

.....

CHAIRMAN'S STATEMENT.

.....

OUR FOCUS IS ON BEING CLOSE TO OUR CUSTOMERS AT ALL TIMES – OUT OF GRATITUDE AND BECAUSE THEY ARE THE FUTURE. THEY ARE THE KEY TO OUR SUSTAINABILITY.

2016 brought enormous challenges for the banking sector. Together with an extraordinarily low interest rate environment, banks have had to face regulatory and legal changes, some of which were concentrated in the last quarter: changes to corporate income tax, new provisioning requirements (Annex IX), floor clause ruling, etc. All this has required a supreme effort on the part of the financial system, which, though now solvent, still faces two clear challenges: reputation and profitability.

As regards the banking system's reputation, I am convinced that the underlying reality is better than the image people have of it. We need to be able to explain its usefulness to society. We must explain why having sound, profitable banks is vital to enable sustainable growth of the economy, which is a basic precondition for job creation and improved living standards. We must make it clear that, today, Spanish banks compare very favourably with other European financial systems, in terms of service quality. We must also demonstrate

that there is no comparison between the way banks operate today and some of the things that happened in the past, the responsibility for which is currently under investigation.

The second challenge facing the financial system is the intense pressure on profitability, as the demands placed on the sector are steadily increasing, while technology is changing our customers' habits. Here too we must make an effort to explain that a financial system has to be profitable in order to be sound. If banks do not earn money – if they do not have a decent return and do not reward their shareholders appropriately – they will be undercapitalised and so will not be able to expand credit or contribute to economic growth and job creation.

We must accept that 2017 will still be a very difficult year for banks, but I believe that, for the first time since 2012, there is light at the end of the tunnel – a light that will grow with a shift in monetary policy and a rise in interest rates in the medium term.

For Bankia, 2016 was another decisive year in qualitative terms, in much the same way 2013 was. If 2013 was the year of our restructuring, which laid the foundations for the substantial progress made since then, 2016 was the year of the repositioning – the year in which we changed the dynamic of our relationship with customers and saw a clear change of trend in the indicators of perception.

I have always contended that it is in periods of crisis that the differences between competitors become apparent and that what matters most about any crisis is how you come out of it. That is why we can look back with pride at these last five years of work in Bankia, in which we have gone from being a solvent project to being a sustainable one. Most important of all, we have done it by adhering to principles, clearly defined values and professional, independent corporate governance.

The result is that today we are the most solvent, the most efficient and the most profitable of the six large Spanish banks, in their activities in Spain. We are also, ever since the 2013 capital increase, the one with the best share performance. And we have a business model that generates capital, finances growth and distributes dividends.

Of course, all this is no guarantee of future success, unless we persist in working hard from day to day. We are very aware, moreover, that none of this would be possible without our customers. They are the reason for everything we do. Our focus is on being close to our customers at all times – out of gratitude and because they are our present and our future.

That is why we have concentrated on listening to them and trying to offer them what they ask for. The results of the first initiatives undertaken in 2016 confirm this strategy, which for us is not only a great satisfaction but also a great responsibility – the responsibility of managing professionally and of maintaining a close and completely transparent relationship. In essence, that is our project: to deliver the best combination of service and price. Keeping that project on track is not easy, but we have two fundamental levers: technology and people.

We are investing heavily in technology, partly so as to be more efficient and cut the cost of our processes, but above all so as to make life easier for our customers. To allow our customers to conduct their business with us in the way they choose, we are offering alternative channels, apart from the account managers in the branches, such as the remote account managers and the added functionality in our app and on our website. We must not forget that almost 40% of customers opt to bank with us via the internet.

But technology is not an end in itself. It is only worthwhile if it makes life better for customers. That makes the digital world a challenging environment for banks, as the ones that make the most of the opportunities it offers will be those that deliver a high quality response in their virtual relationships with customers and at the same time adapt their bricks-and-mortar network to the new needs, so that it becomes a source of competitive advantage.

.....

CHAIRMAN'S STATEMENT.

.....

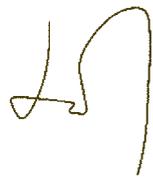
Even in this increasingly digital age, however, I am convinced that the key will still be people. Research into banking consumer behaviour tells us that customer satisfaction, in any channel, improves dramatically when the customer has a person to talk to at the bank, someone who can also be proactive in the customer relationship. The banks that excel will be the ones with the teams that are most motivated, most committed, most professional and most alert to customers' needs. In these last few years Bankia has relied heavily on the rediscovered enthusiasm of its in-house teams – the boost in motivation that comes from having started from a very complicated situation and having faced and overcome, one by one, all the difficulties encountered along the way.

We now have the strongest balance sheet of all the large Spanish banks; and looking to the near future, we see new opportunities opening up as the restructuring plan comes to a conclusion. For all these reasons, I believe we have reached a stage of clear progress, in which we can and must aspire to larger market shares.

At Bankia we are convinced of it. We have a bank made up of a very committed team that is prepared to seize future opportunities – a team with a growing pride in belonging, a team that not only achieves results but also knows that “how” those results are achieved is essential for the sustainability of an excellent project.

We work with the aspiration that when customers think of us, they have the image of a bank that is close, simple and transparent.

To achieve that, we will continue to listen to customers and to society in general, so as to provide answers to their needs – answers based on facts. Effort and commitment on our part will not be found lacking.



JOSÉ IGNACIO GOIRIGOLZARRI
CHAIRMAN OF BANKIA

.....

WE HAVE A TEAM WITH
A GROWING PRIDE IN
BELONGING, A TEAM
THAT NOT ONLY ACHIEVES
RESULTS BUT ALSO KNOWS
THAT "HOW" THOSE
RESULTS ARE ACHIEVED
IS ESSENTIAL FOR THE
SUSTAINABILITY OF AN
EXCELLENT, PROJECT, A
TEAM WHOSE ASPIRATION
IS THAT WHEN CUSTOMERS
THINK OF US, THEY HAVE
THE IMAGE OF A BANK
THAT IS CLOSE, SIMPLE
AND TRANSPARENT.

.....

