02.2 KEY INDICATORS AND FINANCIAL INFORMATION.

BANKIA ENDED THE YEAR WITH A COMFORTABLE SOLVENCY POSITION, WHICH ALLOWED IT TO INCREASE THE DIVIDEND BY 5%. PROFITS WERE DOWN 804 MILLION EUROS DUE TO THE LOW INTEREST RATES AND THE INITIAL IMPACT OF THE FEE EXEMPTION POLICY, ALTHOUGH THE CHANGE IN THE COMMERCIAL MODEL HAS ALREADY STARTED TO BEAR FRUIT.

RESULTS

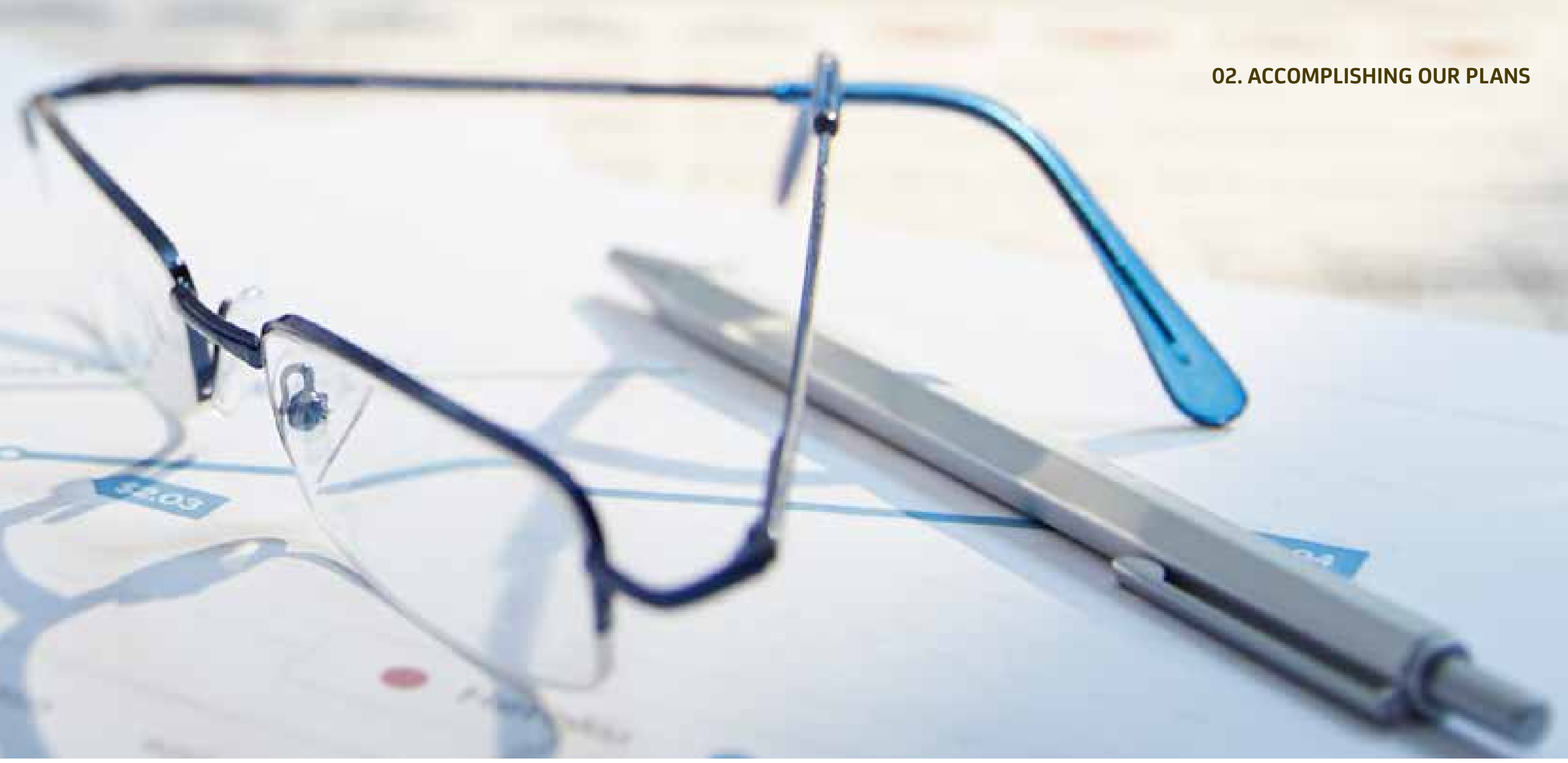
During 2016 Bankia persevered in its efforts to become increasingly aligned with its customers' needs (which are at the heart of the business), more efficient, stronger and capable of creating value for its shareholders and continuing to repay the state aid it received.

