02.2 KEY BUSINESS INDICATORS AND FINANCIAL INFORMATION

AT YEAR-END 2017, BANKIA INCREASED ITS PROFIT AND MAINTAINED ITS DIVIDEND PER SHARE, AFTER THE MERGER WITH BMN.

During 2017 Bankia strengthened its sound capital position, continued to improve asset quality and achieved a good performance overall in terms of banking activity and managed funds, thanks to the impetus of the new commercial model.

Following the merger with BMN, the group has reinforced its competitive position in Spain, establishing itself as the fourth largest banking group and posting a net attributable profit of 816 million euros at year-end 2017, an increase of 1.4% compared to the previous year.

The commercial strategy, the focus on efficiency and control of the cost of risk have enabled Bankia to achieve this result while at the same time maintaining the dividend payment of 11.024 euro cents per share, thus making further progress in the repayment of state aid.

After the merger with BMN and the recognition of 312 million euros of one-time adjustments arising from the merger, the profit is 505 million, down 37.3% on 2016.

The “SIN comisiones” strategy launched two years ago has continued to bear fruit, bringing in 107,000 new customers with direct income deposits, which translated into higher business volumes and increased fee and commission income in value-added products.

This positioning has also contributed to the good performance of the mortgage business, supported by the “Hipoteca SIN Comisiones” (mortgage without fees). When launching this product, Bankia set itself the target of doubling mortgage origination during the year, to reach 1,600 million euros.

In practice it exceeded this target, granting mortgages for a total amount of 1,908 million euros, 133.5% more than in 2016. Some 40% of the new mortgages are for new customers.

Payment services also played an important role in 2017, as in only 12 months a total of 210,000 credit cards were registered and turnover in retail outlets increased by 12.8%. The installed base of POS terminals grew 14.9% and POS terminal sales, 22.4%.

MORE DIGITAL, MORE SATISFIED CUSTOMERS

Customer satisfaction ratings also improved significantly during the year, reaching their highest levels since the bank was created, while new products and services were developed to take advantage of the new technologies.

The result has been significant growth in new customers, with a total of 158,000 net new customers in 2017, and an increase in digital sales, which reached 13.4% of total sales at year-end.

As of the end of 2017, 40.5% of Bankia's customers are multichannel (compared to 37.6% one year earlier) and 20.6% use mobile banking.

These advances in the commercial strategy, which in 2017 were reflected in higher volumes of origination in key segments, are set to continue in 2018 with the start of the new activities the Group will undertake now that the 2012-2017 Restructuring Plan has concluded.

Another major milestones during the year was the expansion of the "Connect with your Expert" service, which grew 94.8% in users. This means that already more than 584,000 Bankia customers have their own online personal adviser, almost twice as many as in 2016.

The goal for this year is that "Connect with your Expert" (which at the end of 2017 had a business volume of 10,800 million euros) should reach 750,000 users.

INTEREST RATE PRESSURE CONTINUES

In a continuing negative interest rate environment, Bankia ended 2017 with net interest income of 1,943 million euros, down 9.6% compared to 2016. Among the factors driving these figures are further downward repricings of the mortgage portfolio and a decline in the yield of the SAREB bonds.

In the last quarter of the year, however, the customer margin increased to 1.55% as a result of the rise in the average rate at which loans were granted and the fall in the cost of new deposits.

Meanwhile, net fee and commission income rose 3.2%, to 850 million euros, with particularly strong performance in income from payment services (+5.3%), origination (+9%) and asset management (+5.6%).

These good results were achieved thanks to factors such as increased customer activity and cross-selling, the growth in assets under management, the new digital functionalities and the recovery of the economic cycle.

816
MILLION
Net attributable profit

158,000
Net new customers

1,908
MILLION
New mortgage loans

02.2

KEY BUSINESS INDICATORS AND FINANCIAL INFORMATION

Net trading income contributed 368 million euros, up 52.6%. This growth reflects the realisation of unrealised gains on sales of fixed-income securities, especially in the first two quarters of the year, in anticipation of the foreseeable rise in interest rates.

51.2%
Efficiency ratio

14.83%
Fully loaded CET 1 ratio

COST CONTROL AS A STRATEGIC MANAGEMENT TOOL

Bankia's gross income was down 4.4% at year-end 2017, at 3,027 million euros, while operating expenses totalled 1,550 million euros, remaining stable compared to 2016. This result demonstrates that cost control is and will be part of the group's strategic management.

