

Credit Rating Announcement

09 May 2019

Scope affirms Bankia SA issuer rating at BBB+, Outlook Stable

In Scope Ratings' assessment, Bankia is on the right track to exceed its risk reduction targets but the persistence of low interest rates weighs on the revenue outlook.

The ratings acknowledge Bankia's strengthened domestic franchise following the acquisition and successful integration of BMN, and the good track record of its well-established management team.

Scope notes the accelerating risk reduction achieved in 2018, which puts the 2020 strategic targets well within reach. At the same time, the interest rate environment remains unfavourable to Bankia and this keeps pressuring revenues and profitability.

Scope's analysis flags Bankia as a potential acquirer of other businesses in Spain, adding that investment in its franchise could have a positive impact if it leads to better geographic and product diversification. At the same time, Scope cautioned that acquisitions that materially weaken fundamentals could impact the ratings negatively. A further material cleanup of unproductive assets, and a substantial reduction of SAREB bonds, would be positive, as would an exit of the Spanish government from the bank's capital. In fact, Scope considers the volatile political environment as an element of uncertainty with respect to the strategic direction of the bank.

The ratings on Bankia are not boosted by government ownership and are solely based on standalone fundamentals.

Scope also sees a deterioration in macro conditions, including in Spain's sovereign credit strength, as a potential negative change driver for the rating.

The following ratings were affirmed:

- Issuer rating of BBB+, Stable Outlook
- Senior unsecured debt rating of BBB+, Stable Outlook
- Senior unsecured debt rating (MREL eligible) of BBB, Stable Outlook
- Short-term rating of S-2, Stable Outlook

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for this rating(s) and/or rating outlook(s) Bank Rating Methodology is available on www.scoperatings.com. Historical default rates of the entities rated by Scope Ratings can be viewed in the rating performance report on <https://www.scoperatings.com/#governance-and-policies/regulatory-ESMA>. Please also refer to the central platform (CEREP) of the

European Securities and Markets Authority (ESMA): <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope's definition of default as well as definitions of rating notations can be found in Scope's public credit rating methodologies on www.scooperatings.com.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The rated entity and/or its agents participated in the rating process.

The following substantially material sources of information were used to prepare the credit rating: public domain, the rated entity, third parties and Scope internal sources.

Scope considers the quality of information available to Scope on the rated entity or instrument to be satisfactory. The information and data supporting Scope's ratings originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

Regulatory disclosures

This credit rating and/or rating outlook is issued by Scope Ratings GmbH.

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Person responsible for approval of the rating: Dierk Brandenburg, Managing Director

The ratings/outlooks were first released by Scope on 30.11.2017.

Potential conflicts

Please see www.scooperatings.com for a list of potential conflicts of interest related to the issuance of credit ratings.

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About Scope Ratings GmbH

Scope Ratings GmbH is part of the Scope Group with headquarters in Berlin and offices in Frankfurt, London, Madrid, Milan, Oslo and Paris. As the leading European credit rating agency, the company specialises in the analysis and ratings of financial institutions, corporates, structured finance, project finance and public finance. Scope Ratings offers a credit risk analysis that is opinion-driven, forward-looking and non-mechanistic, an approach which adds to a greater diversity of opinions for institutional investors. Scope Ratings is a credit rating agency registered in accordance with the EU rating regulation and operating in the European Union with ECAI status.

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