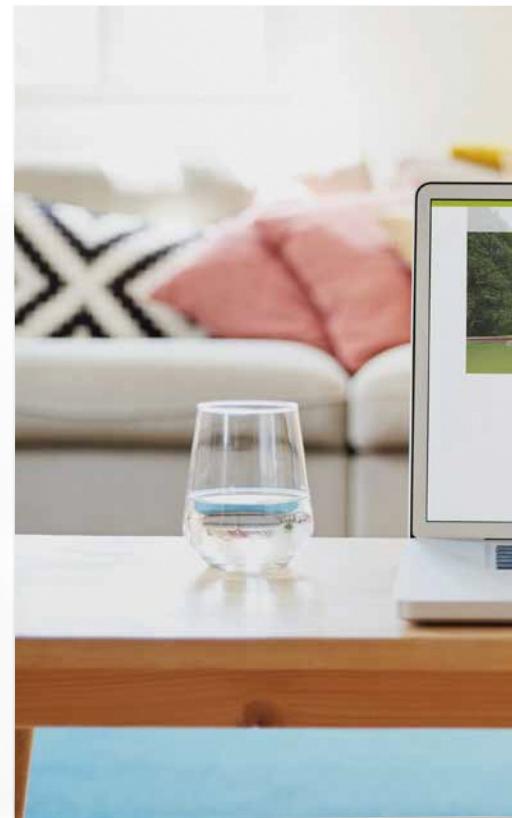


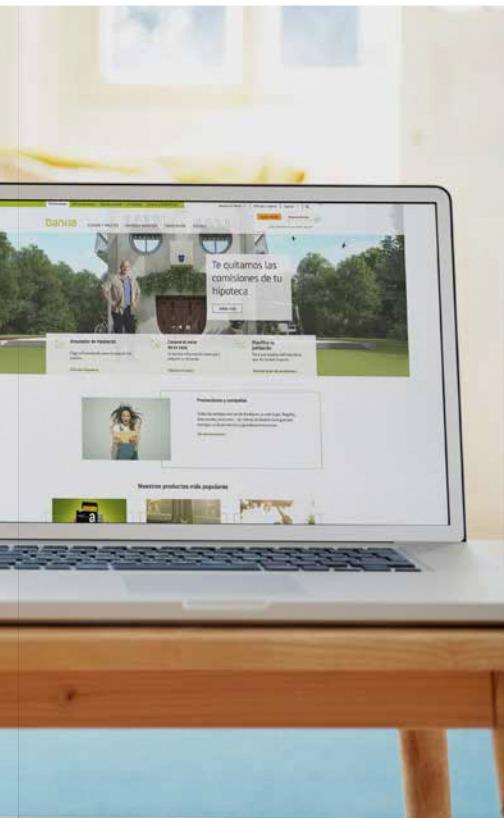
A photograph showing four business professionals in an office environment. A man with a beard and a woman in the foreground are seated at a desk, looking down at a tablet device. Behind them, another man and a woman are engaged in conversation. The scene conveys a sense of teamwork and modern professional activity.

ANNUAL REPORT 2017

Bankia
SIGAMOS TRABAJANDO

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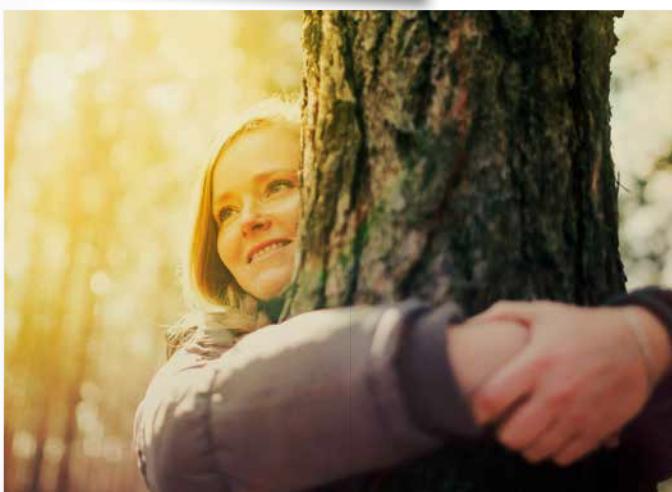
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CHAIRMAN'S STATEMENT

During 2017 the macroeconomic and regulatory environment had a major impact on the financial sector. For Bankia, the year was marked by events that will undoubtedly influence the direction the bank takes in the future.

The regulators forged ahead with the process of reform and adaptation to new accounting standards, but there was also considerable progress in new business model regulations that are to be introduced over the course of 2018, including MiFID II, PSD2 and GDPR.

Banks' commercial activity, in particular, showed signs of recovery in 2017. For Bankia, with the upturn in the Spanish economy and the strengthening of our commercial positioning, 2017 was a very positive year.

In 2017 we acquired a total of 158,000 new customers, thanks to the decisive action taken, starting in 2016, to implement a positioning that puts the customer at the centre of our strategy.

The increase in commercial activity is a clear sign that this positioning has been a success. 2017 saw an increase in lending in segments that are especially important to the bank, with year-on-year growth in mortgage lending, consumer

finance and lending to SMEs. We also made good progress in the management of customer funds, with significant growth in the volume of assets managed in investment funds.

Turning to the results for the period, thanks to the commercial strategy and the focus on efficiency and control of the cost of risk, attributable profit for 2017 is 816 million euros and the dividend per share has been maintained at the same level as in 2016. We have also reinforced our already strong capital position.

This starting point is crucially important as we embark on a new phase. The fact is that 2017 was a tremendously important year for us because it marked the transition from a restructuring phase to a phase focused on growth.

November 2017 marked five years since the European Commission imposed a Restructuring Plan on the bank in return for the aid received. During that time we have worked mainly with the aim of creating as much value as possible for our shareholders, so as to repay more of the state aid. Thanks to the tenacity and effort of a united and committed team, we were able to achieve the plan targets well ahead of schedule.

The lifting of the restrictions imposed by the European Commission will allow us, in 2018, to expand our activities into areas such as real estate developer finance, Capital Markets and Corporate Banking and leaves the way open for a bank that now has more commercial drive, significantly fewer non-performing assets and a proven ability to generate capital organically.

Together with this milestone, the year-end was marked by another significant event, namely, the sale of a further package of shares by the FROB, allowing Bankia to pay back another 818 million euros of state aid. This sale brought Bankia a step closer to a complete return to normal.

If there was one defining event of the year, however, it was the merger with BMN, a deal announced in June, approved by the two companies' General Meetings in September and cleared by the regulatory authorities on 28 December. Backed by sound industrial and financial logic, the merger of the two institutions puts Bankia in a good position to face the future as the fourth largest bank in the Spanish financial sector and one of the most solvent.

This strong starting point is fundamental when setting out on a new phase that will be marked by a new Strategic Plan for the period

2018-2020. Our goal is to become the best bank in Spain, the leader in profitability, solvency and efficiency, and to distribute more than 2,500 million euros to our shareholders at the end of the period. Diversity will also play a decisive role in our continuous improvement of corporate governance, as has already been demonstrated this year, in which 50% of the managers who have been promoted have been women.

Digitisation is transforming our society and at Bankia we want to accompany our customers in this transformation by offering them a complete multichannel platform, so that they can bank with us by whatever means they choose, thus improving their satisfaction with our bank.

The targets we have set in this plan are challenging and will demand maximum effort on the part of each member of this bank if we are to succeed in an environment subject to constant change, both in the banking industry and in the economy and society in which we do business.

We are convinced of our capabilities and we have the support of a large base of customers and shareholders, to whom we are very grateful for their trust, and the commitment of a great team of professionals, who hold fast to the goal of making us the best bank in Spain. And that is what we will be working to achieve over the next few years.



JOSÉ IGNACIO GOIRIGOLZARRI
CHAIRMAN OF BANKIA



MAIN MILESTONES OF 2017

JAN

- START OF FAST-TRACK PROCEDURE FOR FLOOR CLAUSE REFUNDS

FEB

- S&P REINSTATES BANKIA'S INVESTMENT GRADE RATING AND FITCH AFFIRMS THE LONG-TERM RATING AT 'BBB-', ALSO WITHIN WHAT ARE CONSIDERED INVESTMENT GRADE LEVELS

MAR

- GENERAL MEETING OF SHAREHOLDERS APPROVES PAYMENT OF CASH DIVIDEND OF 317 MILLION EUROS

JUN

- BANKIA EXECUTES A REVERSE SPLIT AT ONE NEW SHARE FOR EVERY FOUR OLD SHARES. THE NOMINAL VALUE PER SHARE IS SET AT ONE EURO.
- BANKIA BOARD APPROVES AGREEMENT FOR MERGER WITH BMN

JUL

- BANKIA AND BMN CUSTOMERS ARE ABLE TO USE BOTH ENTITIES' ATM NETWORKS FREE OF CHARGE

AUG

- BANKIA PUBLISHES ITS FIRST SOCIOECONOMIC IMPACT STUDY

SEP

- EXTRAORDINARY GENERAL MEETINGS OF BANKIA AND BMN APPROVE THE MERGER OF THE TWO ENTITIES

NOV

- BANKIA CELEBRATES THE FIFTH ANNIVERSARY OF THE RESTRUCTURING PLAN AND THE STRATEGIC PLAN

DEC

- BFA SELLS 7% OF ITS STAKE IN BANKIA FOR 818.3 MILLION EUROS
- BANKIA RECEIVES THE FINAL GO-AHEAD FOR THE MERGER WITH BMN AND PRESENTS ITS NEW ORGANISATION CHART

THE YEAR IN NUMBERS

NET PROFIT
€816 MILLION
(+1.4%)

AVERAGE PAYMENT PERIOD
TO SUPPLIERS
9.95 DAYS

PROPOSED DIVIDEND
€340 MILLION
(+7.3%)



INVESTMENT
IN SOCIAL ACTION
€19.3 MILLION

“CONNECT
WITH YOUR
EXPERT”
CUSTOMERS
584,491

CUSTOMERS WITH DIRECT
INCOME DEPOSITS
+107,000

EFFICIENCY
RATIO
51.2%

STATE AID
REPAID
€2,656 MILLION

01. WHO WE ARE

BANKIA IS A FINANCIAL INSTITUTION THAT OPERATES THROUGHOUT SPAIN, WITH A FOCUS ON RETAIL AND BUSINESS BANKING.

ITS MAIN SHAREHOLDER IS THE STATE AND ITS BOARD OF DIRECTORS HAS A MAJORITY OF INDEPENDENT DIRECTORS. ITS OBJECTIVES INCLUDE CREATING VALUE IN ORDER TO REPAY THE STATE AID RECEIVED.



01.1

MISSION, VISION AND VALUES

BANKIA'S VISION, MISSION AND VALUES ARE THE PILLARS OF ITS CULTURE AND DEFINE ITS WAY OF DOING THINGS AND RELATING TO ITS ENVIRONMENT.

Bankia's vision, mission and values are the foundation of its culture. The bank's principles influence its business strategy and management model and also determine its working philosophy

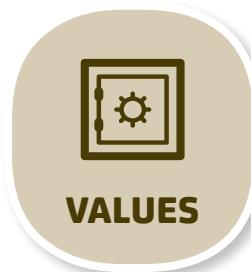
and the relationships it forms, both internally within the organisation and externally with its stakeholders (customers, shareholders, employees, suppliers, society at large, etc.).



- PROVIDE AN EFFICIENT, HIGH QUALITY SERVICE TO OUR CUSTOMERS
- REWARD OUR SHAREHOLDERS COMPETITIVELY
- MAKE A POSITIVE CONTRIBUTION TO THE PUBLIC FINANCES
- PROVIDE OUR EMPLOYEES WITH OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT
- HELP IMPROVE THE MARKETS' ASSESSMENT AND PERCEPTION OF THE FINANCIAL SYSTEM



- WORKING FROM PRINCIPLES TO PUT THE BEST OF BANKING AT YOUR SERVICE



- PROFESSIONALISM
- INTEGRITY
- COMMITMENT
- PROXIMITY
- ACHIEVEMENT ORIENTATION

IMPLEMENTATION OF THE CORPORATE VALUES

Corporate values are an essential part of an organisation's culture. They are the common elements that define a company's way of doing things and shape its personality.

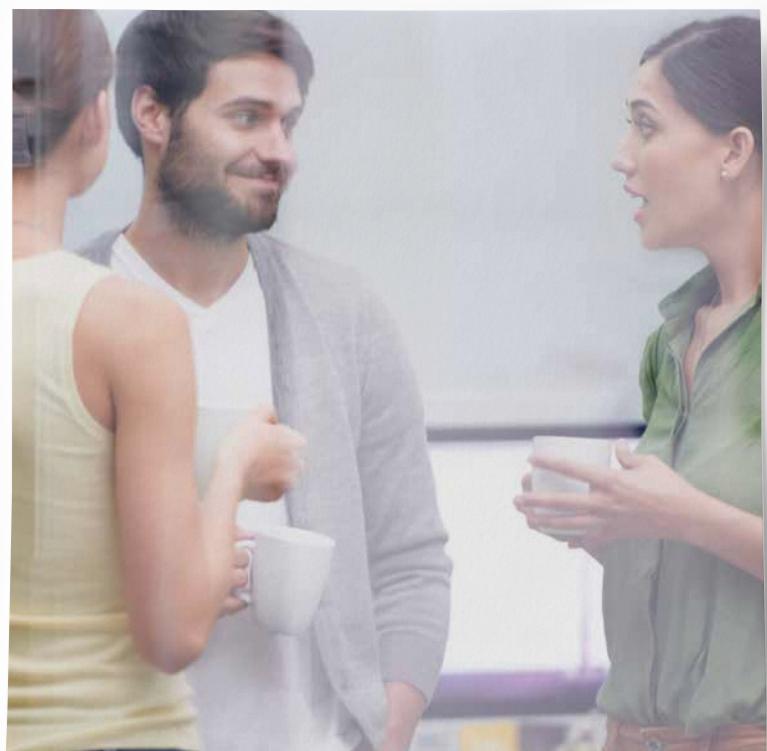
Bankia's values are clear and perfectly defined and represent the bank's essence, promoting appropriate business conduct and practices to achieve its strategic objectives.

Bankia puts its values into effect by incorporating them in policies and codes, so that they become part of its ordinary activity and way of working.

Professionalism, integrity, commitment, proximity and achievement orientation thus become a defined set of intangible elements that form the bank's personality, becoming the frame of reference within which Bankia relates to its stakeholders and carries on its day-to-day activity.

Bankia transmits its corporate values continuously through the various training activities it organises for its professionals. It also publicises them through the available channels of communication and incorporates them in the bank's internal regulations, such as the Code of Ethics and Conduct, the Responsible Management Policy, the Purchasing Policy, the Environmental Policy, the Responsible Marketing Code and the Tax Policy, among others.

*BANKIA'S VALUES REPRESENT ITS
ESSENCE AND ALLOW IT TO FOSTER
APPROPRIATE PRACTICES TO
ACHIEVE ITS GOALS.*





01.2 GOVERNING BODIES

THE COMPOSITION OF BANKIA'S GOVERNING BODIES REMAINED PRACTICALLY UNCHANGED THROUGHOUT 2017, APART FROM THE RESIGNATION OF ONE DIRECTOR IN OCTOBER.

Bankia has a consolidated governance structure that operates effectively within the framework of the principles of good corporate governance. Its governing bodies are:

THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting is the highest decision-making body on matters attributed to it by law and the Bylaws, including the appointment and removal of directors, the approval of the annual accounts, the distribution of dividends, the acquisition or disposal of core assets and the approval of the directors' remuneration policy, among others.

THE BOARD OF DIRECTORS

The Board of Directors represents the company and has the broadest powers to administer it, except in matters reserved to the General Meeting of Shareholders. Among other things, the Board approves the strategic or business plan and the annual management objectives and budget and decides general policies and strategies, as well as the corporate governance and responsible management policies. It also supervises the work of its committees and delegate bodies: the Audit and Compliance Committee, the Appointments and Responsible Management Committee, the Remuneration Committee, the Risk Advisory Committee, the Board Risk Committee and the Bankia-BMN

Merger Monitoring and Oversight Committee, which was dissolved in January 2018 on conclusion of the merger process.

BOARD OF DIRECTORS

INDEPENDENT DIRECTORS ¹	7
EXECUTIVE DIRECTORS	3
MEETINGS IN 2017	28

José Ignacio Goirigolzarri

Tellaeché

Executive chairman

José Sevilla Álvarez

CEO

Joaquín Ayuso García

Lead director

Antonio Ortega Parra

Executive director

Francisco Javier Campo García

Independent director

Eva Castillo Sanz

Independent director

Jorge Cosmen Menéndez-Castañedo

Independent director

José Luis Feito Higuera

Independent director

Fernando Fernández Méndez de Andés

Independent director

Antonio Greño Hidalgo

Independent director

Miguel Crespo Rodríguez

Non-director secretary

Antonio Zafra Jiménez

Non-director vice secretary

In 2018, the former chairman of BMN, Carlos Egea, joined the Board as an executive director.

In 2017, Bankia's Board of Directors had six committeees, whose members were appointed on the basis of their suitability and having regard to their knowledge, aptitudes and experience and each committee's tasks.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee is responsible for overseeing the effectiveness of internal control, internal audit and risk management systems, as well as the statutory financial reporting process. It makes proposals to the Board of Directors for the selection, appointment, re-election and replacement of the statutory auditors. It also conducts the necessary relations with the external auditors and examines and supervises compliance with governance and compliance rules, among other responsibilities.

INDEPENDENT NON-EXECUTIVE DIRECTORS²

4

MEETINGS IN 2017

20

Antonio Greño Hidalgo

Chairman

Joaquín Ayuso García

Jorge Cosmen Menéndez-Castañedo

José Luis Feito Higuera

Miguel Crespo Rodríguez

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

This committee has general authority to propose and report on the appointment and removal of directors and senior managers, determines the competencies, abilities, experience, diversity and knowledge required on the Board of Directors, and defines the functions to be performed and the aptitudes required of candidates to fill vacancies.

It also assesses the time and commitment required for directors to be able to perform their duties effectively, examines and organises the succession plan for the governing bodies and reviews the corporate social responsibility policy.

In addition, it monitors the strategy and practices for implementing that policy and assesses all aspects of the bank's social, environmental, political and reputational risks.

INDEPENDENT NON-EXECUTIVE DIRECTORS²

3

MEETINGS IN 2017

17

Joaquín Ayuso García

Chairman

Francisco Javier Campo García

Fernando Fernández Méndez de Andés

Miguel Crespo Rodríguez

Secretary

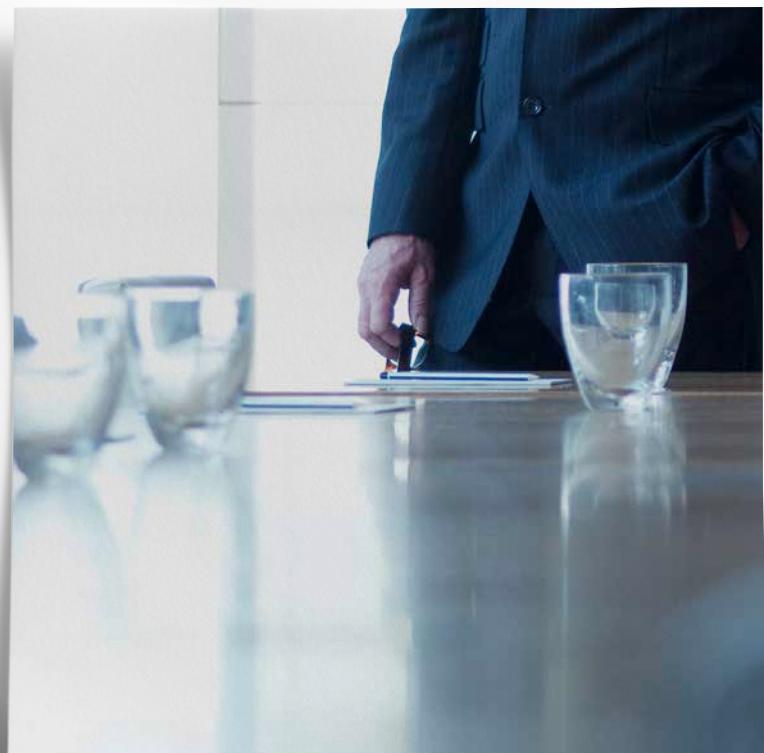
¹ The independent director Álvaro Rengifo Abbad submitted his resignation as an independent director with effect from 17 October 2017.

² Álvaro Rengifo Abbad submitted his resignation as a director and therefore as a member of the Appointments and Responsible Management Committee with effect from 17 October 2017.

01.2

GOVERNING BODIES

BANKIA HAS A WELL ESTABLISHED GOVERNANCE STRUCTURE THAT OPERATES EFFECTIVELY WITHIN THE FRAMEWORK OF THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE.



REMUNERATION COMMITTEE

The Remuneration Committee has general authority to propose and report on directors' and senior managers' remuneration and other terms of their contracts and to review remuneration programmes, assessing their appropriateness and results. It ensures transparency in remuneration and monitors adherence to Bankia's remuneration policy.

INDEPENDENT
NON-EXECUTIVE DIRECTORS

4

MEETINGS
IN 2017

12

Eva Castillo Sanz
Chairman

Joaquín Ayuso García

**Jorge Cosmen Menéndez-
Castañedo**

**Fernando Fernández Méndez
de Andés**

Miguel Crespo Rodríguez
Secretary



RISK ADVISORY COMMITTEE

The risk Advisory Committee advises the Board of Directors on the bank's overall risk propensity and risk strategy, oversees the asset and liability pricing policy and proposes risk policies to the Board of Directors through the Internal Capital Adequacy Assessment Report (ICAAP Report).

It also supervises the internal risk control and risk management function and advises the Board on the company's credit risk authority framework.

BOARD RISK COMMITTEE

The Board Risk Committee is an executive body with responsibility for approving risk-related decisions within the scope of the authority delegated by the Board of Directors. Among other functions, it guides and administers the exercise of delegated authority by lower-ranking bodies, approves important transactions, defines overall risk limits and reports to the Board on any risks that may affect the bank's solvency, recurring results, operations or reputation.

BANKIA-BANCO MARE NOSTRUM MERGER MONITORING AND OVERSIGHT COMMITTEE

This committee's main function was to continuously monitor and oversee the Bankia-BMN merger, both during the pre-merger study and analysis phase and subsequently as regards compliance with legal requirements. On 25 January, once the merger deed had been registered in the Commercial Registry and the Bankia-BMN merger was complete, it was disbanded by resolution of the company's Board of Directors.

INDEPENDENT
NON-EXECUTIVE DIRECTORS

3

MEETINGS
IN 2017

36

Francisco Javier Campo García
Chairman

Eva Castillo Sanz

**Fernando Fernández Méndez
de Andés**

Miguel Crespo Rodríguez
Secretary

INDEPENDENT
DIRECTORS

3

EXECUTIVE
DIRECTOR

1

MEETINGS
IN 2017

36

José Sevilla Álvarez
Chairman

Francisco Javier Campo García

Eva Castillo Sanz

**Fernando Fernández Méndez
de Andés**

Miguel Crespo Rodríguez
Secretary

INDEPENDENT
NON-EXECUTIVE DIRECTORS

4

MEETINGS
IN 2017

12

Joaquín Ayuso García
Chairman

Francisco Javier Campo García

Eva Castillo Sanz

Antonio Greño Hidalgo

Miguel Crespo Rodríguez
Secretary

01.3

BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE

BANKIA BOARD OF DIRECTORS

CHAIRMAN
JOSÉ IGNACIO GOIRIGOLZARRI

CEO
JOSÉ SEVILLA

MEMBERS
ANTONIO ORTEGA
JOAQUÍN AYUSO
FCO. JAVIER CAMPO
EVA CASTILLO
JORGE COSMEN
JOSÉ LUIS FEITO
FERNANDO FERNÁNDEZ
ANTONIO GREÑO
CARLOS EGEA

SECRETARY
MIGUEL CRESPO

- MEMBERS OF BANKIA'S BOARD OF DIRECTORS
- BANKIA'S NON-DIRECTOR SECRETARY
- BANKIA'S MANAGEMENT COMMITTEE

Carlos Egea was appointed executive director on 26 January 2018.

Joaquín Cánovas joined the Management Committee on 15 December 2017.



●
**EVA
CASTILLO**

●
JOSÉ LUIS
FEITO
HIGUERUELA

● ●
**JOSÉ
SEVILLA**

●
FERNANDO FDEZ.
MENDEZ DE ANDÉS

●
FERNANDO
SOBRINI

●
CARLOS
EGEA

● ●
MIGUEL
CRESPO

●
ANTONIO
GREÑO

BOARD COMMITTEES

AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE	BOARD RISK COMMITTEE	RISK ADVISORY COMMITTEE
CHAIRMAN ANTONIO GREÑO	CHAIRMAN JOAQUÍN AYUSO	CHAIRMAN EVÀ CASTILLO	CHAIRMAN JOSE SEVILLA	CHAIRMAN FCO. JAVIER CAMPO
MEMBERS JOSE LUIS FEITO JORGE COSMEN JOAQUÍN AYUSO	MEMBERS FCO. JAVIER CAMPO FERNANDO FDEZ.	MEMBERS JOAQUÍN AYUSO JORGE COSMEN FERNANDO FDEZ.	MEMBERS FERNANDO FDEZ. FCO. JAVIER CAMPO EVÀ CASTILLO	MEMBERS EVA CASTILLO FERNANDO FERNÁNDEZ
SECRETARY MIGUEL CRESPO	SECRETARY MIGUEL CRESPO	SECRETARY MIGUEL CRESPO	SECRETARY MIGUEL CRESPO	SECRETARY MIGUEL CRESPO

MANAGEMENT COMMITTEE

CHAIRMAN JOSE IGNACIO GOIRIGOLZARRI	CHIEF EXECUTIVE OFFICER JOSE SEVILLA
EXECUTIVE DIRECTOR AND DIRECTOR OF PEOPLE, ORGANISATION AND TECHNOLOGY ANTONIO ORTEGA	DEPUTY GENERAL DIRECTOR, COMMUNICATION AND EXTERNAL RELATIONS AMALIA BLANCO
DEPUTY GENERAL DIRECTOR, RETAIL BANKING FERNANDO SOBRINI	DEPUTY GENERAL DIRECTOR, BUSINESS BANKING GONZALO ALCUBILLA
DEPUTY GENERAL DIRECTOR, INVESTEES AND ASSOCIATED UNDERTAKINGS JOAQUÍN CÁNOVAS*	DEPUTY GENERAL DIRECTOR, GENERAL SECRETARIAT MIGUEL CRESPO
* Appointment subject to regulatory authorisation.	



JOSÉ IGNACIO GOIRIGOLZARRI

JOAQUÍN AYUSO

ANTONIO ORTEGA

GONZALO ALCUBILLA

FRANCISCO JAVIER CAMPO
JORGE COSMEN

AMALIA BLANCO

JOAQUÍN CÁNOVAS



01.4 VALUE CREATION

THE GOAL OF BANKIA'S ACTIVITY IS TO CREATE RECURRING SUSTAINABLE VALUE IN THE LONG TERM.

Creating value is the goal that guides the work of all Bankia's business areas, based on a model that combines a universal approach with specialisation by segment. Once again in 2017, the new digital tools, such as "Soluciona Empresas", "Bilib" and "Connect with your Expert", demonstrated their importance in achieving that goal.

Creating value also requires cleaning up the balance sheet and complying with the regulators' requirements, which supports Bankia's share price.

The value creation in Bankia's main business lines in 2017 was manifested in:

- **Retail Banking.** The Hipoteca SIN Comisiones ("No fees mortgage") was launched on 11 January and absorbed 75% of the mortgage loans granted during the year. The line of pre-approved loans, available in less than a minute through any of the bank's channels, was expanded to facilitate consumer finance. As part of the digital transformation, the bank launched applications such as Bankia Online and Bankia Wallet to assist in marketing and facilitate transactions. The number of account managers in the "Connect with your Expert" programme was doubled and the number of customers reached nearly 600,000.

- **Private Banking.** Bankia maintained its focus on advice and continued to expand its range of investment products with an open fund architecture that allows

it to offer custom solutions to every need. Among the services implemented in 2017 is the integration of the Banca Privada portal in Bankia Online, giving Banca Privada clients access to a more integrated, user-friendly view of their assets.

- **Self-employed.** Besides implementing and consolidating the No Fees programme for these customers, Bankia also offered the necessary financing for their growth and investment projects. Pre-approved loans are available to self-employed business owners at the click of a button in various online channels, as well as in the branches.

- **Businesses.** The priority in 2017 was to create or improve services that will help companies sell more, control their risks more effectively and acquire the

necessary economic resources to grow. The results include Soluciona Empresas, a completely free online platform, accessible to customers and non-customers alike, which facilitates day-to-day decision making. Another solution introduced during the year is Billib, specifically for collections and payments management, aimed at giving companies and their suppliers greater liquidity. In the field of foreign trade, commercial relations with local banks were strengthened, so as to allow Bankia customers to seize new business opportunities in Latin America, EMEA and Asia-Pacific.

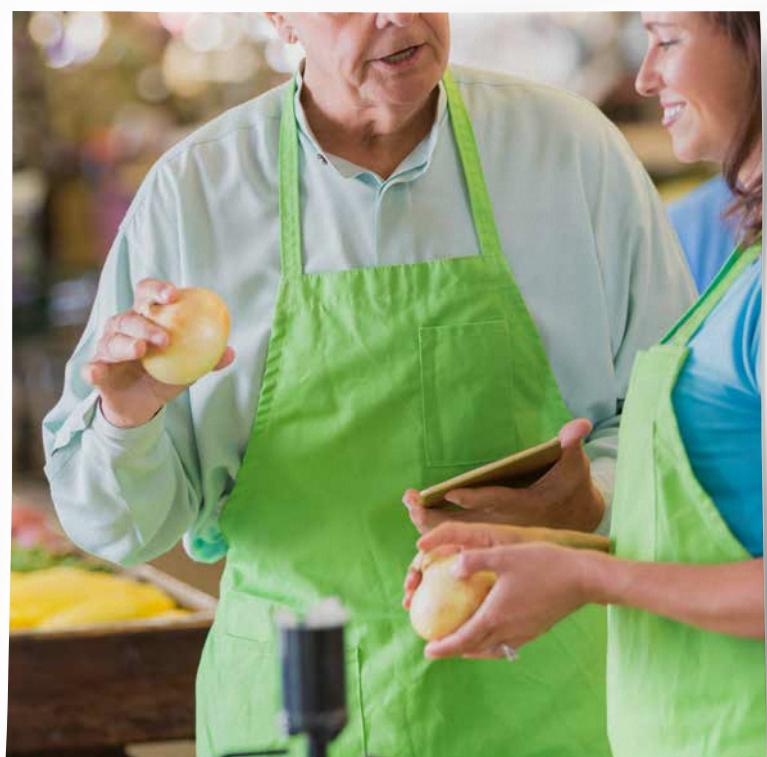
- Bancassurance.** One of the chief objectives for 2017 was to improve sales and aftersales support. Both the traditional sales network and the new channels benefited from optimisation of the marketing systems and simplification of the sales process. For customers' convenience, auto, life and health insurance simulators were added to the website.

- Asset Management.** New portals were launched for mutual funds and for pension plans. The new portals are accessible from any device and offer simple, intuitive browsing. In response to the commitment to socially responsible investment, 2017 saw the launch of the Bankia Futuro Sostenible fund, which invests in companies that contribute actively to the UN's Sustainable Development Goals.

- Real Estate Assets.** To optimise the divestment programme, Bankia implemented a new application that serves to improve sales processes and monitor all the actions taken in respect of each asset, makes more information available to customers and simplifies processes in the branches.

THE “CONNECT WITH YOUR EXPERT” SERVICE AND TOOLS SUCH AS “SOLUCIONA EMPRESAS” CONTRIBUTED TO BANKIA’S VALUE GENERATION IN 2017.

- Investees.** After disposing of nearly 500 companies, with gains of around 1,700 million euros, Bankia still holds a small number of investees on its balance sheet, mainly linked to certain areas of the bank's business (especially insurance, asset management and technology).





01.5

A LOOK AT THE FUTURE

IN 2017 BANKIA ENDED A RESTRUCTURING PHASE.
NOW IT IS IN A GOOD STARTING POSITION TO
MEET THE REGULATORY, TECHNOLOGICAL AND
ECONOMIC CHALLENGES TO COME.

2018 sees the start of a new Bankia. Having concluded the restructuring plan imposed by Brussels in 2012 and the merger with BMN, the bank is in a very comfortable position to face the challenges to come.

This year the financial sector will experience a “regulatory tsunami”, as MiFID II, the Payment Services Directive and the General Data Protection Regulation all come into effect. The first two of these will affect business models and customer relationships.

Banks will also be waiting to see whether there is a rise in interest rates, which would lead to an improvement in margins, and will be watching closely for any changes in the industry as a result of future corporate transactions.

Against this background, Bankia has presented a new three-year strategic plan, in which it proposes to increase profitability by leveraging digitisation, asset quality improvement and a good positioning that will allow it to boost revenue through sales of high value added products.

Its aim is to become the best bank in Spain: the most profitable, the most efficient and the most solvent, with more satisfied customers, a more committed team and increased recognition from society.

With that aim, the bank has set itself the target of increasing ROE from 6.7% to 10.8% by 2020, bringing the efficiency ratio down from 51.2% at the end of 2017 to below 47%, and having a fully loaded CET1 ratio of approximately 12%.

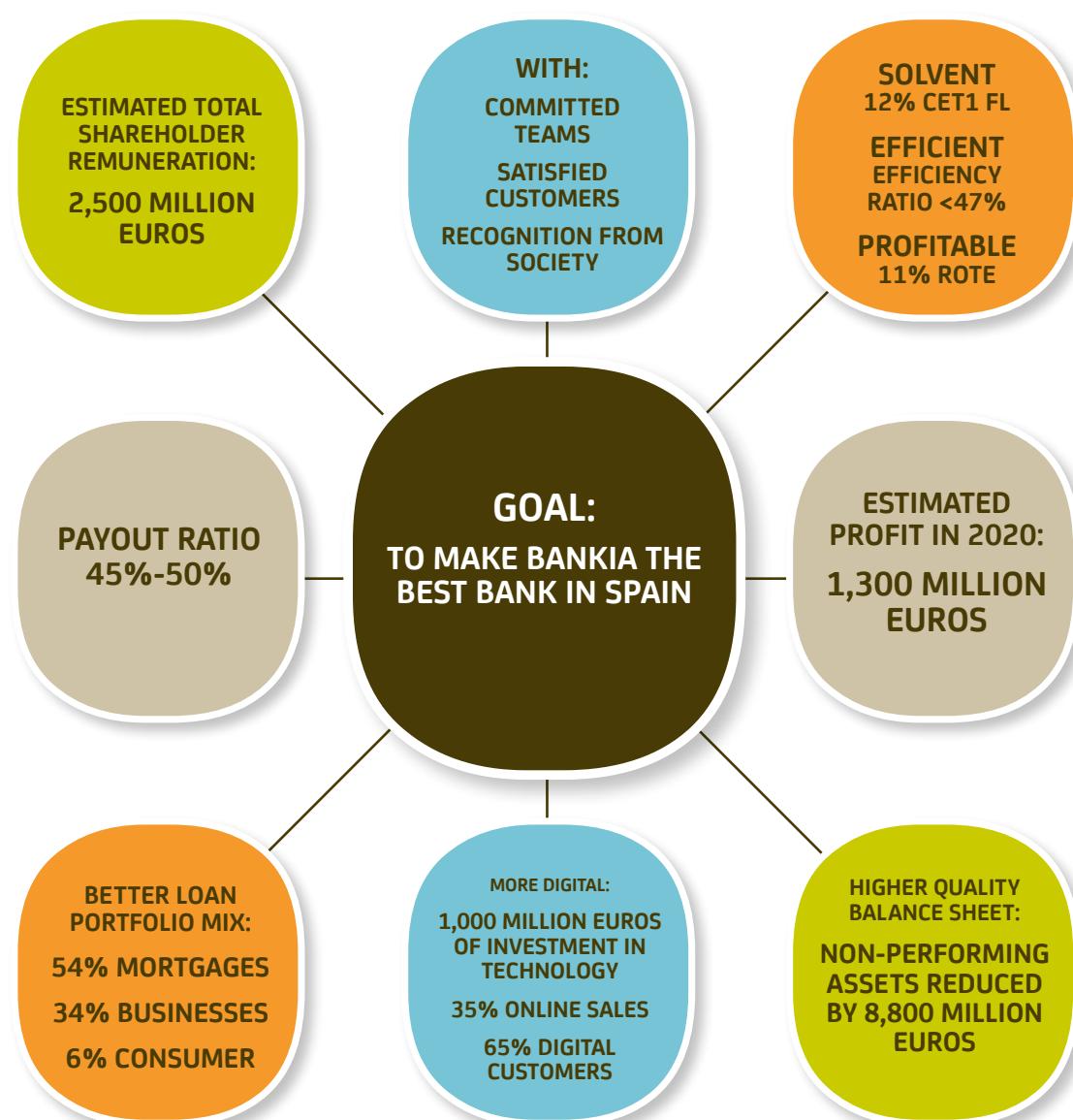
Completing the 2018-2020 Strategic Plan will allow Bankia to obtain a net attributable profit of 1,300 million euros, 62% more than in 2017.

It will also enable Bankia to achieve an ordinary dividend payout ratio of 45%-50% and to return surplus capital above the 12% CET1 FL level, resulting in estimated total shareholder remuneration of more than 2,500 million euros.

The macroeconomic projections for the period 2018-2020 support the achievement of these targets, as they indicate more than 2% GDP growth and the creation of 1.1 million jobs during the three-year period, as well as a 0.73% rise in the Euribor and 2% growth in credit.

BANKIA WILL EXECUTE ITS STRATEGIC PLAN IN A FAVOURABLE MACROECONOMIC ENVIRONMENT, WITH ESTIMATED GDP GROWTH ABOVE 2%.

2018-2020
STRATEGIC PLAN



01.6

BUSINESS MODEL AND STRUCTURE



BANKIA OPERATES THROUGHOUT SPAIN, WITH A FOCUS ON RETAIL AND BUSINESS BANKING.

Bankia's business is divided into six broad areas: Retail Banking, Business Banking, Bancassurance, Asset Management, Real Estate Assets and Investees.

At year-end, the bank had 1,709 retail branches, added to which were 697 branches of BMN, giving the bank a retail branch market share of 8.78% at the end of September.

Insurance premiums written in 2017 were 116.2 million euros (79.2 million Bankia and 37 million BMN).

Bankia had a market share of 9.52% in household deposits (11.38% including BMN) and 5.8% in mutual funds (6.38% after the merger with BMN).

The share of credit to households was 9.72% at the end of December 2017 (11.92% with BMN).

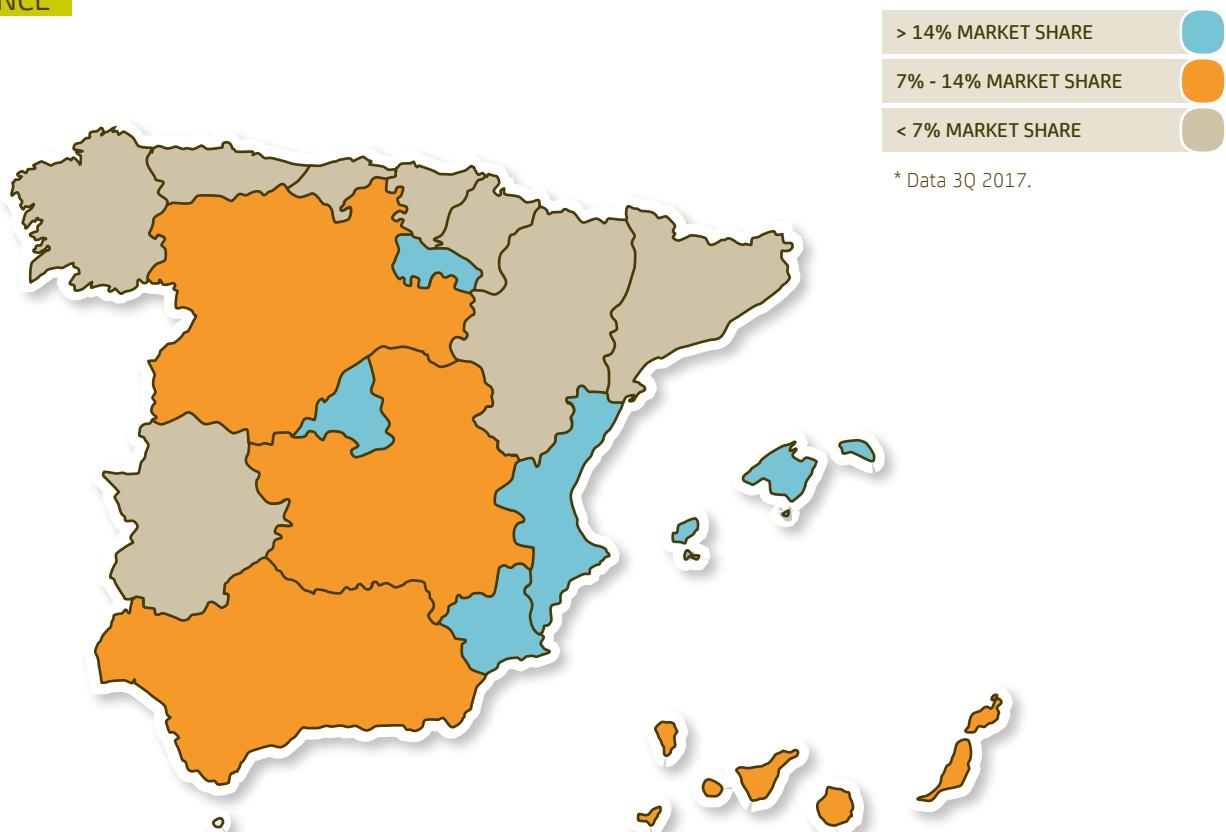
And the share of personal pension plans was 7.03% (increasing to 8.17% if BMN is included).

As of September 2017, the share of card revenue was 9.41% and the share of risk insurance, 4.48%.

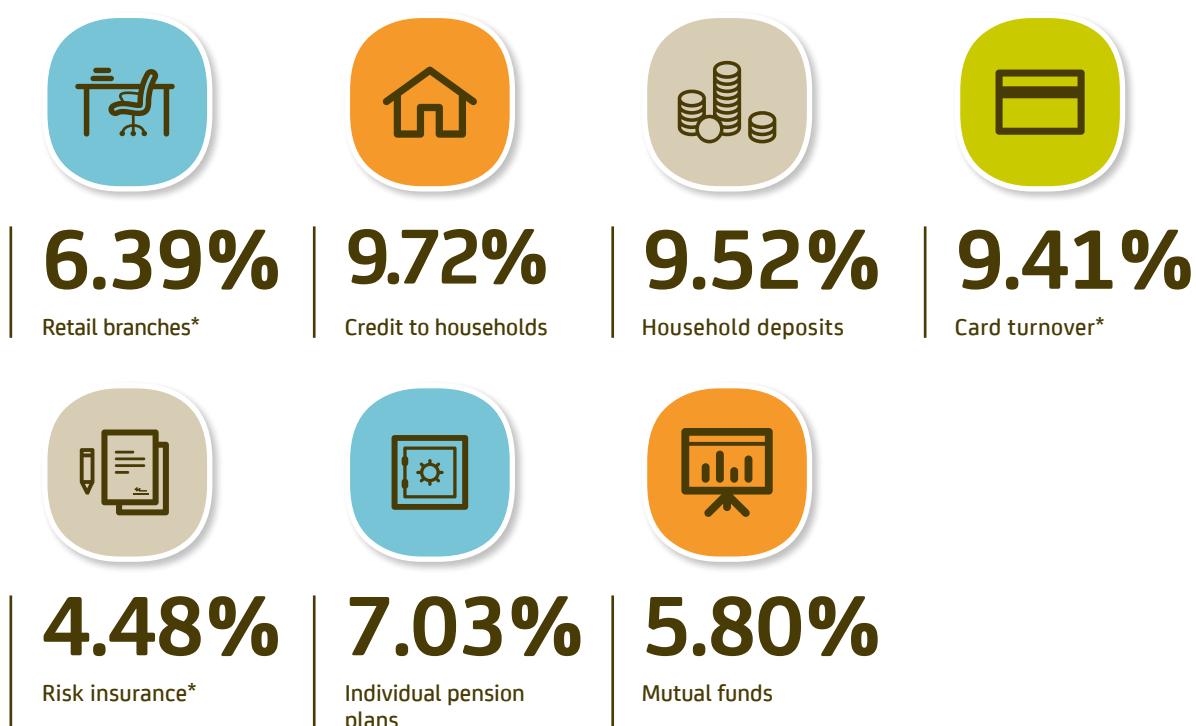
At 31 December, Bankia had an installed base of 5,016 ATMs, plus the 1,070 from the BMN network.

Following the merger with BMN, Bankia is the fourth largest player in the Spanish financial sector. With 7.9 million customers, it is the market leader in six of Spain's regions, which together account for 38% of the country's GDP: Madrid, Valencian Community, Balearic Islands, Region of Murcia, La Rioja and Canary Islands.

BANKIA'S AREAS OF INFLUENCE



MARKET SHARES (EX-BMN)

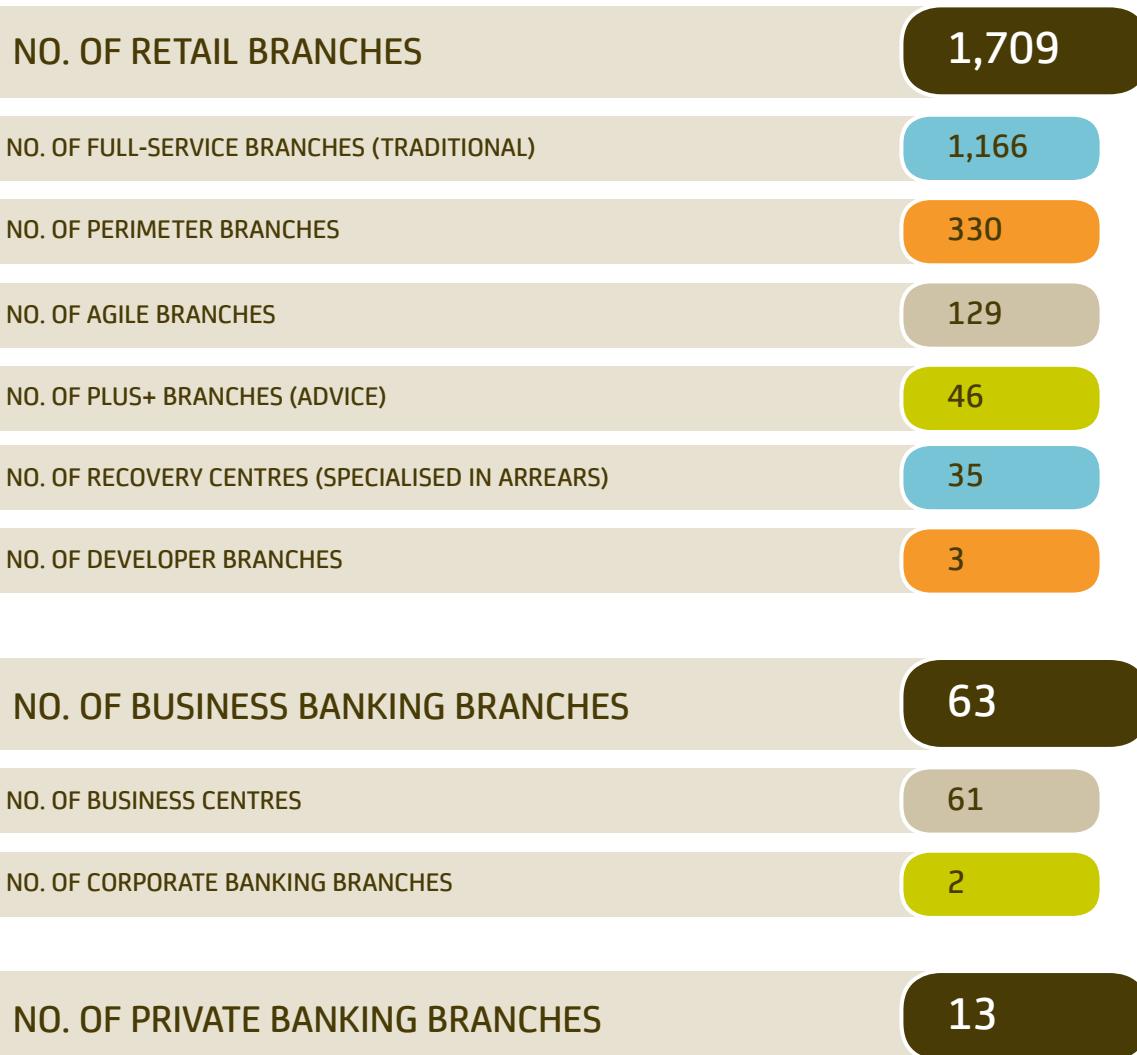


* Data for September 2017. Source: Banco de España.

