General Shareholders' Meeting

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Ladies and gentlemen, shareholders, a very good morning once again.

First of all, I want to thank you again you for joining us today.

This is the eighth general meeting since Bankia was incorporated.

We come together once more in Valencia: a city that – as you all know – has been home to our headquarters since the bank was founded.

On this occasion, I have structured my presentation around three main themes.

First, I will go over last year's key milestones, with special focus on the most important achievements concerning the bank's corporate governance.

Afterwards, I will then take a closer look at our 2017-2020 strategic plan.

And finally I will end up my presentation with a round-up of conclusions.

Following my speech, our chief executive officer will analyze in depth the year's accounts.

In this regard, I would just like to highlight that our recurring profit for the year totalled eur 816 million, which after deducting the merger costs totalled eur 505 million.

We are therefore proposing to all of you, our shareholders, a dividend payout of eur 340 million, which would take total dividends over the last four years to eur 1,160 million.

For us, 2017 started on a bright note with the news in february that the credit rating agency, Standard & Poor's, had upgraded our rating.

This was a decisive step for us, as it meant that all the rating agencies covering us had rated the bank as investment grade for the first time since may 2012.

Furthermore, last friday and this was also very good news, Standard & Poor's announced another upgraded of our rating, which is now triple B ("BBB").

As you will recall, in june we disclosed the terms of our merger with BMN – a transaction that was approved by the shareholders at the extraordinary general meeting held here on last 14 september.

Lastly, two events occurred in december that underlined our bank's progressive normalisation.

On the one hand, the FROB, through BFA, sold 7% of Bankia's capital on the market, thereby progressing on the entity's privatization process.
The placement was among major institutional investors and totalledeur 818 million. The placement was 2.3 times oversubscribed.

Following the transaction, BFA's stake in Bankia stands at 61%.

Also, at the end of last year we successfully concluded the restructuring plan that the Kingdom of Spain agreed with the european commission in november 2012.

This was a major milestone because since 1st january, we are no longer subject to the restrictions on or business imposed on us by the plan. This puts us on an equal footing with our competitors and opens up clear opportunities for growth.

I will come back to this point later.

Lastly and as part of this first block of my speech, and as per recommendation 3 of the good governance code approved by Spain's National Securities Market Commission (CNMV), i would like to inform sharelholders of the **most pertinent corporate governance matters** concerning the company, particularly those ocurred since the last ordinary general meeting.

The **regulations of the board of directors have been amended** twice since then:

- The first time, in march 2017, in order to set up the committee to monitor and supervise the merger of Bankia and BMN.

  This amendment to the board regulations was announced at the extraordinary general meeting held in september 2017.

- And secondly, in january 2018, specifically todissolve this committee once the Bankia-BMN merger had concluded.

  This amendment will be described in more detail as point 10 of the agenda.

- Regarding the merger between Bankia and Banco Mare Nostrum, Mr. José Sevilla and Mr. Antonio Ortega, in their condition of **executive directors** of the company, and i, as chairman, notified the board of directors of our decision to **abstain from all discussions and votes on the merger**, during both the preliminary study and analysis phase and the subsequent decision-making phase.

  The reason for this was because the three of us are also members of the board of BFA, which is solely owned by the FROB.

  To this regard, three of the board meetings held in 2017 were called and chaired by the **lead independent director**, Mr. Joaquin Ayuso, as they involved discussing and voting on matters related with this process. Only the independent directors attended and voted at these meetings.

- Continuing with the BMN merger, and as i said beforehand, the **Bankia-BMN monitoring and supervision committee** was set up in march 2017 with powers to report, provide advice and make proposals.

  In particular, its primary function was to continuously control and oversee the Bankia-BMN merger process during both the prior study and analysis phase and, where applicable, the subsequent decision-making phase.

  The committee was solely made up of four independent directors, namely:

- The lead independent director and chair of the appointments and responsible management committee, Mr. Joaquín Ayuso, who chaired the committee;

- The chair of the audit and compliance committee, Mr. Antonio Greño;

- The chair of the remuneration committee, Ms. Eva Castillo; and

- The chair of the risk advisory committee, Mr. Javier campo.

The committee held a total of 12 meetings over the 10 months it was active.

After the merger of Bankia and BMN was completed, the board of directors resolved to extinguishthe committee.

