

Bankia

General Meeting of Shareholders

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Good morning, ladies and gentlemen,

First of all, once again I would like to thank you for being here at this shareholders' meeting, which is the ninth we have held since Bankia was established.

As on previous occasions, we are meeting in Valencia, which as you all know, is our corporate headquarters, since our birth.

My speech today will be divided into three parts.

- In the first part, I will look back over the main milestones of 2018, paying special attention to the most important changes in the bank's corporate governance.
- In the second part, I will analyse the challenges we face and how we plan to answer them.

Essentially, our response involves a major digital and cultural transformation of our bank.

- I will end my presentation with some conclusions.

After my speech, our CEO will give you an in-depth analysis of the accounts for the year, which we submit to you for consideration.

2018 was an especially important year for Bankia.

The main challenge we faced at the start of the year, as we explained at the last annual general meeting, was the merger with BMN.

At the end of the first quarter of last year we unified the two banks' IT systems, which was essential for all customers from BMN to enjoy the same products, services and conditions as those offered to Bankia customers.

However, a merger integration goes far beyond a mere IT integration, however vital that may be.

First, it required a huge effort of training and adaptation on the part of the people involved in the integration, because for them it was as if they

had changed job, or changed bank.

The rest of the organisation contributed to this adaptation, as more than 650 people moved from other geographical areas to former BMN areas.

Over the course of the year, we also renegotiated our existing agreements with various service providers, so as to be able to offer the same range of products and services to all our customers, without distinction.

Unifying our range of insurance products was a particularly important part of that process.

In November, we completed the Labour Force Reduction Plan, seven months ahead of plan.

That was very important to us because getting a Labour Force Reduction Plan done swiftly is crucial to overcoming the personal uncertainties that inevitably arise in such situations.

Thanks to this excellent integration, we have been able to bring our synergy plan, as originally announced to the market, forward by one year.

That has been extremely valuable from a strategic point of view.

Today, we are a fully integrated institution, with unified processes and management styles, a united team and a common culture.

That means we can be confident the integration is behind us and can now focus our attention and our efforts on the most important thing, namely, serving our customers.

Moreover, all this has been achieved in record time.

Behind these achievements lies a huge amount of effort and hard work

by many people in our bank. I would like to congratulate them on their excellent work. They must be very proud of all that has been achieved.

In terms of business activity, 2018 saw a clear increase in momentum.

During the first few months of the year, business was inevitably affected by the merger.

But in the second half, the activity rebounded vigorously, with steady monthly growth until year-end and with significant market share gains in investment products such as consumer loans and business loans, as well as in added value products such as mutual funds and payment services, as our CEO will explain.

This improvement in business activity was undoubtedly greatly assisted also by the fact that 2018 was the first year in which we were able to operate without the limitations imposed on us by the Restructuring Plan.

Business growth, coupled with continued cost containment and merger synergy capture, helped Bankia achieve attributable profit for 2018 of 703 million euros.

It should be noted that this figure was affected by an exceptional sale, which together with organic reduction, enabled us to reduce our non-performing assets by 6,000 million euros last year, a decrease of 35% compared to the previous year.

As a result, we have brought the planned reduction of non-performing assets under the Strategic Plan forward by one year.

For us, strengthening the balance sheet of this institution, of which you are the owners, is an absolute priority.

The strengthening is also apparent in terms of capital.

The capital generated last year has brought the ratio of highest quality capital to 13.8%, making us the most solvent of all the large Spanish banks.

In fact, we have a capital surplus of 524 basis points above the regulatory minimum, which is to say 4,313 million euros.

Moreover, to further strengthen our balance sheet, last year we issued 500 million euros of Additional Tier 1 capital, which this year was supplemented by an issue of 1000 million euros of Tier 2 capital, which was very well received by the market.

Reflecting this balance sheet soundness, last January, Fitch Ratings announced a further improvement in our rating.

In view of this level of profit generation, the soundness of our balance sheet and the amount of capital generated, the Board of Directors today proposes for your approval, ladies and gentlemen, a dividend of 357 million euros to be paid out of the profit for financial year 2018.

This represents an increase of 5% compared to last year.

As I said earlier, our CEO will expand on all these points later.

I would like to continue my review of last year, ladies and gentlemen, by telling you about the improvements we have made in corporate governance, following Recommendation 3 of the CNMV's Code of Good Governance.

- Review of the corporate governance system

Last year various corporate policies were reviewed and updated to bring them into line with the latest legislative and regulatory changes and the recent recommendations issued by the supervisory bodies.