01.6

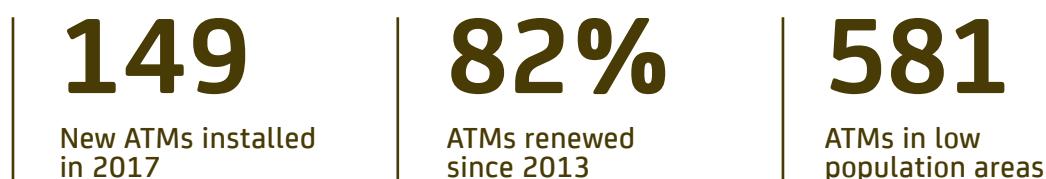
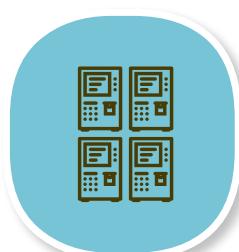
BUSINESS MODEL AND STRUCTURE

PHYSICAL BRANCHES



MULTICHANNEL APPROACH

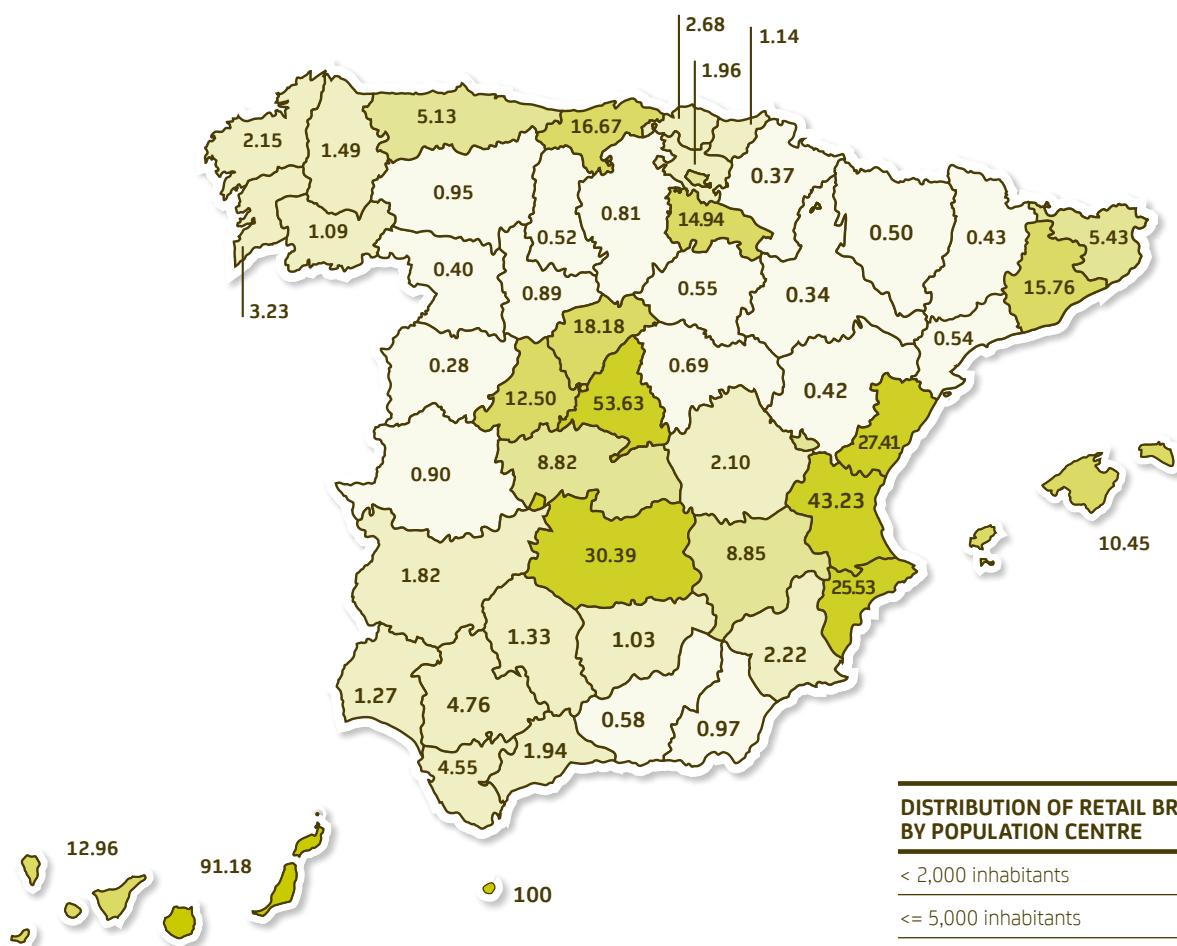
MULTICHANNEL CUSTOMERS	2,297,945
OFICINA INTERNET USERS	1,912,040
OFICINA INTERNET FOR BUSINESSES USERS	162,101
OFICINA MÓVIL USERS	1,824,290
“CONNECT WITH YOUR EXPERT” USERS	52
“+VALOR” BRANCHES	7



01.6

BUSINESS MODEL AND STRUCTURE

PERCENT OF MUNICIPALITIES WITH
A BANKIA BRANCH



DISTRIBUTION OF RETAIL BRANCHES BY POPULATION CENTRE

< 2,000 inhabitants	4.73%
<= 5,000 inhabitants	5.21%
<= 10,000 inhabitants	7.06%
<= 20,000 inhabitants	5.80%
<= 50,000 inhabitants	11.43%
<= 100,000 inhabitants	11.67%
<= 500,000 inhabitants	22.68%
> 500,000 inhabitants	31.42%
TOTAL GENERAL	100%



MOBILE BRANCHES
("OFIBUSES")



11

NO. OF OFIBUSES

CASTILLA Y LEÓN

NO. OF OFIBUSES **5**

MUNICIPALITIES

SERVED **162**

CASTILLA LA MANCHA

NO. OF OFIBUSES **1**

MUNICIPALITIES

SERVED **13**

VALENCIAN COMMUNITY

NO. OF OFIBUSES **2**

MUNICIPALITIES

SERVED **69**

COMMUNITY OF MADRID

NO. OF OFIBUSES **1**

MUNICIPALITIES

SERVED **37**

LA RIOJA

NO. OF OFIBUSES **2**

MUNICIPALITIES

SERVED **56**

337

Municipalities served



284

No. of branches in low population areas



01.7 RESPONSIBLE COMMITMENT

THE RESPONSIBLE MANAGEMENT POLICY IS THE FRAMEWORK THAT SUSTAINS THE BANK'S CORPORATE SOCIAL RESPONSIBILITY AND A FUNDAMENTAL PILLAR OF ITS RESPONSIBLE MANAGEMENT STRATEGY.

OUR COMMITMENT AND CHALLENGES FOR THE FUTURE

| GRI 102-42 GRI 102-43

In February 2016, Bankia's Board of Directors approved the 2016-2018 Responsible Management Plan, which implements the bank's responsible management policy.

The plan takes into account both the bank's strategy and the opinion of its various stakeholders. Initially, the stakeholders were identified through internal consultation with the members of the Responsible Management Committee and were then prioritised according to a

hierarchy based on two variables: capacity to influence the bank's activity and decision making; and degree of interdependence with Bankia.

The two pillars of the Responsible Management Plan are stakeholder listening and dialogue, on the one hand, and continuous supervision and assessment of the actions envisaged in the plan, on the other.

The plan includes a number of annual projects and targets, which are monitored via a dashboard that is updated and reported to the Responsible Management Committee every quarter and to the Board of Directors every six months.

| GRI 102-44

Bankia's main lines of work in 2017 and the degree of achievement of each project are follows:

I GRI 102-44

STRATEGIC AREA	OBJECTIVE	INITIATIVE	DEGREE OF ACHIEVEMENT
	Foster a culture of transparency and integrity that protects the interests of all stakeholders.	PREPARE AN ACTION PLAN BASED ON THE SUGGESTIONS ARISING FROM THE BOARD ASSESSMENT DEVELOP THE EXTRA-FINANCIAL RISK MAP	<div style="width: 100%;"><div style="width: 50%; background-color: #e0f2e0;"></div><div style="width: 50%; background-color: #d9e1d9;"></div></div>
	Honest relationships that match customers' real needs. In Bankia the customer is the greatest asset, so offering the customer high levels of professionalism and high quality service is a core objective.	DEVELOP A PROCEDURE TO ENSURE ADHERENCE THE RESPONSIBLE MARKETING RULES IN THE CONDUCT OF CAMPAIGNS IMPROVE THE CUSTOMER EXPERIENCE IN TERMS OF SIMPLICITY, PROXIMITY AND TRANSPARENCY	<div style="width: 100%;"><div style="width: 50%; background-color: #e0f2e0;"></div><div style="width: 50%; background-color: #d9e1d9;"></div></div>
	Work and move forward under a common project, where a culture of responsible management permeates every aspect of the business and success for Bankia means success for everybody.	INCREASE THE NUMBER OF WOMEN IN SENIOR MANAGEMENT POSTS INCREASE EMPLOYEE INVOLVEMENT IN PROCESS IMPROVEMENT AND STAKEHOLDER RELATIONS BY 4% COMPARED TO 2016	<div style="width: 100%;"><div style="width: 50%; background-color: #d9e1d9;"></div><div style="width: 50%; background-color: #e0f2e0;"></div></div>
	Listen to, identify and support the real needs of the environment. The Bank will work to ensure that growth is positive and sustainable for all parties involved.	INCREASE THE VOLUME OF ASSETS MANAGED UNDER ESG CRITERIA MEASURE AND DISCLOSE THE SOCIAL AND ECONOMIC IMPACT OF THE BANK'S ACTIVITY INCREASE SOCIAL INVESTMENT AND THE NUMBER OF BENEFICIARIES	<div style="width: 100%;"><div style="width: 50%; background-color: #e0f2e0;"></div><div style="width: 50%; background-color: #d9e1d9;"></div></div>
	Extend the responsible management commitment to the supply chain. Bankia works closely with suppliers to apply best ethical, social and environmental practices and build lasting relationships.	REDUCE THE PAYMENT PERIOD TO SUPPLIERS TO LESS THAN 30 DAYS IMPROVE OVERALL SUPPLIER SATISFACTION	<div style="width: 100%;"><div style="width: 50%; background-color: #e0f2e0;"></div><div style="width: 50%; background-color: #d9e1d9;"></div></div>
	Respect the environment and assume responsibility for any impacts arising from the bank's activity. Work to reduce the bank's environmental footprint and promote responsible attitudes among employees, suppliers and customers.	APPROVE THE ECO-EFFICIENCY AND CLIMATE CHANGE PLAN RENEW THE ISO 14001:2015 ENVIRONMENTAL CERTIFICATION OF THE BANK'S BUILDINGS SOURCE 100% OF ELECTRICITY FROM RENEWABLE SOURCES	<div style="width: 100%;"><div style="width: 50%; background-color: #d9e1d9;"></div><div style="width: 50%; background-color: #e0f2e0;"></div></div>
		TARGET MET TARGET IN PROGRESS	<div style="width: 100%;"><div style="width: 50%; background-color: #d9e1d9;"></div><div style="width: 50%; background-color: #d9d9d9;"></div></div>

01.7

RESPONSIBLE COMMITMENT

RESPONSIBILITY, SUPERVISION AND ASSESSMENT

I GRI 102-42

Ultimate responsibility for Bankia's corporate social responsibility rests with the Board of Directors.

In December 2015 the remit of the Appointments Committee was extended to include the management of responsible management policy and the committee's name was changed to that of Appointments and Responsible Management Committee.

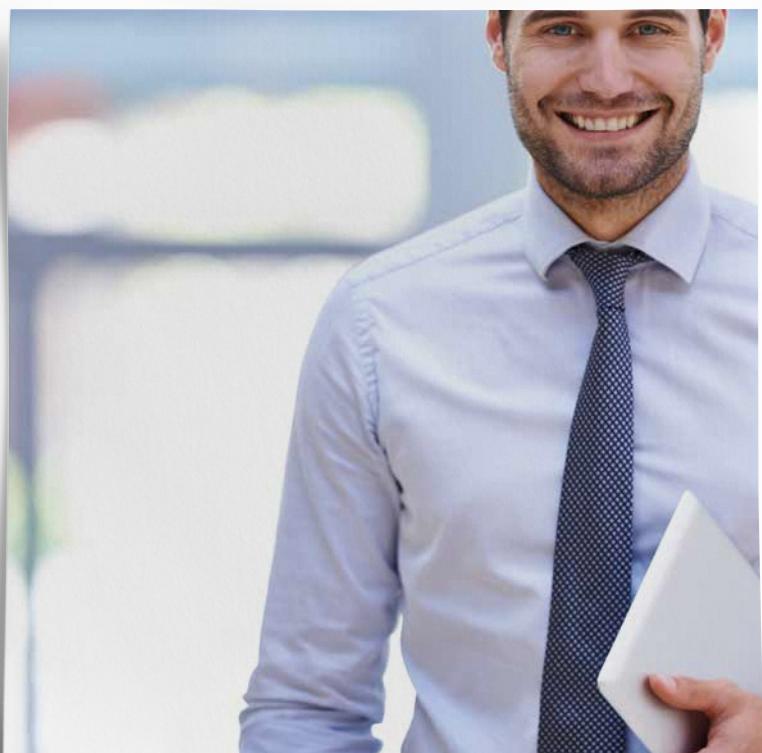
Since October 2017 this committee has been made up of three

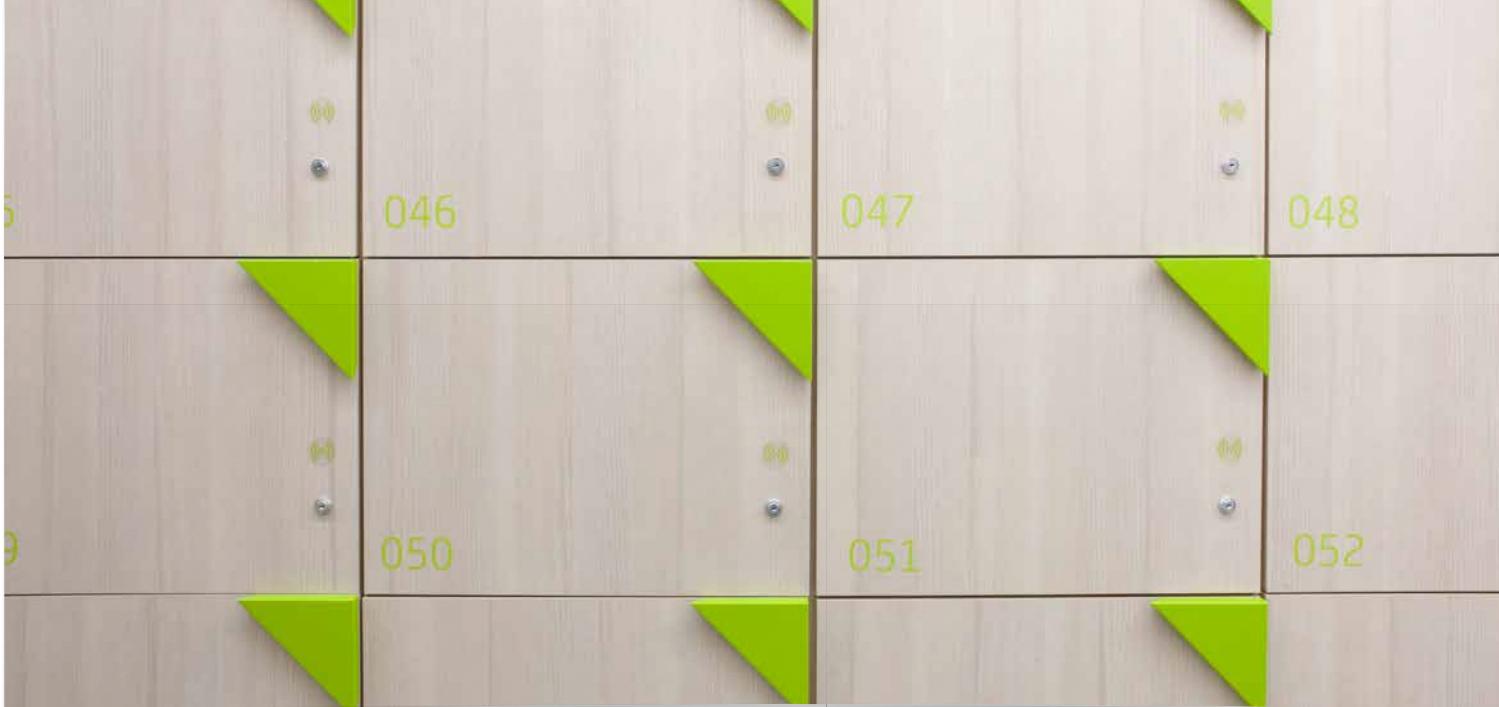
independent directors and one of its several functions is to review and assess the Bank's corporate social responsibility policy and practices. It is also responsible for overseeing the bank's relations with the different stakeholder groups.

On the other hand, all of Bankia's responsible management initiatives and projects are driven by the Responsible Management Committee, which was created in December 2014. This committee meets in ordinary session every three months and is made up of senior managers of the bank's various units, who relate directly with stakeholders.

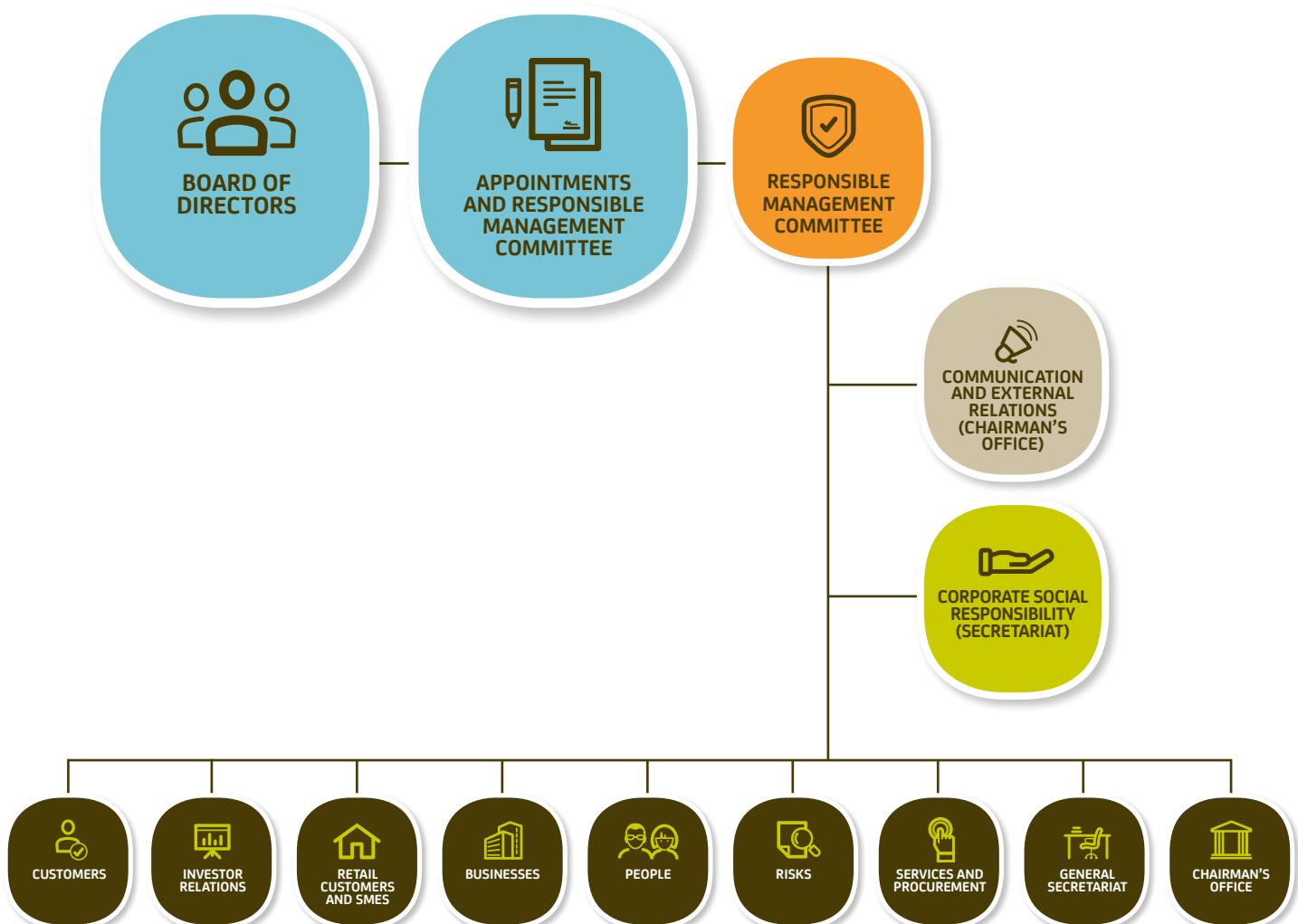
The committee is chaired by the Deputy General Director of Communication and External Relations. The post of Secretary is held by the Director of Corporate Social Responsibility, who is responsible for researching, proposing, coordinating and driving internal debate on Bankia's responsible management.

The matters dealt with by this committee in 2017 include the approval of the eco-efficiency and climate change plan, the quarterly monitoring of the 2016-2018 Responsible Management Plan via its dashboard and the review of the updates to the Reputational Risk Policies and Procedures Manual.





RESPONSIBLE MANAGEMENT GOVERNANCE STRUCTURE



01.7

RESPONSIBLE COMMITMENT

BANKIA AS AN AGENT THAT ADDS VALUE TO ITS ENVIRONMENT

In August 2017, with the aim of giving visibility to the positive impacts of the bank's activity, Bankia conducted its first Socioeconomic Impact Study, using data for year-end 2016. This study shows the value Bankia has contributed to the Spanish economy through its activity.

The study shows the nature and extent of Bankia's activity as a financial institution and the contribution it makes by creating jobs, paying taxes and using suppliers. It also reports on the contribution made through the bank's social action for the transformation and development of society and the well-being of beneficiaries.

Drawing attention to Bankia's contribution helps to give importance to the impact it has on society through its activity, thus responding to its stakeholders' main concerns and expectations.

In 2018, Bankia plans to take part in the Social Impact Cluster promoted by the association Forética. This initiative will help identify and convey to companies the main trends and projects relating to the creation of value for society and foster collaboration with public bodies and opinion leaders aimed at showing society how companies can have a positive impact in Spain.

*LAST YEAR BANKIA
CARRIED OUT ITS
FIRST SOCIOECONOMIC
IMPACT STUDY USING
YEAR-END 2016 DATA.*

ACTIVE LISTENING IN ORDER TO IMPROVE

GRI 102-42

GRI 102-43

GRI 102-44

GRI 102-46

In 2017 Bankia carried out a materiality analysis to identify the main issues for the bank's responsible management through active listening to internal and external stakeholders.

| GRI 102-15

First, a number of issues with significant economic, environmental and social impact were identified using various sources, including Bankia's reputational risk map, as well as international sustainability benchmarks, such as

the Global Reporting Initiative, the Sustainability Accounting Standards Board and the Dow Jones Sustainability Index (DJSI).

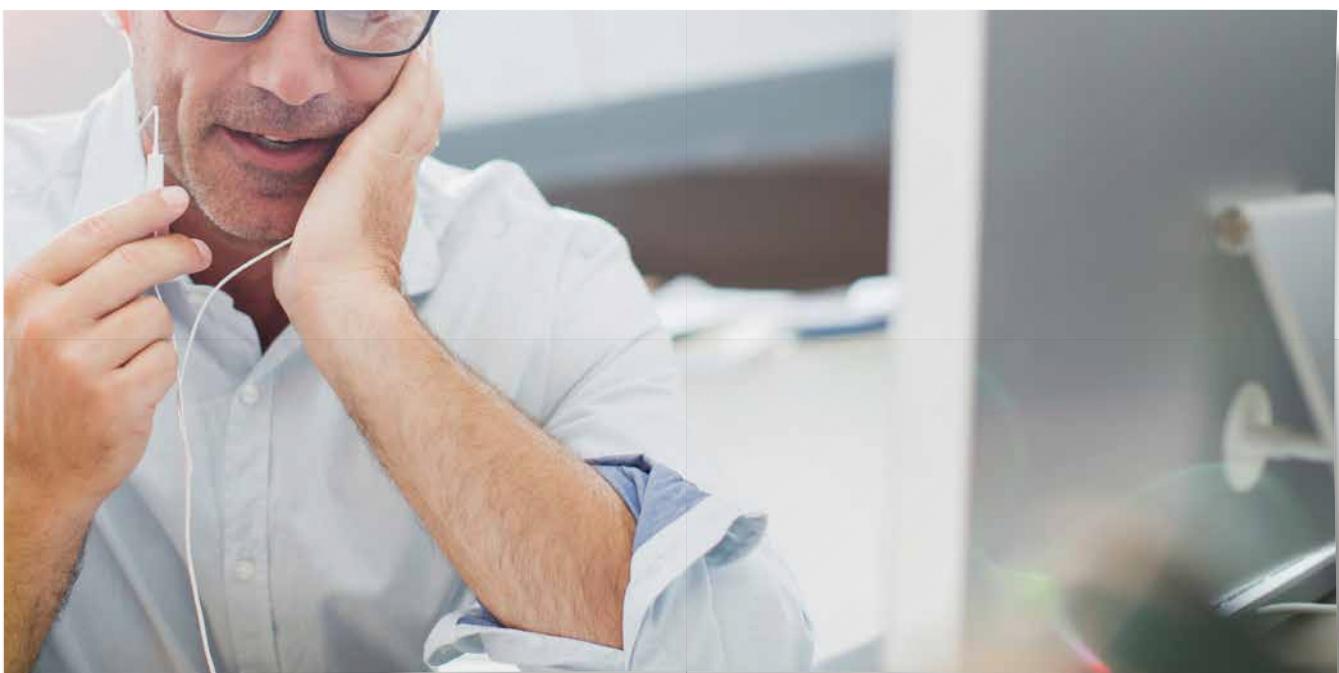
Based on the issues identified, Bankia engaged in a wide-ranging consultation with its stakeholders through various channels (including in-depth telephone and face-to-face interviews, debates and online surveys), which allowed it to prioritise the issues.

The external point of view indicates the influence each issue has on stakeholders' decisions and opinions in relation to Bankia.

The study involved more than 2,500 consultations of external stakeholders, which included 40 in-depth telephone interviews, 2,372 customer responses through Bankia's Opinotor channel and two debate sessions (one with minority shareholders and one with retail customers).

The internal point of view, on the other hand, reflects the importance each issue has for the business, in terms of the achievement of objectives and the strengthening of stakeholders' trust; in other words, the effect each issue has on the organisation's ability to create value for itself.

In order to obtain the necessary information, more than 90 consultations were carried out with professionals in the bank, including 76 online consultations of members of the Responsible Management Committee and senior managers of Bankia and three debate sessions with employees (one online in Valencia and two face-to-face in Madrid).



01.7

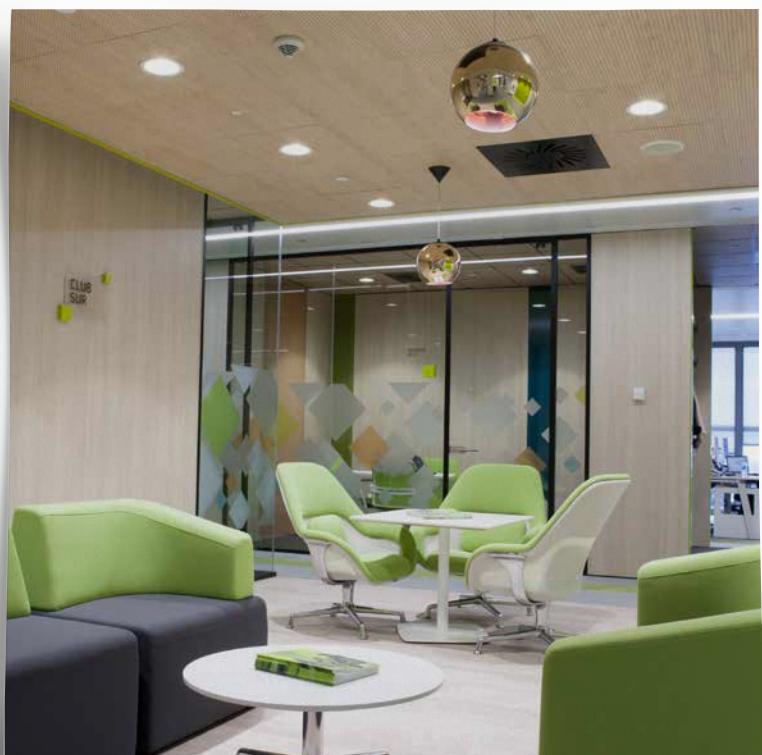
RESPONSIBLE COMMITMENT

The main change in the materiality matrix for 2017 is the inclusion of the risk variable, which serves to gauge the level of tolerance and trust and the attitudes stakeholders would have if events were to occur that disappointed their expectations, so as to be able to improve the bank's management before any such events can occur.

GRI 102-40
GRI 102-43
GRI 102-44

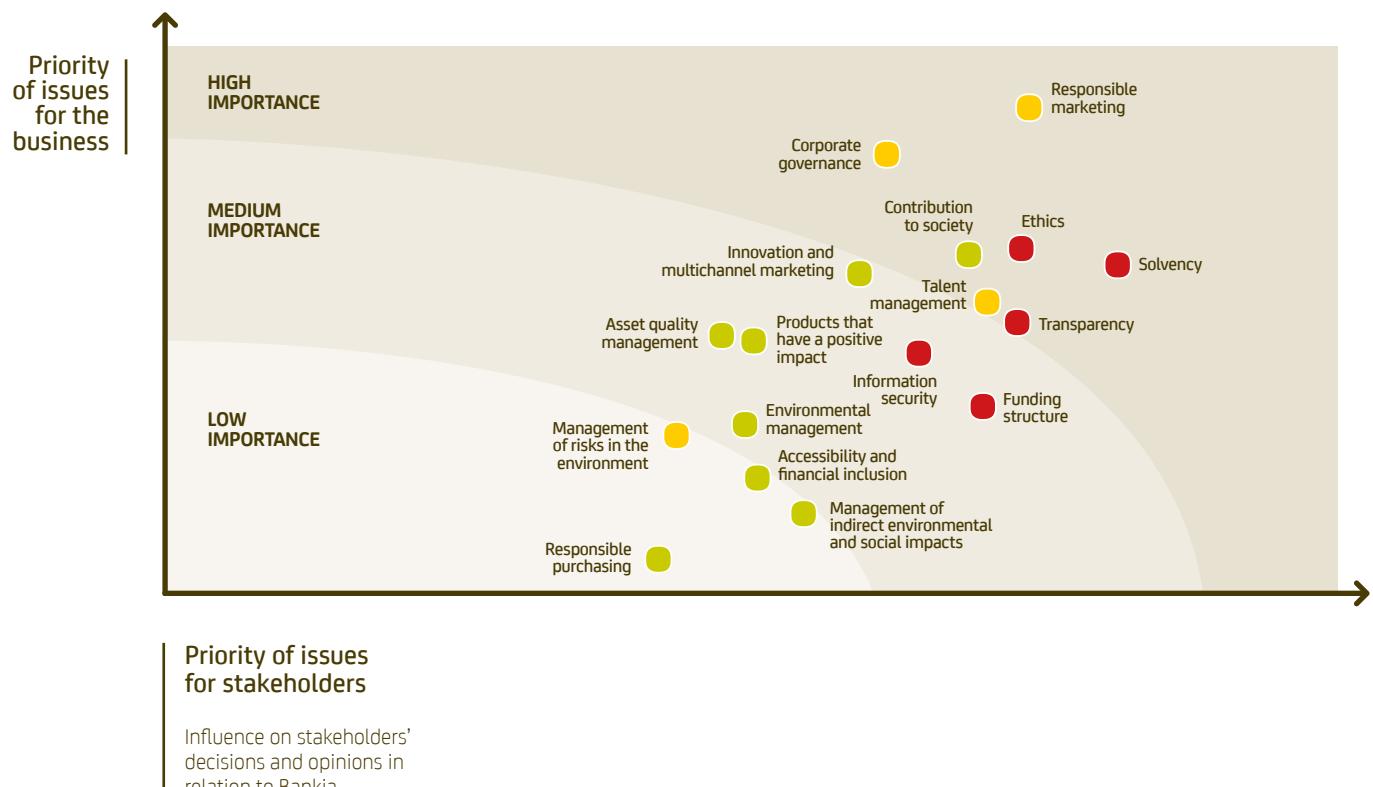
Based on the results of the materiality analysis, the issues that both the external stakeholders (shareholders and investors, customers, suppliers and society as a whole) and the internal stakeholders (employees) consider most important are those that have to do with generating economic

strength, the manner in which business relations are established, and honest behaviour by the bank's people, as well as issues relating to the business's proper technological development. Issues of corporate governance, responsible marketing, solvency, ethics, and innovation and multichannel marketing have been found to be especially relevant.



MATERIALITY MATRIX

GRI 102-44
GRI 102-46
GRI 102-47



RANKING OF MATERIAL ISSUES

(based on importance for Bankia and for stakeholders)

- RESPONSIBLE MARKETING
- CORPORATE GOVERNANCE
- SOLVENCY
- ETHICS
- CONTRIBUTION TO SOCIETY
- TALENT MANAGEMENT
- TRANSPARENCY
- INNOVATION AND MULTICHANNEL MARKETING
- DATA SECURITY
- FUNDING STRUCTURE
- PRODUCTS THAT HAVE A POSITIVE IMPACT
- ASSET QUALITY MANAGEMENT
- ENVIRONMENTAL MANAGEMENT
- ACCESSIBILITY AND FINANCIAL INCLUSION
- MANAGEMENT OF RISKS IN THE ENVIRONMENT
- MANAGEMENT OF INDIRECT ENVIRONMENTAL AND SOCIAL IMPACTS
- RESPONSIBLE PURCHASING

RISK LEVEL ⁽¹⁾

- HIGH (Red)
- MEDIUM (Yellow)
- LOW (Green)

(1) The risk level represented is explained by the stakeholders' reaction or attitude towards Bankia if the bank disappoints their expectations on each issue.

01.7

RESPONSIBLE COMMITMENT

CHANNELS OF DIALOGUE

I GRI 102-43

Bankia maintains ongoing communication with its stakeholders through different channels, in which

it gives account of its day-to-day activities and events.

Given that written communication plays a key role in shaping the stakeholders' experience of the bank, in 2017 Bankia started a project to make the messages it conveys clearer.

The bank is aware that all the communications it issues have an impact on all the agents with whom it has relations and so is working to make those communications simpler and easier to understand.

CONTINUOUS DIALOGUE



- LETTERS AND E-MAILS TO THE CHAIRMAN
- CUSTOMER SERVICE
- SOCIAL NETWORKS - CORPORATE WEBSITES
- CONFIDENTIAL WHISTLEBLOWING CHANNEL



- COMMERCIAL NETWORK
- SHAREHOLDER'S OFFICE
- CORPORATE WEBSITES



- PEOPLE MANAGERS
- INTRANET
- ONLINE FORUMS
- HR PEOPLE LINE
- CORPORATE WEBSITES
- CONFIDENTIAL WHISTLEBLOWING CHANNEL



- SUPPLIER PORTAL
- SUPPLIER SERVICE CENTRE
- SPECIALISED STRATEGIC SUPPLIER MANAGER
- CORPORATE WEBSITES
- CONFIDENTIAL WHISTLEBLOWING CHANNEL



- COMMERCIAL NETWORK
- CSR MAILBOX
- VOLUNTEERS' PORTAL
- SOCIAL MEDIA
- CORPORATE WEBSITES



- E-MAILS FROM THE CHAIRMAN

PERIODIC DIALOGUE

- SPECIFIC SEMINARS AND EVENT DAYS

- GENERAL MEETING OF SHAREHOLDERS
- ROAD SHOWS
- INTERNATIONAL CONFERENCES
- SHAREHOLDER AND INVESTOR INFORMATION SERVICE

- FOCUS GROUPS
- "BANKIA ONLINE" MAGAZINE
- "BANKIA EN 30 SEGUNDOS" (BANKIA IN 30 SECONDS) WEEKLY NEWSLETTER
- SEMINARS AND EVENT DAYS

- SATISFACTION SURVEYS

- "BANKIA ACTUALIDAD" (BANKIA NEWS) MONTHLY NEWSLETTER

- DIRECTORS' BLOG ON CSR
- INTERNAL AND EXTERNAL WORK DAYS
- MEETINGS WITH EMPLOYEES

GLOBAL COMPACT AND CONTRIBUTION TO SDG

Bankia is a member of the UN Global Compact and undertakes to respect its Ten Principles, which include fundamental principles on human rights, labour standards, the environment and anti-corruption.

Also, following the approval of the UN's Sustainable Development Goals (SDGs) in September 2015, Bankia

undertook to contribute positively to the achievement of the 2030 Agenda for Sustainable Development.

To do that, the bank has integrated the SDGs in the lines of action set out in the 2016–2018 Responsible Management Plan. The purpose of incorporating the SDGs in Bankia's sustainability strategy is not only to reduce or eliminate the less beneficial impacts of the bank's activity but also to have a positive impact on stakeholders and society as a whole, again with the support of the Ten Principles of the Global Compact. The

bank accepts the role – which it shares with the whole of the business sector – of driving wealth generation and economic and social development.

The SDGs give Bankia a frame of reference that serves as a guide for the sustainable conduct of its activity. The current challenge is to continue to work towards those goals in order to help meet the targets.

Bankia has identified the goals over which it has some influence through its activity and through its social action projects and initiatives.

PRINCIPLES OF THE SPANISH NETWORK OF THE GLOBAL COMPACT



SUPPORT AND RESPECT THE PROTECTION OF HUMAN RIGHTS	1	HUMAN RIGHTS (P. 42) CODE OF ETHICS AND CONDUCT (P. 106) 2016-2018 RESPONSIBLE MANAGEMENT PLAN (P. 28)
NOT BE COMPLICIT IN HUMAN RIGHTS ABUSES	2	HUMAN RIGHTS (P. 42) CODE OF ETHICS AND CONDUCT (P. 106) 2016-2018 RESPONSIBLE MANAGEMENT PLAN (P. 28)
SUPPORT FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	3	HUMAN RIGHTS (P. 42) CODE OF ETHICS AND CONDUCT (P. 106)
SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR	4	HUMAN RIGHTS (P. 42) CODE OF ETHICS AND CONDUCT (P. 106) PEOPLE (P. 60)
SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR	5	HUMAN RIGHTS (P. 42) CODE OF ETHICS AND CONDUCT (P. 106)
SUPPORT THE ABOLITION OF DISCRIMINATION	6	HUMAN RIGHTS (P. 42) CODE OF ETHICS AND CONDUCT (P. 106)
MAINTAIN A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES	7	
UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY	8	CODE OF ETHICS AND CONDUCT (P. 106) 2016-2018 RESPONSIBLE MANAGEMENT PLAN (P. 28) SOCIALLY RESPONSIBLE INVESTMENT (P. 152) 2017-2020 ECO-EFFICIENCY AND CLIMATE CHANGE PLAN (P. 181) ENVIRONMENTAL RISK (P. 204)
ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES	9	
WORK AGAINST CORRUPTION IN ALL ITS FORMS	10	CODE OF ETHICS AND CONDUCT (P. 106) 2016-2018 RESPONSIBLE MANAGEMENT PLAN (P. 28) INTERNAL CONTROL AND COMPLIANCE (P. 110)

01.7

RESPONSIBLE COMMITMENT

HOW BANKIA CONTRIBUTES TO THE SDGS

SDG SUPPORTED	OBJECTIVE	ACTIONS	CHAPTER
1 NO POVERTY	Collaboration with bodies and entities to improve people's lives	- Support for associations, foundations and NGOs - Social rent and affordable housing	05.1 Society
2 ZERO HUNGER	Commitment to institutions and bodies to ensure that people with difficulties have access to basic food	- Corporate volunteering - Support for associations, foundations and NGOs	05.1 Society
3 GOOD HEALTH AND WELL-BEING	Promotion of healthy living and universal well-being at work and in society	- Employee benefits - Occupational risk prevention - Red Solidaria - Support for associations, foundations and NGOs	01.11 People 05.1 Society
4 QUALITY EDUCATION	Universal access to quality education that favours professional development and employability	- Training of professionals - Dual education and vocational training - Financial education	01.11 People 05.1 Society
5 GENDER EQUALITY	Commitment to equal opportunities and non-discrimination in professional development and training	- Talent management - Training of professionals - Workforce profile	01.11 People

SDG SUPPORTED	OBJECTIVE	ACTIONS	CHAPTER
8 DECENT WORK AND ECONOMIC GROWTH 	Provision of optimal working conditions based on collective bargaining, support for quality employability of vulnerable groups and promotion of entrepreneurship for economic and social development	- Human rights - Employment conditions - Integration of people with disabilities - Dual education and vocational training - Employment - Supplier approval process - Supplier profile	01.7 Responsible commitment 01.11 People 05.1 Society 05.2 Suppliers
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Provide employees and customers with access to resources and financing to enable sustainable investment in infrastructure and technology	- Technology - Innovation Observatory - Financing for self-employed business owners, micro-enterprises, SMEs and corporates - Soluciona Empresas - Corporate Banking and Capital Markets	01.8 Innovation 04.3 Business Banking
10 REDUCED INEQUALITIES 	Reduce inequality through inclusive, practical education that facilitates employability and access to living conditions on equal terms and promote knowledge of products and services so that people may choose the best way to relate to their bank	- Dual education and vocational training - Integration of people with disabilities - Red Solidaria - Financial education	05.1 Society 05.1 Society
11 SUSTAINABLE CITIES AND COMMUNITIES 	Provide products and services that use resources more efficiently and reduce pollution	- Socially and environmentally-oriented products	04.2 Retail Banking
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Commitment to sustainable financing and responsible consumption, so as to achieve a balance between business activity and the environment we live in, enhance competitiveness and differentiate ourselves from competitors	- Socially and environmentally-oriented products - Socially responsible investment - Social and environmental risk - Financing of controversial industries	04.2 Retail Banking 04.6 Asset Management 06.2 Risk Profile 06.3 Policy on the financing of controversial activities
13 CLIMATE ACTION 	Find solutions to make the bank's activity more sustainable and environmentally responsible and to combat climate change	- Socially and environmentally-oriented products - Socially responsible investment - Eco-Efficiency and 2017–2020 Climate Change Plan	04.2 Retail Banking 04.6 Asset Management 05.4 Environment
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	Build an honest and responsible company in which compliance with the law and business development are perfectly aligned	- Code of Ethics and Conduct - Criminal risk prevention - Prevention of money laundering and the financing of terrorism - Tax policy	03.4 Corporate integrity 03.5 Internal control and compliance
17 PARTNERSHIPS FOR THE GOALS 	Collaborate with initiatives and bodies with shared values to promote sustainability of the activity and proper development of the environment and society	- Advocacy groups and lobbies - Support for associations, foundations and NGOs	01.7 Responsible commitment 05.1 Society

01.7

RESPONSIBLE COMMITMENT

PRESENCE IN SUSTAINABILITY INDICES

Non-financial information is becoming increasingly important to analysts and investors, as well as to regulators and the general public. It is therefore very important for them to know the assessment of Bankia's environmental, social and governance performance, which is recognised through the bank's inclusion in some of the world's leading sustainability indices. For example, Bankia is a constituent of the DJSI, FTSE4Good and CDP indices.



Bankia was first included in the DJSI in 2016. This index recognises the bank as one of the most sustainable companies on the international scene. Worldwide, only 28 banks (11 of which are European and three Spanish) are included in this index, which assesses companies' economic, environmental and social performance.



The FTSE4Good Index is an internationally recognised index, in which Bankia was included for the first time in 2016. It is designed to encourage investment in companies that manage their businesses in accordance with ESG (environmental, social and governance) criteria and are the most widely recognised for their sustainability (understood as Corporate Social Responsibility) at world level.

BANKIA IS ONE OF THE 112 COMPANIES WORLDWIDE INCLUDED IN THE CLIMATE "A LIST".



Bankia was recognised in the CDP Europe Awards 2017, obtaining the highest score in the CDP Climate Change analysis, which assesses the participating companies' performance in environmental and climate change matters. Only 112 companies in the world belong to the Climate A List, and Bankia is one of them.



MEMBERSHIP OF ADVOCACY GROUPS AND LOBBIES

Bankia supplements its efforts to grow and strengthen the financial sector, the business sector and the economy as a whole by collaborating with the industry institutions, trade associations and business organisations of which it is a member.

These organisations are meeting points and forums of debate, where working groups are formed in which companies, the government and the third sector share knowledge, experience and good practices. They provide a means for Bankia to make itself more visible in the business environment and defend the interests of the industry, its own interests and the interests of its stakeholders in matters such as:

- Amendments and adaptations to laws and regulations.
- Improvement of competitiveness.
- Identification and diffusion of good practices in economic, environmental, social and governance matters.
- Participation in training programmes.
- Social commitment.

Bankia is a member of, among others, the Spanish network of the Global Compact, Cecabank, the Spanish employers confederation CEOE, the Spanish Chamber of Commerce, Spainsif (Spanish forum for responsible investing) and Forética. The bank contributes almost 835,000 euros to these business initiatives through its membership dues, which are the only financial contribution it makes.

Bankia does not make contributions to political parties because, although it operates only in Spain and such contributions are prohibited by the Spanish law on the funding of political parties, the bank's Code of Ethics and Conduct expressly states that "on no account may donations be made to political parties or trade unions or their representatives". In 2017 the bank registered in the EU's Transparency Register, to which it publicly discloses its participation in any associations or institutions which by their nature and activity have influence within Spain or at European Union level.



€ 835,000

Contributions to business initiatives through membership dues

01.7

RESPONSIBLE COMMITMENT

HUMAN RIGHTS

At 31 December 2017, Bankia has 6.6 million customers (not including BMN), to whom it provides a wide range of financing and investment products and services. At year-end, 13,122 people worked in Bankia. The bank carries on its activity with the support of the services provided by 712 active approved suppliers, which supply all the goods and services needed for its activity.

Given the scale of Bankia's presence in society and the influence it has, directly and indirectly, on the behaviour of the individuals, groups, companies and organisations with which it has relations, the bank accepts the importance of being publicly committed to principles and initiatives in favour of respect for and compliance with human rights.

Bankia states this commitment in its Code of Ethics and Conduct and implements it in the Memorandum of Respect

for and Compliance with Human Rights, approved by the Board of Directors in October 2016. The commitment is based on the United Nations Guiding Principles on Business and Human Rights, the obligation of States to protect against violations of those rights, the responsibility of companies to respect them and the need to provide victims with the necessary mechanisms to remedy possible infringements.

Furthermore, by incorporating its responsibility in this matter in its strategy through lines of action

PILLARS OF BANKIA'S COMMITMENT TO HUMAN RIGHTS



CODE OF ETHICS
AND CONDUCT



MEMBERSHIP
OF THE GLOBAL
COMPACT



MEMORANDUM OF
RESPECT FOR AND
COMPLIANCE WITH
HUMAN RIGHTS

of the 2016-2018 Responsible Management Plan, Bankia acts on the undertaking to apply the UN Guiding Principles on Business and Human Rights, which are established in the National Action Plan on Business and Human Rights.

In this context, Bankia acts as:

EMPLOYER

Bankia's employment policies are governed by applicable Spanish law. Employees' employment conditions are set out in the Collective Agreement for Savings Banks and Financial Institutions for the period 2015–2018 and the trade unions participate very actively in collective bargaining over all labour agreements.

| GRI 102-41

100% of the bank's staff are protected by the employment conditions established by the Collective Agreement.

The bank respects freedom of association and social dialogue. In the workforce there are 400 union delegates elected at the last union elections held in Bankia in 2014. The next elections will be held in 2018.

In 2017, unionised employees spent 40,185 hours on union activities.

The Collective Agreement that covers Bankia's employees and the bank's employment policies guarantee non-discriminatory treatment and homogeneous working conditions for all employees, regardless of their gender, age, race, religion, sexual orientation, marital status or social condition.

BANKIA'S COLLECTIVE AGREEMENT ENSURES NON-DISCRIMINATORY TREATMENT AND HOMOGENEOUS CONDITIONS FOR ALL ITS EMPLOYEES.

PROVIDER OF PRODUCTS AND SERVICES

- Data protection. Bankia preserves and safeguards the privacy of customer data not only by preventing its use for marketing purposes but also by ensuring that all the necessary measures are adopted to avoid data leaks and prevent customers' financial information from being used without authorisation. Beyond the requirements of data protection regulation, protecting its customers' information is for Bankia an ethical obligation.

The protection of customers' privacy can also have adverse effects, especially in relation to fraud, money laundering and other criminal activities. Bankia has a comprehensive organisational model for the prevention, management and control of criminal liability risks and a set of binding rules and procedures to prevent money laundering and the financing of terrorism.

- Relations with customers. The bank does not apply any criterion that might entail discrimination against any person or group on the grounds of gender, age, race, religion, sexual orientation, marital status, social condition or place of residence.

To help customers and non-customers make informed decisions about their daily finances, Bankia has undertaken various financial education initiatives to facilitate an understanding of the products and services it offers. Simple, practical content is provided to help anyone who is unsure or uninformed about financial matters to get to know the financial world, so as to make better financial decisions.

