General Meeting of Shareholders

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Good morning, ladies and gentlemen.

First of all, thank you for being here today.

This year, once again, we are holding this General Meeting – the sixth since Bankia was formed – in Valencia, where we have our corporate headquarters.

My speech today will be divided into four parts.

First, I will review the most important milestones from last year, paying special attention to the most significant progress in the bank's corporate governance.

Second, we will look at the financial statements for 2016, which we submit to your approval today, as well as the capital restructuring included in the agenda.

After that, this year I think I need to devote part of my presentation to the possible merger with BMN.

Lastly, I will share with you all some reflections on the current situation of our bank and its prospects for the future.

1. MAIN MILESTONES OF 2016.

Starting with the main milestones of 2016, during January we took the first steps in implementing our new positioning, which I will discuss in more detail in the last part of my presentation.

In February we launched the IPO reimbursement process, which we analysed at our last General Meeting. This process went on for three months, from 18 February to 18 May. During that period, a total of 707.2 million euros was refunded to practically all the shareholders who bought shares in the retail tranche.

Today, ladies and gentlemen, I can tell you that that decision is saving us close to 400 million euros in interest costs and legal fees.

On 31 March, Bankia paid the second dividend in its history, reaffirming the fact that we have re-established a normal dividend policy.

As approved by you at last year's General Meeting, the payment totalled 301 million euros in cash.

In July, the European Central Bank carried out its stress tests, aimed at assessing the solvency of each of the institutions involved.

The tests examined 53 European banks, including the six largest Spanish banks.

The result of our group was excellent. In fact, we had the best solvency ratio of all the Spanish banks in the highly adverse scenario for the European and Spanish economy.

Also, in September, Bankia was selected to join the Dow Jones Sustainability Index, which was a source of pride for us because it effectively meant recognition for our bank as one of the world's most sustainable companies.

For those who are not familiar with this index, let me just say that it was created in 1999 and is designed to showcase large cap companies that are publicly acknowledged as leaders in sustainability.

It is unquestionably the world's most important sustainability index.

At world level, it comprises 316 companies, 18 of which are Spanish.

Among the 316 companies there are only 27 banks, of which 10 are European and only three are Spanish.

So I believe that Bankia's inclusion in this index is an acknowledgement of the major progress we have made in these last few years in terms of corporate governance, closeness to society and sustainable management – and as I said before, we are very pleased to have that acknowledgement.

It is my firm belief, ladies and gentlemen, that only companies that are managed responsibly are capable of generating value consistently.

In December the Court of Justice of the European Union ruled that the extra amount paid as a result of floor clauses that were declared null and void should be refunded with retroactive effect.

In our case, only three percent of our mortgage portfolio has floor clauses and those clauses had not been applied in practice since the summer of 2015.

Following the ruling, we decided to set up a very simple, very transparent procedure for returning the extra amounts paid by all the customers concerned, with retroactive effect.

We believe that taking this decision and implementing it swiftly was the right thing to do because it followed the same logic as we applied to the IPO.

Essentially, it brought the interests of our customers, who were given the option of a fast, transparent and free solution, into line with the interests of all of you, ladies and gentlemen, by avoiding substantial court costs.

This procedure started operating on 3 February this year and I can tell you that by 21 March we had received a total of 33,000 applications, of which 25,000, in the amount of 127 million euros, have already been settled.

Also in February this year, the rating agency Standard & Poor's upgraded Bankia's short and long-term ratings, assigning a Positive outlook.

This means that Bankia has investment grade status again, for the first time since May 2012.

As you will appreciate, ladies and gentlemen, achieving investment grade status is an important milestone in the normalisation process we embarked upon in 2012.

The effects of the rating upgrade have also been immediately apparent. At the beginning of March, Bankia's 500 million euro issue of 10-year subordinated debt met with strong excess demand from investors (more than 10 times oversubscribed) and had an excellent spread (335bps over the midswap).

This level of interest in our bonds, ladies and gentlemen, was unimaginable the first time we met and illustrates the external recognition of our solvency and strength as a bank.

Lastly, within this first part of my presentation, I would like to make special mention of our corporate governance, in accordance with recommendation three of the CNMV's good governance code.