One of the highlights of the year was Bankia's commercial repositioning, which started in January 2016, with the decision to withdraw fees from customers with direct deposit of income. In view of the favourable results, the scheme was subsequently extended to self-employed professionals, digital customers and mortgages.

The new fee policy stimulated commercial activity by enhancing customers' loyalty and satisfaction with the bank and yielded some significant results:

- The number of people who have their salary or pension deposited directly into an account at Bankia grew by 172,300 (6.9%).
- A total of 522,570 new credit and debit cards were issued, boosting card payments in retail establishments by 10.4%.
- Deposits increased by 1,859 million euros to reach 98,848 million.
- Off-balance-sheet customer funds reached 20,096 million, 1,080 million more than at the end of 2015.
- Market share grew: in mutual funds, from 5.44% to 5.53%; in consumer finance, from 4.17% to 4.84%; and in business lending, from 7.03% to 7.16%.

Another milestone in 2016 was the progress made in Bankia's digital transformation, which included improvements in platforms and the startup of new services. The following data illustrate the positive outcome of that process:



- The number of multichannel customers rose 20%, to 37.6% of the total.
- Transactions carried out from mobile devices also took a leap (from 25.2% to 30%).
- The digital banking service personal account managers already serves nearly 300,000 customers (triple the number in 2015), with a business volume of more than 11,000 million.

The transformation of the commercial model and the advances in multichannel distribution had a positive impact on the customer satisfaction index, which rose from 82.4 to 87.3%, its highest level in the last five years. In the mystery shopper survey the service scored 7.64, compared to a sector average of 7.04.

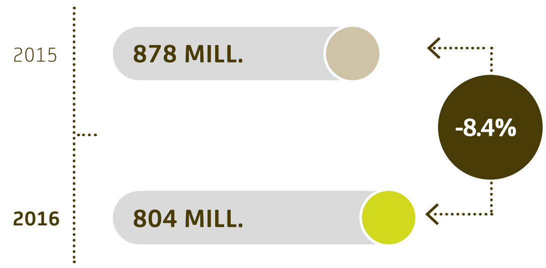
FEES AND INTEREST RATES SET THE PACE

Thanks to the deepening of customer relationships, fourth-quarter fees and commissions contributed 213 million euros, the highest quarterly figure for the year, attenuating the initial negative impact of the fee exemptions on fee income, which in the end fell only 12.2%, to 824 million.

Net interest income was also affected by exceptional circumstances, dropping to 2,148 million euros, a decrease of 18.1%. This result was attributable to the decline in the Euribor, the dwindling return of the fixed-income portfolios (including the SAREB bonds) and the removal of floor clauses, which Bankia has not included in consumer mortgages since September 2015 but which forced the bank to record a provision of 93 million euros in 2016.

In contrast to the decline in net interest income, net trading income (NTI) contributed 241 million, thanks to gains from turnover of sovereign debt in the available-for-sale portfolio.

PROFIT



*For comparability, the results for 2015 exclude the contribution of City National Bank..

02.2
KEY INDICATORS AND FINANCIAL INFORMATION.

EXPENSES: TOWARDS RATIONALISATION

To attenuate the negative impact of the decline in fee and commission income and interest rates, Bankia continued to apply a strict cost management policy, which helped it to achieve an efficiency ratio of 48.9% at the end of 2016, one of the best results among the large Spanish financial institutions.

Specifically, operating expenses (administration expense and depreciation and amortisation) followed a downward trend from the first quarter of the year, resulting in a cumulative year-on-year decline of 3.1%. The fall in general expenses and staff costs was especially significant, driven by the rationalisation measures implemented once the group restructuring was complete.

Steady balance sheet quality improvement also helped sustain the income statement by reducing the stock of non-performing loans and foreclosed assets and thus also the level of provisioning.

Provisions absorbed 494 million euros, 31.4% less than in 2015. Added to this are the 93 million provided for the removal

804

Attributable profit
in millions of euros

48.9%

Efficiency ratio
achieved by applying a strict cost reduction policy

13.02%

CET1 capital ratio
fully loaded (under 2019 Basel II requirements)

of floor clauses. As 114 million euros of provisions were already taken the previous year against this potential risk, Bankia considers the effects arising from floor clause removal to be fully covered.