The bank also offers the possibility of purchasing financial products and services through a wide range of face-to-face and remote channels that give the general public better access to banking services.

In addition, Bankia has a Responsible Marketing Code, which is public and which sets out its promise to customers to meet their real needs and create lasting ties.

Bankia's Customer Service Department enables any customer of the bank to lodge any complaint, claim or suggestion they see fit regarding any infringement of their basic rights as a person and as a consumer.

01.7

RESPONSIBLE COMMITMENT

- Serving customers with products that have a positive social and environmental impact. In its banking activity Bankia shows respect for and commitment to human rights by including in its catalogue a set of products with social and environmental purposes, which allow vulnerable or disadvantaged groups and customers with environmental concerns to benefit from the favourable terms offered by the bank.

- Control to mitigate social and environmental impacts in lending activity. Bankia has a policy on the financing of controversial industries that restricts investment in, and lending to, borrowers that fail to respect human rights.

In the General Statement of Credit Risk Policies, Methods and Procedures, updated

with the Board of Directors' approval in December 2017, Bankia establishes criteria for environmental and social risk. The environmental impact of the business activity must be taken into account, especially in high-impact industries (energy, chemicals, etc.), and companies are required to comply with environmental laws and regulations.

PRODUCTS WITH SOCIAL AND ENVIRONMENTAL IMPACT



NGO programme



Sustainable loan



Bankia Futuro Sostenible mutual fund



Crop and livestock insurance



Insurance for solar photovoltaic plants



Medical insurance

For investment projects, compliance with the Equator Principles is taken into consideration and priority is given to projects with reduced impact or that have action plans to mitigate any undesired social or environmental consequences.

CONTRACTOR

- Supply chain. Bankia has 712 active approved suppliers and its procurement volume amounts to 649 million euros. The bank has established supplier management rules to stimulate, promote and ensure respect for human rights. The Purchasing Policy, approved by the Board of Directors in February 2016, is designed to establish the framework for collaboration between the bank and its suppliers in accordance with Bankia's values, so as to achieve the bank's strategic plans.

Through this policy, Bankia makes it a requirement that suppliers comply with the laws and regulations of the countries in which they operate and gives special consideration to their adoption of the principles of the Global Compact, the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization.

The supplier approval process includes an assessment of social, environmental and governance aspects. Questions related to corporate social responsibility, human rights and the environment account for 33% of the total score. The weight assigned to compliance with human rights is reviewed at regular intervals.

BANKIA SUPPORTS THE INTEGRATION OF DISABLED PERSONS IN SOCIETY AND IN EMPLOYMENT THROUGH EMPLOYMENT AND EDUCATIONAL PROGRAMMES.

SOCIAL AGENT

The strategic focus of Bankia's social action is on the areas of housing and new poverty, employment and training, local development and disability. These areas directly affect the human rights of the environment in which Bankia carries on its activity and in which it works to foster access to decent housing and employment, the social integration of vulnerable groups and the eradication of poverty and social inequality.

Specifically, Bankia allocates homes at social rents to individuals and families in situations of vulnerability. It also helps people find work and improve their employability through training initiatives.

The bank delivers its social aid with the support of local social entities working mainly in the areas of employment, diversity, ageing and care.

It also supports the integration of disabled persons in society and in employment through employment promotion and educational schemes.

Bankia has adopted the Code of Good Practices introduced by Royal Decree Law 6/2012 of 9 March on urgent measures to protect mortgage debtors without resources and also takes voluntary measures to resolve the situation of families in situations of vulnerability who find themselves at risk of losing their homes.



712

Number of
active approved
suppliers

01.8 INNOVATION



BANKIA AIMS TO LEAD THE WAY AND BE AN INNOVATIVE BANK, BOTH WITHIN ITS ORGANISATION AND IN OFFERING A BETTER SERVICE TO ITS CUSTOMERS.

I GRI 102-15

Innovation is an everyday reality in Bankia. From talent management to corporate governance, sponsorships and customer relations, the bank strives to lead the way and make innovation part of its DNA.

The advances made in 2017 earned Bankia the Digital Talent award, in the Digital Adopter category, in recognition of its transformation towards a digital culture, with digitally competent employees who are able to adapt to the new market needs.

Contributing to this transformation are projects such as the Digital Talent School, focused on the new technologies; the change of training platform, so that the bank's professionals learn more effectively in a flexible environment with diverse functionalities; and the Digital Transformation website,

which provides information about the latest advances in innovation both inside and outside the organisation.

Innovation has also been applied to the relationship with suppliers, with the launch of a new portal that ensures transparency, impartiality and equal opportunities and the implementation of the "Valora" tool for managing purchases online.

Bankia made a major commitment to innovation with the Bankia Fintech by Innsomnia project, considered Spain's biggest open innovation centre. The bank's faith in this startup incubator and accelerator has led it to hire seven of the firms that took part in the programme's first edition, which have developed solutions for some of the bank's strategic segments, such as SMEs and self-employed business owners.

The collaboration between Bankia and Innsomnia has extended to La Digitalizadora, a digital immersion programme in which the technological verticals that are likely to affect companies in the future, such as robotics and artificial intelligence, were presented to business owners and managers in ten information sessions.

The bank also wants to contribute to business innovation and so sponsors events such as the Digital Competitiveness Awards, the Comprendedor Awards, the "Bankia Accelerator by Conector" call for proposals, the Atípics programme and the Innova Pyme and Spain Startup South Summit forums.

TECHNOLOGY AT THE SERVICE OF CUSTOMERS

Technology and data processing play an important role in learning about customers' needs in today's economic and financial context.

In order to provide the best possible service, Bankia has been working since 2017 to build an innovation model that will identify new technologies and cultural and social changes that could assist the bank's transformation.

The work of the Corporate Technology Strategy and Innovation Directorate has therefore centred on analysing trends in new business models, with a focus on fintech, with a view to meeting customers' needs and exceeding their expectations.

One of the directorate's main missions has also been to introduce

IN 2017 BANKIA FINTECH ISSUED ITS SECOND CALL FOR APPLICATIONS, THE FIRST TO BE ADDRESSED TO INTERNATIONAL STARTUPS.

new products and services arising from technological development and explore new channels of interaction with customers.

platform located in the Valencia Royal Marina, a site that has established itself as Spain's leading innovation centre.

INNOVATION OBSERVATORY

To help detect trends in fintech business models, the bank has used the Innovation Observatory, which seeks to anticipate changes in customers' needs and identify improvement opportunities.

This work is done through Bankia Fintech, an entrepreneurship

MAIN INITIATIVES

In order to be able to add new products, services and channels to Bankia's portfolio, the Corporate Technology Strategy and Innovation Directorate focuses on certain core themes, covering the bank's business areas and central service areas, that help identify the levers of change.

BANKIA FINTECH, SPAIN'S BIGGEST OPEN INNOVATION CENTRE

The Bankia Fintech philosophy is based on open innovation and collaboration among the parties involved. Regular contact with companies allows Bankia to judge when the time is right to enter into joint ventures with the participating startups, which from the moment they are selected are tutored by a business partner and an innovation partner.

In 2017 Bankia Fintech issued its second call for applications, the first to be addressed to international startups. After the success of this second call, the third round brings together entrepreneurs from Spain and the rest of the world, with a total of 76 projects submitted, of which 12 that could contribute value and solutions to Bankia have been selected.



70%

of the companies from the first batch of startups have formed a business relationship with Bankia

01.8

INNOVATION

This has allowed the development of tools such as Incuenta, an account aggregation service for corporate customers that can estimate cash flows for the next three months. This aggregator also offers its users suggestions on government subsidies that match their business profile.

The bank also has a blockchain laboratory, from which it works to simplify and increase the efficiency of certain processes, such as personal data management.

The first use cases have centred on processes that require intermediaries to provide trust or certify information.

Blockchain is an exponential technology that is expected to have a transformational impact on many industries, financial services being one of the sectors with the greatest potential. It is an unalterable distributed database technology, where transactions are validated by consensus rather than by a central decision maker.

Blockchain technology offers banks various opportunities, which many are already starting to explore, such as real-time cross-border payments, issuance of digital assets or the management of customers' identification details.

A major milestone in this area in 2017 was the bank's becoming a member of Red Alastria, a consortium of more than 70 Spanish companies devoted to accelerating the use of the blockchain.

IMPLEMENTATION OF TECHNICAL TOOLS TO ADVANCE IN INNOVATION



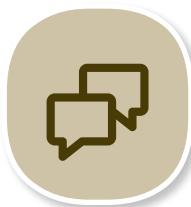
Innovation Observatory

To identify opportunities through analysis and information sharing.



Credit scoring

Situates each new initiative on a theoretical horizon that measures the estimated time until it becomes a reality.



Sandbox

Agile testing environment that includes simpler procedures for working with startups.



Innovation process map

Based on the Agile Management methodology, which industrialises procedures and speeds up the feasibility testing of new products and services.

Initially, the consortium's main focus will be on the "ID Alastria" digital identity standard, which will give citizens control over their personal information transparently, following the guidelines set by the European Union.

NEW MODELS

To expedite the loan approval process, Bankia has evaluated credit risk with a view to trying out new credit scoring and credit rating models.

It has also promoted an ecosystem for developing new business models based on automated investment advice, as a supplement to traditional advisory services. The initiatives framed within this ecosystem are targeted both at investor clients and at asset managers.

In fact, the Private Banking wealth managers already have the use of Robo4Advisory, a tool that facilitates the analysis of their portfolios and interactions with their clients.

The bank has also used artificial intelligence applied to IT systems to simulate human thought processes, learning in each interaction.

Artificial intelligence has been used in connection with cyber security to detect threats through analysis of user behaviour, identifying anomalous patterns in network traffic.

During 2017, the bank worked on more than 70 innovation initiatives, collaborating with experts, trialling new applications and testing the integration capacity in Bankia.

To create a more efficient environment for the implementation of innovation initiatives, the bank has introduced a number of fundamental

IN 2018 BANKIA WILL CONTINUE TO DEVELOP ITS INNOVATION MODEL, EXPLORING THE MORE DISRUPTIVE TRENDS THAT ARE LIKELY TO AFFORD THE GREATEST COMPETITIVE ADVANTAGE.

technical tools that together establish a new work methodology:

- Identification of opportunities through the analyses and reports issued by the Innovation Observatory.
- A scoring system that situates each new initiative on a theoretical horizon that measures the estimated time until it becomes a reality.
- A sandbox or testing environment that includes simpler procedures for working with startups.
- An innovation process map, based on the Agile Management methodology, which industrialises procedures and speeds up the feasibility testing of new products and services.

In 2018 Bankia will continue to develop its innovation model, exploring the more disruptive trends that are likely to afford the greatest competitive advantage.

For instance, it will investigate new use cases for blockchain technology, drawing support from the Red Alastria network and the newly created blockchain laboratory.

In the field of artificial intelligence, it will evolve from RPA (Robotic Process Automation) to systems that replicate human intelligence, with a view to improving efficiency in internal processes.

In order to reach the speed that the rapid changes in the environment demand, Bankia will continue to extend the Agile Management methodology, so as to promote a cultural change and make innovation the bank's defining characteristic.

01.9 BRAND

Bankia

THE BRAND IS A VALUABLE ASSET FOR BANKIA. THE STRONGER THE BRAND, THE MORE ATTRACTIVE THE BANK WILL BE TO CUSTOMERS AND INVESTORS.

A brand is much more than the logo and its colours; it is also the way an institution relates to its stakeholders and the promise it makes to them.

For that promise to be kept, and to be felt to have been kept by the target audiences, Bankia has concentrated its efforts on keeping the brand aligned with its guiding principles, working to make the bank close and transparent in all its forms of expression.

Bankia wants to meet the targets it has set itself, grow in trust, be more attractive and valuable to its stakeholders and increase its customers' satisfaction year after year, generating value for the business.

BANKIA BRAND TRACKING

	2016	2017
AVERAGE CUSTOMER SCORE	6.40 ↑	6.83 ↑
% OF CUSTOMERS WHO GIVE BANKIA A SCORE BETWEEN 8 AND 10	34.9	42.9
% OF CUSTOMERS WHO GIVE BANKIA A SCORE BETWEEN 5 AND 7	48.9	45.7
% OF CUSTOMERS WHO GIVE BANKIA A SCORE BETWEEN 1 AND 4	16.2	11.4

Source: GFK

The bank works to design actions that will give tangible form to the brand commitment, developing tools, services, solutions and products that are relevant and respond to customers' needs, as well as serving to transmit its values.

Improving perceptions of the Bankia brand is a goal shared by the entire organisation and achieving that goal will reinforce the efforts made by all areas of the bank towards that end. The brand is a valuable asset and the stronger it becomes and the wider its

reach, the more attractive it will be to professionals, investors and customers.

According to a study performed by GFK, Bankia scores 6.83 points on a scale of 1 to 10, marking an improvement on the result obtained one year ago (6.4).

In order to reach this conclusion, GFK conducts a number of 20-minute online interviews with members of the general population aged 18 to 74 in Spain. The sample distribution is by gender, age and Autonomous Community, with the results being weighted to ensure representativeness.

A SOLID LOGO

Bankia is a brand, not a generic term, which is why its initial “B” is always capitalised, representing the bank’s strength and solvency. It is open, hence its ending in -ia, and international in character, with the word bank at its root. The “n” and the “k” are contracted as a sign of integration and projection into the future.

Its six letters are written in a lime green colour (technological, committed, environmental, brilliant) and set against a mahogany brown background (experienced, deep-rooted, solvent, warm), forming a solid, powerful logo that is representative of the brand.

Although Bankia is “clothed” in lime green and mahogany brown, its livery includes other, secondary colours, which have been defined in order to refresh and lighten the brand: two tones of brown and a sky blue, plus white.

One of fundamental elements of Bankia’s visual identity is its

typeface, which has been specially designed for the bank, with no rough edges, open and reliable, giving it personality and consistency over time.

A BRAND PRESENT AT LARGE EVENTS

As a brand, Bankia sponsors and is present at large educational, sporting, business, social and cultural events.

In particular, it is an Official Sponsor – and the Exclusive Sponsor among financial sector firms – of the Madrid

Book Fair; sponsor of the “Edades del Hombre” cultural promotion and historical heritage exhibition; and sponsor of important trade shows such as Salón Mi Empresa, Forinvest and Spain Startup South Summit.

According to the version for Spain of the BrandZ ranking, presented by Kantar Millward Brown in September, Bankia is in 17th place among the 30 most recognised brands, with a value of 1,072 million dollars (some 874 million euros). The Interbrand ranking of top Spanish brands puts Bankia in 19th place out of 30, with a valuation of 505 million euros.

The capital letter represents the solvency, strength and authority of a strong, pioneering corporation.

Open ending in ia, protective.

Bankia

Ends of strokes: attention to detail.

“K” Compact and integrative.

01.10

SHAREHOLDERS AND INVESTORS

BANKIA'S SHAREHOLDING STRUCTURE
UNDERWENT MINOR CHANGES IN 2017
AS A RESULT OF A REVERSE SPLIT AND THE
PLACEMENT OF A PACKAGE OF SHARES.

In June 2017, Bankia completed a share capital reduction to boost reserves (improving the bank's capital structure) and a reverse split at a ratio of one new share for every four old shares. The price of the shares was increased in the same proportion and the total number of shares of the company was reduced.

In December, BFA sold 7% of its stake in Bankia for 818 million euros. The sale was carried out through an accelerated book building among qualified investors at a price of 4.06 euros per share.

Investors submitted bids for shares totalling 1,900 million euros, which meant that the offer was 2.3 times oversubscribed.

Both the reverse split and the placement of the package of shares were intended primarily to facilitate trading in the share, bring in new shareholders and move a step closer towards privatisation of the bank.

At year-end 2017, once these transactions were complete, Bankia's share capital amounted to 2,879 million euros, represented by 2,879 million fully subscribed and paid-up registered shares with a nominal value of one euro per share, all of the same class and series.

38.6% of the shares constituted the free float, while the remaining

60.68% were held by BFA, Bankia's state-owned parent company.

The number of shareholders at 31 December was down 48,378 compared to one year earlier, at 190,655. This decrease was due largely to shareholders who held fewer than four shares before the reverse split and the changes in share ownership that took place during 2017 as a result of the refunding of the investment to minority shareholders who bought shares in the IPO.

In the first few days of 2018, the merger of Bankia with BMN was carried out, entailing the delivery of 205.6 million newly issued shares of Bankia to BMN shareholders. As a result, Bankia's total capital was increased to 3,085 million shares.

Given the current composition of the two entities' shareholder base, the distribution of shares of the resulting bank will leave the FROB with 60.98% of the capital. Bankia's current private shareholders hold 36.72% of the capital and BMN's private shareholders, 2.33%.

FREE-FLOAT	38.6%
NOMINAL VALUE OF THE SHARES	1€
DIVIDEND PAID IN 2017 (PER SHARE)	0.02756€
DIVIDEND YIELD	2.52%



MAIN SHAREHOLDERS BY INVESTOR TYPE

* AT 31/12/2017

- BFA **60.68%**
- INSTITUTIONAL - RESIDENT **4.87%**
- INSTITUTIONAL - NON-RESIDENT **24.92%**
- MINORITY INTERESTS **9.53%**

BANKIA'S MAIN SHAREHOLDERS BY INVESTOR TYPE	% SHARE CAPITAL POST MERGER EXCHANGE	% SHARE CAPITAL AT 31/12/2017	% SHARE CAPITAL AT 31/12/2016	Y-O-Y CHANGE (P.P.)	Y-O-Y CHANGE (%)
BFA	60.98%	60.68%	65.90%	-5.22	-7.93%
Spanish institutional	6.76%	4.87%	5.28%	-0.41	-7.74%
Foreign institutional	23.3%	24.92%	16.81%	8.10	48.19%
Minority interests	8.96%	9.53%	12.00%	-2.47	-20.58%
Registered shares	3,084,962,950		2,879,332,136		

01.10

SHAREHOLDERS AND INVESTORS

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the company's most senior representative body and ensures equal treatment of all shareholders, including the right to participate and to vote.

Two General Meetings were held in 2017:

- The Ordinary General Meeting, which took place in Valencia on 24 March 2017 and was attended, in person or by proxy, by shareholders representing 79.80% of the capital, corresponding to a total of 5,508 shareholders.

- The Extraordinary General Meeting, held in Valencia on 14 September 2017, in which the merger by absorption of BMN was approved. This meeting was attended, in person or by proxy, by shareholders representing 82.49% of the capital, corresponding to a total of 2,699 shareholders.

From the moment the Notice of General Meeting is published, all the pertinent information is available to shareholders on the Bankia website and at the General Meeting Service Office. Shareholders who wish to raise any matter relating to the agenda may do so through the channels of communication placed at their disposal for that purpose, including the Shareholders' Electronic Forum.



DIVIDEND

The General Meeting of Bankia Shareholders held in Valencia on 24 March approved the payment of a cash dividend of 2.756 euro cents per share out of profit for 2016, 5% more than the amount paid the previous year.

The dividend was paid in cash on 31 March 2017 to the holders of shares that carried dividend rights on the payment date. The total amount paid (after deducting treasury shares, which are not entitled to dividend payments) was 316 million euros, giving a payout ratio of 39.5% of the Bankia Group's attributable profit for 2016.

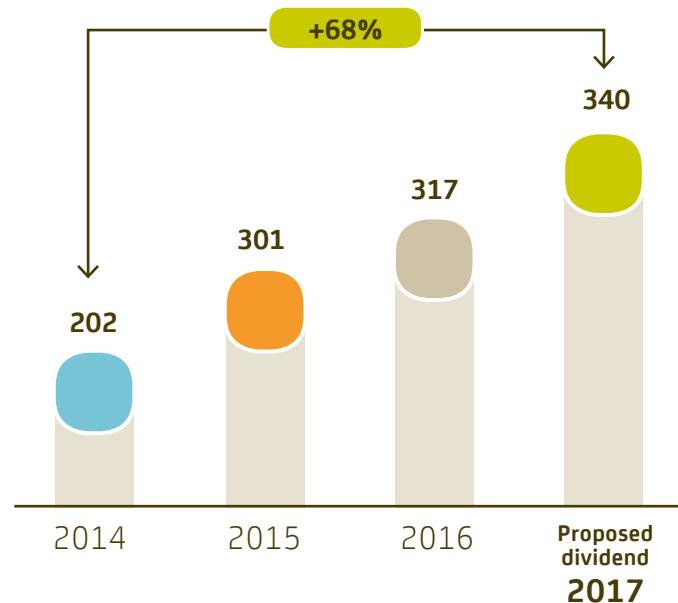
This was the third dividend paid since the bank was created and allowed the bank to continue to repay the state aid received, given that the State, as Bankia's main shareholder, received 211 million euros in dividends.

One of the items on the agenda of the General Meeting to be held on 10 April 2018 (the first General Meeting since the merger with BMN) is a proposal to pay a total dividend of 340 million euros out of profit for 2017, 7% more than was paid the previous year.



AMOUNT ALLOCATED TO DIVIDENDS

In millions of euros



DIVIDENDS 2017

DATE PAID	EX-DIVIDEND DATE	GROSS AMOUNT (€)	NET AMOUNT (€)	RATE	ACCOUNT
31/03/2017	29/03/2017	0.02756	0.0223236	Ordinary	Profit for 2016

01.10

SHAREHOLDERS AND INVESTORS

CHANNELS OF COMMUNICATION

I GRI 102-43

To fulfil its commitment to maintain open, continuous and transparent communication with shareholders and the investor community, Bankia has opened various channels of communication:

Corporate website.

Through its website the bank complies with the principles of equality and symmetry in access to information, especially through the Shareholder Corner section.

Available in Spanish and English, its contents are continuously being updated. One of its most practical sections is the Investor's Calendar, which shows earnings announcement dates and notices of General Meetings, as well as information about conferences, dividend payments and other material events. The website also provides the documents and presentations given to participants in these specialised forums and offers webcasts of the company's main financial events.

During 2017 the corporate website was updated and improved in various ways, including an overhaul of the "Share price" section, which

now provides more attractive and more detailed information for shareholders.

This new tool offers interactive visual components and improved browsing through a more intuitive, direct structure.

The main new features and the content it presents are:

- Real-time share price (the day's share price, during trading, is displayed with a 15-minute delay).
- Interactive share price chart with:
 - Share price performance within custom timeframes.
 - Comparison with peers and indices.
 - Indicator of relevant dates: results presentations, dividend payments and material disclosures (with direct access to the filings).
 - Volumes traded, high and low for any given period.
 - The chart can be customised to the user's needs: dates, milestones, benchmarks, chart format, etc.
 - The information can be downloaded in Excel format and can be easily printed.
- Tabs with:
 - Share data (ISIN code, market capitalisation, etc.)
 - Trades during the day.
 - Share performance, compared with indices and benchmarks.
- Option to download historical data by customisable date range and currency (euro, dollar or pound) to observe share price trends.
- Investment calculator
 - Allows calculation of return on amount invested or on number of shares purchased.
 - Users may select the investment start and end dates for the calculation, as well as the currency (euro, dollar or pound).
 - The results of the investment are displayed in chart form (value, share price, shares bought, changes).
 - Investors may query the information for specific periods or quarters in order to gain a complete and easily accessible view of their investments.

Shareholder and Investor Information Service newsletter.

This free digital publication is emailed to all subscribers periodically. All users have to do in order to subscribe is fill out the form in the Shareholder Corner.

The newsletter is sent quarterly with each results presentation. Special issues may be sent in connection with important milestones, such as the General Meeting, the payment of a dividend or a particular event or operation.

The newsletter provides information about the bank's results, financial reports, news, material disclosures, indicators, studies and presentations, events, videos, infographics and other useful links. Past issues are available on the corporate website. A total of nine newsletters were sent in 2017.

Shareholder's Office.

The Shareholder's Office responds to inquiries about the group's business performance and share price trends and about the benefits of being a Bankia shareholder. During 2017, it answered 1,025 telephone calls, compared to 943 the previous year, and 200 email inquiries, 90 fewer than in 2016.

During 2017, other channels of communication were also used, including text messages or SMS (99,328 text messages were sent with the quarterly results, compared to 102,674 the previous year), corporate social media, quality surveys and the branches.

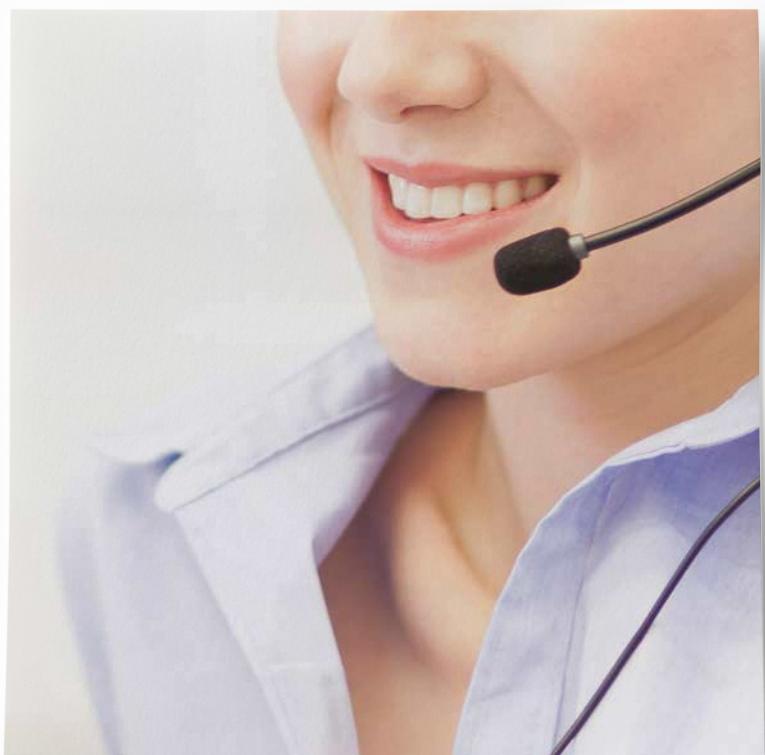


99,328

Telephone inquiries answered through the Shareholder's Office

1,025

Text messages or SMS sent during 2017 with quarterly results



01.10

SHAREHOLDERS AND INVESTORS

*51.34% OF BANKIA'S
INSTITUTIONAL INVESTORS
APPLY RESPONSIBLE
INVESTMENT POLICIES.*

INSTITUTIONAL INVESTORS

During the year, the Investor Relations and Ratings Directorate took part in 13 road shows, 15 international conferences, 12 field trips and numerous individual visits, gathering information about the bank's situation and results, resolving doubts and sharing opinions.

These events were attended by 563 institutional investors (equity and fixed income), analysts, managers and rating agencies from 366 firms from 22 different countries, 84.4% of them international.

Last year, Bankia took part as a speaker in five financial conferences for global investors and broadcast five webcasts (four with the quarterly results and one announcing the merger with BMN), through a platform that allows live question and answer sessions.



563
Contacts with
analysts and
institutional investors
from 366 firms



200
Email inquiries
through the
Shareholder's
Office

MORE INFORMATION, AND NOT JUST FINANCIAL INFORMATION

Following the principles of proactivity and transparency, Bankia keeps its various stakeholders (analysts, investors, management companies, shareholders, rating agencies, bank counterparties, clearing houses, proxy advisors and other institutions and public bodies) constantly informed through periodic communications and meetings.

Apart from the financial content, the bank also provides information on social, environmental and corporate governance matters, which are increasingly demanded by the public.

In fact, 51.34% of Bankia's institutional investors apply responsible investment policies.

In order to respect the right to equal treatment and non-discrimination, all the information is published

BANKIA KEEPS ITS STAKEHOLDERS INFORMED THROUGH COMMUNICATIONS AND REGULAR MEETINGS.

previously in the corporate portal and/or via the CNMV.

BENEFITS FOR SHAREHOLDERS

In 2017 individual shareholders continued to benefit from the "No fees" strategy implemented at the beginning of 2016. Since then they have not been required to have a direct income deposit in order to be exempt from fees. The only requirement is that they hold one thousand or more shares deposited at the bank.

Thus, they are exempted from paying service and maintenance fees on all their demand accounts,

on all the usual debit cards, on credit transfers in euros without limit and through any channel (Oficina Internet, Oficina Móvil and ATMs) and the paying-in of Spanish cheques in all their accounts.

Shareholders who hold one thousand or more shares also benefit from a number of advantages, notably:

- Special terms and discounts on the Tarjeta Oro card (financing at the standard rate) and the Tarjeta Platinum card (at the Tarjeta Oro rate).
- Free digital newsletter, with online subscription, to keep them up to date with what's happening at Bankia.





01.11

PEOPLE

BANKIA FOSTERS EMPLOYEES WITH THE HIGHEST PROFESSIONAL QUALIFICATIONS, THROUGH TALENT DETECTION AND DEVELOPMENT PROGRAMMES.

Bankia carries out all the necessary training and talent detection and development actions to create value through responsible management.

The different groups are identified using the Bankia Talent Model, which measures the difference between an employee's current position and the profile needed in order to move into a more complex and more responsible one.

The aim is to achieve success and excellence in the organisation through high performance teams, as well as to ensure succession within the bank.

During 2017, people management was focused on the bank's digital transformation and the development of the new distribution models started in 2016, such as "Conecta Ya" and "Servicio +Valor".

The bank's work in this field earned it the first Digital Talent prize, awarded by Accenture and El Economista, with the collaboration of the Human Resources Observatory.

The jury, which granted Bankia the award in the Digital Adopters category, cited the bank's transformation towards a new culture of digitally competent employees, so as to be capable of adapting to the evolving market and customer model.

2017 was marked by steady growth of the multichannel management model, with 25 new centres opened in six regional head offices and 281 professionals transferred from other units. The Multichannel Business Directorate already has 564 professionals.

The relationship management model for retail customers was also adapted to make the business relationship more efficient, basing it on advice. Implementation began in the Madrid and Valencia and Castellón regional head offices.

In addition, the bank's senior managers were offered support in performing their function through leadership conversations with their teams, following the Bankia Management Style.

All these actions led to 3,271 changes of assignment, which helped optimise the fit between employee profiles and available positions, especially at the senior management levels.

TALENT MANAGEMENT

The bank's talent management is aimed at identifying, developing and managing the potential of the bank's professionals, so as to ensure that the organisation has talented people to develop its business, reinforcing differential, sustainable competitive advantages in a manner consistent with the bank's values.

The task of identifying and developing talented professionals was carried out through 1,563 assessment interviews, which led to 166 appointments: 24 in the TOP 300 group, 29 in the Top 600, 67 branch managers and 46 assistant branch managers. The following actions were taken to develop talent:

- Senior Management Development Programme (SMDP).** The third edition of this programme, in which 151 senior managers took part, was held between February and September 2017. All the bank's Top 300 have already benefited from this programme.

- Career Development Plans (CDPs).** 51 plans from the first edition concluded in the first half of last year. The 50 plans from the second edition, which started in mid-2016, are at a very advanced stage.

- Senior Management Coaching (SMC).** 22 senior managers from the commercial network and central services are taking part. The coaches for this programme are external professional development experts and the programme is expected to continue for approximately six months.

- Development Programme for Central Services Managers.**

The sixth edition of this programme ended during the first quarter of 2017 and the seventh started in April, both with 15 participants from the bank's various functional areas.

- Development Programme for Commercial Network Managers.**

The face-to-face sessions of the eleventh edition, in which 15 senior managers took part, were held in the last quarter of the year.

- Development Programmes for Senior Management Candidates.**

Eight editions took place in 2017, five for senior management candidates in the commercial network (75 participants) and three for senior management candidates in central services (another 48 people).

- Mentoring Programme.**

The second edition concluded at the end of 2017, with 30 mentors from the Top 300 and 30 mentees (commercial network and central services managers belonging to the talent group). The success of the two editions completed to date has made this programme one of the bank's main professional development activities.



166

No. of senior management positions filled internally



83

No. of male employees promoted internally



83

No. of female employees promoted internally

01.11

PEOPLE

- **Communication Coaching Programme.**

This programme was started in 2017 to strengthen senior managers' skills, so that they perform effectively in issuing and preparing persuasive messages, and to facilitate confident, natural and effective interpersonal communication. Ten of the bank's Top 300 managers took part in this programme.

- **Transformational Leadership.**

Two Top 300 managers attended the 11th and 12th editions of this programme, held each year by Fundación CEDE's International Center for Leadership Development (ICLD). The public reading of the projects prepared by the participants in the 10th edition, sponsored by the bank, took place in April in the auditorium of the Torre Bankia building in Madrid.

- **Lidera-T Sessions.** September saw the start of a new professional development initiative in which various self-management skills were developed through training actions using experience-based methods. The first edition included two different types of session dealing with management in different environments and lateral leadership, in which a total of 45

senior managers and 46 senior management candidates took part. The skills developed in the general sessions were reinforced with individual follow-up sessions with professional development experts.

- **Scholarships for Excellence.**

Created in May, these scholarships are intended for professionals who present highly specialised, high quality training projects, mainly relating to the new digital and business transformation environment. In 2017, 102 applications were received and 15 scholarships for a maximum amount of 10,000 euros each were granted.

- **Business Talent Pool.** The second edition of a project aimed at allowing managers to acquire a deeper knowledge of the bank's different units (the corporate Capital Markets, Corporate Banking and Financial directorates and the Specialised Businesses Directorate) by spending time in each one ended in September. Ten professionals took part in this edition, acquiring a more holistic view of the business and broadening their knowledge in the areas of finance and markets, thus reinforcing their employability.

- **Bankia Dual Vocational Training Programme.**

The first class of students, who started the programme in 2015, graduated at the end of the first half of the year. A total of 17 people joined the bank's workforce as sales staff in branches (6 in Madrid and 11 in Valencia). The second class, with 50 students, are in the middle of their course.

Thanks to all these actions, practically all the vacancies that arose in the bank during 2017 were covered internally. External selection was limited to filling specific technical or technological positions in particular areas, such as technology and innovation strategy, systems development and new distribution models. A total of 15 people were hired from outside the bank to fill senior management posts and 66 people for non-managerial vacancies. At year-end, 13 external selection processes remained in progress.

**EMPLOYEE
BENEFITS**



100%

Percent of professionals who receive a contribution from Bankia to the Employee Pension Plan



16,240

Professionals and family members (spouses or civil partners and children up to the age of 25) covered by the employee health insurance policy



10,720

Professionals with a loan or mortgage at a subsidised interest rate



302

Professionals who receive study assistance, in the total amount of €259,940



790

Professionals who receive assistance for the education of disabled children or children that sleep outside the place of residence, in the total amount of €776,126



8,687

Professionals who receive assistance for children's schooling, in the total amount of €8.5 million



80

Professionals on leave of absence for personal reasons



352

Professionals working reduced hours



669

Professionals who have taken maternity leave (436 people) and paternity leave (233 people)

01.11

PEOPLE

*A TOTAL OF 13,054
EMPLOYEES HAD ACCESS TO
INDIVIDUALISED TRAINING PLANS.*

TRAINING

Last year more than 900,000 hours of training were given, 40% of them in the classroom, and a total of 13,054 employees received individualised training plans. The bank has opted to associate the different programmes with a qualification process, working towards university degrees or top-level professional qualifications. It also changed its training platform, resulting in a marked improvement in access to the different programmes, as professionals are able to learn more effectively in a flexible environment that has the latest functionalities.

A particularly important programme was the training delivered to tackle the entry into force of the MiFID II directive, with a qualification validated by the National Securities Market Commission (CNMV), in which 5,500 of the bank's professionals took part for more than seven months. 94% of the participants obtained the Expert Financial Adviser certificate, issued by the Instituto Español de Analistas Financieros (IEAF), and the university degree of Specialist in Banking and Financial Advice, awarded by the Colegio Universitario de Estudios Financieros (Cunef).

Additional training actions included the following:

- The first university certificate for Purchasing Management Experts and the Higher Purchasing Management Programme (Universidad de Lasalle).
- The university degree of Executive Coaching Expert (Universidad de Deusto).
- The university certificate in Customer Experience at the Contact Point (Universidad de Lasalle).
- The Project Management Professional certificate (Project Management Institute).
- The European Financial Advisor certificate (European Financial Planner Association).
- The Certified Information Security Manager certificate (Information System Audit and Control Association).

One of 2017's training milestones was the plan targeted at the whole commercial network to accelerate knowledge and use of the new processes included in the operating systems. More than 150 specialised courses were developed for people assigned to central services.

Strategic programmes were given throughout the year, including the Management Style programme, which includes content on Bankia's responsible management and strengthens the bank's values, especially in team relations; the Risks School, which reinforces technical risk competencies; and the Digital Talent School, focused on new technologies.

Lastly, 2017 saw the start of the Scholarships for Excellence programme to support high-level specialised training.



HOURS OF TRAINING BY GENDER



439,509
Hours of training
given to men



477,926
Hours of training
given to women

HOURS OF TRAINING BY PROFESSIONAL CATEGORY



9,129
Hours of training
given to senior
managers



340,221
Hours of training
given to middle
managers



568,086
Hours of training
given to the rest of
the employees

2017

2016

INVESTMENT IN TRAINING (IN MILLIONS OF EUROS)

6.9

8.02

NO. OF TRAINING INITIATIVES CARRIED OUT

916

901

NO. OF EMPLOYEES TRAINED

12,336

12,589

ONLINE TRAINING HOURS AS % OF TOTAL TRAINING HOURS

59.07

60.4%

NO. OF TRAINING HOURS PER EMPLOYEE

74.42

50.66

01.11

PEOPLE

MANAGEMENT STYLE, MORE THAN A GUIDE

After the publication of the Management Style Guide in November 2016, Bankia carried out a series of actions, projects and initiatives to implement and consolidate the guide:

- **Evolution of the Corporate Competencies Model.** This model takes account of and meets the needs specific to the current context, taking into consideration the bank's values, its positioning, the ethics code and the principles of responsible management. In the evolved model more attention is paid to digitisation, new ways of collaborating and, very prominently, Bankia's management style.
- **Professional Profile Assessment.** This assessment process facilitates implementation of the corporate culture, promotes the achievement of results for each function and drives recognition and professional growth through conversations of value. These conversations enhance two-way communication between supervisors and staff. This process was carried out during November and December.
- **Conversations for Leadership.** These help senior managers discover and compare strengths and areas for improvement. Based on the resulting knowledge, specific actions are taken to strengthen leadership capacity and align it with Bankia's management style.
- **Recognition programme.** In the Management Committee's 2017 tour, the first institutional acknowledgments were delivered, based on measurable business criteria and always assessing the alignment of behaviour with Bankia's values and positioning. Recognition is and must always be a regular, differential part of the Bankia Management Style.

TECHNICAL RISK COMPETENCIES

Over the course of 2017, in order to strengthen the quality of Bankia's risk professionals as one of the bank's differential features, technical competency dictionaries were drafted for the areas of wholesale risks, wholesale customer restructuring, market and operational risks and Technical Risk Secretariat, to be added to the retail risks competency dictionary prepared in 2016.

Once the technical competency profile for each position has been defined, any differences per person and position are assessed and subsequently managed through the assignment of training and tutoring.

OCCUPATIONAL RISK PREVENTION

The efforts made in recent years to execute the plan to update the Occupational Risk Assessment of all the work centres in the branch network and integrate it into the computerised occupational risk prevention management tool were completed in 2017, resulting in a sound and consistent preventive management model.

The most noteworthy projects and activities carried out during 2017 to improve occupational health communication were the development of the Empresa Saludable (“Healthy Company”) space in the Somos Bankia inhouse magazine; and the updating of the corporate intranet and website to include the AHA! programme, which gives information and advice on healthy eating, life habits and physical activity to reinforce a culture of holistic health. These initiatives are aimed at building awareness and explaining the most important aspects of risk prevention and health promotion.

Over the course of the year Bankia took part in various healthy company conferences, in which it demonstrated its goal of integrating psychosocial improvement actions within its People strategy, so as to ensure proper monitoring and traceability of the assessment of psychosocial factors and their linked preventive measures.

Bankia is a signatory to the Luxembourg Declaration, which has four basic pillars: a healthy work environment, emotional well-being, promotion of healthy habits, and risk prevention and

safety services and activities. It is also a member of AESPLA, a not-for-profit association whose goal is to collaborate with companies in improving the management of occupational risk prevention services.

In partnership with Asociación Española contra el Cáncer (AECC), the bank has been carrying out actions linked to the “Tu Salud es lo Primero” (“Your Health Comes First”) programme, under the European Code against Cancer, and collaborates with the Spanish Red Cross in annual blood donation campaigns.

BANKIA'S GOAL IS TO INTEGRATE PSYCHOSOCIAL IMPROVEMENT ACTIONS IN ITS PEOPLE STRATEGY.

EMPLOYEE HEALTH AND SAFETY

Absenteeism rate	3.45%
Occupational accident rate	0.18%
No. of ordinary sick leaves *	3,733
No. of work-related fatalities	0

* This is the number of sick leaves, not the number of people who took sick leave.
The same person may take various sick leaves in any one year.

01.11

PEOPLE

ACTIVE LISTENING AND CULTURAL CONSOLIDATION

I GRI 102-43

In the last five years, Bankia has developed an internal communication strategy based on active listening to its professionals and consolidation of the bank's culture. For this purpose it relies heavily on the intranet, through which employees receive in real time all the information about the company, its operations and its business that they need for their activity and to achieve

their business plans. The En30segundos electronic newsletter offers a weekly summary of the most important news relating to Bankia.

Another key tool for internal communication is the Somos Bankia inhouse magazine, which has established itself as a platform for active participation and plays an important role among the bank's professionals.

It was the bank's professionals who renamed the publication in 2017 and who feed it daily with reports, photographs and numerous comments giving recognition to team work, while

also reinforcing the pride of belonging and Bankia's values and culture.

In 2016 the magazine was named best online platform for internal communication in the Internal Communication Observatory awards, organised by IE Business School, Capital Humano magazine and the consultancy Atrevia.

To add to these channels, new bottom-up and two-way communication tools have been developed that encourage participation and active listening among the professionals, such as focus groups and the "Hablamos" forums.



53,457

No. of employee contributions posted in the internal communication channels



933,847

No. of visits to *Bankia Online* magazine



3.57 MILLION

No. of visits to the corporate information pages published on the intranet

DIGITAL TRANSFORMATION

The digital transformation Bankia has been undergoing has also been reflected internally, both in processes and in communication. The bank has taken decisive steps to move from “internal communication of the digital transformation to the digital transformation of internal communication”. Accordingly, the traditional channels of communication have been supplemented with a digital transformation website, which keeps all the bank’s professionals informed about the latest advances in innovation and digital transformation, both inside the bank and outside.

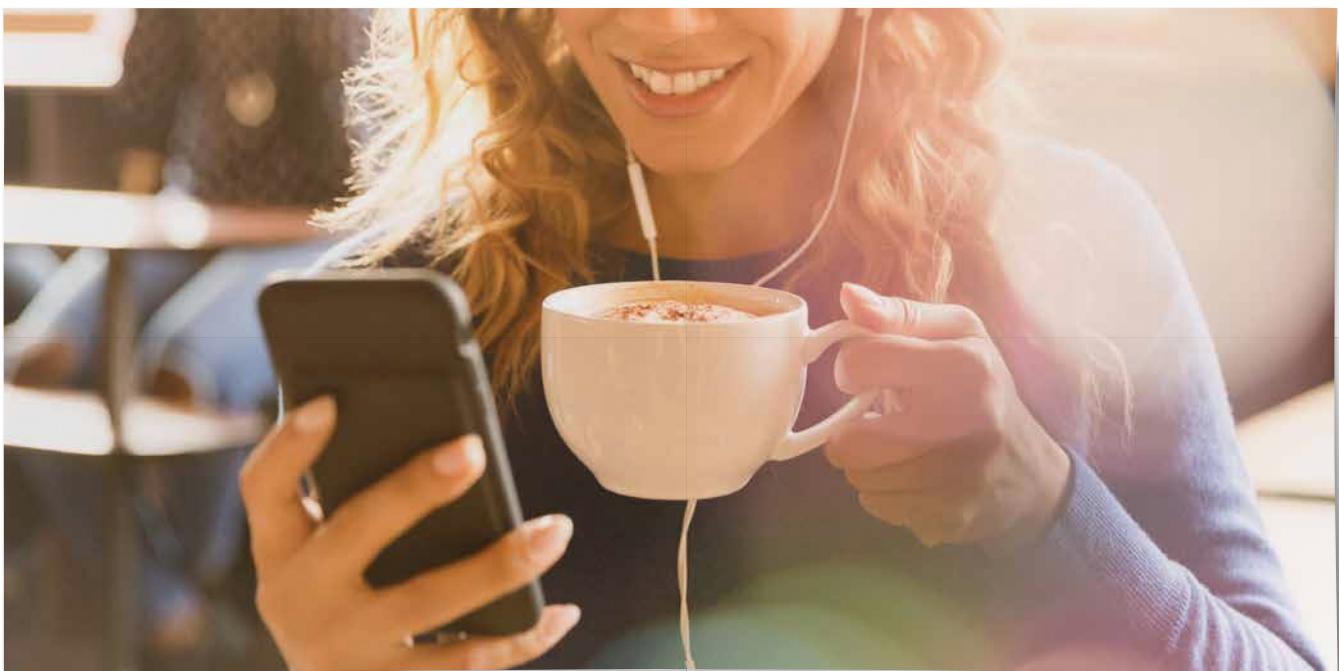
The challenge is to reach a point where innovation and digitisation are part of Bankia professionals’ DNA. Besides news and the latest developments from the technology sector, the new portal also offers a digital resources section, from

BANKIA HAS CREATED A DIGITAL TRANSFORMATION WEBSITE, WITH THE AIM OF MAKING INNOVATION AND DIGITISATION PART OF ITS PROFESSIONALS’ DNA.

which employees can download articles, reports, documents and e-books and access an extensive glossary of new digital terms.

Under the slogan “Sharing ideas to grow together”, this simpler, more social and closer channel allows Bankia’s people to participate actively by commenting on the content and joining the “Hablamos” forums, where they can share ideas, opinions and knowledge, as well as follow particular issues.

On this site, employees can “like” and bookmark content they are interested in, add comments and share content through social media. This new channel has also allowed the bank to introduce gamification techniques to stimulate the culture of innovation and reinforce the pride of belonging of the people who form Bankia.



01.11

PEOPLE

WORKFORCE PROFILE



BY GENDER



| MEN **4.37%**
| WOMEN **54.63%**

BY BUSINESS



| PROFESSIONALS IN CENTRAL SERVICES **15.68%**
| PROFESSIONALS IN BUSINESS **84.32%**

SENIOR MANAGEMENT POSTS



| MEN **59.14%**
| WOMEN **40.86%**

TYPE OF CONTRACT



| OPEN-ENDED **100%**
| TEMPORARY **0%**

GEOGRAPHIC DISTRIBUTION OF BANKIA'S PROFESSIONALS

13,117

No. of people with position in Spain

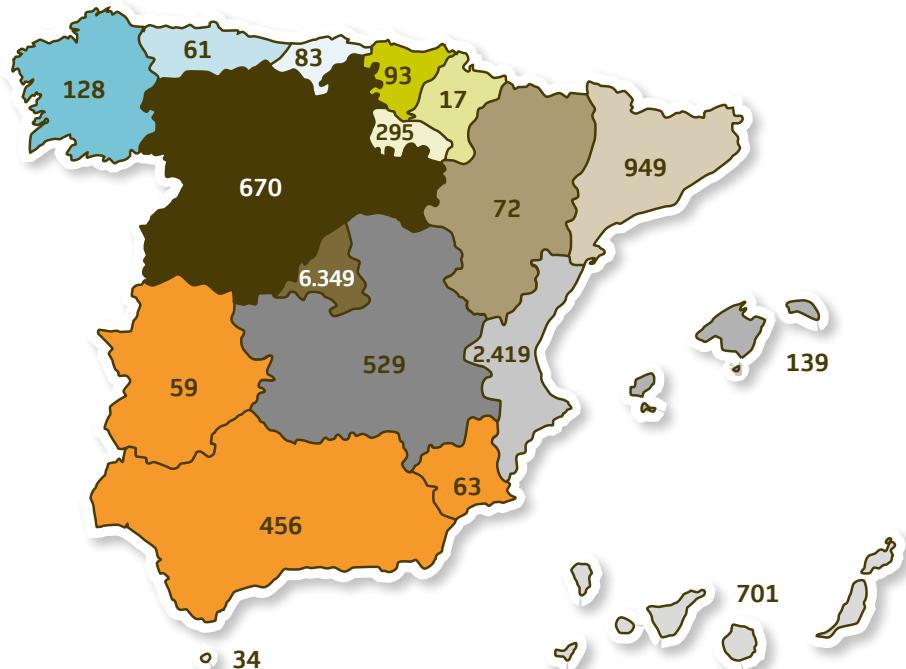
5

No. of people with position abroad*:

Cuba 2

Shanghai 3

* In representative offices with no banking activity.



13,122

Average number of employees*

* Of Bankia S.A.



