are exposed to this type of risk
<b>G4-HR6</b>	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	•		✓	No activities or operations have been identified that are exposed to this type of risk
<b>G4-HR7</b>	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	•		✓	Security personnel are outsourced and are therefore not subject to supplier controls
<b>G4-HR8</b>	Total number of incidents of violations involving rights of indigenous people and actions taken	•		✓	Due to the scope of its activity, Bankia is not affected by this risk

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-HR9</b>	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	•		✓	Due to the scope of its activity, Bankia is not subject to reviews or controls of this nature
<b>G4-HR10</b>	Percentage of new suppliers that were screened using human rights criteria	•	*	✓	Page 148-149
<b>G4-HR11</b>	Significant actual and potential negative human rights impacts in the supply chain and actions taken	•	*	✓	No significant human rights impacts have been detected in the supply chain
<b>G4-HR12</b>	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	•		✓	No knowledge of any claims, reports, lawsuits or litigation relating to incidents of human rights violations

## SOCIETY

<b>G4-S01</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	•	*	✓	Pág 138-147
<b>G4-S02</b>	Operations with significant actual and potential negative impacts on local communities	•		✓	No significant impacts on local communities have been detected
<b>G4-S03</b>	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	•	*	✓	Remote audits are performed of 100% of the branches using an alerts system designed to prevent fraud and exercise internal control. Page 95
<b>G4-S04</b>	Communication and training on anti-corruption policies and procedures	•	*	✓	Page 88 -97
<b>G4-S05</b>	Confirmed incidents of corruption and actions taken	•	*	✓	Page 91
<b>G4-S06</b>	Value of political contributions, by country and recipient/beneficiary	•	*	✓	Page. 88-90 The Code of Ethics and Conduct expressly states that: "on no account may donations be made to political parties or unions, or to representatives thereof"
<b>G4-S07</b>	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	•	*	✓	No knowledge of any claims, reports, lawsuits or litigation relating to anti-competitive behaviour, anti-trust, or monopoly practices
<b>G4-S08</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	•		✓	No significant fines have been received for non-compliance with laws and regulations. Significant fines are those disclosed in Note 2.20.2 (Page 47)

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>G4-S09</b>	Percentage of new suppliers that were screened using criteria for impacts on society	•	*	✓	Page 148-150
<b>G4-S010</b>	Significant actual and potential negative impacts on society in the supply chain and actions taken	•	*	✓	No significant impacts on society in the supply chain have been identified
<b>G4-S011</b>	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	•		✓	No knowledge of any claims, reports, lawsuits or litigation relating to incidents of human rights violations. Subchapter Corporate Governance
<b>PRODUCT RESPONSIBILITY</b>					
<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	•		✓	Page 100-104 Page 112-113
<b>G4-PR2</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome	•		✓	Page 91 Page 104-105
<b>G4-PR3</b>	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	•		✓	Bankia's activity does not require labelling of products and services
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome	•		✓	Bankia's activity does not involve any possible incidents of non-compliance of this nature
<b>G4-PR5</b>	Results of surveys measuring customer satisfaction	•	*	✓	Page 100-103
<b>G4-PR6</b>	Sale of banned or disputed products	•	*	✓	Sector regulation prohibits Bankia from having banned or disputed products
<b>G4-PR7</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	•	*	✓	No knowledge of any claims, reports, lawsuits or litigation relating to marketing communications, advertising and sponsorship
<b>G4-PR8</b>	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	*	✓	Bankia has received 13 complaints regarding data protection, 8 of which have been resolved and resulted in a fine of €126,000
<b>G4-PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	•	*	✓	One disciplinary proceedings has been concluded for breach of MIFID rules that resulted in the levying of a fine of one million euros. No significant fines have been received concerning the provision and use of products and services. Significant fines are those disclosed in Note 2.20.2 (Page 47)