For this purpose, I will analyse the most important aspects of the company's corporate governance and, in particular, the changes that have taken place since the last annual General Meeting.

First, I would like to emphasise that Bankia's corporate governance system is approved by the Board of Directors and is based on our five corporate values, which we defined back in 2012.

Just to remind you, those values are: integrity, professionalism, commitment, closeness and achievement orientation.

The governance system is made up of a set of internal rules and procedures.

Specifically, it is made up of bylaws, regulations and policies aimed essentially at ensuring that what we do is profitable and sustainable and creates value in the long run, bearing in mind that Bankia has a broad institutional and retail shareholder base.

With this in mind, last year the Board approved various amendments to adapt its bylaws and internal regulations

- to the new Code of Good Governance of Listed Companies,
- to the amendments to the Capital Companies Act (*Ley de Sociedades de Capital*) introduced by the Audit Act (*Ley de Auditoría de Cuentas*),
- and to the Business Finance Promotion Act (*Ley de Fomento de la Financiación Empresarial*).

Since the last General Meeting, therefore, the Board of Directors Regulations have been amended to include a shareholding requirement for directors, as a means of aligning their interests with those of the shareholders.

Details of this amendment will be given in item fifteen on the agenda.

Last year, the role of the lead independent director was expanded beyond the functions assigned by law.

In March 2016, at the proposal of the Appointments Committee following the resignation of Mr. Alfredo Lafita as director and therefore also as lead director, the Board of Directors agreed to appoint Mr. Joaquín Ayuso to the position of lead director.

The appointment was approved by all the supervisory bodies.

In 2016 the Appointments Committee was also given new responsibilities for the management of corporate social responsibility policy and non-financial risks.

The committee's name was changed to the Appointments and Responsible Management Committee.

Improvements were also made to the corporate website, both in form and in content.

The changes make the information more accessible and provide greater transparency, in compliance with applicable laws and regulations and the recommendations of the good governance code.

To ensure appropriate renewal of Board members, last year's General Meeting of Shareholders renewed part of the Board, re-electing one executive director and three independent directors.

To continue that process, today's Meeting will be asked to vote on a second partial renewal of Board members.

Two executive directors are proposed for re-election: Antonio Ortega Parra and myself.

The General Meeting will also be asked to vote on the re-election of the following independent directors:

- Jorge Cosmen
- José Luis Feito
- Fernando Fernández
- Álvaro Rengifo

All the proposed re-elections are for the bylaws-mandated four-year term.

Following corporate governance best practice, the company's Board of Directors will thus continue to have 11 members, of whom eight will be independent and the other three, executive.

Detailed information on compliance with the recommendations of the good governance code is provided in the Annual Corporate Governance Report, which has been made available to you.

Its conclusions show that Bankia fully complies with every one of the 64 recommendations that are applicable to it.

Having said that, I can assure you, ladies and gentlemen, that this Board maintains its commitment to ensure that our bank continuously adopts best practices in corporate governance.

That is an absolute priority for us because we believe that only on the basis of excellent corporate governance is it possible to develop a project that creates value sustainably.

2. FINANCIAL ANALYSIS

With that I now move on to the second part of my presentation, which will be devoted to an analysis of the financial statements for last year and the capital restructuring transactions included in the agenda.

The attributable profit for the year was 804 million euros, which is 22.7% less than the previous year.

Excluding the contribution made by City National Bank to income for 2015, the decline in attributable profit in 2016 is 8.4%.

Over the next few minutes I propose to analyse each of the main income statement items in more detail.

In any case, you will find a complete breakdown of the financial statements in the documentation provided.

Starting with net interest income, we see a fall of 18.1% compared to 2015.

This fall is largely attributable to the decline in revenue from the portfolios of bonds, especially the SAREB bonds, and the effect of the fall in the Euribor.

The fall in the Euribor is also the main reason for the decline in the return on our loan book, which was only partly offset by the sharp reduction in our cost of deposits, thanks to excellent price management.

In any case, you will notice that in the fourth quarter we broke the downward trend in our gross customer margin and, looking to 2017, we believe we have now hit a floor.

Fee and commission income is down 11.4% compared to last year, partly due to our positioning strategy, which I will talk about later.