The efficiency ratio was 51.2%, compared to an industry average of 55.6% (according to the latest figures available, covering the period September 2016 to September 2017).

The improvement in balance sheet quality also helped boost earnings, given that while reducing the stock of non-performing loans and foreclosed assets it also reduced the amount of provisions to be recorded by 9.4%, to 448 million euros. The cost of risk decreased 0.24% year-on-year, to 0.23%.

The balance of non-performing assets fell to 1,736 million, while the net carrying amount of foreclosed assets fell 326 million, to 1,925 million. The decrease in foreclosed assets came after the sale of 8,430 properties, representing 20.2% of the existing stock.

NET FEE AND COMMISSION INCOME ROSE 3.2%, TO 850 MILLION EUROS, WHILE OPERATING EXPENSES REMAINED STABLE.

SOLVENCY IMPROVES AND DIVIDEND GROWS

At the end of the year the Group succeeded in consolidating its solvency position. After the merger with BMN, the fully loaded Common Equity Tier 1 (CET1) ratio was 12.33%, above the 12% figure estimated when the merger was announced.

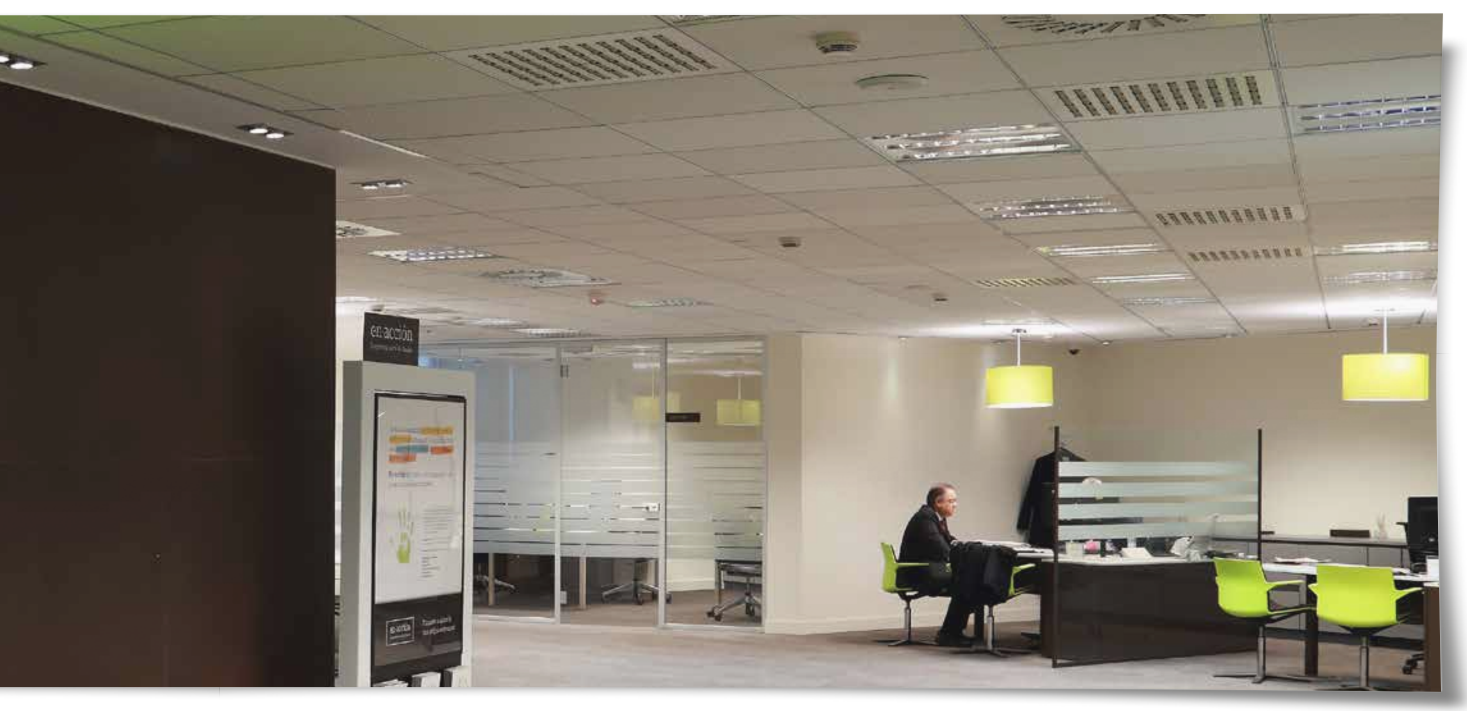
Without including BMN, Bankia's year-end fully loaded CET1 ratio was 14.83%, 181 basis points more than one year earlier.