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
<b>ECONOMIC ASPECTS FOR THE FINANCIAL SERVICE SECTOR</b>					
<b>Economic performance</b>					
<b>G4-EC1</b>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	•	*	✓	Accompanying table (Page 196)
<b>ENVIRONMENTAL ASPECTS FOR THE FINANCIAL SERVICE SECTOR</b>					
<b>G4-EN15</b>	Direct greenhouse gas (GHG) emissions (scope 1)	•	*	✓	Page 158
<b>G4-EN16</b>	Energy indirect greenhouse gas (GHG) emissions (scope 3)	•	*	✓	Page 158
<b>G4-EN17</b>	Other indirect greenhouse gas (GHG) emissions (scope 3)	•	*	✓	Page 158
<b>G4-EN23</b>	Total weight of waste by type and processing method used	•	*	✓	Page 156
<b>HUMAN RIGHTS ASPECTS FOR THE FINANCIAL SERVICE SECTOR</b>					
<b>G4-HR1</b>	Total number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	•	*	✓	Page 18-19 Page 22-29 Page 112-113 Page 140 Page 179-181
<b>SOCIAL ASPECTS FOR THE FINANCIAL SERVICE SECTOR</b>					
<b>Cartera de productos</b>					
<b>FS-6</b>	Percentage of the portfolio for business lines by specific regions, sizes (e.g. large, SME, micro-firms) and by sectors	•	*	✓	Page 22-29 Page 106-135
<b>FS-7</b>	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	•	*	✓	Page 106-135
<b>FS-8</b>	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	•	*	✓	Page 106-135
<b>Active ownership</b>					
<b>FS-10</b>	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	•	*	✓	Page 14-15 Page 160-161 Page 176-179
<b>FS-11</b>	Percentage of assets subject to positive and negative environmental or social screening	•	*	✓	Page 176-179
<b>Local communities</b>					
<b>FS-13</b>	Accessibility in areas of small populations or economically disadvantaged areas	•	*	✓	Page 22-29
<b>FS-14</b>	Initiatives to improve access to financial services for disadvantaged people	•	*	✓	Page 22-29 Page 107-108 Page 111 Page 112-113 Page 115-117 Page 130 Page 179-180 Page 140-142
<b>Product and service responsibility</b>					
<b>DMA G4</b>	Policies for fair design and sale financial products and services (FS-15)	•	*	✓	Page 12-14 Page 16 Page 88-91 Page 94-95 Page 103-104
<b>DMA G4</b>	Initiatives to enhance financial literacy by type of beneficiary (FS-16)	•	*	✓	Page 19 Page 141 Page 145



**CALCULATION OF EC1 INDICATOR: BANKIA GROUP****BANKIA GROUP**

Gross income <sup>(1)</sup>	3,806,183
Net profit/(loss) of discontinued operations	0
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	36,936
<b>Economic Value Generated</b>	<b>3,843,119</b>
Dividend <sup>(2)</sup>	302,330
Other administrative expenses	481,126
Staff costs	970,507
Income and other taxes <sup>(3)</sup>	450,913
<b>Economic Value Distributed</b>	<b>2,204,876</b>
<b>Economic Value Retained</b>	<b>1,638,243</b>

(1) Gross margin plus net gains on disposal of assets.

(2) Dividends charged against 2014, 2013 and 2012 profits.

(3) Only includes expense for "Income tax" and "Levies and taxes".

**CALCULATION OF G4-EN5 INDICATOR****ENERGY INTENSITY**

$$\frac{\text{Primary energy consumed + electricity consumed}}{\text{Number employee}} = \frac{16,182 \text{ GJ} + 379,638 \text{ GJ}}{13,318} = 29.72 \text{ GJ / employee}$$

**METHODOLOGY FOR CALCULATION G4-EN18****GREENHOUSE GAS (GHG) EMISSION INTENSITY**

$$\frac{\text{Scope 1 Emissions + Scope 2 Emissions}}{\text{Revenues Bankia, S.A.}^{(1)} (\text{€ mn})} = \frac{3,632.3 + 0}{5,039.426} = 0.7208 \text{ tCO}_2\text{e/€mn}$$

(1) The denominator is the Bankia, S.A. revenue figure as taken from the Income Statement of the Bankia, S.A. Financial Statements (€ MN)

REVENUE ITEM	AMOUNT	FINANCIAL STATEMENTS
Interest and similar income	3,622,819	Note 27
Return on equity instruments	52,007	Note 29
Fees and commission income	931,664	Note 30
Gains and losses on financial assets and liabilities	376,220	Note 32
Other operating income	33,761	Note 34
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	22,955	Note 42
Gains/(losses) on disposal of non-current assets held for sale not classified as discontinued operations	0	Note 43