Operating expenses, which had already fallen significantly over the previous three years, thanks to the extraordinary effort and sacrifice of our entire organisation, dropped a further 3.1% in 2016.

Cost containment is still one of our priorities and is particularly important in a context such as the current one, in which we still do not anticipate a substantial improvement in our revenue stream.

The decrease in general expenses was insufficient to offset the decline in revenue, with the result that our efficiency ratio was 48.9%.

Even so, like last year, Bankia is still the most efficient of the six largest Spanish banks.

In 2016 our NPL ratio dropped below 10% for the first time in Bankia's history.

Thanks to excellent risk management, we reduced our provisions by 35.1%.

The figure for provisions includes a net charge of 65 million euros to complete a prudent valuation of the contingent liabilities associated with the floor clauses.

As a result of all the above, the attributable profit for 2016 is, as I said at the start, 804 million euros.

Our return on equity thus came to 6.7% and would have been 7.3% if we had not recorded the additional provision for floor clauses.

Although our ROE deteriorated year-on-year with respect to 2015, it still compares very well with our competitors, as we continue to be the most profitable of the six largest Spanish banks as regards their business in Spain.

Thanks to these results, we generated 76 basis points of capital, bringing our fully loaded capital ratio to 13.02%, which means that we are still the most highly capitalised of the six largest Spanish banks.

As you can see in this slide, cumulative capital generation since 2012 is 620 basis points, which amounts to 6,157 million euros of capital; and that is despite more than 4,900 million euros of provisioning in the BFA-Bankia Group as a whole for hybrids, IPO and floor clauses.

Most importantly, this capital generation capacity has pushed us up the solvency ranking of large Spanish banks: from the bottom, which is where we were in 2012 after the injection of state aid to help us meet the minimum regulatory requirements, to the top, which is where we are now, as the bank with the highest level of solvency.

For all these reasons, summing up, we can say that despite the difficulties we faced this year, Bankia was able to generate 804 million euros of attributable profit.

And it is a source of enormous pride to be able to share with you that the bank you own is the most efficient, most profitable and most solvent of the six largest Spanish banks in terms of their activities in Spain.

Today, we have a solid bank that generates powerful results, which allow us to generate capital recurrently.

And that is what has prompted us to recommend the payment of the third cash dividend in our bank's history.

It is a great satisfaction to this Board to be able to recommend the payment of 317 million euros in dividends, which means 2.756 cents per share.

This dividend, ladies and gentlemen, is 5% more than the one you approved at last year's General Meeting.

However, before I turn to the next point in my presentation, as announced, I would like share with you all the reasons why we are proposing a capital reduction and a reverse stock split.

Before going any further, I must tell you that none of these proposals will affect the equity or book value of the bank of which you are the owners.

First, I would like to remind you that as a result of the clean-up of our bank in 2012 and 2013, we have a very atypical equity structure, with a very high proportion of capital and a very low proportion of voluntary reserves.

This structure is very different from that of our competitors.

It means that the price of the Bankia share is very close to its nominal value.

That has important consequences, because if the share's market price is close to its nominal value, it gives us less flexibility to manage our capital – less flexibility for possible capital raisings and for issuing what are known as AT1 (Additional Tier 1) securities, which is something we are obliged to do under the new capital regulations known as MREL.

That is why we propose that the nominal value of our share be reduced from the current 0.8 euros to 0.25 euros.

We propose that this be done through a capital reduction of 6,334 million euros, to be added to voluntary reserves, which will be further increased by the transfer of 512 million euros from legal reserves.

Once the process is complete, reserves will stand at 7,857 million euros and capital will be established at 2,879 million euros.

The second proposed transaction is the reverse split, which basically involves grouping shares.

Our proposal is that four old shares be grouped into one new share.

Given that the nominal value of the share after the capital reduction will be 0.25 euros, the nominal value of the new share after the reverse split will be 1 euro.

The reason for this transaction is to increase the share price, so as to limit the volatility and variability of the price in the market.

There are investors who choose not to invest in the shares of companies with a market price of less than one euro, as price fluctuations that may be very small in absolute terms have too great an impact in relative terms. Naturally, that is not good for the liquidity of our share.

