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ANNUAL REPORT **BANKIA** 2016

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Bankia
SIGAMOS TRABAJANDO

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CHAIRMAN'S STATEMENT.

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OUR FOCUS IS ON BEING CLOSE TO OUR CUSTOMERS AT ALL TIMES – OUT OF GRATITUDE AND BECAUSE THEY ARE THE FUTURE. THEY ARE THE KEY TO OUR SUSTAINABILITY.

2016 brought enormous challenges for the banking sector. Together with an extraordinarily low interest rate environment, banks have had to face regulatory and legal changes, some of which were concentrated in the last quarter: changes to corporate income tax, new provisioning requirements (Annex IX), floor clause ruling, etc. All this has required a supreme effort on the part of the financial system, which, though now solvent, still faces two clear challenges: reputation and profitability.

As regards the banking system's reputation, I am convinced that the underlying reality is better than the image people have of it. We need to be able to explain its usefulness to society. We must explain why having sound, profitable banks is vital to enable sustainable growth of the economy, which is a basic precondition for job creation and improved living standards. We must make it clear that, today, Spanish banks compare very favourably with other European financial systems, in terms of service quality. We must also demonstrate

that there is no comparison between the way banks operate today and some of the things that happened in the past, the responsibility for which is currently under investigation.

The second challenge facing the financial system is the intense pressure on profitability, as the demands placed on the sector are steadily increasing, while technology is changing our customers' habits. Here too we must make an effort to explain that a financial system has to be profitable in order to be sound. If banks do not earn money – if they do not have a decent return and do not reward their shareholders appropriately – they will be undercapitalised and so will not be able to expand credit or contribute to economic growth and job creation.

We must accept that 2017 will still be a very difficult year for banks, but I believe that, for the first time since 2012, there is light at the end of the tunnel – a light that will grow with a shift in monetary policy and a rise in interest rates in the medium term.

For Bankia, 2016 was another decisive year in qualitative terms, in much the same way 2013 was. If 2013 was the year of our restructuring, which laid the foundations for the substantial progress made since then, 2016 was the year of the repositioning – the year in which we changed the dynamic of our relationship with customers and saw a clear change of trend in the indicators of perception.

I have always contended that it is in periods of crisis that the differences between competitors become apparent and that what matters most about any crisis is how you come out of it. That is why we can look back with pride at these last five years of work in Bankia, in which we have gone from being a solvent project to being a sustainable one. Most important of all, we have done it by adhering to principles, clearly defined values and professional, independent corporate governance.

The result is that today we are the most solvent, the most efficient and the most profitable of the six large Spanish banks, in their activities in Spain. We are also, ever since the 2013 capital increase, the one with the best share performance. And we have a business model that generates capital, finances growth and distributes dividends.

Of course, all this is no guarantee of future success, unless we persist in working hard from day to day. We are very aware, moreover, that none of this would be possible without our customers. They are the reason for everything we do. Our focus is on being close to our customers at all times – out of gratitude and because they are our present and our future.

That is why we have concentrated on listening to them and trying to offer them what they ask for. The results of the first initiatives undertaken in 2016 confirm this strategy, which for us is not only a great satisfaction but also a great responsibility – the responsibility of managing professionally and of maintaining a close and completely transparent relationship. In essence, that is our project: to deliver the best combination of service and price. Keeping that project on track is not easy, but we have two fundamental levers: technology and people.

We are investing heavily in technology, partly so as to be more efficient and cut the cost of our processes, but above all so as to make life easier for our customers. To allow our customers to conduct their business with us in the way they choose, we are offering alternative channels, apart from the account managers in the branches, such as the remote account managers and the added functionality in our app and on our website. We must not forget that almost 40% of customers opt to bank with us via the internet.

But technology is not an end in itself. It is only worthwhile if it makes life better for customers. That makes the digital world a challenging environment for banks, as the ones that make the most of the opportunities it offers will be those that deliver a high quality response in their virtual relationships with customers and at the same time adapt their bricks-and-mortar network to the new needs, so that it becomes a source of competitive advantage.

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CHAIRMAN'S STATEMENT.

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Even in this increasingly digital age, however, I am convinced that the key will still be people. Research into banking consumer behaviour tells us that customer satisfaction, in any channel, improves dramatically when the customer has a person to talk to at the bank, someone who can also be proactive in the customer relationship. The banks that excel will be the ones with the teams that are most motivated, most committed, most professional and most alert to customers' needs. In these last few years Bankia has relied heavily on the rediscovered enthusiasm of its in-house teams – the boost in motivation that comes from having started from a very complicated situation and having faced and overcome, one by one, all the difficulties encountered along the way.

We now have the strongest balance sheet of all the large Spanish banks; and looking to the near future, we see new opportunities opening up as the restructuring plan comes to a conclusion. For all these reasons, I believe we have reached a stage of clear progress, in which we can and must aspire to larger market shares.

At Bankia we are convinced of it. We have a bank made up of a very committed team that is prepared to seize future opportunities – a team with a growing pride in belonging, a team that not only achieves results but also knows that “how” those results are achieved is essential for the sustainability of an excellent project.

We work with the aspiration that when customers think of us, they have the image of a bank that is close, simple and transparent.

To achieve that, we will continue to listen to customers and to society in general, so as to provide answers to their needs – answers based on facts. Effort and commitment on our part will not be found lacking.



JOSÉ IGNACIO GOIRIGOLZARRI
CHAIRMAN OF BANKIA

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WE HAVE A TEAM WITH
A GROWING PRIDE IN
BELONGING, A TEAM
THAT NOT ONLY ACHIEVES
RESULTS BUT ALSO KNOWS
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IS ESSENTIAL FOR THE
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EXCELLENT, PROJECT, A
TEAM WHOSE ASPIRATION
IS THAT WHEN CUSTOMERS
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THAT IS CLOSE, SIMPLE
AND TRANSPARENT.

.....



MILESTONES.

IN 2016 BANKIA WAS THE MOST SOLVENT, MOST EFFICIENT AND MOST PROFITABLE OF THE LARGE SPANISH BANKS. THE PROGRESS IT HAS MADE IN ITS COMMITMENT TO CUSTOMERS AND IN THE DIGITAL TRANSFORMATION OPENS UP NEW PROSPECTS FOR GROWTH IN 2017.

CET1 RATIO (FULLY LOADED) **13.02%**
(+76 BASIS POINTS) WELL ABOVE REGULATORY REQUIREMENTS

NET PROFIT
804 MILL.
(-22.7%)

PROPOSED DIVIDEND

€317 MILL.
(+5%)

THE BANK'S RESPONSE TO THE FLOOR CLAUSE AND IPO RULINGS CONFIRMS ITS COMMITMENT TO CUSTOMERS

INDIVIDUAL CUSTOMER SATISFACTION INDEX **87.3%**
(+4.9 POINTS), THE HIGHEST IN THE LAST FIVE YEARS

BUSINESS CUSTOMER SATISFACTION INDEX **95%**
(+3.5 POINTS), A RECORD HIGH

S&P GLOBAL AND FITCH UPGRADE BANKIA'S LONG-TERM RATING TO INVESTMENT GRADE (BBB-)

INVESTMENT IN SOCIAL ACTION

16.7 MILLION EUROS

EFFICIENCY
RATIO
48.9%
BEST OF
ALL THE
LARGE
SPANISH
BANKS

NEW DIRECT
DEPOSITS OF
SALARY AND
PENSION
172,300
(+6.9%)

ONLINE
CUSTOMERS
ALMOST **40%**
OF TOTAL



NPLS
REDUCED
1,519
MILLION
(11.7%)

AVERAGE
PAYMENT PERIOD
TO SUPPLIERS
10.45 DAYS

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01. WHO WE ARE.

.....

A photograph of a person in a white suit jacket, with their hands resting on a table covered with documents. In the background, there is a blurred office setting with a coffee cup and other items on the table. The overall tone is professional and clean.

BANKIA'S DISTINCTIVE IDENTITY CAN BE EXPLAINED FROM MANY DIFFERENT ANGLES: ITS PRINCIPLES, ITS ORGANISATION, THE WAY IT CREATES VALUE, ITS OWNERSHIP STRUCTURE AND THE WAY IT RELATES TO EMPLOYEES. ALL THESE THINGS HAVE A COMMON DENOMINATOR: THE IMPORTANCE OF TEAM WORK.

No. EMPLOYEES
13,159

No. SHAREHOLDERS
239,033

TOTAL No. BRANCHES
1,936

01.1

MISSION, VISION AND VALUES.

BANKIA DEFINES ITS VISION, MISSION AND VALUES IN ORDER TO EXPLAIN NOT ONLY HOW IT DOES THINGS BUT ALSO WHY. VISION, MISSION AND VALUES PROJECT A UNIQUE AND RECOGNISABLE WAY OF DOING THINGS THAT HELPS ALL THE BANK'S PROFESSIONALS WORK TOGETHER AND BUILD STRONG, STABLE RELATIONSHIPS OF TRUST.

Bankia's vision, mission and values are the bedrock of its culture. Their principles influence the bank's business strategy and management model. They also determine the bank's working philosophy and the relationships it establishes,

both internally within the organization and externally with stakeholders (including customers, shareholders, employees, suppliers and society at large).



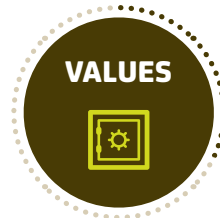
VISION

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



MISSION

- PROVIDE AN EFFICIENT, 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 AND CHALLENGES FOR THE FUTURE

G4-24 G4-25

In February 2016 the Board of Directors approved the 2016-2018 Responsible Management Plan, which was prepared taking both the bank's strategy and the opinions of its stakeholders into consideration. The plan gives concrete expression, through initiatives and projects, to the main themes of the bank's responsible management policy.

The Responsible Management Plan rests on two fundamental practices: listening to and dialogue with stakeholders; and continuous supervision and assessment of actions taken under the plan. The plan has a series of projects and annual objectives that are monitored through a dashboard, which is updated each quarter and is presented to the Board of Directors. The main lines of work in 2016 and the degree of achievement of project objectives are follows:

THE 2016-2018
RESPONSIBLE
MANAGEMENT PLAN
WAS APPROVED BY THE
BOARD OF DIRECTORS
IN FEBRUARY 2016.

01.1

MISSION, VISION AND VALUES.

Accomplished ●

In progress ●

Not accomplished ●

G4-24



.....

Foster a culture of transparency and integrity that protects the interests of all stakeholders.

.....

2016 MILESTONES

Create a Board Responsible Management Committee. ●

Define and implement the extra-financial (reputational) risk map. ●

Responsible management training and awareness building for BoD. ●



.....

Honest relationships that match customers' real needs. In Bankia the customer is the greatest asset, so offering the customer high levels of professionalism and high quality service is a core objective.

.....

Promote financial education. ●

Define a set of rules for responsible marketing. ●



.....

Work and make progress in a common project in which the culture of responsible management impregnates every aspect of the business and where success for Bankia is success for everybody.

.....

Define and approve the Equal Opportunities Charter. ●

Assess employees' loyalty to the values. ●



All of BANKIA's responsible management initiatives and projects are driven by the Responsible Management Committee, created in December 2014.

G4-24

2016 MILESTONES

SOCIETY

.....

Listen to, identify and support the real needs of the community. The Bank will work to ensure that growth is positive and sustainable for all parties involved.

.....

- Create a Dual Vocational Training research and development centre. ●
- Design products and services with an environmental and social focus. ●

SUPPLIERS

.....

Extend the commitment to responsible management to the supply chain. Bankia works with suppliers to apply best ethical, social and environmental practices and build lasting relationships.

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- Renew UNE 15896 certification in Purchasing. ●
- Draw up the supply chain risk map. ●
- Organise ethical, social and environmental awareness days for suppliers. ●

ENVIRONMENT

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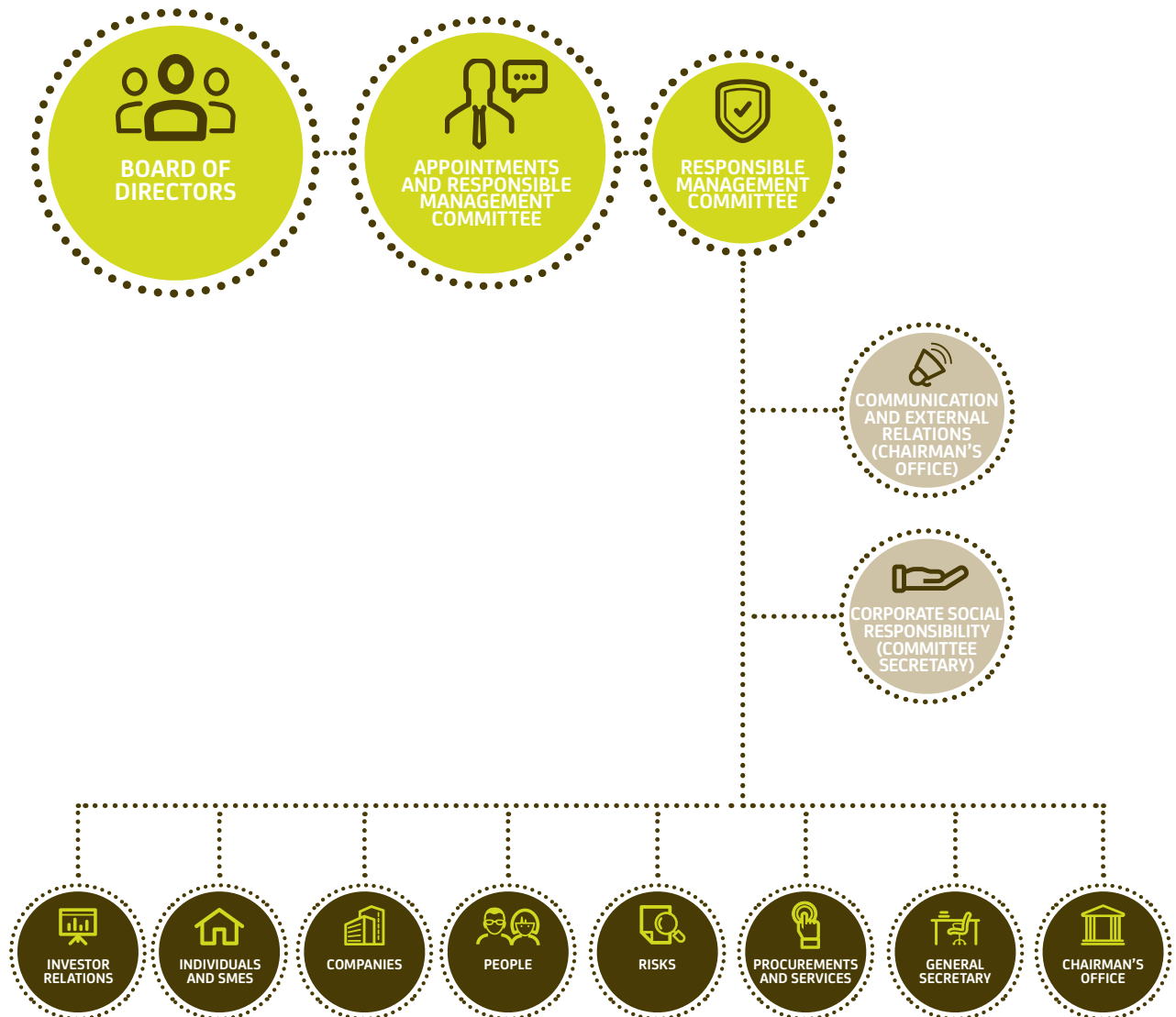
Respect the environment and take responsibility for impacts arising from the bank's activity. Work to reduce the bank's environmental footprint and promote responsible attitudes among employees, suppliers and customers.

.....

- Develop environmental awareness programmes for professionals. ●
- Source 100% of electricity from renewable sources. ●

01.1

MISSION, VISION AND VALUES.



RESPONSIBILITY, SUPERVISION AND ASSESSMENT

Ultimate responsibility for corporate social responsibility in Bankia belongs to the Board of Directors. In December 2015 the remit of the Appointments Committee was extended to include overseeing responsible management policy and the committee's name was changed to that of the Appointments and Responsible Management Committee. Made up of four independent directors, this committee reviews and assesses the bank's corporate social responsibility policy and practice and oversees relations with the different stakeholder groups.

All the initiatives and projects relating to Bankia's responsible management are overseen by the Responsible Management Committee, which was created in December 2014. The Committee is made up of the managers from the various units in the bank that have direct relations with stakeholders. The Committee is chaired by the Deputy General Directorate of Communication and External Relations, which has a standing invitation to attend meetings of the Board of Directors. The post of secretary of the committee is held by the Corporate Social Responsibility Directorate, which is in charge of researching, proposing, coordinating and fostering internal debate on responsible management in Bankia.

ACTIVE LISTENING AS A MEANS TO IMPROVE

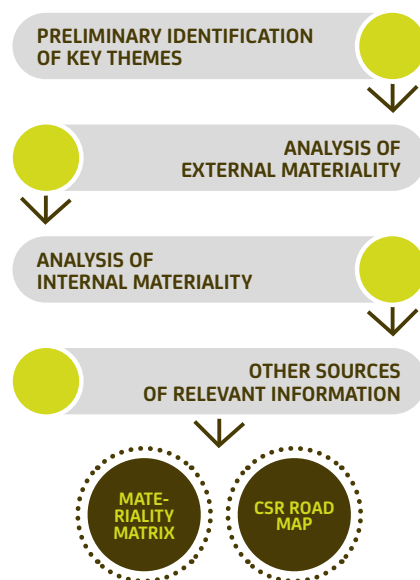


In 2016 Bankia carried out another materiality analysis (the previous one was carried out in 2014) to get a first-hand account of the expectations and perceptions of the most important stakeholders. To do that it conducted surveys both internally (managers and commercial network) and externally (shareholders, personal and business customers, industry experts, regulators, standard-making bodies, suppliers, analysts), using face-to-face and telephone interviews, focus sessions and questionnaires.

IN OCTOBER 2016-2018 THE BOARD OF DIRECTORS APPROVED BANKIA'S HUMAN RIGHTS POLICY

The study revealed the gap between perceived performance and actual performance and so helped identify a number of key issues that will be the focus of Bankia's next initiatives and projects, in line with the behaviours expected by stakeholders.

MAIN PHASES OF THE MATERIALITY ANALYSIS



Bankia's teams worked together to incorporate the results of this active listening exercise into the bank's decision-making processes. Communication with each stakeholder group is built on transparency (knowledge of Bankia's present and future), participation and dialogue (ongoing, two-way communication) and mutual benefit (balanced development and progress, not only economic development).

01.1

MISSION, VISION AND VALUES.

CHANNELS OF DIALOGUE G4-26



- LETTERS AND E-MAILS TO THE CHAIRMAN
- COMMERCIAL NETWORK
- CUSTOMER SERVICE
- SOCIAL NETWORKS
- "BANKIA ACTUALIDAD" (BANKIA NEWS)

- CORPORATE WEB SITES
- SURVEYS AND INTERVIEWS
- SPECIFIC SEMINARS AND EVENT DAYS
- CONFIDENTIAL WHISTLE-BLOWING CHANNEL



- GENERAL SHAREHOLDERS' MEETING
- COMMERCIAL NETWORK
- ROAD SHOWS
- INTERNATIONAL CONFERENCES
- SHAREHOLDER'S OFFICE

- CORPORATE WEB SITES
- SHAREHOLDER AND INVESTOR INFORMATION SERVICE



- PEOPLE MANAGERS
- INTRANET
- ONLINE FORUMS
- FOCUS GROUPS
- "BANKIA ONLINE" MAGAZINE

- "BANKIA EN 30 SEGUNDOS" (BANKIA IN 30 SECONDS) WEEKLY NEWSLETTER
- HR PEOPLE LINE
- SEMINARS AND EVENT DAYS
- CORPORATE WEB SITES
- CONFIDENTIAL WHISTLE-BLOWING CHANNEL



- SUPPLIER PORTAL
- SUPPLIER SERVICE CENTRE
- SPECIALISED STRATEGIC SUPPLIER MANAGER
- SATISFACTION SURVEYS
- CORPORATE WEB SITES
- CONFIDENTIAL WHISTLE-BLOWING CHANNEL



- COMMERCIAL NETWORK
- "BANKIA ACTUALIDAD" (BANKIA NEWS)
- CSR MAILBOX
- VOLUNTEERS' PORTAL
- SOCIAL NETWORKS

- WEBSITE WWW.ENACCION.BANKIA.COM
- CORPORATE WEB SITES
- ANNUAL REPORT
- BANKIA BLOG
- WEBSITE WWW.BANKIAESTUDIOS.COM



- INTERNAL AND EXTERNAL WORK DAYS
- MEETINGS WITH EMPLOYEES
- E-MAILS FROM THE CHAIRMAN
- DIRECTORS' BLOG

The scope of the materiality analysis, which was prepared with the assistance of an independent body, was broadened compared to 2014.

SETTING PRIORITIES



The scope of the materiality analysis, which was prepared with the assistance of an independent body, was broadened compared to 2014. The surveys were carried out with a dual objective:

- To define the content of the bank's Annual Report and thus give priority

to the information needs of the different stakeholder groups.

- To identify any particularly important issues that should guide the bank's responsible management strategy.

The materiality analysis also provided information about stakeholders' opinion regarding potential risks to the bank's image, which will help to improve reputational risk management.

IMPORTANCE FOR STAKEHOLDERS (IN ORDER OF MATERIALITY)

Transparency in product information

Customer service

Bankia's financial position (solvency / economic strength)

Ethics in financial management

Commercial policy (fees and commissions, product and service offering, aid, etc.)

Corporate culture: mission, vision, values and Code of Ethics and Conduct

Social return: statement of state aid repayment

Mechanisms for dialogue with stakeholders (customers, employees, shareholders.)

Social commitment and contribution

Bankia's business strategy

Corporate governance (composition, functions, management quality, assessment and control)

People development

Responsible commercial processes

Supplier management

Responsible management of employees (equality, work-life balance, diversity, etc.)

Responsible culture and performance (policies, mechanisms, etc.)

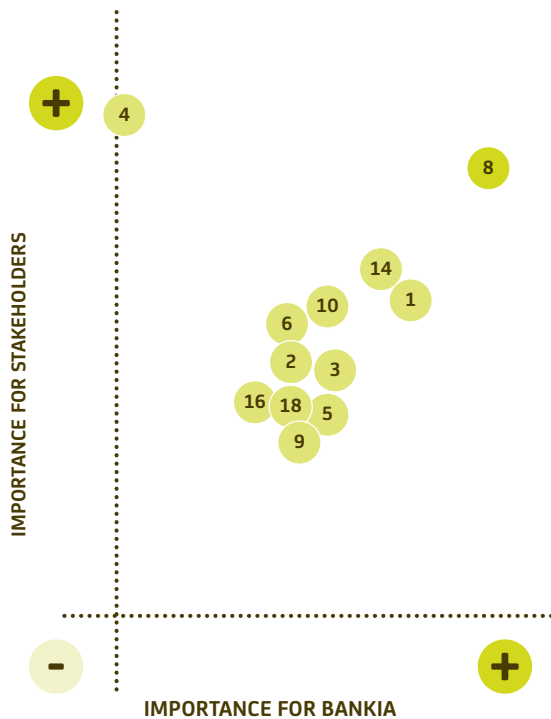
Digitisation strategy

01.1

MISSION, VISION AND VALUES.

MATERIALITY MATRIX

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



MOST MATERIAL ISSUES*

- 8 Transparency in product information
- 1 Implementation of actions to rebuild trust among stakeholders (customers, employees, shareholders, suppliers, society)
- 14 Customer service
- 3 Implementation of good corporate governance practices
- 10 Responsible customer relationship management model
- 5 Ensure compliance with CSR policy and implementation of Bankia's CSR Plan
- 9 Initiatives to involve stakeholders (customers, employees, shareholders, society, etc.)
- 2 Implementation of actions envisaged in Bankia's strategy aimed at being useful to customers
- 16 Responsible management of employees (equality, work-life balance, diversity, etc.)
- 4 Fight against corruption and bribery
- 6 Regulatory compliance
- 18 Social commitment and contribution

(*) High importance for stakeholders and Bankia.



01.1

MISSION, VISION AND VALUES.

MEMBERSHIP OF THE GLOBAL COMPACT

Bankia is committed to the United Nations (UN) Global Compact. In compliance with that

commitment and by virtue of the relationship between the principles of the Global Compact and the indicators of the Global Reporting Initiative (GRI), this report complies with the “in accordance – comprehensive” requirements of the GRI G4 guidelines and also serves as a progress report.

PRINCIPLE	BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS WITHIN THEIR SPHERE OF INFLUENCE.	<ul style="list-style-type: none"> 2016-2018 Responsible Management Plan Code of Ethics and Conduct Business Model General Risk Management 	Environmental Risk Social Risk Financing of controversial sectors Society
PRINCIPLE	BUSINESS SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.	<ul style="list-style-type: none"> 2016-2018 Responsible Management Plan Code of Ethics and Conduct Business Model 	Relationship with the environment Financing of controversial sectors
PRINCIPLE	BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING.	<ul style="list-style-type: none"> 2016-2018 Responsible Management Plan Code of Ethics and Conduct 	
PRINCIPLE	BUSINESSES SHOULD UPHOLD THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR.	<ul style="list-style-type: none"> Code of Ethics and Conduct 	
PRINCIPLE	BUSINESSES SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR.	<ul style="list-style-type: none"> Code of Ethics and Conduct 	



PRINCIPLE

6

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

2016-2018 Responsible Management Plan
Code of Ethics and Conduct

PRINCIPLE

7

BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES.

2016-2018 Responsible Management Plan
Code of Ethics and Conduct
General Risk Management
Environmental risk

PRINCIPLE

8

BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY.

2016-2018 Responsible Management Plan
Code of Ethics and Conduct
Relationship with the environment
Environmental risk

PRINCIPLE

9

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

2016-2018 Responsible Management Plan
Code of Ethics and Conduct
Relationship with the environment
Environmental risk

PRINCIPLE

10

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

2016-2018 Responsible Management Plan
Code of Ethics and Conduct
Corporate governance

01.1

MISSION, VISION AND VALUES.

SUSTAINABLE DEVELOPMENT GOALS

Bankia considers the sustainable development goals adopted by the UN Assembly in September 2015 to be a key part of its

corporate social responsibility policy and so used them as a reference in preparing its 2016-2018 Responsible Management Plan.

This plan identifies the goals Bankia supports in its activity, in the context of a responsible and sustainable approach to business.

THE GLOBAL GOALS FORT SUSTAINABLE DEVELOPMENT



● PRIORITY PRINCIPLES AT BANKIA

The immediate challenge for the bank is to determine which of the sustainable development goals are most closely linked to its activity and then transfer them to its business model through the relationship it maintains with its stakeholders and the environment in which it proposes to create value. Bankia therefore listens to the sectors of society that are closest to it, identifies their real needs and supports them.

On the other hand, identifying the material issues through materiality analysis allows Bankia to concentrate its efforts in each area on the issues that have the most impact on the accomplishment of the Sustainable Development Goals. Thus, from the G4 Guidelines, Bankia selects the GRI indicators that show most clearly the relationship between Bankia's performance and the outcome in terms of sustainable development, in order to monitor them (see Annexe p. 209).

BENCHMARK INDICES AND INITIATIVES



Once a year, Bankia submits to an analysis by various sustainability rating agencies, which assess its responsible management strategy. These analyses include an assessment of environmental, social and corporate governance management systems and the bank's financial and extra-financial risks and of the extent to which responsible management is integrated in the bank's organisational structure and business.

This index is intended to showcase organisations that have integrated ESG (environmental, social and good governance) criteria in their risk policies and risk management.



Sustainability Indices In Collaboration with RobecoSAM

The DJSI is a selective index which includes only companies that have demonstrated sustainable management performance based on evidence and results, with profitability as the first filter for eligibility.

Each year, Bankia also responds to the Global Climate Change Report questionnaire, which asks about climate change strategy and management. In 2016 it was included in the Climate A List, in recognition of its transparency on climate change management and the steps it has taken to reduce carbon emissions and mitigate the business risks arising from climate change.

In December 2016, Bankia also joined the FTSE4Good IBEX Index and the FTSE4Good Index, which was created in 2001 and includes companies from around the world that meet certain environmental, social and corporate governance criteria.

Also in 2016, the Merco corporate reputation monitor included Bankia for the first time in the last five years. Bankia's chairman, José Ignacio Goirigolzarri, was placed among the top ten business leaders in Spain.

INITIATIVES AND FORUMS OF WHICH BANKIA IS A MEMBER



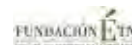
PLAN DE EDUCACIÓN
FINANCIERA DE LA CNMV
Y EL BANCO DE ESPAÑA



FUNDACIÓN
SERES



FORÉTICA



FUNDACIÓN
ÉTNOR



FUNDACIÓN
EMPRESA
Y CLIMA



PLATAFORMA
SPANSIF



FUNDACIÓN
LEALTAD



ASOCIACIÓN ESPAÑOLA
DE DIRECTIVOS
DE RESPONSABILIDAD
SOCIAL

Bankia is also a leading member of the Transparency, Good Governance and Integrity Cluster, which is a platform of companies, coordinated by Forética, that serves as business forum for leadership, knowledge, exchange and dialogue in matters of

governance. Within this framework, Bankia supported the presentation of the report on the regulatory framework on transparency in Europe, which addresses the implications of the European directive on non-financial reporting and diversity.

01.2

GOVERNING BODIES .

BANKIA'S GOVERNANCE STRUCTURE UNDERWENT SOME CHANGES IN 2016, INCLUDING THE REPLACEMENT OF AN INDEPENDENT DIRECTOR, THE APPOINTMENT OF A NEW LEAD DIRECTOR AND THE EXTENSION OF THE REMIT OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE.

Bankia's governing bodies are:

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest decision-making body on matters assigned to it by law or the bylaws, including, among others, the appointment and removal of directors, the approval of the annual accounts, the distribution of dividends, the acquisition or disposal of core assets and the approval of the directors' remuneration policy.

BOARD OF DIRECTORS

The Board of Directors represents the company and has the broadest powers to supervise its management, except in matters reserved to the General Meeting of Shareholders. Among other things, it approves the strategic or business plan and the annual management objectives and budget and decides general policies and strategies and corporate governance policy.

BOARD OF DIRECTORS

- 8 INDEPENDENT DIRECTORS
- 3 EXECUTIVE DIRECTORS
- 20 MEETINGS IN 2016

José Ignacio Goirigolzarri Tellaeché

● Executive chairman

José Sevilla Álvarez

● CEO

Joaquín Ayuso García

● Lead director

Antonio Ortega Parra

● Executive member

Francisco Javier Campo García

● Independent member

Eva Castillo Sanz

● Independent member

Jorge Cosmen Menéndez-Castañedo

● Independent member

José Luis Feito Higuera

● Independent member

Fernando Fernández Méndez de Andrés

● Independent member

Antonio Greño Hidalgo

● Independent member

Álvaro Rengifo Abbad

● Independent member

Miguel Crespo Rodríguez

Non-director secretary

Antonio Zafra Jiménez

Non-director vice secretary

Bankia's Board of Directors has five committees, whose members are appointed on the basis of their suitability and taking their knowledge, aptitudes and experience and the tasks assigned to each committee into consideration.

AUDIT AND COMPLIANCE COMMITTEE

4 AUDIT AND COMPLIANCE COMMITTEE

20 MEETINGS IN 2016.

Antonio Greño Hidalgo

Chairman

Joaquín Ayuso García**Jorge Cosmen Menéndez-Castañedo****José Luis Feito Higuera****Miguel Crespo Rodríguez**

Secretary

Oversees the effectiveness of the internal control, internal audit and risk management systems, as well as the statutory financial reporting process. Makes proposals to the Board for the selection, appointment, re-election and replacement of the statutory auditors and conducts the necessary relations with them. Examines and supervises compliance with the bank's governance and compliance rules, among other responsibilities.

.....

01.2

GOVERNING BODIES.

.....

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

- 4** INDEPENDENT NON-EXECUTIVE DIRECTORS.
- 12** MEETINGS IN 2016.

Joaquín Ayuso García
Chairman

Francisco Javier Campo García

Fernando Fernández Méndez de Andrés

Álvaro Rengifo Abbad

Miguel Crespo Rodríguez
Secretary

Has general authority to propose and report on the appointment and removal of directors and senior managers. Assesses the competencies, knowledge, ability, diversity and experience that are needed on the Board of Directors. Defines the functions and aptitudes required of candidates to fill vacancies. Assesses the time and commitment required for directors to be able to perform their task effectively. Examines and organises the succession plan for the governing bodies. Reviews corporate social responsibility policy, strategy and practice. Assesses all aspects of the bank's social, environmental, political and reputational risks.

REMUNERATION COMMITTEE

- 4** INDEPENDENT NON-EXECUTIVE DIRECTORS.
- 9** MEETINGS IN 2016.

Eva Castillo Sanz
Chairman

Joaquín Ayuso García

Jorge Cosmen Menéndez-Castañedo

Fernando Fernández Méndez de Andrés

Miguel Crespo Rodríguez
Secretary

Has general authority to propose and report on directors' and senior managers' remuneration and other terms of their contracts. Reviews remuneration programmes, assessing their appropriateness and results. Ensures transparency in remuneration and monitors adherence to Bankia's remuneration policy.



RISK ADVISORY COMMITTEE

3 INDEPENDENT NON-EXECUTIVE DIRECTORS.

36 MEETINGS IN 2016.

Francisco Javier Campo García
Chairman

Eva Castillo Sanz

Fernando Fernández Méndez de Andés

Miguel Crespo Rodríguez
Secretary

Advises the Board of Directors on overall risk propensity and related strategy. Oversees the asset and liability pricing policy and presents risk policies to the Board of Directors. Refers the risk control and management policy to the Board through the Internal Capital Adequacy Assessment Report (ICAAP Report). Supervises the internal risk control and management function. Advises the Board on the company's credit risk authority framework.

BOARD RISK COMMITTEE

1 EXECUTIVE DIRECTOR AND THREE INDEPENDENT NON-EXECUTIVE DIRECTORS.

3 INDEPENDENT NON-EXECUTIVE DIRECTORS.

42 MEETINGS IN 2016.

José Sevilla Álvarez
Chairman

Francisco Javier Campo García

Eva Castillo Sanz

Fernando Fernández Méndez de Andés

Miguel Crespo Rodríguez
Secretary

Executive body with responsibility for approving risk-related decisions within the scope of authority delegated by the Board of Directors. Guides and administers the exercise of delegated authority by lower-ranking bodies. Approves relevant transactions and defines overall risk limits. Reports to the Board on any risks that may affect the bank's solvency, recurring results, operations or reputation.

MANAGEMENT COMMITTEE

The Management Committee is made up of **José Ignacio Goirigolzarri**, chairman of Bankia; **José Sevilla**, CEO; **Antonio Ortega**, executive director and general manager of People, Organisation and Technology; **Miguel Crespo**, general secretary and secretary of the Board of Directors; **Amalia Blanco**, deputy general manager of Communication and External Relations; **Fernando Sobrini**, deputy general manager of Retail Banking, and **Gonzalo Alcubilla**, deputy general manager of Business Banking.

01.2

GOVERNING BODIES.

- MEMBERS OF THE BOARD OF DIRECTORS OF BANKIA
- NON-DIRECTOR SECRETARY OF BANKIA
- MANAGEMENT COMMITTEE OF BANKIA

BANKIA

BOARD OF DIRECTORS

CHAIRMAN
JOSÉ IGNACIO GOIRIGOLZARRI

CEO
JOSÉ SEVILLA

MEMBERS
 ANTONJO ORTEGA
 JOAQUÍN AYUSO
 FCO. JAVIER CAMPO
 EVA CASTILLO
 JORGE COSMEN
 JOSÉ LUIS FEITO
 FERNANDO FERNÁNDEZ
 ANTONIO GREÑO
 ÁLVARO RENGIFO

SECRETARY
MIGUEL CRESPO



● ●
JOSÉ IGNACIO
GOIRIGOLZARRI
Board of Directors Chairman



●
ÁLVARO
RENGIFO



●
AMALIA
BLANCO



●
ANTONIO
GREÑO



●
FERNANDO
SOBRINI



●
GONZALO
ALCUBILLA



●
FRANCISCO JAVIER
CAMPO

BANKIA BOARD COMMITTEES

BANKIA BOARD COMMITTEES

CHAIRMAN
ANTONIO GREÑO

MEMBERS
**JOSÉ LUIS FEITO
JORGE COSMEN
JOAQUÍN AYUSO**

SECRETARY
MIGUEL CRESPO

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

CHAIRMAN
JOAQUÍN AYUSO

MEMBERS
**FCO. JAVIER CAMPO
ÁLVARO RENGIFO
FERNANDO FERNÁNDEZ**

SECRETARY
MIGUEL CRESPO

REMUNERATION COMMITTEE

CHAIRMAN
EVA CASTILLO

MEMBERS
**JOAQUÍN AYUSO
JORGE COSMEN
FERNANDO FERNÁNDEZ**

SECRETARY
MIGUEL CRESPO

BOARD RISK COMMITTEE

CHAIRMAN
JOSÉ SEVILLA

MEMBERS
**FERNANDO FERNÁNDEZ
FCO. JAVIER CAMPO
EVA CASTILLO**

SECRETARY
MIGUEL CRESPO

RISK ADVISORY COMMITTEE

CHAIRMAN
FCO. JAVIER CAMPO

MEMBERS
**EVA CASTILLO
FERNANDO FERNÁNDEZ**

SECRETARY
MIGUEL CRESPO



● ●
ANTONIO ORTEGA



● ●
MIGUEL CRESPO



●
EVA CASTILLO



●
FERNANDO FERNÁNDEZ



●
JOAQUÍN AYUSO
Lead director



●
JORGE COSMEN



● ●
JOSÉ SEVILLA
Consejero Delegado



●
JOSÉ LUIS FEITO

01.3

BUSINESS MODEL AND STRUCTURE.

BANKIA IS A BANK WITH A PRESENCE THROUGHOUT SPAIN, A FOCUS ON RETAIL AND BUSINESS BANKING AND A GROWING MULTICHANNEL STRATEGY. IT HAS ALMOST 2,000 BRANCHES. ITS BUSINESS VOLUMES ARE ESPECIALLY HIGH IN MADRID AND THE VALENCIAN COMMUNITY.