Furthermore, since the last ordinary general shareholders meeting, Bankia's corporate governance system, as well as the **various corporate policies, have been reviewed and updated** to reflect the latest amendments in legislation and include the latest recommendations issued by the supervisory authorities.

Worthy of note is the **amendment to Bankia's director selection policy** to incorporate recommendation 14 of the good governance code, which pursues the goal of having at least 30% of total board places occupied by women directors before the year 2020.

- With a view to ensuring an **adequate renewal of board members**, during 2017 the process started in 2016 to partially renew the members of board was completed.

  Additionally, the september 2017 extraordinary general meeting, agreed to **set in 12 the number of seats at the board of directors**, and **to appoint a new director, Mr. Carlos Egea**, as an “other external director”. Later the board of directors then voted in january 2018 to make him an “executive” director, pending its inscription in the Bank of Spain’s registry of senior positions.

  In october 2017, a place became vacant on the board of directors when the **independent director Mr. Álvaro Rengifo stood down**. I would like to take this opportunity to thank him personally and on behalf of the entire board for his dedication, commitment and contribution to our bank throughout his tenure.

  The appointments and responsible management committee therefore launched a **process to search for and select a candidate to fill this vacancy**. This selection process was geared towards fulfilling the principle of board diversity.

- New visual and architectural enhancements have also been made to the **corporate website**

With a view to facilitating access to information and ensuring transparency, in compliance with current legislation and the recommendations of the good governance code.

- Detailed information on the **extent to which we have fulfilled the good governance code recommendations** is presented in the 2017 annual corporate governance report, which has been provided to shareholders.
  Our overall performance demonstrates Bankia's commitment to good governance since the bank fully complies with each of the 64 recommendations of the code that are applicable to it.

As i have said at every single general meeting we have held before, it is a key goal for this board to have the best corporate governance practices in place.

We understand that an excellent project can only be sustainable if it is founded on an excellent corporate governance.

While this is always true, it is especially so in Bankia's case, given the structure of our shareholders base.

Strategic Plan 2018-20

I would now like to move on to the second part of my speech which, as i said, covers our strategic plan in detail.

It is clear that now in our project, once the restructuring plan and BMN merger have concluded, we are entering a new era.

When one takes a look back at the past and reviews Bankia's progress which we have shared with you over the eight board meetings to date, i believe we can say with pride that we have radically transformed our bank.
Through these years we have achieved all the objectives we set ourselves in our strategic plan, and all those included in the restructuring plan.

Over the last six years or so, we have shared with you the changes in vision, approach and priorities that we have taken on.

From a more inward-looking vision oriented towards restructuring, to a more market and customer-focused strategy, culminating with the excellent results of our new positioning launched at the start of 2016.

Today, we are bringing to fruition the start of a new era – an era of growth.

We have drawn up a strategic plan for this new period, which will serve as a road map for the next three years.

During this period, the world around us will be undergoing rapid change, and we must adapt to this.

But I would like to emphasise to you that during this process of adaptation, we will remain firmly grounded by the values and principles that have brought us to where we are today.

These values are clearly defined and are also well established.

I can assure you that we will stand firm in our conviction that there are no objectives or actions to achieve any results that can warrant going back on our values.

Our pledge to stick to these values and an excellent corporate governance are crucial to achieving our primary goal in this strategic plan, which is not other that being the best bank in Spain.

And to be the best bank in Spain means being the most profitable, most efficient, and most solvent of the major spanish banks.

We are nonetheless aware that this vision and these financial objectives cannot be achieved without a responsible management model.

Our responsible management model is built around four key pillars:

- An excellent corporate governance that shapes everything we do;
- A team that is commited to the project and the bank's values;
- Our contribution and commitment to spanish society; and
- of course, satisfied customers who are at the heart of our business and the justification of our project.

We have three main levers over the next few years to achieve this goal of being the best bank in Spain:

- Strengthen our positioning further;

- Employ technology to provide our customers with an excellent and efficient service; and

- Continue to robustly manage risk.

I will now go into each of these in more detail.

When we unveiled our positioning in january 2016, we had three principal objectives:

- One, boost the satisfaction of our customers.

- Two, increase our customer base after the major restructuring of the commercial network; and

- Three, raise the bank’s profitability by increasing sales of products with higher added valued.

