

RELEVANT EVENT

Pursuant to article 227 of the consolidated text of the Securities Market Act, approved by Legislative Royal Decree 4/2015, of 23rd October 2015, it is hereby notified that after a competitive bid process, Bankia, S.A has reached an agreement with two subsidiaries of Lone Star Fund XI, in order to (i) constitute a company to administer, develop and have available a portfolio of foreclosed real estate assets and (ii) transfer a portfolio of non-performing loans, for a total gross book value amount of approximately 3,070 million euros.

The foreclosed assets portfolio has a gross book value of approximately 1,650 million euros and the non-performing loans portfolio of approximately 1,420 million euros.

It is expected that the transaction will be closed during the second quarter of 2019, once the conditions to which the transaction is subject to have been met. At that point in time, the assets will be derecognised from the balance sheet.

The real estate assets will be contributed to two companies in which Bankia, S.A. will participate, directly or indirectly, with 20% of its capital and a Lone Star Fund XI subsidiary with the remaining 80%. On the other hand, the economic rights of the non-performing loans will be fully acquired by an indirect subsidiary 100% controlled by Lone Star Fund XI for its subsequent securitisation by an asset-backed securitisation fund.

The cost savings associated with the transaction are estimated at slightly more than 200 million euros before taxes during the three years following the closing of the transaction.

The transaction requires the recognition, in 2018, of additional provisions of approximately 85 million euros. On the other hand, at the closing date, there will be a positive effect on the CET1 FL capital ratio of about 12 bps.

This transaction, together with the organic reduction of non-performing loans and foreclosed assets expected for 2018, will result in a reduction of non-performing assets (“NPAs”) with a gross book value of more than 6,000 million euros. This will accelerate by one year the NPA reduction target set in the 2018-2020 strategic plan.

The above is notified as a relevant event for all pertinent purposes.

Madrid, 17th December 2018

BANKIA, S.A.