First, during 2018 the Board of Directors approved Bankia's Policy on the selection, diversity, suitability, integration and training of directors and managing directors or similar and other key post holders.

By implementing this policy, the Board of Directors, supported by the Appointments and Responsible Management Committee, aims to ensure that directors are suitable and that, as a group, they have the knowledge, competencies and experience required to perform their

duties.

The policy is also intended to facilitate diversity of knowledge and experience, so as to enrich Board decision making and ensure a plurality of viewpoints.

And in this sense, one of the objectives of this policy is to promote that in the year 2020, at least 30% of the Board is constituted by women.

- Setting of the number of directors at 12, maintenance of vacancy and appointment of independent director

You will recall, ladies and gentlemen, that in the previous General Meeting, given that in October 2017 a vacancy had arisen on the Board, it was agreed that the number of Board members should be kept at 12, thus maintaining the vacancy.

In October 2018, once the necessary regulatory authorisations had

been obtained, the Board of Directors co-opted Ms. Laura González Molero as an independent director of Bankia to fill that vacancy.

Ms. Laura González Molero has also been appointed as a member of the Appointments and Responsible Management Committee and the Remuneration Committee.

Thus, in line with corporate governance best practice, as a result of the appointment of Ms. Laura González Molero as an independent director — subject to your approval at this meeting — the Board of Directors is made up 12 directors, 8 of whom are classified as independent directors and 4 as executive directors.

This means that two-thirds of the directors are independent, amply complying with the Good Governance Code's recommendation that at least half of the directors be independent.

- Appointment of Ms. Eva Castillo Sanz as lead independent director.

Third, I would like to remind you that under our Bylaws, when the chairman of the Board is an executive director, which is currently the case, the Board of Directors must appoint a lead director, to be chosen from among the independent directors at the proposal of the Appointments and Responsible Management Committee.

The Bylaws also specify that the lead director is appointed for a term of three years and cannot be re-elected.

Accordingly, last February, as the term of office of the current lead director, Mr. Joaquín Ayuso García, was due to expire soon, the Board of Directors agreed to appoint the independent director Ms. Eva Castillo Sanz as lead director, a position she would take up when Mr. Ayuso's term of office expired and the necessary regulatory authorisations had been obtained.

The duties of the lead independent director include, among other things:

- chairing Board of Directors meetings in the Chairman's absence.

 - voicing the concerns of the non-executive directors, organising any common positions adopted by the independent directors and acting as channel of communication or spokesperson for any such common positions.

 - coordinating the succession plan for the Chairman of the Board.

 - leading the assessment of the Chairman.
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- Changes to the composition of the Board committees.

Last February, the composition of the Board committees was modified in line with corporate governance best practice.

The Audit and Compliance Committee, the Appointments and Responsible Management Committee, the Remuneration Committee and the Risk Advisory Committee continue to be made up exclusively of independent directors.

- Amendment to the Board of Directors Regulations and approval of the Audit and Compliance Committee Regulations

Lastly, during 2018 the Board of Directors Regulations were amended on two occasions:

The first amendment was in January 2018, after the Bankia-BMN merger was completed, to reflect the abolition of the Bankia-Banco Mare Nostrum Merger Monitoring and Oversight Committee.

That amendment to the Board of Directors Regulations was reported in the last Annual General Meeting in April 2018.

The second amendment was in April 2018, when changes were made to article 14 of the Board of Directors Regulations on the Audit and Compliance Committee.

In connection with that amendment, the Board of Directors also approved the Audit and Compliance Committee Regulations, so as to incorporate the recommendations of the CNMV's Technical Guide 3/2017.

As a result, the recommendations set out in the CNMV's Technical Guide have become binding rules for the company.

More detailed information about the amendment to the Board of Directors Regulations and the approval of the Audit and Compliance Committee Regulations will be provided in point thirteen on the agenda.

- Degree of compliance with the recommendations of the Code of Good Corporate Governance

Detailed information on the degree of compliance with the recommendations of the Good Governance Code is provided in the

Annual Corporate Governance Report, which has been made available to you and was published as a Material Disclosure on 20 February.

I am pleased to say, ladies and gentlemen, that the results of that report reflect the Board's commitment to good governance, as Bankia complies fully with every one of the Code's 64 recommendations that are applicable to it.

Indeed, this Board is convinced that excellent corporate governance, founded on well-established values, is what makes our project sustainable.