MARKET SHARES



6.36%

Retail branches²



10.11%

Credit to households¹



9.29%

Deposits by households¹



9.23%

Card payments²



5.30%

Risk insurance



7.21%

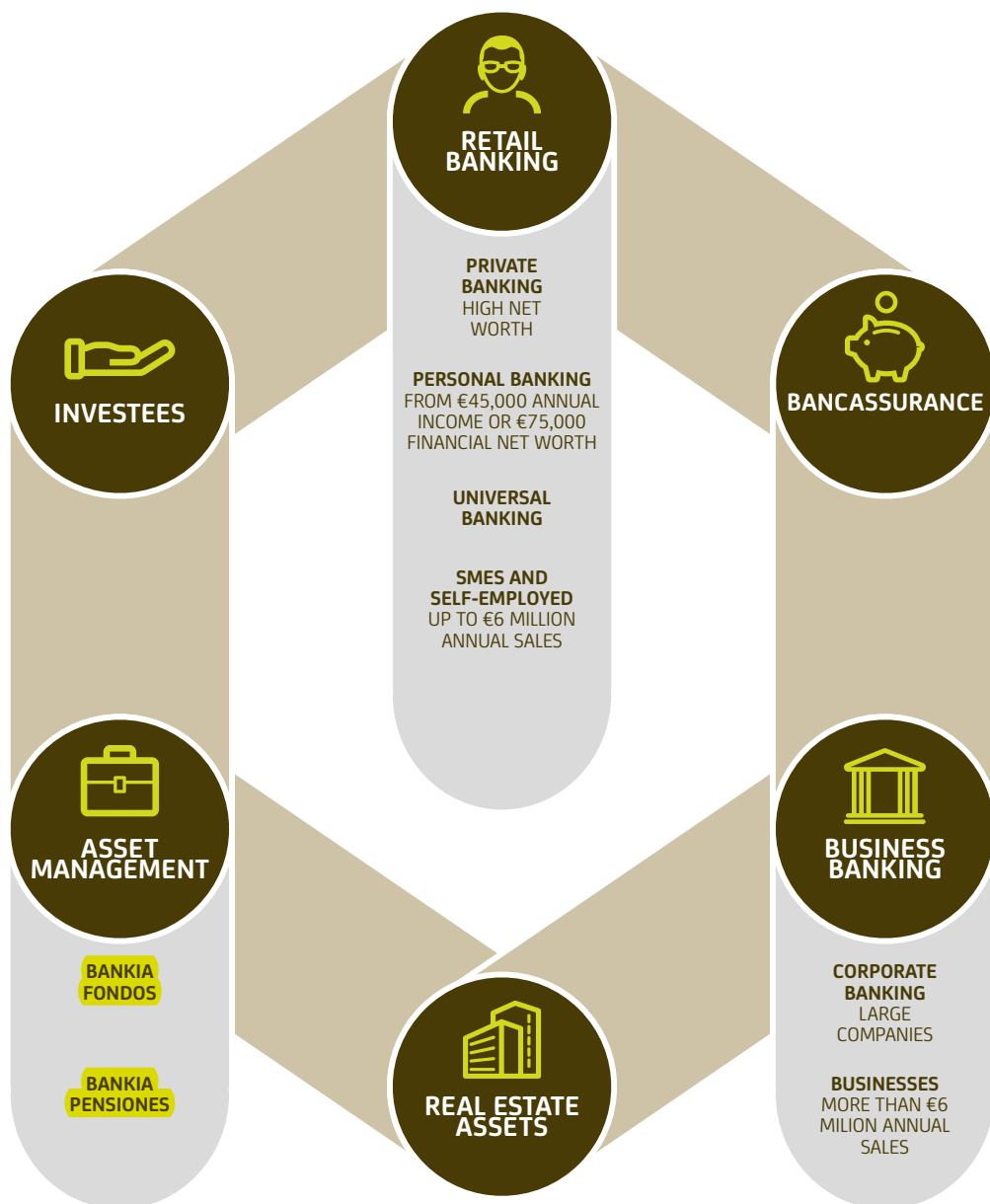
Pension funds



5.53%

Mutual funds

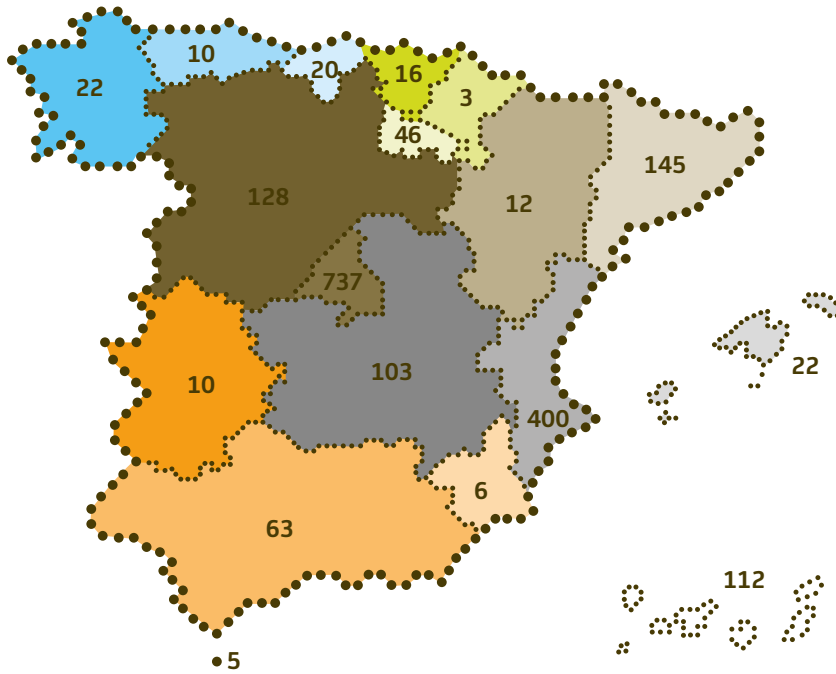
(1) As of November 2016.
(2) As of September 2016.



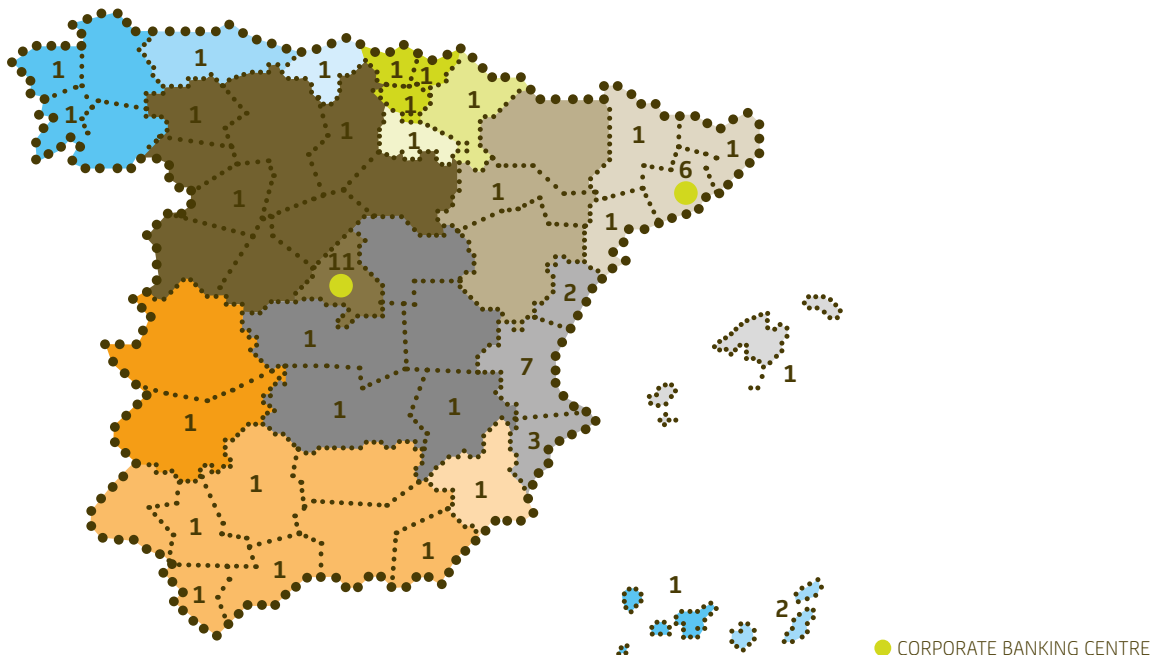
01.3

BUSINESS MODEL AND STRUCTURE.

RETAIL BANKING BRANCHES



CORPORATE BANKING CENTRE





NO. OF RETAIL BANKING BRANCHES

1,860

TOTAL NO. OF FULL-SERVICE BRANCHES (TRADITIONAL)	1,243
TOTAL NO. OF PERIMETER BRANCHES	397
TOTAL NO. OF AGILE BRANCHES	130
TOTAL NO. OF PLUS+ BRANCHES (ADVICE)	52
TOTAL NO. OF RECOVERY CENTRES (SPECIALISED IN ARREARS)	21
TOTAL NO. OF SETTLEMENT AND RECOVERY CENTRES (SRCS)	14
TOTAL NO. OF DEVELOPER BRANCHES	3

NO. OF BUSINESS BANKING BRANCHES

63

TOTAL NO. OF BUSINESS CENTRES	61
TOTAL NO. OF CORPORATE BANKING BRANCHES	2

NO. OF PRIVATE BANKING BRANCHES

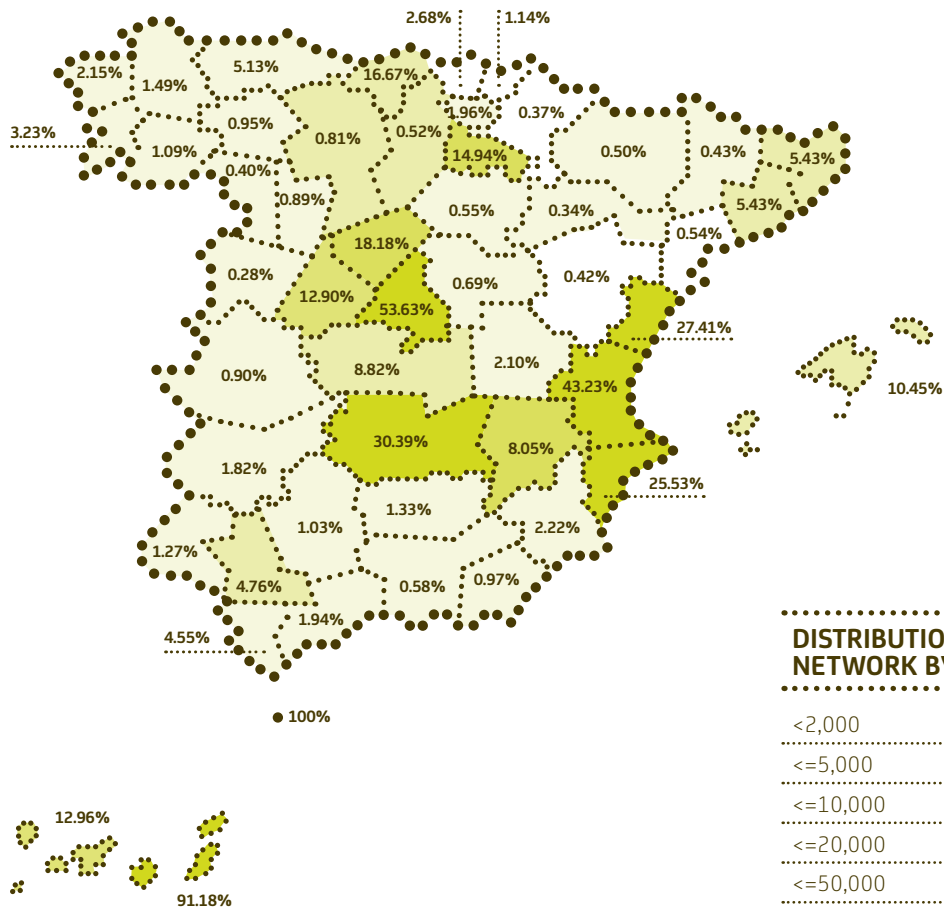
13

BARCELONA	1
MADRID	4
VALENCIA	1
REST OF SPAIN	7

01.3

BUSINESS MODEL AND STRUCTURE.

PERCENTAGE OF MUNICIPALITIES WITH A BANKIA BRANCH



DISTRIBUTION OF RETAIL BRANCH NETWORK BY POPULATION CENTRE

<2,000	4.25%
<=5,000	4.68%
<=10,000	6.34%
<=20,000	5.27%
<=50,000	10.91%
<=100,000	11.67%
<=500,000	23.76%
>500,000	33.12%
TOTAL GENERAL	100.00%



MOBILE BRANCHES 'OFIBUSES'



CASTILLA Y LEÓN

NO. OF OFIBUSES **5**
MUNICIPALITIES SERVED **158**

CASTILLA-LA MANCHA

NO. OF OFIBUSES **1**
MUNICIPALITIES SERVED **17**

COMUNIDAD VALENCIANA

NO. OF OFIBUSES **2**
MUNICIPALITIES SERVED **68**

COMUNIDAD DE MADRID

NO. OF OFIBUSES **1**
MUNICIPALITIES SERVED **34**

LA RIOJA

NO. OF OFIBUSES **2**
MUNICIPALITIES SERVED **47**

TOTAL

NO. OF OFIBUSES **11**
MUNICIPALITIES SERVED **324**

NUMBER OF BRANCHES
IN LOW POPULATION AREAS

284

TOTAL NO. OF
MOBILE BRANCHES

11

TOTAL NO. OF
MUNICIPALITIES SERVED
BY MOBILE BRANCHES

324

01.3

BUSINESS MODEL AND STRUCTURE.

MULTICHANNEL CUSTOMERS	2,182,450
OFICINA INTERNET USERS	1,649,932
OFICINA INTERNET FOR BUSINESSES USERS	345,646
OFICINA MÓVIL USERS	1,121,779
TRANSACTIONS CARRIED OUT BY MULTICHANNEL	3,044 MILL.



5,364

Total ATMs



4,691

ATMs in branches



673

ATMs moved



3,685

ATMs renewed since December 2013



659

New ATMs installed in 2016



3,422

ATMs adapted for people with disabilities

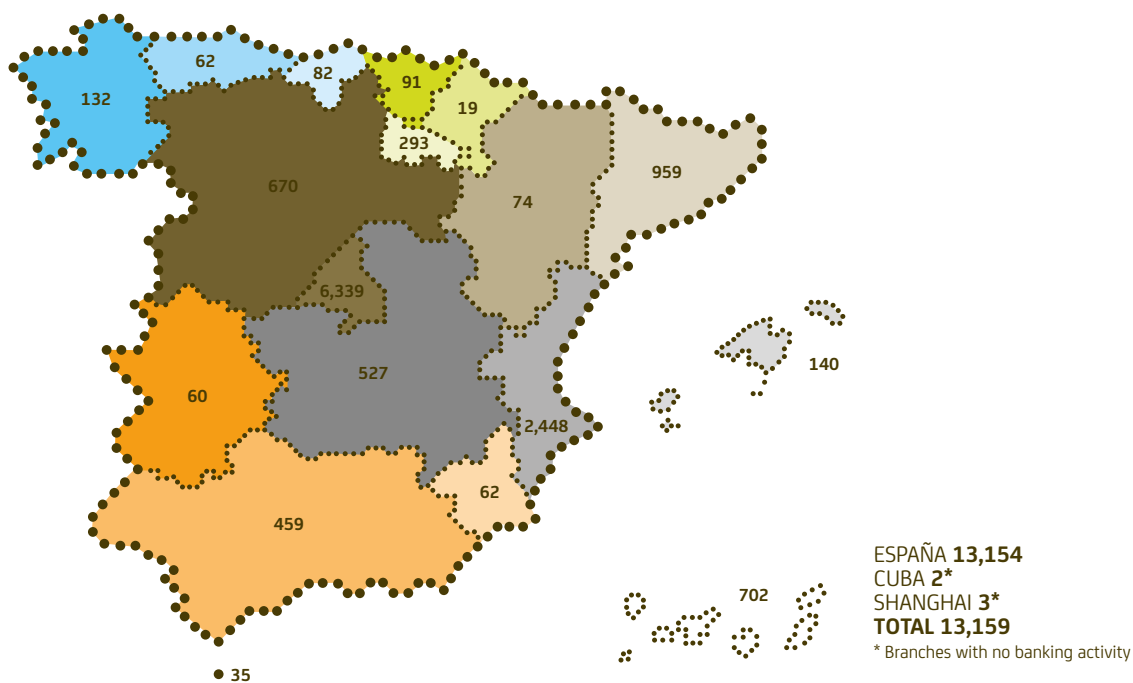


568

Number of ATMs in low population areas

Bankia ATMs offer 53 different transactions and last year moved 20,362 million euros, of which 4,241 million were deposits.

DISTRIBUTION OF EMPLOYEES



13,159

Number of employees



44.17

Average Age



18.33

Length of service



7,186

Women



5,973

Men

01.4

VALUE CREATION.

BANKIA CREATES STABLE, LONG-TERM VALUE FOR ALL ITS STAKEHOLDERS THROUGH A MODEL THAT COMBINES FULL SERVICE (ESPECIALLY FOR PERSONAL CUSTOMERS) WITH SPECIALISATION BY SEGMENT (TAILORING THE SERVICE TO EACH CUSTOMER'S NEEDS).

The main objective of Bankia's activity is to create sustainable, recurring value, taking a long-term view. This allows the bank to respond to the expectations of its stakeholders, the four most important of which are:

1. Shareholders. The interests of shareholders come first, especially given that a majority of the bank's capital is held by the State, which means that the bank's primary responsibility is to taxpayers.
2. Customers (many of whom are also shareholders). It is only by putting the customer at the centre that the bank is able to create value on a stable basis.
3. Society. The way Bankia can serve society best is by building a strong, efficient and profitable franchise that generates value in its environment.
4. Employees. None of the goals the bank may set itself will be achievable without an

inspiring professional project to which all the people who work in the group are committed.

The value creation policy of each of the main business lines is outlined below.

• Retail Banking.

This area centres on individuals, following a universal banking model. Its main goal is to build customer loyalty and increase customer retention through value-adding products and services, reliable advice and a quality offering. Continuing this line of work, in 2016 Bankia launched a programme that allows personal customers to gain exemption from fees. The bank also made further inroads in consumer finance by granting more nearly 1,500 million euros of credit, 20% more than in 2015. The strategy is implemented through a multichannel system, in which digital services (the demand for which is growing, especially through smartphones) supplement those offered by the physical



branches and ATMs. Whichever channel the customer chooses, the working philosophy is to deliver the best experience and fully satisfy the customer's needs.

- **Personal and Private Banking.**

Aimed at wealthier customers who expect top-class financial and tax advice, the Private Banking area offers a highly specialised, personalised service. It has a team of highly qualified wealth managers, who advise on a wide range of products, according to each customer's risk profile and investment objectives. Independent advice is one of the things the bank's customers value most. In 2016, portfolio advisory and management services were a focus of attention and the service was extended to customers who want to trade for themselves. In the Personal Banking segment, which targets customers with a financial net worth of more than 75,000 euros, the value creation strategy relies on continuous contact with customers, for which account managers have specific functionalities at their disposal in the remote channels.

- **SMEs and Self-Employed Professionals.**

Self-employed professionals are a priority group for value generation. In 2016 the bank launched a programme that eliminates fees for these customers and offered products and services tailored to their needs. Customers who are self-employed have access to personalised advice. In the micro-enterprise (annual sales of up to one million euros) and SME (between one and six

CONSUMER FINANCE IN MILLIONS OF EUROS

1,457

million euros) segments, Bankia redefined its customer portfolio management model so as to broaden the scope of specialised customer service and established new preclassified and pre-approved financing programmes. The bank keeps in close touch with these customers not only through the branch network but also by attending many events organised specifically for micro-enterprises and SMEs.

- **Business Banking.**

Businesses need not only financing but also advice. Meeting both these needs is the fundamental objective in this segment. The marketing policy combines price discipline -setting minimum prices based on the cost of resources and each customer's risk (which is assessed using advanced internal models approved by the Banco de España)- with active pursuit of cross-selling opportunities. The specialisation in providing specific capital markets products (syndicated loans and related fees and commissions, bond

01.4

VALUE CREATION.

origination, derivatives management, currency services) is another important source of business and revenue. In collections and payments, the biggest advances in 2016 were in the means of payment segment (POS terminals). In lending, the application and approval processes for some of the main products (credit lines, guarantees, bill discounting) were redesigned and improvements were made to the foreign trade processes.

- **Bancassurance.**

The bancassurance business is strategic for Bankia on account of its contribution to recurring revenue and its close connection with the financing needs of individual and business customers through their life cycle. The bancassurance area coordinates this activity and provides specialised support to the branches for the marketing of insurance for individuals (life, home, auto and health) and businesses (trade, credit insurance, general liability and comprehensive business), as well as savings and retirement insurance (annuities and capital guaranteed).

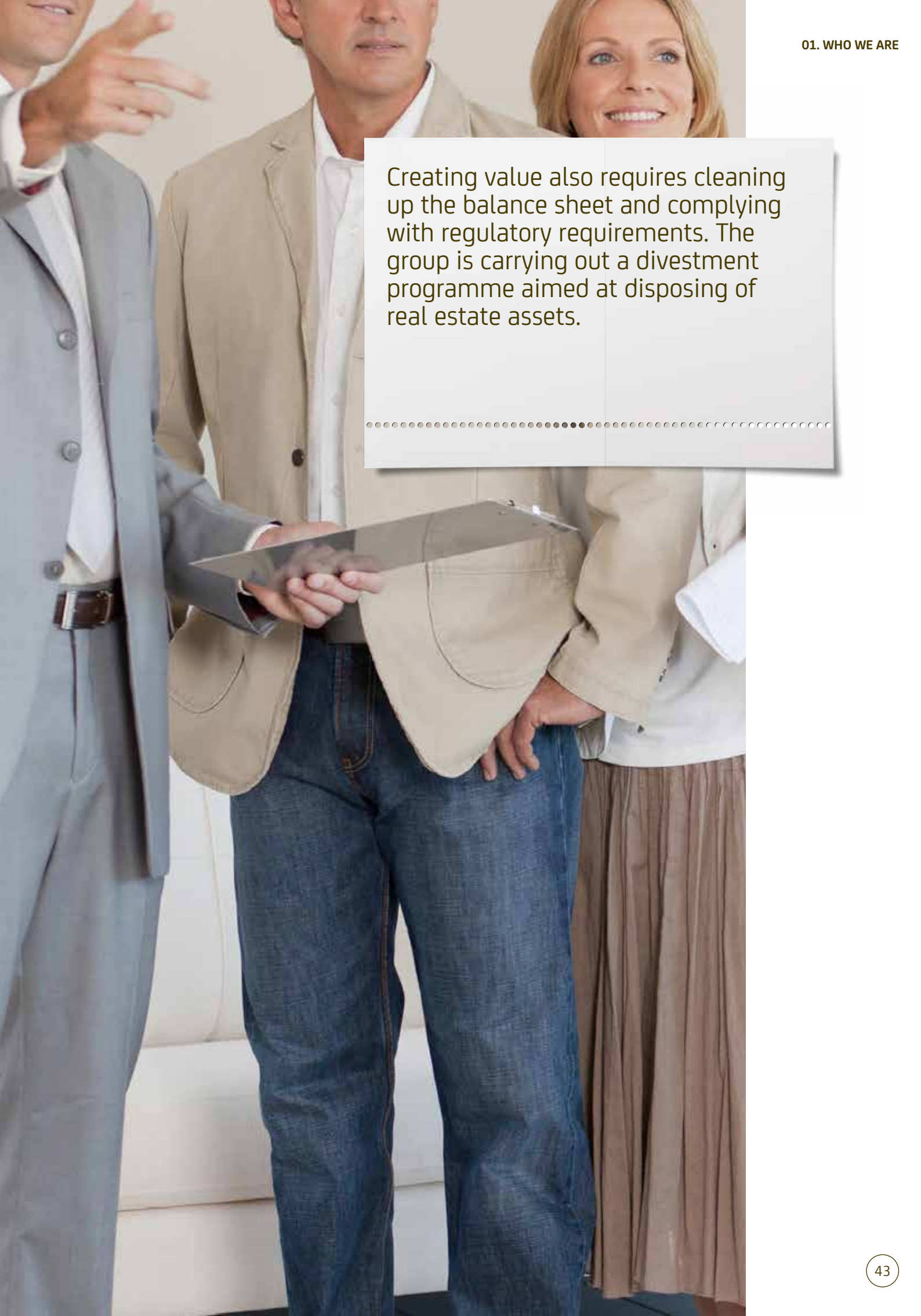
- **Asset management.**

Bankia's mutual fund manager has a wide range of products in all categories (fixed-income, equity, mixed, guaranteed, absolute return, global, etc.), so that customers can choose the one that best matches their investment preferences. Funds are marketed through Bankia's branch network and also through remote channels. In the adverse economic and political context that prevailed in 2016, the most demanded products were guaranteed funds. In individual, employer and associated pension plans, the

bank's policy is based on the principle of maximum adaptation to each customer's needs.

- **Real estate assets.**

Creating value also requires cleaning up the balance sheet and complying with regulatory requirements. The group is carrying out a divestment programme to dispose of real estate assets. In 2016 the Property Management Directorate was created to bring under unified control the various functions that previously had been carried out by other areas. The creation of this unit has brought greater efficiency and a better overview of the portfolio as a whole, not only the physical properties but also their availability and any limitations or encumbrances. The new directorate coordinates sales through all channels and therefore also through Bankia's commercial network and prepares packages of assets for placement outside the retail circuit.



Creating value also requires cleaning up the balance sheet and complying with regulatory requirements. The group is carrying out a divestment programme aimed at disposing of real estate assets.

01.5

SHAREHOLDING STRUCTURE.

THE BANK'S SHAREHOLDING STRUCTURE REMAINED STABLE. THE NUMBER OF SHARES IN ISSUE REMAINED UNCHANGED DURING 2016 AT 11,517 MILLION. OF THIS TOTAL, 34.1% WAS THE FREE FLOAT AND THE REMAINING 65.9% WAS HELD BY BFA. AT 31 DECEMBER BANKIA HAD 239,033 SHAREHOLDERS.

In 2016 there were no changes in Bankia's share capital. At year-end, the share capital amounted to 9,214 million euros, represented by 11,517,328,544 fully subscribed and paid-up registered shares, with a par value of 0.8 euros per share, all of the same class and series.

The number of shareholders was 239,033, down 196,722 during the year, mainly due to the changes in ownership in 2016 as a result of the refunding of the investment to minority shareholders who bought shares in the IPO.

CAPITAL HELD BY BFA

65.9%

34,1%

FREE-FLOAT

PAR VALUE OF THE SHARES

0.80€

€0.0625 per share

DIVIDEND PAID IN 2016

DIVIDEND YIELD

3.03%

2016 DIVIDENDS

DATE PAID	EX-DIVIDEND DATE	GROSS AMOUNT (€)	NET AMOUNT (€)	RATE	ITEM
31/03/2016	31/03/2016	0.02625	0.0212625	Ordinary	Results for 2015

MAIN SHAREHOLDERS BY INVESTOR TYPE BFA



● BFA **65,90%** ● RESIDENT INSTITUTIONAL **5,28%**
 ● NON-RESIDENT INSTITUTIONAL **16,81%** ● RETAIL **12,00%**

BANKIA'S MAIN SHAREHOLDERS BY INVESTOR TYPE	%SHARE CAPITAL AT 31/12/2016	%SHARE CAPITAL AT 31/12/2015	2016 vs 2015 (p.p.)	2016 vs 2015 (%)
BFA	65.90%	64.23%	1.67	2.61%
Spanish institutional	5.28%	5.27%	0.01	0.14%
Foreign institutional	16.81%	17.78%	-0.97	-5.43%
Retail	12.00%	12.72%	-0.72	-5.62%

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01.5

SHAREHOLDING STRUCTURE.

.....

DIVIDEND

.....

The General Meeting held in Valencia on 15 March 2016 approved the payment of a cash dividend of 2.625 euro cents per share out of profit for 2015, 50% more than the dividend paid out of profit for 2014.

The cash payment, in the total amount of 300.7 million euros, was made on 31 March to the holders of shares that carried dividend rights on the payment date, giving a payout ratio of 29% of the Bankia Group's attributable profit for 2015.

This was the second dividend paid by Bankia since it was created and allowed the bank to make further progress in the repayment of the state aid received.

GENERAL MEETING OF SHAREHOLDERS

.....

The General Meeting of Shareholders is the company's most senior representative body and ensures equal treatment of all shareholders, including the right to attend and to vote. From the moment the Notice of General Meeting is issued, all the pertinent

information is available to shareholders on the Bankia website and at the General Meeting Service Office. Shareholders who wish to raise any question regarding the agenda may do so through the channels of communication placed at their disposal for that purpose, including the Shareholders' Electronic Forum.

The percent of total capital present in person or by proxy at the 2016 General Meeting was 76.70%, corresponding to a total of 6,586 shareholders.


CHANNELS OF COMMUNICATION

.....

Various channels are available to give effect to Bankia's commitment to foster dialogue with shareholders and the investment community. All of them offer open, continuous and transparent communication:

- **Corporate website.**

Through the website, especially its Shareholder Corner section, Bankia complies with the principles of equality and symmetry of access to information. The content, in Spanish and English, is updated continuously. One of the most practical sections is the Investor's Calendar, which shows the dates of



BANKIA puts its commitment to dialogue with shareholders and the investment community into effect through the corporate website, the Information Service newsletter, the Shareholder's Office, text messages, the social networks, quality surveys or the branch network.

earnings announcements, notice of General Meetings, conferences, dividend payments and other relevant events. The website also gives access to the documents and presentations that are made available to participants in these specialised forums, along with webcasts of the company's main financial events. The main improvements made to the corporate website in 2016 are as follows:

- Launch of the Investment School section, with articles on financial education.
- Publication of the policy on information, communication and contacts with shareholders, investors and proxy advisors.
- Improvements to the presentation of the shareholding structure, the analysts' consensus chart and the featured items in the Investor's Calendar, as well as a more intuitive and comprehensive presentation of the financial reports.
- Inclusion of the latest rating agency reports and historical data, and of the quarterly and historical report on the portfolio and mortgage covered bonds.
- Updates to the Dividends section.
- **Shareholder and Investor Information Service newsletter.**
This free online publication is periodically emailed to all subscribers. To subscribe, users need only fill out the form in the Shareholder Corner. The newsletter

BANKIA INSTITUTIONAL INVESTORS THAT PRACTISE RESPONSIBLE INVESTING

51.11%

VISITS TO THE SHAREHOLDERS AND INVESTORS SECTION OF THE CORPORATE WEBSITE

177,520

provides information about the bank's results, financial reports, news, material disclosures, indicators, studies and presentations, events, videos, infographics and other useful links. It is also available on the website.

- **Shareholder's Office.**

The Shareholder's Office responds to inquiries about the performance of the group and the share and about the benefits of being a Bankia shareholder. During 2016 it answered 943 telephone calls and 290 email inquiries.

01.5

SHAREHOLDING STRUCTURE.

Other channels of communication used regularly during 2016 were text messages or SMS (a total of 102,674 SMS were sent with the quarterly results), the corporate social networks, quality surveys and the commercial network itself.

shows, 14 international conferences, field trips and numerous individual visits, which served to publicise the bank's situation and results, resolve doubts and share opinions. These events were attended by 520 institutional investors (equity and fixed income), analysts, managers and rating agencies from 296 firms and 22 different countries, 80% of them international.

INSTITUTIONAL INVESTORS

During the year, the Investor Relations and Ratings Directorate took part in nine road

Bankia was a speaker at three financial conferences addressing global investors and broadcast four quarterly results webcasts through a platform that allows live question and answers.



290

Email inquiries
to the Shareholder's Office.



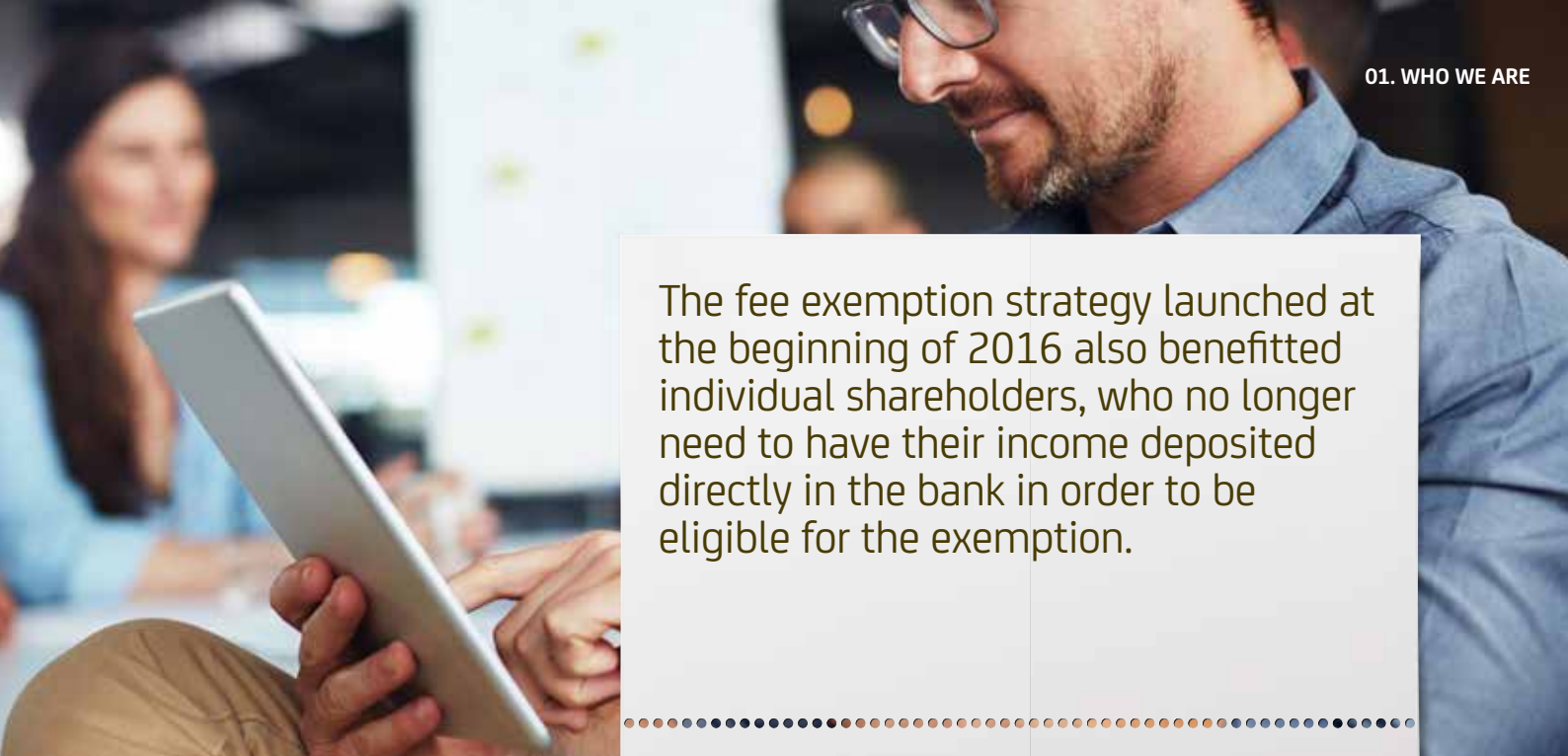
102,674

Text messages
with quarterly results sent out in 2016.



520

Contacts with analysts
and institutional investors
from 296 firms, 80% international.



The fee exemption strategy launched at the beginning of 2016 also benefitted individual shareholders, who no longer need to have their income deposited directly in the bank in order to be eligible for the exemption.

MORE INFORMATION, AND NOT JUST FINANCIAL INFORMATION

Following the principles of proactivity and transparency, Bankia keeps its various stakeholders (analysts, investors, management companies, shareholders, rating agencies, bank counterparties, clearing houses, proxy advisors and other institutions and public bodies) constantly informed through periodic communications and meetings.

Apart from the financial content, Bankia also provides information on social, environmental and corporate governance matters, which are increasingly demanded by the public.

In order to respect the right to equal treatment and non-discrimination, all the information is published previously on the corporate website or via the CNMV.

BENEFITS FOR SHAREHOLDERS

The fee exemption strategy launched at the beginning of 2016 also benefitted individual

TELEPHONE INQUIRIES HANDLED THROUGH THE SHAREHOLDER'S OFFICE

943

shareholders, who no longer need to have their income deposited directly in the bank in order to be eligible for the exemption. The only requirement is that they hold one thousand or more shares deposited at the bank. Shareholders who meet this requirement no longer have to pay service or maintenance fees on any of their demand accounts, any of the usual debit cards, credit transfers in euros without limit through any channel (Oficina Internet, Oficina Móvil, ATMs and branches) or deposits of Spanish cheques in any of their accounts.

Bankia also maintains the following exclusive benefits for shareholders:

- Special terms and discounts on the Tarjeta Oro card (financing at the standard rate) and Tarjeta Platinum card (at the Tarjeta Oro rate).
- Free newsletter to keep them up to date with what's happening at Bankia.

01.6

HUMAN CAPITAL.

TALENT DETECTION AND PROMOTION, CONTINUING PROFESSIONAL DEVELOPMENT AND A DISTINCTIVE MANAGEMENT STYLE ARE ESSENTIAL FOR ANY INSTITUTION WHICH, LIKE BANKIA, ASPIRES TO CONSOLIDATE ITS INDUSTRY LEADERSHIP. CUSTOMERS BENEFIT FROM IT AND SO DO THE 13,159 PEOPLE WHO WORKED FOR THE BANK AS OF 31 DECEMBER.

From a people management point of view, 2016 was a year of consolidation of the various distribution models generated the previous year, especially in the multichannel arena:

- The launch of the “Conecta con tu Experto” branches was reinforced with 18 more such branches throughout Spain. By year-end there was a total of 27 “Conecta con tu Experto” branches, with 282 staff and more than 300,000 active customers.
- Agile branches, which operate extended opening hours, numbered 130, with 795 staff.
- Two new staff roles were created: the micro-enterprise account manager and the multi-branch micro-enterprise account manager. A total of 41 professionals were assigned to these roles, bringing the total number of staff assigned specifically to the micro-enterprises and self-employed professionals segment to 301.
- People development became more transparent and more accessible to employees with the launch of a programme to publish internal vacancies on the corporate intranet. A total of 91 posts in different functional areas were advertised through 60 selection processes.
- The voluntary redundancy plan started in May the previous year continued, resulting in the separation of 176 employees during 2016.

All these actions generated 3,776 changes of assignment, providing opportunities to optimise the fit between employee profiles and the available positions in the business, especially at senior management levels.

TRAINING

Continuing professional development of its employees is strategically important



for Bankia because it strengthens the organisation, increases workforce efficiency and enables the bank to provide a higher quality service to its customers. Accordingly, in 2016 more than 666,000 hours of training were given, with the aim of reinforcing and expanding the capabilities of people in the commercial network and central services. The following educational initiatives deserve special mention:

- The accreditation of financial advisers with EFA (European Financial Advisor) certification through the European Financial Planning Association continued.
- The courses aimed at specialised Personal Banking and SME Banking account managers were extended.
- Branch managers and assistant branch managers reinforced their knowledge in the area of integrated management of SMEs.
- Training itineraries on subjects such as the sales promotion model, customer strategy and customer experience were organised for Business Banking executives and account managers.
- A programme for area and branch managers was aimed at training them to put the customer at the centre of their activity, hold quality conversations with their team and implement commercial intensity appropriately in each branch.
- The Digital Talent School started operating, with a focus on the challenges and opportunities generated by new technologies, strategies for optimising the resolution of changing situations, attracting customers' attention and helping to position the bank appropriately.
- The Risks School also took its first steps, which first involved defining the technical competencies of risk professionals, before moving on to strengthen these professionals' capabilities, leading to certification.
- A training programme was started aimed at identifying the characteristic traits of a Bankia senior manager, based on the bank's values and paying special attention to the relationship with the teams.
- People who support the commercial activity from central services joined an ambitious plan which includes project management and opens the door to the Professional Project Management certification issued by the Project Management Institute.

HOURS OF CONTINUING TRAINING IN 2016

666,624

01.6

HUMAN CAPITAL.

HOURS OF TRAINING BY GENDER %



47.45

Men



52.55

Women

HOURS OF TRAINING BY PROFESSIONAL CATEGORY %



0.96

Senior management



34.02

Middle management



65.02

Other staff

	2016	2015
INVESTED IN TRAINING (€MN)	8.02	7.5
EMPLOYEES TRAINED	12,589	13,040
COURSES RUN	901	857
HOURS OF TRAINING PER EMPLOYEE	50.66	58.17
TRAINING PROVIDED ONLINE	60.4%	64.5%
HOURS OF IT TRAINING	41,297 H.	17,775 H.