The launch of our new positioning was a very significant strategic move, as it affected not only our commercial approach but also our processes and organisation.

It involved a major investment, and i will not hide it from you that there could have been doubts as to whether it was possible to stand out from our competitors, based on the positioning, in a sector such as banking.

Two and a half years on, we can confidently confirm that the positioning has clearly set us apart in both the retail and business banking segments.

Please allow me to start with retail banking.

Since we launched our positioning, we have seen how the satisfaction score given by our customers has risen from 80% in 2015 to 90% in december 2017.

What is also very important is that we been able to sharply increase the trend in attracting new customers.

During the second half of 2017, our customer base grew by 90,120.

These results were equally positive for business banking.

The business banking NPS rose from 38% in 2015 to 52% in 2017.

In fact, at december 2017 the satisfaction score given by our business customers was above 95%.

Furthermore, the share of spanish companies working with Bankia rose from 35% in 2015 to 37.5% in 2017, while the number of customers in this segment went up by 19% over the same period.

These improvements in customer satisfaction are the basis for establishing our objectives for 2020:

- In the retail segment, our goal for 2020 is to increase the number of customers by 5%, or 400,000 in absolute terms.

- This growth in customers also has to go hand-in-hand with an improvement in our satisfaction score to 92%, from the aforementioned 90% registered at the end of 2017.

- For the wholesale banking arm, our goal is to boost the number of customers by 20%, and although it may appear to be an ambitious target, this would only be slightly higher than the aforesaid growth of close to 19% seen over the period from 2015 to 2017.

- Our objective is to maintain the currently high level of satisfaction of our wholesale customers, which is already 95%.

Based on these customer growth and satisfaction targets, we have set our sights on achieving major gains in market share in the lending product space.

This slide shows our market share targets for new mortgages, business loans and consumer loans.

Growth in market shares and business volumes growth growth in these products is one of the key drivers of the projected increase in the bank's interest income by 2020.

As with lending products and as shown over the last two years, our positioning is the primary lever to boost sales of high value-added products that generate fees and commissions.

This slide shows our aspirations for growing our share of the market for key products over the next few years, including investment funds, payment services, and insurance sales.

That said, it is only possible to continue providing an excellent service if we are highly efficient; something that can only be achieved if we make the best out of what technology can offer us.

We have a far-reaching vision of what impact technology can have.

First, technology has and will continue to have a very significant impact on processes.

The area where technology has had the great effect on efficiency in recent years has been the savings achieved in relation to branch operating processes.

By way of example, thanks to the redesign of all our processes since 2014, Bankia has slashed the time needed in branch to open a current account by 55%.

Similar time saving precentages are alike for all our processes.

These technology-driven improvements in process efficiency will continue over the coming years through the roll-out of new tools and, above all else, artificial intelligence.

But, as i said, we have a far-reaching vision of technology, and it is clear that technology is having a very significant impact on our customers' habits.

It is also true that as a result of this technological revolution, society is becoming ever more digital.

I would like to share some stats with you:

- The number of Bankia customers regularly using online channels has multiplied by 1.5 since 2014.

- 21% percent of customers contracting a product in december 2017 did it over the internet.

- Moreover, two-thirds of transactions through our digital channels are by mobile phone.

However, I would also like to point out that although this digitalisation is clear and manifest, the situation for banks is more complex because we have a range of customer types with different habits, and we must offer all of them an excellent service.

Indeed, while all the figures on digitalisation i have mentioned are true, Iwould like to give you some other statistics that show how we are operating in a multichannel environment:

- Alongside these digital customers, 40% of our customers only deal with us in-branch or via an atm.

- While our customers are undoubtedly ever more digital, they still use branches.

  In fact, 80% of our customers used a branch, as well as other channels, over the last 12 months.
  This is very similar to the figure for the market as a whole, which Inmark has calculated at 84%.

- Furthermore, almost half (42%) of the aforementioned customers who bought products online also did so in-branch over the same period.

We therefore have a far more intricate task on our hands than just "digitalising" our channels.

We have customers with differing habits and we must provide them all with service excellence.

This is our realitye, which at the same time is not static as customer habits are constantly changing.

Lastly, we must not overlook another statistic from every market research: there is a notable increase in the satisfaction of our customers when they have a dedicated manager at the bank who is specifically there for them.

This is the situation we face.

