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EXTERNAL

REVIEW REPORT



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INDEPENDENT REVIEW OF THE SUSTAINABILITY INFORMATION INCLUDED IN THE BANKIA ANNUAL REPORT FOR 2017

To the Board of Directors of Bankia, S.A.:

Scope of the work

At the request of the management of Bankia, S.A. (hereinafter Bankia), we have performed a review of the sustainability information included in the 2017 Bankia Annual Report (hereinafter the Report) and in the table of GRI Indicators included in chapter 7 of the Report. That information has been prepared in accordance with:

- The Sustainability Reporting Guidelines of the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards) and their Financial Services Sector Supplement.
- The principles stated in the AA1000APS (2008) standard issued by AccountAbility (Institute of Social and Ethical AccountAbility).

The perimeter the Bankia Group has taken into account in preparing the Report is defined in chapter 7 ("GRI Content Index") of the accompanying Report, in the section "Scope and external review of non-financial disclosures".

The preparation of the sustainability report and the information it contains are the responsibility of Bankia's management, who are also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures performed in our review.

Criteria

Our review was carried out based on:

- The Guidelines for Reviewing Corporate Responsibility Reports issued by Spain's Official Register of Auditors of Accounts (ICJCE).
- The ISAE 3000 standard (Assurance Engagements Other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for limited assurance engagements.
- The AA1000 AccountAbility Principles Standard (2008) for type 2 moderate assurance engagements.

Procedures performed

We conducted our review by putting questions to senior management and the various business units that were involved in the preparation of the attached Report and by performing the analytical procedures and sampling reviews described below:

- Interviews with the persons responsible for preparing the sustainability information in order to obtain an understanding of how the sustainability objectives and policies are taken into account, put into practice and integrated in the Bankia Group's strategy.
- Analysis of the processes for compiling and validating the sustainability information contained in the Report.
- Review of the processes the Bankia Group has in place for identifying material issues and for engaging with stakeholders.
- Review of the conformity of the structure and content of the sustainability information with GRI's G4 Sustainability Reporting Guidelines, their Financial Services Sector Supplement, applying the Comprehensive option, and the principles stated in the AA1000APS (2008) standards.
- Verification by sampling of the quantitative and qualitative information provided in the GRI G4 Content Index included in chapter 7 of the Report and the accuracy with which it has been compiled from the data supplied by the information sources. The review procedures were defined so as to provide the stated level of assurance.

- Verification that the financial information reflected in the Report has been audited by independent third parties.

These procedures were performed on the sustainability information contained in the Report and on the GRI G4 Content Index in chapter 7 of the Report, with the perimeter and scope stated above.

Our review is substantially less in scope than a reasonable assurance engagement. The level of assurance is therefore also lower.

On no account should this report be considered an audit report.

Independence

We carried out our work in accordance with the standards of independence required by the Code of Ethics of the International Federation of Accountants (IFAC).

The work was carried out by a team of sustainability experts with extensive experience in reviewing this kind of information.

Conclusions

As a result of our review, nothing has come to our attention that causes us to believe that the sustainability information included in the Report has not been prepared, in all material respects, in accordance with GRI's Sustainability Reporting Guidelines and Financial Services Sector Supplement, including the reliability of the data, the appropriateness of the information presented and the absence of material deviations or omissions, the GRI G4 Content Index contained in chapter 7 having been included in the review.

As regards the application by the Bankia Group of the AA1000 APS (2008) standard issued by AccountAbility, nothing has come to our attention that causes us to believe that the Bankia Group has not applied the principles of inclusivity, materiality and responsiveness as detailed in chapter 7 ("GRI G4 Content Index") of the attached Report, in the section titled "Scope and external review of the non-financial disclosures".

Recommendations

We have presented our recommendations for improvements regarding the application of the AA1000APS (2008) principles to Bankia's management. The most significant recommendations are as follows:

- **Inclusivity:** Mechanisms are in place to identify stakeholders. We recommend that regular consultations continue to be conducted with internal and external stakeholders to ensure that they participate in the Bankia Group's sustainability strategy.
- **Materiality:** The material issues to be included in the Report are identified. We recommend that the identified material issues continue to be linked to the strategy for mitigating the Bankia Group's reputational risks.
- **Responsiveness:** Mechanisms are in place for designing, evaluating and communicating the company's responses to the stakeholders' main expectations. We recommend that the active listening process and the response to stakeholders' expectations continue to be developed.

This report has been prepared solely for Bankia, in accordance with the terms of our engagement.

ERNST & YOUNG, S.L.