7,169

Women



5,953

Men



19.19

YEARS
Length of service in the Group

PROFESSIONALS UNDER 30 AS % OF TOTAL WORKFORCE

0.28

PROFESSIONALS AGED 30 TO 50 AS % OF TOTAL WORKFORCE

72.45

PROFESSIONALS OVER 50 AS % OF TOTAL WORKFORCE

27.27

BY AGE



45.08

YEARS

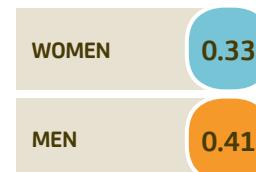
Average age of workforce

UNWANTED EXTERNAL TURNOVER

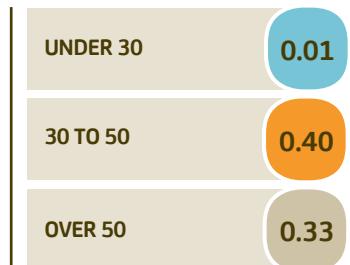


0.74%

AVERAGE TURNOVER OF PROFESSIONALS BY GENDER %



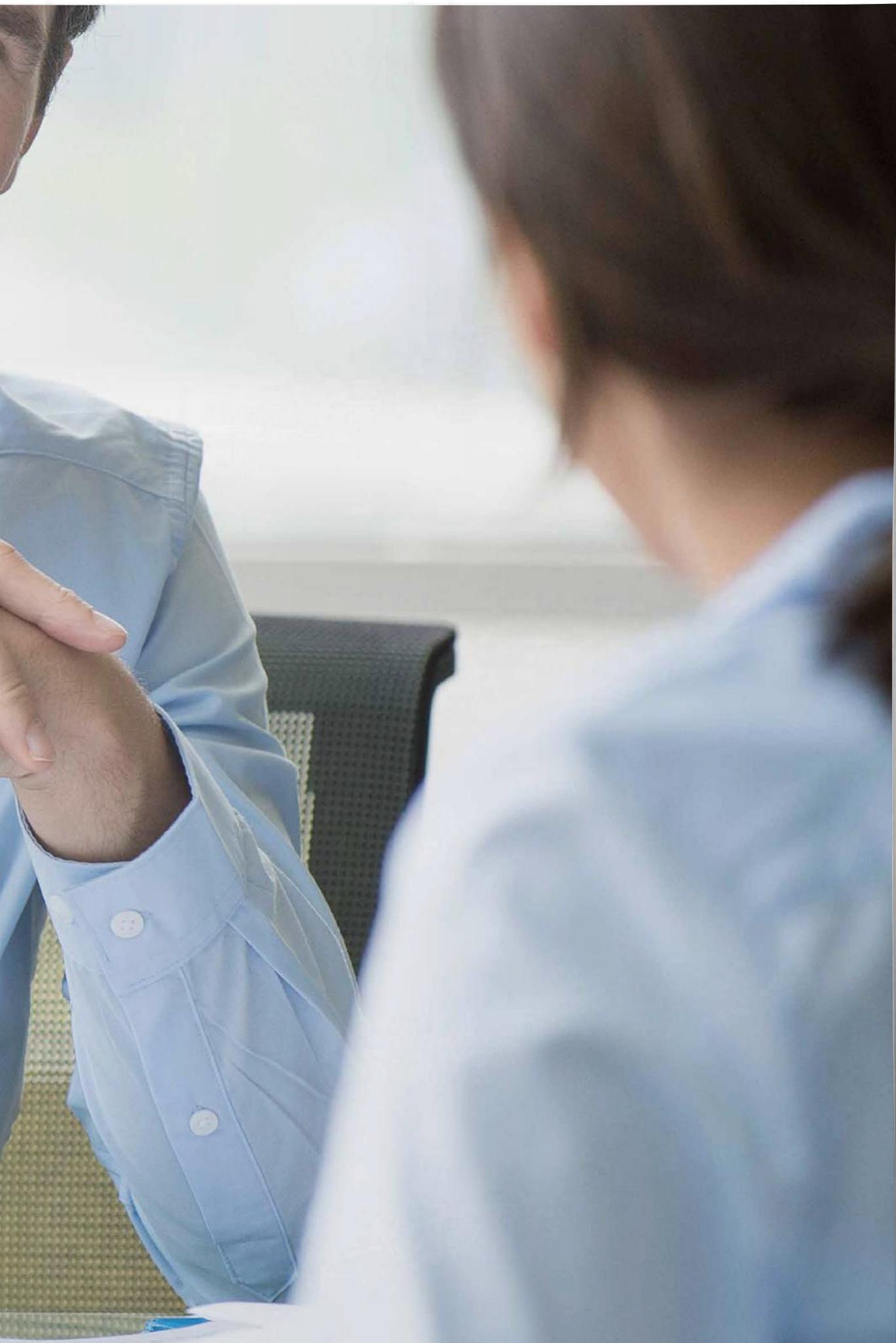
AVERAGE TURNOVER OF PROFESSIONALS BY AGE %



02. ACCOMPLISHING OUR PLANS

BANKIA HAS ANNOUNCED THE CONCLUSION OF THE RESTRUCTURING PLAN AGREED WITH BRUSSELS IN 2012.

NOW IT STARTS A GROWTH PHASE, BASED ON THE 2018-2020 STRATEGIC PLAN, WHICH HAS THREE PILLARS: CUSTOMERS, PEOPLE AND TECHNOLOGY.



02.1

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT

FINANCIAL YEAR 2017 WAS MARKED BY A RECOVERY IN BANKING ACTIVITY IN A CONTEXT OF REGULATORY PRESSURE AND LOW PROFITABILITY.

2017 was the best year for the world economy since 2011. Global growth was buoyant, at nearly 3.5%, with a significant and closely synchronised acceleration of GDP. The large developed economies outperformed expectations: the euro area grew 2.5%, the United States 2.3% and Japan 1.8%.

The strength of the European countries was especially significant because the improvement during 2017 was both quantitative and qualitative: the growth was more balanced across countries (France and Italy, which had been lagging behind, performed significantly better) and across the components of demand (the acceleration of consumption reduced dependence on the foreign sector).

The emerging economies improved too, mainly thanks to the strength

of China (6.9%) and the recovery of Brazil and Russia, which exited recession.

Overall, for the first time in more than six years, all the main economies grew above their potential, reducing idle capacity and boosting global inflation, thus warding off the risk of deflation. Specifically, prices in the euro area rose 1.5% in 2017, compared to 0.2% in 2016.

The robust macroeconomic conditions were an important factor in bringing stability to the financial markets, in contrast to the occasional spikes in risk, both political (uncertainty created by the Trump administration, Brexit, political uncertainty in Catalonia and difficulties in forming a government in Germany) and geopolitical (North Korea, Islamist attacks, tensions

between Iran and Saudi Arabia) during the year.

In this scenario the central banks slowly gained confidence in the sustainability of the global expansion and took steps to gradually withdraw monetary stimulus measures. The United States Federal Reserve raised its interest rate three times, to a range of 1.25%-1.50%, and started to reduce its balance sheet in October.

Meanwhile, in April the European Central Bank (ECB) slowed the monthly pace of asset purchases from 80,000 to 60,000 million and announced a further reduction, to 30,000 million euros, from January this year, although it also extended its programme until September. This decision could delay the start of interest rate rises, at least until the end of 2018 or the first quarter of 2019.

This synchronised action by the main central banks generated some upward pressure on yields, although persistently low inflation (especially in the euro area), geopolitical uncertainty and doubts as to whether the United States would be able to implement its tax reforms limited the scope for upward movement.

The 10-year Spanish bond performed well, despite the political uncertainty in Catalonia, and the risk premium held steady between 100 and 130 basis points, falling to 70-80 basis points at the start of 2018.

SURGE IN THE SPANISH ECONOMY

The Spanish economy maintained a very dynamic pace throughout 2017, with GDP growth of 3.1%, slightly below the previous year's rate. Thus, after four years of expansion, with the economy growing at rates above 3% since 2015 and cumulative growth of 13%, Spanish GDP rose above the levels reached before the onset of the 2008-2013 financial crisis, the most serious such crisis the country has experienced in recent decades.

The buoyancy of economic activity translated into strong job creation, with 490,000 more people in work, in terms EAPS, for a total labour force approaching 19 million, the best year-end figure since 2008. This had the effect of reducing the unemployment rate to 16.5% of the labour force, its lowest level in nine years. However, the aftermath of the crisis is still apparent in employment levels, as 1.75 million jobs have still not been recovered.

The Spanish economy thus showed a high level of inertia and continued to benefit from earlier tailwinds,

THE SPANISH ECONOMY REMAINED VERY DYNAMIC THROUGHOUT 2017, WITH GDP GROWTH OF 3.1%

which have proved more lasting than initially anticipated. The favourable funding conditions, for instance (a decisive factor, given the high levels of private sector debt) persisted, while the tourism industry continued to expand, setting new records; and in particular, the favourable performance of Spain's trading partners intensified.

Against this background, the last part of the year was marked by an uncertainty shock associated with the political crisis in Catalonia, although this was counterbalanced by an improvement in the environment outside Spain.

Unlike on previous occasions, the current expansion of the Spanish economy has been more balanced and shows a more robust pattern of growth. On the one hand, all the components of demand, including consumption, investment and exports, have contributed to the growth. On the other, the improvement in the economy has shown itself to be compatible with the correction of imbalances, such as the external deficit and private debt, which in the past have tended to cut such expansions short.

On the side of internal demand, household spending has continued

along the path of gentle moderation begun in mid-2015, in line with the dampening of certain factors that stimulated spending, such as tax reductions or low inflation, although others persisted, such as the positive labour market performance and the decrease in interest payments. Meanwhile, companies took advantage of their high financing capacity to continue to increase and improve the stock of productive capital while at the same time reducing their indebtedness.

Investment in construction, which the previous year was held back by the slowdown in public investment, achieved faster rates of growth, driven mainly by the residential segment.

02.1

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT

The housing market performed very strongly, though very unevenly across regions. Increasing demand, backed by the good employment, mortgage and tourist market performance, continued to drive prices and real estate development.

External demand once again contributed positively to GDP growth, with strong exports, partly due to the locomotive effect of the European economies, but also thanks to the constant efforts to improve the competitiveness of the productive sectors, not only through price and cost reduction but also through innovation and internationalisation.

In fact, Spain has had a current account surplus since 2013 (in 2017 the surplus amounted to nearly 2% of GDP), in contrast to the large deficits recorded before the start of the economic crisis (9.6% of GDP in 2007), which were among the highest in the world. Also, since 2012 the economy has been generating financing capacity, currently equivalent to 2% of GDP, compared to the considerable financing need it had 10 years ago, above 9% of GDP.

This financing capacity makes it possible to finance investment and at the same time continue to deleverage the private sector.

From its high point, household and corporate debt has been reduced by 21.6% (58 percentage points of GDP) to 159.9% of GDP, the lowest figure recorded in 12 years.

Inflation started the year at a four-year high (3%) but then began to gradually decline, ending the year at 1.1%, compared to 1.6% in 2016. The annual average was 2.0% (-0.2% the previous year). Despite the rapid increase in the prices of fresh food and electricity in the second half of the year as a result of the persistent drought, the inflation rate fell year-on-year due to the effect of the sharp price rises in the last part of 2016.



1.7%

Percent of GDP
current account surplus



1.1%

Inflation
averaging 2% over the year



3%

GDP growth
forecasted for 2018

For 2018 we anticipate a moderate slowing of the rate of growth, although the powerful expansionary inertia and the positive external context will favour average GDP growth in the region of 3%.

Nevertheless, this scenario remains subject to various uncertainties. The external environment could be less favourable than expected, with a greater rise in oil prices or a sharper tightening of monetary policy in the United States. It also remains to be seen how world trade will respond to the increased protectionism in the United States and the complicated Brexit negotiations.

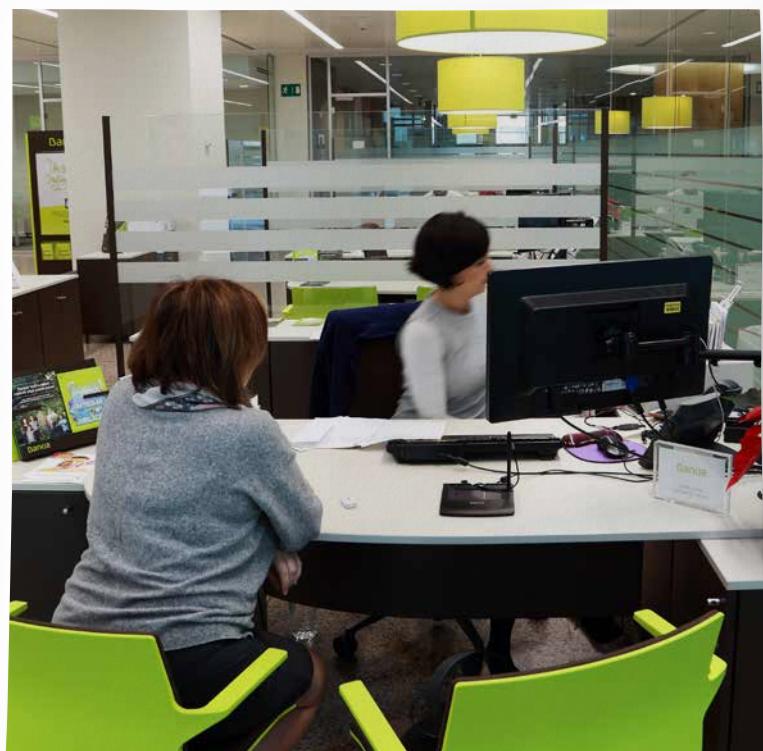
BANKING BUSINESS AND REGULATION

In the banking arena, the year was marked by an increase in banks' financial strength and a recovery of activity, in financial and regulatory conditions that put great pressure on profitability.

Over the year, Spanish banks strengthened their balance sheets and further improved their ability to absorb shocks. Solvency indicators increased over the year, both organically and through capital increases, and remained well above regulatory requirements. Non-performing and restructured assets, on the other hand, once again declined during the year, thanks to the economic upturn, bringing the non-performing loans (NPL) ratio down by more than one percentage point, to around 8%. In June, the European authorities agreed on the resolution of Banco Popular, which was absorbed by Santander, without giving rise to any problems for system stability.

EXPECTATIONS FOR 2018 ARE FOR MORE MODERATE GROWTH, THOUGH AT RATES STILL CLOSE TO 3%.

The activity of Spanish banks was supported by the buoyancy of the economy and the favourable financing conditions. New lending to households and companies gathered pace, reaching a cumulative total of more than 400,000 million euros (excluding renegotiated loans), up 11% on the previous year.



02.1

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT

A NEVER-ENDING PROCESS OF REGULATORY REFORM

In 2017 the process of regulatory reform continued. At the global level, implementation of the TLAC buffer (loss absorption requirement for global systemically important banks) continued, prompting a significant increase in new issue volume.

In Europe, further progress was made towards Banking Union. The European authorities reached an agreement to review the crisis resolution and solvency frameworks, in line with the reform proposed by the European Commission in November 2016. Noteworthy measures include the introduction of the TLAC in Europe and its alignment with the MREL (minimum required eligible liabilities for European systemically important banks, at an individual level), as well as the creation of a new category of loss-absorbing liabilities (non-preferred senior debt), establishing a harmonised approach within Europe. Meanwhile, the Single Resolution Board published its policy on the MREL, the highlights being that the targets will be set and notified to banks in the first quarter of 2018, will not be public and will be reviewed annually, and that the Board will set bank-specific transition periods with a maximum horizon, in principle, of four years.

In addition, transitional provisions were introduced to mitigate the impact on own funds of the new IFRS 9 accounting standard, which is intended to improve the coverage of financial instruments. Important issues remain to be resolved in order to complete the Banking Union, including the creation of a Common Deposit Guarantee Scheme (the third pillar of the process) and the establishment of a safety net for the Single Resolution Mechanism.

The progress was spread across all sectors, including SMEs, the self-employed, consumer finance and housing. However, it was not sufficient to prevent the volume of lending to companies and households as a whole from falling year-on-year, albeit more slowly, as the gradual deleveraging of certain segments of the private sector continued.

As regards customer funds, stability of deposits proved compatible with an increase in the net assets of mutual funds, largely due to higher net subscriptions. Given the decline in lending and the stability of deposits, the loan-to-deposit ratio of companies and households continued to decrease, ending the year 50% below the peak reached at the start of the financial crisis.

Profitability remained subject to the strong pressure of continuing very low interest rates. The net interest margin narrowed again last year, although lower net interest income was offset by an increase in net fee and commission income and a further reduction in operating expenses, with the result that Spanish banks continued to have one of the best efficiency ratios in the euro area, while the cost of risk returned to normal levels.

All in all, measured in terms of own funds, the profitability of the Spanish financial sector remained below the cost of capital, as in most European countries.

Over the year as a whole, stock market performance was favourable, interrupted only in October by the instability generated in Catalonia, before recovering in the last few months of the year. Banks continued to make strategic adjustments to offset the pressure on profitability, implementing cost-cutting plans and mergers and taking further steps in the digital transformation process.

As regards supervision, 2017 was the second year of application of the Supervisory Review and Evaluation Process (SREP) by the ECB. Through the SREP, the supervisor sets minimum capital requirements for significant institutions and issues Pillar 2 Guidance (P2G), a new

confidential and non-binding requirement. The ECB, one of whose top priorities is to reduce non-performing loans, also issued guidance to banks on how to manage their high volumes of non-performing loans and properly clean up their balance sheets. Similarly, the EU's Economic and Financial Affairs Council (Ecofin) proposed an action plan that includes additional measures to reduce the stock of non-performing loans, which must be adopted during the first quarter of 2018.

In Spain, the Government passed a decree law on urgent financial measures, which included two substantial changes: a reform of the legal regime governing cooperatives and the creation of a new category of loss-absorbing liabilities, "non-preferred senior debt", which will facilitate compliance with the MREL and the TLAC.



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.

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.

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



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.

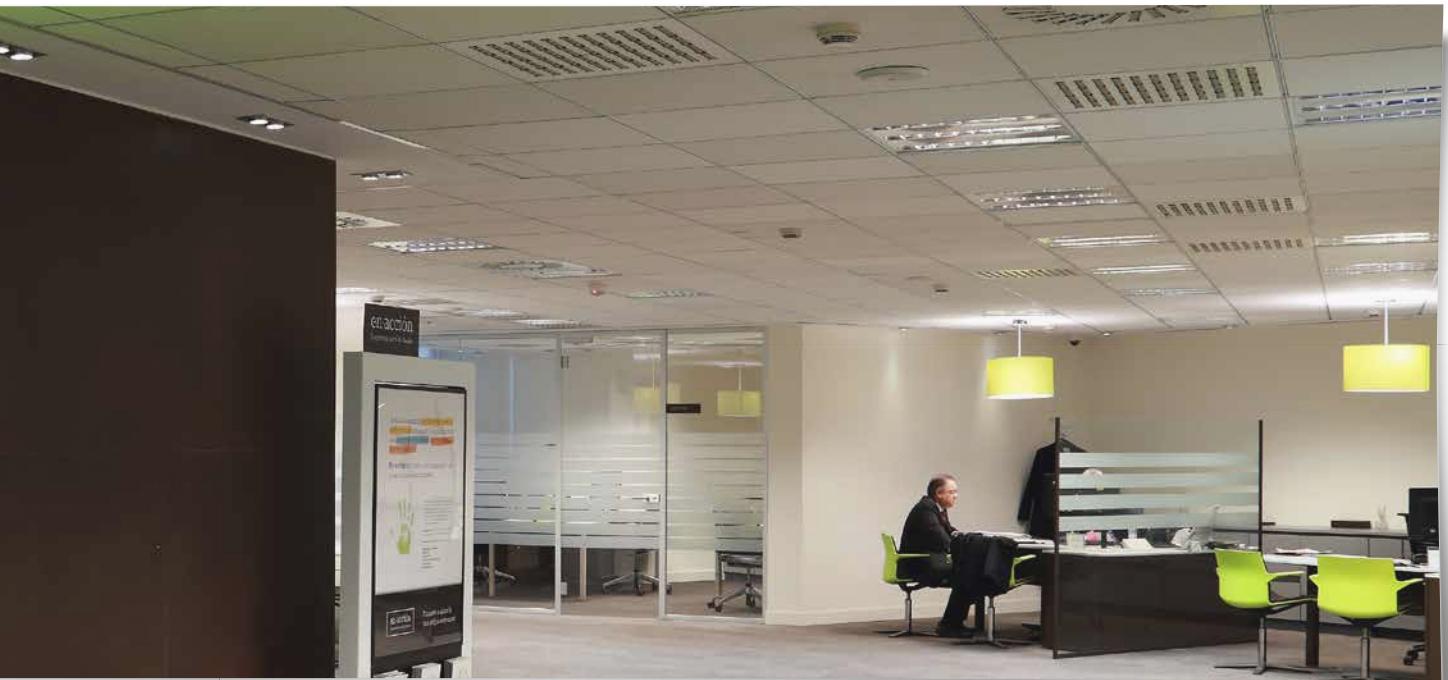
On a phase-in basis, the CET1 ratio stands at 14.15%. The capital surplus above the SREP regulatory requirements for 2018 is thus 559 basis points.

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.



02.2

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

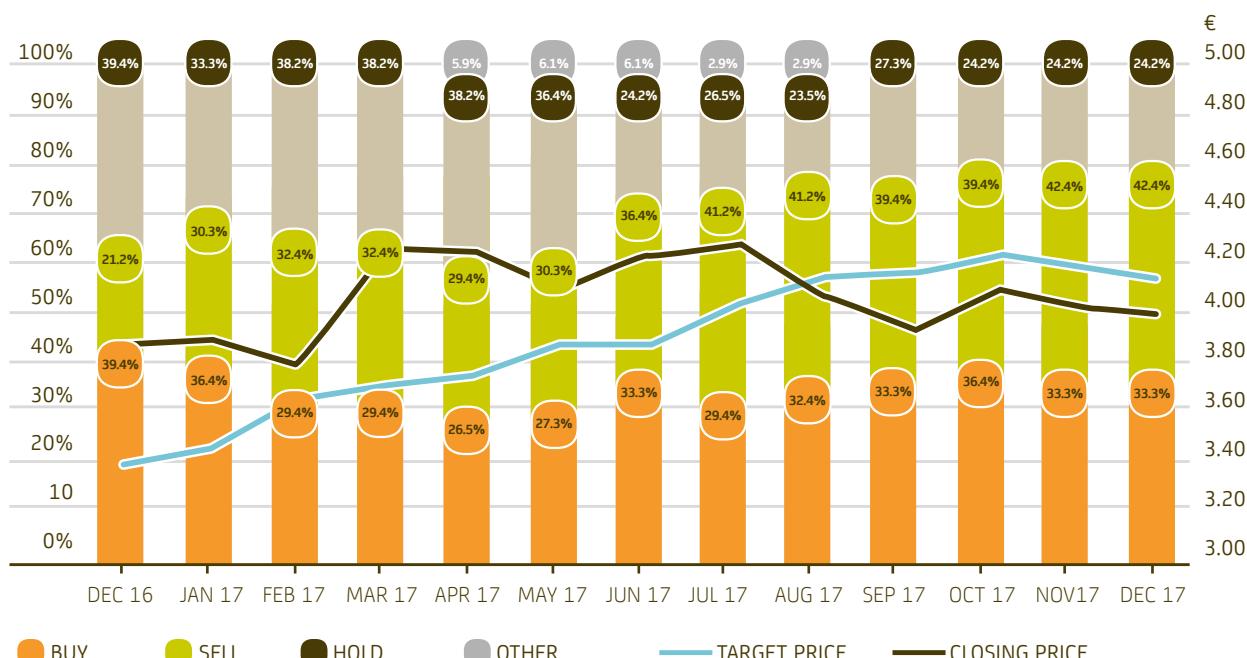
ANALYSTS' CONSENSUS

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



02.2

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



02.3 STRATEGY

BANKIA STARTS A GROWTH PHASE, HAVING FREED ITSELF OF THE CONSTRAINTS IMPOSED BY BRUSSELS IN 2012.

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On 28 November 2017, Bankia celebrated the fifth anniversary of the approval of the restructuring plan defined by Brussels and the presentation of the 2012-2015 strategic plan.

In the last five years, among other important milestones, the bank has met the targets set by the European Commission, has paid back a total of 2,656 million euros of state aid in various stages, has earned inclusion in the Dow Jones Sustainability Index (DJSI) and has positioned itself as a benchmark in the fintech sector with the launch of Bankia Fintech by Innsomnia, besides approving the merger with BMN.

Now, Bankia is starting a new phase, in which maintaining its leadership in efficiency, solvency

and profitability will be the main goal and growing, the essential objective.

To do this, Bankia will rely on two fundamental pillars, technology and people, while continuing to put the focus on the customer as the centre of all it does. The new financial year and the end of the limitations imposed by Brussels also allow the bank to open up new lines of activity, which will be especially important in the field of real estate development financing, capital markets and the world of large corporates.

The bank's plans in the more immediate future will continue to be marked by the drive to improve reputation and active listening to customers, with a view to raising satisfaction levels.

As a result of this active listening, in 2016 the bank approved the "SIN comisiones" strategy, which during that year benefited personal, self-employed and digital customers and which at the beginning of 2017 was extended to the mortgage segment, with the "Hipoteca SIN Comisiones" (mortgage without fees).

This commercial positioning will continue during 2018 and will be extended to new customers coming from BMN, provided they meet the requirements.

Another of Bankia's strategic pillars in 2017 was its positioning as a bank for businesses, one of the most important segments for value generation. For that purpose it developed "Soluciona empresas", a set of free digital

tools that will help companies in their everyday activities.

With the aim of enhancing customer satisfaction and increasing the bank's ability to attract new customers, Bankia also presented the funds simulator and the retirement planning simulator, to add to the property simulator and valuation tool introduced in 2016.

Multichannel distribution was reinforced and the "Connect with your Expert" project was supplemented with "Service +Value", an initiative designed for customers who have a less close relationship with the bank. Also, major efforts were made to apply innovation in the Bank's activity, so as to improve the customer experience.

FRAMEWORK OF THE MERGER WITH BMN

If there is any one event that marked the bank's development in 2017, it was the merger with BMN, announced by the Fund for Orderly Bank Restructuring (FROB) in March and approved by the shareholders of both institutions in September.

After all the necessary authorisations had been obtained on 29 December, the new company was registered in the Valencia Companies Register on 8 January under the name of Bankia. In the first few months of 2018, the bank has been focusing on the IT and cultural integration of the merged entities.

The merger makes sense in both industry and strategic terms and will position Bankia as the fourth largest Spanish bank, with assets of more than 223,000 million, as well as increasing its market presence and expanding its customer base.

BANKIA'S MAIN GOAL IN THE FUTURE WILL BE TO MAINTAIN ITS LEADERSHIP IN EFFICIENCY, SOLVENCY AND PROFITABILITY.

According to projections for 2020, the merger with BMN will generate an extra 245 million euros of profit (in addition to the profit Bankia would have on its own), boost earnings per share by 16%, increase the return on equity by 120 basis points and bring the return on invested capital to 12%. The BMN merger will strengthen the franchise and allow Bankia to reach a leading position in rapidly growing markets such as Granada, the Balearic Islands and the Region of Murcia.



02.3

STRATEGY

2018-2020 STRATEGIC PLAN

Having accomplished all the undertakings given in the 2012-2017 Restructuring Plan and having met the targets of the 2012-2015 Strategic Plan, Bankia is in a good position to start a new phase, in which it aspires to become the best bank in Spain: the most solvent, the most efficient

and the most profitable, with committed teams and satisfied customers, and recognised by society.

To achieve that goal, Bankia will implement the 2018-2020 Strategic Plan, on completion of which it expects to report a profit of 1,300 million euros and shareholder remuneration of 2,500 million euros, more than double the amount distributed in the last four years.

This figure is including the bank's intention to increase its payout ratio to 45%-50% and to return surplus capital above the 12% CET1 fully loaded level.

According to the road map for the next three years, the bank will achieve a ROE of 10.8% in 2020 and the efficiency ratio will drop below 47%, compared to 56% at the end of 2017, after synergies totalling 190 million euros from the BMN



merger. Likewise, the bank's fully loaded CET1 ratio will rise above 12%.

One of Bankia's goals is to be a more digital bank and so it will invest 1,000 million euros in technology. Its targets are to increase the proportion of online sales to 35% by the end of the three-year period and the proportion of digital customers to 65%.

In order to boost its revenue, the bank plans to increase the number of retail customers by 5% (+400,000) and the number of Business Banking customers by 20% (+12,500 companies), while growing fee and commission income by 200 million through sales of value-added products.

Bankia aims to improve its market shares in mortgage origination (from 7.3% to 10.8%), loans to companies (from 6.9% to 7.7%), consumer loans (from 5.5% to 6.6%), mutual funds (from 6.4% to 7.2%) and payment services (from 8.1% to 9% in credit cards).

Its projections also include an improvement in the loan portfolio mix, with mortgage lending representing 54%, lending to companies 34% and consumer finance 6%, as well as an improvement in balance sheet quality.

Specifically, it envisages a reduction of 8,800 million in non-performing assets (non-performing loans and foreclosed assets), which will bring the total stock to 8,400 million euros, and a fall in the NPL ratio to 3.9%.

To meet these targets, the bank expects to operate in a macroeconomic environment dominated by positive trends, with estimated GDP growth above 2%, 1.1 million new jobs created over the period, a rise in the Euribor to 0.76% and credit growth of around 2%.

A DIGITAL CULTURE PLAN FOR THE WHOLE BANK

Throughout 2017, Bankia pushed ahead with the digital transformation through the Digital Culture Plan. This cross-organisational, multidisciplinary, structural programme is focused on three main themes:

- Transformation, achieved through the creation of a change network based on "digital partners" and the preparation of digital productivity business indicators. The change network is the locomotive that will drive the transformation.
- People. The establishment of a Digital School has allowed the teams to develop new digital skills and roles. "New ways of doing things", "new attitudes" and "new ways of relating to people" have been developed as a result of the bank's digital transformation.
- Communication. Bankia has been working on a more effective, detailed and structured Communication Plan based on specific components (launch videos, app, public website, etc.). Also, a new Digital transformation website has been developed in which all the information relating to the digital world is centralised.

03. CORPORATE GOVERNANCE

MAINTAINING THE HIGHEST STANDARDS
OF CORPORATE GOVERNANCE IS ESSENTIAL
FOR BANKIA'S STRATEGY.

THE MODEL IS FAITHFUL TO THE GROUP'S PRINCIPLES.
ITS ULTIMATE OBJECTIVE IS PROFITABLE AND
SUSTAINABLE GROWTH OF THE GROUP'S BUSINESSES
AND LONG-TERM VALUE GENERATION FOR THE
BENEFIT OF CUSTOMERS AND SHAREHOLDERS.





03.1

THE MODEL

THE CORPORATE GOVERNANCE SYSTEM IS
DESIGNED TO SERVE THE CORPORATE INTERESTS
OF SHAREHOLDERS.

Bankia has a corporate governance system that has been approved by the Board of Directors and that is based on the group's corporate values in matters of business ethics and corporate social responsibility, namely, integrity, professionalism, commitment, proximity and achievement orientation.

The model rests on the principles of good governance adopted and set forth in Bankia's Corporate Governance and Organisational Structure Policy, as approved by the Board of Directors, and is based on the recommendations of the CNMV's Code of Good Governance for Listed Companies.

The Corporate Governance System comprises the corporate documents, the internal rules and procedures of conduct, and corporate policies. Its essential

purpose is to serve the corporate interest, understood as the interest common to all the shareholders of an independent public company that has a broad institutional and retail shareholder base and that is oriented to the profitable and sustainable pursuit of its corporate purpose and the creation of value in the long term.

governing the actions of the shareholders' supreme representative body and its rules of operation (notice of meetings, meeting preparation, information, attendance, procedure and exercise of voting rights).

- Board of Directors Regulations. These set out the principles governing the work of the Board, its basic rules of operation and rules of conduct for its members.

CORPORATE DOCUMENTS

- **Bylaws.** The Bylaws establish the bank's fundamental rules and principles of organisation and operation. They are implemented through two sets of regulations:

- General Meeting Regulations. These determine the principles

INTERNAL RULES OF CONDUCT

The Group also has other internal procedures and rules of conduct that comply with legal or regulatory requirements or implement good governance recommendations. They include:

- **The Code of Ethics and Conduct,** which sets out the commitments and guiding principles for directors, senior managers and the rest of the employees and that regulates their relations with one another and with other stakeholders.
- **The Internal Rules of Conduct in the Securities Markets,** which set out the obligations arising from the fact of being a listed company. Among other matters, they state the rules on market abuse and conflict of interest management.

These rules are implemented and supplement by internal provisions and procedures, such as the customer protection and whistleblowing channel regulations and the rules for the prevention of money laundering and the financing of terrorism.

CORPORATE POLICIES

These policies lay down guidelines or general principles for the group's governing bodies, functions, activities and processes, with special attention to their legal certainty. They are general in scope and are intended to remain in place in the long term. They have been approved by the Board of Directors in accordance with legal requirements and taking good

governance recommendations into account. Most notably they include:

- **Bankia Group Corporate Governance and Organisational Structure Policy.** This defines the main corporate governance issues and commitments and provides general guidelines for the group's organisation through its various subsidiaries and the configuration of their respective governing bodies. The goal is to create a proper framework of coordination and efficiency among the various companies.
- **Policy on Information, Communication and Contacts with shareholders, institutional investors and proxy advisors.** This sets out the principles that will ensure ongoing communication and dialogue with stakeholders. Its purpose is to create stable relationships of trust and promote transparency, always taking into account the rules against market abuse and the principle of equal treatment for people in the same position.
- **Director Selection Policy and Senior Manager Selection and Appointment Policy.** These policies establish the criteria that should be taken into account in the selection and re-election of members of the Board of Directors and members of Senior Management. The Director Selection Policy promotes diversity of knowledge, experience and gender on the Board.
- **Remuneration Policy for directors, managing directors and the holders of Senior Management positions.** This policy sets out the principles of the remuneration system and the types of remuneration, in accordance with the laws and regulations on solvency and capital companies.
- **Risk Control and Management Policies.** These address the information and internal control systems for controlling and managing the different types of risk, both financial and non-financial (including social, environmental, corporate governance, reputational and tax risks). They also include criteria for determining acceptable risk levels and measures to limit potential impacts.
- **Investment and Financing Policy.** This policy sets out Bankia's guidelines and general approach to investment and financing.
- **Responsible Management Policy.** This promotes the integration of social, environmental and corporate governance criteria in management. The aim is that the group's activity should be oriented to creating value for its various stakeholders.
- **Dividend Policy.** This policy sets out the principles that must govern the Board of Directors' proposals and resolutions concerning shareholder remuneration.
- **Treasury Shares Policy.** This contains the rules on transactions in the Company's own shares, in accordance with the limits and other requirements of the securities market regulations.
- **Conflicts of Interest Policy.** This specifies procedures to prevent conflicts of interest affecting shareholders, members of the Board of Directors and Senior Management, employees, suppliers, customers and other parties related to any of these groups.

03.2

PROGRESS IN CORPORATE GOVERNANCE

BANKIA AMENDED THE BOARD OF DIRECTORS REGULATIONS TO INCLUDE THE RULES ON THE FUNCTIONING AND POWERS OF THE BMN MERGER MONITORING AND OVERSIGHT COMMITTEE AND DIRECTORS' OBLIGATION TO HOLD SHARES.

In March 2017 Bankia re-elected six members of its Board of Directors for a four-year term: two executive directors (José Ignacio Goirigolzarri and Antonio Ortega) and four independent directors (Jorge Cosmen, José Luis Feito, Fernando Fernández and Álvaro Rengifo, although the latter resigned from this position in October). With this renewal, the group complies with the recommendations of the European Central Bank (ECB), and the Board of Directors continues to have a large majority of independent directors, in line with corporate governance best practice.

In February 2017, after considering a favourable report from the Audit and Compliance Committee, the Board of Directors agreed to amend the Board Regulations to include the obligation that all Board members have an equity interest in the bank.

The aim is to more closely align the interests of directors with those of the shareholders.

MERGER PROCESS

The bank also adopted various decisions in relation to the merger with BMN. In order to ensure total autonomy and independence in its actions, at the proposal of the lead director and after considering a report by the Audit and Compliance Committee, the Board of Directors approved the creation of the Bankia-BMN Merger Monitoring and Oversight Committee.

This Committee, which was dissolved in January 2018 once the legal merger had been

completed, was made up of the lead independent director and chairman of the Appointments and Responsible Management Committee, who acted as chairman; the chairman of the Audit and Compliance Committee; the chairman of the Remuneration Committee; and the chairman of the Risk Advisory Committee.

The committee had power to inform, advise and make proposals and, in particular, was given the critical task of continuously monitoring the merger, both in its preliminary research phase and, where applicable, as regards compliance with the legal requirements established in the merger terms and conditions. The Committee reported to the Board of Directors on the progress of the merger, seeking in particular to protect the interests of the group and all its shareholders.

Furthermore, in order to ensure total independence of the Board of Directors to make decisions in the exclusive interest of Bankia, its three executive directors announced their intention to abstain in all deliberations and voting on the merger, given their ties as directors of BFA, Tenedora de Acciones, S.A.U.

BANKIA COMPLIES WITH ALL THE RECOMMENDATIONS OF THE CODE OF GOOD GOVERNANCE OF LISTED COMPANIES THAT ARE APPLICABLE TO IT.

COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

Bankia maintains its commitment to the Code of Good Governance of Listed Companies and compliance with its recommendations. Of the Code's 64 recommendations, the bank complies fully with the 59 that are applicable to it.

The other five recommendations do not apply to Bankia. They are Recommendations 2, 10, 11, 37 and 38, relating to disclosures about listed subsidiaries, the action to be taken if certified shareholders complete or submit new proposals in the General Meeting agenda, the payment of attendance bonuses at General Meetings and the creation of an Executive Committee. All these matters either do not arise or do not exist in Bankia.





03.3 DIRECTORS

DIRECTORS ARE KEY TO THE BANK'S EFFECTIVE OPERATION AND THE DEFENCE OF ITS STAKEHOLDERS' INTERESTS.

One of the essential features of the Board of Directors' role is its independence. For that reason, Recommendation 17 of the Code of Good Governance of Listed Companies advises that at least half the directors should be independent. This recommendation has been expressly incorporated into article 38 of Bankia's Bylaws.

In compliance with that article, between 1 January and 17 October 2017 the bank's Board of Directors was made up of 11 directors, of whom three were executive and eight independent, which means that 72.73% of the Board members were independent. The proportion changed slightly on 17 October as result of the resignation of the independent director Álvaro Rengifo. From that date until the end of the year, independent directors accounted for 70% of the Board.

ASSESSMENT

Another fundamental aspect to ensure proper functioning of the Board of Directors is the assessment of the Board's work, which is performed each year by an independent expert appointed from among the top firms in the market. The assessment is organised by the chairman of the Board, in coordination with the chairmen of the Audit and Compliance Committee and the Appointments and Responsible Management Committee.

Once a year, under the direction of the lead director, the Board of Directors assesses the performance of the Board's chairman, taking the prior report issued by the Appointments and Responsible Management Committee as a reference.

Bankia also conducts an annual assessment of the suitability of each director, based on the requirement that directors be individuals of recognised business and professional standing, have the necessary knowledge and experience to perform their functions and be capable of exercising good governance of the bank. This is independent of the assessment of the suitability of the Board of Directors as a whole, which is also required. Failure to meet the suitability requirements is grounds for removal of a director.

CONFLICTS OF INTEREST

Detecting and managing potential conflicts of interest is another of the priorities in corporate governance. Bankia has a number of general principles that apply to conflict of interest management. These principles are implemented and supplemented by the provisions of various internal regulations, including the corporate governance policy itself, the Code of Ethics and Conduct and the regulations of the Board of Directors, the General Meeting of Shareholders and on conduct in the securities markets.

For directors the main obligations are as follows:

- They must take the necessary steps to avoid finding themselves in situations in which their own interests or those of other persons conflict with the interests of the company and their duties to the company. They must also exercise personal responsibility in the performance of their functions, using their own judgment and acting independently of any instructions from or ties to others.
- Directors must notify the Board of Directors of any direct or indirect conflict they or persons related to them may have with the interests of Bankia. They must also refrain from taking part in deliberations or voting on resolutions or decisions in which they or persons related to them have a direct or indirect conflict of interest.

MORE THAN 70% OF BANKIA'S DIRECTORS ARE INDEPENDENT.

THE GROUP ASSESSES ITS DIRECTORS' SUITABILITY YEARLY.

TRAINING AND INFORMING DIRECTORS

Bankia has a training programme to help directors broaden their knowledge in economic and corporate matters. The content of this programme is adapted each year in the light of the directors' needs and regulatory requirements. The 2017 training plan included monthly sessions with the following content:

- Cyber security
- Risks
- Social action and sponsorship
- MiFID II
- Regulatory compliance update.
- Internal processes

Directors regularly receive the latest economic and financial news, as well as updates on responsible management, technological innovation and banking regulations.

03.3

DIRECTORS

- They must make an initial statement of potential conflicts at the time of assuming the post. This statement must be

updated immediately if the stated circumstances change or new circumstances arise.

DIRECTORS COMPETENCY MATRIX

	José Ignacio Goirigolzarri	José Sevilla	Antonio Ortega	Joaquín Ayuso
Status	Executive	Executive	Executive	Independent
Number of years on the Bankia Board	5	5	3	5
Committee membership	-	(1)	-	(2) (3) (4) (5)
Membership of other boards	(A) (B)	(A)	(A) (C)	(D) (E) (F) (G)
Prior experience				
Senior management experience in banks/ financial institutions	●	●	●	
Senior management experience other (non-financial) industries	●		●	●
Areas of experience/competency				
Credit institutions	●	●	●	●
Financial markets	●	●	●	●
Risk management	●	●	●	
Auditing / Accounting	●	●	●	●
Strategy consulting			●	●
Legal / Regulatory framework	●	●	●	●
Public sector				
Technology sector	●	●	●	
Tourism/ Transport				●
Industrial sector				●
Consumer goods/ Distribution				
Real estate sector				●
Teaching / Research	●	●	●	



- | | | |
|--|---|---|
| (1) Board Risk | (A) BFA, Tenedora de Acciones, S.A.U. | (G) National Express Group, Plc. |
| (2) Audit and Compliance | (B) Confederación Española de Cajas de Ahorros | (H) Meliá Hotels International, S.A. |
| (3) Appointments and Responsible Management | (C) Cecabank, S.A. | (I) Telefónica, S.A. |
| (4) Remuneration | (D) Ferrovial, S.A. | (J) Telefónica Deutschland, GMBH |
| (5) Bankia-BMN Merger Monitoring and Oversight | (E) Autopista del Sol, Concesionaria Española, S.A. | (K) General Técnica Industrial, S.L.U. |
| (6) Risk Advisory | (F) Hispania Activos Inmobiliarios, S.A. | (L) Quintorge, S.L. |
| | | (M) Red Eléctrica Corporación, S.A. |
| | | (O) Liberty Seguros, Compañía de Seguros y Reaseguros, S.A. |

03.3

DIRECTORS

*DIRECTORS RECEIVED
TOTAL REMUNERATION OF
EUR 3.18 MILLION IN 2017.*

REMUNERATION

The remuneration system for Bankia's directors and senior managers is governed by a number of principles, including a proper balance of remuneration types, results orientation and recognition of excellence, gender equality and internal fairness.

Bankia's Board of Directors approves a report on directors' remuneration and submits it, as a separate item on the agenda, to a consultative vote of the shareholders at the General Meeting.

Remuneration at Bankia is made up of a fixed part, based on the person's position and any functional or

personal supplements applicable in each case, and a variable part.

The variable part must be consistent with the interests of shareholders, prudent risk management and long-term value generation for the company. In any case, variable remuneration will be paid only if it is sustainable, based on Bankia's overall situation, and if it is justified by the bank's results.

In the bank's current situation, having received public financial support, the remuneration received by the Board of Directors is limited by law. This means, for example, that the remuneration of directors who have no executive functions is limited to 100,000 euros per year.

Nor do directors receive attendance fees for taking part in Board meetings or the meetings of Board committees.

At the same time, the fixed remuneration of all kinds received by executive directors may not exceed 500,000 euros per year in total, including any remuneration received within the group. Also, their annual variable remuneration may not exceed 60% of that amount.

The amount, accrual and payment of any variable remuneration requires the express approval of the competent supervisory authorities. Once approved, it does not vest until three years after the date of accrual, in accordance with regulations. In 2017, for the second year in a



100,000 €

Maximum remuneration
of all kinds for directors who
have no executive functions.



500,000 €

Executive directors
Maximum fixed amount
received per year.



60%

**Maximum annual
variable remuneration**
as a % of annual
fixed remuneration

row, the executive directors José Ignacio Goirigolzarri, José Sevilla and Antonio Ortega each accrued a total of 300,000 euros of variable remuneration. If authorised, this remuneration will be paid in 2021 (50%), 2022 and 2023, half in cash and half in shares.

BOARD OF DIRECTORS REMUNERATION

SURNAME(S) AND FIRST NAME	SALARY	REMUNERATION	FIXED REMUNERATION	SHORT-TERM VARIABLE REMUNERATION ⁽²⁾	LONG-TERM VARIABLE REMUNERATION ⁽³⁾	REMUNERATION FOR MEMBERSHIP OF BOARD COMMITTEES	INDEMNITIES	TOTAL 2017
Goirigolzarri Tellaeche, José Ignacio	500	--	--	250	50	--	--	800
Sevilla Álvarez, José	500	--	--	250	50	--	--	800
Ortega Parra, Antonio	500	--	--	250	50	--	--	800
Ayuso García, Joaquín	--	100	--	--	--	--	--	100
Campo García, Francisco Javier	--	100	--	--	--	--	--	100
Castillo Sanz, Eva	--	100	--	--	--	--	--	100
Cosmen Menéndez-Castañedo, Jorge	--	100	--	--	--	--	--	100
Feito Higuera, José Luis	--	100	--	--	--	--	--	100
Fernández Méndez de Andés, Fernando	--	100	--	--	--	--	--	100
Rengifo Abbad, Álvaro ⁽¹⁾	--	80	--	--	--	--	--	80
Greño Hidalgo, Antonio	--	100	--	--	--	--	--	100
TOTAL DIRECTORS	1,500	780	750	150	0	0	0	3,180

Figures in thousands of euros.

- (1) On 17 October 2017 Mr. Álvaro Rengifo Abbad ceased to be a director. The amounts shown are for the period from 1 January to 17 October 2017.
- (2) The target amount of annual variable remuneration for 2017 of the three executive directors was 250 thousand euros per director. The amount of annual variable remuneration accrued by the three directors in 2017 is awaiting final assessment and the authorisations and approvals required under applicable law.
- (3) The target amount of long-term variable remuneration for 2017 of the three executive directors was 150 thousand euros per director, although this remuneration, together with the annual variable remuneration, may not exceed 60% of the fixed remuneration. The amount of long-term variable remuneration accrued by the three directors in 2017 is awaiting final assessment and the authorisations and approvals required under applicable law.

MANAGEMENT COMMITTEE REMUNERATION

	SHORT-TERM REMUNERATION ⁽¹⁾	LONG-TERM REMUNERATION ⁽²⁾	POST-EMPLOYMENT BENEFITS ⁽³⁾	TERMINATION BENEFITS	TOTAL 2017
Total Management Committee	2,357	302	123	--	2,782

Figures in thousands of euros.

- (1) Includes the target amount of annual variable remuneration for 2017 of the four members of the Management Committee, amounting to 732 thousand euros, although awaiting final assessment and approval.
- (2) The target amount of long-term variable remuneration, together with the annual variable remuneration, may not exceed 60% of the fixed remuneration. The amount of long-term variable remuneration accrued in 2017 is awaiting final assessment and the authorisations and approvals required under applicable law.
- (3) Relates to the contributions made for pensions and life insurance premiums.

03.3

DIRECTORS

SELECTION AND SUCCESSION PLAN

Bankia has a director selection policy and a Senior Management Succession Plan, in accordance with regulatory requirements, regulators' recommendations and corporate governance best practice.

The director selection policy is approved by the Board of Directors at the proposal of the Appointments and Responsible Management Committee. Its purpose is to ensure that directors have the necessary experience, competences and knowledge to deliver independent, professional oversight. Also, proposals for appointment or re-election must be based on an analysis of the Board of Directors' needs. The bank's policy favours gender diversity, as well as diversity of knowledge and experience.

The Senior Management Succession Plan (which includes the posts of chairman and CEO, the members of the Management Committee and the corporate general managers) is analysed by the Appointments and Responsible Management Committee.

The plan's main goal is to identify successors for the bank's top posts and create development and career plans to ensure that the candidates for senior positions in the bank are properly prepared to take on the responsibility when the time comes.

It also focuses on detecting any succession weaknesses and establishing action plans to remedy them.

The succession plans must be managed in a structured, proactive way and must meet the following criteria:

- Combine the organisation's present and future needs.
- Be integrated in the Board of Directors' functions (Appointments Committee and lead director).



- Be reviewed annually to assess successors' performance, add new candidates, define additional development actions, etc.
- Foster job rotation to ensure effective learning and facilitate acquisition of the necessary professional experience.

BANKIA HAS A SENIOR MANAGEMENT SUCCESSION PLAN THAT IS ANALYSED BY THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE.