On a phase-in basis, the CET1 ratio stands at 14.15%. The capital surplus above the SREP regulatory requirements for 2018 is thus 559 basis points.

In view of these figures, the bank's Board of Directors proposed to the General Meeting of Shareholders that the dividend payment be maintained at 11.024 euro cents per share, an amount equal to the previous year's dividend after adjusting for the change in number of shares following the reverse split carried out in June.

Because of the increased number of shares, the amount to be paid, a total of 340 million euros, is 7.3% more than in 2016 and the payout ratio is 41.7%, compared to 39.5% the previous year.

The distribution of this dividend marks another step in the process of repayment of state aid, as the State, which at year-end owns 60.9% of Bankia, will receive 207 million euros in dividends. Once the dividend has been paid, the total amount of aid repaid will be 2,863 million.



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KEY BUSINESS INDICATORS AND FINANCIAL INFORMATION

SHARE PERFORMANCE

The financial markets were bullish during the year, thanks to the robust economic growth achieved by the main economies and the successive upward revisions of their growth estimates.

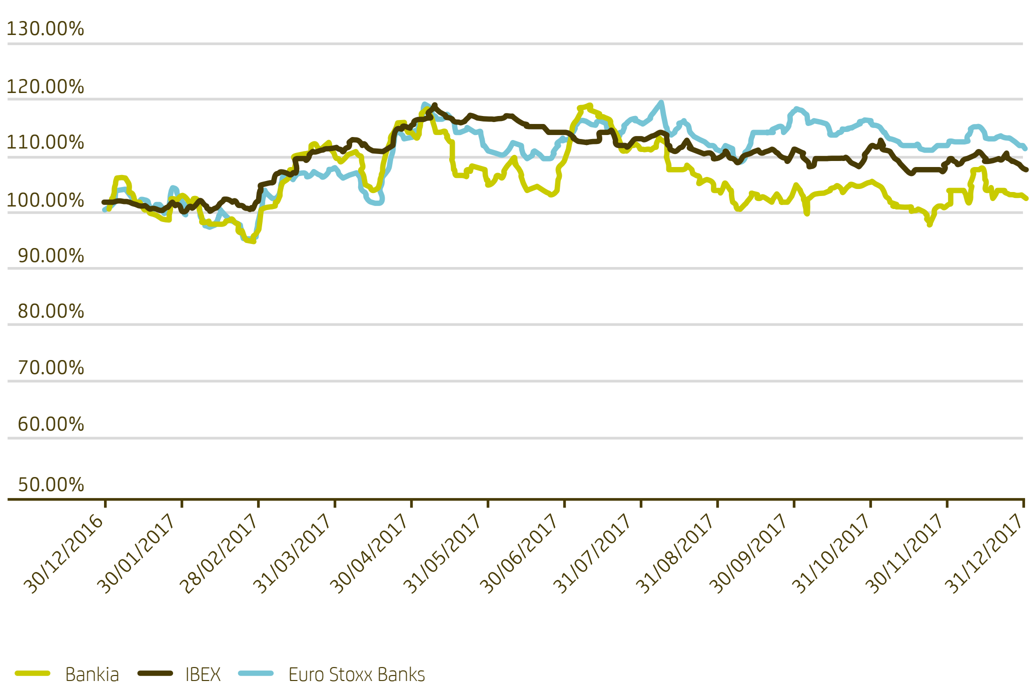
In this environment the Ibex-35 rose 7.4% and the Euro Stoxx, 6.5%.

The financial sector also turned in an excellent performance, as reflected by the year-end level of the Euro Stoxx Banks index, which was up 10.9%.

In Spain, the political tensions created by the situation in Catalonia led to an increase in volatility in the market and especially affected bank share prices in the last quarter of the year.

Against this background, the Bankia share climbed 2.7%. Average daily trading volume was 8.5 million securities, with an average value of 35 million euros per session.