María del Tránsito Rodríguez Alonso
Socia
Madrid, 12 de marzo de 2018



APPENDIX:

KEY HISTORICAL DATA	2017		CHANGE 2017-2016	
	BANKIA GROUP	BANKIA GROUP (EX BMN)	BANKIA GROUP	BANKIA GROUP (EX BMN)
NET INTEREST INCOME (MILL.)	1,968	1,943	(8.4%)	(9.6%)
GROSS INCOME (MILL.)	3,064	3,027	(3.2%)	(4.4%)
OPERATING PROFIT (BEFORE PROVISIONS,) (MILL.)	1,038	1,477	(35.9%)	(8.8%)
ATTRIBUTABLE PROFIT/(LOSS) (MILL.)	505	816	(37.3%)	(1.4%)
MARKET EFFICIENCY	51.6% *	51.2%	+2.7 p.p	+2.3 p.p
ROA	0.4% ⁽¹⁾	0.4% ⁽¹⁾	-	-
ROE	6.6% ⁽²⁾	6.7% ⁽²⁾	(0.1 p.p) ⁽²⁾	(0.1 p.p) ⁽²⁾
TOTAL ASSETS (MILL.)	213,932	179,098	12.5%	(5.8%)
NET LOANS AND ADVANCES TO CUSTOMERS (MILL.)	123,025	102,603	17.5%	(2%)
TOTAL MANAGED CUSTOMER FUNDS (MILL.)	175,960 ⁽³⁾	143,191 ⁽³⁾	21.3% ⁽³⁾	(1.3%) ⁽³⁾
BUSINESS VOLUME (MILL.)	295,669	245,794	18.37%	(1.59%)
TOTAL NPL RATIO	8.9%	8.5%	(0.9 p.p)	(1.3 p.p)
LOAN LOSS PROVISIONS (MILL.)	6,151	5,221	(2.7%)	(17.4%)
NPL COVERAGE	50.8%	53.6%	(4.3 p.p)	(1.5 p.p)
LOAN-TO-DEPOSIT RATIO	93.9%	98%	(3.3 p.p)	(+0.8 p.p)
BASEL III CET 1 FULLY LOADED	12.66% ⁽⁴⁾	15.25% ⁽⁴⁾	(0.36 p.p) ⁽⁴⁾	2.23 p.p ⁽⁴⁾
BASEL III CET 1 PHASE-IN	14.15% ⁽⁵⁾	16.98% ⁽⁵⁾	(0.55 P.P) ⁽⁵⁾	1.90 p.p ⁽⁵⁾
NUMBER OF SHARES (MILL.)	3,085	-		7.1%
YEAR-END SHARE PRICE (IN EUROS)	3.99	-		2.7%
MARKET CAPITALISATION	12,300	-		10%
EARNINGS PER SHARE	0.26	-		(5.3%)
NUMBER OF BRANCHES	2,406	1,709	29%	(8.41%)
NUMBER OF EMPLOYEES	17,217	13,122	30.8%	(0.28%)
VOLUME OF NEW LOANS GRANTED (IN MILLIONS OF EUROS)		17,497		19.27%
MORTGAGE MODIFICATIONS (NO.)		1,236		(78.03%)
SOCIAL RENTS (NO.)		554		0.9
HOURS OF TRAINING		917,435		
DIVERSITY: MEN / WOMEN (%)		45.36% / 52.64%		
OPEN-ENDED CONTRACTS		100%		
ELECTRICITY CONSUMPTION (GJ)		312,950		
ELECTRICITY ACQUIRED FROM RENEWABLE ENERGY SOURCES (GREEN ENERGY)		100%		
EMISSIONS AVOIDED THANKS TO ACQUISITION OF ELECTRICITY FROM RENEWABLE SOURCES (T CO ₂)		31,295		
RECYCLED PAPER USED (DIN A4) (%)		99.80%		

(1) Profit after taxes as a percentage of average total assets for the period. Excludes BMN merger costs.

(2) Profit for the year attributable to equity holders of the controlling company as a percentage of average equity. Excludes BMN merger costs.

(3) Made up of customer deposits, debt securities in issue and assets managed off-balance-sheet.

(4) Ratio according to the definition that will apply when the phase-in is complete.

(5) Ratio according to the transitional definition of Tier 1 capital.

* Without taking the costs of the BMN merger into account.