With that I move on to the second part of my presentation, in which, as usual in our meetings, I would like share with you some reflections on the future of our bank.

In the summer of last year, once it was clear that the integration of BMN was on track, our senior management team engaged in deep reflection on the need for a far-reaching transformation to meet the challenges in store for our industry.

As you know and as we have explained in previous AGMs, the banking industry is facing major strategic challenges.

Changes in our customers' habits, combined with an ongoing technological revolution, are giving rise to very deep shifts in the market.

One of the most visible changes is the lowering of entry barriers to the financial industry and the consequent entry of new players whose aim is to disrupt the status quo.

All the variables of our business are affected, but the challenge is most apparent in the impact these developments are having on our distribution channels.

That is to say, the impact they are having on the future role of bank branches and the coexistence of online and offline channels.

Especially in a situation where different customer groups have very different habits and we want to deliver a differentiated, excellent service to all our customers.

You will remember how, last year, I shared with you our response to this situation.

A response based on segmenting customers according to their level of digitisation and the depth of their relationship with the bank.

Today I can tell you that this scheme is what has enabled us to keep pace with our customers in their digitisation process, respecting their preferences.

To illustrate, let me just give you two figures.

- In 2019 more than half of our customers will be digital.
- Already last year, one out of every four purchases by our customers was made through online channels.

This trend goes hand in hand with another very important figure, namely, that 80% of our customers visit their branch at least once a year.

This shows that Spanish customers clearly require a multichannel

approach.

Although all this information indicates that we are on the right track, in the process of reflection I mentioned earlier we came to the conclusion that we needed to make a qualitative leap in our digital transformation.

To do that, we needed to look at the short, medium and longer term.

May I just briefly share with you, ladies and gentlemen, the main lines of action we have planned.

In the short term, we are constantly making improvements to our app, our website for retail customers and our website for business customers.

In fact, we plan to launch a much improved version of our app after the summer.

We aim for our online channels to be excellent.

Also in the short term, we are thoroughly adapting our payment services, while also opening the door to collaboration with third parties in open-business arrangements.

Let me say that, for us, payment services are key. I said it last year in the presentation of our Strategic Plan and I say it again today.

They are key, first, because they are the entry point to our customers' digitisation and also because they are the fastest-changing playing field, one in which we must face new rivals.

That is why we are so keen to be the first bank to offer all the digital payment service platforms and to be the leaders in instant credit transfers.

It is also why we give priority to delivering high quality services to our individual, retail and corporate customers, who also face an increasingly complex environment in this respect.

We think that payment services are going to be the most strategically

important competitive field over the next two to three years.

And we want to be excellently positioned.

At the same time, we are putting a great deal of effort into talent acquisition.

In fact, we are hiring specialists in new technologies, who will ensure that our ability to apply new tools and technologies continually evolves.

The technologies range from different branches of artificial intelligence to customer experience and Big Data, all of which will be key to competing in our industry in the future.

Lastly, our innovation management unit is monitoring medium to longer-term trends, so that we can take initiatives today that will make us fit to compete in the future.

This includes our strategy with regard to fintech companies, the financial sector start-ups.

More than two years ago, we decided that our strategy should be based on a search for alliances and collaboration.

That is why we launched Bankia Fintech by Innsomnia, which is based here in Valencia, in La Marina.

Ladies and gentlemen, to give you an idea of what Bankia Fintech means to us, consider the fact that in two and a half years we have received more than 300 applications from start-ups, of which we have selected 47.

60% of the selected start-ups have signed a partnership agreement with Bankia.

And the incubator's capacity to attract more start-ups is increasing. In the call for applications currently under way, a total of 126 applications have been received from 16 countries, out of which 18 projects have been selected.

This activity allows us to work closely with fintech firms and build alliances, which as I said earlier is the basis of our strategy in relation to these new competitors.

These are the main lines of work we are pursuing in our necessary digital transformation.

At the same time, at Bankia we are convinced that, in carrying out this digital transformation, we have an obligation to guarantee the privacy and security of our customers' personal information.

This necessarily means that any new technologies to be developed and implemented must prove to us that they are inclusive, transparent and responsible.

That is our standpoint in Bankia, the standpoint of digital ethics.

Neither individuals nor companies will want to use a technology they cannot trust, and our customers' trust is still the differentiating factor on

which our business depends.

As you can see, ladies and gentlemen, the lines of work we have marked out place great demands on us, and we will have to add to them as competitive conditions in the market evolve.