03.4

CORPORATE INTEGRITY

THE CODE OF ETHICS AND CONDUCT SETS OUT THE CORPORATE INTEGRITY PRINCIPLES AND IS THE FRAMEWORK FOR THE PREVENTION OF INAPPROPRIATE BEHAVIOUR.

Bankia has a Code of Ethics and Conduct that is mandatory for all employees and in all the group's activities and businesses. It regulates permitted and prohibited conduct both internally and in relations with external stakeholders.

The code is the proof that for Bankia ethics is not an option but a conviction founded on the bank's principles and values: commitment, integrity, professionalism, proximity and achievement orientation. These principles are implemented in different plans:

- **Corporate ethics.** The code establishes the values that should be adhered to in the group's relations with its professionals, customers, suppliers and society at large. In particular, it prevents institutional conflicts of interest by establishing barriers to stop non-public information concerning its investment decisions and other activities from being used abusively or unlawfully.

- **Ethics and integrity in the markets.** To ensure compliance with international standards in this respect, the bank has implemented policies designed to prevent market manipulation and the use of inside information and to foster free market competition and transparency. The code also establishes control mechanisms,

including training plans for managers and other employees, to prevent the commission of crimes of corruption. Various specific recommendations are also given to prevent corruption in relation to supplier selection, incentives and credit risk.

- **Personal ethics.** Accepting gifts, money or commissions of any kind for operations carried out by Bankia and influencing matters in which there are actual or potential conflicts of interest is expressly prohibited.

Group employees have an obligation to know, comply with and work to ensure adherence to the Code of Ethics and Conduct.

Bankia's Ethics and Conduct Committee is responsible for overseeing compliance with the code and promoting ethical conduct within the bank. To that end it carries out cross-organisational actions to raise employee awareness of the need to prevent situations that could potentially lead to infringements of the code. In 2017, the committee held 12 meetings. Bankia also sends regular notices to the workforce to promote knowledge of and compliance with the code.

BANKIA'S ETHICS AND CONDUCT COMMITTEE IS RESPONSIBLE FOR OVERSEEING COMPLIANCE WITH THE CODE AND PROMOTING ETHICAL CONDUCT WITHIN THE BANK.



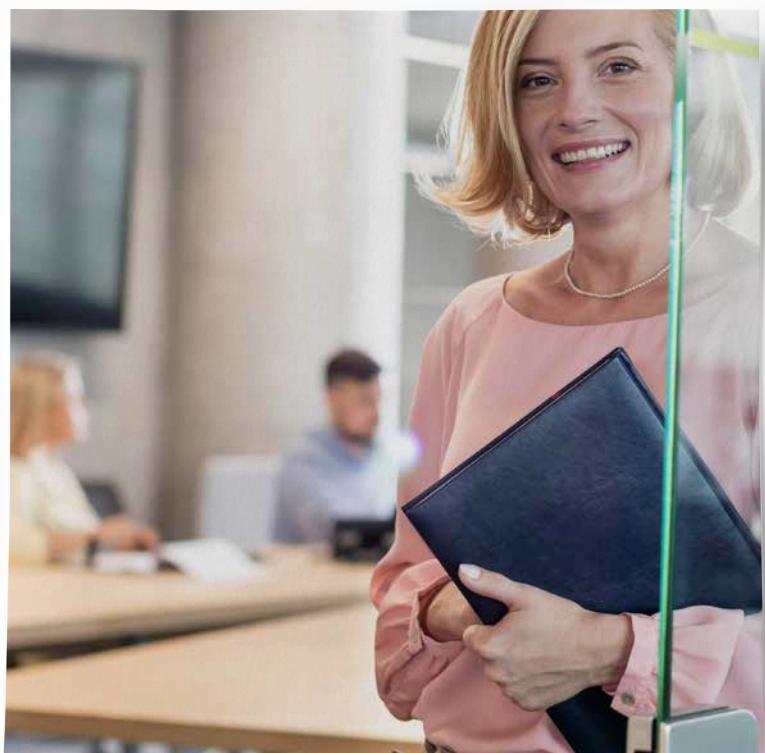
100%

of employees
have an obligation to know
and comply with the Code
of Ethics and Conduct



12

Meetings of the Ethics
and Conduct Committee



03.4

CORPORATE INTEGRITY

CONFIDENTIAL WHISTLEBLOWING CHANNEL

One of the tools that helps reinforce the bank's ethical principles is the Confidential Whistleblowing Channel, which facilitates internal detection and reporting of bad practices. Any breach of the Code of Ethics and Conduct can be reported through a specific digital platform or by email.

The channel has its own regulations, approved by the Audit and Compliance Committee, which establish mechanisms for the reception, filtering, classification and resolution of reports in accordance with Spanish Data Protection Agency standards.

To protect its independence, the channel is managed externally by a specialised company (currently PwC), under the oversight of the Ethics and Conduct Committee, which is responsible for ensuring that all reports received are assessed independently

and that the information is shared only with people whose collaboration is strictly necessary to research and resolve the matter. The reporting procedure is completely confidential and preserves the anonymity of the whistleblower, except for the persons directly involved in responding to the report and checking the facts.

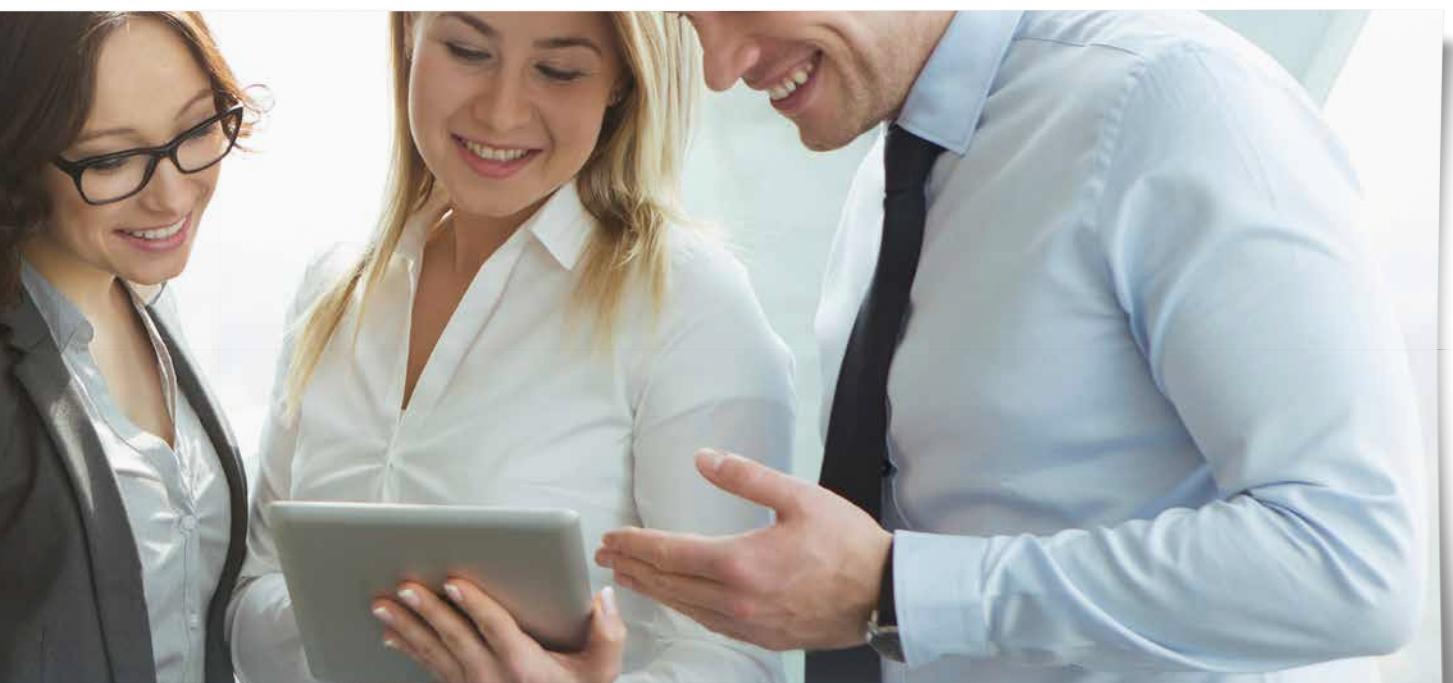
During 2017 seven reports were received through the confidential whistleblowing channel, one more than in 2016 but four less than in 2015.



**7**

Reports received
in the Confidential
Whistleblowing Channel

*THE CONFIDENTIAL
WHISTLEBLOWING
CHANNEL IS MANAGED
BY AN OUTSIDE COMPANY
OVERSEEN BY THE
ETHICS AND CONDUCT
COMMITTEE.*





03.5 INTERNAL CONTROL AND COMPLIANCE

IN BANKIA THERE IS AN ONGOING COMMITMENT TO COMPLY WITH BANKING STANDARDS AND REGULATIONS.

The increasing complexity of the international, European and Spanish regulatory and supervisory rules to which financial institutions are subject has made internal control and compliance activities even more important and necessary, as more effective and efficient mechanisms of risk control and risk management.

In 2017 this demanding regulatory environment was further complicated by preparations for the entry into force of the new Markets in Financial Instruments Directive (MiFID II), the new Payment Services Directive (PSD2) and the General Data Protection Regulation (GDPR).

Bankia has an effective internal control and risk management organisation and effective systems to ensure compliance with the rules to which its actions are subject and with good banking practices.

CRIMINAL RISK PREVENTION

Bankia's criminal risk prevention model identifies the activities that must be prevented and the necessary protocols and procedures to avoid any behaviour that could give rise to criminal liability. The model requires the implementation of controls (some general, others more specific, assigned to previously appointed officers) and adopts the rules of conduct set out in the bank's Code of Ethics and Conduct.

In line with the criteria set out by the Office of the State Public Prosecutor and with criminal liability prevention best practice, in 2017 Bankia engaged an outside expert to prepare an independent review report on the bank's criminal liability prevention model.

The bank has computer software that allows it to systematically map its criminal liability prevention risks and controls, so as to detect any circumstance that could entail an increased risk of the commission of criminal acts.

Additionally, in 2018 Bankia will adapt its criminal liability prevention model to the bank's new situation after the merger with BMN, updating the risk and control map.

ANTI-MONEY LAUNDERING/ COMBATING THE FINANCING OF TERRORISM (AML/CFT)

Bankia collaborates actively with the institutions responsible for supervising and controlling compliance with European and Spanish laws and regulations on the prevention of the laundering of the proceeds of criminal activities and terrorist financing. For this purpose, Bankia has mandatory rules and procedures to:

- Ensure compliance with applicable AML/CFT laws and regulations and the recommendations of the national and international authorities.
- Assess the exposure to AML/CFT risk in its activity.
- Implement the necessary rules of conduct and control and reporting systems to prevent the bank from being used to launder money or finance terrorism.
- Establish customer acceptance and know-your-customer policies and ensure that all employees are aware of and adhere to them.
- Train all its employees in a culture of compliance aimed at delivering a good service to its customers.

IN 2018 THE FOURTH EUROPEAN ANTI-MONEY LAUNDERING DIRECTIVE IS EXPECTED TO BE INCORPORATED INTO SPANISH LAW.

NO. OF EMPLOYEES TRAINED IN CRIMINAL RISK PREVENTION

53

NO. OF EMPLOYEES TRAINED IN THE PREVENTION OF MONEY LAUNDERING

1,518

In 2018 the fourth European anti-money laundering directive is expected to be incorporated into Spanish law. This new directive affects, among other things, the maximum permitted amount of cash transactions and the possibility of information sharing between countries in order to more effectively combat money laundering, especially the financing of terrorism, as this is at the top of the European agenda after the multiple terrorist attacks perpetrated in 2017.

In the field of technology, in 2018 a series of technologies will gradually be introduced to improve customer knowledge and facilitate integrated prevention through data analysis and artificial intelligence.

03.5

INTERNAL CONTROL AND COMPLIANCE

DATA PROTECTION

Bankia has adopted a set of measures to ensure proper implementation of data protection principles and customers' data protection rights. The rules include instructions and provisions concerning the information that must be provided when collecting data, the duty of secrecy and custody of data, the need to obtain consent for data processing, and exercise of the rights of access, rectification, cancellation and objection.

Customer information is one of Bankia's most important assets and protection of that information is a priority, especially in view of the recent advances in technology and communication. As a financial institution at the service of the society that demands its services, the bank directly assumes a very substantial part of the responsibility for ensuring comprehensive security.

**NO. OF EMPLOYEES TRAINED
IN DATA PROTECTION**

78

**NO. OF EMPLOYEES
TRAINED IN MIFID**

5,266

Bankia also has a legal and ethical obligation to protect, on the same terms, the information of collaborating entities, other persons with which the bank has dealings and official bodies.

During 2017, the group started a project to adapt to the new General Data Protection Regulation, which will come into force on 25 May 2018 and will affect the entire organisation. The aim is to analyse the possible legal, organisational and technological impacts of this new regulation and gradually take whatever steps or measures may be necessary in order to ensure compliance.

The main purpose of the General Data Protection Regulation is to implement common data protection principles, rules and standards (rights of data subjects and obligations of data controllers) that are adapted to the digital environment. The new regulation represents a substantial change compared with the previous regulation and is a challenge for the bank.

*IN 2017 THE GROUP STARTED
A PROJECT TO ADAPT TO THE
NEW GENERAL DATA PROTECTION
REGULATION, WHICH COMES
INTO FORCE IN 2018.*

THE CHALLENGES OF MiFID II

The prospect of the entry into force of the second Markets in Financial Instruments Directive (MiFID II) in 2018 forced the bank to make considerable efforts during 2017 to analyse and adapt both its processes and procedures and its business model. The aim is to improve the advice given to customers and to design and distribute investment products and services that match customers' needs and interests.

Important changes in MiFID II include a strengthening of the conduct of business rules, already regulated by MiFID I, that are to be applied when providing investment services, so as to offer greater investor protection.

The most noteworthy steps taken in 2017 to adapt to MiFID II, which will have to be consolidated in the course of 2018, are as follows:

- Product governance. The suitability and appropriateness assessments were reinforced in order to enhance customer knowledge and thus provide a more complete service, tailored to customers' needs, ensuring that those needs are met both in the design and in the distribution of investment services and financial instruments.
- Continuous development of employees. Bankia started specific training plans for employees in the commercial network to ensure that both the information about financial instruments provided to customers and the advice the customers are given result in a better service.
- Greater information transparency. The customer notification procedures were reinforced. The purpose is to provide customers with relevant and timely information on investment strategies and financial instruments and the associated costs and expenses.

At the same time, the entry into force of MiFID II makes it necessary to reinforce the information systems, as the new regulation requires banks to record large amounts of information. For example, MiFID II requires the recording of all relevant telephone conversations linked to transactions or to the provision of services that relate to the reception, transmission and execution of client orders.

During 2017, a total of 5,266 Bankia employees received training in MiFID II, of which 94.1% passed. Added to them are the 2,147 employees of BMN, with a pass rate of 71.5%.

As of January 2018, a total of 2,657 professionals had enrolled in the first phase of training. A total of 3,250 people are expected to enrol in the second phase.

03.5

INTERNAL CONTROL AND COMPLIANCE

INTERNAL CONTROL

The Corporate Internal Audit Directorate supervises and evaluates the effectiveness of the bank's corporate governance, risk management, internal control and information systems and also verifies compliance with internal and external regulations.

The directorate reports periodically to the Audit and Compliance Committee and to the bank's Senior Management on the implementation and results of the Annual Audit Plan and any audit recommendations and their degree of implementation. This reporting obligation is fulfilled through quarterly presentation of the Audit Follow-Up Report to the Audit and Compliance Committee and the Management Committee.

The Internal Audit function covers all the activities carried out in the group and has unlimited access to the information it needs for the performance of its tasks. In carrying out its work it may contact and gather information from any senior manager or employee of the bank. Internal Audit also participates actively in several of the group's control committees, including the Regulatory Compliance Committee,

the Ethics and Conduct Committee, the Operational and Technology Risk Committee, the Regulatory Monitoring Committee, the Anti-Money Laundering Committee and the Provisioning Committee.

Internal Audit has established seven processes, which summarise the work it does:

1. Preparation of the Audit Plan.
2. Execution of business centre audits.
3. Execution of process, centre and system audits.
4. Monitoring of audit recommendations.
5. Development and maintenance of audit function support applications.
6. Internal audit communication and reporting.
7. Collaboration with and coordination of external audits.

In recent years the Corporate Internal Audit Directorate has also developed various web applications designed to optimise its operations, such as the application that allows more agile communication between auditors and audit subjects.

AUDITS OF PROCESSES,
PRODUCTS AND CENTRES

277

BRANCH AUDITS
PER AUDIT PLAN

951

FRAUD PREVENTION
ALERTS

1,125

INFORMATION SYSTEMS

The Bankia Group is in the process of implementing a new information governance model. This is a far-reaching, enterprise-wide transformation project that encompasses all corporate information in the regulatory, analytical, commercial and risks areas.

The goal is to move towards a governance model that will turn information into a strategic asset and align the bank with best market standards, while also complying with the Basel Committee on Banking Supervision's standard on risk data aggregation (RDA).

The project comprises three lines of action:

- Organise information through a single data repository and a common data dictionary.
- Optimise data provisioning and ensure consistency and flexibility in data use.
- Implement an information quality governance and control model throughout the data life cycle.

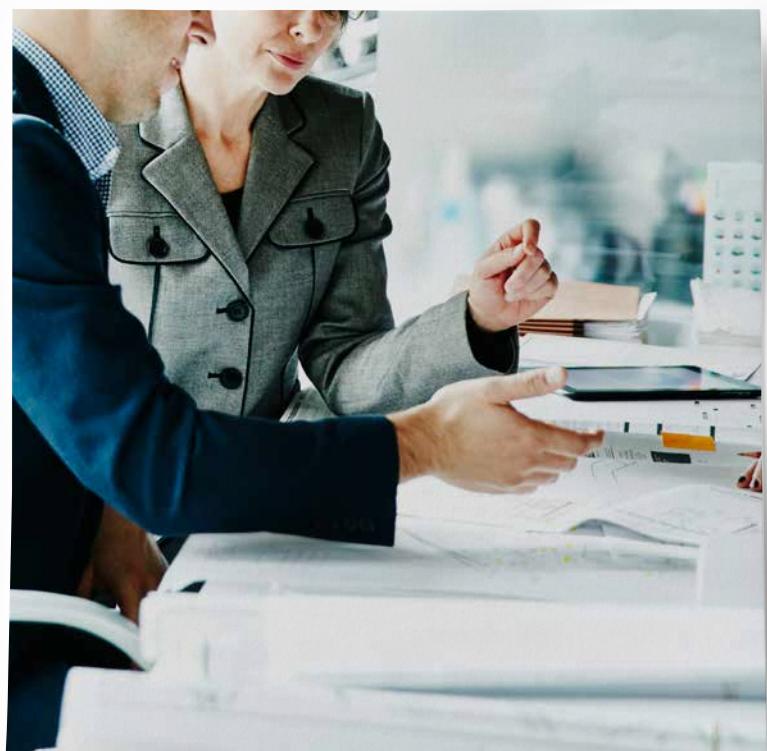
In 2017 the project progressed in the following aspects:

- Approval of the Regulatory Framework for Data Governance and Quality.
- Implementation of the first management reports with advanced visualisations (iPads, new reports on the SIG management information system platform).

- Construction of an in-house tool for mining regulatory financial statements that will allow functional users to validate and analyse their information more flexibly and dynamically.
- Report on the first regulatory statements from the new informational architecture.
- Registration of the first group of business concepts in the Single Glossary of Terms, which will assist user understanding.
- First dashboard for monitoring data quality.
- Definition of an overall data quality plan that will serve to gradually strengthen the various control points and ensure continuous improvement of information.

- Execution of the lines of work identified in the RDA Master Plan, which is designed to prepare the bank to be RDA compliant by December 2018. In 2013 the Basel Committee on Banking Supervision published a report containing a set of principles whose purpose is to strengthen banks' risk data aggregation capabilities and internal risk reporting practices.

In January 2019, institutions classified as Domestic Systemically Important Banks (D-SIBs), of which Bankia is one, must demonstrate to the banking supervisor that they properly comply with those principles, in other words, that the information on which Senior Management bases its risk-related decisions is properly governed, is sufficient and is of a reasonable quality.



03.5

INTERNAL CONTROL AND COMPLIANCE

BANKIA IS A MEMBER OF THE LARGE BUSINESSES FORUM, WHICH PROMOTES CLOSER COLLABORATION WITH THE SPANISH TAX AGENCY.

POLICY TAX

Responsible tax management, fraud prevention and detection, and tax transparency are principles that help ensure the bank's effective, sustainable development and build trust among stakeholders.

To safeguard these principles, Bankia adopts specific tax risk management and control measures. It also has internal control systems in place and has policies that establish the proper way to act in various areas, including corporate tax policy and tax risk management, transparency, corporate responsibility and good corporate governance.

The Board of Directors sets tax strategy, approves the risk policy, including the policy on tax risks, supervises internal reporting and control systems, approves investments that entail special tax risk and authorises the creation of, or acquisition of interests in, entities domiciled in tax havens.

The Audit and Compliance Committee, for its part, supervises the tax risk management system and reports to the Board on interests in entities domiciled in countries or territories that are considered tax havens.

The tax principles governing Bankia's activity are as follows:

- **Transparency.** Bankia adheres to a transparent policy on tax management and the payment of its taxes, thus complying with regulatory requirements regarding access to the activity of credit institutions and prudential supervision.
- **Compliance with obligations.** The bank applies at all times the tax regulations applicable in Spain, which is the tax jurisdiction in which all its activity takes place, as well as the pertinent international guidelines and standards, such as the guidelines and action plans of the Organisation for Economic Co-operation and Development (OECD).
- **Risk exposure.** Bankia analyses any transactions involving special tax risk according to their short and long-term impact on the bank's reputation, its shareholders and customers, its relationship with governments and tax authorities and on other areas of the organisation.

The Board of Directors must approve any actions concerning related-party transactions, which are always carried out at arm's length; presence in tax havens (the bank does not operate in them in

order to avoid its tax obligations); the creation of tax structures (which are not used to facilitate tax evasion or to breach the spirit of the regulations); divestitures of companies; the use of tax incentives; relations with the authorities and governments; and the engagement of external tax advisers.

As an expression of Bankia's firm intention to collaborate with public agencies, the bank is an active participant in the Large Businesses Forum, which promotes a more cooperative relationship between Spanish companies and the tax authorities. The Forum advocates a tax policy based on the principles of transparency and mutual trust, through the pooling of knowledge and the sharing of any general problems that may arise in putting the tax system into effect.

The group considers that proper tax management gives it greater legal certainty in tax matters, which benefits its earnings.

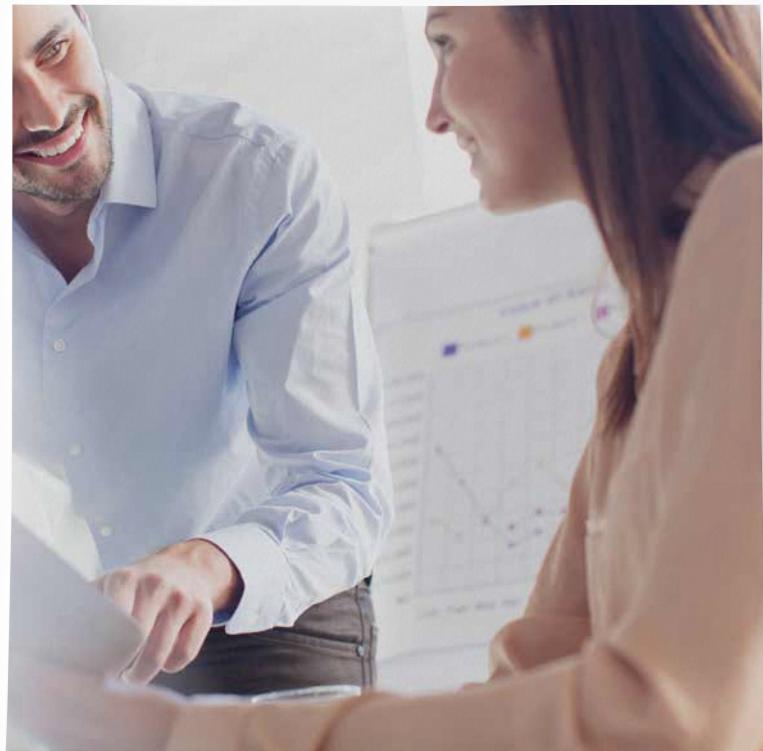
In collaborating with the Tax Agency to enhance tax transparency, the bank aims to foster early knowledge of tax policy and facilitate tax risk management. All this will lead to increased legal certainty, lower compliance costs and fewer

disputes with the Tax Agency, besides enhancing the Group's reputation.

In addition, since 2016 Bankia has been a member of the Tax Agency's Code of Best Tax Practices (CBTP). This code contains recommendations – which are followed voluntarily by the Tax Agency and member companies – aimed at improving the application of the tax system through increased legal certainty, reciprocal cooperation between the Tax Agency and companies based on good faith and legitimate trust, and the application of responsible tax policies in companies, with the knowledge of the Board of Directors.

In 2017, Bankia, as a CBTP member company, drew up its first Annual Tax Transparency Report, with information for financial year 2016, which it plans to submit to the Tax Agency in 2018. This report includes information on certain aspects of the bank's economic activity and funding structure, an explanation of the most significant corporate transactions, details of the group tax strategy approved by the governing bodies and a list of transactions referred to the Board of Directors. It also establishes the extent to which the bank's tax policy is consistent with the principles of the OECD's BEPS (Base Erosion Profit Shifting) package, which is intended to fight tax fraud, erosion of tax bases and the shifting of profits to low-tax jurisdictions.

Additionally, it has taken part in the project to analyse the sector's Total Tax Contribution, carried out by the Spanish Confederation of Savings Banks (CECA), which includes 11 banking groups that together account for 38% of the Spanish financial system. The aim is to analyse the contribution made by the companies that comprise



these groups. The results show that, in 2016, CECA's Total Tax Contribution in Spain was 4,866 million euros. The purpose of this study is to provide reliable data, compiled using a credible and easily understandable methodology, to measure the contribution made by the members of CECA to the Spanish public finances through taxes, for comparison with other similar studies.

On 1 July 2017, the regulations concerning the Immediate Supply of Information on VAT (Sistema de Suministro Inmediato de Información, or SII), came into force. The SII modernises VAT management and improves and promotes the use of electronic media for VAT. The new standard entails keeping VAT records via the Spanish Tax Agency's online office through the almost immediate, daily supply of sales records. Since the new system was introduced, Bankia has complied with the obligations it entails.

*IN 2017 BANKIA
PREPARED ITS
ANNUAL TAX
TRANSPARENCY
REPORT.*

03.5

INTERNAL CONTROL AND COMPLIANCE

DATA SECURITY

In 2017 Bankia continued to develop the 2016-2018 Strategic Security Plan. The main actions taken were as follows:

- Security governance.** The Cyber Security Committee, which in 2017 held 12 meetings, gained in importance, as it became one of

the bank's executive committees. Also, a comprehensive awareness-building plan for the period 2017-2018 was put into effect, aimed at making employees and customers more aware of the importance of the individual in maintaining security. A proposal to purchase insurance to cover security incidents was approved.

- Protection.** New tools were implemented to improve and

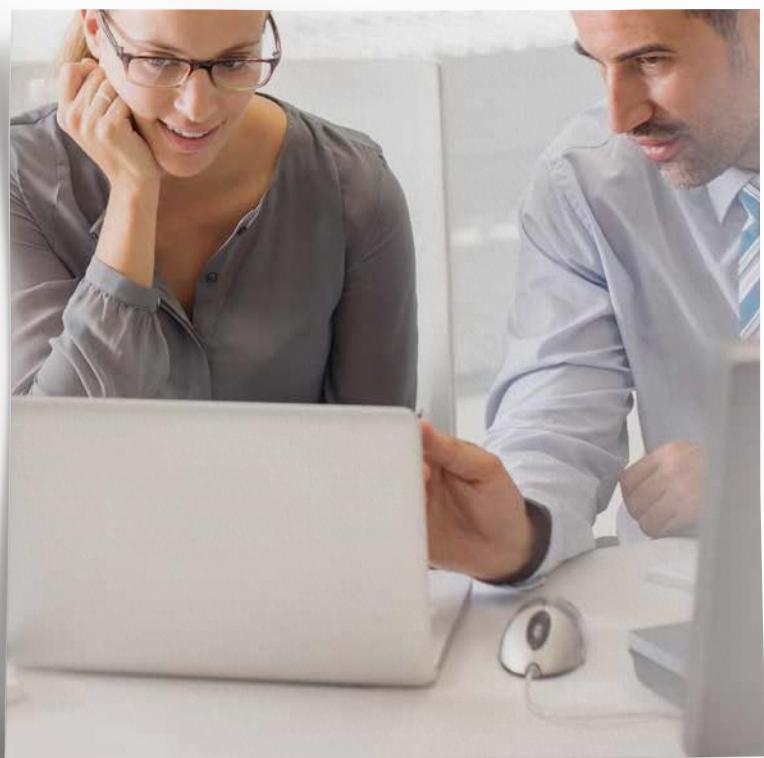
extend the scope of supervision and control of vulnerabilities.

- Surveillance.** A management unit was created to carry out a continuous security assessment and strategies were defined for the use and analysis of Big Data, as part of the trend in security and fraud monitoring towards the implementation of advanced predictive models.

Last year the group also started to use security innovations such as artificial intelligence for mass analysis of network flows and the discovery of suspicious behaviour patterns and Big Data techniques that make it possible to predict attacks.

In 2018 a new Strategic Plan will be drawn up for the period 2019-2021 and work will start on various projects, including the approval and rollout of the Objective Data Security Model, with extended analysis of new risk scenarios and the design of response plans to cyber-attacks and situations of non-availability. Additionally, advanced tools will be implemented to reinforce the existing defences and security in application-managed access by users with privileges.

Biometric data will become particularly important for employee access and access to



resources external to the bank's information systems, in order to raise the level of data protection.

Various context-based factors will be taken into consideration in granting access to information, using what is known as adaptive authentication.

This will help overcome the possible weaknesses of using a password as the sole authentication factor by replacing or supplementing it with other factors.

12

*NUMBER OF
MEETINGS OF THE
CYBER SECURITY
COMMITTEE.*

INFORMATION SECURITY, A STRATEGIC FACTOR

Information is the main asset of any company nowadays and is even more valuable in the digital society in which the bank operates. Information is therefore a strategic asset and so information security is considered strategic in order for the bank to operate and serve its customers.

Bankia defines its information security strategy by adopting a benchmark model based on the most widely recognised information processing and security standards in order to safeguard and protect its customers' information and ensure data integrity, confidentiality and availability whenever customers wish to have access to their information by any means the bank may place at their disposal.

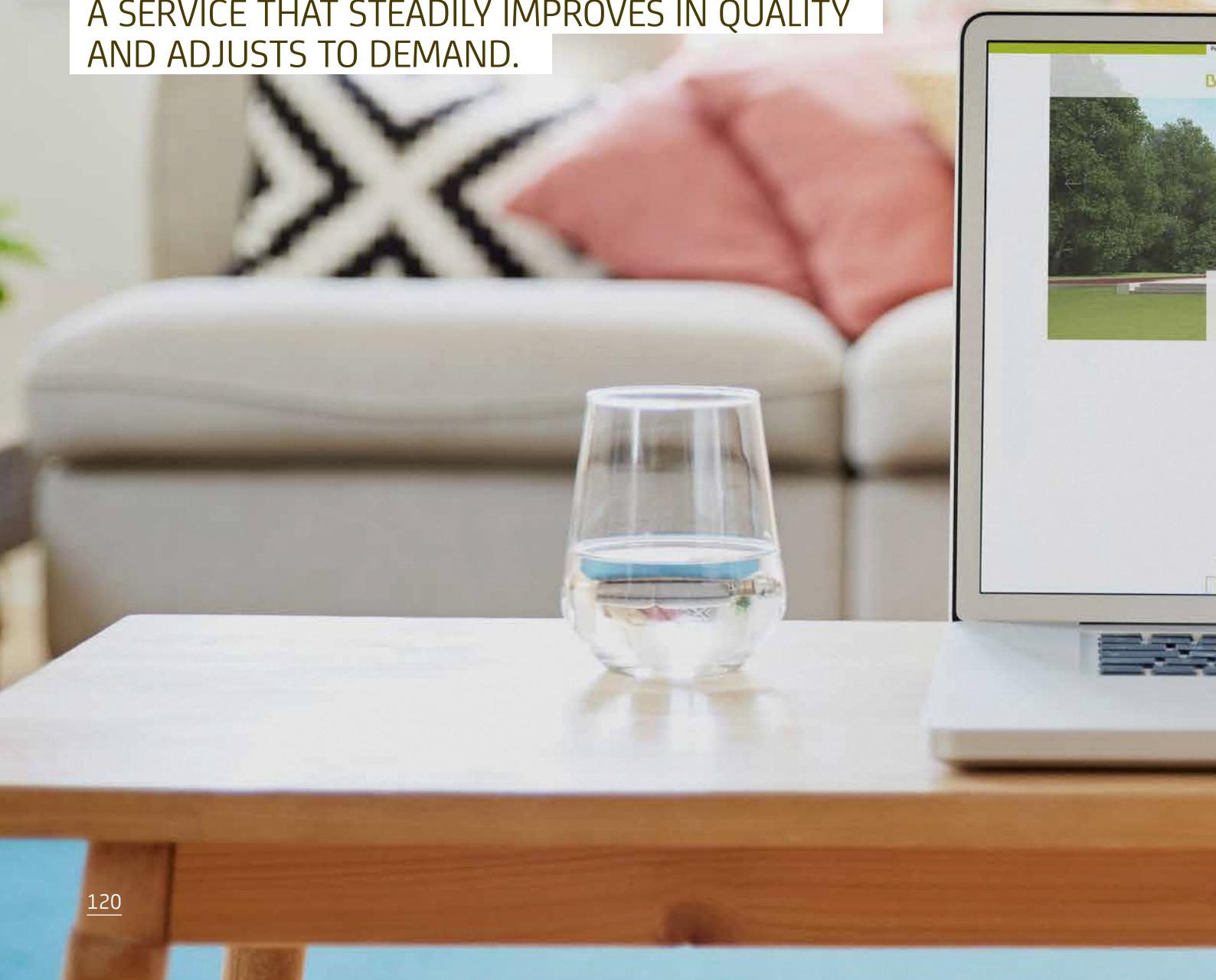
This benchmark model is based on the four main domains on which information security is based: governance, integrated with IT governance and the bank's corporate governance; information protection; surveillance to detect any event that might put information security at risk; and resilience, or appropriate response capacity, to such events.

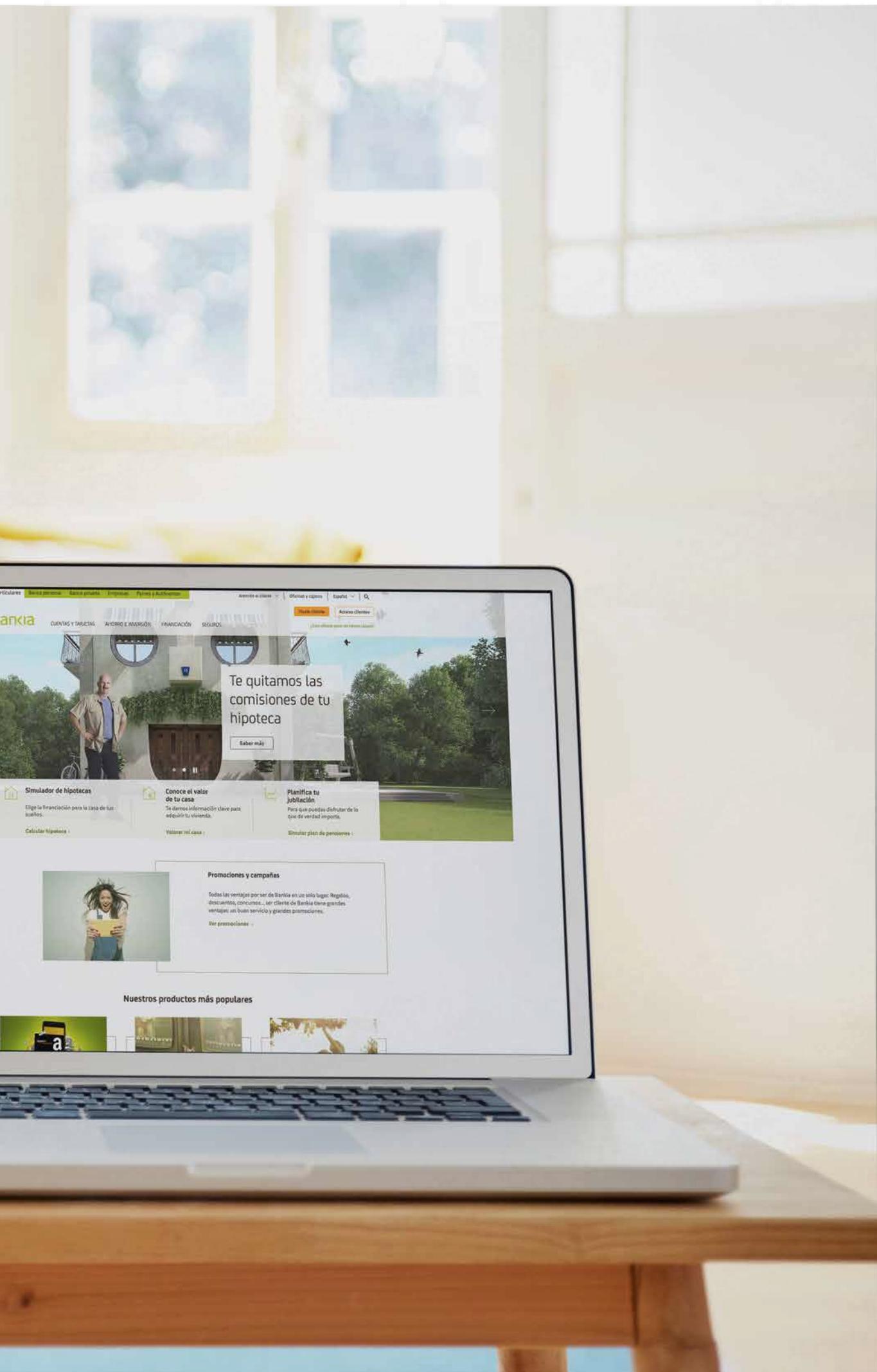
Every three years, with the assistance of the market's leading consultants and providers, Bankia prepares and executes strategic information security plans in order to be always up-to-date in the face of constantly evolving technology. This enables it to keep up to date with the media through which information is provided to customers, protecting that information, wherever it happens to be, against the ever-present cyber security threats.

In March 2017, Bankia received the CISO Award in recognition of its cyber security policies.

04. BUSINESS MODEL

THE CUSTOMER AT THE CENTRE, SEGMENTATION AND MULTICHANNEL DISTRIBUTION ARE THE THREE FEATURES THAT DISTINGUISH BANKIA'S BUSINESS MODEL. THEY ARE THE THREE KEYS TO DELIVERING A SERVICE THAT STEADILY IMPROVES IN QUALITY AND ADJUSTS TO DEMAND.





04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO

THE BUSINESS MODEL AND THE MARKETING AND SALES PROCESS ARE BASED ON THE CUSTOMER EXPERIENCE, WHICH IS ONE OF THE MAIN FOCUSES OF BANKIA'S STRATEGY.

I GRI 102-43

Bankia is not oblivious to the new consumer sensibility that has led to a shift in demand – from demanding quality services to demanding authentic experiences. The bank works to achieve a memorable experience for customers at all their touch points with the bank through authentic, transparent dialogues that leave the customer free to choose and that are sincere and close. To that end, Bankia relies on simplicity in its interactions, simple communication and agile transactions.

All this cannot be achieved without putting the customer at the centre of everything the bank does.

Bankia has made the customer experience a key element of its strategy, the centre of its business model and the main axis of its marketing and sales process, with

a view to forging lasting ties with customers, growing with them and becoming a part of their lives.

To reach that goal, the bank has started a Customer Experience Excellence Plan, in which at regular intervals, after a process of internal conversation about the quality and intensity of interactions with customers, the branches and Area Head Offices take specific steps to improve indicators such as positioning, product marketing and customer satisfaction.

As a result, the bank has achieved a marked improvement in 100%

of the customer experience attributes, while at the same time reinforcing its ability to attract and cross-sell to customers.

The bank's customer experience model is based on exploring the kind of experience users want, using mapping techniques, redesigning the experience the bank offers and adapting the management model to what customers expect, so as to meet their expectations.

An essential part of this has been the process of co-creation with customers and Bankia professionals through various

NO. OF POST-PRODUCT SALE SURVEYS CONDUCTED

64,019

DEGREE OF ADAPTATION OF PRODUCTS TO CUSTOMERS' NEEDS

77.9%

milestones: getting to know each professional in depth as a person, co-creating the customer relationship management model and the team management model with the professionals, giving visibility to their successes and contributions and, above all, promoting empowerment and a central role for the professionals in customer management.

In 2017, in order to learn at first hand what customers think of the services Bankia offers and detect new needs, a total of 226,065 questionnaires were administered and attention was focused closely on the results of mystery shopper studies, where employees of an independent company visit branches without notice and without identifying themselves in order to gather information about the service provided.

Additionally, in order to improve the listening process and increase customer satisfaction, three initiatives were launched last year within the framework of the bank's quality function:

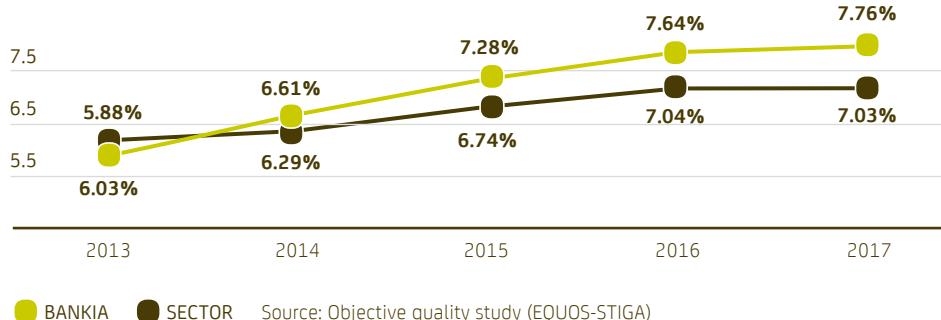
- The customer's voice by mobile phone.** The bank has created a new app that serves to exhaustively monitor the customer experience at the time of purchasing a new product, both from each branch and from each regional or area head office. The app allows staff to listen to the customer's voice and includes alerts to prompt the branches to contact dissatisfied customers. It can also be used to listen to customers' praise for employees.

- Positioning dashboards.** In 2017 a dashboard was designed that gives each branch a detailed overview of all the parameters set

within the framework of Bankia's positioning: closeness, simplicity and transparency. The dashboard can be used to perform specific analyses per centre or indicator and its design is customised for each business area (Retail Banking, Business Banking, etc.).

- New customer experience measurement.** In view of the large number of new customers acquired last year, Bankia has focused on learning about their experience with the bank. The results of these measurements give the bank a clearer idea of what customers expect from it, so that it can make the necessary adjustments to meet their expectations.

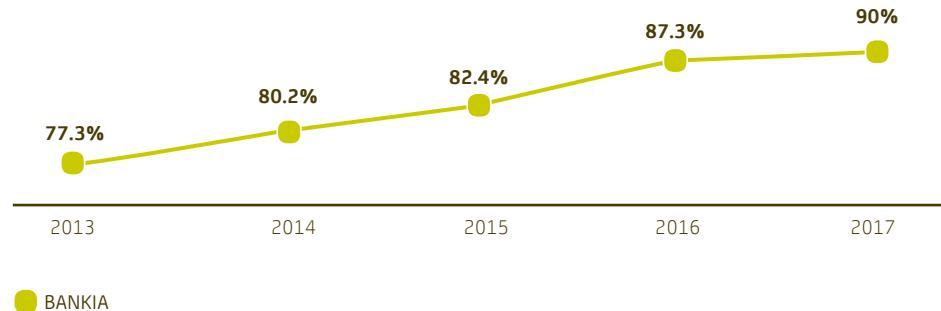
MYSTERY SHOPPER BANKIA VS. SECTOR



226,065

No. of customers who responded to the satisfaction survey

RETAIL CUSTOMER SATISFACTION INDEX



04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO

The efforts the bank has made, with a focus on the customer experience, were recognised in June 2017 with two awards:

- Award for the best employee-led customer experience initiative, given by DEC (Asociación para el Desarrollo de la Experiencia de Cliente), for the work done by the bank's employees in this area.
- Award for the best performance in the EMO Index in the last two years, for Bankia's efforts to foster and include emotions and intangibles in its customer relationships.

Bankia works to turn its professionals into customer experience experts. To do that it has started a process to certify its regional and area head offices at Lasalle IGS business school, becoming the first Spanish bank to launch such an initiative.

In 2018, monitoring and improving the positioning will continue to be fundamental activities within the framework of the quality projects. Another key line of action in the future will be to exploit customers' increasingly intensive mobile phone usage to get to know customers better.

A PARTICULAR CUSTOMER RELATIONSHIP STYLE

Bankia's professionals assume a commitment to build lasting ties with customers, grow with them and be part of their lives. The commercial network is guided by a particular Relationship Style, which is essentially practical and helps to generate exclusive relationships with customers, built around three pillars: establish powerful conversations, manage the teams' commercial intensity and include the customer in the templates for meetings and procedures established by the management model.

The Sales Systems area provides crucial support to this model through various initiatives, including implementation in branches, organisation of specialised workshops and assistance to area managers. The level of satisfaction with these lines of work is 98.2%, which gives an indication of their quality, depth and usefulness.



CUSTOMER SERVICE DEPARTMENT

| GRI 102-43

The goal of the Customer Service Department (CSD), as an independent body, is to ensure, applying criteria of fairness, that customers have the best possible relationship with Bankia, on the basis of respect for applicable law and good banking practices. To do that it not only manages complaints and claims but also helps significantly in preventing problems and correcting situations that have given rise to customer dissatisfaction.

One of the main initiatives carried out by the CSD in 2017 involved improving the quality of the resolutions adopted by making them easier for internal and external customers to understand, so as to increase their satisfaction.

The CSD has also adapted and implemented a simpler, more transparent language in all its communications; and training actions have been carried out in the commercial network to improve customer incident management by the branches.

The highlights in the activity indicators in 2017 were the drop in average response time to 18 days (compared to 20 the previous year), the decrease in number of claims filed with supervisors (except for mortgage expenses) and the 1.2 point improvement in quality survey results compared with 2016.

The CSD's plans for 2018 include the following:

- Properly integrate BMN's complaints and claims system in Bankia, minimising incidents.
- Improve the ratios of favourable reports on Bankia by supervisors.
- Implement operational improvements to resolve incident hotspots detected as a result of customer complaints and claims.
- Collaborate with various other units to implement document custody solutions.

THE CSD HELPS SIGNIFICANTLY TO PREVENT PROBLEMS AND CORRECT SITUATIONS THAT GIVE RISE TO CUSTOMER DISSATISFACTION.

NO. OF COMPLAINTS RECEIVED FROM CUSTOMERS	104,434
NO. OF COMPLAINTS ACCEPTED FOR INVESTIGATION	102,905
NO. OF COMPLAINTS RESOLVED IN THE CUSTOMER'S FAVOUR	12,321
TOTAL AMOUNT PAID IN COMPENSATION FOR CUSTOMER COMPLAINTS (IN MILLIONS OF EUROS)	2.65
AVERAGE RESPONSE TIME FOR ACCEPTED CUSTOMER COMPLAINTS (DAYS)	18

04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO

*FLOOR CLAUSES
AFFECTED 3% OF THE
BANK'S MORTGAGE
PORTFOLIO.*

FLOOR CLAUSE REFUNDS

In January 2017, Bankia became the first bank to offer a fast-track procedure for processing applications for a refund of amounts paid in excess by customers because of interest rate floor clauses in their mortgage agreements.

This decision was taken after the Court of Justice of the European Union, in its December 2016 ruling, confirmed full retroactivity of floor clauses and the Spanish government, on 20 January 2017, issued the decree that called on mortgage lenders to start such a procedure.

In view of its prior experience in similar procedures, Bankia decided to refund the amounts across the

board to consumers whose situation was similar to that set out in the European court ruling.

All the customers concerned had to do in order to opt into this procedure was go to their Bankia branch, where they could fill out a form requesting a refund, the amount of which was precalculated in most cases. Once the necessary checks had been carried out, they were offered a refund in cash, plus interest at the legal penalty rate. Customers could then choose between payment in cash or amortisation of outstanding principal on their mortgage.

Through this agile, simple and transparent procedure, customers were able to recover the same amount as with a favourable court decision but without the associated costs and delays.

FLOOR CLAUSE REFUNDS*

* Data as of 3 January 2018



194.1

Million euros

38,548

Customers

The procedure also benefitted shareholders, as it saved Bankia from having to pay possible court costs estimated at around 100 million euros.