It is complex and affects the entire structure of our distribution channels.

Responding to this complexity is perhaps the biggest strategic challenge we face as managers of a bank.

Our approach at Bankia to tackle this is to segment our customers – as shown on the slide – based on the extent to which they use our digital channels and the level of personalisation we offer based on the depth of their relationship with the bank.

For example, long-standing customers who prefer a more traditional service will continue to be served by an advisor at a branch.

On the other hand, we launched the “conecta con tu experto” service two years ago for customers who prefer to deal with an advisor on a remote basis.

We currently have over 500 advisors serving more than 600,000 customers, who indicate that they are extremely satisfied with the service they receive.

We also offer a stand-out service for those customers with which we have a less well-established relationship.

We serve them through our so-called agile branches or remotely via our “más valor” service launched last year, which will undoubtedly become very popular.

Which of these four alternatives will prevail in the future? Well, we do not know; our customers will decide that.

What we have created is an extremely flexible set-up that we can adapt as our customers’ habits evolve.

Flexibility and the speed with which we can respond and implement changes will be strategically key in this regard.

I would like to reiterate this important point because i believe banks cannot change how society behaves.

We cannot make our customers digital just by launching a new app. Instead banks have to adjust our distribution models as society and our customers’ needs evolves.

To this end, we must develop increasingly sophisticated active listening processes and, logically, develop a huge response capacity to any changes that occur.

In parallel, we have made very significant progress in boosting the number of customers receiving a personalised service because, as i said before, the satisfaction of our customers increases considerably when they have been assigned a personal advisor at the bank.

We have invested very importantly in this area.

To improve our advisors' knowledge of their customers, and to enhance our analysis of customer consumption preferences using big data massively.

This has led to each retail banking advisor providing a top-notch service to around 900 customers (while customer satisfaction continues to rise), when this figure did not even reach 300 three years ago.

This has enabled us to double the number of customers receiving a personalised service at our bank.

Today, 50% of our customers have a personal advisor,

Which has had a large impact on our sales productivity.

In 2012, each advisor sold 18 products per month on average. In 2014, 25; and today this figure is above 40.

We will look to make further headway in this regard in the future, and technology will no doubt play a key role.

Since 2015, we have simultaneously been investing heavily in our online channels.

In fact, we can say that today our online channels are as good as those of our strongest competitors.

We therefore expect to achieve a major increase in digital customers over the term of the plan.

We believe that two-thirds of our customers will be using digital channels on a regular basis by 2020.

In other words, two million customers more than now.

As a result, we forecast that 35% of our sales will be digital by that year.

To achieve all this, in our strategic plan we plan to invest more than eur 1,000 million in technology over the next three years.

Of this amount, 51.7% will be used to transform processes and channels, i.e. To digitalise the bank.

All these efforts must result in our processes becoming more efficient and our distribution model more effective.

This will undoubtedly enhance the bank's overall efficiency,

Because we are a company dedicated to distribution, and for us, efficiency is one of the most important factors for generating sustainable levels of profitability.

In this regard, our goal is to improve our efficiency ratio from 54% now, to below 47% by 2020.

However, on a final note, we must not forget that we are a bank and we manage risk.

This management is another of the key pillars of our strategic plan.

Over the term of the plan, our intention is for the cost of risk to remain at a similar level to now – around 24 basis points.

And this must be compatible with heavily paring back our non-performing assets.

Our objective is for our npl ratio to fall below 4% by the end of the plan, and that all our non-performing assets make up less than 6% of the total. As this slide shows, these figures would be half what they are now.

These are the main assumptions underlying our strategic plan.

As you can see, ladies and gentlemen, we have set some very ambitious goals.

But i sincerely believe that while ambitious, they are achievable for two reasons:

One, because these figures are supported by some extremely realistic, intense and very detailed action plans.

Two, because we have a magnificent team to implement them –

A team that has shown an extraordinary level of competence and dedication, and has, i can assure you, grown professionally in leaps and bounds.

We have had to make a huge effort to resolve the major challenges faced in the past; an effort that has not only paid dividends in the short term, but has also enriched all of us from both a personal and professional perspective.

While I am very well aware of the difficulties and tasks that lie ahead, it is because of this that I would like to reassure you i am confident we are capable of achieving the proposed objectives.