BANKIA SHARE, IBEX-35 AND EURO STOXX BANKS



Number of shares in issue	2,879,332,136
Average daily trading volume (no. of shares)	8,496,539
Average daily trading volume (euros)	35,112,266
Share price – high (euros)	4.624
Share price – low (euros)	3.664
Quoted price at year-end 29.12.17 (euros)	3.987
Market capitalisation at year-end 29.12.17 (euros)	11,479,897,226

* Data at 31 December 2017

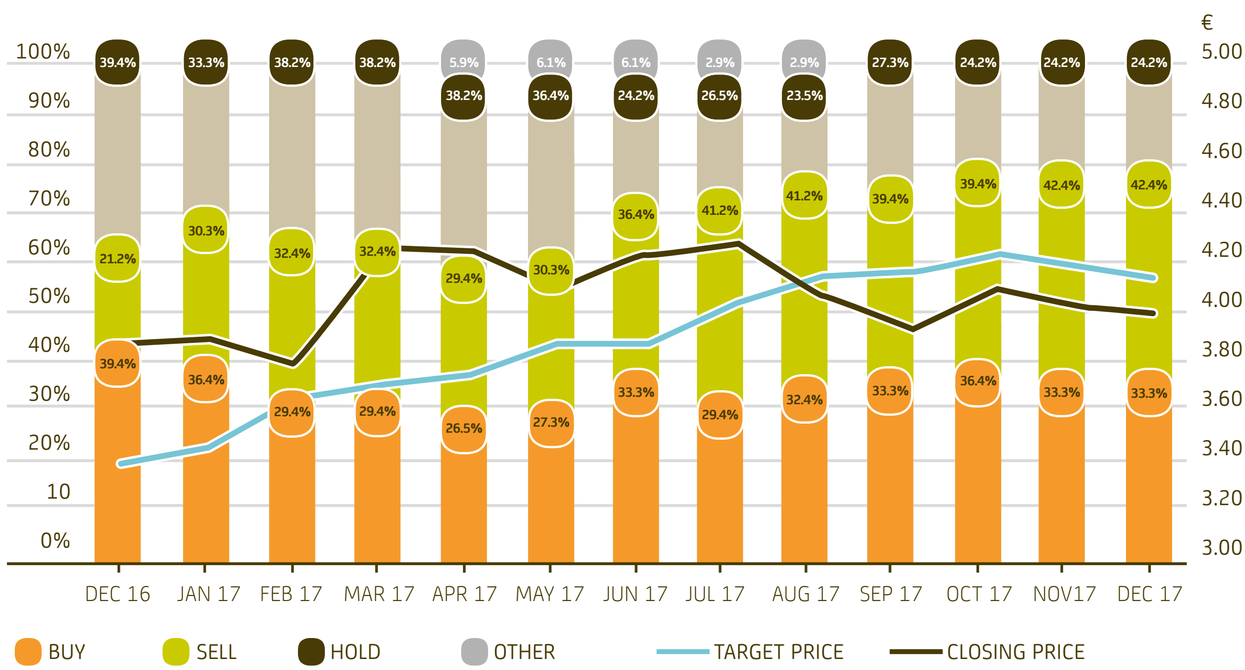
ANALYSTS' CONSENSUS

At year-end, a total of 33 analyst firms actively covered and provided a target price for the Bankia share. The analysts' consensus price target at that date was 4.13 euros per share. Of the recommendations, 33.3% were buy, 42.4% sell and 24.2% hold.

Information on the analysts' consensus, with a breakdown by firm, target price, recommendation and analyst, is available in the "Equity analysts" subsection of the section titled "The Share" in the corporate portal.

During 2017, more than 400 reports with references to Bankia were published, the target price per firm of analysts was updated more than 130 times and the recommendations were modified on more than 30 occasions.

TREND IN RECOMMENDATIONS, TARGET PRICE AND CLOSING PRICE



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KEY BUSINESS INDICATORS AND FINANCIAL INFORMATION

RATING

During 2017, Spain's sovereign rating remained stable, thanks to the improvement in the country's macro variables, with the result that S&P, Fitch and DBRS affirmed their ratings at 'BBB+', 'BBB+' and 'A low', respectively.

After the positive trends observed in 2016, the agencies saw 2017 as a year of consolidation, in which the banks improved thanks to the growth of the economy and the stabilisation of the property market.

The rating agencies also took into account the political events surrounding Catalonia and although they did not take any action on Spain's rating, they did indicate that prolonged uncertainty and political instability in Catalonia could eventually adversely affect economic growth in Spain and the environment in which banks operate.

Bankia's ratings, in particular, benefited from factors such as the conclusion of the 2012-2017 Restructuring Plan, the positive banking business performance, the reduction of non-performing assets and the increase in capitalisation.

The rating agencies also considered that the merger with BMN will have a limited impact on Bankia's credit profile and so maintained the ratings already assigned.