So those, ladies and gentlemen, are the reasons why we are proposing this capital restructuring, which, as you can see, do not affect the equity of the bank of which you are the owners.

3. BMN

Moving on to the third part of my presentation, I would like inform you about the situation regarding the possible merger with BMN.

First, let me share with you the background to the process and the current situation.

On 28 September last year, in an official market announcement, the FROB disclosed that it was considering the reorganisation of its investments in credit institutions, which is to say, in Bankia and BMN.

Following this decision, the FROB hired two financial advisers to study the alternatives, with a view to maximising its value in these investees.

More recently, on 15 March, in another official notice, the FROB announced that, after receiving an expression of interest in its stake in BMN, it had opted for a merger of BMN with Bankia as the best alternative.

On that basis, we as a Board of Directors can start to examine the merger as a real alternative.

Throughout these months I have often remarked that a merger between Bankia and BMN makes industrial sense.

It makes sense because in addition to offering the possibility of synergies, the sales networks and target markets are also largely complementary.

As you know, our presence in BMN's natural markets, most notably Murcia, the Balearic Islands and Granada, is very limited as a result of the restructuring we were obliged to carry out under the Term Sheet signed by the European Commission and the Spanish government.

But as I have also remarked on numerous occasions, besides making industrial sense, such transactions must also make financial sense.

For a transaction to make financial sense, conditions must be established to ensure that the transaction creates value for all the shareholders.

In this transaction, as it has stated publicly, the FROB does not have any conflict of interest, as its investments in Bankia and BMN are very similar.

Nevertheless, the Bankia Board will need to analyse the transaction with special attention to safeguarding the interests of minority shareholders.

In fact, I can promise all of you now, for my own part and on behalf of the whole Board of Directors, that defending the interests of minority shareholders will be an absolute priority, as it should be, in setting the terms and conditions of the transaction.

Because that is also the best way of ensuring that Bankia will be worth more and thus be able to repay the aid provided by taxpayers.

In fact, to avoid any possible conflict of interest, the independent directors will play a key role in this process.

Accordingly, over the next few months we must carry out a very rigorous and professional analysis of the transaction and, if deemed appropriate, propose an alternative that meets the requirements I have stated.

In that case, we would call an extraordinary General Meeting, in which we would analyse the terms and conditions of the transaction with all the necessary depth and transparency, as we always do.

Until then, ladies and gentlemen, we must work rigorously, which is what we intend to do over the next few months. You have our absolute commitment.

4.- CHALLENGES

Returning to our bank and the last part of my presentation, I would like to share with you that, in my opinion, 2016 has been a key year from the strategic point of view.

In the second part of 2015, while we were completing the last year of our strategic plan, our reflection led us to the conclusion that, although everything we had achieved was a great success, we needed to make a qualitative leap to improve our customer dynamic and raise the levels of satisfaction and closeness to our customers, both actual and potential.

We thought that this would be the best way to increase our presence and our market shares, especially in the higher value-added products, which in the medium term is a necessary condition to boost our revenue and achieve sustainable excellent profitability.

In a word, we concluded that we had to find a new market positioning for Bankia.

To do that, we made a tremendous effort to listen to our customers.

And we concluded that we needed to transform our bank in such a way that, in the medium term, when our customers thought of Bankia, they thought of a bank that was close, simple and transparent.

I remember sharing that vision with you all last year.

I also remember telling you that the step we had just taken of waiving fees and commissions for customers who had their salary or pension deposited directly in the bank was just the first in a long series of steps.

Because our intention was, and is, to base our entire strategic plan on achieving that new positioning.

So 2016 was decisive because we made great progress and the results we have seen to date, ladies and gentlemen, make us enormously hopeful for the future.

The steps we took in 2016 can be summed up under three broad headings:

First, bringing our relationship with customers into line with the principles of simplicity and transparency.

This affects our products and their terms and conditions, as well as our response to unanticipated situations.

If last year I shared with you the decision to remove fees and commissions for customers with direct deposit of a salary or pension, this year we continued to put the lessons we learned from listening to our customers into practice.

And so we took similar decisions for:

The self-employed.

Digital customers, through the Cuenta_ON account, with no fees.