# INDEPENDENT REVIEW REPORT



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## INDEPENDENT REVIEW OF THE SUSTAINABILITY INFORMATION INCLUDED IN BFA-BANKIA REPORT YEAR III

To the Board of Directors of Bankia

### Scope of the work

We have carried out, according to the request of the management of Bankia, the review of the sustainability information included in the BFA-Bankia Report Year III (hereinafter the Report) and in the GRI G4 Indicators table included as an Annex. This information has been prepared based on:

- The Sustainability Reporting Guidelines issued by Global Reporting Initiative (GRI) version 4 (G4) and its Financial Services Sector Supplement.
- The principles stated in the AA1000 APS 2008 guide issued by AccountAbility (Institute of Social and Ethical AccountAbility).

The scope determined by Bankia for the preparation of this report is defined in the chapter "GRI 4 Indicators Scope and External Audit of the Extra-Financial Information" in the accompanying report.

The preparation of the Report, as well as the information contained therein, is the responsibility of the management of Bankia. They are also responsible for defining, adapting, and maintaining the management systems and internal controls from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

### Criteria

Our review was carried out based on:

- The Guidelines for reviewing Corporate Responsibility Reports, issued by the Official Register of Auditors of Accounts (ICJCE).
- Standard ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited scope of assurance.
- AA1000 AccountAbility Assurance Standard 2008, with a moderate level of type 2 assurance.

### Applied procedures

Our review consisted in performing inquiries to the managers of the Corporate Responsibility unit as well as the various managers of the business units that have participated in the preparation of the attached Report, and in applying analytical procedures and sampling review tests as described below:

- Interviews with the people in charge of the elaboration of the sustainability information. The purpose of these was to obtain an understanding of the Corporate Sustainability objectives and policies, as well as how they are put into practice and integrated into Bankia's strategy.
- Analysis of the adaptation of the structure and content of the sustainability information as indicated in Sustainability Reporting Guidelines issued by Global Reporting Initiative (GRI) version 4 (G4), its Financial Services Sector Supplement and the principles stated in the AA1000 APS 2008 guide.
- Test, on a sample basis, of the quantitative and qualitative information of the indicators included in the GRI G4 Indicators table, incorporated as an Annex in the Report, as well as its adequate compilation from data supplied by information sources. The review tests have been defined in order to provide assurance levels as described before.

The scope of this review is considerably lower than in a reasonable assurance report. Therefore, the degree of assurance is also less extensive. This report in no case should be considered an audit report.

These procedures have been applied on the sustainability information included in the Report and in the GRI G4 Indicators table included as an Annex, with the scope defined before.

### Independence

We have performed our work in accordance with the standards of independence required by the Code of Ethics of the International Federation of Accountants (IFAC).

The independent review has been carried out by a team of sustainability experts with a wide experience in the review of this kind of information.

### Conclusions

As a result of our review of the sustainability information included in the Report and in the GRI G4 Indicators table included as an Annex, and with the scope described before, we conclude that:

- No matter came to our attention that would lead us to believe that this information has not been prepared according to the Sustainability Reporting Guidelines issued by Global Reporting Initiative (GRI) version 4 (G4), as it is stated on it, considering that the GRI G4 Indicators table included as an Annex has been reviewed.
- No matter came to our attention that would lead us to believe that the remaining sustainability information and indicators reviewed contain significant errors, or that they have not been prepared in accordance with the principles of inclusivity, materiality and responsiveness established in the AA1000 APS (2008) standard developed by AccountAbility, as described in the "Who We Are" chapter.

### Recommendations

We presented Bankia's Management with our recommendations for improvements relating to the application of principles AA1000 APS (2008). The most significant recommendations are summarized below:

- **Inclusivity:** The Company has established mechanisms to identify stakeholders. We recommend systematizing the monitoring of the communications with the stakeholders in order to improve their supervision over time.
- **Materiality:** The Company identifies the significant aspects to be included in the Report. We recommend continuing to improve the analysis of the relevant issues annually.
- **Responsiveness:** The Company has mechanisms to design, evaluate, and communicate the answers to the main expectations of the stakeholders. We recommend publishing sustainability objectives for each identified material issue.

This report has been prepared solely according to Bankia's interest, in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.