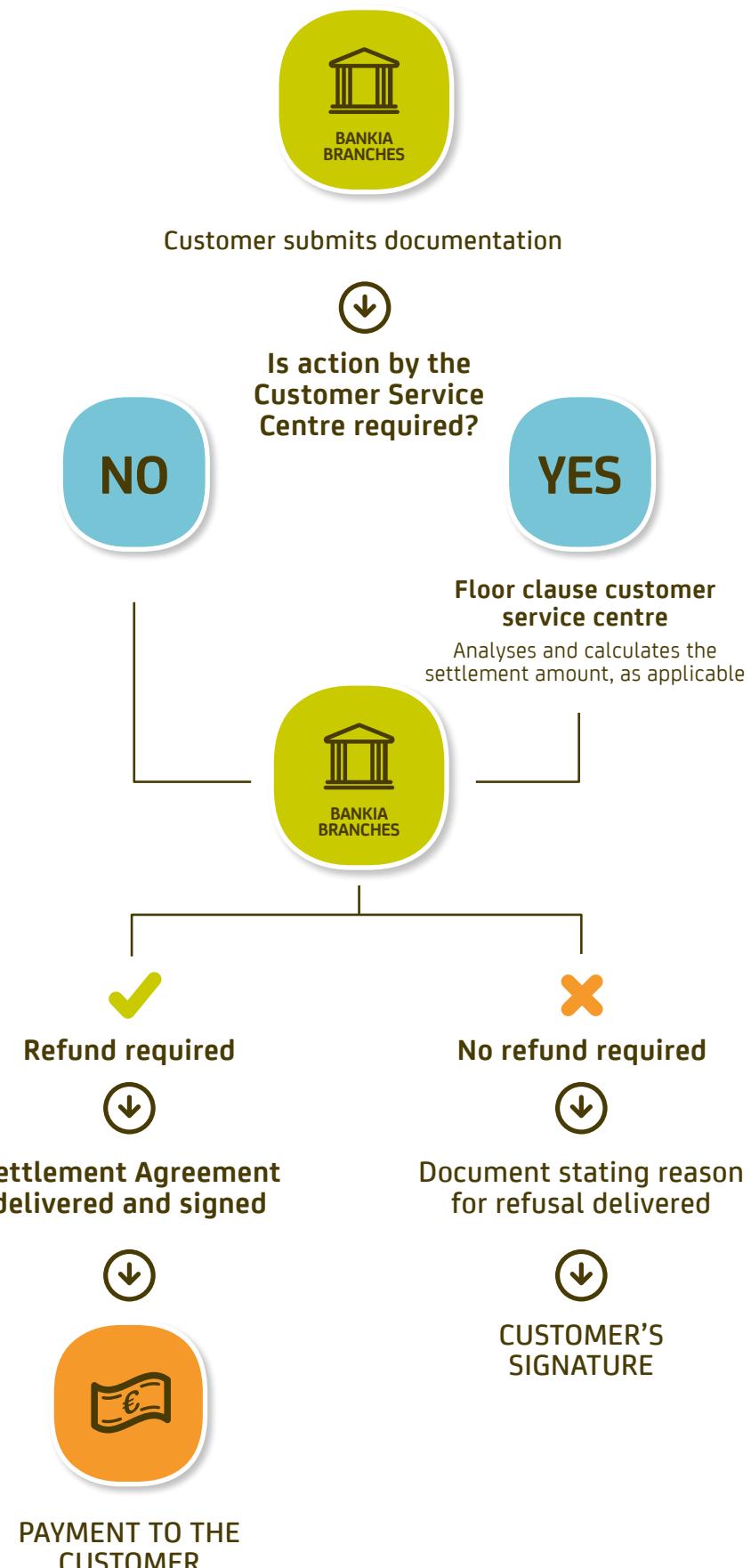
As of 3 January 2018, Bankia had refunded 194.1 million euros to 38,548 consumers.

The bank now considers this fast-track procedure to have been completed, as practically all the complaints submitted by customers have been resolved. However, it will continue to respond to complaints received in relation to Royal Decree-Law 1/2017 with respect to Bankia's mortgage portfolio prior to 31 December 2017.

Floor clauses affected 3% of the bank's mortgage portfolio and slightly more than 57,000 customers. In 2015, Bankia opted to stop applying the floor clauses in force at that time.

Since the merger with BMN, Bankia has maintained the mechanism already in place in BMN for managing requests for refunds in relation to floor clauses in certain mortgage agreements in BMN's portfolio prior to 31 December 2017.

CHART OF FLOOR CLAUSE REFUND PROCESS



04.1

THE CUSTOMER AT THE HEART OF WHAT WE DO

RESTITUTION OF THE INVESTMENT IN THE IPO

In February 2016, Bankia established a voluntary procedure for reimbursing the 255,623 retail investors who purchased shares in the 2011 IPO, without their having to meet any additional condition and without the costs or delays of an in-court or out-of-court claim.

Upon submission of a refund application in the branches, the full amount of the initial investment was refunded against delivery of the shares. Investors who had already sold the shares received the difference between the amount paid in the IPO and the amount obtained from the sale. In both cases compensatory interest of 1% per annum was paid for the period until the investment was refunded.

At 31 December 2017, a total of 2,094 civil proceedings in relation to shares purchased in the IPO and subsequently were still under way, so the contingent liability associated with retail investors who subscribed for shares in the IPO is considered practically resolved.

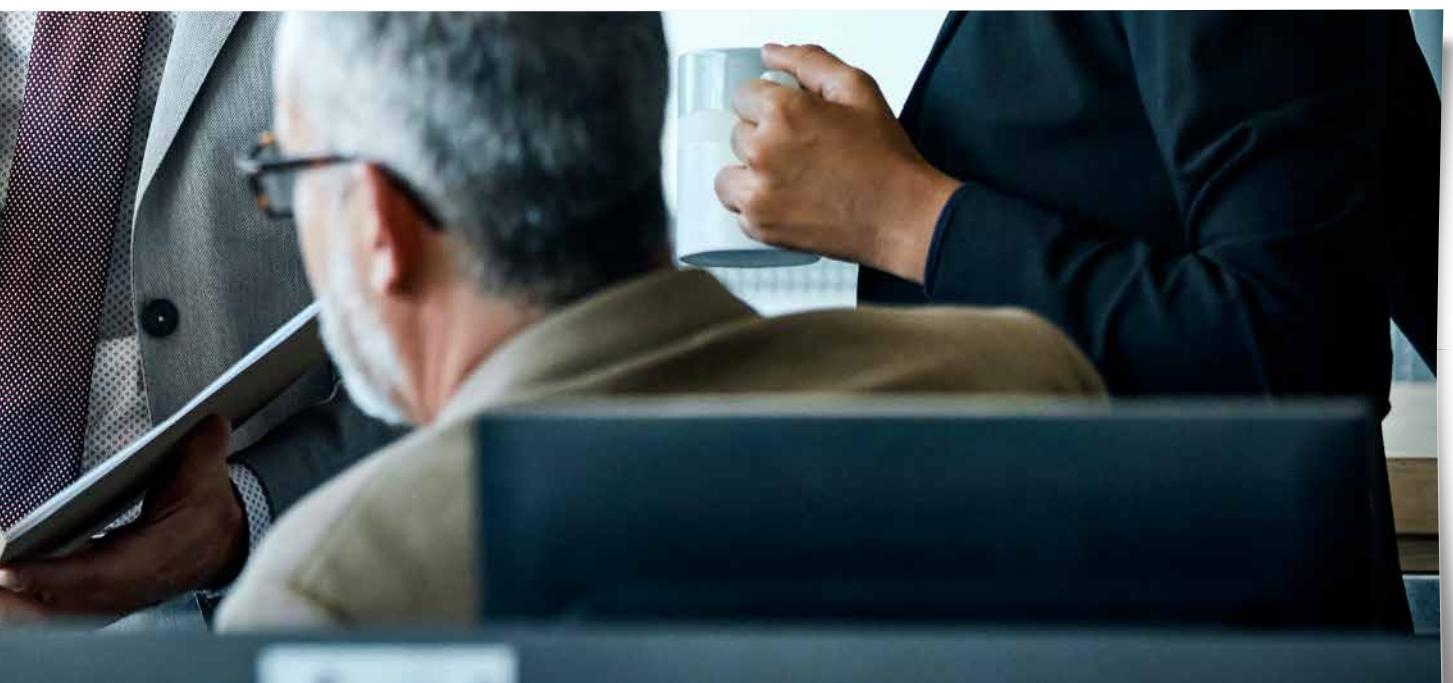
At year-end, the Group had used provisions totalling 1,847 million euros, of which 743 million related to Bankia (541 million in



share refunds and 202 million in indemnities, interest and costs) and 1,104 million euros, to BFA.

An agreement signed by both entities established that Bankia would assume a first-loss tranche of 40% of the estimated cost and BFA, the remaining 60%.

UPON SUBMISSION OF A REFUND APPLICATION IN THE BRANCHES, THE FULL AMOUNT OF THE INITIAL INVESTMENT WAS REFUNDED AGAINST DELIVERY OF THE SHARES.





04.2 RETAIL BANKING

BANKIA SEEKS TO DEEPEN THE CUSTOMER RELATIONSHIP THROUGH THE “NO FEES” STRATEGY AND BY OFFERING VALUE-ADDED PRODUCTS.

Among the bank's various business areas, Retail Banking focuses on individuals, applying a universal banking model. Its main objectives are to acquire new customers, cross-sell to existing customers and continuously improve customer satisfaction and loyalty through high quality care and advice.

The strategy in this business involves seeking specialisation in different customer profiles: Private Banking, Personal Banking, High Potential and Individuals.

This segmentation allows the bank to assign each customer a specialised financial adviser, which increases satisfaction and generates new business opportunities.

To specifically serve each type of customer, the bank has three types of physical branch: universal

branches, agile branches (with extended opening hours and offering fast service) and Plus branches (specialising in financial advice). Added to these are the “Connect with your Expert” service, focused on digital customers, and the “Servicio +Valor” service, targeted at the more occasional customers.

At the end of 2017, Bankia had more than 5.9 million active retail customers, of whom almost 2.3 million were digital.

Bankia offers its retail customers a wide range of products, depending on the segment to which they belong (children, young people, seniors). These different types of customers are the target for products such as the Mi Primera Cuenta and Cuenta Joven / Cuenta_ON accounts, the Tarjeta Joven/

Tarjeta_ON cards and the section offering discounts on travel, restaurants, boutiques, technology, household, and health and beauty products, among others, that can be purchased via Bankia.es.

Bankia also places at their disposal 2,108 specialised account managers in Personal Banking.

The Personal Banking business performed well in 2017, as evidenced by the granting of more than 1,300 million euros in consumer loans, 16.7% more than in 2016. At 31 December, 2.3 million customers had a pre-approved line of credit they can take up in less than a minute through any of the bank's channels, backed by the ongoing offer of personalised finance.

The good performance was also reflected in the volume of microloans granted by the FinanExpress service, which exceeded 236,945 transactions, reaching a total amount of 92.5 million euros, 22.2% more than one year earlier. This service covers transactions ranging from debit card purchases to tax payments.



5.96

Million active retail customers



2,108

Number of specialised account managers in Personal Banking

INDIVIDUAL CUSTOMER PROFILE



MEN

48.2

PERCENT OF CUSTOMERS

49.2

AVERAGE CUSTOMER AGE

16.6

PERCENT OF VERY LOYAL CUSTOMERS

29.8

PERCENT OF CUSTOMERS IN EMPLOYMENT

3.4

PERCENT OF UNEMPLOYED CUSTOMERS

19.9

PERCENT OF RETIRED CUSTOMERS



WOMEN

51.8

51.4

12.9

25.5

3.2

17.7

04.2

RETAIL BANKING

“POR SER TÚ”

In 2017 Bankia maintained its “Por Ser Tú” (“Just For Being You”) programme, whereby retail customers, both old and new, can benefit from the fee exemption if they meet certain conditions.

At year-end, 3.57 million customers had opted into the programme, 8% more than in 2016, the year of its launch. The bank also acquired another 387,000 direct salary and unemployment benefit deposits, an increase of 150% compared to the end of the previous year.

However, direct deposit is not the only way to avoid paying fees, as customers without direct income deposit may also qualify for exemption if they meet any of the following requirements:

- Being under 18.
- Being between 18 and 25 and using the exclusive online correspondence service.
- Holding 1,000 or more Bankia shares.
- Having an end-of-month balance of funds in excess of 75,000 euros.
- Being holder of a Cuenta_ON account.

RESULTS OF THE “POR SER TÚ” PROGRAMME

	2017	2016
DIRECT INCOME DEPOSITS ACQUIRED	387,469	154,427
PENSIONS ACQUIRED	91,316	25,038
TOTAL NO. OF CUSTOMERS WITH DIRECT INCOME DEPOSIT	2,775,858	2,668,887
NUMBER OF NEW CREDIT CARDS	345,001	279,714
NUMBER OF NEW DEBIT CARDS	393,107	242,856



3.57 MILLION

Customers
who benefit from the
fee exemption

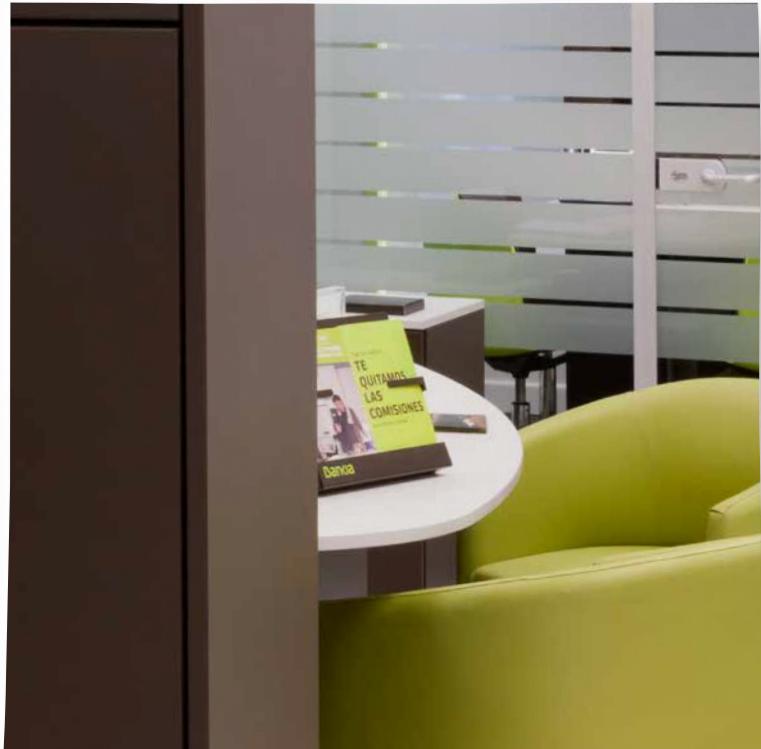
THE “HIPOTECA SIN COMISIONES” MORTGAGE, ANOTHER STEP FORWARD

In line with its “No fees” initiatives and with the aim of taking another step forward in its positioning focused on retail customers with direct income deposit, on 11 January the bank presented the “Hipoteca SIN Comisiones” no-fees mortgage, aimed at the most loyal customers, whether old or new.

In this product all fees (opening fee and partial and full prepayment fees) are waived merely for having direct deposit of income. Moreover, there is no requirement to take up any additional Bankia product in order to benefit from these conditions.

During 2017, Bankia granted 1,908 million euros in mortgage loans, of which more than 72% were without fees.

To help customers and non-customers make their mortgage decisions, in 2016 Bankia presented a simulator in which users are able to elicit information about the amount they can expect to be able to borrow, possible mortgage expenses, monthly instalments and how these amounts would vary with changes in the Euribor. A total of 542,671 simulations were performed using this tool during 2017.



THE MORTGAGE SIMULATOR PERFORMED 542,671 SIMULATIONS IN 2017.

NO. OF NEW MORTGAGES ISSUED	17,674
VOLUME OF MORTGAGES ISSUED (IN MILLIONS OF EUROS)	1,908
NO. OF NEW MORTGAGES ISSUED UNDER THE “SIN COMISIONES” PROGRAMME	12,776
VOLUME OF MORTGAGES ISSUED UNDER THE “SIN COMISIONES” PROGRAMME (IN MILLIONS OF EUROS)	1,443

04.2

RETAIL BANKING

SOCIALLY AND ENVIRONMENTALLY-ORIENTED PRODUCTS

Bankia plays an important role in controlling the impact that

investment and financing activity has on society and the environment. Accordingly, it offers a range of socially and environmentally-oriented products and services, so that customers and consumers have access to financial services that facilitate responsible consumption, so as to improve well-being and the quality of life.

MAIN PRODUCTS

SECTOR	PRODUCT NAME	CUSTOMER SEGMENT	
	CONSUMER	Crédito Joven	Young individuals
		Consumo Sostenible	Individuals
	FINANCING	Préstamo Sostenible Negocios	Self-employed individuals
	CROP AND LIVESTOCK INSURANCE		Individuals and companies engaged in crop and livestock farming and fishing
	INSURANCE FOR SOLAR PHOTOVOLTAIC PLANTS		SMEs and businesses
	MEDICAL INSURANCE		Individuals
	PAYMENT SERVICES	NGO card*	Individuals
	INVESTMENT	Bankia Futuro Sostenible	Individuals and companies

* In 2017, a total of 379 organisations belonged to the NGO programme (seven linked to the personalised NGO card: Unicef, Acnur, Cruz Roja, Acción Contra el Hambre, Ayuda en Acción, Manos Unidas and Medicus Mundi; and 372 linked to the generic NGO card).

PAYMENT SERVICES

2017 was the year of payments, both in terms of the business volume achieved and in terms of the quantity and reach of the new projects that have been implemented.

Cards are becoming increasingly important for making payments, displacing cash in everyday transactions, a trend driven to a large extent by the growth of online shopping.

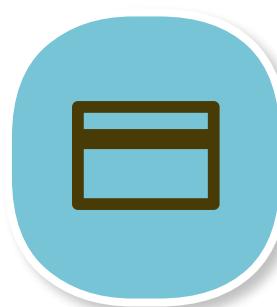
Thanks to this trend, turnover from purchases in physical stores using Bankia cards grew at a rate of 12% in 2017 and at a rate of 23% in online sales, which already contribute 14% of the total turnover. In 2017 the bank exceeded 7.2 million cards issued, due to the efforts of the sales network and the launch of new products, particularly those targeted at digital customers (Tarjet Crédito_ON), self-employed professionals and SMEs (Solred card) and new customers.

Aware of the advantages of the Bankia Wallet digital wallet, the Bank has launched a new version that includes new services and solutions, such as unlocking via fingerprint scanning, the possibility of withdrawing cash without a card, and the ability to turn cards on and off at a touch.

As regards new payment methods, Bizum, the Spanish real-time payments industry solution, performed strongly and already has one million users. The action taken to market it to the bank's customers resulted in a user share of 8.03% and a transaction share of 9.86% in 2017.

Bankia has been a pioneer in the national and international development of instant payments (24/7 IBAN to IBAN real-time credit transfers), joining a select group of financial institutions in Europe.

It has also launched Bankia Ysi, a payment gateway the bank offers its customers which allows them to obtain instant finance for online purchases.



**7.2
MILLION**
**Cards
issued**

**€1,846.4
MILLION**
**Value of
e-commerce card
transactions**

Contactless cards	2,508,531
POS terminals	125,344
Bankia Wallet stickers	93,356
Bankia Wallet downloads	262,874

04.2

RETAIL BANKING

MULTICHANNEL APPROACH

During 2017 the bank continued to meet the milestones of the Strategic Plan established in 2015 to keep pace with customers in the increasingly widespread use of digital media.

Further resources were devoted to the “Connect with your Expert” service, which already has more than 580,000 customers and has become a second commercial network, complementary to the traditional branch network. This service has 511 specialised account managers and a customer satisfaction index of 92.5%.

Bankia has also invested in developing and renewing digital services, such as:

- **Bankia Online.** This clients area, which replaces the Oficina Internet, was introduced in July 2017. Customers can use it to request that an account manager contact them, share their screen or engage in an online chat. It also gives access to other functionalities without having to log in, improving the user experience. New operational functions allow users to turn cards on or off, withdraw cash at ATMs without using their card and



92.5%

Satisfaction index
of “Connect with
your Expert”
customers

| GRI 102-43

511

No. of “Connect
with your Expert”
specialised

manage their limits for the different types of transactions. The number of steps needed to purchase a product is reduced to a minimum and pre-approved finance is made readily accessible. Steps have been taken to explore new business opportunities in partnership with other entities.

- **New Bankia Wallet app.** With this mobile app, users can exchange instant payments with other individuals through Bizum, pay

for purchases with their mobile phone (only for the Android operating system) and consult card transactions, among other possibilities.

- **Bankia app.** Includes new commercial functions, such as making deposits or simple access to financing offers. Other new features are designed to simplify transactions and usability, such as direct entry to Bankia Wallet or standing orders.

- **Bankia.es public website.**

Individuals who wish to become customers may now open an account at Bankia by video call and existing customers have options to recover their access keys to Bankia's online channels. The mortgage and personal loan simulators and the mutual fund comparators on the public website (all of them free) are ways of improving the customer experience and promoting sales. Bankia.es received an average of 268,176 daily visits during 2017.

“CONNECT WITH YOUR EXPERT”, AN ESTABLISHED SERVICE

“Connect with your Expert”, aimed at digital customers, has established itself as part of Bankia's distribution system. Among the many advantages enjoyed by a growing number of Bankia customers are access to a personal account manager (always the same person) who can provide specialised advice when needed, the possibility of carrying out any transaction (except cash transactions) through the adviser and having extended opening hours.

Initially, the target for the “Connect with your Expert” service was to reach 500,000 customers by the end of 2017. In view of the positive response, the target was increased to 600,000 customers. By the end of 2017, the service was handling 584,491 customers through the multichannel centres in Madrid, Logroño, Valencia, Alicante, the Canary Islands (Las Palmas and Tenerife) and Barcelona. These centres are staffed by 51 supervisors and 511 account managers, who supplement the traditional branch network and are laying the foundations of Bankia's new distribution model.



584,491

“Connect with your Expert”
customers

04.2

RETAIL BANKING

MODERNISATION OF ATMS

Bankia has a pool of 5,016 ATMs, of which 4,353 are installed in branches and 663 are off-site. Added to this are the 1,070 ATMs belonging to BMN.

Thanks to renewals in recent years, the bank leads the industry in the implementation of advanced ATMs, which allow customers to perform more than 51 different transactions, as well as more complex transactions. These ATMs are already available in 80% of Bankia branches.

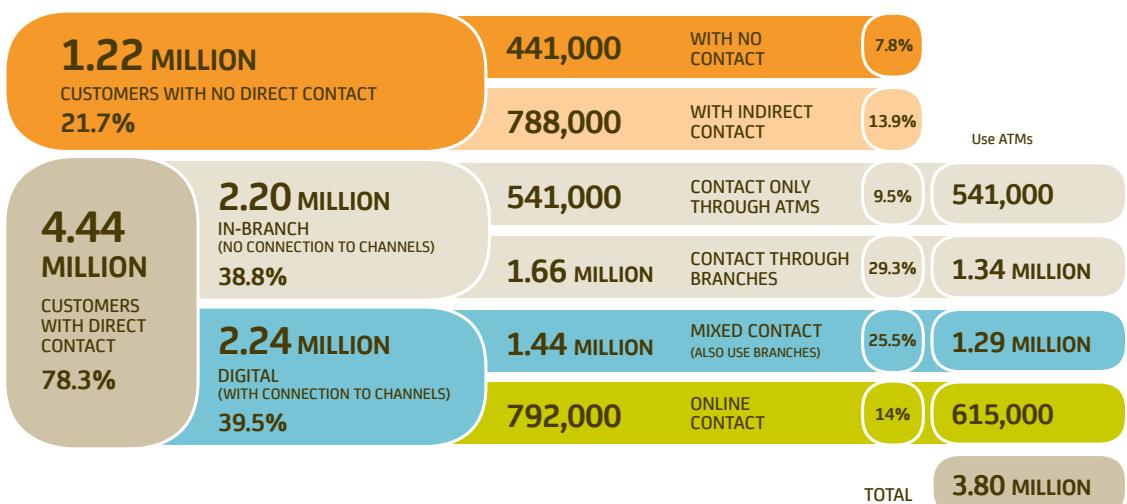
*BANKIA'S ATMS
ALLOW CUSTOMERS
TO PERFORM
51 DIFFERENT
TRANSACTIONS.*

HOW CUSTOMERS RELATE TO BANKIA *

* Data as of October 2017



5.67
MILLION
Adult
customers



As part of the work done to improve Bankia's distribution channels, in 2017 new functionalities were added to the ATMs, including cash withdrawal by mobile phone using NFC technology, cash withdrawal without a card, and top-up of monthly travel passes and of the new Multi travelcard issued by the Madrid Regional Transport Consortium. 65% of ATMs are accessible to people with a disability.

DIGITAL MARKETING

Technological development is opening up great opportunities to extend and deepen the bank's sales and marketing activity, which is why the bank placed great emphasis, during the year, on digital campaigns and on raising Bankia's profile in the digital medium.

To attract customers, the bank carried out 89 search engine marketing (SEM) campaigns, with a focus on affiliate marketing, so that it appeared in the main financial comparison sites, as well as in specialised media.

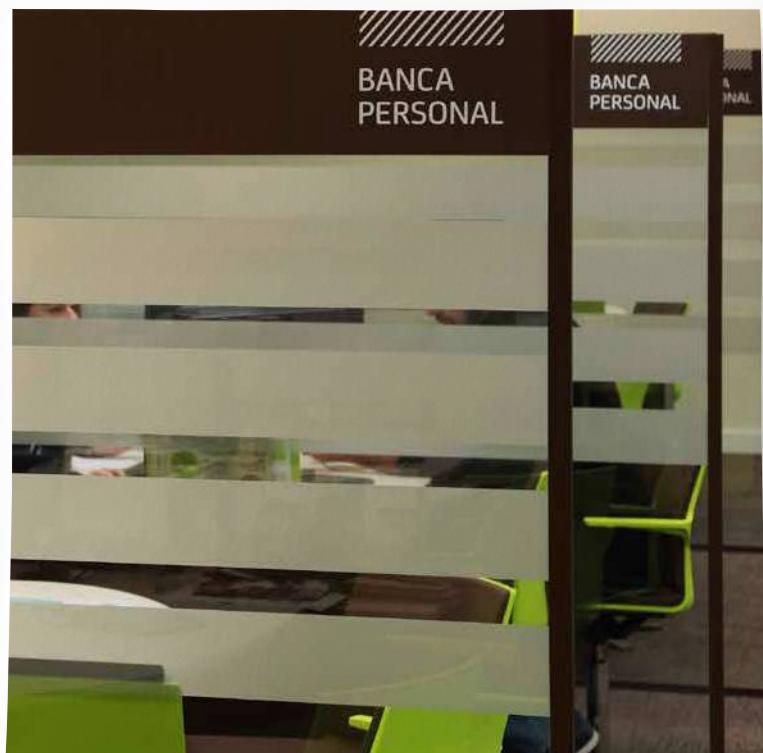
To optimise the investment in digital campaigns, the bank has started a Data Management Platform (DMP), which combines customer segments with the different advertising platforms, so as to address the right audiences.

BIG DATA AND BUSINESS INTELLIGENCE

Technology opens up opportunities for developments that have already started to become a reality in Bankia. One example is the use of Big Data to increase knowledge of customers. Another is the entry into the traditional banking business of new players and the possibility of exploring mutually beneficial opportunities for collaboration.

During 2017 a new distribution engine for sales actions was implemented that prioritises the sales offering that is presented to customers, given that it is important to choose the right moment to relate to them.

To support this activity, an event generation engine has been developed that will facilitate interaction with customers almost in real time.





04.3 BUSINESS BANKING

THE GROWTH OF ITS BUSINESS WITH COMPANIES – BOTH ONE-PERSON COMPANIES AND SMEs AND LARGE CORPORATIONS – IS STRATEGIC FOR BANKIA.

Bankia regards business banking as a strategic sector and aspires to become the bank of choice both for self-employed business owners and SMEs and for companies with turnover of more than six million euros and large corporations. The aim is to accompany these businesses in their growth, financing their projects and offering them tools that will be useful in their daily activities.

Bankia has corporate customers in all sectors. The bank works with 14% of Spanish micro-enterprises, 30% of SMEs and one in two large companies.

Over the course of 2017, the bank granted 13,845 million euros of credit to businesses.

SELF-EMPLOYED AND SMEs

For Bankia, SMEs and the self-employed are a strategically important customer group, which is why during 2017 it worked to deliver an offer of real value to them.

Particular efforts were made to be present in the main institutional credit facilities, such as the ICO, EIB and SGR facilities, so as to be able to offer SMEs and self-employed business owners the best products at the most competitive prices.

This segment has also enjoyed the benefits of the “Por Ser Tú” programme, which has allowed 257,112 SMEs and self-employed to stop having to pay fees on all their accounts in return for having their social security or tax paid by direct debit.

Additionally, Bankia reviewed its own multi-product credit line and redesigned its lending processes.

In the Retailer segment, it updated the POS terminal services to offer customers the latest technology together with value-added services that facilitate their business, such as financing through the terminal itself.

The farming sector is also strategic for Bankia, so new services have been implemented to facilitate applying for and obtaining European Common Agricultural Policy subsidies. Also, the Agro product catalogue has been adapted and credit approval processes have been streamlined.

Looking to 2018, Bankia will continue to work to position itself as a bank that helps SMEs and the self-employed by offering them value-

added services. It will continue to extend pre-approved finance programmes to a wider audience of customers and potential customers.

And it will focus its efforts on selling to this group through the Bankia Online Empresas and “Connect with your Expert” channels, while also implementing a new marketing action and segmentation model.

COMPANIES

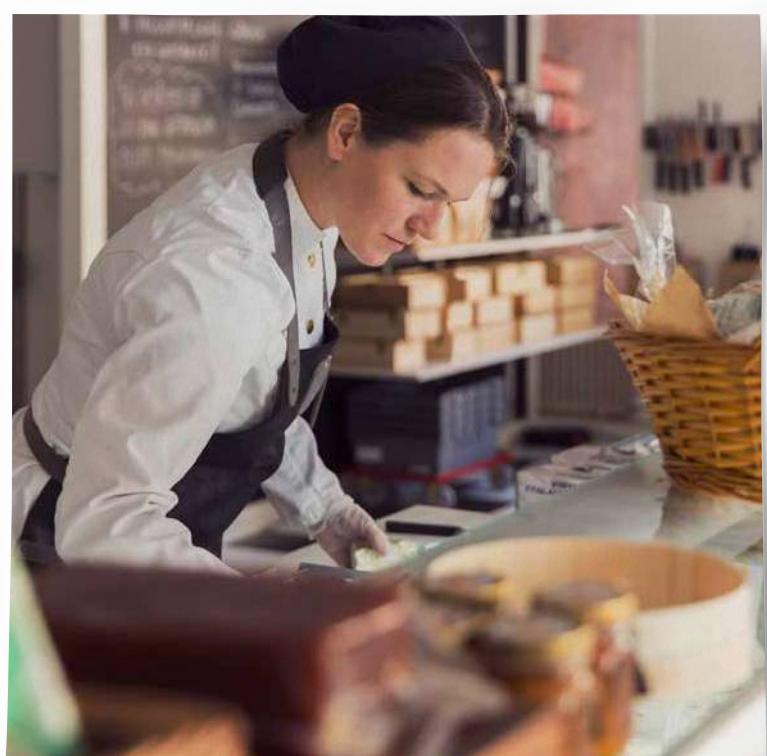
The main customers of the Companies segment are firms with annual sales of more than six million euros, not including large corporates. It has a network of 61 branches throughout Spain, with concentrations in the regions with the greatest activity: Madrid, Catalonia and the Valencian Community.

Its sales and business acquisition functions are supported by a network of specialised account managers, each of whom is assigned a limited number of customers and whose portfolios are structured according to the companies' turnover, always with the aim of delivering a personalised service.

In 2017, Bankia continued to focus its activity on the client companies and so developed tools to help them manage their businesses more efficiently on a day-to-day basis and also organised industry conferences at which it demonstrated its commitment to this customer group.

NO. OF SME AND MICRO-ENTERPRISE CUSTOMERS	638,149
NO. OF SME ACCOUNT MANAGERS	250
VOLUME OF FINANCING GRANTED TO SMES AND SELF-EMPLOYED (€ MILLION)	13,846

LOOKING TO 2018, BANKIA WILL CONTINUE TO WORK TO POSITION ITSELF AS A BANK THAT HELPS SMES AND THE SELF-EMPLOYED BY OFFERING THEM VALUE-ADDED SERVICES.



04.3

BUSINESS BANKING

One of the main milestones in Company Banking in 2017 was the launch of "Soluciona Empresas", an online platform that serves as a toolbox for all companies, not just Bankia customers, to assist them along their growth path.

The bank also introduced "Billib", a digital platform created in a joint venture with Everis in which companies can manage their collections and payments.

Among other benefits, this platform reduces procurement costs, as it allows companies to negotiate cash discounts with suppliers, and improves liquidity both for the company and for its suppliers, as the collection period is shortened.

During 2017, two simplification projects were undertaken, one to simplify contracts and the other to simplify the fees charged on products and services. The underlying goal is to improve the customer relationship.

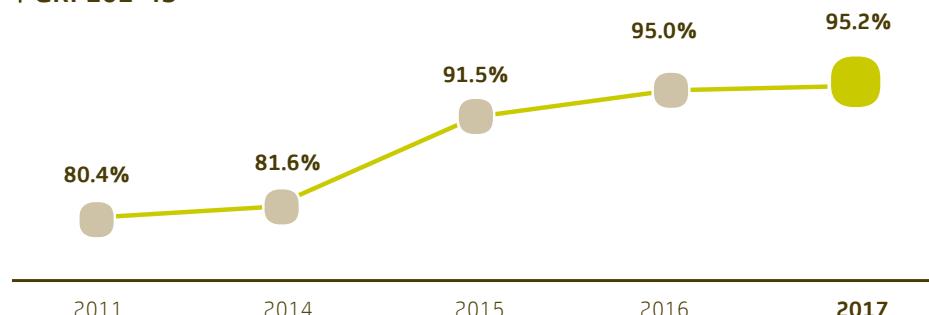
That is precisely the purpose of the Comprehensive Multi-product Line, launched in December, which offers a solution to customers' needs for credit, bill discounting, foreign exchange insurance, payment financing, guarantees and letters of credit, all in a single product.

With this agreement, the customer only has to sign one document in order to obtain working capital credit, which reduces costs and simplifies

delivery of the documentation in successive novations. The facility is open-ended, allows more than one holder to draw on it simultaneously

BUSINESS CUSTOMER SATISFACTION INDEX

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NO. OF BUSINESS BANKING CUSTOMERS	24,455
NO. OF BUSINESS ACCOUNT MANAGERS	222
VOLUME OF CREDIT GRANTED TO BUSINESS CUSTOMERS (IN MILLIONS OF EUROS)	28,293
VOLUME OF PRE-APPROVED CREDIT MADE AVAILABLE TO BUSINESS CUSTOMERS (IN MILLIONS OF EUROS)	16,631
VOLUME OF FINANCING GRANTED TO BUSINESSES WITH SALES OF MORE THAN SIX MILLION EUROS (IN MILLIONS OF EUROS)	24,429
VOLUME OF MANAGED FUNDS OF BUSINESS BANKING CUSTOMERS (IN MILLIONS OF EUROS)	8,549
BUSINESS BANKING MARKET SHARE	37.70%

and has its pricing terms set out in a separate document, all this in the interests of making it simpler for companies to obtain credit and saving costs.

Meanwhile, closeness is the main objective of the industry conferences for client companies, which address issues such as innovation, digital transformation and competitiveness in different sectors and are an opportunity for the bank to get closer to its customers.

In total, 28 conferences were held in 24 different cities and were attended by more than 1,000 people from 677 companies.

Added to all this are the following actions and achievements during the year:

- Bankia raised its market share in the reverse factoring business from 5.90% at the end of 2016 to 8.09% in 2017. Various business processes in this area were improved to allow further growth: the offer was redesigned, the value date of payments is the date on which the file is processed and the charge at maturity is differentiated by invoice.
- The bank's range of "Business" credit and debit cards was expanded with the launch of the Solred credit and debit card, which provides invoices with a breakdown of the VAT associated with fuel purchases, as well as sales discounts.
- The speed of customers' payments was increased with the introduction of a new type of file-based mass SEPA credit transfer, which is credited to the recipients' accounts with same-day value.

- To improve Bankia customers' access to new business opportunities in three priority regions of the world, Latin America, EMEA (Europe, the Middle East and Africa) and Asia-Pacific, the bank strengthened its commercial relations with local banks in these regions.
- Bankia Online Empresas was revamped to give it a more modern, more visual look and was expanded to include new utilities that allow customers to perform their banking transactions much more quickly, more conveniently and at any time they choose.

In 2018, having fulfilled its commitment to Brussels, Bankia will be able to start offering finance to real estate developers again, so as to contribute to the expansion and renewal of the country's housing stock, although the growth forecasts in this sector are moderate. To do this, it has created a Real Estate Developers Directorate and has defined certain target areas linked to the regions with the fastest growth and where the bank's presence is strongest.

"SOLUCIONA EMPRESAS", A TOOLBOX FOR DAILY ACTIVITIES

"Solucion Empresas" is a completely free online platform, accessible to customers and non-customers alike, which includes a package of digital tools designed to help Spanish companies in making their day-to-day decisions.

These tools cover aspects such as digital competitiveness (Indicex); corporate social responsibility (Responsible Management); cyber security (Secur@ Índex); and information about the countries or sectors in which a company is likely to find most business opportunities for its particular products (Exporta).

"Solucion Empresas" also includes tools to improve the management of business risks, particularly those linked to foreign trade.

In the period from its launch in November 2017 to the end of the year, "Solucion Empresas" received more than 300,000 visits and more than 600 companies registered.

04.3

BUSINESS BANKING

CORPORATE BANKING AND CAPITAL MARKETS

The Corporate Banking segment comprises groups of Spanish and foreign companies with annual sales of more than 300 million euros. These customers generally need more specialised service and more sophisticated products than smaller companies. The large public sector accounts

(Spanish State and Autonomous Communities, among others) are also included in this segment.

The bank's strategy for this customer group is based on a specialised sales organisation, an extensive catalogue of products and services designed to meet the needs of large corporations, pre-classification of risks through the Financing Programmes, comprehensive coverage of the business, and an optimal service for transactional operations.

Unlike other areas of the bank, the sales organisation is structured by sectors of economic activity and has specialised account managers in each sector to efficiently meet these companies' needs from the six units located in Madrid and Barcelona.

Given the complexity and range of products and services demanded by large corporate customers, Bankia also has product specialists covering everything from traditional financing and services to the more complex foreign trade and capital



markets transactions, who work closely with the sales organisation.

These customers' financing needs are covered by the Financing Programmes, which are prepared jointly with the risks area and involve establishing, at yearly intervals, an overall group-level framework for financing that can be used by the group's subsidiaries and greatly facilitates decision making.

On the other hand, large Spanish corporations operating internationally and foreign multinationals established in Spain demand global coverage of their businesses.

Although the bank has been involved in most of the international operations carried out in 2017, the lifting of the restrictions imposed in recent years under the recapitalisation plan opens up new business opportunities in this field.

The existence of a back office devoted exclusively to Corporate Banking ensures optimal service levels in all operations and transactions.

In 2017, despite the low interest rate environment, Corporate Banking succeeded in maintaining the gross customer margin in its segment compared with 2016, thanks to the lower interest on credit balances, in line with the market, and the strong performance of fee and commission income, due to the increase in transactional business, especially in international markets.

Looking at the balance sheet, performing loans increased slightly, while non-performing loans dropped 23.2%. The balance of guarantees grew 20% as a result of increased commercial activity. Customer

IN 2018, HAVING FULFILLED ITS UNDERTAKINGS TO BRUSSELS, BANKIA WILL SEEK NEW BUSINESS IN REAL ESTATE DEVELOPER FINANCE, CAPITAL MARKETS AND CORPORATE BANKING.

deposits fell 5.4%, in line with the strategy of optimising the bank's net interest margin.

In the Capital Markets area, Bankia is an active participant in the domestic fixed-income market, including Spanish Treasury bonds and corporate issuers. It helps companies access non-bank financing in the capital markets through the placement of public or private issues of bonds with Spanish and international institutional investors.

The bank is also a market maker in Spanish government bills, bonds and debentures and a price provider for customers in issuing their own debt securities and for fixed income securities originated by the Bank.

In syndicated loans, Bankia has played an important role in the domestic market. More than 70 deals were closed, supporting customers in very diverse industries. The bank has also reinforced its teams in the Loans Directorate by creating a new Non-Residential Real Estate Finance Directorate for give better coverage to customers' needs.

Included in the catalogue Bankia offers its customers are products tailored to customers' needs for managing interest rate and exchange rate risk.

The Mergers and Acquisitions team has continued to support the bank's customers in their corporate transactions, with a special focus on the mid-market segment and regulated assets. The main operations were in the renewable energy area, where the team completed the fifth merger since the change in the regulations and advised on transactions involving wind, photovoltaic and solar thermal assets.

2018 offers new business opportunities in the Corporate Banking and Capital Markets areas, now that the restrictions associated with the recapitalisation plan have been lifted.

04.4 PRIVATE BANKING

BANKIA
BANCA
PRIVADA

BANKIA BANCA PRIVADA OFFERS SPECIFIC,
HIGHLY SPECIALISED ADVICE FOR THE
PORTFOLIOS OF HIGH NET WORTH CUSTOMERS,
WHO DEMAND BESPOKE SOLUTIONS.

In today's low interest rate environment, it is increasingly important to have good investment advice. That is precisely what Banca Privada provides, by maintaining permanent contact with each client to share information about relevant events and analyse the impact they may have on the client's investments.

Banca Privada serves more than 7,300 clients with an investment portfolio of more than 600,000 euros or assets of more than one million euros. These clients receive the services of 55 portfolio managers, of whom nine are senior managers of Banca Privada and 46 are specialised account managers.

The team is made up of 69 people, spread across 12 offices, grouped in four regions. Banca Privada manages a business volume of 5,621 million euros and a total of 5,110 portfolios.



7,357
No. of Banca
Privada clients



5,110
No. of Banca
Privada portfolios



€ 5,621 MILLION
Banca Privada
business volume

Through open architecture mutual fund distribution and the inclusion of new alternatives in the Bankia product catalogue, Banca Privada clients can benefit from bespoke solutions tailored to their needs and matched to their risk profile. All this is possible thanks to a highly personalised service based on deep knowledge of the client.

With the improvement in the Spanish economy, business owners are coming to Banca Privada in growing numbers, supported by the advice given by the Asset Management Advisory Unit.

In 2017 the bank made changes to the Banca Privada portal and integrated it in Bankia Online, so as to give clients a more integrated, user-friendly view of their assets.

It also entered into an agreement to market the Arcano XI private equity fund, in view of the interest shown in this type of product.

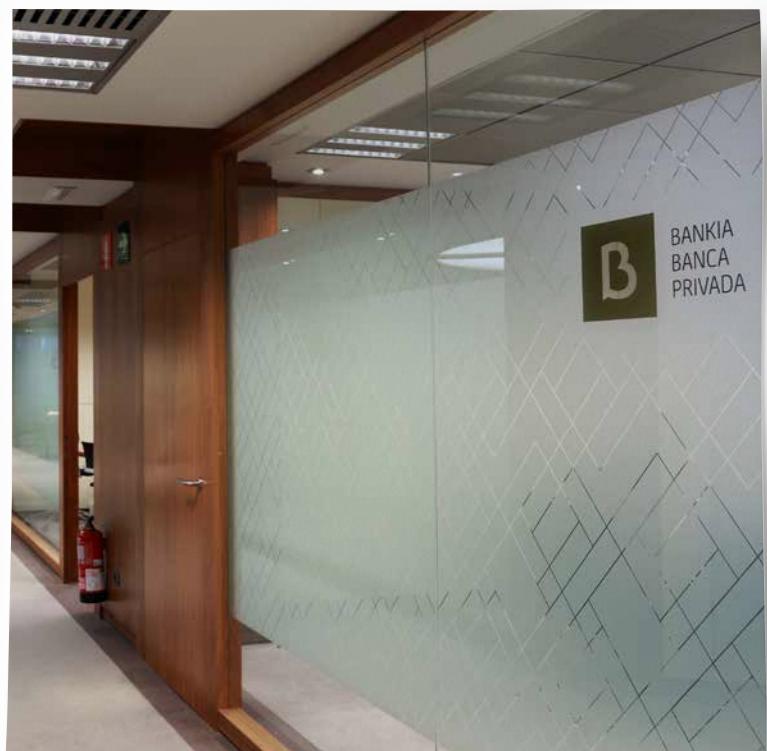
The event that had the greatest impact on Banca Privada, however, was undoubtedly the review of all the advisory processes in order to adapt them to the EU's MiFID II directive, which represents a major shake-up in the regulation of the marketing of financial products. Its entry into force in 2018 has provided a great opportunity to rethink the business model, in order to offer the best service possible.

Banca Privada is working with external suppliers to provide its customers with tools that give them a better view of their investments, access to mutual fund comparison charts and more detailed investment proposals, as well as speeding up certain operations through Bankia Online.

BANCA PRIVADA SERVES CUSTOMERS WITH A PORTFOLIO OF MORE THAN 600,000 EUROS OR ASSETS OF MORE THAN ONE MILLION EUROS.

46

NO. OF BANCA PRIVADA ACCOUNT MANAGERS.



04.5

BANCASSURANCE



BANCASSURANCE DEFINES BANKIA'S RELATIONSHIP WITH ITS INSURANCE PARTNERS, WHOSE ACTIVITY HELPS TO GENERATE FEE AND COMMISSION INCOME.

The Bancassurance Directorate is responsible for coordinating the bancassurance activity and providing specialised support to the sales network for the marketing of insurance to individuals (life, household, auto, health and saving) and companies (trade, credit insurance, legal liability and comprehensive).

The bancassurance business defines the framework of the relationship with insurer partners, in accordance with the strategic alliances established in each area, with the aim of boosting the contribution of insurance sales to the bank's fee and commission income.

Since 2014 the bank has been carrying out a process to transform the marketing of insurance through the various distribution channels (physical, manned remote and

digital), with the aim of creating a single, integrated distribution model for the entire sales network that will be more effective and deliver higher quality. At the same time, new business initiatives have been started to maximise the Bancassurance Directorate's results.

Thus, net premiums written during 2017 reached 343 million euros, with a 3% increase in new business compared to the previous year.

The growth was particularly significant in the life risk business, where net new premiums written in 2017 was 38.9 million euros, representing growth of 17% compared to 2016.

February saw the launch of Bankia Vida Nexo, a product with a simplified purchase procedure that offers protection for the household

economy for a fixed amount, including new additional coverages.

At 31 December last year, a total of 1.9 million policies were in force. The mathematical provisions for life savings insurance totalled 4,986 million at that date.

73% of the business written in 2017 was concentrated in the life and home insurance lines, with significant growth also in SMEs (36% growth in terms of new business), due to increased sales efforts in the comprehensive business, leasing and credit insurance lines. Bancassurance's contribution to the bank's profit was 105 million euros in fee and commission income.

In addition to the support and advice provided to the distribution networks and the training delivered

to the professionals (more than 100,000 training hours), efforts continued during 2017 to improve the bancassurance operator's support for branch sales and management, optimising the volume of support by more than 30%.

Sales systems were optimised and customer onboarding and portfolio management procedures were simplified not only in the traditional network but also in the new channels, where functionalities were added to enhance customer convenience (online auto, Vida Nexo and health simulators).

In 2018, efforts will be concentrated on growing the insurance business by increasing the penetration of the insurance products among Bankia customers, improving the business's contribution to the bank's income statement, simplifying insurance operations in branches so as to improve productivity per employee, adapting the products to the needs of bancassurance channel users, strengthening the remote distribution channels and accompanying the bank in its digital transformation, exploiting its potential to the maximum.

Additionally, a new Investees and Associates Directorate was created, headed by Joaquín Cánovas, to manage the Insurance, Agency Network and Managed Investees businesses.

GROWTH WAS STRONGEST IN THE LIFE RISK BUSINESS, WHERE NET NEW PREMIUMS WRITTEN IN 2017 REACHED

€38.9 MILLION

NO. OF RISK AND SAVINGS INSURANCE CUSTOMERS	1,263,970
NET PREMIUMS WRITTEN (MILLION EUROS)	343
NO. OF RISK AND SAVINGS POLICIES IN FORCE	1,918,133
NO. OF BANCASSURANCE TRAINING HOURS GIVEN TO PROFESSIONALS	101,493



04.6 ASSET MANAGEMENT

ASSET MANAGEMENT IS A FUNDAMENTAL PART OF BANKIA'S BUSINESS, ESPECIALLY IN A LOW INTEREST RATE ENVIRONMENT.

In a context such as prevails at present, where funds are predominantly flowing out of deposits into mutual funds, Bankia's asset management strategy is based on offering a full range of mutual funds and pension plans, so that every customer can find something that meets his or her needs.

Last year, the two ranges of risk-profiled funds (Bankia Evolución and Bankia Soy Así) attracted most of the mutual fund subscriptions, accounting for more than 50% of the assets under management.