And more recently, for customers who have their salary paid directly into their account with us, by launching a mortgage that not only has a highly competitive interest rate but also has no fees or commissions and, (in sharp contrast to the practices of our competitors), does not require them to take out any additional products.

I can assure you, ladies and gentlemen, that in the coming months you will see further actions aimed at achieving the simplicity and transparency our customers demand.

And as I said earlier, we have applied these same principles of simplicity and transparency to resolving two very important issues: the IPO and the floor clauses.

In both cases, we took very quick decisions, with simple solutions that not only were transparent and free for our customers but also, more importantly, were implemented quickly and impeccably.

And yet they were decisions that were fully aligned with the interests of all of you, ladies and gentlemen, as I pointed out in the first part of my presentation.

The course has been set and we will hold to it, because the impact of these actions on our customer dynamic, satisfaction levels and image have been immediate.

I don’t want to say too much or bombard you with numbers, because I think this slide is self-explanatory.

It shows the trend in customer satisfaction. These satisfaction surveys are highly representative because they are based on a sample of 60,000 customers each year.

Notice how, in the first few years, satisfaction levels fell very sharply, until they reached a floor in the second half of 2013.

But notice also how they have recovered since then and, in particular, the jump in the satisfaction index in the first half of 2016, which is confirmed in the second half.

Notice, finally, that our customer satisfaction index today is higher than it was in 2012. Our aim is that it should continue to improve.

That is an aim, ladies and gentlemen, that we believe is possible and achievable because we have a clear plan of the steps to be taken.

The second line of action consists of adapting our distribution channels and our relationship with customers to the principle of closeness.

From listening to our customers we know that the level of customer satisfaction increases by 16 points out of 100 if customers have a set go-to person in the bank, an account manager who is proactive and offers possible financial solutions to their needs.

Every customer wants to be attended to and advised differently and our challenge is to understand each person’s needs and deliver a personalised proposal.

Although this ideal of a proactive relationship with customers has always existed in banking, the fact is that in Bankia we are making a concentrated effort to assign customers to people in our teams in a structured and planned way.

To give you an idea, although we have been working in this direction for years, in 2016 we had 1,800,000 customers with a personal account manager assigned to them.

Our goal is to increase that number to 3.3 million in three years: in other words, to practically double the number of personalised customers.

Of course, the relationship has to be adapted to each customer's habits and needs, especially those customers who prefer to use virtual channels.

In fact, our customers' relationship with us is becoming increasingly multichannel.

Let me give you two numbers to illustrate this.

At the end of 2016, 37.6% of our customers had a multichannel relationship with us, compared to 31.5% the previous year.

And today, 30.2% of all – and I do mean all – the bank's transactions are made by our customers by mobile phone.

This situation obliges us to segment our offering of personalised customer management. For customers who prefer to have a virtual relationship with their account manager, we launched the "Conecta con tu experto" service.

This is a free service where the customer is assigned a personal account manager and the relationship is conducted virtually.

We launched "Conecta con tu experto" in 2015. Once again, without wishing to overwhelm you with numbers, you can see how this service has expanded.

Today there are 300,000 customers served by "Conecta con tu experto" and by 2019 we expect the figure to have reached 1,000,000.

I would like to stress that these customers are served by highly qualified account managers – Bankia professionals who serve customers in a different channel but with the same level of professionalism and rigour.

Today, we have 300 professionals assigned to "Conecta con tu experto" and our aim is to bring it to one thousand by 2019.

Once again, our customers' response has been exceptional. Their level of satisfaction with this service is 91.5%, which is the highest of any Bankia service.

Here too I can assure you that we have clear plans for further progress along the established path.

For example, if in 2016 we redefined our public website, our app and our online banking service for businesses. This year we will launch a new private website, while continuing to improve the other facilities.

Now, having reviewed the characteristics we want for our products and the relationship we want with our customers, I come to the third line of action announced earlier.

In the process of reflection that I mentioned, we also came to the conclusion that if we wanted to be perceived as a close, simple and transparent bank, we had to aspire to have an organisation and processes that are similarly close, simple and transparent.

That is why last year we drew up a plan for the next three years in which all our central services units have fully specified action plans to ensure that they work on the basis of the values that drive our positioning.

All the central services units also have objectives and conduct monitoring in relation to the quality perceived by their internal and external customers.