(Free translation from the Original Report on Independent Review in Spanish dated 26<sup>th</sup> February 2016. In case of any discrepancy, the Spanish version always prevails.)

**Edited by**  
BFA-Bankia

**Publication date**  
April 2015

Digital version: [www.bankia.com](http://www.bankia.com)

# KEY FIGURES

MILLIONS OF EUROS

	BFA	VAR. 2015-2014	BANKIA	VAR. 2015-2014
NET INTEREST INCOME	2,811	6.8%	2,740	-6.4%
GROSS INCOME	5,288	29.6%	3,806	-5.1%
OPERATING PROFIT (BEFORE PROVISIONS)	3,624	55.4%	2,148	-5.2%
ATTRIBUTABLE PROFIT	1,199	934.4%	1,040	39.2%
EFFICIENCY (OPERATING EXPENSES/GROSS INCOME)	31.5%	-11.4 pp	43.6%	0.1 pp
ROA (NET INCOME/ATAS)	0.7%	0.3 pp	0.5%	0.2 pp
ROE (EXCLUDING EFFECT OF PROVISION FOR IPO)	16.8%	9.3pp	10.6%	2.0 pp
TOTAL ASSETS	213,699	-11.9%	206,970	-11.4%
NET LOANS AND ADVANCES TO CUSTOMERS	108,573	-3.6%	110,570	-1.9%
CUSTOMER FUNDS UNDER MANAGEMENT	155,727	0.2%	155,402	2.1%
BUSINESS VOLUME	264,300	-1.4%	265,971	0.4%
NPL RATIO (*)	10.7%	-2.2 pp	10.8%	-2.1 pp
PROVISIONS	7,942	-17.9%	7,794	-18.2%
NPL COVERAGE	60.6%	2.4 pp	60.0%	2.4 pp
LOAN TO DEPOSITS (*)	103.5%	-2.0 pp	101.9%	-3.6 pp
COMMON EQUITY TIER 1 (CET 1) FULLY LOADED (**)	12.88%	2.5 pp	12.26%	1.7 pp
COMMON EQUITY TIER 1 (CET 1) PHASE IN (**)	14.58%	1.3 pp	13.89%	1.6 pp
NUMBER OF SHARES (MILL.)			11,517	=
YEAR-END SHARE PRICE (IN EUROS)			1,074	-13.2%
MARKET CAPITALISATION			12,370	-13.2%
EARNINGS PER SHARE (IN EUROS)			0.09	28.6%
NUMBER OF BRANCHES	1,941	-1.9%	1,941	-1.9%
NUMBER OF EMPLOYEES	13,572	-5.8%	13,318(***)	-5.7%
VOLUME OF NEW LOANS GRANTED (IN MILLION EUROS)			16,600	12.5%
MORTGAGE MODIFICATIONS (NO.)			12,341	-12.3%
SOCIAL RENTS (NO.)			638	-2.50%
			<b>2015</b>	<b>2014</b>
HOURS OF TRAINING			774,667	15.74%
DIVERSITY: MEN/WOMENS (%)			45.55% / 54.45%	45.87% / 54.13%
OPEN-ENDED CONTRACTS (%)			100%	100%
ELECTRICITY CONSUMPTION (Gj)			379,638	369,051
ELECTRICITY ACQUIRED FROM RENEWABLE ENERGY SOURCES (GREEN ENERGY)			100%	100%
EMISSIONS AVOIDED THANKS TO ACQUISITION OF ELECTRICITY FROM RENEWABLE SOURCES (T CO <sub>2</sub> )			39,018	36,905
RECYCLED PAPER USED (DIN A4) (%)			99.78%	99.80%

(\*) In 2015, loans excludes balances with BFA, primarily from reverse repo transactions, and amounts recoverable from BFA as a result of this entity assuming 60% of the estimated contingencies in the proceedings associated with the Bankia IPO.

(\*\*) Includes net income for the period to be taken to reserves.

(\*\*\*) Data for Bankia, S.A.

The image features a diagonal split background. The upper-left portion is a dark brown color, and the lower-right portion is a vibrant lime green. The Bankia logo is centered in the lower half of the image, with the word "Bankia" in a bold, dark brown sans-serif font. Below it, the tagline "LET'S KEEP WORKING" is written in a smaller, white, all-caps sans-serif font.

**Bankia**  
LET'S KEEP WORKING