DIVIDENDS PAID IN THREE YEARS

820 MILLION

PROFIT: DIVIDEND INCREASES, BASED ON CAPITAL STRENGTH

The result of all the above was a net attributable profit of 804 million euros, down 22.7% compared to 2015.

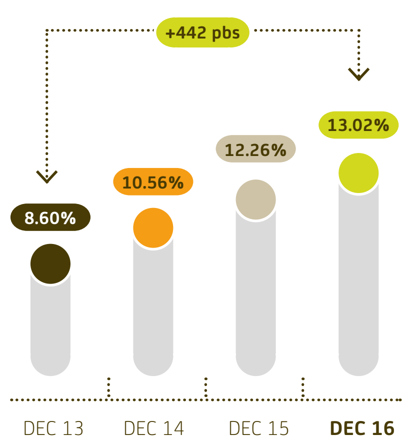
Independently of the interest rate environment and the introduction of the new fee policy, two factors in particular explain a large part of the decrease in profit. On the one hand, the provisions for floor clauses, as already mentioned. On the other, the non-like-for-like comparison with the results for 2015, which included 164 million euros from the sale of City National Bank of Florida.

In spite of everything, Bankia maintains a comfortable solvency position, as is apparent from the fact that it ended 2016 with a Common Equity Tier 1 (CET1) ratio on a fully loaded basis (i.e., under the Basel requirements that will apply in 2019) of 13.02%, having risen 76 basis points during the year. If the gains on government debt portfolios were taken into account, the figure would be 13.53%. These ratios greatly exceed (by 252 and 302 basis points, respectively) the minimum levels required by the ECB and are almost double the fully loaded CET1 ratio recorded by the bank immediately after the injection of public funds in 2012 (6.82%).

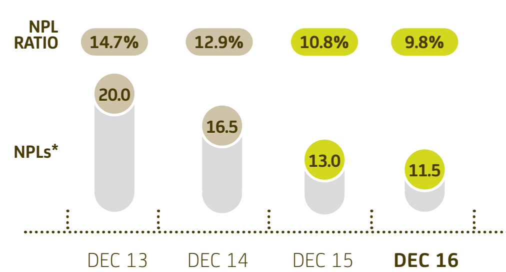
The improvement in solvency is a consequence of the capitalisation of profit (after deducting the dividend), balance sheet deleveraging, the sale of non-strategic assets and the pursuit of growth in business segments that have a high credit rating.

In view of this situation, the Board of Directors resolved to recommend to the General Meeting a dividend of 317 million euros, 5% more than the dividend paid out of profit for 2015. This dividend brings to 820 million the share of profit paid to shareholders in the last three financial years. Of this total, 530 million go to the State, which thus continues to recover the aid granted to the bank.

CET1 RATIO FULLY LOADED



NPLS AND NPL RATIO



* In billions of euros.

02.2 KEY INDICATORS AND FINANCIAL INFORMATION .

AN INCREASINGLY HEALTHY BANK

Bankia ended 2016 as a more healthy institution. The group's non-performing loans (NPLs) stood at 11,476 million euros, down 1,520 million (11.7%) compared to December 2015. The reduced inflow of new NPLs, effective recovery management and portfolio sales (mainly of SMEs) explain the decline.

As a result, the NPL ratio fell 100 basis points to 9.8% and the coverage ratio reached 55.1%, despite the new calculation rules introduced by the Banco de España, which are more demanding than the previous ones.

The strategy of reducing problem assets extended to the stock of foreclosed properties, which fell 16.4%, with the sale of 9,350 properties, bringing proceeds of 535 million euros. At 31 December, 80% of the stock consisted of liquid assets (in particular, used housing and new build), which facilitates future divestment.

On the other hand, Bankia ended 2016 with a balanced retail funding structure and a loan-to-deposit ratio of 97.2%. Wholesale debt accounted for 11% of the group's liabilities. An additional 2,286 million euros of debt was issued during the year. Funding provided by the ECB amounted to 14,969 million.

SHARE PERFORMANCE

The financial markets experienced severe turbulence during 2016 due to the geopolitical instability arising from the United Kingdom's referendum on withdrawal from the European Union and the United States presidential elections. In this context, the Ibex-35 ended the year down 2%.