My confidence is not unfounded, but stems from what I know about the enormous capabilities of the Bankia team, which I am honoured to be part of.

If we fulfil these goals, by 2020 Bankia, the bank you own, will be a franchise that:

- ✓ Posts earnings of around eur 1.3 billion;
- ✓ Offers a double-digit roe;
- ✓ Has an efficiency ratio of around 45%; and
- ✓ Boasts a very robust balance sheet in terms of asset quality and capitalisation.

Moreover, in forthcoming years we will continue to generate capital organically, which will have a positive effect on the remuneration you as shareholders receive over the term of the plan.

To bring this about, the board drew up the shareholder remuneration and equity policy for the next three years.

In short, and over the term of the plan, you will be remunerated in two ways:

- ✓ On the one hand, we will make an ordinary cash pay-out over the period of between 45% and 50%.

- ✓ Additionally, we will distribute any capital that exceeds the 12% fully-loaded capital threshold, and that we will generate throughout the three years plan

Through this two-pronged approach, the board believes we will be in a position to distribute over eur 2.5 billion during the plan period.

To put this into perspective, eur 2.5 billion equates to 20% of Bankia's current capitalisation.

This is what we hope to achieve; it is our goal and also our pledge.

As you have seen – and moving on to the last section of my speech – we are very well aware of the difficulties we have to deal with and challenges we must face.

But i honestly believe that we have clear ideas how to do it; we have a well-designed strategic plan and highly detailed action plans underpinning it.

We also have an excellent, highly-professional team, who are really proud to belong to the bank and are staunchly committed to the project.

All these factors combined make me extremely optimistic about hitting the plan objectives.

But 2018 will be decisive if we are to do so.

It will be decisive because it is not expected that interest rates will change in any way to have a positive impact on our bottom-line for the year.

However, above all, it will be decisive because this year will be key in the integration of BMN.

On this point, i am very pleased to tell you that three months after receiving the final authorisations, the merger is well advanced.

Firstly, we have brokered a deal on the workforce restructuring with over 90% of the trade union representatives; i would like to thank them for their cooperation and willingness to engage in talks.

We have completed practically all the branch closures we announced at the time of the merger.

Also today we already have a single brand in all our offices, having completed the process of replacing signs and posters in the old offices of BMN

While on 19 march we integrated our it platforms.

Merging systems is a hugely complex matter both technically and in terms of the human resources needed.

From a technical perspective, to give you an idea, over 22,000 devices had to be installed in BMN's branches, including 4,250 pcs and 3,200 scanners and tablets.

Some 67,000 files containing information on over 1.7 million customers and nine million contracts had to be exchanged, totalling 30 terabytes of data.

Putting this in context, this would be the equivalent of 30,000 copies of the encyclopaedia britannica!

If we printed off this information, the volume of paper needed would require 1.5 million trees to be felled.

On the human resources side, an integration requires people to make an extraordinary effort to adapt because, for staff working in the integrated branches, it is like switching jobs, like all their day-to-day practices and processes have been changed.

In order to respond to this challenge, our team at the absorbed branches have received 259,000 of training and count on the support of 770 colleagues who have come from other regions of the bank and are very familiar with the systems we are rolling out.

This is the first impact of an integration; an impact that i can happily say has been managed magnificently by our teams at the branches taken over.

They have shown a high level of competence and commitment, and I would like to very sincerely thank them.

That said, systems integration is only the first step in a merger.

Over the coming months, we need to push forward with great urgency to unify our management systems and our cultures to ensure we continue offering an excellent, standardised service at all our points of sale.

This is the best way that our customers can see the benefits of the merger, which is our top priority.

This was very much expected because i have seen first hand how the teams from Bankia and BMN have been naturally and smoothly gelling together. This is crucial

Because just like anything in life, in mergers people's attitudes are what make the difference.

And with that, I would like to bring my speech to a close.

As you have seen, this general meeting is a very special one. It is clearly the start of a new era.

We have come to the end of a period that we are very proud of and now begin another characterised by growth.

A new era that offers great opportunities for every member of our team; a team who, i can safely say, have creating value for all of you as their number one goal.

Because, moreover, we know that this is how to return the public aid to taxpayers.

This board and the entire Bankia team are extremely grateful for the trust you have placed in us.

Honouring that trust is our objective and our pledge.

Many thanks for your time.