BANKIA has a Talent Model for detecting, developing and managing its employees' potential, so as to have people who are able to help grow the business.

PROFESSIONAL DEVELOPMENT AND TALENT MANAGEMENT

Bankia has a Talent Model for detecting, developing and managing its employees' potential, so as to have people who are able to help grow the business, reinforcing differential and sustainable competitive advantages that are consistent with the bank's values.

During 2016 there were 229 appointments: 20 senior managers (including 10 area managers), 138 branch managers, 40 central services managers and 31 assistant branch managers. All the vacancies that arose during the year were filled from within, except for 15 managers, 35 specialists and 25 sales staff. At 31 December, 16 external selection processes remained open.

The Talent Model operates on the basis of each person's individual responsibility for his or her own development, providing support through actions that help them increase their capabilities and potential from day to day:

- **Senior Management Program (SMP).** Between November 2015 and December 2016 a total of 164 managers took part in the first two editions of the Senior Management Program, given by IE Business School. Issues covered include analysis of

APPOINTMENTS IN 2016

229

the macroeconomic environment, the future of the financial sector, banking business transformation and digital strategy.

- **Career Development Plans (CDPs).** CDPs help to plan the professional development of high-potential individuals, adapting it to the present and future needs of the business and the individual. They include actions such as temporary placements in different areas of the organisation and programmes to develop management, mentoring and coaching skills. By 31 December almost two hundred CDPs had been drawn up. Since the end of 2014, a total of 101 CDPs have been designed and put into effect. Between 2015 and 2016, 17 managers with a CDP were promoted to senior manager level.
- **Management skills development programmes.** In 2016, in order to accelerate the careers of high-potential professionals, various editions of the management skills development programmes were run for more than a

01.6

HUMAN CAPITAL.

hundred senior management candidates and managers from the commercial network and central services. All participants have the support of experienced expert consultants, who support them in their individual development plans.

- Development programme for commercial network and central services managers. Apart from face-to-face working sessions, these include a development process guided by a professional coach. 30 managers took part in the two editions that were held.
- Development programme for senior management candidates in the commercial network. Launched in 2015, the scope of this programme was extended in three new editions, in which 45 professionals took part.
- Development programme for senior management candidates in central services. A new skills development programme was designed and started. Two editions were held, with 31 participants.

- **Mentoring programme.**

The first edition, involving 30 mentors and their mentees, ended in the last quarter of 2016. The second edition, involving another 60 of the bank's professionals, started in June. This second edition is also set to last 18 months.

- **Transformational Leadership.**

This is a programme run by the International Center for Leadership Development, created by Fundación CEDE. It is focused on the exercise of the management function on the basis of

inspiration, example, positivism, a spirit of collaboration and respect. Bankia sponsored the tenth edition of the programme, which took place in Valencia in November. So far, 13 managers from the bank have taken part in this programme.

- **Stimulus Plans.**

These plans are aimed at giving senior management candidates a more holistic vision, both of the business and of the bank, so that Bankia is able to meet its organisational needs internally and with the necessary quality. In 2016, 493 professionals were included in these plans, bringing the total to 841 people, of which 101 were promoted.

- **Business Academy 2016-2017.** This programme was started in the first few months of the year with the aim of preparing professionals for certain posts in the bank that are more difficult to fill because they are so specialised. The programme is set to last for two years and as of the end of 2016 had 10 participants.

- **Bankia Dual Education Programme.**

This programme trains students of the advanced vocational training programme in Administration and Finance to work as customer managers in financial institutions. This pioneering project, which has an eminently practical approach, is carried out in collaboration with four training centres in Madrid and the Valencian Community. With their assistance, Bankia has designed individual work plans involving large numbers of the bank's professionals, given the cross-

disciplinary nature of the project. After two years, in June, the first 50 students will graduate.

- **2016 WomenMatter Project.**

In April 2016, together with around 50 other large companies, Bankia was invited to take part in a study conducted by McKinsey on gender diversity in Spain. The bank provided quantitative data and interviews with the professionals responsible for people management. In addition, 108 managers (approximately 50% women and 50% men) completed online questionnaires about perceptions within the organisation regarding gender diversity initiatives and attitudes/mentalities that can be barriers to change.

- **Filling of vacancies.**

All the vacancies in the bank were filled internally, apart from 15 senior managers in different organisational areas, 35 specialists and 25 sales staff for the retail branch network in Valencia. Sixteen external selection processes remain open.

During 2016, a Talent Management space was created on the corporate intranet. Its purpose is to make the work of the human resources department more comprehensible and more transparent to employees. For 2017 work has started on an application that will allow employees to play a more active role in their professional development by keeping a record of their expectations, achievements and aspirations.

In November 2016 a section called “Human Capital” was added to the corporate website. It covers aspects such as internal talent management, culture and values in people management, management style, corporate volunteering, training, occupational health and safety, dual education, etc.



MANAGEMENT STYLE GUIDE

Senior management's key responsibility lies in overseeing and developing teams, as the Bankia project can only succeed if all the people who work in the bank are committed to it. Becoming a senior manager entails a responsibility to

generate and promote commitment and a sense of belonging, as well as adhering to guidelines and behaviours set out in the Management Style Guide, which was published in November 2016. This guide describes Bankia's way of managing teams and is a mark of its identity, which, today more than ever, plays a decisive role in creating a major competitive advantage. It is also intended to be an accessible, simple and transparent guide for managers, to help them integrate the bank's values in their daily activities, striving

.....

01.6

HUMAN CAPITAL.

.....

constantly to improve and offer the best possible service to customers.

"Building on the Management Style Guide, specific action models are being defined for each phase of a person's working life, matching the aspirations of the professionals to the needs of the business.

CLIMATE, CULTURE AND COMMITMENT

.....

In the second half of 2015 Bankia carried out its Climate, Culture and Commitment survey. Around 7,850 employees took part, giving a participation rate of 58.2% with overall satisfaction of 51%.

The overall results of the survey and a breakdown by Retail Network, Business Banking and Central Services were shared with all the bank's professionals. Based on these results, the bank is designing and implementing specific actions in the areas found to need improvement. The conclusions drawn from the survey have been used to establish a diagnosis of the situation, detect areas for improvement and define action priorities.

STAFF HEALTH AND SAFETY

.....

In 2016 the bank continued to design a Healthy Work Environment Model to create an environment in which people can interact with one another at work, develop competencies and gain in well-being.

The Occupational Hazard Assessment Methodology was updated to include the subjective psychosocial dimension and steps were taken to adopt an integrated approach to workplace health promotion, including the signing of the Luxembourg Declaration, which sets the European standard in this field.

Efforts to build awareness and investigate occupational accidents, both in the workplace and on the way to or from work, continued throughout the year. The goal is to reduce the impact, frequency and severity rates, which already are below the average for the banking sector.

Efforts to build awareness and investigate occupational accidents, both in the workplace and on the way to or from work, continued throughout the year. The goal is to reduce the accident rates, which already are below the average for the banking sector.

EMPLOYEE HEALTH AND SAFETY

Absenteeism rate	3.47
Total working hours lost to absenteeism	747,319
Occupational accident rate	0.23
Total working hours lost to occupational accidents	6,718
Total ordinary sick leaves	3,979
Total work-related fatalities	0

ACTIVE LISTENING

Bankia has implemented a multidirectional internal communication strategy based on active listening. Through the various channels at their disposal (intranet, email), employees receive, in real time, all the information they need in order to perform their duties and contribute to the success of the bank's strategic business plans.

Active listening converts the voice of employees into a driver of change and channels employees' opinions and suggestions to the appropriate

departments, so as to identify opportunities for improvement. For that same purpose, focus groups and forums are organised on the corporate intranet and comments are published in the in-house magazine.

One of the most important projects in 2016 was to provide support for the bank's digital transformation through a specific internal communication plan. The plan for 2017 is to create a website with content that will inspire and inform Bankia's professionals about digitisation. A more prominent role will be given to brand ambassadors, identifying and recruiting the employees who are most active in social networks.

	2016	2015
Visits to the corporate information pages published on the intranet	3,213,447	3,104,668
Visits to the audio-visual space	333,746	334,245
Employee posts in internal communication channels	38,328	34,797
Employee forums created	551	633
Suggestions / comments received via employee forums	2,011	2,083
Visits to the Bankia Online magazine	882,195	689,972

01.6

HUMAN CAPITAL.

WORKFORCE PROFILE

BY GENDER



● MEN 45.39%
● WOMEN 54.61%

BY BUSINESS AREA



● % EMPLOYEES IN CENTRAL SERVICES 14.67%
● % EMPLOYEES IN BUSINESS 85.33%

BY AGE



44.17

Average age of employees

BY SENIORITY



18.33

Average length of service of employees

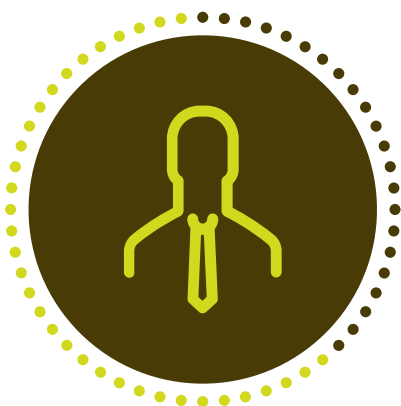
EMPLOYEES UNDER 30 AS % OF TOTAL WORKFORCE **0.25**

EMPLOYEES AGED 30 TO 50 AS % OF TOTAL WORKFORCE **76.59**

EMPLOYEES OVER 50 AS % OF TOTAL WORKFORCE **23.16**



SENIOR MANAGEMENT POSITIONS



● MEN 59.28%
● WOMEN 40.72%

TYPE OF CONTRACT



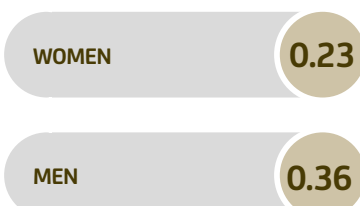
● OPEN-ENDED 100%
● TEMPORARY 0%
99.96% WORK IN SPAIN

UNWANTED EXTERNAL TURNOVER

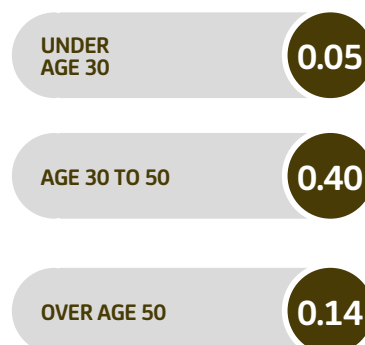


0.59%

AVERAGE EMPLOYEE TURNOVER BY GENDER %



AVERAGE EMPLOYEE TURNOVER BY AGE %



.....

02. ACCOMPLISHING OUR PLANS.

.....

A close-up, slightly blurred photograph of a person wearing a grey blazer, sitting at a desk and writing in a notebook with a dark pen. The person's face is not visible, but their hands and the pen are in focus. The background is a bright, out-of-focus office environment.

**IN 2016, IN A COMPLEX
MACROECONOMIC
AND BUSINESS
ENVIRONMENT, BANKIA
MET ITS OBJECTIVES OF
BEING AN INCREASINGLY
SOLVENT AND EFFICIENT
INSTITUTION, ALIGNED
WITH THE NEEDS OF
ITS CUSTOMERS AND
CAPABLE OF CREATING
VALUE FOR ITS
SHAREHOLDERS AND
CONTINUING
TO REPAY THE STATE
AID RECEIVED.**

EFFICIENCY RATIO
48.9%

NET PROFIT
804 MILLION EUROS

CET1 RATIO
FULLY LOADED
13.02%

02.1

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT.

IN 2016 THE BANKING BUSINESS WAS CONDUCTED IN A DIFFICULT ENVIRONMENT, MARKED BY INSTABILITY AT THE GLOBAL LEVEL AND CONTINUING VERY LOW INTEREST RATES, UNDERMINING PROFITABILITY. THE SPANISH ECONOMY, HOWEVER, PERFORMED SURPRISINGLY WELL.

The economic recovery once again proved remarkably resilient in 2016, riding out major political shocks, including Brexit, the Trump victory in the U.S. presidential elections and the increased instability in Italy following the “no” vote in the referendum on constitutional reform that led to the resignation of the prime minister. Despite these adverse factors and the weakness of the U.S. economy during the first half of the year, world growth was on a par with 2015 (estimated at 2.5%). In the euro area, growth was above potential but moderate (1.7%), with significant differences between the main countries: 1.8% in Germany, compared to around 1.0% in France and Italy.

Inflation sentiment also changed substantially over the year. Inflation fears persisted throughout much of the first half, but gradually inflation started on an upward trend, thanks to the recovery of the oil price, which ended the year above 50 dollars per barrel, after hitting a low of 27 dollars in January. In November, Trump’s victory gave an additional upward boost to

inflation forecasts, as the markets discounted expectations of a strong fiscal stimulus in the U.S. that would revive global demand.

The main monetary policy event was in March, when the ECB reacted to the low inflation in the euro area by cutting its reference rates (the repo rate from 0.05% to 0% and the deposit facility rate from -0.30% to -0.40%), increasing the volume of its asset purchase programme and expanding the programme to include the bonds of private-sector non-financial companies. The ECB also announced a new liquidity programme for banks, subject to meeting certain targets for credit to the private sector. Similarly, in August, following the Brexit vote, the Bank of England strengthened its expansionary policy, reactivating the quantitative easing programme and lowering its interest rate from 0.50% to 0.25%.

These actions drove interbank market interest rates to new record low levels, with the one-year Euribor slipping into negative territory. Sovereign yields also remained at



very low levels, with the 10-year German bond reaching 0.20. The situation changed in September, when prospects of a tapering of monetary stimulus measures by the ECB and the Bank of Japan and a rise in inflation forecasts, especially following Trump's election victory, prompted a sharp rise in yields, which created expectations of a change in the long-term trend.

THE SPANISH ECONOMY

The Spanish economy performed surprisingly well in 2016, with GDP growth of 3.2%, a better pace than forecast at the beginning of the year. This third consecutive year of growth, on a par with 2015, put Spain back among the fastest-growing of the large developed economies. At the same time, strong job creation (with 414,000 more people in employment, according to the Economically Active Population Survey (EAPS)) brought the unemployment rate down to 18.6%, its lowest level since 2009. Even so, despite the spurt in economic activity over the last three years, growth is not yet back at pre-crisis levels, neither in terms of GDP (still 1.2% lower) nor, above all, in terms of employment, as there are still two million fewer people in work, according to the EAPS.

.....

GDP GROWTH
3.2%

.....

The vigour of the economy is attributable to strong expansionary stimuli, including the positive impact of low oil prices (which was more pronounced in Spain than in other European countries, given Spain's greater energy dependence), favourable funding conditions and the easing of fiscal consolidation. Added to this was the buoyancy of the tourism industry, which ended the year with record figures, thanks to increased geopolitical risk in rival destinations and the release of a substantial volume of pent-up spending, after the long-drawn-out crisis. The climate of political uncertainty arising from the extended period of caretaker government had no noticeable impact on risks.

02.1

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT.

Domestic demand continued to be the engine of the economy, fuelled above all by household spending and corporate investment. For households, the impact of wage moderation was offset by the improvement in disposable income, in a context of positive labour market performance, decline in interest payments and tax reduction. For companies, high financing capacity made it possible to maintain high rates of capital investment and so meet the surge in demand and continue to improve the stock of productive assets. After good growth in 2015, investment in construction slowed markedly, due to the slowdown in the non-residential segment, consisting essentially of public investment. Meanwhile, the housing market recovery intensified: the fundamentals

of demand continued to improve, keeping pace with labour market performance and the easing of financing conditions.

For the first time in three years, external demand was no impediment to growth: while imports suffered from slack domestic demand, exports remained strong. Unlike in other cyclical expansionary phases, a high rate of economic growth is proving compatible with the correction of imbalances. On the one hand, the improvement in competitiveness, arising from the adjustment of internal prices and costs, together with internationalisation efforts and expansion of the export base, helped to improve the trade balance, assisted by the reduction in the



2%

GDP current
account surplus.



1.6%

Inflation
with an annual average of -0.2%.



2.5%

GDP growth
forecasted for 2017.



Bankia

Lending to households and non-financial companies continued to fall, though at more moderate rates. Liquidity has ceased to be a problem in a European context of expansionary monetary measures and low or even negative interest rates.

energy bill and in net external payments: the current account surplus reached a new all-time high, 2% of GDP.

Meanwhile, the increasing financing capacity generated by the economy since the end of 2012, as a result of the strong recovery in private saving, is proving sufficient to sustain the recovery of investment and, at the same time, continue the private sector deleveraging process. Thus, in terms of GDP, private borrowing fell to 169% (figure for the third quarter of 2016), the lowest level since 2005.

Inflation, after reaching a 14-month low of -1.1% in April, started on an upward path, driven by the recovery of energy prices and the buoyancy of household spending. It thus ended the year at 1%, compared to 0% in 2015, giving an annual average of -0.3% (-0.5% the previous year).

The expectations for 2017 point to robust growth, albeit at more moderate rates, so that we estimate average GDP growth of 2.5%. On the one hand, the tailwinds that have propelled economic activity in previous years will gradually diminish. On the other, various potentially high impact risks converge, both externally (Brexit, economic and monetary policy stance in the United States, electoral calendar in Europe) and internally. In Spain, the key is uncertainty as to the ability to agree on the necessary structural reforms and, above all, as to how the fiscal adjustment that is needed in order to meet the demanding deficit target imposed by the European Commission will be implemented.

PRIVATE SECTOR DEBT

167% OF GDP
(THE LOWEST LEVEL
SINCE 2005)

02.1

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT.


BANKING BUSINESS AND REGULATION

The macroeconomic environment and monetary policy continue to affect the performance of the Spanish banking industry, with a deleveraging process that has been more prolonged than expected. Lending to households and non-financial companies continued to fall, although at more moderate rates. Liquidity has ceased to be a problem in a European context of expansionary monetary measures and low or even negative interest rates. The reduction of borrowing and the recovery of deposits by households and non-financial companies continued to drive the decline in the loan-to-deposit ratio over the last year.

Loss-absorbing capacity was strengthened, backed by the general decline in arrears and the improvement in solvency levels, largely as a result of new regulatory and supervisory requirements. The highest quality capital of Spanish banks, measured in terms of CET1, continues to comfortably exceed the regulatory minimums. On the other hand, the upturn in economic activity made it possible to continue to reduce the volume of non-performing and refinanced assets and so improve asset quality. In loans to the resident private sector, the NPL ratio is already below two digits, although still far from the level seen at the start of the financial crisis.

Profitability continues to be the main challenge for the banking business, on account of various factors. These include, on the one hand, the pressure on margins from the very low interest rate environment, the still limited business volume (given continued private sector deleveraging) and the existence of a high level of non-performing assets. On the other, the pressure and uncertainty arising from growing regulation also play a role. As in most European countries, the profitability of Spanish banks (measured in terms of ROE) remains below the cost of equity. To offset the pressure on revenue, banks continue to focus their efforts on improving cost efficiency, as shown by the capacity reduction plans started during the year, which may even give rise to corporate transactions in the coming months. Efforts to exploit the advantages of digitisation play an active role in this quest for efficiency gains. At the same time, the competitive pressure from new players specialising in specific parts of the value chain and operating outside banking regulation has intensified.

In the regulatory sphere, the reforms driven by the G-20 following the outbreak of the financial crisis continued in 2016. At global level, progress was made towards the introduction of the TLAC (Total Loss-Absorbing Capacity) requirement for global systemically important banks, which was approved in 2015. In Europe, the move towards Banking Union brought the implementation of new developments within the crisis resolution and solvency frameworks. The bail-in provisions (burden sharing by creditors according to



None of the six Spanish banks examined by the EBA were found to have a capital shortfall in the stress tests, as they all had CET1 fully loaded ratios above the regulatory minimum in the adverse scenario for 2018.

a set hierarchy) and the MREL (Minimum Requirement for own funds and Eligible Liabilities) came into force in January. The Single Resolution Mechanism also came fully into operation. As regards the solvency framework, the ECB applied, for the first time, a common supervisory assessment methodology, known as the Supervisory Review and Evaluation Process (SREP), for setting minimum capital requirements.

In July 2016, the EBA published the results of the stress tests carried out on the 51 largest banks in the European Union, covering around 70% of total banking assets. None of the six Spanish banks tested were found to have capital needs, as they all had CET1 fully loaded ratios above the regulatory minimum in the adverse scenario for 2018.

In Spain, the adaptation of domestic legislation to EU regulations continued on schedule. In April the Banco de España's accounting circular (Circular 4/2016), which lays down the accounting rules for banks, was amended to improve the criteria for the recognition of loan loss provisions, the classification of transactions, the soundness of the estimation of provisions and the proper treatment of collateral for accounting purposes. Additionally, the Banco de España has for some time been participating actively, within the Single Supervisory Mechanism, in the development of a common supervisory methodology that will incorporate best practices and be applied consistently in all the countries.

02.2

KEY INDICATORS AND FINANCIAL INFORMATION.

BANKIA ENDED THE YEAR WITH A COMFORTABLE SOLVENCY POSITION, WHICH ALLOWED IT TO INCREASE THE DIVIDEND BY 5%. PROFITS WERE DOWN 804 MILLION EUROS DUE TO THE LOW INTEREST RATES AND THE INITIAL IMPACT OF THE FEE EXEMPTION POLICY, ALTHOUGH THE CHANGE IN THE COMMERCIAL MODEL HAS ALREADY STARTED TO BEAR FRUIT.

RESULTS

During 2016 Bankia persevered in its efforts to become increasingly aligned with its customers' needs (which are at the heart of the business), more efficient, stronger and capable of creating value for its shareholders and continuing to repay the state aid it received.

One of the highlights of the year was Bankia's commercial repositioning, which started in January 2016, with the decision to withdraw fees from customers with direct deposit of income. In view of the favourable results, the scheme was subsequently extended to self-employed professionals, digital customers and mortgages.

The new fee policy stimulated commercial activity by enhancing customers' loyalty and satisfaction with the bank and yielded some significant results:

- The number of people who have their salary or pension deposited directly into an account at Bankia grew by 172,300 (6.9%).
- A total of 522,570 new credit and debit cards were issued, boosting card payments in retail establishments by 10.4%.
- Deposits increased by 1,859 million euros to reach 98,848 million.
- Off-balance-sheet customer funds reached 20,096 million, 1,080 million more than at the end of 2015.
- Market share grew: in mutual funds, from 5.44% to 5.53%; in consumer finance, from 4.17% to 4.84%; and in business lending, from 7.03% to 7.16%.

Another milestone in 2016 was the progress made in Bankia's digital transformation, which included improvements in platforms and the startup of new services. The following data illustrate the positive outcome of that process:



- The number of multichannel customers rose 20%, to 37.6% of the total.
- Transactions carried out from mobile devices also took a leap (from 25.2% to 30%).
- The digital banking service personal account managers already serves nearly 300,000 customers (triple the number in 2015), with a business volume of more than 11,000 million.

The transformation of the commercial model and the advances in multichannel distribution had a positive impact on the customer satisfaction index, which rose from 82.4 to 87.3%, its highest level in the last five years. In the mystery shopper survey the service scored 7.64, compared to a sector average of 7.04.

FEES AND INTEREST RATES SET THE PACE

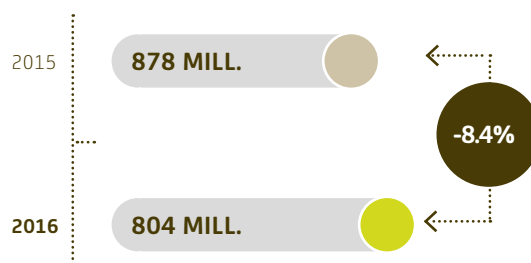
Thanks to the deepening of customer relationships, fourth-quarter fees and commissions contributed 213 million euros, the highest quarterly figure for the year, attenuating the initial negative impact of the fee exemptions on fee income, which in the end fell only 12.2%, to 824 million.

Net interest income was also affected by exceptional circumstances, dropping to 2,148

million euros, a decrease of 18.1%. This result was attributable to the decline in the Euribor, the dwindling return of the fixed-income portfolios (including the SAREB bonds) and the removal of floor clauses, which Bankia has not included in consumer mortgages since September 2015 but which forced the bank to record a provision of 93 million euros in 2016.

In contrast to the decline in net interest income, net trading income (NTI) contributed 241 million, thanks to gains from turnover of sovereign debt in the available-for-sale portfolio.

PROFIT



*For comparability, the results for 2015 exclude the contribution of City National Bank.

02.2

KEY INDICATORS AND FINANCIAL INFORMATION.

EXPENSES: TOWARDS RATIONALISATION

To attenuate the negative impact of the decline in fee and commission income and interest rates, Bankia continued to apply a strict cost management policy, which helped it to achieve an efficiency ratio of 48.9% at the end of 2016, one of the best results among the large Spanish financial institutions.

Specifically, operating expenses (administration expense and depreciation

and amortisation) followed a downward trend from the first quarter of the year, resulting in a cumulative year-on-year decline of 3.1%. The fall in general expenses and staff costs was especially significant, driven by the rationalisation measures implemented once the group restructuring was complete.

Steady balance sheet quality improvement also helped sustain the income statement by reducing the stock of non-performing loans and foreclosed assets and thus also the level of provisioning.

Provisions absorbed 494 million euros, 31.4% less than in 2015. Added to this are the 93 million provided for the removal



804

Attributable profit
in millions of euros



48.9%

Efficiency ratio
achieved by applying a strict cost reduction policy



13.02%

CET1 capital ratio
fully loaded (under 2019 Basel II requirements)

of floor clauses. As 114 million euros of provisions were already taken the previous year against this potential risk, Bankia considers the effects arising from floor clause removal to be fully covered.

PROFIT: DIVIDEND INCREASES, BASED ON CAPITAL STRENGTH

The result of all the above was a net attributable profit of 804 million euros, down 22.7% compared to 2015.

Independently of the interest rate environment and the introduction of the new fee policy, two factors in particular explain a large part of the decrease in profit. On the one hand, the provisions for floor clauses, as already mentioned. On the other, the non-like-for-like comparison with the results for 2015, which included 164 million euros from the sale of City National Bank of Florida.

In spite of everything, Bankia maintains a comfortable solvency position, as is apparent from the fact that it ended 2016 with a Common Equity Tier 1 (CET1) ratio on a fully loaded basis (i.e., under the Basel requirements that will apply in 2019) of 13.02%, having risen 76 basis points during the year. If the gains on government debt

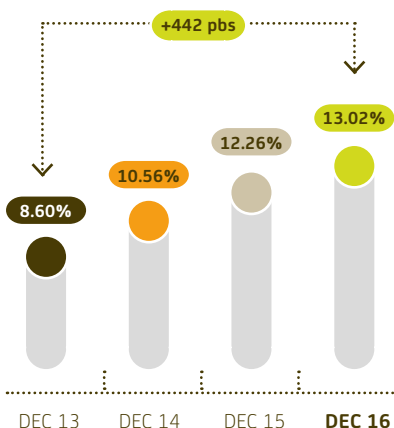
DIVIDENDS PAID IN THREE YEARS 820 MILLION

portfolios were taken into account, the figure would be 13.53%. These ratios greatly exceed (by 252 and 302 basis points, respectively) the minimum levels required by the ECB and are almost double the fully loaded CET1 ratio recorded by the bank immediately after the injection of public funds in 2012 (6.82%).

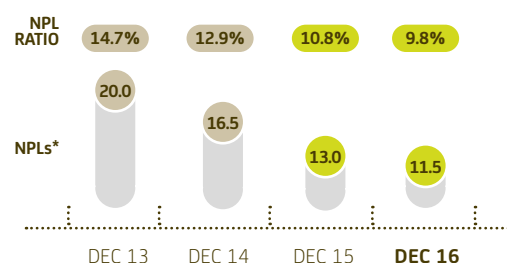
The improvement in solvency is a consequence of the capitalisation of profit (after deducting the dividend), balance sheet deleveraging, the sale of non-strategic assets and the pursuit of growth in business segments that have a high credit rating.

In view of this situation, the Board of Directors resolved to recommend to the General Meeting a dividend of 317 million euros, 5% more than the dividend paid out of profit for 2015. This dividend brings to 820 million the share of profit paid to shareholders in the last three financial years. Of this total, 530 million go to the State, which thus continues to recover the aid granted to the bank.

CET1 RATIO FULLY LOADED



NPLS AND NPL RATIO



* In billions of euros.

02.2

KEY INDICATORS AND FINANCIAL INFORMATION .

AN INCREASINGLY HEALTHY BANK

Bankia ended 2016 as a more healthy institution. The group's non-performing loans (NPLs) stood at 11,476 million euros, down 1,520 million (11.7%) compared to December 2015. The reduced inflow of new NPLs, effective recovery management and portfolio sales (mainly of SMEs) explain the decline.

As a result, the NPL ratio fell 100 basis points to 9.8% and the coverage ratio reached 55.1%, despite the new calculation rules introduced by the Banco de España, which are more demanding than the previous ones.

The strategy of reducing problem assets extended to the stock of foreclosed properties, which fell 16.4%, with the sale of 9,350 properties, bringing proceeds of 535 million euros. At 31 December, 80% of the stock consisted of liquid assets (in particular, used housing and new build), which facilitates future divestment.

On the other hand, Bankia ended 2016 with a balanced retail funding structure and a loan-to-deposit ratio of 97.2%. Wholesale debt accounted for 11% of the group's liabilities. An additional 2,286 million euros of debt was issued during the year. Funding provided by the ECB amounted to 14,969 million.

SHARE PERFORMANCE

The financial markets experienced severe turbulence during 2016 due to the geopolitical instability arising from the United Kingdom's referendum on withdrawal from the European Union and the United States presidential elections. In this context, the Ibex-35 ended the year down 2%.

There was a marked difference in the financial sector's stock market performance between the first and the second half. Until mid-2016 the performance shows a slowdown in activity levels and the impact of the ECB's extraordinarily lax monetary policy on income statements. In the second part of the year, in contrast, valuations recovered significantly in expectation of a sustainable improvement in the economy and in inflation. Even so, the Euro Stoxx Banks shed 8% over the 12-month period.

The Bankia share fell 9.6%, in line with the industry. Average daily trading volume was 32.3 million securities, with an average value of 26 million euros per session. The number of shares in issue remained unchanged at 11,517 million, of which 34.1% was the free float and 65.9% was held by BFA, Bankia's parent company, which is owned by the State.

SECOND DIVIDEND

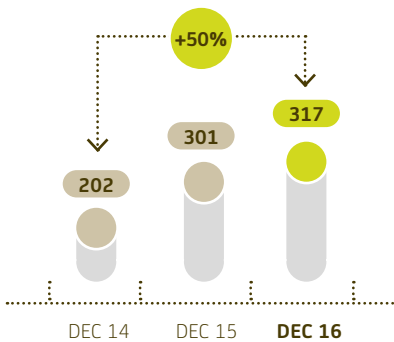
Following approval by the General Meeting of Shareholders, on 31 March Bankia paid a full cash dividend out of profit for 2015, the second dividend in the company's history. The dividend was 2.625 cents per share and amounted to a total of 300.7 million euros. The payout ratio was 29%.

ANALYSTS' CONSENSUS

At 31 December 2016, the number of analyst firms that actively covered and provided a target price for the Bankia share was 33, two more than in 2015. The analysts' consensus target price at that date was 0.87 euros per share. Of the recommendations, 39.4% were buy, 21.2% sell and 39.4% hold.

DIVIDEND

In millions of euros



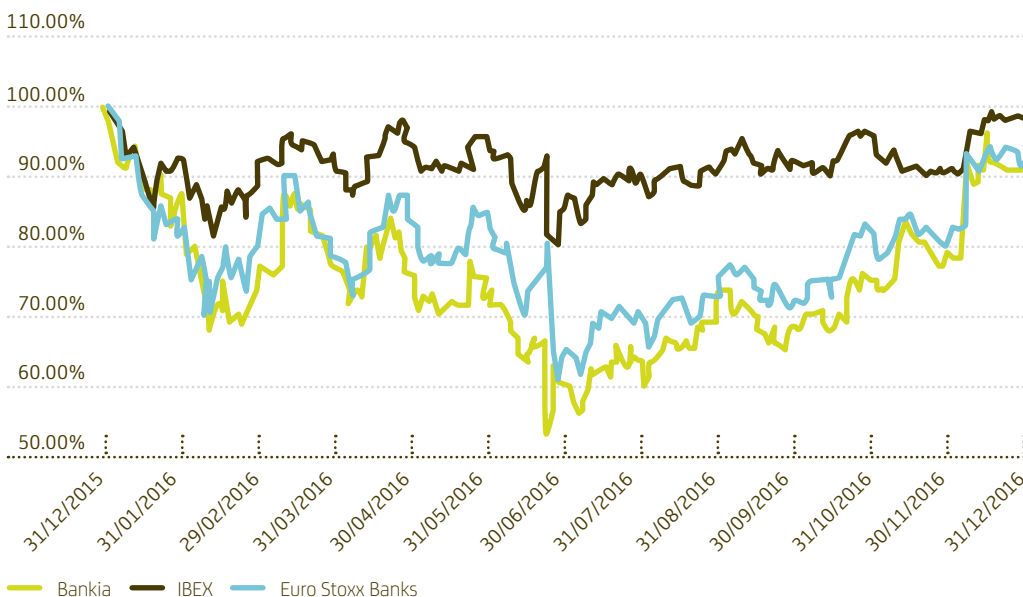
HIGH

1.044€

MARKET CAPITALISATION
AT YEAR-END 2016

€11,183 MN

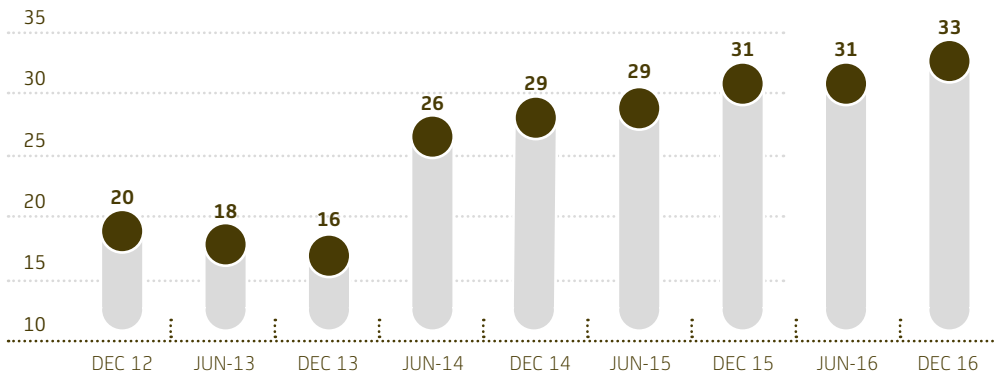
BANKIA SHARE, IBEX-35 AND EURO STOXX BANKS PERFORMANCE DURING 2016 WITH BASE 100



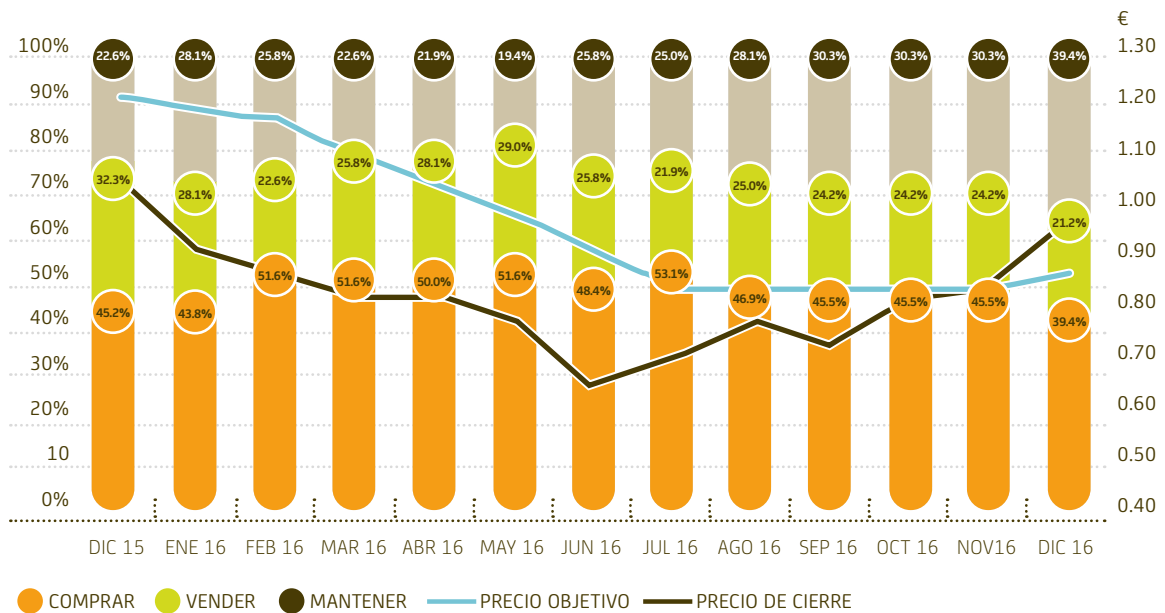
02.2

KEY INDICATORS AND FINANCIAL INFORMATION .

NUMBER OF ANALYSTS COVERING THE SHARE



TREND IN RECOMMENDATIONS, TARGET PRICE AND CLOSING PRICE



The accomplishment of all the 2012-2015 Strategic Plan objectives, the upturn in the banking business, the reduction of problem assets and the improvement in capitalisation all had a positive impact on Bankia's rating during 2016.

RATING

The sovereign rating remained stable. Standard & Poor's (S&P), Fitch and DBRS affirmed Spain's sovereign rating at 'BBB+', 'BBB+' and 'A low', respectively, all with a stable outlook. The three agencies took into account the strengthening of the country's macroeconomic variables and the stabilisation of the property market, which had favourable knock-on effects for the banking industry.

For Bankia, the success in accomplishing all the 2012-2015 Strategic Plan objectives, the upturn in the banking business, the reduction of problem assets and the improvement in capitalisation all had a positive impact on ratings during 2016. The rating actions during the year were as follows:

- **Standard & Poor's.**

On 5 April S&P raised Bankia's rating from 'BB' to 'BB+' and maintained the positive outlook, reflecting the observed improvement in the bank's funding and liquidity profile. It affirmed the short-term rating at 'B' and the long-term rating at 'BB+' and upgraded the subordinated debt from 'B' to 'B+'. The stand-alone credit profile went from 'bb' to 'bb+', up three notches from 2013, when it was 'b+'. Increased asset quality, prudent risk management, business and franchise stabilisation, increased capital strength and the funding position explain this progress. On 15 January S&P affirmed the rating of Bankia's mortgage covered bonds at 'A+/'

INVESTMENT GRADE RATING FROM S&P AND FITCH RATINGS

BBB-

Stable', reflecting in particular its positive assessment of the reduction of the risk associated with the residential loan portfolio. On 3 November, following a complete review, it affirmed the 'A+' rating.

Moving on into 2017, on 9 February S&P lifted Bankia's rating a notch to 'BBB-' and maintained the stable outlook. This means that the bank has recovered its investment grade rating almost five years later, thanks to the strengthening of its capital.

- **Fitch.**

On 23 February, Fitch raised Bankia's rating from 'BB+/Positive' to 'BBB-/Stable', restoring it to investment grade. A decisive factor in this upgrade was the increase in the viability rating from 'bb+' to 'bbb-', up five notches since December 2013, in recognition of the bank's accelerated restructuring, the

02.2

KEY INDICATORS AND FINANCIAL INFORMATION .

improvement in the quality of its assets and the strengthening of its capital. The long-term rating was 'BBB-', the short-term rating went from 'B' to 'F3' and the subordinated debt, from 'BB' to 'BB+'. On 15 February 2017, Fitch Ratings gave the bank a long-term rating of 'BBB-', with a stable outlook. On 26 February 2017, Fitch lifted the rating of the mortgage covered bonds from 'A-/Positive' to 'A/Stable' and affirmed this rating on 5 August and 4 November, after updating its methodology.