There was a marked difference in the financial sector's stock market performance between the first and the second half. Until mid-2016 the performance shows a slowdown in activity levels and the impact of the ECB's extraordinarily lax monetary policy on income statements. In the second part of the year, in contrast, valuations recovered significantly in expectation of a sustainable improvement in the economy and in inflation. Even so, the Euro Stoxx Banks shed 8% over the 12-month period.

The Bankia share fell 9.6%, in line with the industry. Average daily trading volume was 32.3 million securities, with an average value of 26 million euros per session. The number of shares in issue remained unchanged at 11,517 million, of which 34.1% was the free float and 65.9% was held by BFA, Bankia's parent company, which is owned by the State.

SECOND DIVIDEND

Following approval by the General Meeting of Shareholders, on 31 March Bankia paid a full cash dividend out of profit for 2015, the second dividend in the company's history. The dividend was 2.625 cents per share and amounted to a total of 300.7 million euros. The payout ratio was 29%.

ANALYSTS' CONSENSUS

At 31 December 2016, the number of analyst firms that actively covered and provided a target price for the Bankia share was 33, two more than in 2015. The analysts' consensus target price at that date was 0.87 euros per share. Of the recommendations, 39.4% were buy, 21.2% sell and 39.4% hold.

HIGH

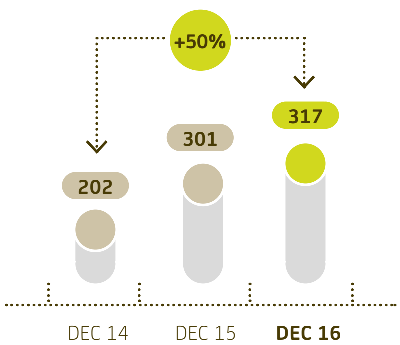
1.044€

MARKET CAPITALISATION AT YEAR-END 2016

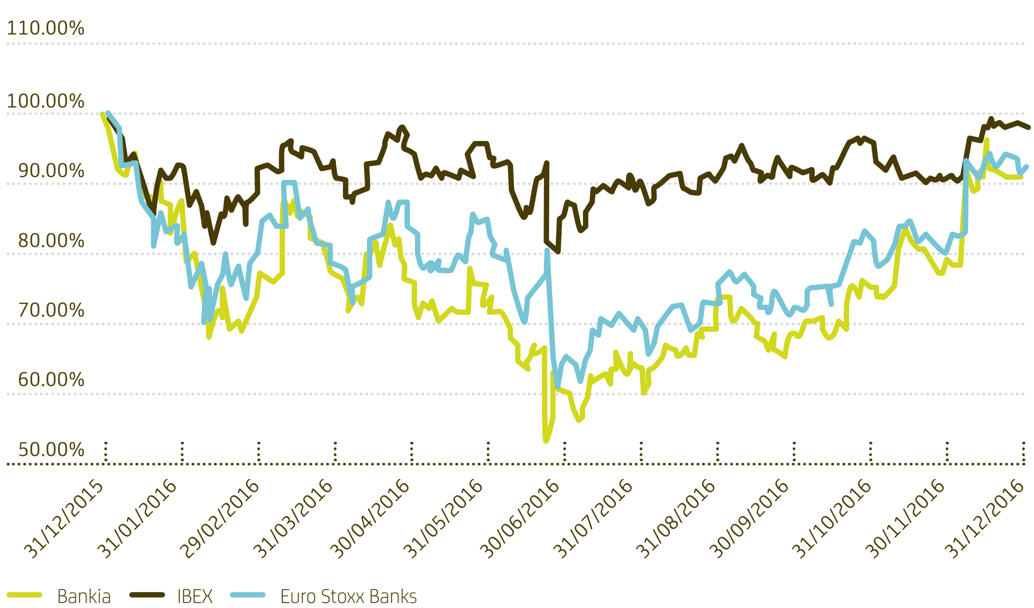
€11,183 MN

DIVIDEND

In millions of euros

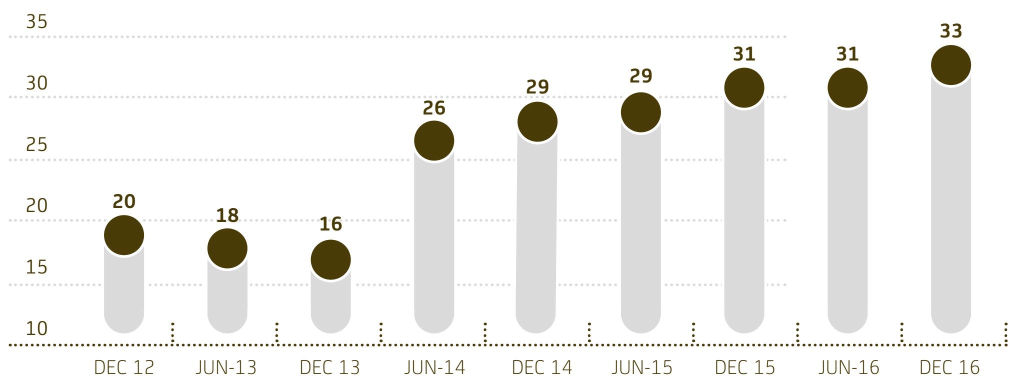


BANKIA SHARE, IBEX-35 AND EURO STOXX BANKS PERFORMANCE DURING 2016 WITH BASE 100

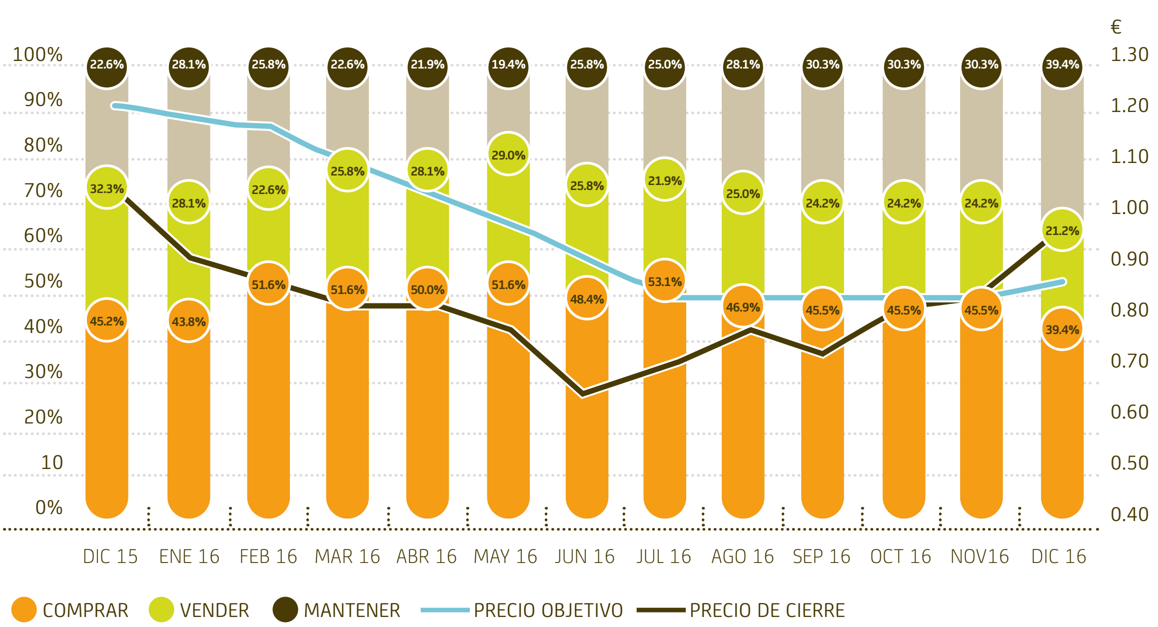


02.2
KEY INDICATORS AND FINANCIAL INFORMATION .

NUMBER OF ANALYSTS COVERING THE SHARE



TREND IN RECOMMENDATIONS, TARGET PRICE AND CLOSING PRICE



The accomplishment of all the 2012-2015 Strategic Plan objectives, the upturn in the banking business, the reduction of problem assets and the improvement in capitalisation all had a positive impact on Bankia's rating during 2016.

INVESTMENT GRADE RATING FROM S&P AND FITCH RATINGS

BBB-

RATING

The sovereign rating remained stable. Standard & Poor's (S&P), Fitch and DBRS affirmed Spain's sovereign rating at 'BBB+', 'BBB+' and 'A low', respectively, all with a stable outlook. The three agencies took into account the strengthening of the country's macroeconomic variables and the stabilisation of the property market, which had favourable knock-on effects for the banking industry.

