General Shareholders' Meeting

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Good morning shareholders

Firstly, I would like to thank you all for attending this General Meeting.

I am now going to provide you with a brief overview of Bankia's results in 2017, as presented in the financial statements submitted for your approval at this General Meeting.

First, I will cover some of the significant aspects of the prevailing macroeconomic environment that have affected our businesses. I will then discuss Bankia's performance over the last year and will end with a look at BMN's contribution to the Group's consolidated balance sheet.

Starting with the macroeconomic environment, the first notable aspect has been the strength of the Spanish economy. Gross domestic product grew 3.1% in 2017, with the economy rebounding for the fourth year running and expanding at a rate of more than 3% per annum over the last three years.

The uptick in economic activity was felt in the job market, where net job creation topped 600 thousand – the highest level in the last 12 years. Two million, three hundred and fifty thousand jobs have been created since the start of the recovery, with the number of social security registered members reaching the highest level since 2008.

This growth had a very positive effect on our customers' ability to repay their debts, enabling us to once again reduce the amount of doubtful loans on our books, as I will discuss in due course.

Meanwhile, total banks lending to households and businesses fell by 2.0% in 2017, lower than the drop of 2.9% a year earlier. Consequently, the volume of loans continued to fall for the ninth year in a row, entailing significant but necessary private sector deleveraging and bringing down credit as a percentage of GDP to the European Union average.

In any event, the reduction in household and business debt has been compatible with the aforementioned economic growth in recent years, which has undoubtedly greatly enhanced the fundamentals of the Spanish economy.

For the banking sector, however, this deleveraging has driven down turnover, negatively affecting revenues.

The last point I would like to highlight in relation to the macroeconomic environment is how interest rates have changed.

Short-term interest rates continued to be negative over the course of the year. The 1Y Euribor for instance, which is the reference rate for much of our loan book, stood at a -15 basis points – below the -3 basis points of the previous year.

It is difficult to explain why the price of money remains in negative territory when nominal growth in the Eurozone is close to 4%. However, what is important is that this interest rate environment is having a detrimental impact on our margins as interest income is lower while negative interest rates cannot be passed on through the cost of deposits. This had a particularly adverse effect last year.

Now let’s move on to the second part of my presentation concerning **Bankia’s performance during 2017**.

It should first be noted that the integration of BMN for accounting purposes – which I will discuss in more detail in the third part of this presentation – was completed on 1 December. Consequently, the results for the whole year only include one month of BMN’s income statement, while its balance sheet is consolidated in its entirety.

In order to provide a better insight into earnings performance, I will therefore only comment on Bankia's financial statements, not including BMN, so that a like-for-like comparison can be made, as provided in the management report submitted for your approval.

In 2017, profit net of tax and minority interests totalled EUR 816 million, 1.4% higher year-on-year.

This result was achieved despite gross income dropping by EUR 139 million or 4.4%, particularly because of the EUR 205-million decrease in the interest margin.

The narrowing of the interest margin was primarily due to the return on assets dropping, influenced by the lower returns on fixed-income portfolios as interest rates fell.

On the other hand, the customer margin grew from 1.48% to 1.58%. The improvement in the customer margin is fruit of the commercial strategy to grant more mortgage, consumer and business loans, as well as the policy of focusing on retail customer deposits while reducing those that are more wholesale in nature and have higher costs.

Consequently, new lending to SMEs increased by 30%, while total performing loans to companies went up 2.6%. This led to a 20 basis-point rise in our share of the business loans market to 5.65%.

The number of new consumer loans granted went up 14.6%, while the total balance increased 15.7%. Our market share climbed by 10 basis points to 4.95%.

At the start of the year, we redefined our positioning in the mortgage market with the launch of the No Fees Mortgage. This drove up new mortgage loans by 2.3 times, indicating the considerable attractiveness of our new offering. Furthermore, 40% of these mortgages were granted to new customers.

On the savings side, our strategy focused on attracting new retail customer deposits and positions in investment funds. Indeed, we achieved a 25 basis-point increase in our share of the household deposits segment to 9.52% and a 27 basis-point rise in our share of the investment funds segment to 5.80%.

As well as the growth in lending and customer funds, last year was characterised by a major sales drive, primarily due to the Bank's new positioning at the start of 2016. This new positioning puts the customer at the heart of everything we do, and offering them with a personalised service is a number one priority.