- **DBRS.**

In the first half of 2016 Bankia publicly solicited issuer credit ratings from DBRS, which issued ratings on 8 July, based on an assessment of Bankia's intrinsic financial strength. The results, all with a stable outlook, were as follows: long-term unsecured senior debt and deposit rating: 'BBB (high)'; short-term debt and deposit rating: 'R-1 (low)'; long-term critical obligations rating: 'A'; short-term critical obligations rating: 'R-1 (low)'. The two long-term ratings enter investment grade. On 21 January, 14 March and 29 April, DRBS affirmed its 'AA' rating of the mortgage covered bonds on the occasion of the three issues totalling 2,282.5 million euros. On 23 June, it raised the rating to 'AA (high)' and affirmed it on 23 September.

- **Scope.**

During the first half, Bankia also asked Scope to assign ratings to its mortgage covered bonds, which in July the agency rated 'AAA' with a stable outlook, based on the level of intrinsic strength, the legal framework and an analysis of the portfolio backing the issues.

- **Moody's.**

In October 2013 Bankia terminated its contractual relationship with Moody's, which nonetheless continued to publish "Unsolicited" and "Non-participating" ratings for Bankia, based on publicly available information. The bank has repeatedly asked Moody's to stop doing so, but the agency is not obliged to accept the request.



BANKIA RATINGS PERFORMANCE IN 2016

ISSUER RATINGS

	S&P		Fitch		DBRS	
	DIC 15	DIC 16	DIC 15	DIC 16	DIC 15	DIC 16
LONG-TERM	BB	BB+ (+1)	BB+	BBB- (+1)	---	BBB (HIGH)
OUTLOOK	POSITIVE	POSITIVE	POSITIVE	STABLE	---	STABLE
VIABILITY RATING	bb	bb+ (+1)	bb+	bbb- (+1)	---	bbb (high)
SHORT-TERM	B	B	B	F3 (+1)	---	R-1 (low)

MORTGAGE COVERED BOND RATINGS

	S&P		Fitch		DBRS		Scope	
	DEC 15	DEC 16	DEC 15	DEC 16	DEC 15	DEC 16	DEC 15	DEC 16
RATING	A+	A+	A-	A (+1)	AA	AA (high) (+1)	---	AAA
OUTLOOK	Stable	Stable	Positive	Stable	---	---	---	Stable

02.3

STRATEGY.

ONE YEAR AGO, BANKIA TOOK STOCK OF THE 2012-2015 STRATEGIC PLAN AND FOUND THAT SUBSTANTIALLY ALL THE UNDERTAKINGS GIVEN TO INVESTORS AND TO SOCIETY HAD BEEN MET, BOTH IN TERMS OF PROFITABILITY AND IN TERMS OF EFFICIENCY, CAPITAL AND LIQUIDITY GENERATION AND BALANCE SHEET QUALITY. AMONG THE SIX LARGEST SPANISH BANKS, BANKIA ENDED THAT YEAR AS THE LEADER IN SOLVENCY, EFFICIENCY AND PROFITABILITY.

It was explained at that time that regulatory uncertainty, especially regarding the new capital rules, made it difficult to commit to mid to long-term targets, so publication of the new financial plan was postponed until the final criteria of what is known as Basel III were decided.

Meanwhile, Bankia launched a new positioning, aimed at laying solid foundations for the customer relationship, with a clear medium-term ambition, namely, that when people think of Bankia, they think of a bank that is close, simple and transparent.

The first step in the new positioning was to remove all fees and charges for customers who have their income, be it a salary or a pension, deposited directly in Bankia. Initially, this exemption benefitted 2.4 million customers, whose debit card, and also their credit card, became free of charge simply by using it once. Since then, they can also make unlimited credit transfers through any channel at no cost and pay in cheques or withdraw cash from all Bankia ATMs free of charge, as well as from

Euro6000 and Banco Sabadell ATMs up to four times per month, also free of charge.

This initiative has had very satisfactory results, as in its first year Bankia increased the number of customers who have their income deposited directly in the bank by nearly 172,300.

The scope of the fee exemption was extended during the course of the year to include other customer groups. In May 2016 it was extended to all self-employed professionals who pay their taxes or social security by direct debit through Bankia. In November the bank launched the Cuenta_ON account, which is completely free for customers who want to interact with the bank through digital channels.

On 11 January 2017, on the first anniversary of the launch of the new positioning, Bankia went a step further, with the launch of the Hipoteca SIN Comisiones fee-free mortgage. This product extends the principles of simplicity and transparency by eliminating the charges traditionally associated with mortgage



loans (arrangement, early repayment and redemption). The only requirement is to have an income deposited directly in the bank. The customer is not required to take up any additional Bankia product to be eligible for these terms.

With this launch, Bankia has set itself the goal of doubling mortgage production in 2017 to reach 1,600 million euros, compared to 800 million in 2016, following an upward path that is expected to continue in the years ahead.

Bankia also aims to further increase revenue from consumer finance and business loans, so that the stock of credit in both segments continues to grow and helps to shift the balance sheet towards the most profitable segments. Another development goal for the next few years relates to multichannel distribution. Bankia ended 2016 with around 300,000 customers managed through 255 personal advisers within the framework of the “Conecta con tu Experto” project. The aim is to double the number of advisers in 2017, so that the number of customers that can be managed through this system amply exceeds 500,000.

If last year Bankia changed the public part of its website for customers and launched a new mobile app, the plans for this year are to add new functionalities to the app and completely change the banking operations part of the website, so as to be able to introduce new functionalities, together with a simpler design.

Another of the ideas the bank will be working on is to make innovative high value added

THE GOAL OF THE “CONECTA CON TU EXPERTO” PROGRAMME IS TO EXCEED **500,000 CUSTOMERS**

applications available to customers and non-customers. Examples include Bankia Indicex, which allows SMEs to analyse their digital competitiveness; Inveinte, a tool for identifying available state subsidies and channelling formal applications; and the online property simulator and valuer, which can be used to calculate the costs of a mortgage loan, taking account of possible changes in interest rates or income, and also to find out the value of any property in Spain.

All these initiatives are designed to enhance customer satisfaction and attract new customers to the bank, as the progress made in these respects in the last few years is encouraging but needs to be continued.

By offering customers the best service at the most competitive price possible, Bankia’s goal is to preserve its leadership among the large banks in terms of efficiency and solvency and be more profitable than its competitors sustainably over time.

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03. CORPORATE GOVERNANCE.

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Bankia

BANKIA'S CORPORATE GOVERNANCE MODEL IS FOUNDED ON THE GROUP'S VALUES AND IS INTENDED TO ENSURE PROFITABLE AND SUSTAINABLE BUSINESS GROWTH AND LONG-TERM VALUE CREATION.

BOARD OF DIRECTORS
MEETINGS IN 2016
20

TRAINING ACTIONS
FOR BOARD MEMBERS
18

BOARD
ASSESSMENT
ANNUAL

THE APPOINTMENTS AND
REMUNERATION COMMITTEE
TAKES RESPONSIBILITY FOR
CSR

03.1

THE GOVERNANCE MODEL.

BANKIA'S CORPORATE GOVERNANCE SYSTEM IS FOUNDED ON GOVERNANCE BEST PRACTICES. THE MODEL IS ARTICULATED THROUGH INTERNAL RULES AND PROCEDURES THAT REGULATE BOTH THE WAY BANKIA OPERATES AS AN ORGANISATION AND THE WAY ITS PROFESSIONALS BEHAVE.

Bankia has a corporate governance system that has been approved by the Board of Directors and that is driven by the group's corporate values in the fields of business ethics and corporate social responsibility, namely, integrity, professionalism, commitment, proximity and achievement orientation.

The model is also underpinned by the good governance principles adopted and developed by the bank in the Corporate Governance Policy approved by the Board of Directors, which itself builds on the recommendations of the CNMV's Code of Good Governance for Listed Companies.

The system comprises a set of internal rules and procedures aimed essentially at ensuring profitable and sustainable business growth and long-term value creation, bearing in mind that the bank has a broad institutional and retail shareholder base. The rules are as follows:

- **Corporate documents.**

These are the bylaws, which lay down the fundamental rules and principles according to which Bankia is organised and operates; the General Meeting Regulations, which govern the actions and functioning of the senior shareholder representative body; and the Board of Directors Regulations, which lay down guiding principles and basic rules of operation for the Board, in line with corporate governance best practice.

- **Corporate policies.**

These are approved by the Board of Directors and set out the guidelines that govern the bank's functions, activities and processes, ensuring internal control and providing legal certainty. They are general in scope and are intended to apply over the long term. The most important issues of corporate policy at Bankia are as follows:



- Structure and corporate governance of the Bankia Group. This policy establishes guidelines and general criteria for the implementation of the Group's strategy through its different subsidiaries and governing bodies, as well as for coordination between the different companies.
- Communication and contacts with shareholders, institutional investors and proxy advisors. This policy fosters ongoing communication and dialogue with each stakeholder group, in order to build strong relationships of trust and promote transparency.
- Director selection. This policy establishes the criteria that the Board of Directors and the Appointments and Responsible Management Committee must take into account in the selection, re-election and ratification of directors. It seeks diversity of knowledge, experience and gender.
- Remuneration of directors, general managers and similar general and senior management positions.
- Selection and appointment of members of senior management. This policy takes into account the assessment procedures and related suitability requirements.
- Risk control and management. This policy deals with the treatment of the different types of risk facing the bank, the systems used to control and manage risks, the criteria for determining the acceptable levels of risk and the corrective measures available for limiting the impact of risks if they materialise.
- Investments and financing. This policy establishes the general guidelines and framework for action in these matters.
- Responsible management. This policy promotes the integration of social, environmental and corporate governance criteria in management. The aim is that management should be oriented to creating value for the different stakeholders.
- Dividends. This policy sets out the principles of shareholder remuneration, always with the aim of improving profitability and creating value sustainably.
- Treasury shares. This policy lays down the rules on transactions in the company's own shares, in accordance with the limits and other conditions established by securities market regulations.
- Conflicts of interest. This policy describes the procedures for preventing conflicts of interest between shareholders and members of the bank's Board of Directors.

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03.1

THE GOVERNANCE MODEL.

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.....

- **Internal rules of conduct.**

Bankia also has other internal rules and procedures of conduct that comply with legal or regulatory requirements or meet good governance recommendations. They include the following:

- Code of Ethics and Conduct. This code states commitments and principles for the conduct of directors, senior managers and professionals of Bankia, both internally and towards stakeholders.
- Internal Code of Conduct in the Securities Market. This code sets out the obligations arising from the bank's status as a listed company, addressing, among other matters, the market abuse regulations.

The conduct of business rules are further developed and supplemented by other internal provisions and procedures on matters such as the prevention of money laundering and terrorist financing, customer protection and the whistleblowing channel.

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THE ANNUAL DIRECTORS' REMUNERATION REPORT PROVIDES FULL, CLEAR AND COMPREHENSIBLE INFORMATION ON DECISIONS REGARDING DIRECTORS' REMUNERATION

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BANKIA has internal rules and procedures of conduct that comply with legal or regulatory requirements or meet good governance recommendations.



03.2

PROGRESS IN CORPORATE GOVERNANCE.

IN LINE WITH ITS STRATEGY OF CONTINUOUSLY IMPROVING CORPORATE GOVERNANCE, IN 2016 BANKIA EXTENDED THE POWERS OF THE LEAD INDEPENDENT DIRECTOR, DEVELOPED THE INFORMATION CHANNELS AND STRENGTHENED THE ROLE OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE.

It also passed various amendments to its bylaws and internal regulations to adapt them to the new Code of Good Governance of Listed Companies and the amendments to the Capital Companies Act (Ley de Sociedades de Capital) introduced by the Audit Act (Ley de Auditoría de Cuentas) and the Business Finance Promotion Act (Ley de Fomento de la Financiación Empresarial).

At the same time, the role of the lead director was expanded to include the following functions, besides those assigned by law:

- Chair the Board of Directors in the chairman's absence.
- Voice the concerns of non-executive directors and organise any common positions they may adopt.
- Maintain contacts with investors and shareholders to gather their points of view.

- Coordinate the chairman's succession plan.
- Conduct the chairman's performance assessment.

Following the resignation of Alfredo Lafita as director and, therefore, as lead director, in March 2016, at the proposal of the then Appointments Committee (now the Appointments and Responsible Management Committee), the Board of Directors agreed to appoint Joaquín Ayuso García to the position of lead director. The appointment was approved by the supervisory bodies.



NEW RESPONSIBILITIES

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In 2016 the Appointments Committee was also given responsibility for the management of corporate social responsibility policy and non-financial risks. Its new functions are as follows:

- Monitor, review and assess the Bank's corporate social responsibility policy and practices. The committee has accordingly been renamed the Appointments and Responsible Management Committee.
- Oversee relations with the different stakeholder groups.
- Assess matters relating to social, environmental, political and reputational risks, independently of the powers assigned to the Risk Advisory Committee and other risk oversight bodies.
- Coordinate non-financial and diversity reporting, in accordance with applicable laws and regulations and international standards.
- Ensure that the Board of Directors' decisions are not dominated by any one individual or small group of individuals against the interests of the bank.

Improvements were also made to the corporate website, both in form and in content. The changes facilitate access to information and ensure transparency, in compliance with applicable laws and regulations and the recommendations of the Good Governance Code.

03.3

DIRECTORS.

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

RE-ELECTION

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

directors. This recommendation has also been expressly incorporated in the bylaws and so is now a binding rule for the bank.

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

INDEPENDENCE

During 2016 the Board of Directors was made up of 11 directors, of which three were executive and eight independent. Thus, 72.73% of the Board's members qualified as independent. This composition meets the recommendation of the Code of Good Governance of Listed Companies that at least the half the Board be made up of independent

ASSESSMENT

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



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

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

TRAINING

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

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

PERCENTAGE OF INDEPENDENT DIRECTORS **72.73%**

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

CONFLICTS OF INTEREST

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

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

03.3

DIRECTORS.

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



€100,000

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



60%

Annual variable remuneration
maximum percentage
of annual fixed remuneration



€500,000

Executive directors
Maximum amount
received per annum.

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

REMUNERATION

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

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

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

As regards variable remuneration, Bankia's Board of Directors, following the recommendations of the Remuneration Committee, has set the bank's objectives and gives priority to compliance with the

Restructuring Plan. It has also set the parameters for adjusting the types of risk that affect its risk profile, taking into account the cost of capital and the need for liquidity.

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

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

03.3

DIRECTORS.

REMUNERATION OF THE BOARDS OF DIRECTORS

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

Figures in thousands of euros.

MANAGEMENT COMMITTEE

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

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

(1) In 2016 the executive directors earned a total of 250,000 euros (the set target amount), which they will receive from 2020. Of that total, 60% will be received in 2020 and the remaining 40% in 2021, 2022, and 2023. It will be paid 50% in cash and 50% in shares. These amounts are still awaiting final valuation and the authorisations and approvals required under applicable law.

(2) Corresponds to remuneration in kind for 2016.

(3) Includes the target amount of variable remuneration for 2016 of the four members of the Management Committee, which amounts to 725,000 euros, though still awaiting final valuation and approval.

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

DIRECTOR SELECTION AND SUCCESSION PLAN

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

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

This policy is:

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

The purpose of the Senior Management Succession Plan is to:

- Identify successors for the main management positions in the bank.

- Create effective development and career plans to ensure that candidates are prepared when the time comes.
- Detect succession weaknesses and establish action plans to remedy them.

Senior Management is understood to comprise:

- Chairman
- CEO
- Management Committee
- Corporate managers.

These plans are based on the following criteria:

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



03.4

CORPORATE INTEGRITY.

BANKIA'S CORPORATE INTEGRITY PRINCIPLES ARE SET OUT IN THE CODE OF ETHICS AND CONDUCT, WHICH IS THE CENTRE PIECE OF THE FRAMEWORK FOR THE PREVENTION AND DETECTION OF MISCONDUCT. THE CONFIDENTIAL WHISTLEBLOWING CHANNEL IS ANOTHER KEY TOOL.

CODE OF ETHICS AND CONDUCT

The Bankia Group has a Code of Ethics and Conduct, which sets out rules and criteria for professional conduct that apply to and are binding on all the bank's professionals and directors and across all the group's activities and businesses. Enforcement of ethical standards of behaviour and corporate integrity is essential in order to preserve trust in, and respect for, the bank.ad.

The goals of the code are as follows:

- Specify the conduct that is permitted and the conduct that is prohibited by the bank.
- Establish the ethical principles and general rules that must govern the behaviour of the group and its professionals towards

one another and towards customers, shareholders, suppliers and all the individuals and institutions with which the group, directly or indirectly, has relations.

The code revolves around various themes:

- **Ethical principles and values.** Commitment, integrity, professionalism, proximity and achievement orientation.
- **Corporate ethics.** The code establishes the values that should guide the group's relations with its professionals, customers, suppliers and society at large. In particular, it is intended to prevent institutional conflicts of interest by erecting barriers that will stop non-public information on its investment decisions and other activities from being used abusively or unlawfully.
- **Ethics and integrity in the markets.** Various procedures and controls have been designed and implemented to ensure



compliance with international standards in this area. In particular, policies have been put in place to prevent market manipulation and misuse of inside information and to foster free market competition and transparency. Policies have also been developed to prevent corruption crimes. Bankia has various control mechanisms for this purpose and has training plans for managers and other professionals. There are also various specific recommendations to prevent corruption in supplier selection, incentives and credit risk.

- **Personal ethics.**

Accepting gifts, presents, money or commissions of any kind for operations carried out by Bankia and influencing matters in which there are actual or potential conflicts of interest is expressly prohibited.

The group's professionals have an obligation to know, comply with and help to enforce the Code of Ethics and Conduct. This includes the obligation to report any evidence or proof of infringement through the channels made available for that purpose.

CONFIDENTIAL WHISTLEBLOWING CHANNEL

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To facilitate enforcement of the code and internal reporting, the Audit and Compliance Committee approved the establishment of a confidential whistleblowing channel, which allows employees to notify any misconduct through a special online platform or by email.

The channel has its own regulations, approved by the Audit and Compliance Committee, which establish mechanisms for the receipt, filtering, classification and resolution of reports in accordance with Spanish Data Protection Agency standards.

03.4

CORPORATE INTEGRITY.

The channel is managed by a specialised external company (currently PwC), under the oversight of the Ethics and Conduct Committee, which is responsible for ensuring that all reports received are assessed independently and that the information is shared only with persons whose collaboration is strictly necessary to research and resolve the matter. The reporting procedure is completely confidential and the anonymity of the whistleblower is guaranteed, except for the persons directly involved in responding to the report and checking the facts.

Both the Code of Ethics and Conduct and the Confidential Whistleblowing Channel are available on Bankia's corporate website and the employee intranet.



100%

Employees
must know and follow
the Code of Ethics and Conduct.



29

Reports received
via the Whistleblowing Channel
since it was created.



11

**Meetings of
the Ethics and
Conduct Committee.**

In the last year, six reports or inquiries were received via the Confidential Whistleblowing Channel. After internal analysis, it was found that in none of the cases was there any violation of the Code of Ethics and Conduct.

TYPES OF REPORTS OF MISCONDUCT RECEIVED	2016	2015
Market abuse		
Workplace bullying	2	1
Irregular conduct with suppliers		2
Misappropriation or syphoning off of resources		
Accounting and auditing aspects	1	2
Confidentiality or use of insider information		
Conflicts of interest		
Question/Suggestion	1	1
Falsification of contracts, reports or records		
Infringements regarding securities or equities trading		
Environmental protection		
Information security	1	1
Physical security		
Bribery or corruption		
Infringement of employee rights		1
Other	1	3
Total reports of misconduct submitted	6	11

03.5

INTERNAL CONTROL AND COMPLIANCE.

THE GROWING COMPLEXITY OF REGULATORY AND SUPERVISORY RULES HAS MADE INTERNAL CONTROL AND COMPLIANCE ACTIVITIES INCREASINGLY IMPORTANT. BANKIA HAS AN EFFECTIVE ORGANISATION TO ENSURE RESPECT FOR THE RULES THAT REGULATE ITS ACTIONS.

CRIMINAL RISK PREVENTION

Bankia's criminal risk prevention model, which was updated with the Board of Directors' approval in 2016, identifies the activities in which criminal offences may be committed and must be prevented and the necessary protocols and procedures to avoid any behaviour that could give rise to criminal liability. The model requires the implementation of controls (some general, others more specific, assigned to previously appointed officers) and adopts the rules of conduct contained in the bank's Code of Ethics and Conduct.

The measures specified by the model include awareness building among senior managers, directors, employees, legal counsel and representatives regarding the importance of compliance with the controls and standards.

In 2016 the directors, the crime prevention officers and the individuals responsible for the implementation and enforcement of the established controls received classroom training on this subject. In 2017 the programme will be extended to all staff, as a continuation of the training already received in 2015.

The area responsible for crime prevention in the bank, by appointment of the Board of Directors, is the Regulatory Compliance Directorate, which must verify and supervise the measures and procedures put in place to palliate the risk of crimes that could give rise to criminal liability for the company.

ANTI-MONEY LAUNDERING/ COMBATING THE FINANCING OF TERRORISM (AML/CFT)

The Bankia Group collaborates actively with the institutions responsible for supervising and controlling compliance with the Spanish laws and regulations designed to prevent the laundering of the proceeds of criminal activities and the financing of terrorism, which faithfully reflect the EU directives on this matter. For this purpose, Bankia has established mandatory rules and procedures to:

- Ensure compliance with applicable AML/CFT laws and regulations and the recommendations of the national and international authorities.
- Implement the necessary rules of conduct and control and reporting systems to prevent the bank from being used to launder money.
- Establish appropriate customer acceptance and know-your-customer policies, ensuring that all employees are aware of and adhere to them.

EMPLOYEES WHO RECEIVED AML/CFT TRAINING

10,502

The group has general AML/CFT policies that are binding on all its companies, employees and outside contractors. These policies are under continuous review in order to adapt them to changes in the law. To ensure compliance, each subsidiary and unit with significant exposure to money laundering risk has its own AML officer and a specific AML/CFT policies and procedures manual.

Bankia has the necessary systems and controls in place to segment customers, products and transactions appropriately according to their risk profile, detect suspicious transactions and properly identify, accept and know its customers. As required by law, the bank's AML/CFT procedures are audited annually by an independent expert to detect any incidents and, where necessary, propose improvements. The results of the audit are reported to the Board of Directors.

03.5

INTERNAL CONTROL AND COMPLIANCE.

The bank is aware that the best form of prevention is employee information and awareness and so gives special importance to training, which is organised through the bank's annual training plans. In 2016, 10,502 employees of the group received AML/CFT training.

which is a not-for-profit professional association of advertisers that advocates ethics, responsibility and efficiency in companies' communication and dialogue with society and defends freedom of competition and communication.

COMMUNICATION AND ADVERTISING

Bankia is firmly committed to compliance with and application of the principles and standards for advertising by banks. Accordingly, all commercial communications issued by the bank respect the values of truthfulness, objectivity, fairness and honesty.

The commitment to respect the abovementioned values is reflected in:

1. The existence of a Policy on Commercial Communications with Customers, approved by the Board of Directors, which sets out the criteria and rules that must be followed in creating and launching the bank's advertising.
2. Bankia's membership of Autocontrol, an independent association for advertising self-regulation, and the Asociación Española de Anunciantes,

INTERNAL CONTROL

The Corporate Internal Audit Directorate is responsible for supervising and evaluating the effectiveness of the bank's corporate governance, risk management, internal control and information systems and verifying compliance with internal and external standards.

The directorate must report periodically to the Audit and Compliance Committee and to the bank's senior management on the implementation and results of the Annual Audit Plan and the audit recommendations and their degree of implementation. This reporting obligation is met by submitting the Audit Follow-Up Report at quarterly intervals to the Audit and Compliance Committee and the Management Committee.

The Internal Audit function covers all the activities carried out in the group and has unlimited access to the information it needs for the performance its tasks and to all the bank's facilities. In carrying out its work it may communicate with and gather information from any senior manager or employee of the

bank. The Corporate Internal Audit Directorate is also an active member of various committees that control the Group's activity, including the Regulatory Compliance Committee, the Ethics and Conduct Committee, the Operational Risk Committee and the Regulatory Monitoring Committee. In addition, it attends meetings of the Anti-Money Laundering Committee and the Provisioning Committee, with the right to speak but not to vote.

Internal Audit is responsible for seven processes, which describe the activity it carries out:

- Preparation of the Audit Plan.
- Execution of business centre audits.
- Execution of process, centre and system audits.
- Follow-up of recommendations.
- Audit system development.
- Internal audit communication and reporting.
- Collaboration with and coordination of external audit.

**AUDITS OF PROCESSES,
PRODUCTS AND CENTRES**

244

**BRANCH AUDITS
PER AUDIT PLAN**

880

**FRAUD PREVENTION
ALERTS**

1,021

TAX POLICY

Promoting responsible tax, working to prevent and combat fraud and implementing transparency programmes are principles that help to ensure effective, sustainable development and have become essential for building trust among stakeholders.

To preserve these principles, Bankia takes specific measures to manage and control tax risks, has internal control systems in place and has established policies to guide conduct in various areas, including corporate tax policy and tax risk management, transparency, corporate responsibility and corporate governance.

The Board of Directors sets tax strategy, approves the risk policy, including the policy on tax risks, supervises internal reporting

and control systems, approves investments that entail special tax risk and authorises the creation of, or acquisition of interests in, entities domiciled in tax havens. The Audit and Compliance Committee, for its part, supervises the tax risk management system and reports to the Board on the creation of, or acquisition of interests in, entities domiciled in countries or territories that are considered tax havens.

The tax principles governing Bankia's activity are as follows:

- **Transparency.**

Bankia adheres to a transparent policy on tax management and the payment of its taxes, thus complying with regulatory requirements regarding access to the activity of credit institutions and prudential supervision.

- **Compliance with obligations.**

Bankia applies at all times the tax regulations applicable in Spain, which is the tax jurisdiction in which all its activity takes place, as well as the pertinent international guidelines and standards, such as the guidelines and action plans of the Organisation for Economic Co-operation and Development (OECD). Bankia files all the tax returns required by tax regulations, settles its tax liabilities and pays its tax debts in Spain in a timely manner.

- **Risk exposure.**

When analysing transactions involving special tax risk, Bankia takes into account their short and long-term impact on the bank's reputation, its shareholders and customers, its relationship with governments and tax authorities and other areas of the organisation.

03.5

INTERNAL CONTROL AND COMPLIANCE.

Actions in the following areas require Board approval:

- **Transactions between related parties.**
All related-party transactions are carried out at arm's length.
- **Tax havens.**
Bankia does not operate in tax havens for tax avoidance purposes.
- **Structures.**
Bankia does not use artificial tax avoidance structures or structures that do not comply with the spirit of Spanish or international regulations.
- **Divestitures of companies.**
Bankia analyses the tax implications of the divestitures in which it is engaged very carefully in order to clarify any kind of tax risk.
- **Use of tax incentives.**
Tax incentives are used in accordance with regulations.
- **Relationship with authorities and governments.**
The bank uses transparent and ethical channels of communication with the tax authorities and other institutions and public bodies. Relations are governed at all times by the principles of transparency, mutual trust, good faith and loyalty between the parties.
- **External tax advisers.**
Bankia only ever hires the services of reputable independent experts, never of individuals or firms whose integrity is in doubt.


- **Products marketed.**

All Bankia's products comply with applicable tax regulations. The tax information provided to customers is transparent.

As an expression of Bankia's firm intention to collaborate with public agencies, the bank is an active participant in the Large Businesses Forum, aimed at promoting a more cooperative relationship between Spanish companies and the tax authorities. The Forum advocates a tax policy based on the principles of transparency and mutual trust, through the pooling of knowledge and the sharing of any general problems that may arise in putting the tax system into effect.

Furthermore, in March 2016 the Board of Directors of Bankia agreed that the bank should become a member of the Code of Best Tax Practices (CBTP) of the Spanish Tax Agency (Agencia Tributaria). This code contains recommendations – which are followed voluntarily by the Tax Agency and member companies – aimed at improving the application of the tax system through increased legal certainty, reciprocal cooperation between the Tax Agency and companies based on good faith and legitimate trust, and the application of responsible tax policies in companies, with the knowledge of the Board of Directors.

The group considers that proper tax management gives it greater legal certainty in tax matters, which benefits its earnings. Looking to 2017, Bankia, as a CBTP member company, intends to prepare an Annual Tax



BANKIA considers that proper tax management gives it greater legal certainty in tax matters, which benefits its earnings.

Transparency Report. This report will include information on certain aspects of the bank's economic activity and funding structure, an explanation of the most significant corporate transactions, details of the group tax strategy approved by the governing bodies and a list of transactions referred to the Board of Directors. It will also establish the extent to which the bank's tax policy is consistent with the principles of the OECD's BEPS package, which is intended to fight tax fraud, erosion of tax bases and the shifting of profits to low-tax jurisdictions.

In collaborating with the Tax Agency to enhance tax transparency, the bank aims to foster early knowledge of tax policy and facilitate tax risk management. All this will lead to increased legal certainty, lower compliance costs and fewer disputes with the Tax Agency, besides enhancing the Group's reputation.

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EMPLOYEES WHO RECEIVED
TRAINING IN CRIMINAL RISK
PREVENTION IN 2016

160

.....

EMPLOYEES WHO RECEIVED
TRAINING IN DATA SECURITY
AWARENESS IN 2016

194

.....

.....

03.5

INTERNAL CONTROL AND COMPLIANCE.

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INFORMATION SYSTEMS

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The Bankia Group is currently implementing an Information Governance model. This is a far-reaching, enterprise-wide transformation project encompassing all corporate information in the regulatory, analytical, commercial and risks areas. The aim is to move towards a model that is in line with best market standards and compliant with the risk data aggregation (RDA) requirements introduced by the Basel Committee on Banking Supervision.

The project comprises three lines of action:

- Organise information through a single data repository and a common data dictionary.
- Optimise data provisioning and ensure consistency and flexibility in data use.
- Implement an information quality governance and control model throughout the data life cycle, with the creation of the role of Chief Data Officer.

In 2016 progress was made in the following aspects of the project:

- Completion of the inventory of the various statements and reports required

for regulatory and analytical purposes, with the aim of identifying and supplying the set of dimensions and metrics needed to construct those statements and reports through the Corporate Data Repository, introducing the first Finrep reports (consolidated financial reporting) into the repository.

- Start of work on the creation of a Single Glossary of Terms, which will give data users a single definition of the various business concepts, including the dimensions and metrics relating to the financial statements.
- Conceptual definition of the dashboard model that will be used to monitor information quality and perform preliminary analyses on the Corporate Data Repository.
- Start of implementation of the governance model that will allow any type of information request to be handled efficiently and transparently from source to final response.

Information is one of BANKIA's most important assets and protecting it is one of the priorities of the Cyber Security Transformation Plan launched in 2016 and backed by the Cyber Security Committee.

DATA PROTECTION AND INFORMATION SECURITY

Bankia has adopted a set of measures to ensure appropriate application of data protection principles and protection of customers' rights in this regard. The rules include instructions and provisions concerning the information that must be provided when collecting data, the duty of secrecy and custody of data, the need to obtain consent for data processing, and the exercise of the rights of access, rectification and cancellation.

Information is one of Bankia's most important assets and protecting it is one of the priorities of the Cyber Security Transformation Plan launched in 2016 and backed by the Cyber Security Committee, which was set up specifically to monitor the plan. The plan establishes that the persons who process Bankia's information must meet certain objectives in 2016, 2017 and 2018. The bank also has a legal and ethical duty to protect information concerning its customers, collaborating institutions and the competent official bodies on the same terms.

As a financial institution at the service of the society that demands its services, Bankia directly assumes a very substantial part of the responsibility for ensuring comprehensive security. It has therefore marked out two broad areas of application:

- Information security. Bankia protects the information it needs in order to achieve its business objectives by applying its body of information security regulations, which are binding on all those who process the bank's information.
- Security for business continuity. The bank's policy, approved by the Board of Directors in 2016, establishes the bank's capacity to respond to interruptions and incidents that affect business processes. The aim is to inspire confidence in customers and comply with legal and regulatory requirements. Last year the bank also approved the governance model for business continuity. The goals for 2017 are to disseminate the new policy to a wider audience and carry out a training plan that will facilitate implementation of the governance model.

04 . BUSINESS MODEL.



THE MAIN CHARACTERISTICS OF BANKIA'S BUSINESS ARE CUSTOMER FOCUS, SEGMENTATION AND MULTICHANNEL DISTRIBUTION. THE GOAL IS TO PROVIDE A SERVICE THAT IS CLOSE TO CUSTOMERS, PROFESSIONAL AND TAILORED TO CUSTOMERS' NEEDS AT ALL TIMES.

SATISFACTION INDEX -
INDIVIDUAL CUSTOMERS
87.3%

SATISFACTION INDEX -
BUSINESS CUSTOMERS
95%

CUSTOMERS WITH
FEE EXEMPTION
3.3 MILLION

04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO.

A RELATIONSHIP OF TRUST WITH CUSTOMERS, WHICH IS ONE OF BANKIA'S GREAT AMBITIONS, CAN ONLY BE ACHIEVED IF CUSTOMERS ARE SATISFIED WITH THE SERVICE EXPERIENCE. CONTINUOUS IMPROVEMENT OF SERVICE EFFICIENCY AND QUALITY IS THEREFORE A PRIORITY FOR THE ENTIRE ORGANISATION. THE DECISIONS TAKEN FOLLOWING THE COURT RULINGS ON FLOOR CLAUSES AND THE BANK'S IPO TESTIFY TO THIS SPIRIT OF SERVICE TO CUSTOMERS.

Aligning the business with customers' needs, understood as an ongoing process, is the guiding principle of the bank's planning. Customers' needs are changing and the bank must be alert and listen to customers so as not to be left behind. One consequence of the listening process was the approval in early 2016 of the SIN Comisiones ("No Fees") strategy, which decisively increased customer retention and new customer acquisition. This result demonstrates that in-depth knowledge of demand is essential and that Bankia's commitment of resources to that end are more than justified.

QUALITY MEASUREMENT

To learn about customers' experience of the bank and detect new needs, over the course of the year Bankia administered more than

100,000 questionnaires. It also took part in mystery shopper campaigns (unannounced customer visits), carried out by independent firms. These activities gave a very clear image of the service provided by the branches, identifying those that set an example and those that have most room for improvement, for which specialised plans are established.

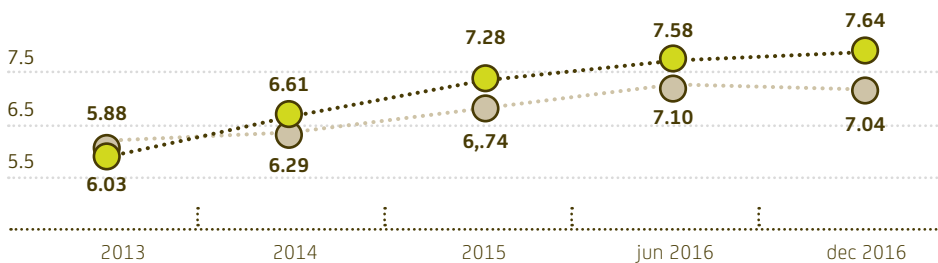
Besides assessing overall service quality, Bankia also systematically analyses the marketing of products in all business segments through the customer contact channels. The aim is to ensure that the products offered are the ones that are most appropriate for each need and that the customers who buy the products know what they are buying.

The bank also carries out continuous research to obtain highly detailed information, at individual branch level, on the starting point for the bank's positioning in the different business areas and in relation to internal customers. The results of these measurements



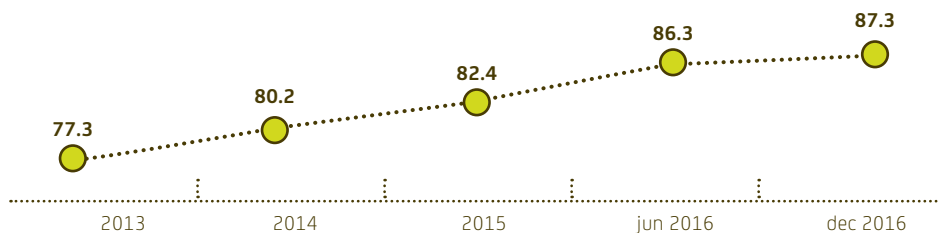
are used to implement actions that will help the bank meet its goal of being close to customers, simple and transparent.

MYSTERY SHOPPER SURVEY, BANKIA VS. SECTOR



● BANKIA ● SECTOR Source: Objective quality research (EQUOS-STIGA)

INDIVIDUAL CUSTOMER SATISFACTION INDEX



● BANKIA

.....

04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO.

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RELATIONAL QUALITY

.....

The efforts made during 2016 helped define a new form of customer relationship, one that forges a much stronger tie and that has benefited the business. These efforts led to the formulation of a Relationship Style, the purpose of which is to use customer conversations more effectively to strengthen customers' ties with Bankia. The challenge for 2017 is to implement this Relationship Style throughout the bank, building exclusive relationships with customers.

The rollout of the Relational Quality Model, planned for this year, will be an important milestone because it will help to generate higher satisfaction levels and an enhanced customer experience, and thus also an increased volume of business. The focus will be on redesigning the moments of truth, so as to offer customers the best possible service at the most important touch points in their relationship with the bank.

Another important line of work in 2017 is to start a certification process for branch professionals, with the aim of turning them into customer advice experts. At the same time, all the measurements that are need in order to have an accurate diagnosis of customers' needs and how well Bankia covers them will be maintained and implemented.

CUSTOMER SERVICE

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As an independent body, the Customer Service Department (CSD) ensures that customers' relationship with Bankia is the best it can be and entirely fair, governed by full respect for applicable law and good banking practices. The CSD not only handles customer complaints and claims but also helps prevent the most common problems by correcting the causes of customer dissatisfaction.

In 2016, the CSD implemented a variety of initiatives, ranging from quality sampling to reviews of particular procedures that have been the subject of complaints, such as floor clauses or the Bankia IPO. It also promoted the creation of task forces to tackle issues that are the subject of recurring complaints (means of payment, execution of wills, overdraft fees).

One of the SCD's greatest challenges is to reduce complaint resolution time, which already in 2015 fell from 47 to an average of 28 days. The efforts made in 2016 brought a further reduction to 20 days. This reduction was largely thanks to an increase in response capacity in the branches and the appointment of complaints officers in regional head offices. In 2016 there was also a decrease in the number of customer complaints received (from 67,703 to 34,924) and accepted for investigation (from 49,318 to 32,725).



In 2016, the CSD implemented a variety of initiatives, ranging from quality sampling to reviews of particular procedures that have been the subject of complaints, such as floor clauses or the Bankia IPO.

Among the plans for 2017 are the following:

- Implementation of new procedures, such as the project to improve the treatment of reopened complaint files.
- Training of the operators of outsourced services, following a timetable agreed with the provider.
- Operational improvements to the management tool (quality controls, automation of administrative tasks, etc.)
- Reduction of complaint processing times and increase in resolution quality.

COMPLAINTS ACCEPTED
FOR INVESTIGATION

32,725

COMPLAINTS RECEIVED
FROM CUSTOMERS

34,924

COMPLAINTS RESOLVED IN
THE CUSTOMER'S FAVOUR

14,454

AVERAGE RESPONSE TIME
FOR ACCEPTED CUSTOMER
COMPLAINTS

20 DAYS

.....