Where the transformation is most tangible, however, is in the digitalization of all our internal processes.

This is a project we began in 2015 and plan to complete this summer, although inevitably it will be an ongoing task because there is always room for improvement and we need to adapt continuously to new technological capabilities.

The results we have achieved in this respect are spectacular.

Since I do not want to bombard you with numbers, just look at the reductions in administrative processing times in the branches in processes as typical as opening a current account, granting a mortgage loan or issuing a card.

In all these cases we are talking about savings of almost 50%.

This is crucial because it speeds things up for the customer, so that the perceived service quality improves, and also frees up our front-office teams to be able to offer the closeness and the level of personalisation I spoke about in the previous point.

As you will appreciate, ladies and gentlemen, the use of technology is crucial for all these improvements.

Although I do not usually like to talk about technology because technology is a means and I prefer to talk about the ends, which are our customers and the service they receive, I must report that, in developing our positioning, we are sparing no effort or investment in technology and innovation.

In part, these are internal efforts, but also efforts of knowledge and collaboration with the technological world out there, which is a seedbed of ideas and solutions.

We have made good progress in this field, too, and are proud to have created Spain's first fintech incubator, together with our partners at Innsomnia, and to have located it precisely here, in Valencia, where we have our corporate headquarters.

Today we already have 14 startups at our site in the marina and are currently engaged in a selection process for international startups to join the incubator – a process that has proved a great success, considering that so far we have received 46 applications.

All this, ladies and gentlemen, is what we have been doing to develop our positioning in recent months.

And as I said, the first results have been very encouraging.

If so far I have been talking in terms of customer satisfaction rates, the conclusions are much the same if we consider the results in terms of activity.

Let me give you a few examples.

- ✓ We set ourselves the aspirational goal of increasing our ability to attract new customers to the point where we were acquiring 20,000 new customers each month.

  Last year we acquired 264,000 new customers, which represents an increase of 37% compared to the previous year.

- ✓ The number of salaries paid directly into the bank grew by 172,000 last year, an increase of 7%.

- ✓ Our share of consumer credit went from 4.17% to 4.84% because while the market grew at a rate of 13% we grew at a rate of 31%.

- ✓ The number of credit cards increased by 280,000, at 3.5 times the rate recorded in 2015.

All this is because our team’s sales capacity, ladies and gentlemen, is increasing at an extraordinary rate.

Behind the figures we have shown you there is a lot of effort and a lot of hard work, and behind that hard work are the people in our team, the Bankia team.

A team that has experienced an extraordinary professional and motivational transformation.

A professional transformation because during these years we have had to face enormous challenges, which have required a leap in maturity and professionalism, both as individuals and as a team.

And a motivational transformation because we have seen what we are capable of, our ability to build an excellent project that belongs to us all because we are building it together.

We are very realistic about the challenges that lie ahead, but I believe we have a number of differential competitive strengths; and that makes me very optimistic about the future.

We have a situation of solvency, efficiency and profitability that puts us at the head of Spain’s six largest banks, as we saw in the second part of the presentation.

We have clear, actionable ideas about what we need to do in the short, medium and long-term – ideas that are anchored in our positioning, which already in the first year has yielded extraordinary results in terms of customer dynamics, satisfaction rates and market share growth.

We also have a proven implementation capacity.

And we are in the last year of our restructuring plan, which means that during this year we will be released from the business limitations imposed by the Term Sheet and so will be able to compete, at last, on equal terms with our competitors. And that means growth.

We also have, as I said earlier, a team of which I am honoured to be a member and which is taking forward a project to which we are proud of belong.

A project led by a Board whom I would like to thank for their commitment and help:

> a Board who have the highest level of professional qualification and independence and who have instituted a style of management in which the whats are important but the hows are decisive;
>
> a Board who have made it very clear that no result and no goal can justify any transgression of our values and our principles;
>
> a Board and a team who understand that their mission is to exercise a professional, meritocratic state of management, so as to create value for all of you, ladies and gentlemen, which is also the best way to pay back the aid to the taxpayers.

That is our goal and also our commitment.

And I can assure you, as I did last year, that we will not stint on energy, enthusiasm, commitment or work toward that end.

Thank you for your attention.