2016		2015		2014		2013	
BANKIA GROUP	CHANGE 2016-2015	BANKIA GROUP	CHANGE 2015-2014	BANKIA GROUP	CHANGE 2014-2013	BANKIA GROUP	CHANGE 2013-2012
2,148	(21.6%)	2,740	(6.4%)	2,927	14.05%	2,567 ⁽¹⁾	(19.73%) ⁽¹⁾
3,166	(16.8%)	3,806	(5.1%)	4,009	6.27%	3,772 ⁽¹⁾	(8.42%) ⁽¹⁾
1,619	(24.7%)	2,148	(5.2%)	2,267	21.38%	1,867 ⁽¹⁾	2.24% ⁽¹⁾
804	(22.7%)	1,040	39.2%	747	22.27%	608 ⁽¹⁾	n.a.
48.9%	+5.3 p.p.	43.6%	0.1 p.p.	43.7%	(8.9 p.p.)	50.50% ⁽¹⁾	(5.20 p.p.) ⁽¹⁾
0.4% ⁽¹⁾	(0.2 p.p.) ⁽¹⁾	0.5%	0.2 p.p.	0.3%	0.1 p.p.	0.23% ⁽¹⁾	n.a.
6.7% ⁽²⁾	(2.3 p.p.) ⁽²⁾	10.6%	2.0 p.p.	8.6% ⁽¹⁾	3.0 p.p. ⁽¹⁾	5.61%	n.a.
190,167	(8.1%)	206,970	(11.4%)	233,649	(7.09%)	251,472	(10.90%)
104,677	(5.3%)	110,570	(1.9%)	112,691	(5.40%)	119,118	(11.20%)
145,097 ⁽³⁾	(4.3%) ⁽³⁾	155,402	2.1%	152,242	(3.35%)	108,543	(2.10%)
249,773	(4.7%)	265,971	0.4%	264,933	(4.23%)	276,631	(11.50%)
9.8%	(0.8 p.p.)	10.8% ⁽¹⁾	(2.1 p.p.) ⁽¹⁾	12.9%	(1.8 p.p.)	14.70%	1.70 p.p.
6,323	(18.9%)	7,794	(18.2%)	9,527	(15.78%)	11,312	(7.60%)
55.1%	(4.9 p.p.)	60.0%	2.4 p.p.	57.6%	1.1 p.p.	56.50%	(5.30 p.p.)
97.3%	(5.6 p.p.)	101.9% ⁽¹⁾	(3.6 p.p.) ⁽¹⁾	105.5%	(9.8 p.p.)	115.40%	(5.00 p.p.)
13.02%	+0.76 p.p.	12.26% ⁽²⁾	1.7 p.p. ⁽²⁾	10.60%	2.0 p.p.	11.71%	6.77 p.p.
14.70%	+0.81 p.p.	13.89% ⁽²⁾	1.6 p.p. ⁽²⁾	12.28%	1.6 p.p.		
2,879 *	0.0%	11,517	=	11,517	0.00%	11,517	n.a.
3.88 *	(9.6%)	1.074	(13.2%)	1.238	0.32%	1.23	n.a.
11,183	(9.6%)	12,370	(13.2%)	14,258	0.32%	14,212	n.a.
0.28 **	(22.7%)	0.09	28.6%	0.07	0.00%	0.07	n.a.
1,866 ⁽⁴⁾	(4.0%) ⁽⁴⁾	1,941	(1.9%)	1,978	(1.54%)	2,009	(35.80%)
13,159	(0.5%)	13,318 ⁽³⁾	(5.7%)	14,382	(6.56%)	15,392	(23.10%)
14,669	(11.6%)	16,600	12.5%	14,756	(0.99%)	14,903	n.a.
5,628	(54.4%)	12,341	(12.3%)	14,079	(39.25%)	23,178	21.70%
549	(13.9%)	638	(2.50%)	654	n.a.	300	n.a.
666,624		774,667		669,293 ⁽²⁾		589,000	
45.4% / 54.6%		45.55% / 54.45%		45.87 / 54.13 ⁽²⁾		46.38 / 53.62	
100%		100%		99.85% ⁽²⁾		99.24%	
326,127		379,638		369,051 ⁽²⁾		461,490	
100%		100%		100% ⁽²⁾		100%	
36,236		39,018		36,905.10 ⁽²⁾		42,944.20	
99.8%		99.78%		99.80% ⁽²⁾		99.50%	

(1) Profit after taxes as a percentage of average total assets for the period.

(2) Profit for the year attributable to equity holders of the controlling company as a percentage of average equity.

(3) Made up of customer deposits, debt securities in issue and assets managed off-balance-sheet.

(4) Number of branches according to 2017 financial statements.

* Data on the number of shares and the share price at year-end 2016 are reported on a pro forma basis after the reverse split carried out in June 2017.

** Attributable profit divided by the number of shares. In 2017, in calculating the group perimeter, the integration costs arising from the merger with BMN are excluded from attributable profit.

(1) In 2015, loans and receivables does not include the balances with BFA, mainly for reverse repurchase agreements, and the amounts recoverable from BFA as a result of BFA's having agreed to bear 60% of the estimated contingent liabilities arising from the proceedings associated with the Bankia IPO.

(2) Includes the net profit for the year which is expected to be allocated to reserves.

(3) Figure for Bankia, S.A.

(1) Calculated as attributable profit/equity in order to facilitate comparison with the criterion used in the strategic plan.

(2) Information referring to Bankia, S.A.

(1) Pro forma figures.

(2) Calculated as net profit/equity in order to facilitate comparison with the criterion used in the strategic plan.