In pension plans, the range that attracted the most interest among customers were the profiled products (Cautious, Moderate, Flexible and Dynamic).

In order to fully adapt to the new MiFID II regulations, Bankia Asset

Management updated every aspect of its products, systems and client information.

BANKIA FONDOS

2017 was a good year for the mutual fund industry. The investment volume for the first half outstripped the volume for the whole of 2016.

The low interest rate scenario once again made mutual funds one of the preferred investments for Spanish savers seeking a return on their investments.

Among other advantages, these products give customers access to a broad asset portfolio, which helps diversify risk, while generating lower

transaction costs and better returns by pooling the savings of many investors.

Also, the wide range on offer allows customers to find the product that best suits their needs, expectations and profile.

In less than four years Bankia has succeeded in doubling the assets managed in mutual funds, with an additional 2,225 million euros acquired during the year, crossing the threshold of 15,000 million euros to reach a total of 15,240 million.

This growth lifted the bank's market share 27 basis points in 2017, to 5.8%.

A large part of the growth is linked to risk-profiled funds, matched to each customer's risk profile. At year-end, this product already accounted for 8,487 million euros, 56% of total assets under management.

Bankia has two ranges of profiled funds, Bankia Evolución and Bankia Soy Así, each of which offers various risk levels, so that once their risk aversion has been analysed, customers can choose the one that best matches their profile.

The assets under management of the 39 open-ended investment companies (SICAVs) administered by Bankia increased to 240 million euros.

After the merger with BMN, Bankia has consolidated its position as Spain's fourth largest financial institution, with nearly 17,000 million euros of assets under management, adding the 1,530 million from BMN to the 15,240 million already managed by Bankia before the merger. If BMN is included, the bank's market share in mutual funds would increase to 6.38%.

“FUTURO SOSTENIBLE” FUND

To support its range of “green” products, in the summer of 2017 Bankia launched the Futuro Sostenible fund, which adopts an ethical approach governed by the UN’s Sustainable Development Goals. The fund invests in companies with good fundamentals and outlook that have a positive impact on achieving 10 of those goals.

Accumulating 10 million euros of assets already, the fund belongs in the International Equity category, has geographical or industry limitations and incurs currency risk.

The investment universe (both direct and indirect) is analysed by an independent expert, which applies filters to select the companies that meet the ethical standards.

The external firm Novaster has been engaged to prepare the first ever impact report on the fund to analyse how its investments have influenced the sustainable development goals.

BREAKDOWN BY SDG



- FOOD AND FIGHT AGAINST HUNGER **16.6%**
- CLEAN WATER AND SANITATION **25.4%**
- CLIMATE CHANGE AND ENVIRONMENT **30.7%**
- HEALTH AND WELL-BEING **17.8%**
- POVERTY AND INEQUALITY **2.9%**



5.80%

Market share
in mutual funds



659,392

No. of mutual
fund investors



€ 15,240 MILLION

Volume of assets
managed in
mutual funds

04.6

ASSET MANAGEMENT

Following the Bankia-BMN merger, Trea Asset Management, which until now managed BMN's investment products, has reached an agreement with Bankia under which Bankia Fondos will manage the products marketed by the former BMN network. Trea Asset Management will continue to act in an advisory capacity in respect of a corporate fixed income fund.

The main challenge for 2018 in the mutual funds segment will be the launch and implementation of "Bankia Gestión Experta", a diversified mutual fund portfolio management service that will allow customers to delegate portfolio decision making to Bankia, for portfolios from 10,000 euros.

These portfolios will be managed by the bank's professionals in accordance with the customer's interests, investment horizon and objectives, so as to take advantage of market opportunities, within their risk profile, as they arise.

With this new service, the bank will further expand its range of advice and strengthen its positioning as a financial adviser.

COMMITMENT TO RESPONSIBLE MANAGEMENT

Bankia Asset Management has a commitment to socially responsible investment (SRI) and is continuously working to extend its scope. The adaptation of the investments to ESG (environmental, social and governance) criteria has increased, both in terms of the number of employer plans in which ESG criteria are applied and in terms of asset coverage.

Initially, the only occupational pension plan that took extra-financial criteria into account in its investment decision making was the Bankia Group's Employees Fund. Gradually, ESG criteria have been extended to all the occupational pension plans managed by Bankia Pensiones. As regards asset classes, the coverage is already practically 100% in equity instruments and is increasing in fixed income securities, so that in most of the occupational pension plans more than 70% of the investment already meets ESG criteria.

Bankia's commitment to promoting socially responsible investment was demonstrated by its participation, with the Bankia Futuro Sostenible fund, in the event held to celebrate the Second Year of the Sustainable Development Goals, promoted by SUST4IN. The bank was also present at the 2017 annual event of Spainsif, which is the leading platform in Spain for promoting the integration of ESG criteria in investment policies. Bankia has been a member of Spainsif since 2011.

Among the challenges to be faced in 2018 are the need to draw up a socially responsible investment policy, adapt the investment model to the bank's standards on controversial weapons and broaden the scope to other financial instruments.



€ 881 MILLION

Volume of assets managed
under SRI criteria

PENSION PLANS

Demographic trends in Spain, where life expectancy is increasing while the working-age population is decreasing, pose a challenge for the public pension system as we know it today.

Aware of the challenge, Bankia maintains its commitment to foster a culture of saving through pension plans, a product that is becoming one of the main pillars of workers' retirement provision.

At year-end 2017, Bankia's domestic market share in pension plans was 6.35%.

Bankia has 7,035.1 million euros of assets distributed in individual, employer and associated pension plans, always following the principle of maximum product customisation to suit each customer's needs and retirement horizon. The assets are distributed as follows: 17.7% fixed income, 55.5% mixed, 21.1% guaranteed and 5.7% equity.

To help citizens easily and quickly plan their retirement, in December Bankia launched a free simulator for customers and non-customers to find out the amount of the public pension they will receive when they retire, plus any supplement obtained through private saving. This tool performed 11,185 simulations in 2017.



7.03%

Market share in personal pension plans

716,922

No. of pension plan member accounts

€ 7,035 MILLION

Volume of assets managed in pension plans



04.7

REAL ESTATE ASSETS

BANKIA IS WORKING TO DIVEST REAL ESTATE ASSETS IN ORDER TO CLEAN UP ITS BALANCE SHEET AND ACHIEVE A HIGHER RETURN.

Bankia's real estate asset divestment programme requires extensive knowledge of the sector and professional management. Its main goal is to obtain the highest possible return, clean up the bank's balance sheet and support the share price, in accordance with the demands of the regulators.

All the assets are managed, administered and marketed through Haya Real Estate (HRE), which is responsible for property maintenance and all sales activities (customer service, dealings with intermediaries, presence at events, publication of offers, etc.).

Meanwhile, the mission of the Property Management Directorate, created in May 2016, is to dispose of the assets with minimum impact on the income statement and as efficiently as possible, as well as to coordinate sales and prepare packages of assets for sale outside the retail channels.

For that purpose the directorate has improved the quality of the information available, giving greater transparency to the existing stock, and collaborates with other areas of the bank to expedite the sale of newly foreclosed properties.

A new application launched during the year, which can be used to improve sales processes and monitor all the administrative procedures in relation to each asset in a simpler, more intuitive way, provides more information

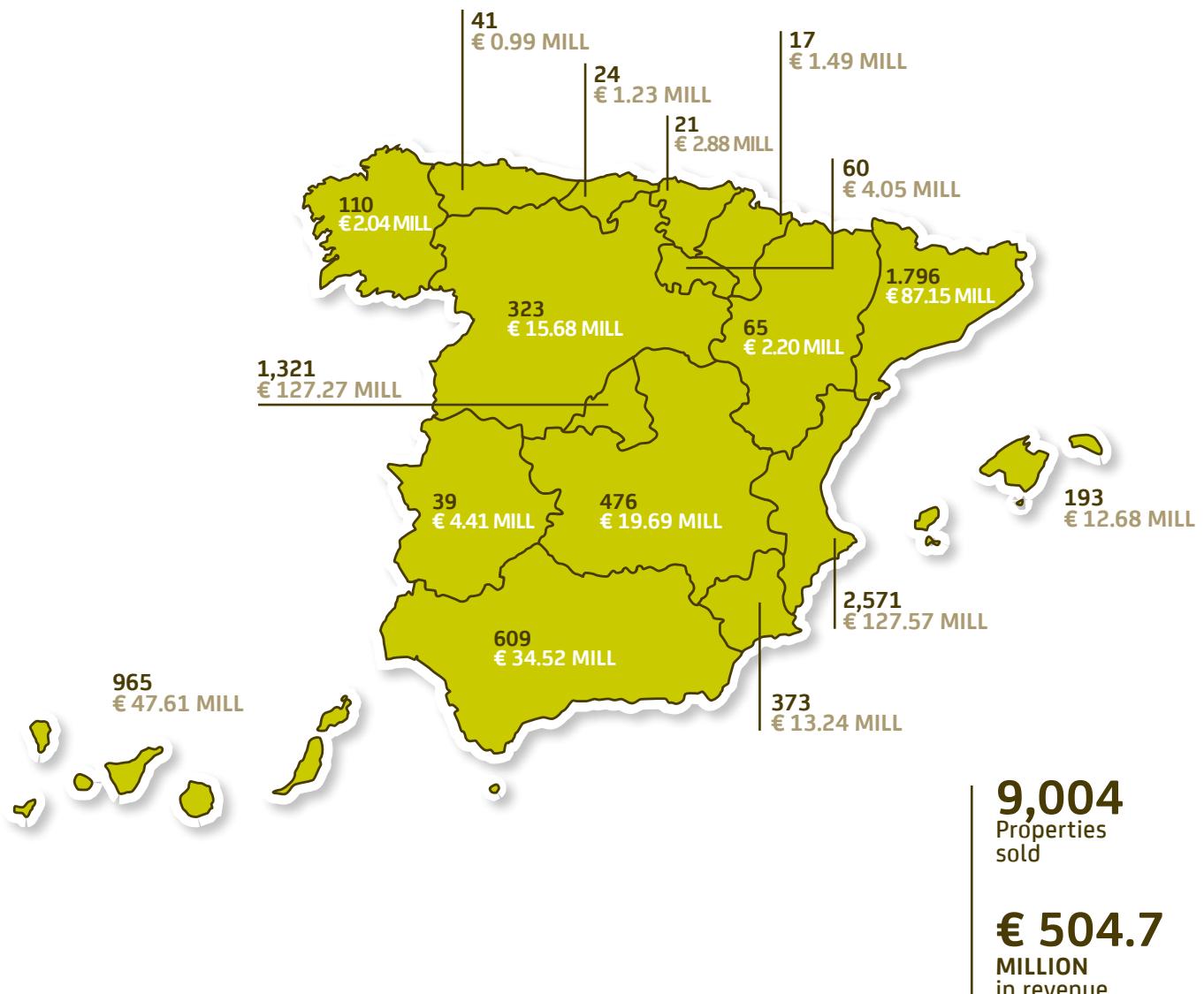
to customers and simplifies processes in the branches.

At 31 December 2017, the real estate activity had contributed 504.7 million euros to the bank, with the sale of 9,004 real estate assets, while also allowing the bank to uphold its commitment to society by allocating 2,921 homes for social rent.

One of the main challenges the Property Management Directorate will face in 2018 will be integrating the real estate assets from BMN, while continuing with the divestment policy to clean up the balance sheet and aligning all the actions taken with the bank's positioning.

MAP OF SALES BY AUTONOMOUS COMMUNITY

- NO. OF PROPERTIES SOLD
- REVENUE OBTAINED



NO. OF HOMES SOLD, BY AUTONOMOUS COMMUNITY **6,642**

NO. OF PACKAGES OF ASSETS SOLD **3**

VOLUME OF REAL ESTATE ASSET DIVESTMENT PROGRAMME (MILLION EUROS) **3,459.1**

04.8 INVESTEES



AS A RESULT OF ITS DIVESTMENT EFFORTS IN RECENT YEARS, BANKIA HAS CONSIDERABLY REDUCED THE NUMBER OF INVESTEES ON ITS BALANCE SHEET.

In recent years Bankia has carried out an ambitious plan to divest non-financial assets, so as to strengthen its profile as a commercial bank, in line with the undertakings given to the European Union.

The volume of divestments in 2017 was much smaller than in previous years, as by the end of 2016 almost 100% of the targets agreed with Brussels had been met.

Even so, Bankia posted gains of more than 75 million euros for the year, mainly from the deferred payment for the sale of Globalvía, in the industrial portfolio, and the divestments in the NAU Group, in the real estate portfolio.

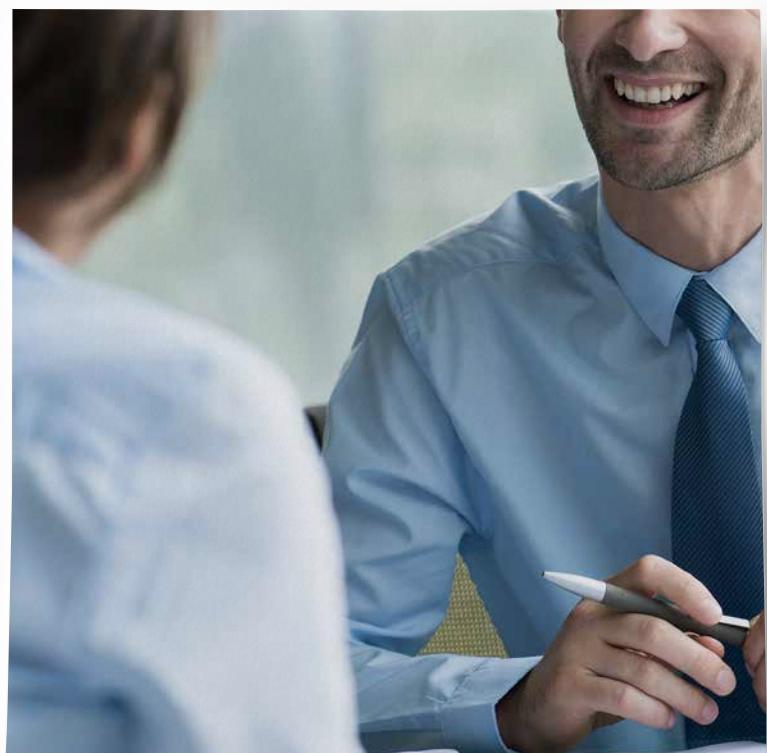
No. of group companies sold	17
Revenue from divestment of investees (million euros)	4.68
Gains generated (million euros)	4.68
No. of investees	197 *
No. of investees within group perimeter	185 *

* Includes companies originating from BMN.

Meeting the divestment targets agreed with Brussels has entailed the derecognition of nearly 500 investees, generating more than 6,000 million euros of liquidity and gains of nearly 1,700 million euros. In addition to the agreed divestments, a further 85 divestments in the amount of 750 million euros have taken place.

After these divestments, Bankia continues to hold a small number of investees on its balance sheet, mainly linked to certain areas of the bank's business, such as insurance, asset management and technology.

THE VOLUME OF DIVESTMENTS IN 2017 WAS MUCH SMALLER THAN IN PREVIOUS YEARS, AS BY THE END OF 2016 ALMOST 100% OF THE TARGETS AGREED WITH BRUSSELS HAD BEEN MET.



05.

RELATIONSHIP WITH SOCIETY AND THE ENVIRONMENT

BANKIA'S COMMITMENT TO ITS ENVIRONMENT HAS MULTIPLE DIMENSIONS. IMPROVING SOCIETY AND ATTENUATING THE ENVIRONMENTAL IMPACT OF THE BANK'S BUSINESS ACTIVITY ARE TWO OF THE MOST IMPORTANT ONES. IN ALL OF THEM, EMPLOYEE INVOLVEMENT PLAYS A KEY ROLE.



05.1 SOCIETY



THOSE FACING THE GREATEST DIFFICULTIES ARE THE MAIN BENEFICIARIES OF BANKIA'S SOCIAL ACTION, WHICH ALSO EXTENDS TO LOCAL DEVELOPMENT AND IS IMPLEMENTED THROUGH VARIOUS SPONSORSHIPS.

Bankia pursues a strategy of participation and collaboration in its social action, for which in 2017 it had a budget of more than 19.33 million euros.

The four main areas of investment last year were: housing/new poverty, employment/training, local development and disability.

Attending to the needs of those closest to us, getting stakeholders involved in the projects and finding Corporate Social Responsibility collaboration programmes were the bank's priorities in this area.

The bank's work in education and training through the FP Dual Bankia dual training programme also played an important role in 2017. Launched in 2015, the programme is intended to train banking professionals by combining school

learning with practical experience in a financial institution.

This is a pioneering initiative in Spain, as it is the first dual vocational training project started by a Spanish financial institution.

Thanks to FP Dual Bankia, which is already training its third class of students, a total of 17 people have joined Bankia's full-time staff.

The main challenge for the bank's social investment in 2018 is to be sustainable and help create a circular economy that promotes solutions that work for the medium term.

The bank will also collaborate with the projects of the new foundations that have joined the group after the merger with BMN: Fundación Caja Murcia, Fundación Caja Granada and Fundación Sa Nostra.

The goal will be to carry out joint projects in each of their regions of influence, seeking coherence with Bankia's social action priorities: the fight against poverty and social exclusion, housing and education.



SOCIAL INVESTMENT

- SOLIDARITY PROJECTS PRESENTED BY EMPLOYEES **10.01%**
- CORPORATE SPONSORSHIPS **13.18%**
- NEW POVERTY / HOUSING **13.45%**
- EMPLOYMENT (ENTRY TO WORK) **6.78%**
- EDUCATION **21.32%**
- RURAL AND LOCAL DEVELOPMENT **28.12%**
- DISABILITY **7.14%**

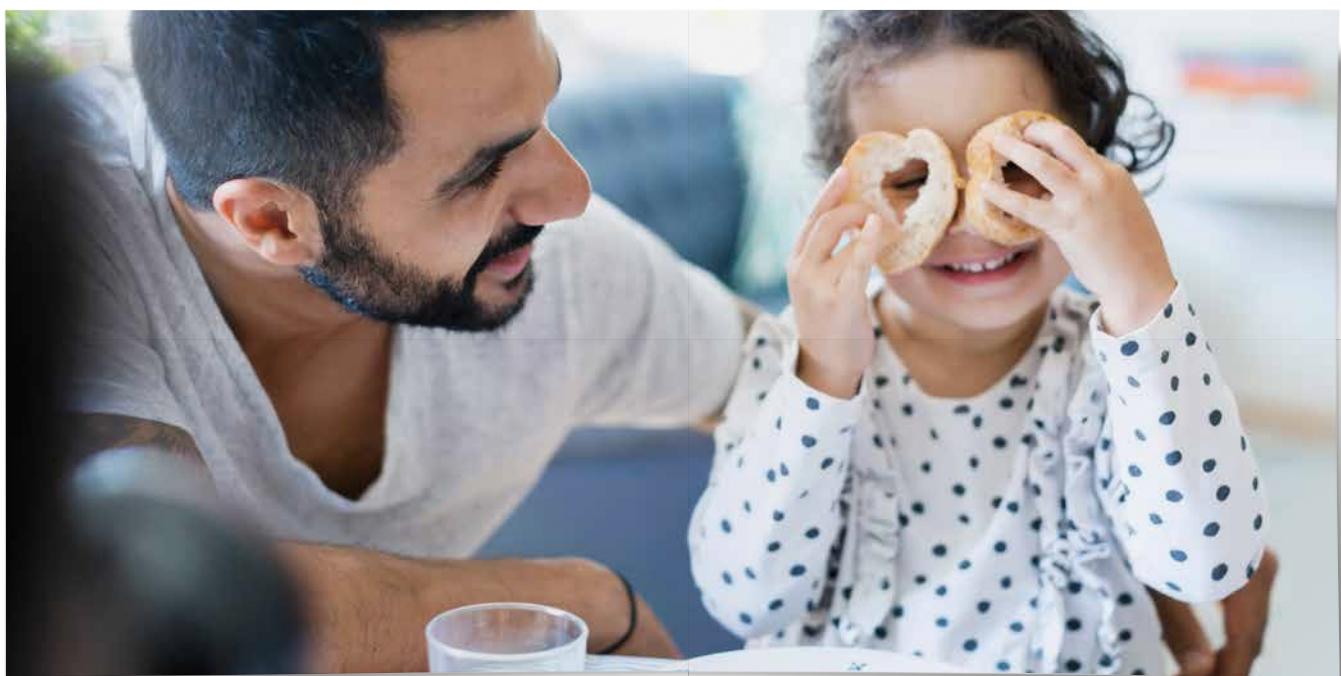


768

No. of foundations and associations supported through social action programmes

789,317

Beneficiaries



05.1

SOCIETY

SOCIAL RENT AND AFFORDABLE HOUSING

During 2017 Bankia expanded its stock of housing for vulnerable people, who pay a social rent on advantageous terms, depending on their particular circumstances. There are already 2,921 social rent properties distributed throughout Spain's autonomous regions. Details may be found at [Bankia.com](#). A total of 554 social rent agreements were signed last year.

The bank has allocated a substantial budget to carrying out necessary maintenance and repairs to these homes, so that they remain in good condition, thus reducing the cost to tenants. The expenditure on maintenance and repairs in 2017 was 2.34 million euros.

The bank has established agreements with local authorities in Madrid, Castilla-La Mancha, the Canary Islands, Catalonia, the Valencian Community and La Rioja to expedite housing allocation through their social services departments.



23

No. of furniture donations to social purpose entities



2,921

No. of properties delivered to the Social Housing Pool (SHP)



554

No. of contracts signed with families who have also applied for additional assistance to pay the rent

SOCIAL RENTS DATA

	2017	2016
SHP APPLICATIONS	523	570
SHP APPLICATIONS PENDING	398	407
APPLICATIONS REJECTED	21	14
SHP APPLICATIONS APPROVED	30	64
SHP AGREEMENTS SIGNED	74	85
SPECIAL RENT APPLICATIONS	562	491
SPECIAL RENT APPLICATIONS PENDING	59	9
SPECIAL RENT APPLICATIONS REJECTED	21	10
SPECIAL RENT AGREEMENTS APPROVED	2	8
SPECIAL RENT AGREEMENTS SIGNED	480	464

EDUCATION

Last year, the bank's support for education translated into a contribution of four million euros to the Bankia Foundation for Dual Education, which promotes training that combines classroom learning with on-the-job experience.

During 2017 the foundation's efforts were focused on:

- **Promoting and improving dual vocational training**, by entering into collaboration agreements with autonomous communities, business associations and other social agents to develop specialised programmes (Sanec, Comex and Ditec), as well as the FP Dual Bankia programme in the field of banking, the only one of its kind in Spain.
- **OProfessional, academic and personal guidance** by creating an integrated orientation platform, aimed at articulating personal vocations, the education system and the needs of the economy.

BANKIA IS THE FIRST EUROPEAN BANK TO JOIN THE EUROPEAN ALLIANCE FOR APPRENTICESHIPS (EAFA).

- **Research and innovation in dual education** by carrying out projects such as the Spanish dual education research agenda, publication of the first report on vocational training in relation to smart specialisation in Castilla y León and its extension to other regions, and the strategic and operational plan for vocational training in the Valencian Community.
- **Stimulus, promotion and diffusion of dual vocational training**, notably the 3rd Dual Education Alliance Forum, the 4th Fpempresa Conference and the 5th Public-Private Partnership in Education Conference in Madrid.

Bankia is the first European bank to join the European Alliance for Apprenticeships (EAFA).

The efforts made in this area are already starting to show results. Proof of this is the fact that in June 2017 a total of 44 students from FP Dual Bankia's first class completed their training and 17 of them have been hired as sales staff in Bankia branches, all of them on open-ended contracts.

That same month, 50 students belonging to the second class started their first period of training in Bankia and returned in December, after the holiday period, to continue until June 2018.



18

No. of dual vocational training actions carried out



518

No. of participants in the dual vocational training actions



11

No. of agreements signed with regional governments to support dual vocational training

05.1

SOCIETY

In September 2017, the third class of FP Dual Bankia students began their period of classroom training and are expected to join Bankia in June 2018.

Also, the Bankia Foundation and the Fpempresa Schools Association are working together on an ongoing basis to foster vocational training and dual vocational training in schools and companies in Spain. Their aim is to tackle joint projects that will help train up young specialists, so as to meet society's needs for employable youth and the needs of a constantly evolving labour market.

The challenges for the Bankia Dual Education Foundation include working with various bodies to foster this type of education, publishing reports that will help build awareness of dual vocational training and increasing the Foundation's presence at dual education events and forums.

Another project for the next year is the launch of a new website that will bring together all the Foundation's activities, as well as news and other content of interest to vocational training students, schools and companies.



"CUENTA UN CUENTO" ("TELL A STORY"), MADRID. BOOKSTORE AND STORYTELLING. PROJECT SUPPORTED THROUGH MICROCREDIT

MAP OF DUAL VOCATIONAL TRAINING AGREEMENTS SIGNED WITH AUTONOMOUS COMMUNITIES

Framework agreements with Cantabria, Castilla y León, Murcia, Galicia, Extremadura, La Rioja, Navarra, the Canary Islands, Catalonia, Castilla-La Mancha and the Valencian Community.



EMPLOYMENT

The priority in Bankia's social projects is to help people overcome their vulnerability by finding employment or making themselves more employable through training.

Among the most noteworthy actions supported by Bankia in 2017 are the following:

- Red Cross programme to facilitate access to employment for young people or improve unemployed people's qualifications through professional skills certificates with on-the-job experience in companies or institutions. It had 401 participants in 23 Spanish towns and cities, who received a combined 7,355 hours of training. More than 80 companies collaborated in this programme.
- Red Cross programme co-financed by the European Social Fund aimed at helping more than half the participants, all of whom were over-45s, into employment. More than 2,265 people from 20 Spanish provinces benefited from the programme.
- Caritas Española programme that helped to organize training and employment itineraries in social employers for 2,529 unemployed people in 24 towns and cities.

Besides these actions, the bank also took the strategic decision to support self-employment through microloans. For that purpose it gave approval for the acquisition of a stake in the specialised financing company IMF Oportunitas, which plans to carry on its activity throughout Spain. Its beneficiaries receive support and advice from the association of senior volunteer professionals Secot and the Oportunitas foundation itself, among other NGOs that will collaborate in the programme.

The Employment programmes have also sought to involve two stakeholders – customers and suppliers – in a gesture of social responsibility aimed at helping those closest to us. Thus:

- The “Empleo en red” programme provided assistance to 153 Bankia customers, who followed itineraries of guidance and active employment search. Since the programme was created, in 2013, a total of 1,338 people have received assistance and 49% of them have found work.

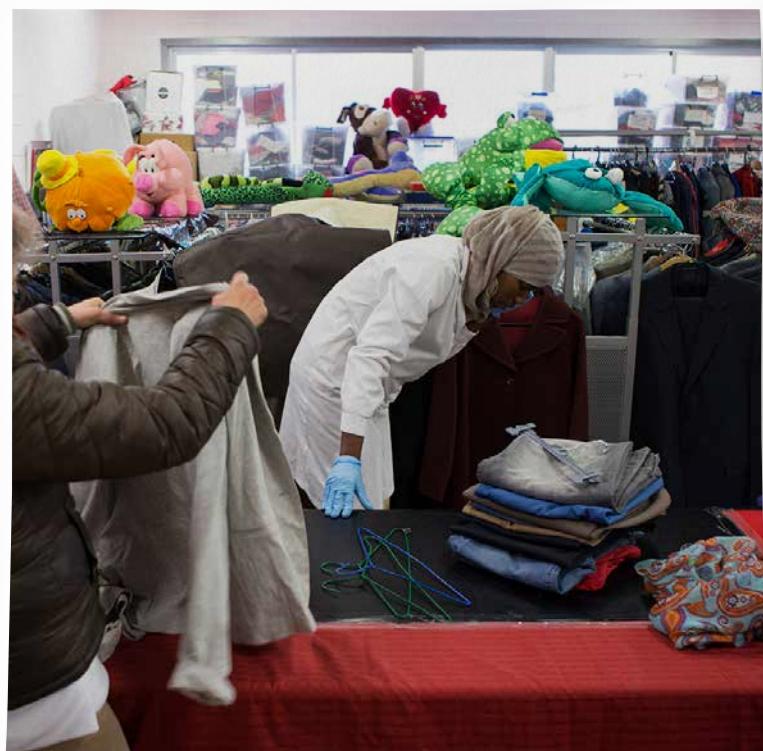
- The bank carried out a pilot social responsibility collaboration project with one of its suppliers (the services multinational ISS), which offered positions for vulnerable people, and in social rent, assisted by Fundación Randstad and Fundación Tengo Hogar.

NO. OF EMPLOYMENT AND ENTRY-TO-WORK PROJECTS CARRIED OUT

59

NO. OF DIRECT BENEFICIARIES OF THE EMPLOYMENT AND ENTRY TO WORK PROJECTS CARRIED OUT

17,066



**PROMOTION AND SUPPORT FOR LABOUR MARKET INCLUSION
IN “RECICLAMODA”, A CARITAS PROJECT IN GUADALAJARA**

05.1

SOCIETY

FINANCIAL EDUCATION

Bankia is a participant in the Financial Education Plan run by the Comisión Nacional del Mercado de Valores (CNMV) and the Banco de España.

To promote a better knowledge of financial topics, the bank is

conducting various initiatives aimed at helping people make investment decisions, which ultimately will benefit the stability of the financial system. Examples include:

- **Investment School.** A section of the corporate website that explains basic concepts, offers advice and presents the best tools for dealing in the markets.



QUALIFICATION PROJECT OF SOCIAL ASSISTANCE
OF CRUZ ROJA IN LOGROÑO

• **Financial Education.** Multimedia portal on financial products and habits that helps people understand the financial world they live in as consumers.

• **Teach what you know.** A Bankia and Fundación Randstad programme through which volunteers from the bank act as special finance teachers for over-45s with disabilities, long-term unemployed people and people at risk of social exclusion. The programme has already completed four classes.

• **Finance made easy.** Thanks to this project, professionals from the bank trained in order to be able to give classes on saving, spending, money and bank products to people with intellectual disabilities. In all, the Financial Education volunteering activities involved 72 volunteers in 75 volunteering days, with a total of 342 beneficiaries, offering 180 hours of training.

• **Snapchat profile.** Audiovisual learning pills are used to explain the most basic notions of economics to Snapchat's young audience in clear, didactic terms, so that they understand how the economy works and how it affects them.

- Bankia Blog.** Started in March 2015, the blog provides content relating to the family economy and answers questions raised by its readers on matters such as income tax returns and ATM operation, as well as explaining in simple terms the implications the new regulations approved each year by the financial authorities may have for their daily lives.

LOCAL DEVELOPMENT

In 2017 Bankia continued its effort to reach out and distribute its social assistance to small local bodies. To do that it relies on eight foundations: Fundación Montemadrid (in Castilla-La Mancha and Madrid), Fundación Bancaja (in the Valencian Community), Fundación Ávila (in Ávila), Fundación Caja Segovia (in Segovia), Fundación Iluro (in the Maresme area, near Barcelona), Fundación Caja Canarias (in the Canary Islands), Fundación Caja Castellón (in the province of Castellón) and Fundación Caja Rioja (in La Rioja).

Last year, through the calls for proposals and other programmes carried out in partnership with these foundations, 1.96 million euros were allocated to 341 foundations and associations, mostly centred on employment projects, although also targeting diversity, ageing, welfare assistance and local development.

BANKIA IS A PARTICIPANT IN THE CNMV-BANCO DE ESPAÑA FINANCIAL EDUCATION PLAN.

Foundation	NGOs supported	Beneficiaries
Montemadrid	77	83,584
Bancaja	61	34,000 (only)
Caja Rioja	22	3,148
La Caja de Canarias	40	7,131
Caja de Ávila	42	6,495
Caja Segovia	44	6,362
Iluro	8	1,368
Castellón	47	8,998
Total	341	151,086



341

Total no. of foundations and associations supporting local and rural development programmes

€1.96 MILLION

Investment in foundations and associations with local development programmes through calls for proposals

05.1

SOCIETY

Bankia's social projects make use of the bank's Red Solidaria network, through which the bank's own professionals choose NGOs close to their branch and allocate up to 10,000 euros to them, depending on how well they meet their targets. In 2017, 1.4 million euros were invested thanks to this programme. A total of more than 166,000 beneficiaries and 252 foundations and not-for-profit associations have received support thanks to the results achieved by the professionals in Retail Banking, Company Banking, Private Banking, Legacy, Multichannel Businesses and Central Services.

Young people may participate in Bankia's social initiatives through the "Historias en Red" call for participation, which gives recognition to the most original volunteering projects among students aged 16 to 25. The most recent call elicited submissions from a total of 59 teams, of which eight were selected, receiving more than 3,000 euros each.



INCLUSIVE SPORTS DAY WITH FUNDACIÓN TAMBIÉN AND BANKIA VOLUNTEERS IN MADRID

RED SOLIDARIA MAP



NO. OF PROJECTS

ANDALUSIA 21	CATALONIA 27
ARAGÓN 6	CEUTA 1
ASTURIAS 2	EXTREMADURA 5
BALEARICS 2	GALICIA 7
CANARIES 14	LA RIOJA 6
CANTABRIA 3	MADRID 69
CASTILLA-LA MANCHA 15	MURCIA 2
CASTILLA Y LEÓN 17	NAVARRA 3
VALENCIAN COMMUNITY 46	BASQUE COUNTRY 6

INTEGRATION OF PEOPLE WITH DISABILITIES

Another important focus of Bankia's social action is the integration of people with disabilities through employment promotion schemes. During 2017, support was channelled to 39 such schemes, with a total of 4,224 beneficiaries.

The total investment in these projects was 1.38 million euros.

Last year, Bankia also maintained its support for the following initiatives:

- The Fundación ONCE's postgraduate scholarship programme for students with disabilities.
- The subcontracting of services from Special Employment Centres, where a large proportion of the workforce are people with disabilities.
- The agreement with the Konecta Group Special Employment Centre to supply staff for Bankia's Customer Service Centre and Digital Contact Centre.

CORPORATE VOLUNTEERING: INVOLVEMENT AS A CHALLENGE

Bankia's goal is to involve most of its employees in choosing the recipients of the bank's social investment. Through the Red Solidaria programme, Bankia's employees propose, vote for and financially support a project located nearby and then report to their colleagues on their progress and the challenges met. The amount of the investment depends on the each team's results.

In 2017, Bankia organised 108 volunteering days, which had 584 participants, including employees of the bank and members of their families. It also supported nine social initiatives through the internal "Name your project" call for proposals, aimed at organisations whose employees are permanent volunteers.

As in previous years, the bank took part in the donations campaign to help Spain's food banks, doubling the amount donated by its employees (37,422 euros). In the 2017 campaign, a total of 74,844 euros was donated to the Spanish food banks federation FESBAL, which used the money to buy baby food and make improvements to the facilities of 15 food banks in Alicante, Ávila, Bilbao, Cáceres, Cádiz, Castellón, Ciudad Real, Guadalajara, A Coruña, La Rioja, Las Palmas, Madrid, Segovia, Toledo and Valencia.

Bankia also promoted sport for charity through the "Correr con Doble Meta" programme, in which the bank turns the kilometres run by its employees in races throughout Spain into euros.



39

Employment promotion schemes for people with disabilities



4.224

Beneficiaries of employment promotion schemes

05.1

SOCIETY

SPONSORSHIPS

Besides its support for strictly social solidarity activities, Bankia is also involved in other initiatives that help improve its environment, whether through culture, sport or business.

Last year, the bank reinforced its sponsorship of innovation activities such as the Digitalizadora and the Atípics programme, as it aims to support all activities that demonstrate new ways of doing things through technology and that have a positive impact on society.

Notable social and cultural sponsorships include:

- **Bankia Symphony Orchestra**

A professional orchestra that provides training and an entry to employment for talented young people and fosters artistic excellence. In 2017 two series of concerts were held in the cities of Zaragoza, Pamplona, Logroño, Castellón, Alicante and Valencia, which were attended by more than 7,000 people. The orchestra took part in the events commemorating the fourth centenary of the Plaza Mayor in Madrid, with a free open-air concert that was attended by some 3,000 people.

- **Bankia Escola a València**

A programme to promote music education and combat school failure through music. Last year saw the launch of the 4th Call for Grants, which benefited 703 students, and the start of the second edition of the Valencian Community's Competition for Orchestras, in collaboration with the Institut Valencià de Cultura and the FSCMV. In addition, a programme was carried out to recover historical pieces of music and the first Bankia Musical Talent Prizes were awarded.



BANKIA CARD. SUPPORT TO THE YOUTH ACADEMY
OF THE GRAN CANARIA BASKETBALL CLUB

• Edades del Hombre

Bankia reaffirmed its commitment to the promotion of culture and the preservation of the historical heritage by sponsoring the 22nd edition of the “Las Edades del Hombre” exhibition. In 2017, the “Reconciliare” exhibition was held in the town of Cuéllar, in the province of Segovia, and was visited by more than 1.7 million people.

• Gran Teatro Bankia Príncipe Pío

Bankia is contributing to the financing of the Gran Teatro Príncipe Pío, a project that involves establishing a cabaret, a concert hall, an exhibition hall and a television set. All these facilities will accompany the project's main objective, which is the theatre to be housed in the main building of the former Príncipe Pío railway station in Madrid. The bank will also sponsor part of the Gran Teatro's cultural activity. While this project takes shape, as a taster of what “The Station” will be, Madrid's first spiegeltent (travelling tent decorated with mirrors) has been opened adjacent to the main building. A total of 306 events were held in this tent during 2017, with more than 121,670 participants in 52 different shows.

• Madrid Book Fair

Bankia sponsors the Book Fair, one of the capital's most important cultural events, promoting book sales in Spain. The bank has been Official Sponsor and Exclusive Sponsor among financial sector companies. The main new feature in the 76th edition was that Bankia sponsored the Bankia Cultural Activities Pavilion, in which the main events were held. After the fair, the bank held a prize draw among merchants that had acquired a Bankia POS terminal, with four prizes of 500 euros each.

• Venero Claro summer camp

Under an agreement with Fundación Caja de Ávila, grants are offered to enable more than 400 boys and girls to attend summer camps in Ávila, which include leisure, games, workshops and English classes, among other activities.

The bank also fosters the practice of sport by sponsoring activities such as:

• Youth sport

The bank's sports sponsorship is focused on sport practised by youngsters in sport schools. In Las Palmas it sponsors the youth academy of the Gran Canaria basketball club; in Ávila, the Puente Romanillos athletics club and the Óbila basketball club's youth academy; and in Segovia, the school of the Segovia Futsal futsal club. More than 2,000 boys and girls benefit from these activities.

Also, an agreement has been entered into with the Valencia Basket basketball club to foster the values of a culture of effort among young people through the social programmes “Més que un Triple”, “Triple Solidario” and “Campus del Esfuerzo”, as well as the Valencia Basket card.

• Valencian pilota

In 2017, for the fourth season in a row, Bankia supported Valencian pilota, which is the first sport to be awarded the status of an Intangible Heritage Asset by the Valencian government, the Generalitat, and is practised throughout the Valencian Community's three provinces. Last year the sponsorship included two variants of the game: “escala i corda” and “raspall”.

Companies are an extremely important group for Bankia, which is why the bank is keen to sponsor forums and shows that will support companies' development and growth.

In the course of 2017 agreements were reached for specific actions in partnership with several different business associations and chambers of commerce.

Almost 40 events, attended by more than 2,000 customers, were held, addressing issues such as digitisation, tax reform and company finance.

Bankia took part in various trade fairs (Salón Mi Empresa, Fenavin, Forinvest, Manager Business Forum, Spain Startup South Summit, Foro Innova Pyme).

La Digitalizadora, a digital immersion programme started by Bankia and Insomnia, deserves special mention. Over the course of ten training sessions, business owners and managers learned about the major technological verticals that will affect companies, such as robotics, 3D printing and artificial intelligence.

The bank also sponsored, among others, the Business Awards organised by *Actualidad Económica*; the In4NBankia Awards given by the Alicante daily *Información*; the Digital Competitiveness Awards given by the magazine *Castilla y León Económica*; the “Tu Economía” Awards given by *La Razón*; the “Comprendedor” Awards given by Fundación Empresa y Sociedad; the Bankia-Acoex Internationalisation Awards; the “Andaluces del Futuro” Awards given by the Joly publishing group; and the “Talento Joven” Awards given by the daily *Levante*.



05.2 SUPPLIERS

THE PROCUREMENT FUNCTION IS AN ESSENTIAL TOOL FOR IMPROVING THE ENVIRONMENT THROUGH ENGAGEMENT WITH SUPPLIERS.

Bankia has specific rules of conduct for the purchasing function, in addition to its own Code of Ethics and Conduct, based on the rules of the International Federation of Purchasing and Supply Management (IFPSM).

These rules are founded on principles such as loyalty and honesty, objectivity in decisions, transparency and equality of opportunity, confidentiality, integrity and independence in relations and corporate social responsibility.

Bankia's purchasing policy opts for diversification among local, national and international suppliers, so as to foster balanced wealth generation.

Transparency in supplier selection, implemented through a system of authorities and delegated powers, so that decisions are escalated as appropriate and are communicated to all the levels involved.

In 2017 the bank renewed its UNE 15896 certification for Value-Added Purchasing Management, the first supranational standard to encourage best business practices at the European level and to recognise excellence in the purchasing function.

This renewal marks an important milestone for the bank, as it is the first financial institution to obtain and maintain this certification, which promotes continuous improvement, minimises risks and ensures respect for sustainability in purchasing management.

To channel relations with suppliers and the procurement of products and services, Bankia has implemented a new tool called "Valora" for managing purchases online and assessing any proposals received.

Units that request a service or product must therefore assess the compliance of any proposals submitted by suppliers in the tender process.

SUPPLIER APPROVAL

Suppliers must be approved in order to establish a business relationship with Bankia and must obtain a minimum score in the approval process.

The assessment covers environmental, social and governance behaviour, so that the bank only works with suppliers that adhere to responsible management best practices.

Suppliers are required to be compliant with applicable laws and regulations in the jurisdictions in which the bank operates and consideration is given to alignment with the principles of the Global Compact, the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization (ILO).

Suppliers that demonstrate commitment to their employees, quality, the environment and human rights are valued more highly and the bank aims to avoid purchasing from companies that have a record of non-compliance with legal, tax, employment, environmental or social obligations.

The approval process also includes an examination of economic, social and environmental risk and suppliers are required to have the appropriate economic risk rating and to provide certain mandatory information.

In 2017, Bankia had 859 approved suppliers and 712 active approved suppliers.

SUPPLIER CARE AND ACTIVE LISTENING

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Suppliers may communicate with Bankia through various different channels:

- The Confidential Whistleblowing Channel, managed by an independent body and open to suppliers, which helps to detect possible breaches of the bank's Code of Ethics and Conduct.

- The Supplier Service Department, which reports directly to the Chairman's Office and deals with complaints, claims and suggestions relating to supplier selection, invoice payment and provision of services associated with supplier contracts.

- Satisfaction surveys, implemented through the Supplier Perception Study, which assesses aspects such as staff friendliness, the negotiation process, flexibility in ordering, and fulfilment of payment obligations. In 2017, 85.7% of suppliers rated their satisfaction with their relationship with Bankia above 7 out of 10.

THE NEW SUPPLIER PORTAL

In 2017 Bankia introduced a technological solution designed to establish a new style of business relationship with its suppliers, ensuring transparency, impartiality and equal opportunity.

The new Supplier Portal simply and securely hosts online all the information Bankia needs for supplier approval and rating and also facilitates participation in the various negotiation processes.

05.2

SUPPLIERS

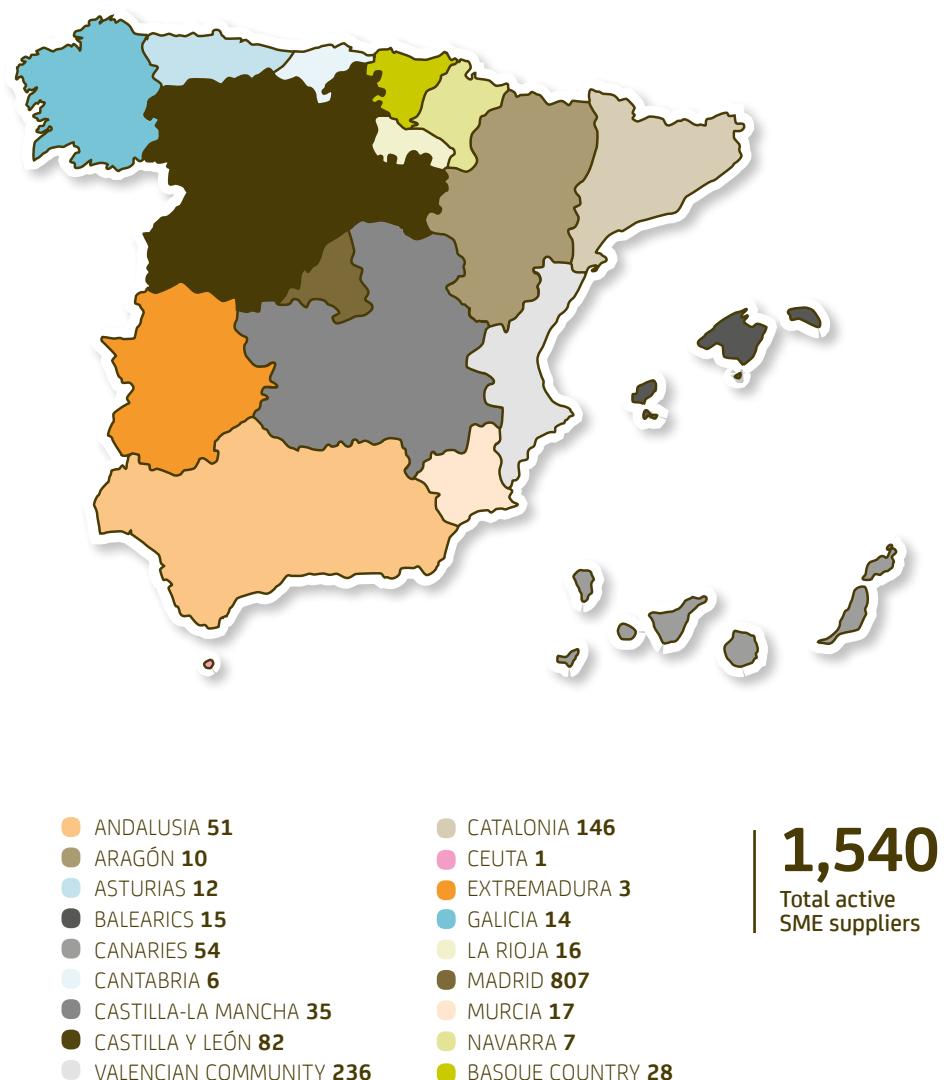
OTHER ACTIONS

In 2017, the second edition of the Suppliers Day was held at the Bankia headquarters in Madrid, with 300 participants. This event demonstrated the bank's wish to maintain a relationship of trust and an ongoing dialogue with its suppliers, who are a vitally important part of the value chain.

Bankia sponsors and collaborates with Fundación Aerce (Spanish Association of Purchasing Procurement and Supply Professionals), whose purpose is to channel, publish and disseminate purchasing-related knowledge and research.

The bank also placed among the Top 5 in the 2017 ranking of Ibex-35 companies considered the best companies to work for in their purchasing department, according to a study by CPOnet, the first business social network for buyers and suppliers.

DISTRIBUTION OF SUPPLIERS BY AUTONOMOUS COMMUNITY



SUPPLIER PROFILE

ACTIVE SUPPLIERS BY SECTOR

Nº ACTIVE APPROVED SUPPLIERS IN REAL ESTATE/ CONSTRUCTION SECTOR **69**

Nº ACTIVE APPROVED SUPPLIERS IN GENERAL SERVICES SECTOR **126**

Nº ACTIVE APPROVED SUPPLIERS IN INFORMATION TECHNOLOGY SECTOR **131**

Nº ACTIVE APPROVED SUPPLIERS IN CONSULTING / AUDIT / ADVISORY SECTOR **106**

Nº ACTIVE APPROVED SUPPLIERS IN "OTHER" SECTOR (ADVERTISING / MARKETING, LEGAL, FINANCIAL INFORMATION SERVICES, ETC.) **280**

SUPPLIERS BY BILLING

TOTAL BILLING (TOTAL VOLUME OF PURCHASES) **€649,068**

TOTAL AMOUNT BILLED TO SUPPLIERS IN SPAIN (LOCAL SCOPE) **€623,536**

TOTAL AMOUNT BILLED TO SUPPLIERS OUTSIDE SPAIN (OUTSIDE LOCAL SCOPE) **€25,529**

AVERAGE SUPPLIER PAYMENT PERIOD **9.95 DAYS**

PERCENT OF INVOICES PAID WITHIN THE LEGAL TIME LIMIT (LESS THAN 30 DAYS) **99.07%**

PERCENT OF SUPPLIER CONTRACTS MANAGED THROUGH THE E-CONTRACT SYSTEM **95.17%**

THE AVERAGE SUPPLIER PAYMENT PERIOD WAS REDUCED TO 9.95 DAYS, COMPARED TO 10.45 DAYS IN 2016.