For Bankia, the success in accomplishing all the 2012-2015 Strategic Plan objectives, the upturn in the banking business, the reduction of problem assets and the improvement in capitalisation all had a positive impact on ratings during 2016. The rating actions during the year were as follows:

- **Standard & Poor's.**
  On 5 April S&P raised Bankia's rating from 'BB' to 'BB+' and maintained the positive outlook, reflecting the observed improvement in the bank's funding and liquidity profile. It affirmed the short-term rating at 'B' and the long-term rating at 'BB+' and upgraded the subordinated debt from 'B' to 'B+'. The stand-alone credit profile went from 'bb' to 'bb+', up three notches from 2013, when it was 'b+'. Increased asset quality, prudent risk management, business and franchise stabilisation, increased capital strength and the funding position explain this progress. On 15 January S&P affirmed the rating of Bankia's mortgage covered bonds at 'A+/Stable', reflecting in particular its positive assessment of the reduction of the risk associated with the residential loan portfolio. On 3 November, following a complete review, it affirmed the 'A+' rating.

Moving on into 2017, on 9 February S&P lifted Bankia's rating a notch to 'BBB-' and maintained the stable outlook. This means that the bank has recovered it investment grade rating almost five years later, thanks to the strengthening of its capital.

- **Fitch.**
  On 23 February, Fitch raised Bankia's rating from 'BB+/Positive' to 'BBB-/Stable', restoring it to investment grade. A decisive factor in this upgrade was the increase in the viability rating from 'bb+' to 'bbb-', up five notches since December 2013, in recognition of the bank's accelerated restructuring, the

02.2
KEY INDICATORS AND FINANCIAL INFORMATION .

improvement in the quality of its assets and the strengthening of its capital. The long-term rating was 'BBB-', the short-term rating went from 'B' to 'F3' and the subordinated debt, from 'BB' to 'BB+'. On 15 February 2017, Fitch Ratings gave the bank a long-term rating of 'BBB-', with a stable outlook. On 26 February 2017, Fitch lifted the rating of the mortgage covered bonds from 'A-/Positive' to 'A/Stable' and affirmed this rating on 5 August and 4 November, after updating its methodology.

- **DBRS.**
  In the first half of 2016 Bankia publicly solicited issuer credit ratings from DBRS, which issued ratings on 8 July, based on an assessment of Bankia's intrinsic financial strength. The results, all with a stable outlook, were as follows: long-term unsecured senior debt and deposit rating: 'BBB (high)'; short-term debt and deposit rating: 'R-1 (low)'; long-term critical obligations rating: 'A'; short-term critical obligations rating: 'R-1 (low)'. The two long-term ratings enter investment grade. On 21 January, 14 March and 29 April, DRBS affirmed its 'AA' rating of the mortgage covered bonds on the occasion of the three issues totalling 2,282.5 million euros. On 23 June, it raised the rating to 'AA (high)' and affirmed it on 23 September.

- **Scope.**
  During the first half, Bankia also asked Scope to assign ratings to its mortgage covered bonds, which in July the agency rated 'AAA' with a stable outlook, based on the level of intrinsic strength, the legal framework and an analysis of the portfolio backing the issues.

- **Moody's.**
  In October 2013 Bankia terminated its contractual relationship with Moody's, which nonetheless continued to publish "Unsolicited" and "Non-participating" ratings for Bankia, based on publicly available information. The bank has repeatedly asked Moody's to stop doing so, but the agency is not obliged to accept the request.

BANKIA RATINGS PERFORMANCE IN 2016

ISSUER RATINGS

	S&P DIC 15		S&P DIC 16	Fitch DIC 15		Fitch DIC 16	DBRS DIC 15	DBRS DIC 16
LONG-TERM	BB	+1	BB+	BB+	+1	BBB-	---	BBB (HIGH)
OUTLOOK	POSITIVE		POSITIVE	POSITIVE		STABLE	---	STABLE
VIABILITY RATING	bb	+1	bb+	bb+	+1	bbb-	---	bbb (high)
SHORT-TERM	B		B	B	+1	F3	---	R-1 (low)

MORTGAGE COVERED BOND RATINGS

	S&P DEC 15	S&P DEC 16	Fitch DEC 15		Fitch DEC 16	DBRS DEC 15		DBRS DEC 16	Scope DEC 15	Scope DEC 16
RATING	A+	A+	A-	+1	A	AA	+1	AA (high)	---	AAA
OUTLOOK	Stable	Stable	Positive		Stable	---		---	---	Stable