04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO.

.....

FLOOR CLAUSE REFUND

.....

As proof of its commitment to serving customers, Bankia was the first bank to put into effect, at the end of January 2017, a procedure for analysing requests for a refund of the additional amounts paid by consumers as a result of the floor clause in their mortgage. The decision was taken after the ruling by the Court of Justice of the European Union and the Royal Decree-Law passed by the Spanish government requiring banks to start such a procedure.

Based on previous experience in similar procedures, Bankia decided to provide a refund in general to all consumers who were in a similar situation to those affected by the abovementioned ruling.

All that customers had to do to use this procedure was go to their Bankia branch, where they could fill out a form requesting a refund, the amount of which, in most cases, was precalculated. Once the necessary checks had been completed, the customer was offered a refund, plus legally required interest. The customer could choose to receive a refund in cash or an amortisation of outstanding principal on their mortgage. This agile, simple and transparent procedure allowed customers to recover the same amount as with a favourable court decision but without the associated costs and delays.

The refund formula has also benefited shareholders, as it has allowed Bankia to avoid potential court costs estimated at around 100 million euros. Bankia had already recorded provisions in 2015 and 2016 totalling more than 200 million euros to cover this contingency.

Floor clauses affected 3% of Bankia's mortgage portfolio and just over 57,000 customers. In 2015 Bankia decided to stop applying any floor clauses in force at that time.

RESTITUTION OF THE INVESTMENT IN THE IPO

.....

A system similar to that used for floor clauses was set up in February 2016 to reimburse retail investors who purchased shares of Bankia in its IPO in 2011, without having to satisfy any additional condition and without the costs or delay of an in-court or out-of-court claim.

The refund, upon submission of a refund application in the branches, included the full amount of the initial investment in exchange for the return of the shares. Those who had already sold the shares received the difference between the amount paid in the

At the end of January 2017 the bank announced the launch of a fast-track procedure in BANKIA branches to allow holders of mortgage loans with a floor clause to apply for a refund of the amounts paid as a result of that clause.

IPO and the amount obtained from the sale. In both cases compensatory interest of 1% per annum was paid for the period until the investment was refunded. This procedure was started after a Supreme Court ruling backed a claim brought by two retail investors.

In its July 2011 IPO Bankia obtained a total of 1,847 million euros of funds through the retail tranche, which were provided for in full by the BFA-Bankia group in 2014 and 2015. As of 31 December 2016, a total of 1,564 million euros had been refunded to 219,876 investors, who represented 86% of the total. The bulk (810 million) of that amount was refunded through the process initiated in the branches and the rest was settled after legal proceedings.

At that date, refunds were still being processed for 4,854 shareholders (2%), who had invested some 50 million euros in the IPO and had opted to claim through the courts. Another 17,903 shareholders (7%), with an investment of 137 million, had not claimed because they sold before March 2012 with minimal losses or even a gain. There is another group of 12,989 shareholders who have not sought a refund of their investment by any of the means available to them.

ESTIMATED SAVING IN COURT COSTS THROUGH FLOOR CLAUSE REFUND

€100 MILLION

AMOUNT REFUNDED FROM IPO

€1,564 MILLION

04.2

RETAIL BANKING.

SPECIALISATION IS ESSENTIAL IN ORDER TO PROVIDE EACH TYPE OF CUSTOMER WITH THE SERVICES THEY DEMAND. BANKIA HAS SEGMENTED ITS SERVICE TO INDIVIDUAL, SME AND SELF-EMPLOYED CUSTOMERS, SO THAT IT CAN GET TO KNOW THEIR NEEDS IN DETAIL. THE STANDOUT RETAIL BANKING INITIATIVE IN 2016 WAS THE FEE EXEMPTION STRATEGY.

Among the bank's different business areas, Retail Banking centres on individuals, small businesses (with annual sales of up to 6 million) and the self-employed, applying a universal banking model. Its main objective is to build customer loyalty and increase customer retention through value-adding products and services, reliable advice and quality service.

In Retail Banking the strategy involves specialising in five different customer profiles: Private Banking, Personal Banking, High Potential, SMEs and Self-Employed, and Individuals. Customers can then be assigned to specific account managers, who will manage their relationship with the bank, so as to achieve higher satisfaction levels and generate new business opportunities. CRM (customer relationship management) and Big Data models are essential for this purpose, as they help detect users' needs at any given time.

To support this strategy, the bank has various types of branches, including universal

banking branches, Agile Branches (with extended opening hours and intended mainly for quick transactions and inquiries), Plus+ Branches (specialising in advice) and the "Conecta con tu Experto" service (providing advice to digital customers).

It is also crucial for Bankia to provide a more consistent, higher quality service to households, which is why all the members of a given family are assigned the same account manager. Specific products are available for different types of customer: children, young people or seniors. They include the Mi Primera Cuenta and Cuenta Joven accounts for children and young people and the Bankia.es discounts section, with special offers in travel, restaurants, fashion, electronics, household, health and beauty.



NO. OF PERSONAL BANKING ACCOUNT MANAGERS AND ADVISERS

2,118

AGILE BRANCHES

BRANCHES SPECIALISING IN OVER-THE-COUNTER TRANSACTIONS

ALL-DAY OPENING, EXTENDED TO 6PM

IN HIGH FOOTFALL AREAS

AT STRATEGIC SITES, USING THE BEST PROPERTIES

SUPPORT NEARBY ADVISORY BRANCHES

SELL SIMPLE PRODUCTS

HAVE LARGE NUMBER OF ATMS

AVERAGE CUSTOMER SERVICE TIME

3' 54"

AVERAGE NUMBER OF CUSTOMERS SERVED PER DAY

269

AVERAGE WAITING TIME TO BE SERVED

2' 38"

PERCENTAGE OF CUSTOMERS USING SERVICES IN AFTERNOONS

19%

AVERAGE NUMBER OF TRANSACTIONS PER DAY

232

04.2

RETAIL BANKING.

The functions are distributed by retail customer profile as follows:

- **Private Banking.**

For high net worth customers who demand top-quality financial and tax advice, Bankia Banca Privada has the advantages of a financial boutique but with the backing of a large group. This means they have access to a highly specialised service and, at the same time, the transactional capacity of a large bank.

- **Personal Banking.**

Aimed at customers with financial net worth of more than 75,000 euros or net annual income of more than 45,000 euros, Personal Banking provides a personalised service through 2,118 highly qualified account managers and advisers, devoted exclusively to this segment. One of the account managers' tasks is to maintain continuous contact with customers, for which purpose

they have specific functionalities at their disposal in the remote channels.

- **High Potential.**

Each account manager in this segment has responsibility for a portfolio of high potential customers, whose business with the bank is likely to grow and who may become Personal Banking customers in the future. Work with the High Potential segment began in 2015 throughout the commercial network. In branches that have no specific High Potential account manager, this role is performed by the branch manager.

- **SMEs and Self-Employed Professionals.**

Retail branches also serve self-employed professionals, small retailers and SMEs with sales of up to six million euros per year. Customers in this segment are offered tailored advice, which is delivered by specialised account managers or the



1.457

Million
for consumer finance.



2.3 Mill

Customers
a pre-approved line of credit,
available in less than a minute.




176,000

FinanExpress transactions
for microloans, from card transactions
via SMS to bill and tax payments.



260

SME account managers



Last year BANKIA granted 3,742 million euros of financing to SMEs and self-employed professionals, and 1,457 million in consumer credit and 1,075 million in home loans to households.

branch managers. The efforts made in 2016 to increase the volume of business with SMEs and the self-employed, which Bankia considers a priority, resulted in a clear increase in number of customers and a strengthening of their ties with the bank. Loans to these customers reached 3,742 million euros (3,729 million in 2015). A total of 26,047 loans were granted to SMEs and 30,202 to the self-employed, in both cases considerably more than the previous year.

In May 2016, in order to provide a better service to the self-employed, the new “Sin Comisiones Por Ser Tú” fee exemption programme was launched, requiring only that the customer’s social security be paid by direct debit out of a Bankia account. Another launch aimed at the self-employed and small retailers was the offer of a mobile POS terminal with preferential rates. Special channels were created for franchisors and franchisees, on the one hand, and for associations and community groups, on the other, to help them with their financing and marketing needs. In addition, the system for assigning SMEs and micro-enterprises (annual sales of up to one million euros) to portfolios was redefined in order to extend the specialised service and offer new preclassified and pre-approved financing programmes.

- **Individuals.**

Bankia offers its individual customers a wide range of demand and term deposits, guarantees and debit and credit cards. It also has products that help to establish

HOME LOANS PROVIDED
(IN €'000)

1,075

a longer-term relationship with existing customers and acquire new customers, including direct deposit of income, direct debits for bill payments, mutual funds and pension funds, and risk and savings insurance. In 2016 Bankia boosted consumer finance by granting 1,457 million euros of credit, 20% more than in 2015. At the end of the year, more than 2.3 million customers had a pre-approved line of credit, which can be activated in less than a minute through any of the bank’s channels. This is matched by a permanent offer of personalised financing for the times when the customer needs it most (important purchases, loans falling due). The FinanExpress microloans service, covering everything from card transactions via SMS to bill and tax payments, continued to be offered in all channels throughout the year. There were more than 176,000 transactions of this kind for a total of more than 69 million euros. During 2016 Bankia lent households a total of 1,075 million euros for home purchase.

04.2

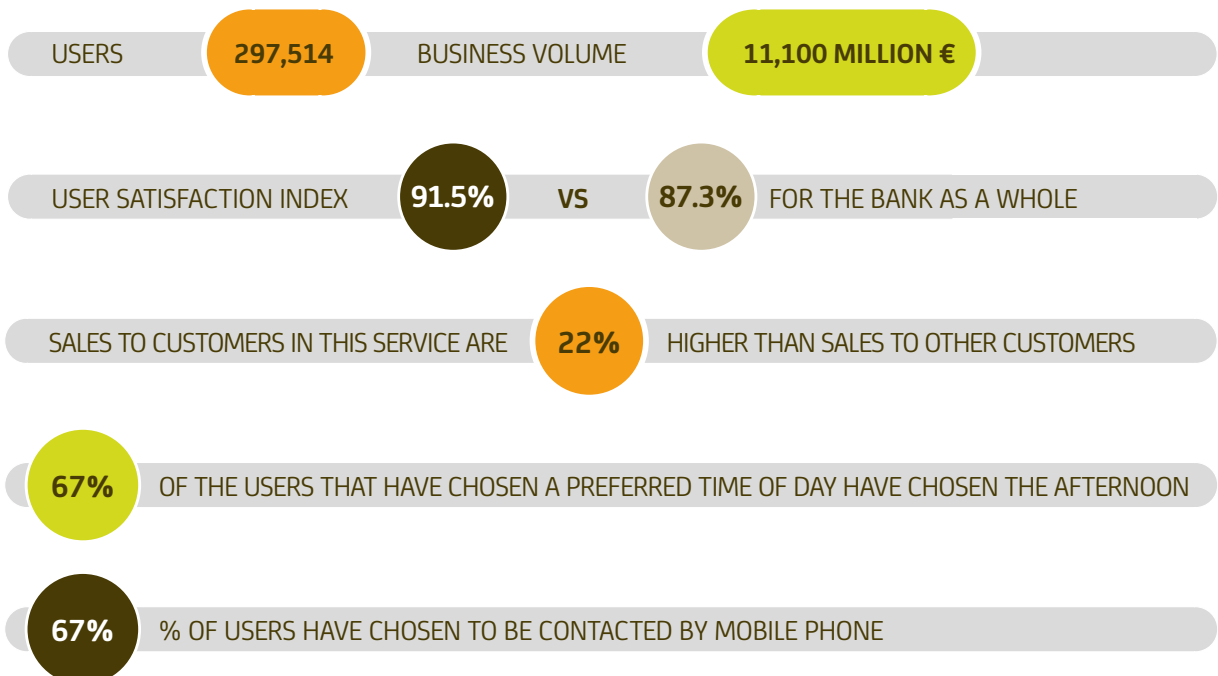
RETAIL BANKING.


• **Digital customers.**

For digital customers who hardly ever use the branches, Bankia has a personalised advisory service called “Conecta con tu Experto”, which in 2016 expanded rapidly. The number of advisers went from 88 to 255 and new offices were opened in Logroño, Valencia, Alicante, Las Palmas and Barcelona, to add to those already open in Madrid. By the end of the year, the service had nearly

300,000 users, who showed a high degree of satisfaction. The goal for 2017 is to exceed 500,000 customers and 600 managers. The service allows customers to perform any transaction, apart from cash withdrawal, at any time. Each user has an account manager, who is always the same person, and can choose at what times and by what means (telephone, email, chat, etc.) he or she wants to be contacted.

‘CONECTA CON TU EXPERTO’





BANKIA has 2.18 million customers who use channels other than the branches. To serve the most digital among them, the bank has created the “Conecta con tu Experto” service, which allows users who never go to the branch to have their own personal account manager, who is at their disposal during extended banking hours via whichever remote channel they prefer.

MULTICHANNEL DISTRIBUTION

The process that was started in 2015, with the Transformation Plan and the creation of the Corporate Directorate for New Distribution Models, continued during 2016. The plan objectives are no different from those of the rest of the Bank's activity (closeness, simplicity and transparency). Its purpose is to provide customers with the best user experience and the greatest satisfaction, through whatever channel they choose to conduct their relationship with Bankia.

• Renewal of digital channels.

In June the bank launched a new public website that provides easier and more intuitive access to Bankia information and that is strongly sales-oriented. It receives an average of more than 203,639 daily visits and among the most popular items are the new simulators (consumer loans, mortgages and pension plans). To meet the challenge of developing new mobile banking functionalities, in 2016 Bankia modified its app to provide enhanced simplicity, immediacy and context awareness. To accompany this channel renewal, Bankia created a specialised contact centre, operating 365 days a year, to handle all the services that interface with the digital world. In 2017 the bank will create a new online customer area, with improved IT and process architecture and important new functions

Multichannel customers	2.182.450
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Oficina Internet

Customers who used it	1.65 million
Transactions	1,339 million

Oficina Móvil

Customers who used it	1.12 million
Transactions	1,079 million

Telephone Banking

Customers who used it	436,000
Transactions	56 million

that will help Bankia stay in contact with its customers and offer them the services that provide most value.

• Modernisation of ATMs.

Bankia has 5,364 ATMs installed in its own and third-party facilities. Already 80% of branches have an advanced ATM that will even accept cash payments and return change. The new machines offer a better user experience, thanks to their simple menus, and actively help the bank know its customers better. To ensure that the ATMs are always available, they are monitored constantly, so that any faults can be resolved in the shortest possible time. The goal for 2017 is to start introducing NFC (Near Field Communication) technology, so that customers can interact with ATMs through mobile devices.

04.2

RETAIL BANKING.

The improvements in digital channels and in the ATM network explain why today only 9.4% of Bankia's transactional operations are carried out through physical branches. Driving all these developments is the "Cuando Quieras" plan, which initially was conceived

as a means of relieving the branches of transactional operations but has evolved to become a means of making customers aware of all the possibilities the bank offers them through technology.

ATMs	5,364
New ATMs installed	659
ATMs in areas of low population	568
ATMs adapted for the blind	3,422
Transactions carried out through ATMs	242,337,964

• Means of payment .

During 2016 the bank developed and implemented additional mobile payment functionalities. These included, most notably: contactless payments for purchases by mobile phone, using NFC technology, available for phones running Android version 4.4 or higher; and peer-to-peer payments through Bizum, a payment platform owned by 27 Spanish financial institutions that allows users to easily, instantly and securely transfer money to other individuals, using the recipient's mobile phone number or email address as a reference. The cards catalogue was expanded last year with the launch of two new products: the "Dual Plus" pack, which combines two cards with the same limit and PIN, one for day-to-day use

(Dual Compras) and the other for larger, deferred payments (Pago Fácil); and the Débito_ON debit card, linked to the Cuenta_ON account, which is aimed at digital customers who operate online and is exempt from fees. "Tax Free" is the name of one of Bankia's new services for retailers, which allows foreign visitors to use Bankia's point-of-sale terminals to recover any VAT they may have paid on their purchases. Thanks to all these initiatives, cards in issue continued to increase during the year, especially credit cards, with the total number of credit cards in issue at year-end reaching 2.27 million.



During 2016 the bank developed and implemented additional mobile payment functionalities, such as mobile payments in retail and peer-to-peer payments using the Bizum app.

Cards	6,888,282
Value of card transactions	22,497,762,633
Value of e-commerce card transactions	1,489,155,956.10
Contactless cards	1,263,339
POS terminals	110,518
Bankia Wallet stickers	102,280

• E-commerce.

One of the most significant changes digitisation has brought to the financial sector is the emergence of new technological players (known as fintech companies), whose activity centres on traditional parts of the banking business and the provision of information processing services (Big Data, cloud computing). Bankia sees their presence as an opportunity and in 2016 started to collaborate with them in the field of e-commerce. This initiative meets the bank's goal of being where its customers are and constantly offering them a better service (especially in financing and means of payment). In 2017 the team will be joined by new professionals who have a deep knowledge of e-commerce, with a view to developing other business lines.

None of the abovementioned initiatives would succeed if the technological transformation were attempted without paying attention to the people who must make it happen. Their involvement and commitment are key, which is why 2016 saw the start of the Digital Culture Plan, which will accompany the organisation in its

transition to the new digital model. To put this plan into effect, a Change Network has been created, made up of the managers of the retail business line (regional managers, marketing managers and area managers) and the newly appointed Digital Partners, who are branch managers who have been tasked with transferring the digital transformation milestones in their respective areas. The bank also started the Digital School, which in 2016 generated its first training itineraries, and drew up an indicators report that will help measure plan progress.

'POR SER TÚ' PROGRAMME

In 2016 Bankia launched a close, simple and transparent programme that offers existing and new personal customers the possibility of gaining exemption from fees. All they have to do is have their income (provided it exceeds 450 euros per month in the case of

04.2

RETAIL BANKING.

salaries or 200 in the case of pensions and unemployment benefit) paid by direct deposit into their account at Bankia. The exemption covers all accounts, the usual debit cards, Bankia credit cards, credit transfers in Spain or to other EU countries in euros through any channel and in any amount, and deposit of Spanish cheques. Current account cash withdrawals at the more than 5,300 Bankia ATMs and the first four withdrawals in any given month from Euro6000 and Banco Sabadell ATMs are also free of charge.

This measure initially affected the more than 2.4 million customers who in January 2016 had their income deposited directly into their account at the bank. During the year, the bank acquired a further 172,293 salary accounts, which represents an increase of 6.9% compared to the end of the previous year.

As well as acquiring customers with direct deposit of income, Bankia also made progress towards its goal of increasing sales of other value products, such as credit and debit cards.

The fee exemption also applies to customers under 18, customers aged 18 to 25 who receive correspondence exclusively online, customers who own at least 1,000 Bankia shares and customers whose end-of-month balance exceeds 75,000 euros, even if they do not have their income paid by direct deposit. These customers pay no fees for account maintenance or management, use of the usual or standard debit cards, deposit of Spanish cheques in all their accounts and unlimited credit transfers within the EU.

At 31 December more than 3.3 million retail customers of Bankia benefited from these exemptions, which on 11 May were extended to self-employed customers, provided they have their social security paid by direct debit.

RESULTS OF 'POR SER TÚ'

NEW DIRECT DEPOSITS – SALARY AND UNEMPLOYMENT BENEFIT 154,427

NEW DIRECT DEPOSITS-PENSIONS 25,038


TOTAL NEW DIRECT DEPOSITS 172,293

TOTAL DIRECT DEPOSIT CUSTOMERS 2,668,887

INCREASE VS. 2015 +6.9%

INCREASE IN CREDIT CARDS +279,714

INCREASE IN DEBIT CARDS +242,856



In January 2016 BANKIA launched the fee exemption strategy for individuals with direct deposit of income, subsequently extended to self-employed and digital customers. By year-end, more than 3.3 million customers of the bank were paying no fees for the most usual transactions.

HIPOTECA SIN COMISIONES

In January 2017 Bankia launched the “Hipoteca SIN Comisiones” mortgage, which exempts customers from all the usual fees (arrangement, early repayment and redemption), simply for having their income deposited directly in the bank and without having to acquire any additional Bankia product. This is a lasting commitment, based on listening to customers.

At the same time, again with the aim of helping users (customers and non-customers) in their most important investment decisions, Bankia launched a free application that reports the market price of any home in Spain, along with details about the property and the surrounding area. Developed in collaboration with the Idealista property portal, the application is hosted on the bank’s website, is completely free and accepts an unlimited number of queries. The bank also has a mortgage simulator, which provides the user with information about the amount that could be borrowed, mortgage arrangement expenses, monthly payments and how they would change with changes in the Euribor

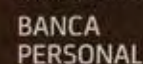
MORTGAGE LENDING TARGET FOR 2017

€1,600 MILLION

04.2

RETAIL BANKING.

	PRODUCT	CUSTOMER SEGMENT	DESCRIPTION
INDIVIDUALS	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.
PAYMENT INSTRUMENTS	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.
	Paralímpicos 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.
FINANCING	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


**BANCA
PERSONAL**

**BANCA
PERSONAL**

**BANCA
PERSONAL**

	PRODUCT	CUSTOMER SEGMENT	DESCRIPTION
CONSUMER CREDIT	Crédito Joven	Young people	Universal personal consumer loan (for education, furniture, vehicles, etc.) for customers aged 18 to 30
INSURANCE	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.
ASSET MANAGEMENT	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
SERVICES	NGO credit transfers	Individuals and businesses	Free credit transfers to specified charitable and social entities (http://www.bankia.es/is/services/credit-transfers-to-ngo)
	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 31/21/2016

NGO CARDS
62,843
AWARDS TO NGOS (€)
116,114.18 €

In 2016, a total of 439 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 432 linked to the generic NGO card.

04.3

BUSINESS BANKING.

BUSINESSES NEED NOT ONLY FINANCING BUT ALSO ADVICE. MEETING BOTH THESE NEEDS IS THE FUNDAMENTAL OBJECTIVE IN THIS SEGMENT, FOR WHICH BANKIA HAS A BROAD OFFERING.

Bankia is one of the biggest players in the Spanish market among companies with sales of more than six million euros per year. Its portfolio in this segment comprises more than 20,000 customers and is well diversified among the different sectors, although services, manufacturing and retail account for 46% of the total. The penetration rate is 40.3% in Madrid, 58.8% in Valencia and also very significant in La Rioja, the Canary Islands and Castilla-La Mancha.

Across the various regions it covers, Bankia has 59 business centres, two company corners, a corporate office in Madrid and another in Barcelona. In all of them it operates from a dual perspective of profitability and prudent management, taking a long-term view of its financial relationships with customers. The commercial teams have targets based on contribution to results, cross-selling and close supervision of risks, so as to provide financial support to business ventures that will help them develop.

In pursuing these targets, Bankia adheres to policies that are compatible with its corporate values, including transparency, legality and protection of human rights, which means that certain controversial sectors, specified in the internal operations manuals, are excluded from the relationship. One of these policies, the commercial policy, is based around active management of total customer return, combining price discipline with active pursuit of business opportunities.

A BETTER RELATIONSHIP WITH CUSTOMERS

Following these principles, in 2016 Bankia continued to build relationships with business customers, putting special emphasis on



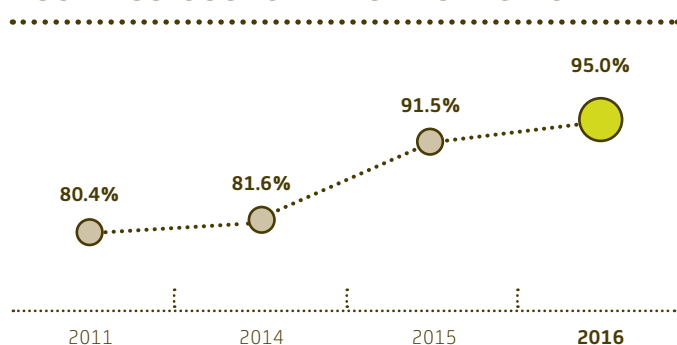
technological developments and companies' digital transformation. Considerable effort went into evolving the tools that help account managers be more effective, both in terms of sales effort and in terms of planning their activity, by providing them with the necessary knowledge and closeness to their customers. The alerts system was improved and a new portfolio segmentation by amount invested, commercial potential and scope for cross-selling was implemented that helps the bank meet companies' financial needs more effectively.

One of the big innovations of 2016 was the launch of the InVeinte service, with the support of specialists in information acquisition and the management of government subsidies, whether local, regional, state or European. There were also notable improvements to the usability of the Oficina Internet for Businesses (which started to be implemented in 2015), as regards order submission (payments and collections, receipts, etc.), speeding up customers' ordinary operations.

In foreign trade, Bankia has a correspondent account in renminbi in a Chinese bank and was the first Spanish bank to exchange information with credit institutions in Iran using SWIFT codes, following the lifting of most sanctions in 2012. All international business is conducted in accordance with the international standards of SWIFT's KYC Registry, scrupulously complying with anti-money laundering requirements.

As regards communication and contact with customers, in 2016 the bank organized 36 one-day conferences in different parts of Spain to debate issues concerning today's economy and business digitisation, as well as 11 working breakfasts on future trends and practical applications in the foreign exchange market. The purpose of these events was to improve customer relationships and respond to any needs that will help customers grow their business.

BUSINESS CUSTOMER SATISFACTION



04.3

BUSINESS BANKING.

HELPING TO GROW

During 2016 Bankia maintained a rapid pace of lending to companies with annual sales of more than six million euros, both for working capital and for investment. Over the course of the year, it provided 8,617 million euros of credit and loans to this segment. If lending to SMEs and the self-employed is added, the total comes to 12,137 million. In addition, pre-approved credit totalling 16,881 million euros is available to business customers, existing and new. In loan syndication Bankia ranked fourth in the Spanish financial system in 2016, with 4,304 million euros, 8.4% of the total.

Foreign trade finance absorbed 9,900 million, 13% more than in 2015. The customer base increased 14.9%, thanks to the fact that export and import finance grew at a rate of 16.6%, from 7,618 to 8,888 million euros. Once again, guarantees given exceeded 1,000 million euros. The Autonomous Communities in which this type of financing grew most strongly were Aragón (49 million, 104.80%), Balearic Islands (21 million, 71.50%), La Rioja (45 million, 70.63%), Andalusia (157 million, 45.16%), Asturias (34 million, 22.97%) and Castilla la Mancha (33 million, 22.51%). They were followed by Galicia (46 million, 22.26%), Valencian Community (183 million, 17.89%), Navarra (14 million, 15.91%), Cantabria (7 million, 14.51%), Community of Madrid (496 million, 13.77%) and Castilla y León (18 million, 11.05%).



8,617 MILL

Financing granted
to companies with annual sales of more than 6 million.



3,520 MILL

SMEs and self-employed
annual financing.



16,881 MILL

Pre-approved credit
to businesses.



During 2016 BANKIA maintained a rapid pace of lending to businesses, both for working capital and for investment. For operations in Spain in provided 8,617 million euros, plus 9,900 million of foreign trade finance.

QUALITY ABOVE ALL

In the current environment of deleveraging and low interest rates, the challenge for Bankia in the Businesses segment is to build a profitable franchise that is capable of providing increasingly high quality financial services to

its customers. At the internal level, that means it is essential to continue to improve the tools provided to sales managers and deliver further operational and process improvements. Externally, the aim is to supplement the offering with non-financial products and services and continue to offer information and news about the world of finance and the economic and digital environment through newsletters and working sessions with customers.

PARTICIPATION IN TRADE EVENTS

SALÓN MIEMPRESA

The two-day Salón MiEmpresa fair received more than 15,000 visitors. Under the slogan "Supérate" ("Outdo Yourself"), the meeting provided opportunities for sharing of experiences and networking. The fair, which is sponsored by Bankia, offered entrepreneurs and SMEs advice on how to enter the market and help in facing future challenges in areas such as internationalisation, business development, technology, etc.

FORINVEST

International trade fair for financial products and services, investments, insurance, taxation and technology solutions for the financial sector. One of the speakers at Forinvest 2016 was Bankia CEO José Sevilla.

SPAIN STARTUP SOUTH SUMMITH

Spain StartUp South Summit, Held in Madrid, the event was attended by more than 10,000 people, including entrepreneurs and investors. It has become one of Europe's biggest meetings for startups.

FERIA INTERNACIONAL DE TURISMO DE CASTILLA Y LEON, (INTUR)

Bankia sponsors this trade fair for tourism professionals and travellers. The first two days were devoted to professional meetings, including most notably the INTUR Negocios buyers and sellers market. This year the fair attracted more than 44,000 visitors.

OTHERS

Fenavin Contact
Foro Innova Pyme
(Alicante and Barcelona)
Manager Business Forum
(Madrid and Bilbao)
FERCAM

04.4

PRIVATE BANKING.

BEING PERMANENTLY IN CONTACT WITH CUSTOMERS IS A KEY FUNCTION IN ALL BANKING ACTIVITY, BUT ESPECIALLY WHEN THE CUSTOMERS ARE AS DEMANDING AS PRIVATE BANKING CUSTOMERS, WHO WILL PLACE THEIR TRUST ONLY IN AN INSTITUTION THAT OFFERS THEM EXCELLENT, HIGHLY SPECIALISED SERVICE.

An environment as volatile as that seen in 2016 demands maximum professionalism in advice and wealth management. To provide the best service, Bankia has a highly qualified team of professionals, who offer tailored financial and tax solutions and access to a wide range of national and international products, based on each client's objectives and risk profile.

This team, which is dedicated exclusively to customers who have a private banking portfolio of more than 600,000 euros or financial net worth of more than one million, is made up of 54 people deployed in 13 branches, which are grouped in four regions.

Their mission is to be in permanent contact with their clients, share with them information about relevant events and analyse the impact of those events on clients' investments. The fact that they with an open architecture approach to mutual funds, bond and equity issues and structured bonds also gives them an independence of judgment that clients value highly.

One of the great challenges Bankia took on in 2016 was to transform its balance sheet by advising customers to transfer money out of deposits into collective investment vehicles, in response to the decline in interest rates to record low levels during the year.

At 31 December, Private Banking had 5,110 portfolios, as against 5,141 at the end of 2015. Its business volume was 5,434 million euros, up 7.68%. Of this total, 2,369 million related to mutual funds, pension plans and SICAVs. Besides continuing to expand the range of products, the bank's goal for 2017 is to take advantage of new regulations to introduce more powerful advice tools that will allow it to offer an even better service: simpler, more complete portfolio reports, new investment proposal forms, new communication channels, etc.

BANKIA BANCA PRIVADA

NUMBER OF PRIVATE
BANKING ACCOUNT
MANAGERS

43

NUMBER OF PRIVATE
BANKING CLIENTS

7,075

EVENT DAYS WITH CLIENTS

TYPE OF EVENT	VENUE	ATTENDANCE
Presentation of Financial Asset Allocation 2016	Madrid	235*
Presentation of Financial Asset Allocation 2016	Valencia	170*
Conference on "Macroeconomic and Market Outlook. Management through Mutual Funds"	Albacete	100
Conference on "Alternatives to Fixed Income for the Conservative Investor: Absolute return. Market View"	Valencia	170
Annual conference on "Taxation"	Madrid	370
Breakfast with clients of Bankia Banca Privada	Vitoria	20

*Clients of Banca Privada and Banca Personal

04.5

BANCASSURANCE.

THE SELLING OF INSURANCE THROUGH THE BRANCH NETWORK IS BECOMING AN INCREASINGLY IMPORTANT PILLAR OF BANKIA'S ACTIVITY. ITS CONTRIBUTION TO FEE AND COMMISSION INCOME IS GROWING, ESPECIALLY AFTER THE STIMULUS IT HAS RECEIVED IN THE LAST TWO YEARS.

The Bancassurance Directorate is responsible for brokering insurance for individuals (life, home, health, auto, etc.) and businesses (retailers, third-party liability, credit, etc.), as well as savings insurance. The insurance distribution network therefore currently relies primarily on the traditional branches, although the penetration of the insurance activity in the bank's other channels (public website, multi-channel account managers, etc.) improved over the course of 2016, thus extending the offer of insurance products to Bankia's multichannel customers.

The bancassurance business's life saving products are influenced by trends in the economic and financial environment. The geopolitical uncertainties and low interest rates in 2016 did not favour the marketing of this type of insurance. Even so, net premiums written came to 367 million euros, with new production up 2% compared to 2015. At 31 December 2016, a total of 1.9 million policies were in force. The mathematical provisions for life savings

insurance totalled 5,418 million at that date. Seventy percent of new production in 2016 was concentrated in the life and home businesses, with significant growth also in the SMEs business, which was up 21% compared to 2015.

One of the keys to Bankia's good performance in bancassurance was the implementation of the strategic agreement with Mapfre, entered into in 2014, which has allowed the bank to establish a single, integrated insurance distribution model throughout its commercial network, allowing it to offer a more effective, better quality service. For the purposes of the Mapfre agreement, the network means not only the branches but also other channels, especially the digital ones, which are becoming increasingly important for the bank's insurance business.

Apart from that, Bankia's efforts in the bancassurance business in 2016 were concentrated on monitoring and supporting



the regional head offices, measuring productivity levels, advising the distribution network, training employees (220,867 hours of training given), optimising marketing systems, simplifying sales operations and improving sales and aftersales support.

The challenges for the next few years include the following: increase the bancassurance business's contribution to the bank's fee and commission income, further adapt the product catalogue to customers' needs (focussing on the business lines most closely related to the banking business, life and home), simplify sales operations so as to increase employee productivity, continue the training plans to improve advisory services, and accompany the bank in its digital transformation, so as to maximise its potential.

PREMIUMS WRITTEN
(IN THOUSANDS OF EUROS)
367

POLICIES IN FORCE AT
31 DECEMBER 2016
1.9 MILL.

HOURS OF BANCASSURANCE
TRAINING GIVEN
TO EMPLOYEES
220,867

04.6

ASSET MANAGEMENT.

DESPITE ADVERSE ECONOMIC AND GEOPOLITICAL CIRCUMSTANCES, DURING 2016 BANKIA CONSOLIDATED ITS POSITION IN THE MUTUAL FUNDS AND PENSION PLANS BUSINESS. IT DID THIS BY ADAPTING ITS OFFERING TO THE PREVAILING CIRCUMSTANCES AND OFFERING THE MOST DEEPLY RESEARCHED ADVICE.

At 31 December 2016, Bankia had more than 20,100 million euros of assets under management in mutual funds and pension plans. Adding to this the bancassurance activity, total managed funds came to 25,585 million.

BANKIA FONDOS

Bankia's mutual fund manager, Bankia Fondos, has 297,336 investors and a broad catalogue of 88 products in all categories (fixed-income, equity, mixed, guaranteed, absolute return, global, etc.), so that customers can choose whichever one best matches their investment preferences. Funds are marketed through Bankia's branch network and also through remote channels.

At the end of 2016, Bankia Fondos had 13,325 million of assets under management. Of that total, 13,015 million related to mutual funds, up 8.8% compared to 2015,

despite high market volatility throughout the year. According to the Spanish Investment and Pension Fund Association Inverco, Bankia Fondos ranked fifth among Spanish fund managers, with a 5.53% market share, compared to 5.44% the previous year.

The biggest demand in 2016 was for guaranteed funds, where subscriptions reached 794 million euros. The best performers in terms of returns were the risk-profiled funds, particularly the ones with the most assets (Bankia Evolución Prudente and Bankia Soy Así Cauto), which were able to provide positive returns thanks to their diversification and global investment universe.

The assets under management of the 49 open-ended investment companies (SICAVs) administered by Bankia grew to 289 million euros (273 million in 2015).



VOLUME OF ASSETS
MANAGED UNDER SRI
CRITERIA IN EMPLOYER PLANS
€892 MILL.
(57% OF TOTAL ASSETS
UNDER MANAGEMENT)

PENSION PLANS

Pension plans are a fundamental tool for encouraging a culture of saving, as they help employees provide for a more secure retirement, especially now that demographic pressure is threatening the sustainability of the public pension system as we know it.

At 31 December 2016 Bankia had 6,842 million euros in personal, employer and associated pension plans (6,863 million in 2015) – all of which are tailored as far as possible to the needs of each customer – and 715,679 unitholders. It had a market share of 7.21% in personal pension plans in Spain.

The assets were distributed as follows: 21.4% fixed income, 45.9% mixed, 27.3% guaranteed and 5.4% equity.

Distribution is through the branch network, backed increasingly by the online and mobile channels.

SOCIALLY RESPONSIBLE INVESTMENT

Bankia has a provider of socially responsible investment (SRI) services that offers an ESG analysis of more than 4,500 companies.

This allows Bankia to apply ESG criteria in its investment policies in employer pension plans. Furthermore, in 2016 the reach and scope of the ESG analysis of the companies already in the portfolio was extended through an increase in the coverage of available ratings.

The analysis that is carried out allows companies to be categorised by a system of letters, similar to that used by investment rating agencies, obtained by combining best-in-class standards with two exclusion criteria: compliance with the Global Compact and non-involvement in controversial weapons.

To control extra-financial risk, the Asset Management Risk Management Directorate presents and analyses the relevant information in the Risks Committee, showing the changes in the ESG rating of the issuers of financial assets.

The Asset Management Risk Management Directorate also prepares information on the ESG rating of the pension fund portfolios and on the implementation of the ESG rating and its presentation to the employer fund control committees.

The Investments Directorate includes the ESG analysis in its decision making, taking fundamental and market criteria into consideration. This also allows the bank to monitor companies more closely as regards their commitment, compliance and future action plans.

04.7

REAL ESTATE ASSETS.

TO CLEAN UP ITS BALANCE SHEET AND MEET REGULATORS' REQUIREMENTS, THE GROUP IS IMPLEMENTING A PROGRAMME TO DIVEST REAL ESTATE ASSETS. THIS CALLS FOR HIGHLY PROFESSIONAL MANAGEMENT IN ORDER TO OBTAIN THE BEST POSSIBLE RETURN.

BFA-Bankia manages, administer and sells its real estate assets through Haya Real Estate (HRE), whose mission is to dispose of the assets with the least possible impact on accounts. HRE handles technical maintenance, aimed at preserving the assets in optimal conditions, and sales-related activities (advertising, presence at events, relations with property agents, customer service, etc.).

In 2016 the bank created the Property Management Directorate, which brings together the many functions that previously had been carried out by other areas. The creation of this unit has brought greater efficiency and increased visibility of the portfolio as a whole, not only in terms of the physical properties but also in terms of their availability, limitations and encumbrances.

The new directorate coordinates sales through all channels, therefore also through Bankia's commercial network, and prepares packages of assets for placement outside the retail circuit.