But I honestly believe, ladies and gentlemen, that we have a good strategic approach: we have the right focus and we are investing confidently and sensibly, with a clear purpose, putting profitability and security first.

In the effort of reflection, I mentioned earlier, we also concluded that the digital transformation had to be accompanied by a far-reaching cultural transformation.

And also, that this cultural transformation should result in a more flexible organisation, one that fosters creativity and can be seen as a very attractive project and so is able to attract and retain the best talent.

In these last few months we have been working hard in this area and still have a lot to do.

But the first practical consequence of our reflection was the need to make a deep change in our organisation, which was approved by the Board at its meeting on 24 January.

The proposed change is intended to achieve three clear objectives:

- ✓ To strengthen our focus on the customer;
- ✓ To increase the levels of delegation and independence of decision making in our bank, as a necessary condition to elicit new ideas, new initiatives and new projects; and to that end
- ✓ To draw out new talent at all levels of our bank.

This new organisation must make us ready for the digital and cultural transformation we are engaged in, a transformation that is necessary in order for us to succeed in an environment as challenging as the one that lies ahead.

All the above is absolutely necessary, ladies and gentlemen. But needless to say, it is not sufficient.

I have always believed that the sustainability of any project, any industry or any company depends on whether society finds it useful, whether society wants it to exist.

For that, the first thing you must do is listen to society and understand what society expects of you.

Society demands that we produce extraordinary results, but that we produce them by doing things impeccably.

The *whats* is important, but the *hows* is decisive!

With that goal in mind, in 2015 we launched our first Responsible Management Plan, covering the period 2016-2018. We completed that plan with a high level of compliance, as reported in the statement of non-financial information that has been provided to you.

At the beginning of this year, we approved our second Responsible Management Plan, which covers this year and next, so that its end coincides with that of the general strategic plan, which is to say, 2020.

Both plans rely first and foremost on excellent corporate governance, implemented on the basis of well-established values and principles, aiming for balanced diversity at all levels of our organisation.

We are also convinced that we must contribute to the education of our fellow citizens, because that is the best way to fight against inequality.

We do it through our foundation, whose sole mission is to promote dual vocational training, a field in which we are becoming a reference.

We also have a clear commitment to the environment and the sustainability of our planet. Accordingly, the climate change recommendations supported by the G20 have been, and will continue to be, one of our priorities.

We are determined to put these ideas into practice, so that our commitment becomes a reality.

To achieve that, we regularly assess our contribution to the UN's 2030 Agenda for Sustainable Development, from an internal perspective but taking the needs and priorities of our country into consideration.

Specifically, we have assessed our contribution to the 169 targets embedded in the 17 Sustainable Development Goals. For each target we have considered:

- ✓ The maturity of our contribution.
- ✓ The linkage to the strategy set out in our 2019-2020 Responsible Management Plan.
- ✓ And the material topics identified as priorities for the bank's responsible management.

This assessment has shown us that Bankia contributes primarily to nine of the Sustainable Development Goals, including: decent work and economic growth; industry, innovation and infrastructure; and accessible, non-polluting energy.

This work is a core part of our business model and we are firmly committed to it.

Conclusions

To conclude, let me share with you some more personal reflections.

I am very aware that we are operating in a complex sector at a difficult time. That is a fact and we must not be naive.

Even so, today I am very excited and optimistic because I think we have certain strengths that will be very valuable this year and in the near future:

- ✓ First, because thanks to the work done last year we have put the merger behind us.

The time we spent on the merger in 2018 can now be spent on serving our customers.

- ✓ Second, because we have started the year with tremendous business momentum.

Also, because the end of the limitations imposed by the Restructuring Plan is proving to have great potential as a driver of growth.

- ✓ Third, because I think we are taking the right steps in our digital transformation.

- ✓ And fourth, because I am convinced that the new organisation, and the energy it will release, will be an extraordinary stimulus.

In this context, all the members of the Bankia team are committed to making the bank of which you are the owners the “bank of choice for Spanish society”.

To achieve that, we take as our reference:

- the satisfaction of our customers;

- a permanent aspiration to serve society;

- excellent corporate governance;

- total respect for our principles and

values.

I can assure you, ladies and gentlemen, that in Bankia we have a team of excellent professionals with a high level of commitment and a great pride of belonging.

That is why I always insist on my pride in belonging to this team and my unqualified faith in them.

However, all the above, ladies and gentlemen, necessarily requires your steadfast support and trust, for which once again I wish to thank you with all my heart, both on my own behalf and on behalf of the Board of Directors as a whole.

Thank you for listening.