As a result, we added 158,000 new names to our customer base, had 107,000 customers sign new direct salary deposit arrangements, and achieved very significant growth in the credit card and point-of-sale terminal businesses.

All these factors contributed to fee and commission income rising by 3.2% or EUR 26 million. There were three main drivers of this growth:

- Greater asset management fees as a result of a 15.5% increase in investment fund assets under management to EUR 15,726 million;

- Higher revenues related to payment services, fuelled by the growth in credit cards and point-of-sale terminals; and

- An uptick in fees and commissions from insurance sales.

Gross income was also bolstered by EUR 234 million from other income and expenses (net). This was up by around EUR 40 million year-on-year, primarily due to higher earnings generated through the turnover of fixed-income portfolios.

Operating expenses remained practically flat thanks to the policies oriented towards managing the Group's efficiency. We continue to be one step ahead of our competitors for efficiency.

Allowances of EUR 448 million were set aside during 2017, mainly to write-down doubtful loans and foreclosed assets. This figure was 9.3% or EUR 46 million lower year-on-year. Fewer allowances were required, principally because the volume of non-performing assets (the sum of doubtful loans and foreclosed assets) was pared back through loan book sell-offs and loan recovery policies.

Specifically, non-performing assets fell 14.3% or EUR 2,137 million to EUR 12,788 million, while the NPL ratio shrank 130 basis points to 8.5%.

Lastly, profit for the year was driven up by the increase in other results, which in 2016 included an allowance of EUR 93 million to cover the entire floor-clause contingency. In 2017, this item included a gain of EUR 47 million from the sale of the Globalvía stake.

Pre-tax profit totalled EUR 1,068 million, 7.8 % higher year-on-year. Stripping out the allowances for income tax and minority interests, profit totalled EUR 816 million, as mentioned beforehand.

I would now like to turn to the **key impacts of the integration of BMN for accounting purposes** on the Group's 2017 financial statements.

Looking at the consolidated balance sheet first: BMN's contribution resulted in a 19% or EUR 34,800 million increase in total assets. Loans and receivables went up EUR 20,400 million (20%) and customer deposits rose EUR 28,600 million (28%).

In terms of market share, BMN has contributed 1.8 % of loans and 2.4% of deposits, taking Bankia's total shares at year-end 2017 to 10.6% and 11.3%, respectively. This reinforces our position as the fourth largest bank in the country by turnover.

Turning to the income statement, the principal effect derives from recognising the allowance for future integration costs of EUR 311 million, net of tax. This has led to the net profit attributable to the Group shrinking from the aforesaid EUR 816 million to the EUR 505 million included in the financial statements submitted for your approval.

The third impact concerns the capital ratio. Since the BMN acquisition was financed using the Group's own funds, inclusion of the new assets has caused the capital ratios to decrease. Nevertheless, as I will explain later, these remain above the targets we set ourselves when we presented the transaction for approval at the Extraordinary General Meeting held on 14 September.

The fully-loaded total capital ratio stood at 15.44% at the end of the reporting period – up 59 basis points year-on-year, putting us top of the Spanish banking sector in terms of solvency.

Capital levels were bolstered in part during the year by the placements of Tier II instruments totalling EUR 500 million and AT1 instruments amounting to EUR 750 million with institutional investors, which were highly oversubscribed. The fact that Bankia was once again rated investment grade in 2017 by the four agencies from which we applied for a rating contributed to Bankia's issuances being well accepted. These ratings were confirmed following the announcement of the merger with BMN.

The highest quality or CET1 component of the total capital ratio stood at 12.66 % – above the 12% target we set when we presented the BMN integration to you.

The dividend against 2017 results, which is also presented at this General Meeting for your approval, has already been factored in when calculating these ratios. This dividend will amount to EUR 340 million, equating to a dividend yield ratio of 3%. It is envisaged that the dividend will be paid out on 20 April.

The integration of BMN for accounting purposes at the end of last year has transformed us into a major bank and strengthens our status as the fourth largest banking group in the country, all the while maintaining high levels of solvency.

From this starting point, our objective for this year is to ensure the business achieves an excellent fit, allowing us to capture the additional profits that we announced to all of you, our shareholders, when we presented the operation back in September.

I would like to take this opportunity to thank all the magnificent staff at Bankia for their efforts in achieving the results posted in 2017. I am convinced that the whole team of the now revamped Bankia following the BMN merger are committed to pushing ahead with the aim of surpassing the milestones we have proposed for this new phase.

Many thanks.