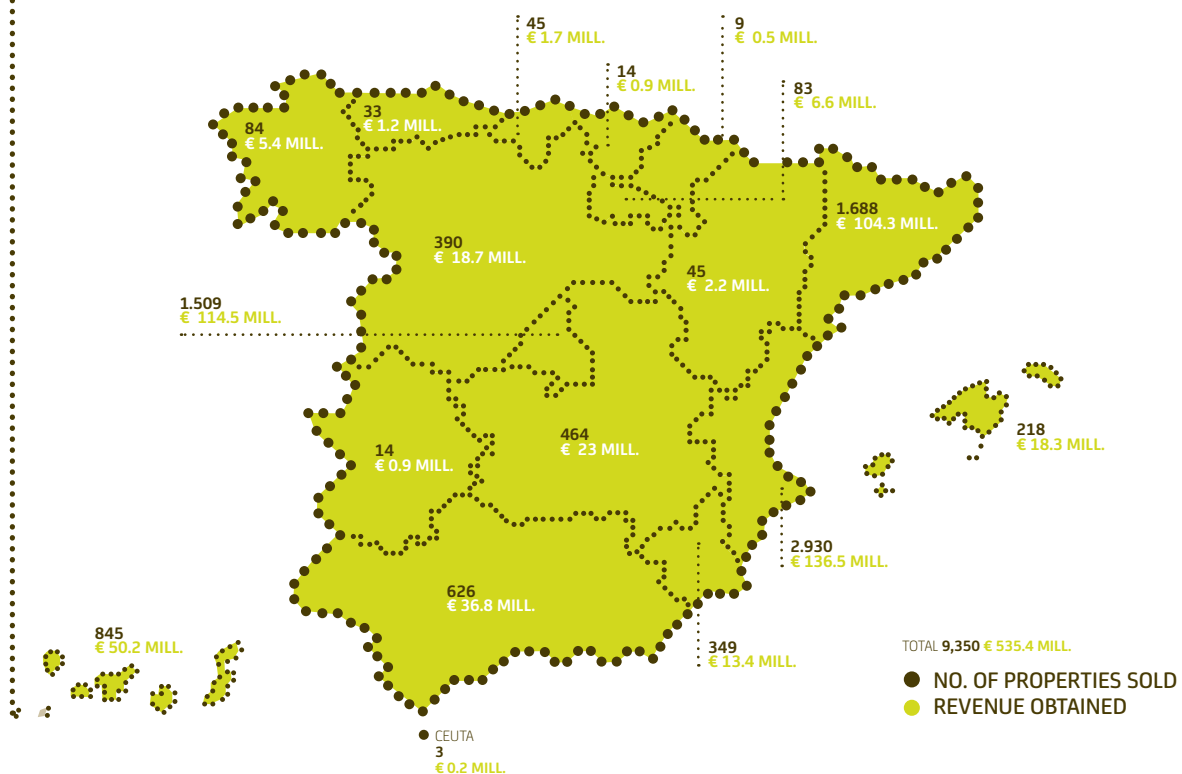
Thanks to the sales efforts, this activity contributed 535 million euros to the bank during 2016, showing a clear improvement both at Autonomous Community level and at the level of Spain as a whole, with sales of 9,350 units, compared to 9,190 the previous year

The goals for 2017 are to maximise sales, increase transparency in the marketing of properties, prevent agent exclusivity and uphold the bank's commitment to the local environment by allocating homes for social rent.



PROCEEDS FROM SALE
OF PACKAGES OF ASSETS
535 MILL. €

SALES BY AUTONOMOUS COMMUNITY



04.8 INVESTEES.

BANKIA HAS CHOSEN TO DEVELOP A CLEAR COMMERCIAL BANKING PROPOSITION, AIMING TO MAINTAIN A LEADERSHIP POSITION IN THE SECTOR. FOR THE LAST SEVERAL YEARS IT HAS THEREFORE BEEN CARRYING OUT AN AMBITIOUS PLAN TO DISPOSE OF NON-FINANCIAL ASSETS.

Disposals of non-core businesses are carried out at all times in an orderly manner, after minutely weighing all available options and choosing those that offer the highest return.

As the disposals proceed, the number and volume of transactions has naturally decreased. In 2015 the bank disposed of 220 companies, with proceeds of 909 million euros, as against 65 disposals in 2016, with proceeds of 566.57 million.

The 65 companies sold in 2016 included 16 manufacturing companies, which brought proceeds of 130.72 million euros and gains of 16.45 million, not including the deferred price for Globalvía, 50% of which was transferred to various international funds in October 2015. The 41 real estate companies sold (18 subsidiaries and 23 associates of associates) brought proceeds of 24.78 million euros, 10.48 million more than their carrying value. The total gains from disposals of non-strategic assets came to 34.58 million.

As of 31 December, the group had 87 investees, of which 69 were consolidated.

DOUBTFUL LOANS

In July, BFA-Bankia completed the sale of a portfolio of doubtful and defaulted loans to various sectors, some of them backed by real estate collateral and other collateral, valued at 385.9 million euros. The sale met a dual objective: reduce the non-performing loan (NPL) ratio and free up resources for new lending. Of the 385.9 million total, 253.9 were from Bankia and the other 132, from BFA.

To maximise the price obtained for the portfolios, the sale was carried out through competitive bidding among institutional investors and top-ranking



financial institutions. After disposing of this portfolio, the group's stock of non-performing loans dropped 230.2 million euros, as the remaining 155.7 million euros was fully covered by provisions.

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TOTAL GAINS ON
DIVESTMENTS OF
NON-STRATEGIC ASSETS,
IN MILLIONS OF EUROS

34.58

.....

04.9 INNOVATION.

BANKIA'S DECISION TO PUT THE FOCUS ON THE CUSTOMER HAS IMPORTANT CONSEQUENCES. ONE IS THE NEED TO FIND INNOVATIVE WAYS OF IMPROVING THE CUSTOMER RELATIONSHIP. STATE-OF-THE-ART TECHNOLOGY SOLUTIONS ALSO HELP THE BANK MEET CUSTOMERS' DEMANDS.

The Relational Quality Directorate helps the commercial network build close, simple and transparent relationships with customers, so as to create lasting ties, grow alongside customers and become part of their life. In 2016 the bank started a model called "The Customer at the Centre", which was piloted in 125 branches in 31 sales areas throughout Spain.

The model is based on three core objectives: management of intensity, management of team commitment, and conversations with customers. "The Customer at the Centre" involves creating communication dossiers for high-impact actions and sales dialogues with customers, as well as participation in promotion workshops, to specify and exemplify the different aspects of the model.

The quantitative and qualitative follow-up process developed in the wake of the pilot helps detect alerts and alarms, so that action can be taken in the branches as necessary (face-to-face meetings with branch managers and teams, specific training sessions, etc.).

Similar models are being used in other parts of the organisation.

The Relational Quality Directorate has other projects under way, although the main project for 2017 is what is known as the Customer at the Centre rollout project, which will be tried in 600 retail branches. There are also plans to extend the Relational Warmth pilot to the existing 130 agile branches and the 26 branches in the "Conecta con tu Experto" programme.



BUSINESS INTELLIGENCE

A customer-centred strategy needs to start from as accurate as possible a knowledge of the customer's needs, and that is where technology and data processing play a crucial role. Aware of this, the bank is working on two fronts:

- **Big Data.**

In 2016 Bankia completed its Big Data architecture and started to develop a new analytical environment. It also put in place the basic components of the Commercial Management System, which, among other things, enables the bank to prioritise and optimise commercial actions for multichannel purposes and select the best offer for each customer. More effective use of Big Data has allowed the bank to develop statistical models for the propensity to consume products and services, with daily data refresh, resulting in more targeted offers and a higher success rate in commercial actions. The bank is also developing models that improve the level of pre-classification of risks and the identification of customers at risk of leaving or curtailing the relationship.

BRANCHES THAT PILOTED 'THE CUSTOMER AT THE CENTRE'

125

- **Marketing actions.**

Last year, sales of products and services were simplified through the implementation of a system for categorising actions, prioritising customers and adapting tools, so as to facilitate day-to-day management in the branches. This new process will promote the value of closeness to customers in the network, as it will result in an increase in proactive selling. In addition, a new measure of productivity was defined and implemented, focused on the sales that contribute most value to the bank, with the aim of improving efficiency in the network.

Also planned for 2017 is the completion of the Business Intelligence Transformation Project, aimed at prioritising customers by expected value, full adaptation of the bank's marketing tools and the implementation of a coordinated multichannel marketing system.

04.9

INNOVATION.

OTHER INITIATIVES

During 2016, besides laying the foundations for a higher quality relationship with customers and increasing the knowledge of customers' needs in order to provide a better service, Bankia also implemented other innovative initiatives, notably the following:

- **Bankia Fintech by Innsomnia.**

This fintech startup incubator and accelerator is based in the former America's Cup base in Valencia's Royal Marina. The 14 companies selected in the first round are all aiming to deliver solutions in fields that are of interest to the bank: risks, the self-employed customer segment, exports, security, cryptocurrencies, mobile payments, wealth, stock market, immigrants, business geolocation and real estate loans. Bankia Fintech by Innsomnia provides the selected startups with business plan support and mentoring, as well as training. The participants are from Madrid, Asturias, Castellón, Alicante, Valencia and Barcelona.

- **BeBankia.**

This mobile app uses geolocation to display to all users (customers and non-customers) the discounts and special offers available at nearby establishments. The user can save the most attractive offers and search by category (restaurants, health and beauty, sports, etc.) or location. The user can also

make payments, register bank cards and see each card's purchase history.

- **Business Trends Observatory.**

In July, Bankia and the Valencia Chamber of Commerce presented this initiative, which is intended to help companies obtain all the necessary information about their sector and its trends, in order to decide future strategies. The first sector analysed was food, which is considered strategic at a regional and national level. The Observatory is intended to detect the demand for labour, jobs and skills in the sector, so as to increase employability, as the basis of social cohesion, which helps to create a more fair and more balanced society.

Besides laying the foundations for a higher quality relationship with customers and increasing the knowledge of customers' needs in order to provide a better service, Bankia also implemented other innovative initiatives.




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05. RELATIONSHIP WITH SOCIETY AND THE ENVIRONMENT.

.....





BANKIA IS FIRMLY COMMITTED TO THE WIDER SOCIETY IN WHICH IT OPERATES AND ENGAGES IN ACTIVITIES AIMED AT CREATING VALUE IN THE LOCAL COMMUNITY. IT WORKS TO IMPROVE THE SITUATION OF THOSE MOST IN NEED, CONTRIBUTES TO ECONOMIC DEVELOPMENT AND INVESTS IN ATTENUATING ANY IMPACT ON THE ENVIRONMENT.

INVESTMENT IN
SOCIAL ACTION

16.7 MILL. EUROS

TOTAL AMOUNT PAID
TO SUPPLIERS

675 MILL. EUROS

REDUCTION OF ELECTRICITY
CONSUMPTION (VS. 2015)

14.1%

05.1 SOCIETY.

BANKIA CANNOT CHANGE SOCIETY, BUT IT TRIES TO HELP IMPROVE IT THROUGH A RANGE OF ACTIONS UNDERTAKEN IN THE AREAS IN WHICH IT OPERATES. LOCAL DEVELOPMENT, EMPLOYMENT AND SOCIAL SPONSORSHIP PROGRAMMES ARE AMONG ITS CHIEF PRIORITIES.

In 2016 Bankia strengthened its lines of social action, always with a clear commitment to innovation, closeness and support for projects that meet basic needs, are sustainable and benefit local development and people in the short term while also helping them achieve self-sustainability in the longer term.

The bank invested 16.5 million in this field of activity, placing special emphasis on local employment and development programmes, which are essential for achieving the desired goals. It also devoted considerable effort to the corporate sponsorship, disability, housing and new poverty projects. In total, in 2016 Bankia channelled aid to more than 800 associations and foundations.

SOCIAL ACTION



- EMPLOYMENT **11.8%**
- EDUCATION **2.7%**
- LOCAL DEVELOPMENT **34.0%**
- DISABILITY **7.7%**
- EMPLOYEE PROJECTS **10.2%**
- HOUSING* **20.5%**
- NEW POVERTY **1.3%**
- CORPORATE SPONSORSHIP **11.8%**

*Housing: Of the total investment in housing by Acción Social, 54,760 went to the Acción Social budget and 3,371,589 to the maintenance of social housing by the Properties Directorate and the maintenance of the Social Housing Pool's online application form on the corporate website.



HOUSING AND NEW POVERTY

Bankia expanded its housing agreements with local governments to make housing available at social rents to individuals and families in vulnerable situations. For that purpose, at 31 December 2016 the bank had 2,379 housing units available on advantageous terms and adapted to the payment needs of these households. In 2016 a total of 2,094 social rent contracts were signed.

The agreements with local governments help to improve the process by which homes are awarded through the social services. Agreements of this kind have already been signed in Madrid, Castilla-La Mancha, the Canary Islands, Catalonia, the Valencian Community and La Rioja. However, the pool of homes assigned to Bankia's Social Housing Pool (SHP) extends across all of Spain's autonomous communities.

In order to maintain the social housing programme, the bank allocated 3.37 million euros to cover property maintenance and repair costs, as well as the maintenance of the Social Housing Pool's online housing application form, located at www.bankia.com/es/quienes-somos/convenios/.

DATA ON RENTED SOCIAL HOUSING	2015	2016
SHP applications	730	570
Special rental applications	590	491
SHP applications pending	525	407
Special rental applications pending	27	9
SHP applications rejected	11	14
Special rental applications rejected	20	10
SHP applications approved	59	64
Special rental applications approved	40	8
SHP agreements signed	135	85
Special rental agreements signed	503	464
Total social rental agreements signed	638	549

EDUCATION

The bank is convinced that combining classroom learning with in-company learning is essential to give young people the qualifications and experience they need in order to succeed in the labour market. One of the vocational training courses that was started based on that premise is the two-year higher level course in Administration and Finance. Bankia's support for dual education has also given rise to agreements with regional governments to foster dual education in the different autonomous communities and an agreement with Fundación Bertelsmann that led to the creation of the DUAL+ Knowledge and Innovation Centre.

05.1

SOCIETY.

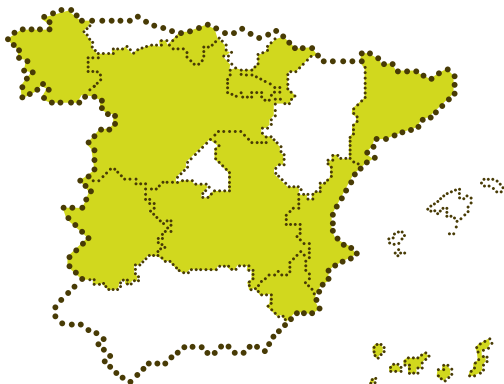
On 26 July the bank went a step further in institutionalising its commitment in this field by creating the Bankia Foundation for Dual Education. The main purposes of this foundation are:

- To foster, promote and spread dual education, so as to increase its social value as a driver of the employability of young people in particular and of the competitiveness and transformation of Spain's manufacturing base in general.
- To collaborate in implementing dual education in the education system, in coordination with government authorities, schools, companies and business associations, as well as other institutions and social agents.
- To drive research and innovation in dual education, so as to generate knowledge that will help implement new projects and pilot plans linked to the development of dual education.
- To provide professional, academic and personal guidance to young people and others in search of employment, fostering the entrepreneurial spirit.

The foundation's support is not only for programmes related to the world of finance but also other subjects, such as Comex, which trains professionals in foreign trade and marketing, and Sanec, aimed at health science graduates.

In 2017, the scope will be expanded to include computer science, with a digital competencies programme called Ditec, and an application allowing companies to explore current and future market needs will be made available, among other initiatives.

DUAL VOCATIONAL TRAINING AGREEMENTS WITH AUTONOMOUS REGIONS

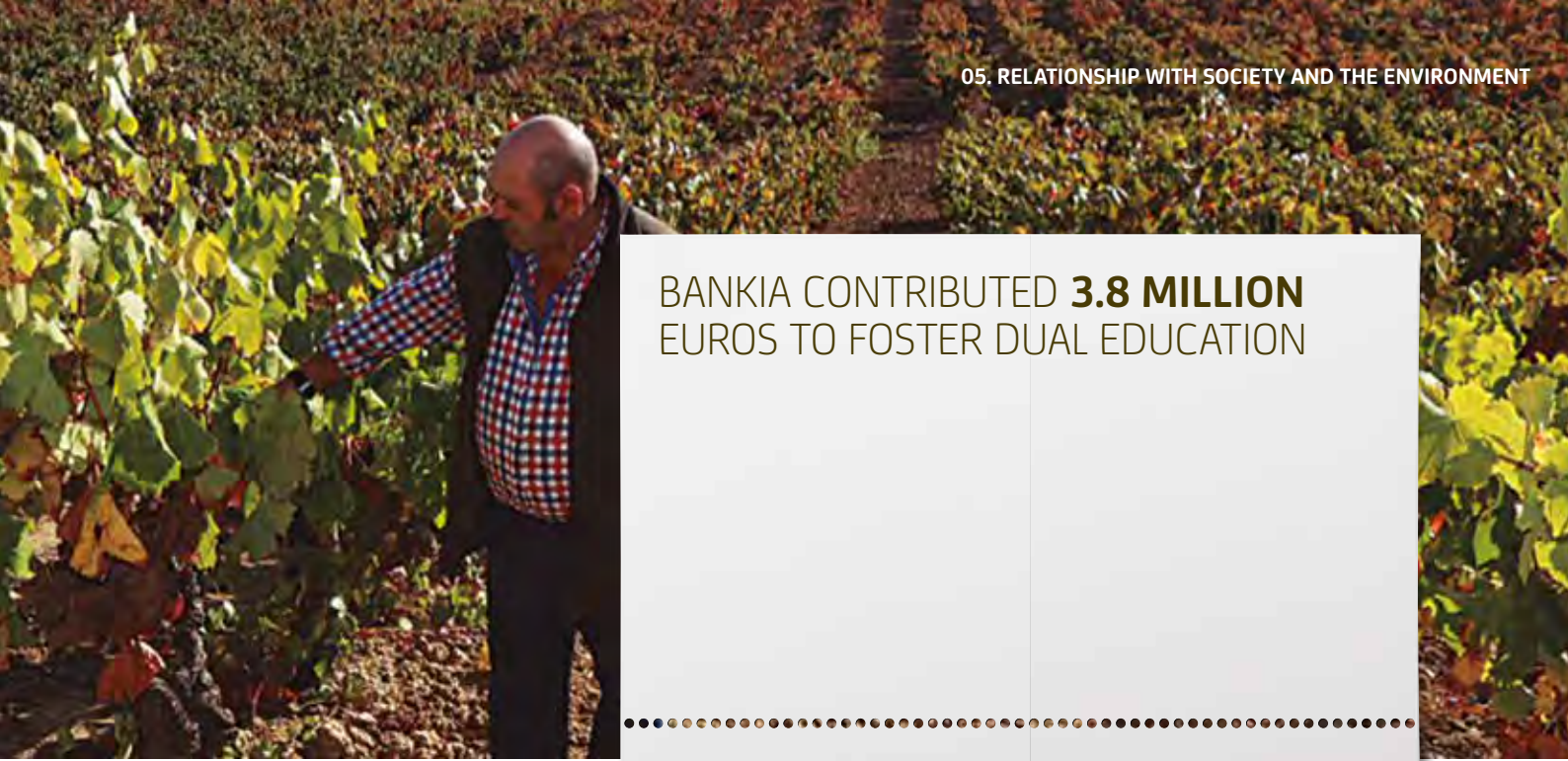


Framework agreements with other autonomous communities: Cantabria, Castilla y León, Murcia, Galicia, Extremadura, La Rioja, Navarra, Canary Islands, Catalonia, Castilla-La Mancha and Valencian Community*.

Another framework agreement with the Ministry of Education, Culture and Sport.

Three specific agreements with Castilla y León, Canary Islands and Castilla-La Mancha to implement Bankia Foundation projects in their territory: FP EPI and DITEC.

*Signed in January 2017



BANKIA CONTRIBUTED **3.8 MILLION** EUROS TO FOSTER DUAL EDUCATION

EMPLOYMENT

Bankia orients its social programmes towards promoting employment and entry to work for the sectors of society that have most difficulty in finding work. Together with Spanish Red Cross, it runs a programme to promote employment for over-45s, co-financed by the European Social Fund, and to improve the employability of 3,200 people affected by the economic crisis in 29 Spanish provinces. It also participates in the “Caritas con el Empleo” programme through training courses and support for Caritas’s network of social employers. The courses are carried out in 13 provinces and have more than 1,500 participants.

An additional line of work, which was maintained in 2016 for the fourth year running, involves helping customers and their family find work (a total of 291 people in 2016). The programme is called Empleo en Red and is carried out with the collaboration of Fundación Randstad and Randstad Outplacement. The success rate is 34.4%.

Last year the bank designed an innovative initiative to support entrepreneurial individuals who are unable to access funding, as they lack the necessary guarantees. This initiative is implemented through the microfinance company Oportunitas, which is currently at the launch stage. Over the course of 2016, 16 deals were closed for a total of 139,800 euros.

NUMBER OF BENEFICIARIES OF THE EMPLOYMENT PROMOTION AND ENTRY TO WORK PROGRAMMES

**MORE THAN
4,700 PEOPLE**

Another new project in 2016 was the creation of a pilot project in Castilla-La Mancha to create employment in the rural environment and in agrifood companies. In collaboration with customers in this industry and the vocational training centres run by EFA (CIFASA), a programme was launched called “Ideas que Alimentan” (“Ideas that Feed”), calling for submissions from vocational training students throughout Castilla-la-Mancha. During 2017 the five best proposals, prepared by groups of students, will be selected and the students will be given grants to help them put their ideas into practice in the real world.

05.1

SOCIETY.

LOCAL DEVELOPMENT

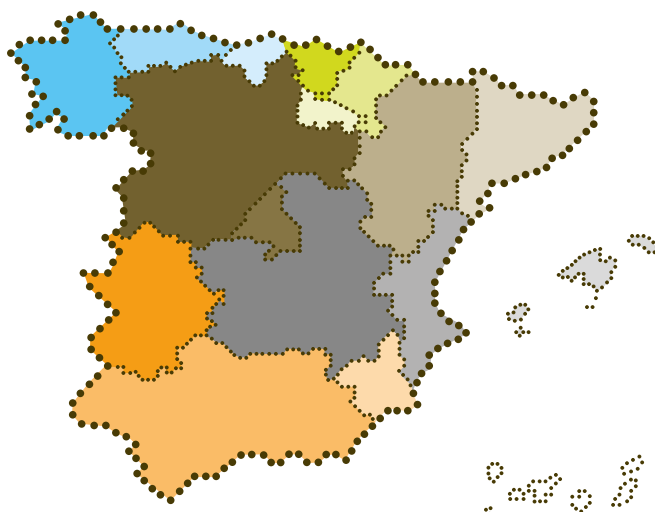
Local and rural development is a priority objective for Bankia, as it helps to bring productive industry and social assistance to rural areas. The bank promotes specific actions in five autonomous communities:

- In Madrid, with Fundación Montemadrid (78 projects).
- In the Valencian Community, with Fundación Bancaja (57) and with Fundación Caja Castellón (41).
- In Castilla y León, with Fundación Caja de Ávila (41) and Fundación Caja Segovia (50).
- In the Canaries, with Fundación CajaCanarias (27).
- In La Rioja, with Fundación Caja Rioja (23).
- In Catalonia grants will be offered in 2017 with Fundación Iluro.

Another way of extending the reach of Bankia's social action is through the "Red Solidaria" volunteering programme, which gets the bank's professionals involved in their local community. Last year, Retail Banking, Business Banking, Private Banking and Central Services chose 245 NGOs, to which they donated part of the profit obtained by their units (specifically, 1.42 million euros). Nearly 74,000 people throughout Spain benefited from this programme, which aims to help people with disabilities by meeting basic needs, providing entry to work and delivering care. During 2017 the Multichannel Business Directorate will join the initiative. Bankia's Red Solidaria project has great symbolic power, making employees' community involvement compatible with the achievement of their day-to-day business objectives.

"Historias en Red" is another programme aimed at bringing the bank close to local projects, in this case promoting solidarity between schools and NGOs. In 2016, the foundation Lo Que De Verdad Importa (LQDVI) and Bankia selected eight ideas submitted by young people on how to support and drive volunteering actions in their local community, which were then publicised on the programme's website and at LQDVI's conferences.

'RED SOLIDARIA' MAP



NO. OF PROJECTS

- ANDALUSIA 20
- ARAGÓN 4
- ASTURIAS 3
- BALEARICS 3
- CANARIES 13
- CANTABRIA 2
- CASTILLA Y LEÓN 17
- CASTILLA-LA MANCHA 15
- VALENCIAN COMMUNITY 42
- CATALONIA 26
- GALICIA 7
- LA RIOJA 5
- MADRID 71
- MURCIA 3
- NAVARRA 3
- BASQUE COUNTRY 6
- EXTREMADURA 4
- CEUTA 1



The purpose of BANKIA's "Finanzas Fáciles" ("Finance Made Easy") programme is to promote cognitive accessibility through financial education.

DIFFERENT ABILITIES

The group made a major effort in 2016 to facilitate access to employment for people with different abilities. It allocated a budget of more than one million euros to orientation programmes, training itineraries and work experience programmes for more than 6,128 people through 37 NGOs throughout Spain.

During the year Bankia also reinforced its financial education programmes for people with disabilities, with the involvement of the bank's professionals. In all, 55 one-day financial education events were held to fight against social exclusion and foster cognitive accessibility. These programmes were carried out jointly with the confederation of intellectual disability institutions Plena Inclusión and Fundación Randstad, with a total of 471 beneficiaries.

BENEFICIARIES OF THE 'RED SOLIDARIA' PROGRAMME

74,000

.....

05.1

SOCIETY.

.....

Bankia is also evolving in its social responsibility policies, as regards the training of people with disabilities and the hiring of services. In 2016, the bank once again supported a postgraduate scholarship programme run by Fundación ONCE and started to consider potential providers among the special employment centres, which employ a large proportion of people with disabilities. In 2016, the bank signed an agreement with the Grupo Konecta special employment centre for the provision of customer helpdesk services in Bankia’s digital contact centre.

THE CHALLENGES

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Bankia’s social action will continue its lines of work and maintain its strategy of closeness and involvement of all the bank’s professionals. The challenges for 2017 include the following:

- Consolidate the microloans programme for entrepreneurial individuals who lack the backing to apply for a loan from the bank in the usual way. The programme is implemented through an external microfinance company, which is responsible for granting the loans and managing the risk. Bankia provides the funds.
- Continue to increase community involvement in the bank’s social action. The aim is to gradually increase communication and opportunities for involvement of other stakeholders in the various programmes, apart from NGOs and Bankia employees.
- Increase the involvement of Bankia’s professionals, encouraging them to participate in all the social actions, so as to add an extra dimension to their work and their objectives.

EMPLOYEE INVOLVEMENT: THE MAIN VALUE

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All Bankia’s social action is based on the involvement of its professionals, with the aim of developing an awareness of local needs and ensuring that the commercial activity is always linked with a local and social dimension.

Already more than 13,000 of Bankia’s professionals participate in Red Solidaria. There has also been an exceptional response to the “Planta tu Proyecto” programme, which gives recognition to those who volunteer for NGOs on a permanent basis. This programme channelled support to nine charity initiatives, which received 80,284 euros.

The “Contigo Dos Pueden Ser Cuatro” programme was also very well received. Under this programme, the bank undertook to double the donations made by Bankia’s professionals to the popular “Operación Kilo” food collection programme and donated 75,458 euros to the Spanish food banks federation Fesbal.

The bank’s social involvement was also reflected in the volunteering activities organised throughout Spain. In collaboration with Plena Inclusión, Fundación Randstad and Asprodema, 55 one-day financial education seminars were held, with a total of 128 hours of training and a satisfaction index of 9.3 out of ten.

Volunteering days and awareness-building activities were also organised, many of them at weekends with family and friends. They included, among other activities, sessions in urban gardens with people with disabilities, employment orientation workshops and fun activities with children and the members of various associations, and inclusive sports days.



In all, 597 people devoted 624 hours to organising 117 volunteering days during 2016.

In the field of sport, another programme that attracts great interest and a lively response is the “Correr con Doble Meta” programme, where Bankia professionals donate the kilometres they have run in various official races and Bankia turns their kilometres into financial help for NGOs. A total of 9,193 kilometres were donated, which became a donation of the same number of euros.

EN ACCIÓN

In 2016 the bank presented the new brand, “En acción” (In action), which stands for Bankia’s social footprint and will accompany all the bank’s social projects relating to employment, training, housing, rural development, disability and social sponsorship.

The use of the creative concept of a “social footprint” conveys Bankia’s commitment to society, aimed at reinforcing the values of credibility and closeness. The new brand gives centre stage to the “action” driven by Bankia’s professionals, who are actively involved in putting the bank’s social projects into practice.

Every retail branch has a specific display to communicate the new brand to customers

THE USE OF THE CREATIVE CONCEPT OF A “SOCIAL FOOTPRINT” CONVEYS BANKIA’S COMMITMENT TO SOCIETY, AIMED AT HAVING A POSITIVE IMPACT ON THE BANK’S VALUES.

and inform them about the social projects Bankia is carrying out in the local area. A new website, www.enaccion.bankia.com, has been launched and Twitter and Facebook pages have been created, offering regular reports and updates.

Bankia

en·acción

la huella social de Bankia

05.1

SOCIETY.

SOCIAL SPONSORSHIP

Besides its strictly social activities, BANKIA is also involved in sponsoring other activities that help improve its social environment, on the level of culture, sport and business. Its programmes include the following:

Bankia Symphony Orchestra.

This is a professional musical ensemble created in 2015, whose challenges are to discover musical talent, recognise effort, hard work and continuing education, and help top-class young instrumentalists who have completed their formal education to find employment. In its second year of life, the orchestra played three series of concerts in Toledo, Valladolid, Salamanca, Zaragoza, Barcelona, Alicante and Valencia, with attendance of more than 5,000 people.

Bankia Escolta València.

In 2016 this programme published its third call for grants and launched the first edition of the Valencian Community's Competition for Orchestras. Its purpose is to promote and support musical performance and concerts as a fundamental part of the region's cultural heritage, while also strengthening the music societies and their orchestras. Bankia also sponsored the Bankia-Las Provincias Musical Campus, aimed at training a large band of young artists.

Youth sport.

The bank fosters the practice of sport by children through sport schools. In Las Palmas it sponsors the youth academy of the Gran Canaria basketball club; in Ávila, the Puente Romanillos athletics club; in Segovia, the Segovia Futsal futsal club; and in Lanzarote, the Haría futsal club. More than 2,000 children benefit from this sponsorship. In 2016 the bank reached an agreement with the Valencia Basket basketball club to inculcate the values of a culture of effort



75,458

Million euros

In donations to the popular "Operación Kilo" through the "Contigo Dos Pueden ser Cuatro" programme.



128

Hours of training given

In 55 financial education days, with a satisfaction index of 9.3 out of 10.



9,193

Kilometres run

Donated through the "Correr con Doble Meta" programme, converted into 9,193 euros.



among young people through various social programmes. Also in 2016, for the third season, Bankia sponsored Valencian pilota, the first sport to be declared an Intangible Heritage Asset by the Valencian government, practised throughout the three provinces of the Valencian Community.

Venero Claro summer camp.

Through Fundación Caja de Ávila, grants were awarded to allow more than 400 children to attend these summer camps in Ávila, offering leisure, games and training activities such as workshops and English lessons.

Las Edades del Hombre.

The 11th annual “Las Edades del Hombre” exhibition was dedicated to water and was held in Toro (Zamora). The exhibition consisted of 139 works and was visited by around 250,000 people. In supporting this event, Bankia reaffirmed its commitment to cultural promotion and the preservation of the historical heritage.

Support for companies.

More than 40 company gatherings were organised to address issues such as digitisation, innovation and internationalisation. Bankia and Innsomnia launched Spain’s first fintech incubator and accelerator, called Bankia Fintech by Innsomnia and based in Valencia. Together with Conector, the bank launched Bankia Accelerator by Conector, a programme to help and promote innovative startups that aspire to have a social impact.

BESIDES ITS SOCIAL ACTIVITIES, BANKIA ALSO SPONSORS OTHER ACTIVITIES IN THE FIELDS OF CULTURE, SPORT AND ENTERPRISE THAT HELP IMPROVE ITS ENVIRONMENT.

NUMBER OF HOURS IN 117 VOLUNTEERING DAYS

624

Awards.

Bankia sponsored the Business Awards organised by the magazine *Actualidad Económica*; the In4NBankia Awards, by the Alicante daily *Información*; the Digitisation Awards, by the magazine *Castilla y León Económica*; the “Tu Economía” Awards, by the daily *La Razón*, in the SMEs section; the “Comprendedor” Awards, by Fundación Empresa y Sociedad; the “Andaluces con Futuro” Awards, by the Joly communication group; and the “Talento Joven” Awards, by the daily *Levante*.

05.2 SUPPLIERS.

ALL COMPANIES, AND LARGE COMPANIES IN PARTICULAR, NEED A RIGOROUS PURCHASING POLICY. BANKIA TAKES THE GREATEST CARE IN SUPPLIER SELECTION AND SUPPLIER RELATIONS AND VALUES ITS SUPPLIERS' COMMITMENT TO QUALITY AND TO THEIR OWN EMPLOYEES.

Bankia takes the best practices defined in the UNE 15896 standard, Value Added Purchasing Management, as its guide and was the first financial institution to obtain UNE 15896 certification, which was renewed in 2016. UNE 15869 sets a quality standard that adds value to the company, ensures respect for principles of environmental and ethical sustainability, and minimises risks.

The bank also has specific standards inspired by the precepts of the International Federation of Purchasing and Supply Management. These standards are based on principles such as loyalty and honesty, objectivity in decisions, transparency and equality of opportunity, confidentiality, integrity and independence in relations, and corporate social responsibility.

The bank's standards specify what is already established in the Code of Ethics and Conduct, approved by Bankia's Board of Directors, which states that suppliers will be selected based on objective, weighted criteria, fair competition and diversification.

Suppliers that show a commitment to their employees, to quality, to the preservation of the environment and to human rights will be preferred; and those that have a record of non-compliance in relation to the law, tax obligations, employment, the environment or occupational health and safety will be avoided.

In 2016 the Supplier Approval Process was reviewed and the use of the Supplier Portal, which gathers all the necessary information, including each supplier's economic risk rating and the required social and environmental information, became more fully established. Approval is essential in order for a supplier to establish a business relationship with Bankia and requires a minimum score. At year-end 2016, Bankia had 3,015 approved suppliers in the portal.



SUPPLIER RELATIONS CHANNELS

Suppliers can communicate with Bankia through various different channels:

- Supplier Service Department. this department is open to complaints, claims and suggestions in relation to the payment of invoices and the provision of services associated with supplier contracts and in relation to the supplier selection processes. All the complaints received by the department are dealt with directly by the staff of the Chairman's Office.
- Confidential whistleblowing channel. Managed by an independent body and open to suppliers, this channel helps to detect possible breaches of the bank's Code of Ethics and Conduct.
- Satisfaction surveys. In 2016 the bank created the Supplier Perception Study, which comprises three different surveys: surveys of selected suppliers, non-selected suppliers and selected suppliers with two months of service provision. These surveys assess Bankia's relationship with suppliers in terms of how well it treats suppliers, the use of the Confidential Whistleblowing Channel, the contract negotiation process, promptness in payment and how well the bank conveys its values.
- Supplier sponsor. The role of supplier sponsor was created to improve communication, facilitate contact and monitor performance more effectively. Strategic suppliers are assigned a sponsor, whose.

NO. OF SUPPLIERS APPROVED ON CSR CRITERIA

1,412

05.2

SUPPLIERS.

OTHER ACTIONS

In 2016 Bankia took part in the annual convention of CPOnet, the social network for business that brings together the most important purchasing professionals operating in Spain. The convention revolved around the influence of supply risk management and digitisation on the purchasing function.

In June 2016 the bank organised its first Suppliers Day, which was held in the auditorium of the bank's operating headquarters in Madrid and was attended by more than 300 people. Bankia wanted this event to show the importance it gives to supplier participation and involvement in the bank's project and in its value chain.

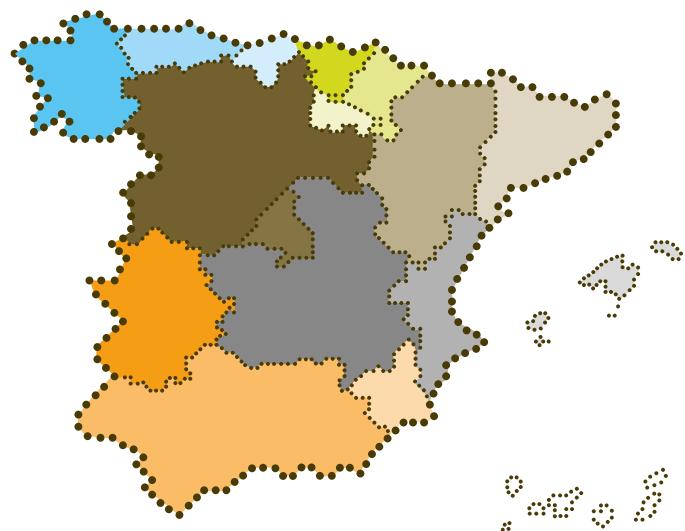
In 2016 the bank sponsored the 7th edition of the Diamond Awards for Purchasing, an initiative of the Spanish Association of Purchasing Procurement and Supply Professionals (Aerce) aimed at rewarding excellence in purchasing management, bringing best business practices to a wider audience and promoting the importance of the purchasing function in organisations.

FUTURE PLANS

In 2017 the bank plans to launch a Negotiation Module, which will make the

supplier selection process fully traceable and will provide a repository of the documents that are exchanged, so that suppliers can see the status of their bids at all times. There are also plans to implement a Supplier Monitor, which will give an overview of Bankia's suppliers and will include an analysis of environmental, social and governance risks.

MAP OF ACTIVE SME SUPPLIERS



● ANDALUSIA 36	● ARAGÓN 9	● ASTURIAS 8	● BALEARICS 7
○ CANARIES 34	● CANTABRIA 3	● CASTILLA Y LEÓN 31	
● CASTILLA-LA MANCHA 20	● VALENCIAN COMMUNITY 131		
● CATALONIA 137	● GALICIA 14	● LA RIOJA 9	● MADRID 703
● MURCIA 7	● NAVARRA 4	● BASQUE COUNTRY 27	● EXTREMADURA
○ CEUTA 0	TOTAL ACTIVE SME SUPPLIERS 1,180		



Bankia organised the first Suppliers Day, which was held in the auditorium of the operating headquarters in Madrid and was attended by more than 300 people.

SUPPLIER PROFILE

ACTIVE SUPPLIERS BY SECTOR

NO. OF ACTIVE APPROVED SUPPLIERS IN THE PUBLIC SECTOR **239**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE REAL ESTATE/ CONSTRUCTION SECTOR **222**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE GENERAL SERVICES SECTOR **189**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE ASSOCIATIONS, GROUPS AND NGOS SECTOR **164**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE IT SECTOR **153**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE CONSULTING / AUDIT / ADVISORY SECTOR **113**

NO. OF ACTIVE APPROVED SUPPLIERS IN THE "OTHER" SECTOR (ADVERTISING / MARKETING, LEGAL, FINANCIAL INFORMATION SERVICES, ETC.) **675**

NO. OF ACTIVE APPROVED SUPPLIERS WITH NO SPECIFIED SECTOR **1,362**

APPROVED SUPPLIERS



● NO. OF NEW SUPPLIERS ACCEPTED **384**
● NO. OF APPROVED SUPPLIERS **3,117**

AVERAGE SUPPLIER PAYMENT PERIOD

10.45 DAYS

APPROVED SUPPLIERS BY CATEGORY



● TOTAL NO. OF APPROVED SUPPLIERS CLASSIFIED AS STRATEGIC **38**
● TOTAL NO. OF APPROVED SUPPLIERS CLASSIFIED AS PREFERRED **121**
● TOTAL NO. OF APPROVED SUPPLIERS CLASSIFIED AS TRANSACTIONAL **2,856**

ACTIVE SUPPLIERS BASED IN THE LOCAL AREA



● ACTIVE SUPPLIERS (LOCAL) **93.4%**
● ACTIVE SUPPLIERS (NON-LOCAL) **6.6%**

SMEs THAT ARE ACTIVE SUPPLIERS



● TOTAL NO. OF ACTIVE SME SUPPLIERS IN THE BANK'S MAIN AREAS OF ACTIVITY **1,013**
● TOTAL NO. OF ACTIVE SME SUPPLIERS OUTSIDE THE BANK'S MAIN AREAS OF ACTIVITY **171**

% BILLING BY LOCAL SUPPLIERS



● NATIONAL SUPPLIERS **95.14**
● FOREIGN SUPPLIERS **4.86***

* % of total active approved suppliers calculated using consolidated information on their nationality (2,335 suppliers)

05.3

ENVIRONMENT.