Standard & Poor's
On 9 February, Standard & Poor's (S&P) upgraded Bankia's long-term rating from 'BB+' to 'BBB-', assigning a Positive outlook, which meant that the Bank recovered its investment grade rating from S&P.

This rating action resulted from an improvement in S&P's assessment of the economic and industry risk of banks operating in Spain, combined with the strengthening of Bankia's capital position over the course of 2016.

On 24 March, following S&P's annual review of Bankia's ratings, the 'BBB-' rating was affirmed. According to the agency, Bankia's funding and credit profile continues to benefit from a strong domestic franchise, improved risk management and an appropriate risk-adjusted capital ratio.

On 28 June, after the terms of the merger with BMN were announced, S&P once again affirmed the long-term rating at 'BBB-', with a Positive outlook, predicting that the merger would have a limited impact on Bankia's credit profile.

The short-term rating, meanwhile, was affirmed at 'A-3', having been raised from 'B' to 'A-3' on 9 February.

On 7 April, after the improvement in the outlook on Spain's rating on 31 March, S&P affirmed the rating of Bankia's residential mortgage covered bonds at 'A+', improving the outlook from 'Stable' to 'Positive'. For S&P, the outlook on Spanish mortgage covered bonds reflects the outlook on the Spanish sovereign rating.

Fitch Ratings
On 15 February Fitch affirmed Bankia's long-term rating at 'BBB-', maintaining the outlook at 'Stable'. In its review, Fitch gave positive recognition to the bank's capital generation capacity, emphasised the steady improvement in asset quality and took into account the high level of coverage, the favourable domestic environment and the bank's commitment to actively managing down its non-performing assets.

On the same date, Fitch affirmed Bankia's short-term rating at 'F3' and the subordinated debt rating at 'BB+'. On 18 October, after a complete industry-wide review of the mortgage covered bond programmes it analyses in Spain, the agency also affirmed the rating of the residential mortgage covered bonds at 'A', with a 'Stable' outlook.

DBRS
On 5 July, the rating agency affirmed the ratings of Bankia's long-term debt and deposits at 'BBB (high)' and the short-term rating at 'R-1 (low)', maintaining the outlook at 'Stable'.

DBRS took this decision after carrying out its annual review of Bankia's credit profile and taking into account the announced terms of the merger with BMN, which in the agency's opinion is manageable and will not materially affect Bankia's credit profile.

On 22 September, the agency raised the rating of Bankia's residential mortgage covered bonds by one notch, from 'AA (high)' to 'AAA', after conducting a review within the framework of its continuous monitoring. This action was supported mainly by an improvement in the overcollateralisation of the mortgage portfolio.

Scope Ratings
In the second half of 2017, Bankia decided to ask Scope Ratings to assign public issuer ratings. On 30 November, the agency gave Bankia an issuer rating of 'BBB+', a (non-MREL) unsecured senior debt rating of 'BBB+', an (MREL) unsecured senior debt rating of 'BBB' and a short-term debt rating of 'S-2', all with a 'Stable' outlook'.

Thanks to this decision, Bankia now has four long-term investment grade ratings.

Bankia's mortgage covered bonds have had a rating of 'AAA' with a 'Stable' outlook' from Scope since 8 July 2016, with no changes during 2017.

Moody's
In 2013, Bankia decided to end its contractual relationship with Moody's. The ratings this agency continues to publish for Bankia are therefore "Unsolicited" and "Non-participating", which means that Bankia does not participate in the agency's rating reviews, which are based strictly on publicly available information about the bank.

Although the agency has been asked repeatedly to stop publishing ratings of Bankia, it is Moody's unilateral decision when to stop publishing such ratings.

BANKIA RATINGS PERFORMANCE IN 2017

	S&P		FITCH		DBRS		SCOPE	
	DEC 16	DEC 17	DEC 16	DEC 17	DEC 16	DEC 17	DEC 16	DEC 17
ISSUER RATING								
LONG TERM	BB+	+1 BBB-	BBB-	BBB-	BBB (high)	BBB (high)	---	BBB+
OUTLOOK	Positive	Positive	Stable	Stable	Stable	Stable	---	Stable
VIABILITY RATING	bb+	+1 bbb-	bbb-	bbb-	---	---	---	---
SHORT-TERM	B	A-3	F3	F3	R-1 (low)	R-1 (low)	---	S-2
MORTGAGE COVERED BOND RATINGS								
RATING	A+	A+	A	A	AA (high)	+1 AAA	AAA	AAA
OUTLOOK	Stable	Positive	Stable	Stable	---	---	Stable	Stable