BANKIA IS AWARE OF THE IMPACT ITS ACTIVITY HAS ON THE NATURAL ENVIRONMENT AND HAS FOR MANY YEARS BEEN TAKING STEPS TO MINIMISE THAT IMPACT, AS PART OF THE FIGHT AGAINST CLIMATE CHANGE AND IN LINE WITH ITS STAKEHOLDERS' EXPECTATIONS.

Since the new ISO 14001 standard was published in September 2015, Bankia has concentrated its efforts on reviewing and analysing its internal environmental management procedures to adapt them to the new standard. These efforts have resulted in new work procedures, approved in 2016, oriented towards a more holistic approach to environmental management, taking the context and the needs and expectations of the bank's stakeholders into account.

ENERGY EFFICIENCY

Efficiency is one of the levers to help reduce emissions and so combat climate change. During 2016, in line with the 2015-2019 Energy Efficiency Plan, the bank continued to implement energy telemanagement

systems, which at year-end were in place in 121 branches. In the commercial network 299 air conditioners were replaced with more efficient models. Added to the 186 replaced in 2015, this brings the total to 485. In addition, an energy telemanagement system was implemented in the company's headquarters building in Valencia

Once again, Bankia renewed its commitment to ensure that 100% of the electricity consumed in all its facilities comes from renewable sources. It was the first Spanish financial institutions to start using 100% green energy in 2013. The Valencia headquarters also has a system for capturing solar photovoltaic energy. In 2016 the bank joined RE100, an initiative that groups together at international level the companies that are most committed to renewable energy use, with clearly defined and publicly stated energy use targets.

Last year the bank completed an ambitious comprehensive audit project to determine



the energy situation of its work centres and their scope for energy savings, with a view to improving their energy efficiency and reducing their greenhouse gas emissions. The audit covered all the buildings and energy-intensive facilities and more than 1,195 branches. The results are helping to define new measures, having regard to their economic, energy and environmental return.

OTHER CONSUMPTION

In 2016 a project was started to resize and replace obsolete printers, aiming to achieve significant cost savings through reductions in consumption. The project included measures such as monitoring the printers using special software, programming the printers for double-sided printing by default and limiting the use of colour printers.

As regards water, the work on installing water-saving systems in the bank's branches and buildings was completed. These systems helped the bank meet and surpass its water-saving target, reaching a saving of 12.8%.

The bank's operating headquarters in Madrid were subjected to a special treatment, with the implementation of the Workin'Bankia project, aimed at optimising and modernising spaces. When the project is complete, Torre Bankia will be a more sustainable building in

ENVIRONMENTAL INVESTMENT IN MILLIONS OF EUROS

10.92

terms of water consumption (with a more than 75% saving from new taps), energy savings in air conditioning and lighting (between 1.5 and 2 GWh) and sustainable furniture, with most items having FSC certifications and environmental product statements.

TACKLING CLIMATE CHANGE

Bankia offset 100% of the CO2 emissions generated by the activity carried out in its operations centre in Madrid at Paseo de la Castellana, 189 (offset of scope 1, 2 and 3 emissions, a total of 524 tn)*.

* Note: Scope 3 emissions include emissions arising from consumption of water, consumption of paper and toner, and from waste (paper, packaging, glass, toner cartridges, batteries and vegetable oil).

05.3

ENVIRONMENT.

CONSUMPTION OF MATERIALS ¹	2016	2015	2014	UNITS
Total paper consumption (DIN A4)	652.94	743.13	658.90	Tonnes
Total consumption of recycled paper (DIN A4) ³	651.39	741.50	657.60	Tonnes
Total consumption of white paper made from virgin pulp with a low environmental impact (DIN A4) ²	1.55	1.63	1.30	Tonnes
Total consumption of paper rolls	100.00	100.00	100.00	Percentage
% consumption of paper made from ECF virgin pulp (DIN4)	472.10	689.80	608.14	Tonnes
% paper used that is recycled (DIN A4)	99.76	99.78	99.80	Percentage
Total consumption of toner cartridges	15,057	14,575	13,328	Units
% of toner cartridges used that are recycled	88.38	99.82	99.70	Percentage

1 Data for Bankia, S.A.

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

3 The recycled paper has the following guarantees: European Ecological Label, Ángel Azul and CradletoCradle (Silver).

This offsetting has been achieved through the direct purchase of tonnes of CO₂ available in the national REFO-RESTA CO₂ project (Phases II, III and IV), which is registered in the “Carbon Footprint Offsetting and Absorption Projects”, dependent on the Ministry of Agriculture, Fisheries, Food and the Environment.

Thanks to the REFO-RESTA CO₂ project (Phases II, III and IV), an area of degraded land, stripped of vegetation, in the municipalities of Lerma and Santa María del Castillo (Burgos) is in the process of being recovered. The new woodland acts as an important CO₂ sink, while also helping to mitigate the risk of desertification and enhance biodiversity. The project also has

an important social dimension, as it is carried out by local experts, fostering local employment and rural development and ensuring proper forest maintenance.

Sustainable mobility has positive environmental and economic effects. For that reason, the bank has for a long time used conference calls in its work centres to allow meetings to be held remotely. In 2016 greater emphasis was given conference calls as a means of avoiding travel by car, train or aeroplane. During 2016 these services received 5,042 requests and had 87,773 participants. All employees were given simple advice on how to reduce their CO₂ emissions when they have no other option but to use a vehicle.

Each year, Bankia responds to the climate change questionnaire prepared by CDP, which evaluates the bank's climate change strategy and management. The score obtained in 2016 was A- (the maximum score is A), which according to CDP's criteria puts Bankia at leadership level.

CDP is an international NGO that provides the only global system that allows companies to report their environmental impacts and the measures they have taken to reduce them. Its assessments are used as a decision-making tool by 827 institutional investor signatories with a combined US\$ 100 trillion in assets.

ENERGY AND WATER CONSUMPTION ¹	2016	2015	2014	UNITS
Total primary energy consumption	14,874	16,182	16,794	Gigajoules
Total natural gas consumption	10,841	12,644	11,674	Gigajoules
Total liquid fuel (oil and petrol) consumption	4,033	3,538	5,120	Gigajoules
Total electricity consumption ²	326,127	379,638	369,051	Gigajoules
Total water consumption ³	244,516	280,446	305,516	Cubic metres

1 Data for Bankia, S.A.

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

3 Total water supplied by mains networks. Buildings: Las Rozas, Pº Castellana, 189 and Pº Castellana, 259-A, in Madrid: consumption estimated using bills.

EMISSIONS ¹ (TONNES)	2016	2015	2014
TOTAL SCOPE 1 EMISSIONS^{2,3} (REF. GRI)	3,743.5	3,632.3	3,348.1
Direct CO ₂ e emissions from natural gas consumption	616.6	717.9	662.8
Direct CO ₂ e emissions from fuel consumption	316.8	274.0	346.5
Direct CO ₂ e emissions from refrigerant gas recharging	2,810.1	2,640.4	2,338.8
TOTAL SCOPE 2 EMISSIONS	0	0	0
Indirect CO ₂ e emissions from electricity consumption ⁴	0	0	0
TOTAL SCOPE 3 EMISSIONS²	4,571.6	5,004.9	4,752.6
Indirect CO ₂ e emissions from business trips ⁵	3,071.6	3,315.0	3,281.0
Indirect CO ₂ e emissions from commutes (Ofibus shuttle service)	294.4	325.0	249.1
Indirect CO ₂ e emissions from commutes (shared transport)	8.2	9.2	9.2
Indirect CO ₂ e emissions from consumption of paper (DIN A4) and printer cartridges	1,087.1	1,227.1	1,089.0
Indirect CO ₂ e emissions from water consumption	84.1	96.5	105.1
Indirect CO ₂ e emissions from waste management	26.2	32.1	19.2
OTHER EMISSIONS⁶			
CO emissions	0.19	0.21	0.21
NO _x emissions	1.41	1.55	1.53

1 Data for Bankia, S.A.

2 Sources of emissions factors used: IPCC 2006/2013, CORINAIR 2007, U.S. EPA, Spain – GHG Inventory Report 1990-2014 (2016), DEFRA 2016, Guide for calculating GHG emissions (2016) - 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 mission of 36,236.4 tonnes of CO₂. Source: Electricity Labelling and Source Guarantee System (2015). 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 Source: CORINAIR 2007.

05.3

ENVIRONMENT.

WASTE MANAGEMENT

Consistent with the internal waste prevention strategy and aiming to avoid waste generation wherever possible, since 2013 the bank has been running campaigns to donate furniture and electrical and electronic equipment to a wide range of not-for-profit entities devoted to social causes and to schools. Such donations represent a major contribution to these entities' social activities

and avoids having these items sent to landfill. Over the last four years a total of 287 donations have been made.

In 2016 the bank started a project to recycle the writing materials (ballpoints, markers, etc.) used in the branches. Since October all employees and their families can send these materials by internal mail to the Las Rozas building, where they are delivered to Terracycle for recycling. The plastic and metal parts are thus given a second life by being fed back into the economy as raw materials for items such as street furniture.

WASTE ¹ (TONNES)	2016	2015	2014
NON-HAZARDOUS WASTE SENT FOR REUSE OR RECYCLING	1,246.17	1,522.45	895.33
Paper waste ²	688.99	683.06	812.20
Electronic waste ³	498.32	785.84	38.90
Toner waste	38.39	37.16	33.90
Battery waste	0.21	0.25	0.14
Packaging waste	19.75	15.06	9.41
Glass waste	0.46	1.06	0.74
Vegetable oil waste	0.05	0.02	0.04
NON-HAZARDOUS WASTE SENT TO LANDFILL	0.06	2.10	11
Portable electronic device waste	0.06	2.04	10.6
Card waste	-	0.06	0.4
HAZARDOUS WASTE GENERATED	0.68	0.77	0.65
Hazardous waste handled by an authorised waste management company and recycled	0.65	0.76	0.32
Hazardous waste handled by an authorised waste management company and sent to secure landfill	0.03	0.01	0.33

1 Data for Bankia, S.A.

2 In 2016, Bankia undertook several extraordinary, one-time projects that entailed the generation of 269.9 t of paper, which was sent to be recycled.

3 In 2016, Bankia undertook several extraordinary, one-time projects that entailed the generation of 18,5 t of electronic waste, which was sent to be recycled.



TONNES OF CO₂ AVOIDED
BY SOURCING ELECTRICITY
FROM RENEWABLE SOURCES

36,236.4 tn

ENVIRONMENTAL AWARENESS RAISING

With the aim of spreading the environmental culture among the bank's professionals, in 2016 the Individual Training Plan of 9,845 employees included an online course on Environmental Management, which entailed a total of 3,954 hours of training.

Efforts are made to encourage employee involvement by publicising environmental news and good practices and creating internal forums. Important environmental events are announced internally and externally through the Bankia Blog.

Environmental content was prepared for the corporate portal bankia.com for two purposes: to communicate Bankia's environmental commitment and objectives and the action taken to achieve them, and to raise environmental awareness among the bank's professionals and among stakeholders.

To foster collaboration with those of its suppliers whose activity has the greatest environmental impact, Bankia continues to offer one-day training and awareness events, at which it provides basic information about environmental regulations, environmental management and good practices. These events are also an open forum for dialogue aimed at continuous improvement, making

NUMBER OF EMPLOYEES
WHO RECEIVED
ENVIRONMENTAL
AWARENESS TRAINING

2,686

Bankia a more sustainable and more committed organisation.

The Bankia Voluntarios portal fosters environmentally responsible behaviour and offers employees and their families an opportunity to take part in social and environmental activities, such as reforestation, biodiversity conservation and organic agriculture projects, including the La Huerta project run by Fundación Juan XXIII Roncalli, a leading centre for the integration of people with intellectual disabilities.

05.3
ENVIRONMENT.

SUPPLIER
ASSESSMENT

In the course of the assessment process, suppliers must answer specific questions about their environmental management and demonstrate an awareness of the environmental principles that must govern their relationship with Bankia; they also receive information about good environmental practices.

The suppliers with the greatest environmental impact have the possibility of participating in training actions aimed at generating a dynamic of improvement that will make Bankia a steadily more sustainable and more environmentally committed organisation.

A FOUR-YEAR
HORIZON

Bankia is working on the design of an environmental plan for the bank as a whole, including specific targets for eco-efficiency, climate change, certified environmental management, employee environmental training and collaboration with suppliers. Over a four-year horizon (2017-2020), the plan sets ambitious but realistic targets, while at the same time tracing the path to be followed in order for Bankia, as a company, to contribute to the achievement of one of the global targets for the 21st century: carbon neutrality by 2050.



8

Strategic lines

For Bankia's future Eco-Efficiency and Climate Change Plan.



19%

Target for reduction in energy consumption by 2019.



5%

Reduction in water consumption in 2020.



BANKIA is working on the design of an environmental plan for the bank as a whole, including specific targets for eco-efficiency, climate change, certified environmental management, employee environmental training and collaboration with suppliers.

The bank's future Eco-Efficiency and Climate Change Plan will be structured based on various lines of strategy, each of which will be oriented to the achievement of specific qualitative and quantitative targets:

- Increase in the number of Bankia's emblematic buildings with a certified environmental management system.
- Reduction of CO₂ emissions and offsetting of unavoidable emissions.
- Reduction of energy consumption (19%), water consumption (5%) and paper and toner consumption (5%) in 2019.
- Search for new alternatives to the main types of waste generated in the context of the circular economy and change of model in waste management, considering waste as a type of raw material.
- Promotion of respect for the environment and transition towards a low-carbon economy, affecting the purchases and supplies that entail the greatest environmental risk and impact.
- Extension of a culture of environmental commitment to the entire organisation through training and awareness raising.

The group will review this plan each year to adapt it as necessary to the organisational context, any new environmental challenges or opportunities that may arise and the latest technological advances. Within the framework

of the plan, Bankia has set itself a series of objectives for 2017:

- Renew the environmental certification of the Valencia headquarters, the operating headquarters in Madrid and the Las Rozas building in accordance with the new ISO 14001:2015 standards.
- Register the bank's carbon footprint at the Ministry of Agriculture, Fisheries, Food and the Environment and obtain the Ministry's seal ("Calculo, Reduzco y Compenso").
- Source 100% of electricity from renewable sources.
- Offset CO₂ emissions through direct purchase of tonnes of CO₂ or through collaboration in offsetting projects.
- Design and implement a corporate app: a calculator for measuring a household's carbon footprint.

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06. RISK MANAGEMENT.

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**IN AN INCREASINGLY
UNCERTAIN WORLD,
RISK CONTROL IS KEY
FOR THE FUTURE OF
BANKING. THAT IS
WHY BANKIA PUTS
GREAT EFFORT INTO
IDENTIFYING, LIMITING
AND MITIGATING RISKS
THROUGH A SOLID
ACTION FRAMEWORK
AND SYSTEMATIC
CONTINUOUS
IMPROVEMENT.**

REDUCTION
OF NPL RATIO
0.8 POINTS

RETAIL LOANS
AS % OF TOTAL LOAN BOOK
68%

No. OF MORTGAGE
MODIFICATIONS IN 2016
5,628

06.1

A STRATEGIC PILLAR.

RISK MANAGEMENT IS ONE OF BANKIA'S STRATEGIC PILLARS AND IS CONDUCTED IN ACCORDANCE WITH INTERNATIONAL BEST PRACTICES, SUPPORTED BY A STRONG CORPORATE GOVERNANCE FRAMEWORK TO ENSURE THAT CONTROL MECHANISMS OPERATE EFFECTIVELY.

The main objective of risk management 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. For that purpose, the bank provides the means to efficiently assess, control and monitor requested and authorised risk, manage non-performing loans and recover defaulted risks.

GENERAL PRINCIPLES

The general principles on which risk management is based are as follows:

- Independent, group-wide risk function that provides the necessary information for decision making at all levels.
- Objective decision making, taking account of all the relevant risk factors (both quantitative and qualitative).
- Active risk management at every stage of the risk life cycle, from pre-approval credit analysis until the debt is extinguished.
- Clear processes and procedures subject to regular review in light of changing needs, with clearly defined lines of responsibility.
- Integrated management of all risks through risk identification and quantification, and homogeneous risk management based on a common measure (economic capital).
- Differentiated risk treatment, approval process and management procedures, based on risk characteristics.
- Development, implementation and diffusion of advanced risk management support tools, making effective use of new technologies.



- Decentralised decision making, using the available methodologies and tools.
- Risk variable to be included in business decisions in all areas: strategic, tactical and operational.
- 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.

THE FOUNDATIONS: RISK APPETITE AND CAPITAL PLANNING

.....

Bankia has a Risk Appetite Framework – approved by the Board of Directors – that defines the intensity and types of risk the bank is willing to assume in the course of its activity in order to achieve its objectives, always taking regulatory restrictions and commitments into account. The Risk Appetite Framework provides a comprehensive overview of the levels of appetite, tolerance and capacity for each of the risks considered, as well as a comparison of these risks with the bank’s overall risk profile.

The second strategic driver of the bank’s risk and capital management under normal business conditions is the Capital Planning Framework. This framework defines the

processes that will enable the management bodies to ensure that the bank has the appropriate amount and composition of capital to sustain its business strategies in various scenarios.

Supplementing these two frameworks is the Recovery Plan, which establishes the measures to be taken in a hypothetical crisis situation. The plan is designed to be activated if the selected indicators cross certain thresholds, which are matched to the tolerance levels set in the Risk Appetite Framework.

During 2016 the Board of Directors approved a number of amendments to the risk appetite statement, aimed at improving the interaction between the Risk Appetite Framework, the Capital Planning Framework and the Recovery Plan and the relationship between these three and the bank’s strategy, business model and budget. It also adapted the indicators to the requirements of the supervisor and the risk monitoring and control needs.

06.1

A STRATEGIC PILLAR.

THE IMPORTANCE OF CORPORATE GOVERNANCE

One of the most significant aspects of the European regulations implementing the Basel III capital accords is the acknowledgement of the fundamental role of corporate governance in risk management. Under Basel III, banks are required to have sound corporate governance systems, including a clear organisational structure, effective procedures for identifying, managing, controlling and reporting risks, appropriate internal control mechanisms, and compatible remuneration policies and practices.

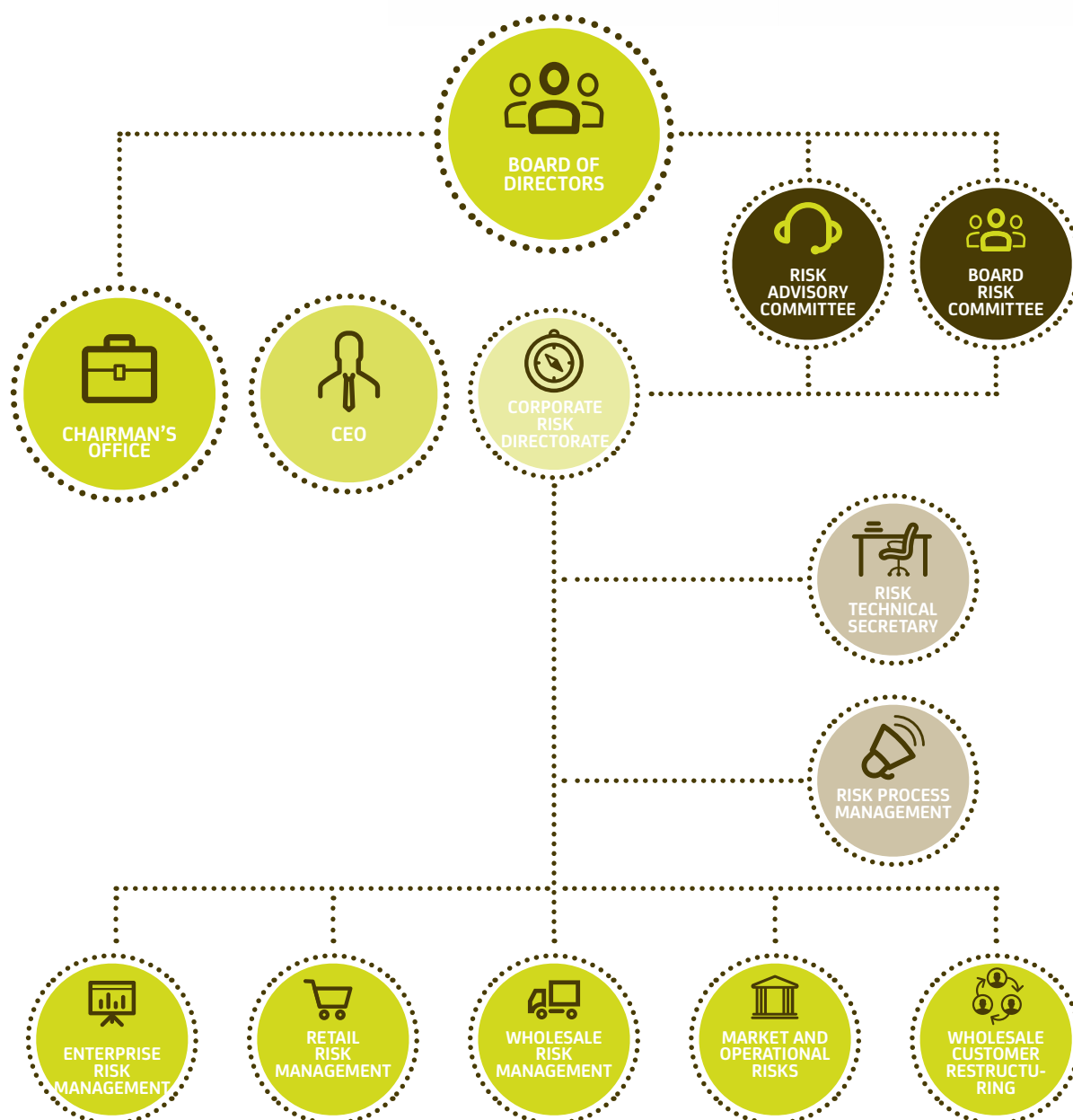
Bankia fully adheres to the new regulations and gives its governing bodies responsibility for risk oversight and control, as shown in the following chart:

The **Board of Directors** is the most senior governing body. It determines and approves the general strategies and procedures for internal control and the policies for the assumption, management, control and reduction of the risks to which the group is exposed. To properly perform these functions it has created various internal support bodies:

- **Audit and Compliance Committee.**
This committee's core responsibility is to monitor the effectiveness of the bank's internal control, internal audit (where applicable) and 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, current and future, and risk strategy. However, the Board of Directors retains overall responsibility.
- **Board Risk Committee.**
This committee is responsible for approving risks within the scope of its authority and for overseeing and administering the exercise of delegated authority by lower-ranking bodies, all this without prejudice to the oversight authority exercised by the Audit and Compliance Committee.

The following chart gives an overview of the bank's organisational structure in relation to the Corporate Risk Directorate:

The Board of Directors is the most senior governing body. It determines and approves the general strategies and procedures for internal control and the policies for the assumption, management, control and reduction of the risks to which the group is exposed.



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06.1

A STRATEGIC PILLAR.

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A PROCESS OF CONTINUOUS IMPROVEMENT

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During 2016, efforts continued to be focused on aligning the bank's risk function with industry best practices, in a process of continuous improvement.

The main activities carried out include the following:

- Improvement of risk management governance. To do this, the Risk Appetite Framework was expanded, the role of the control units was reinforced to give them the necessary independence in relation to the risk-taking units and specific pricing policies linked to the risk-adjusted return were approved.
- Improvement of risk management processes and diffusion of the risk culture. Both goals are addressed by the Closeness, Simplicity, Transparency project, which includes the initiatives launched under the 2016-2018 Transformation Plan and other new lines of work. The process improvements during 2016 affected mainly process documentation, systematisation and review. Initiatives to spread the risk culture included the creation of a risk culture space on the intranet, short-term assignments in risk centres for business managers, and greater emphasis on risk when setting business objectives.

THE CHALLENGES FOR 2017

.....

The goal for 2017 is to continue to implement the work plan of the Closeness, Simplicity and Transparency project and complete the two transformation objectives undertaken last year.

The challenges as regards process improvement are to increase traceability, simplify and automate processes so as to reduce response times and increase the degree of specialisation of the risk function, as a lever for improving efficiency.

As regards spreading the risk culture, the challenge is to make risk policies, procedures and standards better known at all levels of the organisation, improve the quality of the credit proposals that are submitted and create a wider awareness of the entity's risk profile as established in the Risk Appetite Framework. The ultimate goal is to generate a profitable, high quality loan portfolio.

The goal for 2017 is to push ahead with the Closeness, Simplicity and Transparency project and complete the two transformation objectives started last year, while improving process traceability, simplicity and automation.

2016-2018 TRANSFORMATION PLAN

PRINCIPLES OF THE 2016-2018 TRANSFORMATION PLAN

5

Apart from the Closeness, Simplicity, Transparency project, Bankia's risk management strategy is also guided by the principles of the 2016-2018 Transformation Plan. These principles are as follows:

- **An effective recoveries model.**
The use of collection agencies will be intensified, loan processing will be centralised and sales of small portfolios will be systematised.
- **Promotion of sound lending.**
Stimulus will be provided for the use of models to analyse 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, which will require developing specific tools.
- **Asset allocation.**
The business must be oriented to maximising economic value, while respecting the risk levels set in the Risk Appetite Framework.
- **Culture and training.**
The bank will promote a training plan focused on the risk profile (better knowledge of policies and tools) and data quality.

06.2

RISK PROFILE .

CREDIT RISK IS THE PREDOMINANT RISK IN THE BANK'S PROFILE. NEW GUIDELINES WERE APPROVED IN 2016 TO IMPROVE CREDIT RISK MANAGEMENT. OTHER RISKS THAT RECEIVED SPECIAL ATTENTION WERE ENVIRONMENTAL AND REPUTATIONAL RISK.

CREDIT RISK

determines capital requirements, Bankia's risk profile is clearly oriented towards credit risk, as the following chart shows:

Based on the distribution of risk-weighted assets (RWAs), which is the indicator that



- CREDIT RISK 88%
- OPERATIONAL RISK 9%
- MARKET RISK 3%



- BUSINESSES 21%
- PUBLIC SECTOR 5%
- SPECIAL FIN. 4%
- DEVELOPERS 1%
- FINANCIAL INTERMEDIARIES 0%
- MORTGAGE 60%
- CONSUMER AND CREDIT CARDS 4%
- MICRO-ENTERPRISES AND SELF-EMPLOYED 5%

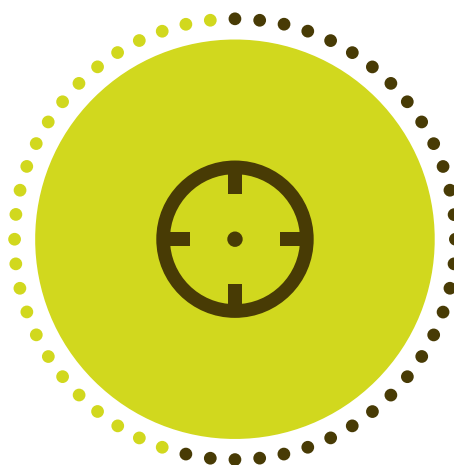


The main features of the bank's credit risk profile in 2016 were as follows:

- Some 60% of the total loan book consists of mortgage loans. The next largest component is business loans, which account for 21% of the total, as can be seen in the chart.
- The distribution of loans to customers between the wholesale and retail segments is much the same as in 2015, with 32% wholesale and 68% retail. The portfolio of real estate development-related assets fell 24% and at year-end 2016 represents only 0.8% of the total.
- The bond portfolio decreased by 19%, mainly as a result of debt maturities.
- The group ended 2016 with non-performing loans down 1,527 million euros, a much bigger decrease than budgeted. A substantial part of this result is attributable to the selection and sale of non-performing portfolios and the management and monitoring of recoveries. Thanks to this effort, the NPL ratio ended the year at 9.78%, down 0.8 points on 2015.
- Of the total non-performing assets, 58% are doubtful for "objective" reasons, including default, insolvency and litigation; and 42% is doubtful for "subjective" reasons (reasons other than default), based on the borrowers' credit assessment. At the same time, the coverage ratio reached 55.1%.

REDUCTION OF DOUBTFUL EXPOSURES IN 2016

€1,527 MILL.



- OBJECTIVELY DOUBTFUL **58%**
- SUBJECTIVELY DOUBTFUL AND RETURNED-TO-PERFORMING **42%**

06.2


RISK PROFILE.

In terms of exposure at default (EAD), expected loss, economic capital and regulatory capital, the distribution of the credit risk is as follows:

PORTFOLIO	EAD	REGULATORY CAPITAL		ECONOMIC CAPITAL		EXPECTED LOSS	
Public sector	39,680	68	0.2%	233	0.6%	174	0.4%
Banks	22,339	239	1.1%	98	0.4%	36	0.2%
Businesses	41,111	1,699	4.1%	1,558	3.8%	2,740	6.7%
Developers	1,364	79	5.8%	195	14.3%	614	45.0%
Mortgage	63,513	1,878	3.0%	1,055	1.7%	1,963	3.1%
Consumer	3,128	153	4.9%	113	3.6%	115	3.7%
Cards	3,925	74	1.9%	56	1.4%	45	1.1%
Micro-ent. & sel-empl.	5,805	212	3.7%	144	2.5%	514	8.8%
Equity	65	9	14.3%	5	8.3%	0	0.7%
Total	180,931	4,412	2.4%	3,455	1.9%	6,201	3.4%

Amounts in millions of euros and percent of EAD.

These figures lead to the conclusion 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 new Credit Risk Policy Framework is divided into two general guides, which are approved by the Board of Directors, and two sets of specific criteria, which are approved by the management committees.

NEW POLICY FRAMEWORK

On 24 November 2016, Bankia's Board of Directors approved a new Credit Risk Policy Framework, which represents a material change compared with the previous years' policies. The new policy framework is divided into two general guides, which are approved by the Board of Directors, and two sets of specific criteria, which are approved by the management committees:

- Policy Manual. This manual covers principles, scope, roles and responsibilities, organisation, delegation of specific criteria, approval process, compliance monitoring and control, and diffusion.
- General Policy Statement. This statement covers the general criteria and the mechanisms for delegating responsibility for the specific criteria.
- Specific criteria on policies, methods and procedures relating to risk approval, risk monitoring and risk recovery.
- Specific criteria on policies, methods and procedures relating to credit risk classification and coverage.

The goal is to ensure responsible, stable lending and keep it in line with the bank's strategy; set prices appropriately; limit

concentration; ensure information quality; and align the risk policy with capital needs.

The general criteria for credit risk approval revolve around five main guidelines:

- Responsible lending. Customers must be offered the financing facilities that best meet their needs, on terms and in an amount that is consistent with their ability to pay, and must be provided with the information they need in order to understand the risks.
- Focus on retail and SME banking in Spain. The financing of real estate activities, projects, acquisitions and assets is restricted.
- Knowledge of the customer's creditworthiness. This must be founded on a thorough analysis of the customer's credit history and ability to pay.
- Appropriate lending. The financing must be based on realistic payment plans and matched to the purpose for which it is granted and the collateral valuation.
- Environmental and social risk. 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.

06.2

RISK PROFILE.

MARKET RISK

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

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

In 2016 the group carried out the following actions in relation to market risk:

- Defined and parameterised a new improved system for measuring value at risk (VaR) and developed the prudent valuation methodology to meet the new regulatory challenges.

- Responded to requests and oversaw the bank's participation in the various exercises carried out by the European Banking Authority (EBA) and the European Central Bank: EBA 2016 EU-wide Transparency Exercise, EBA 2016 Benchmarking Exercise, EBA 2016 Stress Test, SSM 2016 Short-Term Exercise for SREP (quarterly), SSM 2016 Reporting of time series concerning back-testing (quarterly) and BCBS 2016 QIS Basel III.

Looking to 2017, the main challenges in relation to market risk are to complete the integration of all credit transactions in a single application, continue the migration of the VaR calculation tool to the integrated environment and make the methodology for prudent valuation adjustments more consistent.



VaR

New improved system for measuring value at risk.



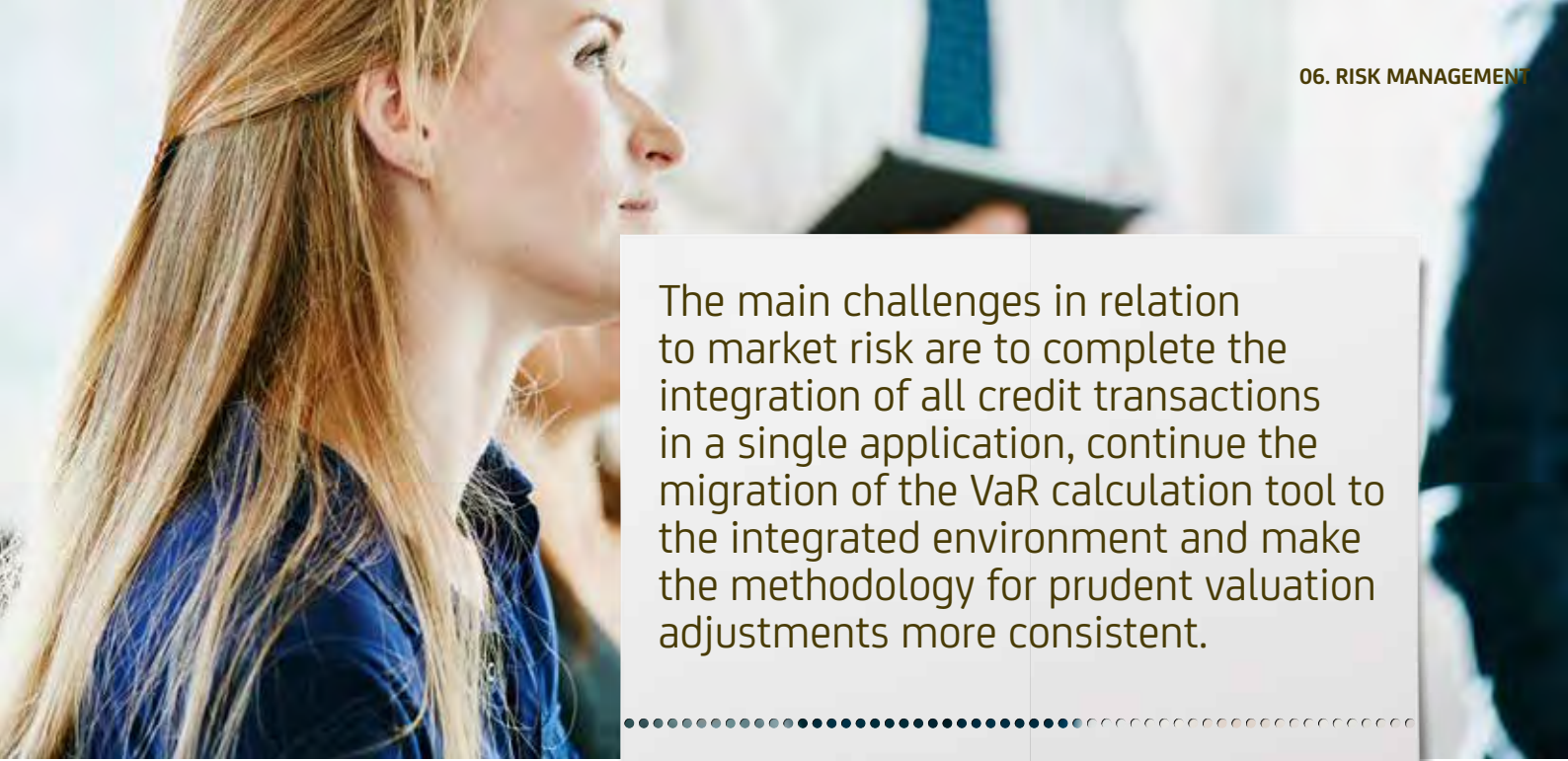
EBA

2016 EU-Wide Transparency Exercise.



SSM

2016 Reporting of time series concerning back-testing (quarterly).



The main challenges in relation to market risk are to complete the integration of all credit transactions in a single application, continue the migration of the VaR calculation tool to the integrated environment and make the methodology for prudent valuation adjustments more consistent.

COUNTERPARTY RISK

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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.

The Board of Directors is responsible for the approval of the Policy Manual for Credit Risk in Market Activities, which includes the following:

- Definition of counterparty risk and types of authorised products, both lending and fixed-income.
- Definition of authorised holders and criteria for assigning limits.
- Metrics for calculating risk.
- Tools for mitigating risk, such as break clauses in derivatives, the posting of collateral equal to the net market value of positions or the use of central clearing houses.

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06.2

RISK PROFILE.

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The development of the new methodology for derivative exposures progressed in 2016. This methodology is expected to be implemented in 2017 for the capital calculation and the value adjustment for counterparty risk. It will allow the bank to adapt to the various exercises carried out by the European Banking Authority and the European Central Bank.

On the other hand, a large number of derivative contracts were moved to CCPs to comply with the European Market Infrastructure Regulation (EMIR), which regulates the reporting of derivative contracts and imposes clearing obligations.

The goals for the current year are to migrate the existing system of limits to the integrated system, validate the new regulatory counterparty risk calculation and continue to adapt to the EMIR rules.

The measures corresponding to regulatory scenarios are incorporated in the bank's Risk Appetite Framework and the limits are adapted to the tolerance and appetite levels set by the Board of Directors. To allow these measures to be monitored, the Assets and Liabilities Committee (ALCO) is provided with monthly information on the situation of asset and liability management (ALM) risk, both in terms of economic value and in terms of net interest income. At least quarterly, the Risk Advisory Committee reports to the Board of Directors on the situation and monitoring of the limits. However, any breach of high-level limits is reported immediately.

To supplement the regulatory scenarios (impact of parallel shifts in interest rates, currently ± 200 basis points), the bank prepares various sensitivity scenarios involving non-parallel shifts in the curves that alter the slope of the reference rates for assets and liabilities.

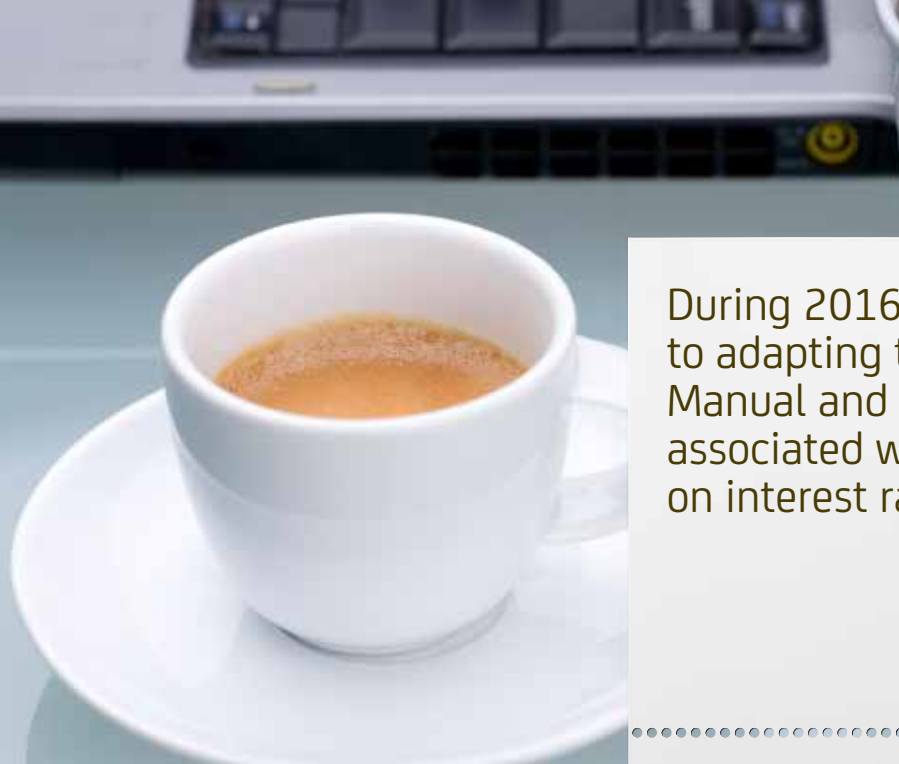
INTEREST RATE RISK IN THE BANKING BOOK

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Interest rate risk in the banking book (IRRBB) is the risk of loss resulting from adverse movements in market interest rates, which affect both net interest income and the value of assets and liabilities. The management of IRRBB, as with other risks, is based on a clear separation of roles and responsibilities.

During 2016, the group gave priority to adapting the Structural Risk Policy Manual and defining the metrics associated with the new EBA guidelines on interest rate risk. These guidelines include and improve the high-level principles contained in previous guides. The bank is currently working on various technical issues to improve the corporate governance of ALM risk, add new scenarios for use in management and develop the measurement methodologies.

The challenges for 2017 are to continue to improve information and data quality, implement methodological improvements in



During 2016, the group gave priority to adapting the Structural Risk Policy Manual and defining the metrics associated with the new EBA guidelines on interest rate risk.

the IRRBB model and develop a stress testing programme for assessing IRRBB under conditions of stress.

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, so that the balance sheet can be managed without liquidity strains in the short term.

To that end, it controls 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 raises funds in the national and international capital markets, especially the repo markets. As a complementary measure to guard against possible strains or crisis situations, the bank holds various assets as collateral at the ECB, which allow it to obtain immediate liquidity.

As regards the structure of roles and responsibilities, the ALCO is charged with monitoring and managing liquidity risk in accordance with the proposals prepared mainly

by the Corporate Finance Directorate and in line with the Liquidity and Funding Risk Appetite Framework approved by the Board of Directors. The ALCO proposes funding actions, broken down by instrument and maturity, with a view to ensuring the availability of funds at all times, at reasonable prices, to meet the bank's obligations and finance its lending activity.

The Market and Operational Risks Directorate acts as an independent unit. One of its functions is to monitor and analyse liquidity risk and integrate it in management by developing metrics and methodologies for controlling the risk, so that it remains within the tolerance limits set in the bank's risk appetite.

As a complement to the monitoring of liquidity risk in normal business conditions, an action framework has been designed for preventing and managing liquidity stress events. The cornerstone of this framework is the Contingency Funding Plan (CFP).

In 2016, Bankia continued to strengthen the liquidity and funding risk management framework. To that end, through an internal liquidity adequacy assessment process (ILAAP), the bank analysed the extent to which the existing management framework complies with the principles and guidelines established by regulators and supervisors, which must be commensurate with the size and complexity of the institution. The weaknesses and points for improvement discovered in this exercise gave scope to further enhance the quality of liquidity management during the year. The main actions taken were as follows:

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06.2

RISK PROFILE.

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- Regulatory reporting was improved, both as regards the implementation and automation of metrics and as regards the definition of methodologies and processes.
- Monitoring of intra-day liquidity risk was implemented and intra-day liquidity risk was included in the Contingency Funding Plan.
- Operational tests of the liquidity buffer were carried out, incorporating the prudent valuation methodology as a measuring tool.
- The stress test programmes were improved.
- The risk governance framework was reinforced through the approval of the Market Access Policy Manual.

The goals for 2017 are to further automate regulatory reporting, adapt the model to the implementation standards published by the EBA and develop intra-day liquidity measures under conditions of stress.

Furthermore, methodological improvements will be made to transfer prices and their effective implementation in the bank's internal processes.

OPERATIONAL RISK

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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.

Bankia's objectives in relation to operational risk are to:

- Promote a management culture oriented to awareness building, acceptance of responsibility and service quality.
- Ensure that operational risk is identified and measured in order to prevent possible losses that might affect results.
- Reduce losses by applying systems of continuous improvement in processes, control structure and mitigation plans.
- Continue to apply risk transfer mechanisms that will limit exposure.
- Validate the existence of contingency and business continuity plans.

During 2016, operational risk management was centred on assessing the risks of delegated functions and outsourced processes. This was done by deploying the methodology developed since 2015. An offer was developed to purchase insurance to cover possible losses arising from the cyber risk associated with Bankia's activity.

The Operational Risk Directorate took an active part in the preparation and approval of the Internal Market Fraud Prevention Manual and the Reputational Risk Policies and Procedures Manual. It also participated in the Technology Fraud Committee, which was created in 2016 to oversee this type of incident and receive reports on improvement and mitigation plans.



During 2016, operational risk management was centred on assessing the risks of delegated functions and outsourced processes. In addition, an insurance offering to cover possible losses arising from the cyber risk associated with BANKIA's activities was developed.

ENVIRONMENTAL RISK

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A financial institution has a very limited environmental impact. However, it exercises a very significant indirect influence through its customers' production activities and investment decisions.

The goal of environmental risk management is therefore to protect the quality of the bank's assets by supervising the portfolios of loans to customers and controlling the decisions to invest in financial or physical assets.

The environmental risk inherent in customers' production activity can be transferred to the bank in two ways:

06.2

RISK PROFILE.

- **Reputational risk.**

Society's awareness of environmental issues has prompted closer scrutiny of the repercussions of the activities of banks' customers, thus increasing reputational risk for banks. The threat of climate change further intensifies this risk.

To manage environmentally-related credit risk, Bankia has a tool that gives corporate customers an environmental rating, which provides qualitative information complementary to that provided by the financial rating. The environmental rating serves 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.

- **Credit risk.**

Credit risk may arise from the impact that environmental issues have on the viability of a customer's business (regulation or environmental authorisations), increased investments in technology, regulatory risk, loss of cash flows, impairment of assets posted as collateral, or civil or criminal liabilities with internal or external bail.

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



To manage credit risk, BANKIA has an environmental rating tool for corporate customers that provides qualitative information to supplement that provided by the financial rating.

The tool can be used to obtain an overall rating of the bank's portfolios of loans to large and medium-sized companies. The result of the assessment shows that 80.3% of the obligors or customers and 72.8% of the drawn exposure is in portfolios rated as having low or very low environmental risk.

ENVIRONMENTAL RISK

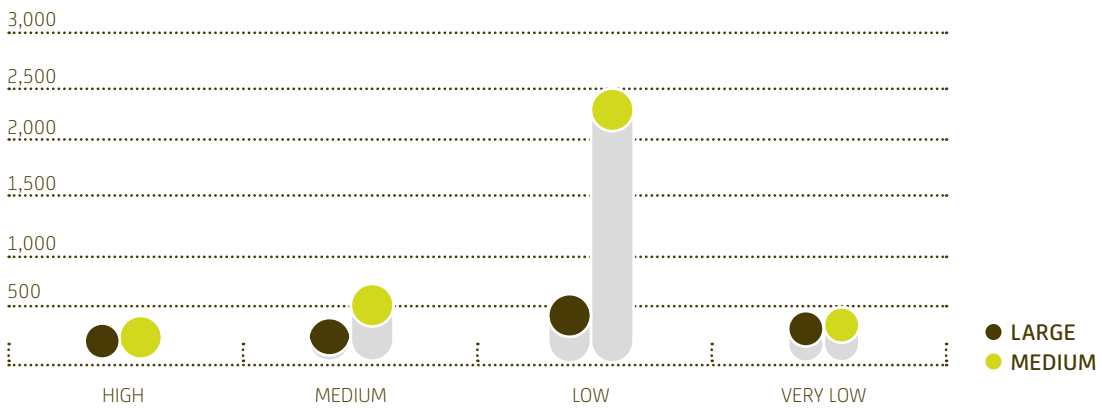
RATING BAND	OBLIGORS		DRAWN EXPOSURE		CREDIT LIMIT	
	NUMBER	%	€MN	%	€MN	%
Very low	773	17.4%	6,044,583,022	36.2%	13,480,143,243	37.8%
Low	2,797	62.9%	6,108,825,970	36.6%	12,387,910,400	34.7%
Medium	781	17.6%	4,309,524,221	25.8%	9,042,787,911	25.4%
High	95	2.1%	241,272,460	1.4%	758,050,928	2.1%
Total	4,446	100.0%	16,704,205,673	100.0%	35,668,892,481	100.0%

06.2

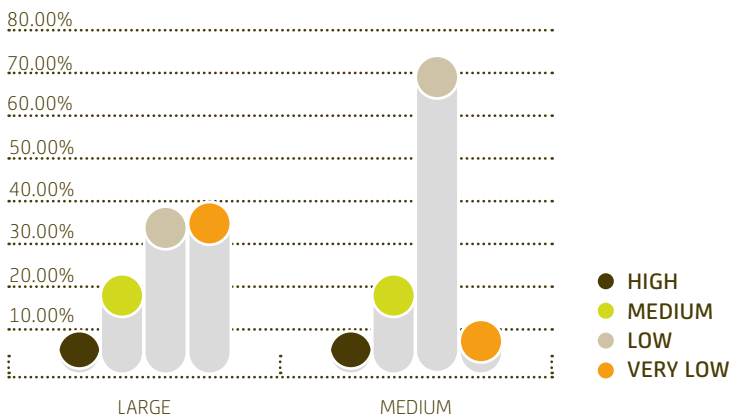
RISK PROFILE.


If we separate the large and medium-sized businesses and look at the percent distribution of the two portfolios in terms of number of obligors and drawn amounts, we can also see that the ratings are concentrated in the low and very low bands, as the following chart shows:

BUSINESS BORROWERS BY CREDIT RATING (%)



BUSINESS BORROWERS BY DRAWN EXPOSURE (%)





In 2016, in a market context characterised by a moderate recovery in lending and an improvement in economic activity and in Spaniards' disposable income, the problems of non-payment in mortgage contracts and other loans eased.

SOCIAL RISK

In 2016, in a market context characterised by a moderate recovery in lending and an improvement in economic activity and in Spaniards' disposable income, the problems of non-payment in mortgage contracts and other loans eased. Even so, Bankia maintained its policy of offering negotiated solutions for customers who faced difficulties in meeting their obligations, both in the early stages of delinquency (forbearance, surrender in satisfaction of debt) and where the asset has already been foreclosed, within the framework of its policy of preventing social risks.

A total of 5,628 mortgage modifications were carried out, establishing more flexible conditions to adapt the loans to households' ability to pay, 54% fewer than the previous year. At the same time, 550 transfers of homes in satisfaction of mortgage debt were accepted (934 in 2015). 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. Foreclosed homes (i.e., homes repossessed by the bank under a court order) totalled 1,971 (3,968 the previous year).

Since 2012 Bankia has accepted a total of 7,927 transfers of property in satisfaction of debt and has executed 74,275 mortgage modifications. In doing so it has helped

TOTAL NEGOTIATED SOLUTIONS SINCE 2012

184,946

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.

The help that Bankia provides to customers in need is not confined to mortgage customers. Last year the bank also renegotiated the terms of 1,809 consumer loans (9,253 in 2015) and 1,005 loans to self-employed individuals and businesses (3,588 in 2015). The cumulative totals since 2012 are 60,275 and 17,139, respectively.

06.2

RISK PROFILE.

NEGOTIATED SOLUTIONS


	YEAR				
	2016	2015	2014	2013	2012
Total no. of homes surrendered in lieu of payment	550	934	1,497	1,590	3,356
Total no. of foreclosed homes	1,971	3,968	5,570	4,614	9,207
Total no. of mortgage modifications	5,628	12,341	14,079	23,178	19,049
Total no. of consumer loan modifications	1,809	9,253	12,821	23,752	12,640
No. of self-employed/business loan modifications	1,005	3,588	3,477	5,667	3,402
Total negotiated solutions	10,963	30,084	37,444	58,801	47,654

EMERGING RISKS

Together with what are considered the classic risks for financial institutions, recent years have seen the emergence of new risks, which until recently went unnoticed. These new risks have to do with changes in the regulatory environment, consumer habits and the financial services industry and advances in technology. They include risks relating to cyber security and competition from fintech companies, as well as reputational risks.

Cyber security risks are a significant and growing threat in an environment marked concurrently by three factors: -Increasingly rapid evolution of technology. New technologies with new functions and facilities are appearing constantly. -Offering of free services by technology companies in exchange for information (including financial information) about users, which can then be marketed and sold. -Digital transformation of deposit-taking institutions, for which the integrity and confidentiality of customer information takes priority.

To deal with this scenario, which cyber criminals try to exploit, Bankia has reinforced its security measures. A Cyber Security



Emerging risks have to do with changes in the regulatory environment, consumer habits and the financial services industry and advances in technology.

Transformation Plan was started and a Cyber Security Committee, made up of senior managers representing the main areas of the bank, was created.

Moreover, a cyber security team was involved from the outset in every major project undertaken in the context of Bankia's digital transformation, so that the necessary security measures could be adopted.

The growth of fintech companies (companies that use new technologies to deliver financial services) is generating new business models in the financial sector that represent both a risk and an opportunity for the bank. Bankia's technology base is prepared to stimulate the formation of new alliances and collaboration projects between the bank and fintech companies that will support the creation of those new business models. This policy demands that certain applications be made more flexible, so as to be able to respond quickly to new needs.

Reputational risks are also on the rise, insofar as it is proven that they can directly affect the income statement, just like other extra-financial risks (environmental risk, social risk, etc.). Since the end of 2015, following the recommendations of the Good Governance Code adopted in the 2016-2018 Responsible Management Plan approved by the Board of Directors, Bankia is carrying out an enterprise-wide exercise to identify, assess and control extra-financial risks. The aim is to improve the management of reputational risk and comply with the new regulatory and supervisory requirements.

To meet these requirements, in July 2016 the Board of Directors approved the Reputational Risk Management Policy Manual. This manual describes the roles and responsibilities of the bodies involved in the various phases of the reputational risk management process and documents the procedures in place for integrated risk management.

During 2016 a map of the bank's reputational risks was drawn up. The map classifies risk events according to their severity, so that the ones most likely to cause a serious loss (of resources, customers, etc.) to the group can be actively managed.

The goal for 2017 is to carry out a project to automate reputational risk management, which will help to strengthen the bank's risk culture and underline the importance of extra-financial risks.

06.3

POLICY ON THE FINANCING OF CONTROVERSIAL ACTIVITIES.

BANKIA'S COMMITMENT TO INTERNATIONAL BEST PRACTICES INCLUDES AVOIDING THE FINANCING OF CONTROVERSIAL ACTIVITIES, WHICH IS SUBJECT TO SEVERE RESTRICTIONS. THE BEST PROOF OF THAT COMMITMENT IS THE FACT THAT IN 2016 NO PROPOSED TRANSACTIONS THAT CONFLICTED WITH THE BANK'S POLICY WERE DETECTED.

One of Bankia's fundamental goals is to set criteria that will promote good banking practice. To do that, the bank defines specific policies for sectors and activities that are potentially sensitive on account of their social implications, such as investment in or financing of certain weapons companies or organisations implicated in the violation of human rights or any activity that may entail a violation of the fundamental rights of the individual.

As regards the arms industry, the policy requires that proposed 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 also obliges it to refuse to finance transactions with companies that have been proven to violate human rights in areas such as employment conditions, freedom of association, safety at work and

equality. Isolated events are not sufficient proof of failure to respect fundamental rights.

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

In 2016 Bankia detected no transactions that conflict with these policies, which suggests that any potentially compromised project is rejected before it enters the formal credit decision process.

07. INDEX OF GRI G4 CONTENT.

08. INDEPENDENT REVIEW REPORT.

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07. INDEX OF GRI G4 CONTENT.

.....

SCOPE AND EXTERNAL REVIEW OF EXTRA-FINANCIAL INFORMATION.

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 AA1000APS (2008) standard issued by AccountAbility.

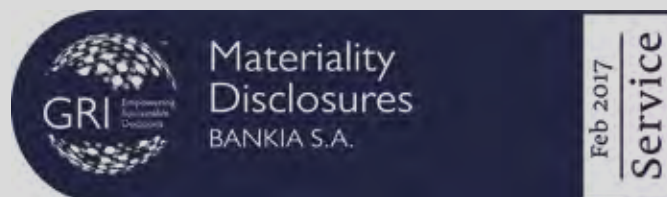
In the preparation of this report, Bankia called on the services of an independent expert to carry out an exhaustive materiality analysis for the purposes of carrying out various stakeholder consultations and identifying the most relevant matters that must be covered in this report. The Index of GRI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

07.

INDEX OF GRI G4 CONTENT.



INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
STRATEGY AND ANALYSIS					
G4-1	Inclúyase una declaración del responsable principal de las decisiones de la organización (la persona que ocupe el cargo de director ejecutivo, presidente o similar) sobre la relevancia de la sostenibilidad para la organización y la estrategia de esta con miras a abordar dicha cuestión	•	•	✓	Pages 04-07
G4-2	Describe los principales efectos, riesgos y oportunidades	•	•	✓	Pages 13-24 Pages 32-43 Pages 106-137 Pages 168-193
ORGANISATIONAL PROFILE					
G4-3	Name of the organisation	•	•	✓	Bankia, S.A.
G4-4	Primary brands, products, and services	•	•	✓	Pages 32-43 Pages 106-137
G4-5	Location of organisation's headquarters	•	•	✓	Pintor Sorolla, 8 46002 Valencia
G4-6	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	•	•	✓	Bankia carries out all its banking activity in Spain Pages 32-42
G4-7	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.
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	•	•	✓	Pages 32-43 Pages 106-137
G4-9	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

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-10	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	•	•	✓	Pages 39 Pages 50-59
G4-11	Percentage of total employees covered by collective bargaining agreements	•	•	✓	100%
G4-12	Describe the organisation's supply chain	•		✓	Pages 156-159
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	•	•	✓	Pages 44-45 Pages 50 Pages 80-93
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	•		✓	Pages 168-193
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	•		✓	Pages 25
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation holds a position	•		✓	Pages 25

MATERIAL ASPECTS AND BOUNDARY

G4-17	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	•	•	✓ Pages 215	Annex II - Subsidiaries, page 174 of the notes to the financial statements.
G4-18	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	•	•	✓ Pages 215	Pages 195
G4-19	List all the material Aspects identified in the process for defining report content	•	•	✓ Pages 215	Pages 19-20
G4-20	Report the aspect boundary within the organisation for each material aspect	•	•	✓ Pages 215	Pages 19-20
G4-21	Report the aspect boundary outside the organisation for each material aspect	•	•	✓ Pages 215	Pages 19-20
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	•	•	✓ Pages 215	There were no restatements
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	•		✓ Pages 215	There were no significant changes in the scope, the aspect boundaries or the valuation methods

07.

INDEX OF GRI G4 CONTENT.

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
STAKEHOLDER ENGAGEMENT					
G4-24	Provide a list of stakeholder groups engaged by the organisation	•	•	✓ Pages 215	Pages 14-15
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	•	•	✓ Pages 215	Pages 13 Pages 17
G4-26	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	•	•	✓ Pages 215	Pages 17-18
G4-27	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	•	•	✓ Pages 215	Pages 19-20
REPORT PROFILE					
G4-28	Reporting period for information provided	•		✓	2016
G4-29	Date of most recent previous report (if any).	•		✓	Bankia 2016 Annual Report
G4-30	Reporting cycle	•		✓	Annual
G4-31	Provide the contact point for questions regarding the report or its contents	•		✓	bankiacomunicación@bankia.com
G4-32	Report the 'in accordance' option and External Assurance Report	•		✓	Pages 215
G4-33	Assurance policies and involvement of senior executives	•		✓	Approval of 2016 Report content by Board of Directors Independent external review performed by E&Y
GOVERNANCE					
G4-34	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	•	•	✓	Pages 16-17 Pages 26-31
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	•	•	✓	Pages 16-17 Pages 26-29
G4-36	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	•	•	✓	Pages 16-17 Pages 26-29

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-37	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	•	•	✓	Pages 13-24 Pages 26-29
G4-38	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	•	•	✓	Pages 26-31
G4-39	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)	•	•	✓	Pages 26-31
G4-40	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	•	•	✓	Pages 26-29 Pages 93
G4-41	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	•	•	✓	Pages 83-84 Pages 89-90
G4-42	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	•	•	✓	Pages 13-24 Pages 26-29
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	•	•	✓	Pages 13-21 Pages 81 Pages 89
G4-44	Evaluation of the Board of Directors and action taken	•	•	✓	Pages 88-89
G4-45	Board of Director's role in the identification and management of economic, environmental and social risks and opportunities, and in stakeholder engagement	•	•	✓	Pages 13-21 Pages 172-174
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	•	•	✓	Pages 16-17 Pages 26-29 Pages 172-174
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	•	•	✓	Pages 26-31 Pages 85
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	•	•	✓	Approval of the 2016 Report content by the Board of Directors
G4-49	Report the process for communicating critical concerns to the highest governance body	•	•	✓	Pages 16-17 Pages 172-174

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INDEX OF GRI G4 CONTENT.

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-50	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	•	•	✓	Pages 13-21 Pages 168-193
G4-51	Remuneration policies for the Board of Directors and senior executives	•	•	✓	Pages 83 Pages 91-92
G4-52	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	•	•	✓	Pages 83 Pages 91-92
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	•	•	✓	Pages 26-29 Pages 91-92
G4-54	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
G4-55	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

ETHICS AND INTEGRITY

G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	•	•	✓	Pages 12 Pages 94-97
G4-57	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	•	•	✓	Pages 94-97 Pages 98-105
G4-58	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	•	•	✓	Pages 94-97

ECONOMIC

G4-EC1	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.	•	•	✓	Pages 208
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	•	•	✓	Pages 13-15
G4-EC3	Coverage of the organisation's defined benefit plan obligations	•	•	✓	Administrative expenses - Staff costs. Note 38 to the financial statements. Page 153

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-EC4	Financial assistance received from government	•		✓	Grants for training: €1,929,318.84
G4-EC5	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
G4-EC6	Proportion of senior management hired from the local community at locations of significant operation	•		✓	Pages 30-31 100% of senior management are Spanish.
G4-EC7	Development and impact of infrastructure investments and services supported	•	•	✓	Pages 146-155
G4-EC8	Significant indirect economic impacts, including the extent of impacts	•	•	✓	Pages 14-15 Pages 32-39 Pages 40-43 Pages 124-125 Pages 135 Pages 146-147 Pages 156-159 Pages 161 Pages 185-190
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	•	•	✓	Pages 156-159

ENVIRONMENT

G4-EN1	Materials used by weight or volume	•		✓	Pages 162
G4-EN2	Percentage of materials used that are recycled input materials	•		✓	Pages 162
G4-EN3	Energy consumption within the organisation	•		✓	Pages 162
G4-EN4	Energy consumption outside of the organisation	•		✓	Pages 162
G4-EN5	Energy intensity	•		✓	Pages 208
G4-EN6	Reduction of energy consumption	•		✓	Pages 162-165
G4-EN7	Reductions in energy requirements of products and services	•		✓	Pages 162-164
G4-EN8	Total water withdrawal by sources	•		✓	Pages 163
G4-EN9	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
G4-EN10	Percentage and total volume of water recycled and reused	•		✓	Pages 163
G4-EN11	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

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INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-EN12	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
G4-EN13	Habitats protected or restored	•		✓	None
G4-EN14	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
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	•		✓	Pages 163
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	•		✓	Pages 163
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	•		✓	Pages 163
G4-EN18	Greenhouse gas (GHG) emission intensity	•		✓	Pages 208
G4-EN19	Reduction of greenhouse gas (GHG) emissions	•		✓	Pages 163
G4-EN20	Emissions of ozone-depleting substances (ODS)	•		✓	Pages 163
G4-EN21	NO _x , SO _x and other significant air emissions	•		✓	Pages 163
G4-EN22	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)
G4-EN23	Total weight of waste by type and processing method used	•		✓	Page 164
G4-EN24	Total number and volume of significant spills	•		✓	Bankia's activity does not result in significant spills
G4-EN25	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 internationally	•		✓	Bankia does not transport, import or export hazardous waste
G4-EN26	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
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	•		✓	Pages 160-164
G4-EN28	Percentage of products sold and packaging materials that are reclaimed by category	•		✓	Page 164
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	•		✓	Environmental impact, in note 1.8 of the notes to the financial statements (page 16)

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-EN30	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	•		✓	Page 163
G4-EN31	Total environmental protection expenditures and investments by type	•		✓	Pages 160-161
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	•	•	✓	Pages 156-157
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	•	•	✓	No significant environmental impacts have been identified
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	•		✓	No significant environmental fines have been received

SOCIAL PERFORMANCE

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	•	•	✓	Page 59
G4-LA2	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
G4-LA3	Return to work and retention rates after parental leave, by gender	•	•	✓	100% retention rate as per collective labour agreement and prevailing legislation
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	•	•	✓	15 days according to the Workers' Statute
G4-LA5	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%
G4-LA6	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 57
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	•	•	✓	Pages 56-57
G4-LA8	Health and safety topics covered in formal agreements with trade unions	•	•	✓	Pages 56-57
G4-LA9	Average hours of training per year per employee by gender, and by employee category	•	•	✓	Page 52
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	•	•	✓	Pages 50-55
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	•	•	✓	Pages 50-55

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INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	•	•	✓	Pages 30-31 Pages 58-59
G4-LA13	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
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	•	•	✓	Pages 156-157
G4-LA15	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
G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	•	•	✓	Pages 97
HUMAN RIGHTS					
G4-HR1	Total number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	•	•	✓	Pages 22-25 Pages 36-38 Pages 124-125 Pages 135
G4-HR2	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
G4-HR3	Total number of incidents of discrimination and corrective actions taken	•	•	✓	No knowledge of any claims, reports, lawsuits or litigation relating to incidents of discrimination
G4-HR4	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
G4-HR5	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
G4-HR6	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
G4-HR7	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
G4-HR8	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
G4-HR9	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
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	•	•	✓	Pages 156-157
G4-HR11	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
G4-HR12	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

G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	•	•	✓	Pages 146-153
G4-S02	Operations with significant actual and potential negative impacts on local communities	•	•	✓	No significant impacts on local communities have been detected
G4-S03	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. Pages 100-101
G4-S04	Communication and training on anti-corruption policies and procedures	•	•	✓	Pages 94-97 Pages 98-105
G4-S05	Confirmed incidents of corruption and actions taken	•	•	✓	Pages 97
G4-S06	Value of political contributions, by country and recipient/beneficiary	•	•	✓	Pages 94-97 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"
G4-S07	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
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	•	•	✓	Provisions and contingent liabilities, in note 2.18 to the financial statements Pages 112-113

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INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	•	•	✓	Pages 156-157
G4-S010	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
G4-S011	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 impacts on society. Subchapter Corporate Governance
PRODUCT RESPONSIBILITY					
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	•	•	✓	Pages 108-113 Pages 124-125
G4-PR2	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 outcomes	•	•	✓	Pages 108-113
G4-PR3	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
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	•	•	✓	Bankia's activity does not involve any possible incidents of non-compliance of this nature
G4-PR5	Results of surveys measuring customer satisfaction	•	•	✓	Pages 107-109 Pages 118 Pages 127
G4-PR6	Sale of banned or disputed products	•	•	✓	Pages 112-113 Sector regulation prohibits Bankia from having banned or disputed products
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	•	•	✓	Page 100 No knowledge of any claims, reports, lawsuits or litigation relating to marketing communications, advertising and sponsorship
G4-PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	•	✓	8 complaints were resolved and resulted in a fine of €205,000
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	•	•	✓	No significant fines have been received concerning the provision and use of products and services. Page 112

INDICATOR	DESCRIPTION OF INDICATOR	RESPONSE	MATERIAL ISSUE	INDEPENDENT REVIEW	REFERENCE
ECONOMIC ASPECTS FOR THE FINANCIAL SERVICE SECTOR					
ECONOMIC PERFORMANCE					
G4-EC1	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	•	•	✓	Pages 208
ENVIRONMENTAL ASPECTS FOR THE FINANCIAL SERVICE SECTOR					
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	•	•	✓	Pages 163
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 3)	•	•	✓	Pages 163
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	•	•	✓	Pages 163
G4-EN23	Total weight of waste by type and processing method used	•	•	✓	Pages 163
HUMAN RIGHTS ASPECTS FOR THE FINANCIAL SERVICE SECTOR					
G4-HR1	Total number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	•	•	✓	Pages 22-25 Pages 36-38 Pages 124-125 Pages 135
SOCIAL ASPECTS FOR THE FINANCIAL SERVICE SECTOR					
PRODUCT PORTFOLIO					
FS-6	Percentage of the portfolio for business lines by specific regions, sizes (e.g. large, SME, micro-firms) and by sectors	•	•	✓	Pages 32-39 Pages 40-43 Pages 114-139
FS-7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	•	•	✓	Pages 114-139
FS-8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	•	•	✓	Pages 114-139
ACTIVE OWNERSHIP					
FS-10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	•	•	✓	Pages 13-20 Pages 149-150 Pages 165-166 Pages 185-188
FS-11	Percentage of assets subject to positive and negative environmental or social screening	•	•	✓	Pages 134 Pages 185-188
LOCAL COMMUNITIES					
FS-13	Accessibility in areas of small populations or economically disadvantaged areas	•	•	✓	Pages 32-39
FS-14	Initiatives to improve access to financial services for disadvantaged people	•	•	✓	Pages 32-39 / 114-129 140-143 /146-147 163 / 189-190
PRODUCT AND SERVICE RESPONSIBILITY					
DMA G4	Policies for fair design and sale financial products and services (FS-15)	•	•	✓	Pages 12-15 / 94-97 / 100 /108-113
DMA G4	Initiatives to enhance financial literacy by type of beneficiary (FS-16)	•	•	✓	Pages 12-15 / 25 / 147-149 / 152

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CALCULATION OF EC1 INDICATOR: BANKIA GROUP

	BANKIA GROUP
Gross income ⁽¹⁾	3,166,452
Net profit/(loss) of discontinued operations	0
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	7,989
Economic Value Generated	3,174,441
Dividends	317,424
Other administrative expenses ⁽²⁾	448,367
Staff costs	906,778
Income and other taxes ⁽³⁾	220,531
Economic Value Distributed	1,893,100
Economic Value Retained	1,281,341

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

(2) General expenses less contributions and taxes.

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

CALCULATION OF G4-EN5 INDICATOR

ENERGY INTENSITY

$$\frac{\text{Primary energy consumed + Electricity consumed}}{\text{No. employees}} = \frac{14,874 \text{ GJ} + 326,127 \text{ GJ}}{13,159} = 25.91 \text{ GJ / employee}$$

CALCULATION OF G4-EN18 INDICATOR

GREENHOUSE GAS (GHG) EMISSION INTENSITY

$$\frac{\text{Scope 1 Emissions + Scope 2 Emissions}}{\text{Bankia, S.A. Revenue}^{(1)} (\text{€ mn})} = \frac{3,743.5 + 0}{3,592.224} = 1.0421 \text{ tCO}_2\text{e/€mn}$$

(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 (thousands of euros)	FINANCIAL STATEMENTS
Interest income	2,627,261	Note 26
Dividend income	29,126	Note 28
Fees and commission income	825,934	Note 29
Gains/(losses) on financial assets and liabilities	250,782	Note 31
Other operating income	116,374	Note 32
Gains/(losses) on disposal of non-financial assets and equity investments, net	904	Note 41
Gains/(losses) on disposal of non-current assets and disposal groups	(258,157)	Note 42

MONITORING OF SDGs VIA THE INDICATORS IN THE GRI G4 GUIDELINES THAT RELATE TO BANKIA'S MATERIAL ISSUES



G4-EC7

Development and impact of infrastructure investments and services supported.

G4-EC8

Significant indirect economic impacts, including the extent of impacts.



G4-EC8

Significant indirect economic impacts, including the extent of impacts.



G4-EC8

Significant indirect economic impacts, including the extent of impacts .

G4-LA7

Workers with high incidence or high risk of diseases related to their occupation.

G4-LA6

Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and by gender.



G4-43

Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.

G4-LA9

Average hours of training per year per employee by gender, and by employee category.

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G4-38

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

G4-EC7

Development and impact of infrastructure investments and services supported.

G4-LA1

Total number and rates of new employee hires and employee turnover by age group, gender, and region.

G4-LA3

Return to work and retention rates after parental leave, by gender.

G4-LA9

Average hours of training per year per employee by gender, and by employee category.

G4-LA11

Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.

G4-LA12

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.

G4-LA13

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

G4-LA14

Percentage of new suppliers that were screened using labour practices criteria.

G4-LA15

Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.

**G4-11**

Percentage of total employees covered by collective bargaining agreements.

G4-EC8

Significant indirect economic impacts, including the extent of impacts.

G4-LA1

Total number and rates of new employee hires and employee turnover by age group, gender, and region.

G4-LA2

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

G4-LA3

Return to work and retention rates after parental leave, by gender.

G4-LA4

Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.

G4-LA5

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.

G4-LA6

Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and by gender.

G4-LA7

Workers with high incidence or high risk of diseases related to their occupation.

G4-LA8

Health and safety topics covered in formal agreements with trade unions

G4-LA9

Average hours of training per year per employee by gender, and by employee category

G4-LA10

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

G4-LA11

Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

G4-LA12

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

G4-LA13

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

G4-LA14

Percentage of new suppliers that were screened using labour practices criteria

G4-LA15

Significant actual and potential negative impacts for labour practices in the supply chain and actions taken

07.

INDEX OF GRI G4 CONTENT.



G4-EC7
Development and impact of infrastructure investments and services supported.

G4-EC9
Proportion of spending on local suppliers at significant locations of operation.



G4-EC8
Significant indirect economic impacts, including the extent of impacts.

G4-LA13
Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.



G4-EC7
Development and impact of infrastructure investments and services supported.

G4-37
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.

G4-39
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)

G4-38
Report the composition of the highest governance body and its committees by:

G4-40
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



- 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

G4-45
Board of Director's role in the identification and management of economic, environmental and social risks and opportunities, and in stakeholder engagement

G4-53
Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.

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PEACE AND JUSTICE

**G4-S6**

Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.

G4-S7

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.

G4-S8

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.

G4-EN34

Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.

G4-LA14

Percentage of new suppliers that were screened using labour practices criteria.

G4-LA15

Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.

G4-LA16

Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms.

G4-S03

Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.

G4-S04

Communication and training on anti-corruption policies and procedures.

G4-S05

Confirmed incidents of corruption and actions taken.

G4-S07

Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.

G4-S011

Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms.

G4-PR4

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.

G4-PR5

Results of surveys measuring customer satisfaction.

G4-PR7

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.

G4-PR8

Number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

G4-PR9

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

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PARTNERSHIPS FOR THE GOALS

**G4-EC8**

Significant indirect economic impacts, including the extent of impacts.

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08. INDEPENDENT REVIEW REPORT.

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INDEPENDENT REVIEW OF THE SUSTAINABILITY INFORMATION INCLUDED IN THE BANKIA ANNUAL REPORT FOR 2016

To the Board of Directors of Bankia, S.A.

Scope of the work

At the request of the management of Bankia, S.A. (hereinafter Bankia), we have performed a review of the sustainability information included in the 2016 Bankia Annual Report (hereinafter the Report) and in the table of GRI G4 indicators included in chapter 7 of the Report. That information has been prepared in accordance with:

- GRI's Sustainability Reporting Guidelines, version 4 (G4), and their Financial Services Sector Supplement.
- The principles stated in the AA1000APS (2008) standard issued by AccountAbility (Institute of Social and Ethical AccountAbility).

The perimeter the Bankia Group has taken into account in preparing the Report is defined in chapter 7 ("Index of GRI G4 content") of the Report, in the section titled "Scope and external review of extra-financial information".

The preparation of the sustainability report and the information it contains are the responsibility of the management of Bankia, who 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 performed in our review.

Criteria

Our review was carried out based on:

- The Guidelines for Reviewing Corporate Responsibility Reports issued by Spain's Official Register of Auditors of Accounts (ICJCE),
- The ISAE 3000 standard (Assurance Engagements Other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for limited assurance engagements.
- The AA1000 AccountAbility Principles Standard (2008) for type 2 moderate assurance engagements.

Procedures performed

We conducted our review by putting questions to senior management and the various business units that were involved in the preparation of the Report and by performing the analytical procedures and sampling reviews described below:

- Interviews with the persons responsible for preparing the sustainability information in order to obtain an understanding of how the sustainability objectives and policies are taken into account, put into practice and integrated in the Bankia Group's strategy.
- Analysis of the processes for compiling and validating the sustainability information contained in the Report.
- Review of the processes the Bankia Group has in place for identifying material issues and for involving stakeholders.
- Review of the conformity of the structure and content of the sustainability information with GRI's G4 Sustainability Reporting Guidelines, their Financial Services Sector Supplement, applying the Comprehensive option, and the principles stated in the AA1000APS (2008) standards.
- Verification by sampling of the quantitative and qualitative information provided in the Index of GRI G4 content included in chapter 7 of the Report and the accuracy with which it has been compiled from the data supplied by the information sources. The review procedures were defined so as to provide the stated level of assurance.
- Verification that the financial information reflected in the Report has been audited by an independent third party.

These procedures were performed on the sustainability information contained in the Report and in the Index of GRI G4 content included in chapter 7 of the Report, with the perimeter and scope stated above.

This review is substantially less in scope than a reasonable assurance engagement. The level of assurance is therefore also lower.

On no account should this report be considered an audit report.

Independence

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

The work was carried out by a team of sustainability experts with extensive experience in reviewing this kind of information.

Conclusions

Based on our review of the sustainability information included in the Report and in the table of GRI G4 indicators annexed to the Report and the scope described above, we conclude that:

- Having reviewed the index of GRI G4 content included in chapter 7 of the Report, nothing has come to our attention that causes us to believe that the information has not been prepared, in all material respects, in accordance with the GRI G4 Sustainability Reporting Guidelines and their Financial Services Sector Supplement, including the reliability of the data, the appropriateness of the information presented and the absence of material deviations or omissions.
- As regards the application by the Bankia Group of the AA1000 APS (2008) standard issued by AccountAbility, nothing has come to our attention that causes us to believe that the Bankia Group has not applied the principles of inclusivity, materiality and responsiveness, as detailed in chapter 7 ("Index of GRI G4 content") of the attached Report, in the section titled "Scope and external review of extra-financial information".

Recommendations

We have presented our recommendations for improvements regarding the application of the AA1000APS (2008) principles to the management of Bankia. The most significant recommendations are as follows:

- **Inclusivity:** Mechanisms are in place to identify stakeholders. We recommend that regular consultations continue to be conducted with internal and external stakeholders to ensure that they participate in the Bankia Group's sustainability strategy.
- **Materiality:** The material issues to be included in the Report are identified. We recommend that the identified material issues continue to be linked to the strategy for mitigating the Bankia Group's reputational risks.
- **Responsiveness:** Mechanisms are in place for designing, evaluating and communicating the company's responses to the stakeholders' main expectations. We recommend that the active listening process and the response to stakeholders' expectations continue to be developed.

This report has been prepared solely for Bankia, in accordance with the terms of our engagement.

ERNST & YOUNG, S.L.

María del Tránsito Rodríguez Alonso
Socia
Madrid, 24 de febrero de 2017



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