APPROVED SUPPLIERS BY CATEGORY

TOTAL Nº APPROVED SUPPLIERS CLASSIFIED AS STRATEGIC **23**

TOTAL Nº APPROVED SUPPLIERS CLASSIFIED AS PREFERRED **97**

TOTAL Nº APPROVED SUPPLIERS CLASSIFIED AS TRANSACTIONAL **739**

SUPPLIERS CLASSIFIED BY RISK

PERCENT OF ACTIVE APPROVED SUPPLIERS UNDER CSR CRITERIA **100%**

TOTAL Nº SUPPLIERS WITH ECONOMIC RISK **1**

TOTAL Nº SUPPLIERS WITH LOW LEVEL OF ESG INFORMATION **170**

ACTIVE SUPPLIERS BY SCOPE

ACTIVE APPROVED SUPPLIERS IN SPAIN (LOCAL SCOPE) **698**

ACTIVE APPROVED SUPPLIERS OUTSIDE SPAIN (OUTSIDE LOCAL SCOPE) **14**

SMES THAT ARE ACTIVE SUPPLIERS

TOTAL Nº ACTIVE SME SUPPLIERS WITHIN LOCAL SCOPE **1,540**

TOTAL Nº ACTIVE SME SUPPLIERS IN THE BANK'S MAIN AREAS OF ACTIVITY **1,295**

TOTAL Nº ACTIVE SME SUPPLIERS OUTSIDE THE BANK'S MAIN AREAS OF ACTIVITY **341**

TOTAL NO. OF ACTIVE SUPPLIERS SMES OUTSIDE THE LOCAL SCOPE **96**



05.3 COMMUNICATION

TRANSPARENCY AND COMMUNICATION ARE KEY TO ANY ORGANISATION'S STRATEGY, AS THEY ARE THE MEANS TO CONVEY WHAT IT DOES, ITS VISION AND ITS VALUES.

Following the principle of transparency, which governs all the Group's activity, Bankia works to provide the media with transparent, honest information through a variety of channels and encourages its managers to participate in various forums that have media coverage.

The bank's Press Relations department is in permanent contact with journalists and tries to answer all the questions they put to it. During 2017, XX press releases by Bankia and XXX by other parties were published and XX press conferences were held.

The Press Relations team also managed XXX videos, held XX interactions with journalists, made XX trips (mostly to the regions in which the bank has the greatest presence) and arranged XXX media interviews with the chairman, the CEO and the CFO.

The bank's external communication is also channelled through the Digital Content and Communications department, which manages the bank's social media accounts and various online portals through which information is provided about Bankia's activities and its environment. This department also helps ensure that the bank's corporate discourse is consistent and improve the content it issues.

The bank's efforts in this respect have been recognised by the business journalists association APIE, which awarded the bank's chairman, José Ignacio Goirigolzarri, the Tintero 2017 award. This award is in recognition of the chairman's work in the field of information, his efforts to improve communication policies and his clear and frequent messages to the media.

The award has special significance for Bankia, as it is the result of five years' work in support of transparency and clear information, which started with the Secante award received in 2012. The Secante award, also given by APIE, is awarded to the organisations that make journalists' work most difficult.



31,054

Followers

27,508

Followers

7,008

Subscribers

SOCIAL MEDIA

Aiming to have a presence wherever its customers congregate and communicate, Bankia maintains active profiles in Twitter, Facebook, YouTube, Google+, Slideshare, Flickr and Vimeo, through which it provides information about the bank and ensures two-way communication with its stakeholders. Facebook and Twitter are also used for some customer service tasks.

So much so that in 2017 a total of 3,308 customer inquiries were handled through these two channels, 47% more than one year earlier. Customer service via social media will be expanded from the second quarter of 2018 with the launch of a specific profile, which will also be open to inquiries from BMN customers.

Bankia ended 2017 with 27,508 followers in Facebook and 31,054 followers on Twitter, as well as a community of 7,008 YouTube subscribers.

The bank's social media presence was reinforced in March 2017

JOSÉ IGNACIO GOIRIGOLZARRI WAS GRANTED THE TINTERO AWARD BY THE JOURNALISTS' ASSOCIATION APIE FOR FACILITATING THE WORK OF THE PRESS.

with the launch of the @BankiaTeCuenta profile in Snapchat, a network used mainly by young people, who are a strategic segment for the bank.

Bankia's social media map was expanded in January 2018, when it started to use LinkedIn as a communication channel for corporate content. Over the course of the year, the bank will place special emphasis on training its professionals to operate through these social media and act as Bankia brand ambassadors in these channels.

05.3

COMMUNICATION

DIGITAL ECOSYSTEM

Bankia's digital ecosystem is made up of 29 portals: 13 corporate portals, two employee portals, six for retail customers, five for companies and three for agents.

The Digital Content and Communications department is responsible for managing:

- **Bankia.com.** the bank's corporate portal and online headquarters, designed to meet the information needs of its stakeholders (media, analysts, shareholders, investors and society in general). This portal has been redesigned in the first quarter of 2018, with significant improvements in functionalities and user experience.

- **Blog Bankia.** The bank's corporate blog, offering informational content and news on subjects relating to the economy, finance, personal finance, business, etc. The target audience is SMEs, self-employed business owners and the general public.

- **Bankia Responde.** Communication channel in which Bankia answers corporate and management questions raised by citizens.

- **En·acción.** Portal that showcases Bankia's social footprint, with content specialised in social action, dual vocational training and social sponsorship.
 - **Bankia Fintech.** Portal focused on fintech in Spain and abroad and which publishes the Bankia Fintech by Innsomnia calls for proposals, industry news, key figures and events.
 - **Dar Cuerda.** Business portal that provides monthly information about Bankia's lending activity.
 - **BFA Tenedora de Acciones.** Portal that hosts all the information about BFA.
 - **Bankia Informe Anual.** Website containing the bank's annual reports.
 - **Bankia Trabajamos desde los principios.** Portal with content about compliance with the 2012-2015 Strategic Plan.
- The department also provides support for the management of:
- **Bankia Estudios.** Analysis website aimed at evaluating, advising and promoting debate on questions of economics, banking and current affairs.
 - **Escolta València.** Portal that brings together all the information about sponsorship and support for regional bands in the Valencian Community.
 - **FP Dual.** Portal devoted to dual education, providing detailed information about dual education grants.
 - **Inveinte.** Free tool launched by Bankia to help companies find out what official assistance may be available to them.
 - **Bankia Educación Financiera.** Portal launched in October 2017 aimed at helping citizens, whether they are Bankia customers or not, to understand financial terminology and products, so that they can make more informed decisions about their finances.

COMMUNICATION WITH CUSTOMERS

In 2017 the bank started a project to improve written communications with customers. The main goal was to ensure that all the messages the bank issues through its various channels and tools are clear and comprehensible. The startup consisted of three phases:

- Preparation of a diagnosis and a comparative analysis with the sector, in order to identify strengths and weaknesses in written communication style.

- Preparation of a corporate style guide and guidelines for the preparation of centralised and decentralised communications by the various units.
- Redesign of the most frequently sent communications and creation of a governance model and official channels of approval for the preparation of communications.

At the start of 2018, the redesigned communications completed so far, which represent 80% of the total volume of communications, started to be sent to customers. The goal is to reach 100% during the year.

COMMUNICATION AND ADVERTISING

Bankia is firmly committed to complying with and applying the principles and standards on advertising by banks, with the aim that all its commercial communications should respect the values of truthfulness, objectivity, fairness and honesty.

The commitment to respect the above values is reflected in:

- The existence of a Policy on Commercial Communications with Customers, approved by the Board of Directors, which sets out the criteria and rules that must be followed in creating and launching the bank's advertising.
- Bankia's membership of Autocontrol, an independent association for advertising self-regulation, and of Asociación Española de Anunciantes, a not-for-profit professional association of advertisers that advocates ethics, responsibility and efficiency in companies' communication and dialogue with society and defends freedom of competition and communication.

“BANKIA RESPONDE”, ANOTHER CONTRIBUTION TO TRANSPARENCY

Bankia's commitment to transparency was made patent with the launch of “Bankia Responde”, a new online communication channel in which the bank answers people's questions, whether they are customers or not, about its corporate arrangements and management.

The bank responds to questions it receives through this portal within three days. Bankia Responde also acts as a repository of questions and answers and has become a site for online consultations.

Between July, when it was presented, and 31 December, Bankia Responde received 291 questions, of which 62 were answered publicly and 125 privately. Another 102 were rejected as being unrelated to the bank's management.

05.4

ENVIRONMENT



ATTENUATING THE IMPACT OF BUSINESS ACTIVITY ON THE ENVIRONMENT HAS BECOME A DUTY AND SO BANKIA IMPLEMENTS POLICIES AIMED AT FIGHTING CLIMATE CHANGE.

Bankia works for sustained and sustainable growth with full respect for the environment. Environmental management is therefore an integral part of the bank's decision-making process and is aligned with its business strategies, making environmental governance a part of its overall management. During 2017 the bank invested 8.94 million euros in environmental matters.

The values adopted by the bank in this respect are:

- Commitment in the fight against climate change.
- Professionalism in employee training and awareness-building.

- Achievement orientation, seeking continuous improvement of environmental management and establishing specific targets and systems of indicators.
- Integrity based on transparent action.
- Closeness to suppliers, so as to involve them in joint management of environmental challenges and opportunities.



€8.94 MILLION

Total investment in environmental matters

NEW FOUR-YEAR PLAN

Consistent with this, in April 2017 Bankia's Responsible Management Committee approved the Eco-Efficiency and Climate Change Plan 2017-2020. The time horizon of this plan is four years and the aim is to achieve ambitious but realistic challenges, while laying out the path to follow in order to achieve one of the goals of the 21st century: carbon neutrality by 2050.

The plan is divided into various lines of strategic action aimed at achieving specific qualitative and quantitative targets:

- Increase to seven the number of Bankia's emblematic buildings with an environmental management system certified to the ISO 14001:2015 standard. The bank already has three buildings certified to that standard: Las Rozas (Madrid), Paseo de la Castellana, 189 (Madrid) and Pintor Sorolla, 8 (Valencia).
- Internal climate change governance aimed at reducing greenhouse gas emissions by 20% and offsetting unavoidable emissions.
- Eco-efficiency in resource use, taking the necessary steps to reduce energy consumption by 19% and water, paper and toner consumption by 5%.
- 5% reduction in waste generation and search for new alternatives in the circular economy.
- Promotion of respect for the environment and transition towards a low-carbon economy by avoiding purchases or procurements that may entail a greater environmental risk or impact.

31,295.02 TONNES OF CO₂ AVOIDED IN 2017 THROUGH SOURCING OF 100% OF THE ELECTRICITY CONSUMED FROM RENEWABLE SOURCES.

- Extension of an environmental culture to the whole organisation through environmental training and awareness building.

CLIMATE CHANGE

Last year Bankia voluntarily registered its carbon footprint for 2014, 2015 and 2016 in the Carbon Footprint, Offsetting and Carbon Dioxide Capture Projects Register of the Ministry of Agriculture and Fisheries, Food and Environment. This registration has been recognised with the "Calculo" seal, which reflects the bank's commitment, the effectiveness of the measures taken in recent years to reduce greenhouse gas emissions and the effort made to offset emissions in carbon dioxide capture projects carried out in Spain. The bank has designed and has started to implement a specific greenhouse gas reduction plan, which involves the whole organisation and envisages, among other things, the replacement of fossil fuels, the renewal of air conditioners and the use of 100% renewable electricity with guarantees of origin, thus avoiding the emission of 31,295.02 tonnes of CO₂ to the atmosphere.

Bankia set itself the target of offsetting 8% of its unavoidable CO₂ emissions for 2017 but

actually offset 9.3%. The offsetting was done by buying carbon credits from, on the one hand, the Spanish REFO-RESTA CO₂ project, which is included in the Ministry's Carbon Footprint, Offsetting and Carbon Capture Projects Register, and on the other, two international projects with Gold Standard guarantees. Besides contributing to the fight against climate change, these projects also promote and favour achievement of the UN's Sustainable Development Goals.

As regards sustainable mobility, the bank's commitment is implemented through actions such as:

- The conditions of long-term vehicle rentals for managers have been renegotiated to ensure that all the new vehicles joining the pool are hybrids with low CO₂ emissions.
- Extension of new technologies to all posts, so that employees may communicate by videocall and give presentations online, without having to travel.
- Specific campaigns via the intranet promoting alternatives to the use of private vehicles as a means of transport.

05.4

ENVIRONMENT

The work done by Bankia in this respect has been recognised by the CDP Climate Change 2017 analysts with the highest score possible (A), making the bank one of the 112 leading companies worldwide in the fight against climate change.

Bankia continues to promote financial solutions that facilitate the transition towards a low-carbon economy. One example is

the “Crédito Sostenible” loan for the purchase of environmentally friendly vehicles or energy-efficient home appliances and for energy-saving home improvements.

It also has the Bankia Futuro Sostenible mutual fund, which applies socially responsible investment criteria and includes the Sustainable Development Goals in its investment policy.

CONSUMPTION OF MATERIALS ¹	2017	2016	2015	UNITS
Consumption of recycled paper (DIN A4) ³	736.92	651.39	741.50	Tonnes
Consumption of white paper made from virgin pulp with a low environmental impact (DIN A4) ²	1.66	1.55	1.63	Tonnes
Consumption of paper rolls	373.95	472.10	689.80	Tonnes
% of paper used that is made from ECF virgin pulp (DIN4)	100	100	100	Percent
% of paper used that is recycled (DIN A4)	99.77	99.76	99.78	Percent
Consumption of toner cartridges	13,871	15,057	14,575	Units
% of toner cartridges used that are recycled	24.34	88.38	99.82	Percent

1 Data for Bankia, S.A.

2 Paper supplied by manufacturers with FSC and PEFC certifications, which guarantee that the materials used come from sustainably-managed forests.

3 The recycled paper has the following guarantees: European Ecological Label, Ángel Azul and CradletoCradle (Silver).

ENERGY AND WATER CONSUMPTION ¹	2017	2016	2015	UNITS
Primary energy consumption	15,580	15,550	16,825	Gigajoules
Natural gas consumption	10,465	10,841	12,644	Gigajoules
Liquid fuel (oil and petrol) consumption ²	5,115	4,709	4,181	Gigajoules
Electricity consumption ³	312,950	326,127	379,638	Gigajoules
Water consumption ⁴	240,538	244,516	280,446	Cubic metres

1 Data for Bankia, S.A.

2 Following the criteria defined by the Ministry of Agriculture and Fisheries, Food and Environment for the registration of Bankia's carbon footprint, the emissions arising from business travel (leased vehicle fleet) have been transferred from Scope 3 to Scope 1. Following this criterion, in 2017 the fuel consumption of leased vehicles is included in the "fuel consumption" indicator and the figures for 2015 and 2016 are recalculated with this broader scope.

3 100% of the electricity acquired comes from renewable energy sources (green energy). The electricity consumption for the month of June 2017 has been estimated, as the actual figure was not available due to a change of supplier.

4 All the water comes from the mains supply. Buildings: Las Rozas, Pº Castellana, 189 and Pº Castellana 259A in Madrid. Other facilities: Consumption estimated based on bills.

EMISSIONS ¹ (tonnes)	2017	2016	2015
Scope 1 emissions ^{2,3}	4,545.7	4,448.5	4,409.1
Direct CO ₂ e emissions from natural gas consumption	595.2	616.6	717.9
Direct CO ₂ e emissions from fuel consumption	354.3	316.8	274.0
Direct CO ₂ e emissions from refrigerant gas recharging	2,914.5	2,810.1	2,640.4
Direct CO ₂ e emissions from business travel ⁴	681.7	705.0	776.8
Scope 2 emissions	0	0	0
Indirect CO ₂ e emissions from electricity consumption ⁵	0	0	0
Scope 3 emissions ²	4,001.2	3,866.5	4,228.1
Indirect CO ₂ e emissions from business trips ⁶	2,352.0	2,366.5	2,538.2
Indirect CO ₂ e emissions from Ofibus mobile branch service	298.2	294.4	325.0
Indirect CO ₂ e emissions from commutes (shared transport)	7.9	8.2	9.2
Indirect CO ₂ e emissions from consumption of paper (DIN A4) and printer cartridges	1,236.5	1,087.1	1,227.1
Indirect CO ₂ e emissions from water consumption	82.7	84.1	96.5
Indirect CO ₂ e emissions from waste management	23.9	26.2	32.1
Other emissions ⁷			
CO emissions	0.19	0.19	0.21
NO _x emissions	1.40	1.41	1.55

1 Data for Bankia, S.A.

2 Sources of emission factors used: IPCC 2006/2013, CORINAIR 2007, U.S. EPA, Spain – GHG Inventory Report 1990-2015 (2017), DEFRA 2017, Guide for calculating GHG emissions (2017) - Catalan Office for Climate Change, Environmental Paper Network (2012) and Carbon Impact Studies: Toner Refills at Cartridge World - Comparative Carbon Footprints (2008).

3 The figures are based on the 100-year global warming potentials published in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (2013).

4 This includes the emissions from employees' business travel in leased vehicles. In 2017, following the criteria laid down by the Ministry of Agriculture and Fisheries, Food and Environment for the registration of Bankia's carbon footprint, these emissions have been transferred from Scope 3 to Scope 1.

5 100% of the electricity acquired comes from renewable energy sources (green energy). This has avoided the emission of 31,295.02 tonnes of CO₂. Source: Electricity Guarantee of Origin and Labelling System (2016). Comisión Nacional de los Mercados y la Competencia.

6 This includes the emissions from employees' business trips by plane, train, coach and ship and from employees' travel in their own vehicles for work purposes.

7 Source: CORINAIR 2007.

05.4

ENVIRONMENT

CERTIFICATION OF ENVIRONMENTAL MANAGEMENT

Since the end of 2017, the bank's three largest buildings (Pintor Sorolla 8 in Valencia, Paseo de la Castellana 189 in Madrid and Las Rozas in Madrid) have had ISO 14001 environmental management certification, which means that they have implemented a system that helps prevent environmental impacts and hazards and includes mechanisms to avoid, reduce or control them.

WASTE MANAGEMENT

Bankia continues its campaigns of donations of furniture, electrical and electronic equipment and office material. In 2017 it made a total of 23 donations. These donations promote the circular economy, with the aim of giving waste a second lease of life, and represent an important contribution to the social welfare activities of the beneficiary not-for-profit entities.

A STRONG COMMITMENT TO ECO-EFFICIENCY

Bankia continues to apply innovative measures such as heat recovery from cooling units for subsequent use in boilers in the Las Rozas building. It has also upgraded or replaced cooling units with more efficient ones and has installed LED lighting systems in high-consumption facilities and branches.

In 2017 it completed the project for the monitoring of the bank's printer pool, which allows real-time monitoring of paper and toner consumption and helps achieve major savings in costs and consumption. The project includes configuring double-sided printing as the default, limiting the number of printers in work centres and sending paper saving reminders to employees.

WASTE MANAGEMENT ¹ (TONNES)	2017	2016	2015
NON-HAZARDOUS WASTE SENT FOR REUSE OR RECYCLING	1,096.24	1,246.17	1,522.45
Paper waste ²	613.93	688.99	683.06
Electronic waste	419.01	498.32	785.84
Toner waste	35.37	38.39	37.16
Battery waste	0.10	0.21	0.25
Packaging waste	26.91	19.75	15.06
Glass waste	0.86	0.46	1.06
Vegetable oil waste	0.06	0.05	0.02
NON-HAZARDOUS WASTE SENT TO LANDFILL	0.67	0.06	2.10
Portable electronic device waste	0.67	0.06	2.10
HAZARDOUS WASTE GENERATED	0.57	0.68	0.77
Hazardous waste handled by an authorised waste management company and recycled	0.53	0.65	0.76
Hazardous waste handled by an authorised waste management company and sent to secure landfill	0.04	0.03	0.01

1 Data for Bankia, S.A.

2 In 2016, Bankia undertook several extraordinary, one-time projects that involved generating 269.9 t of paper waste, which was sent to be recycled.



05.4

ENVIRONMENT

SUSTAINABLE PURCHASING AND SERVICES PROCUREMENT

Bankia has performed a thorough analysis of the purchases it makes and the services it acquires which by nature entail or could entail a major impact or hazard in terms of CO₂ emissions.² Based on that analysis, it has identified the most critical purchases and service procurements from an environmental point of view and has defined the environmental criteria which from 2018 must be included in the tender specifications for high-impact services.

TRAINING AND AWARENESS RAISING

In 2017, a total of 13,094 employees had an online environmental management course as part of their individual training plan, with the aim of spreading an environmental culture among the bank's professionals.

The course is intended to emphasise the main environmental problems (relating to climate change, water, energy, atmospheric pollution and waste) and the steps Bankia is taking to minimise them.

During the course the participants are given suggestions on good environmental practices they should consider both at work and outside.

In March Bankia launched internally a carbon footprint calculator that employees can use to measure the impact of their daily activity on the environment in terms of CO₂ emissions. Since early 2018 this tool has also been available to customers and non-customers on the Bankia.es portal and the en•accion website.



1,823

Total no. of employees
who received
environmental
awareness training

ALLIANCES AND INITIATIVES

| GRI 102-43

Bankia considers it essential to participate in national and international initiatives and build alliances that promote greater environmental awareness and allow sharing of experiences, achievements or concerns in the fight against climate change and the preservation of biodiversity. These include most notably:

- **In Spain.** Forética's Clúster de Cambio Climático, Grupo Español de Crecimiento Verde, Comunidad por el Clima, Fundación Empresa & Clima.
- **Internationally.** Earth Hour (WWF) and RE100. Created by CDP and The Climate Group, RE100 brings together the world's most influential companies that are committed to 100% renewable power and that have set public targets for their renewable energy use.

THE CHALLENGES FOR 2018 INCLUDE INCREASED COMPLIANCE WITH THE TARGETS OF THE ECO-EFFICIENCY AND CLIMATE CHANGE PLAN.

Among the challenges for 2018 are the possibility of certifying the Triana 20 building in Las Palmas to the ISO 14001:2015 standard and continuing to work towards compliance with the targets of the Eco-Efficiency and Climate Change Plan. The bank will also work to offset CO₂ emissions, either through direct purchase of tonnes of CO₂ or through collaboration in carbon offset projects.



06. RISK MANAGEMENT

RISK CONTROL IS ESSENTIAL FOR THE FUTURE OF BANKING, ESPECIALLY IN AN ENVIRONMENT AS CHANGEABLE AS THIS.

BANKIA PUTS GREAT EFFORT INTO IDENTIFYING AND COMBATING RISKS THROUGH PROCESSES THAT ARE CONSTANTLY BEING ADAPTED AND IMPROVED.





06.1 A STRATEGIC PILLAR

BANKIA HAS A WIDE RANGE OF TOOLS AND AN ORGANISATIONAL STRUCTURE IN LINE WITH REGULATORY REQUIREMENTS TO PUT ITS RISK MANAGEMENT POLICY INTO EFFECT.

The main objective of risk management is to preserve the Bankia Group's financial and capital strength, while driving value creation and business development in accordance with the risk appetite and risk tolerance levels set by the governing bodies. To achieve that objective, it provides management with tools to assess, control and monitor requested and authorised risk, manage non-performing loans and recover defaulted loans.

The bank has an organisational model consistent with the risk function. In December 2017, the structure of the risk function was updated, following the regulatory guidelines of the European Central Bank. Management of the risk function is distributed between two corporate directorates:

- **Corporate Risk Directorate.** Responsible for defining all the bank's risk policies and for creating and validating all the risk methodologies and models. It forms a powerful, structured second line of defence.

- **Corporate Credit Risk Directorate.** Responsible for risk approval, monitoring and recovery and for management of the bank's foreclosed assets.

RISK APPETITE AND CAPITAL PLANNING

At the core of Bankia's risk management is a Risk Appetite and Risk Tolerance Framework, approved by the Board of Directors.

Risk appetite is understood as the amount and type of risk the bank is willing to take in the course of its activity in order to achieve its goals, while respecting regulatory restrictions and any commitments accepted.

Within the framework, a set of elements have been established that allow management to gain a comprehensive view of risk appetite levels, risk tolerance levels and risk-taking capacity in relation to each risk and compare them with the bank's risk profile.

The second strategic element is the Capital Planning Framework, which lays down the action to be taken in matters of risk and capital under normal business conditions.

These two frameworks shape the planning of the bank's activities and businesses.

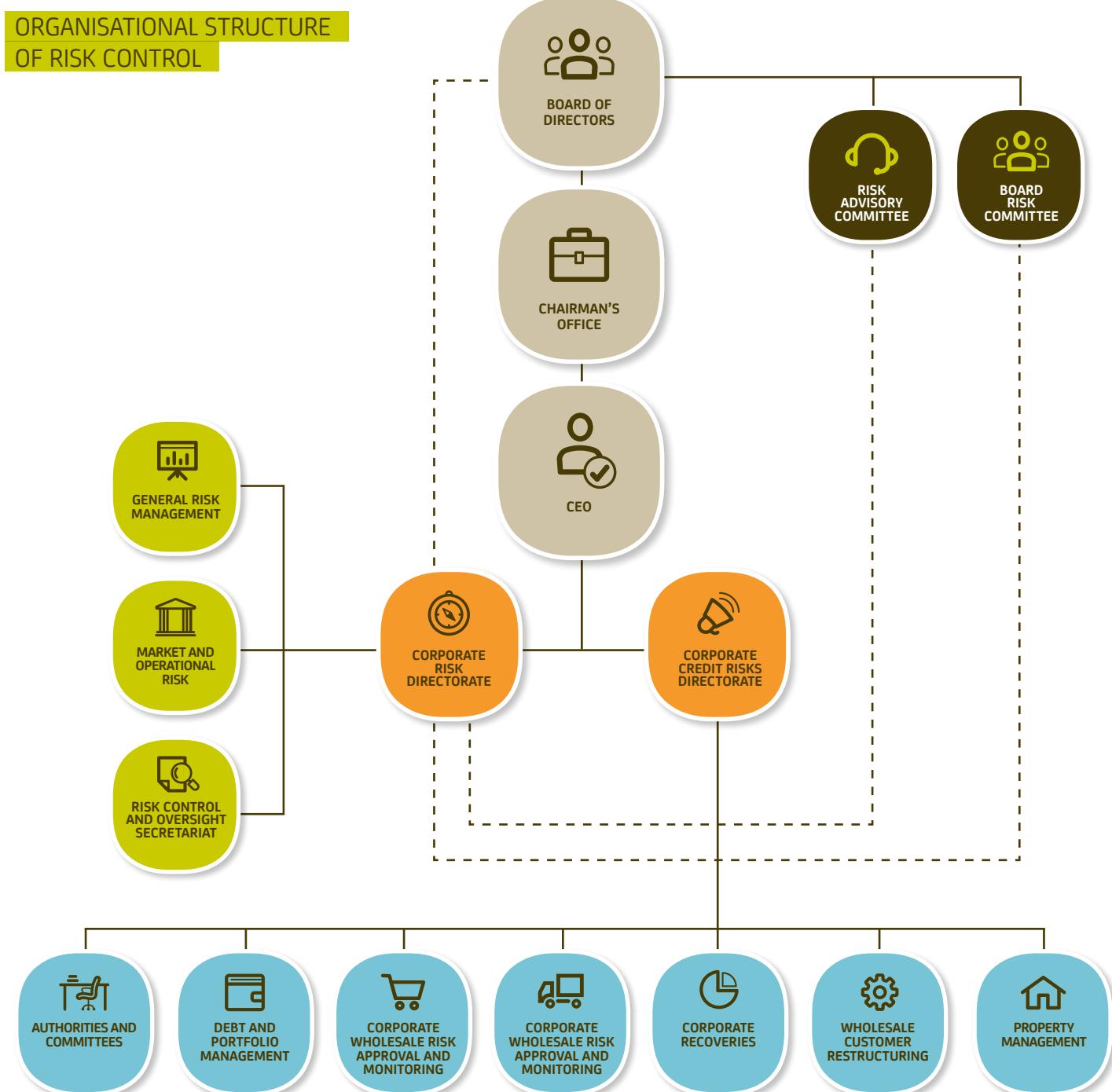
Supplementing the Risk Appetite and Capital Planning frameworks, the Recovery Plan establishes the measures to be taken in hypothetical crisis situations. The Recovery Plan would be activated if any of the selected indicators (which coincide with the indicators used to set tolerance levels in the Risk Appetite Framework) were ever to exceed the specified level.

THE TEN PRINCIPLES OF RISK MANAGEMENT

1. Independent, group-wide risk function that provides the information needed for decision making at all levels.
2. Objective decision making, taking all the relevant risk factors (both quantitative and qualitative) into account.
3. Active risk management at every stage of the risk life cycle, from pre-approval credit analysis until the debt is extinguished.
4. Clear processes and procedures, subject to regular review in light of changing needs, with clearly defined lines of responsibility.
5. Integrated management of all risks through risk identification and quantification, and homogeneous risk management based on a common measure (economic capital).
6. Differentiated risk treatment, approval levels and management procedures according to risk characteristics.
7. Development, implementation and diffusion of advanced decision support tools to facilitate risk management through effective use of new technologies.
8. Decentralised decision making, using available methodologies and tools.
9. Risk variable taken into consideration in business decision-making in all areas: strategic, tactical and operational.
- 10 Alignment of the objectives of the risk function and risk management staff with the objectives of the bank as a whole, so as to maximise value creation.

06.1

A STRATEGIC PILLAR



CORPORATE GOVERNANCE IS KEY

One of the most significant aspects of the European regulations implementing the Basel II capital accords is the introduction of corporate governance as a fundamental aspect of risk management. Under these regulations, institutions must have sound corporate governance procedures, including a clear organisational structure, appropriate internal control mechanisms and effective procedures for identifying, managing, controlling and reporting risks, as well as remuneration policies and practices that are compatible with proper and effective risk management.

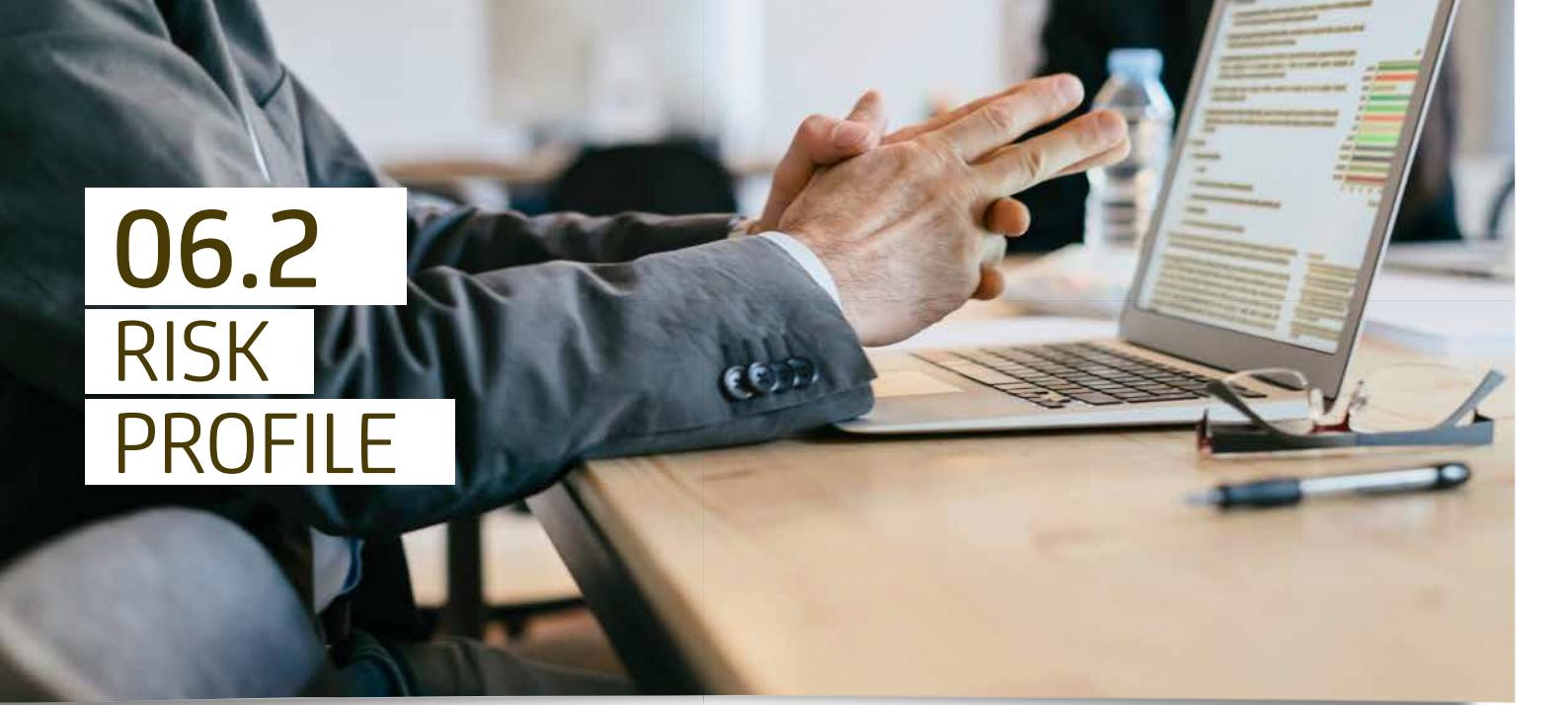
To meet these requirements, Bankia has a well-defined risk supervision and control structure, in which roles and responsibilities are assigned to the governing bodies as follows:

- **Board of Directors.** As the most senior governing body, the Board determines and approves the general strategies and procedures of internal control and the policies for the assumption, management, control and reduction of the risks to which the group is exposed. It has various internal committees with different risk control and monitoring responsibilities.
- **Audit and Compliance Committee.** Oversees the effectiveness of the bank's internal control, internal audit (where applicable) and risk management systems, among other responsibilities.
- **Risk Advisory Committee.** The main function of this committee is to advise the Board of Directors on the bank's overall risk propensity, both current and future, and its risk strategy. However, the Board of Directors retains overall responsibility.
- **Board Risk Committee.** This committee is responsible for approving risks within the scope of its authority and for overseeing and administering the exercise of delegated authority by lower-ranking bodies, without prejudice to the oversight responsibility assigned by law to the Audit and Compliance Committee.

2016-2018 TRANSFORMATION PLAN

Bankia's risk management strategy is governed by the 2016-2018 Transformation Plan, which is guided by five principles:

- An effective recoveries model. Intensifying the use of collection agencies, centralising loan processing and systematising the sale of small portfolios.
- Promotion of sound lending. Encouraging the use of models to analyse the available information (on customers and non-customers alike) and to improve the credit rating system.
- Early warning system. Aiming to build the necessary infrastructure to detect potential impairments before they materialise, which requires developing specific tools.
- Asset allocation. Orienting the business towards maximising economic value, while respecting the risk levels set in the Risk Appetite Framework.
- Culture and training. Promoting a training plan focused on the risk profile (better knowledge of policies and tools) and data quality.



06.2 RISK PROFILE

BANKIA'S RISK MANAGEMENT GIVES PRIORITY TO CREDIT RISK, WHICH IS THE PREDOMINANT RISK IN ITS BUSINESS ACTIVITIES, BUT ALSO PAYS ATTENTION TO NON-FINANCIAL RISKS.

CREDIT RISK

Based on the distribution of risk-weighted assets (RWAs), Bankia's risk profile shows a clear predominance of credit risk (89%), followed by operational risk (9%) and market risk (2%).

During 2017, the mortgage portfolio accounted for 59% of the total loan book, followed by the corporates portfolio, which accounted for 22% of the total. Micro-enterprises and the self-employed and the public sector accounted for 5%, while consumer finance and cards and specialised lending accounted for 4%.

The distribution of loans to customers between wholesale and retail segments remained similar to 2016, with 33% wholesale and 67% retail. The portfolio of real estate development-related assets represented only 0.7% of total loans and receivables.

Also worth noting is the 19% decrease in the fixed income portfolio, mainly due to debt maturities. Bankia reduced non-performing loans by 1,736 million euros, to a total of 9,740 million at year-end, and brought the NPL ratio down to 8.5%, 1.3 percentage points lower than one year earlier. Taking BMN into account, the Group's non-performing loans increased by 6% (642 million euros), to 12,117 million euros, and the NPL ratio reached 8.9%.

Also significant in 2017 was the distribution of doubtful (non-performing) loans: 55% were classified as doubtful in arrears, while the remaining 45% were either classified as doubtful for reasons other than in arrears or were in a cure period. This means that in this portfolio there is no past-due debt that entails a status of doubtful in arrears.

BANKIA REDUCED NPLS TO 9,740 MILLION EUROS AND THE NPL RATIO, TO 8.5%.

| GRI 102-15

DISTRIBUTION
BY RWAS



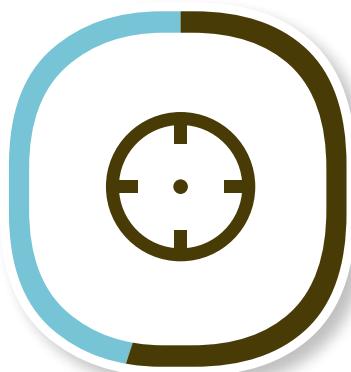
- CREDIT RISK **89%**
- MARKET RISK **2%**
- OPERATIONAL RISK **9%**

LOAN PORTFOLIO
MIX

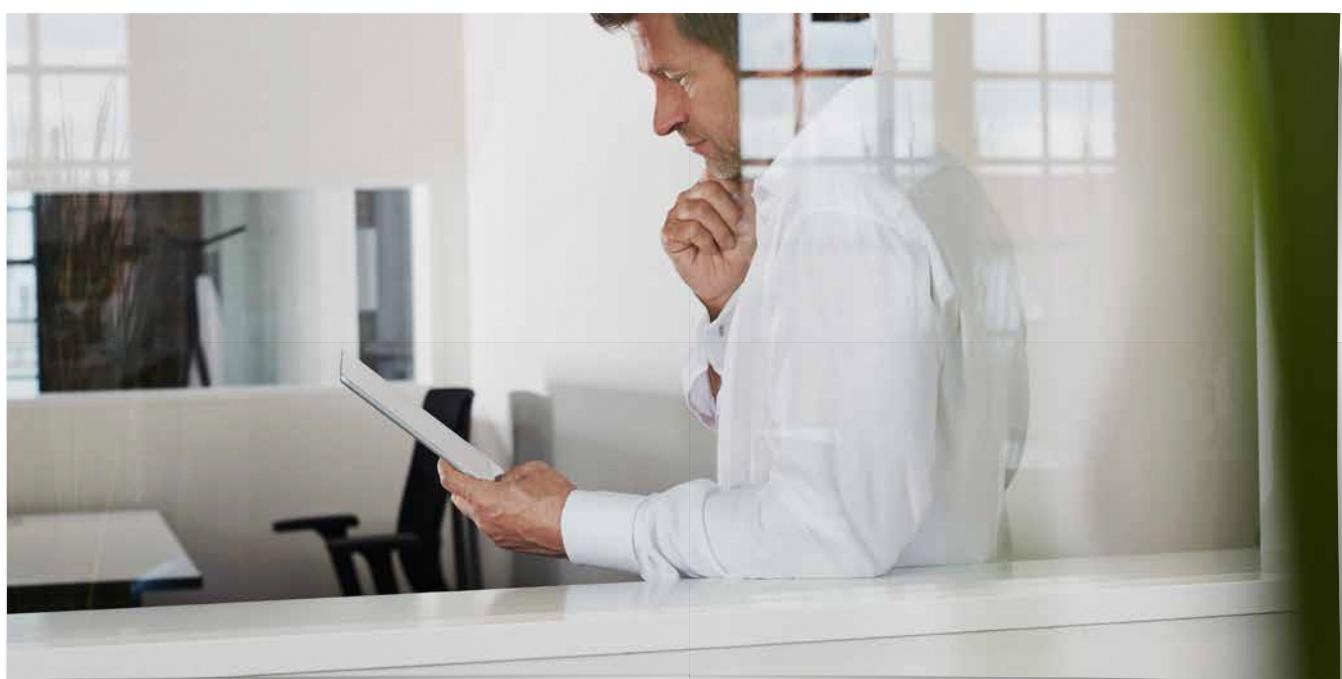


- BUSINESSES **22%**
- PUBLIC SECTOR **5%**
- SPECIAL LENDING **4%**
- R.E. DEVELOPERS **1%**
- FINANCIAL INTERM. **0%**
- MORTGAGE **59%**
- CONSUMER FINANCE AND CARDS **4%**
- MICRO-ENTERPRISES AND SELF-EMPLOYED **5%**

NON-PERFORMING ASSETS
BY COMPONENT



- DOUBTFUL IN ARREARS **55%**
- DOUBTFUL FOR REASONS OTHER THAN
IN ARREARS AND IN CURE PERIOD **45%**



06.2

RISK PROFILE

BANKIA HAS MORE THAN SUFFICIENT FUNDS TO FACE EXPECTED AND UNEXPECTED LOSSES.

Credit risk at year-end, measured using Exposure at Default (EAD), expected loss and regulatory capital, is distributed by portfolio as follows:

NAME SEGMENT	REGULATORY CAPITAL	EXPECTED LOSS
Public bodies	59.9	120.4
Banks and financial intermediaries	177.3	13.1
Companies	1,601.7	2,324.6
Developers	72.5	512.0
Retail:		
Mortgage	2,150.2	2,381.2
Consumer finance	169.0	102.8
Cards	78.1	38.6
Micro-enterprises and self-employed	196.0	425.0
Equity	14.1	0.5
TOTAL	4,075.6	5,351.9

The expected loss, which represents 3.4 % of the total exposure (including the non-performing portfolio), would be fully covered by the provisions recorded on the balance sheet at the end of 2017. Regulatory capital, meanwhile, amounted to 4,076 million euros, of

which 42% relates to the mortgage portfolio and 39% to the corporates portfolio.

From an analysis of these data, it can be concluded that Bankia has more than sufficient provisions and capital to face both expected and unexpected losses with a very high level of confidence.

CREDIT RISK POLICIES

The policies for the granting of credit are based on a series of general rules, the most important being:

- **Responsible lending.** The first step when granting credit is to understand the customer's financing needs and ability to satisfy those needs, based on an assessment of the customer's solvency. Care must be taken to ensure that customers are offered the financing facilities that best meet their needs, adjusting the term, conditions and amount of the credit to the borrower's ability to pay. In retail banking, it is important that the customer be given the necessary information to understand the risks associated with the financing.

• **Activity criteria.** From 1 January 2018 the restrictions on the bank's banking operations under the Recapitalisation Plan approved by the European Commission, which limited the bank's presence in the wholesale market and in developer finance, have been lifted. Consequently, from that date the bank's activities include the retail, wholesale and developer segments.

• **Customer risk.** A comprehensive customer assessment must include information about the customer's ability to pay, the identity of the owners and their guarantors, and the customer's credit record through the Banco de España's credit reporting agency CIRBE.

• **Transaction risk.** The credit agreement must include a realistic repayment schedule with periodic due dates linked to the borrower's primary sources of income, suitability of the product for the intended purpose and valuation of collateral.

• **Environmental and social risk.** The environmental impact of the customer's business activity must be taken into account. Companies will be required to comply with environmental regulations and transactions with customers that do not respect human rights or fail to offer decent working conditions will be avoided. For investment projects, compliance with the Equator Principles will be assessed.

Another relevant consideration that should influence credit approval is the need for diversification of lending, setting limits per customer and per sector.

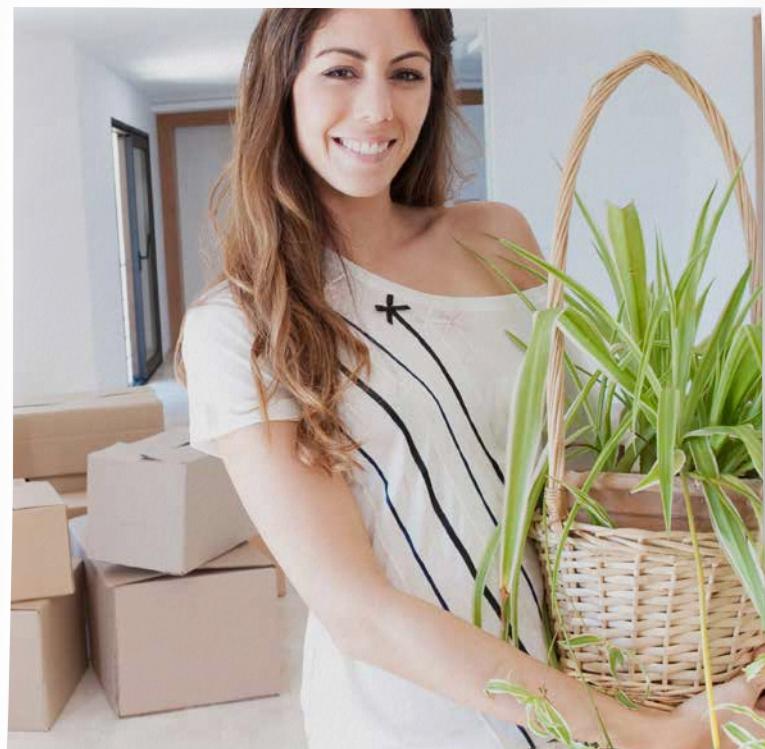
The credit risk policies also introduce specific credit approval criteria for particular portfolio segments. Specifically, they set minimum rating grades and minimum collateral coverage ratios.

For risk monitoring purposes, the bank has established a policy of monitoring customers' business activity. The main aim is to involve all the group's units in early management of exposures to customers, so that problematic situations of impairment are detected before any default occurs.

The loan portfolio must be subject to continuous monitoring, which is the responsibility of the business units, in coordination with the Risks Directorate.

An important aspect of the credit risk policies concerns refinancing and restructuring processes.

The purpose of restructuring and refinancing is to adapt the financing to the customer's actual ability to meet its payment obligations, giving the customer sufficient financial stability to ensure that it remains a going concern.



06.2

RISK PROFILE

CREDIT RISK MANAGEMENT TOOLS

The credit risk policy relies on a set of tools that can be grouped in the following categories, based on their functionality:

- **Rating.** Rating and scoring tools are used to classify borrowers or

transactions according to their level of risk. Rating also includes the system of monitoring levels (with four categories: high risk, medium-high, medium and normal), which facilitates early management of any impairment of the quality of risks linked to business activities.

- **Measurement.** Based on two metrics: the expected loss of the portfolios, which reflects the average amount of losses and is

associated with setting provisioning requirements; and the unexpected loss, which is the likelihood that the actual loss in a given period will substantially exceed the expected loss, thus affecting the level of capital considered necessary to meet objectives. The credit risk measurement parameters derived from internal models are exposure at default, probability of default by rating grade and loss given default (severity).



- **Projection.** Stress tests are another key element of credit risk management, as they can be used to assess portfolio risk profiles and capital adequacy in adverse scenarios.

- **Risk-adjusted return (RaR).** RaR is a fundamental risk management tool. The return of a transaction must be adjusted for the cost of the various risks it entails (not just credit risk). It must also be compared with the volume of capital that has to be set aside to cover unexpected losses (economic capital) or meet regulatory capital requirements (regulatory capital).

- **Business development.** One of the functions of risk management is keep value creation and business development aligned with the bank's risk appetite. The Risk Directorate provides tools and criteria that help identify potential customers, simplify decision processes and help assign credit lines within the set tolerance levels. Pre-approval and limit setting tools and processes are available for this purpose, in both retail and corporate lending.

- **Recovery management.** Recovery management starts even before any default occurs and covers all phases of the recovery cycle until a resolution is reached, whether friendly or otherwise. In retail lending, early warning models are used to identify potential problems and provide solutions, which may involve adjusting the terms of the borrowing. In business lending, the system of monitoring levels serves as the basis for early management of arrears.

GOALS OF THE CREDIT RISK POLICIES

In the Bankia Group, the credit risk policies are approved annually by the Board of Directors. In summary, the fundamental goals are:

- Responsible lending.
- Stability in general lending criteria.
- Well defined action framework.
- Appropriate price.
- Limitation of concentration.
- Data quality.
- Alignment with the Risk Appetite Framework.
- Interconnection with internal rating systems.

MARKET RISK

Market risk is the loss that would be incurred in the event of adverse changes in the prices of the financial instruments in which Bankia trades.

During 2017, the group's activity in the financial markets was limited, due to the restrictions imposed by the Restructuring Plan. Specifically, Bankia does not deal on its own account, which reduces market risk and the need for capital to cover such dealing.

Under the Restructuring Plan, Bankia's activity in the financial markets was focused on providing services to customers (franchise banking) and on managing its own structural (asset-liability management) risks.

06.2

RISK PROFILE

Market risk is measured using two metrics:

- VaR, which is the maximum loss that can be incurred in a given period with a given confidence level. SVaR (stressed VaR) is the VaR calculated in an extreme market situation.
- Sensitivity, which quantifies the changes in the economic value of a portfolio due to predetermined fixed movements in the variables that affect that value. The main market factors that are used to analyse sensitivity are interest rates, equity prices, the exchange rate, volatility and credit risk spreads.

Stress tests are performed at regular intervals to quantify the economic impact that extreme movements in the market factors would have on the portfolio.

During the year, Bankia took various steps in relation to market risk management, notably grouping all operations subject to market risk in a single application and migrating the VaR calculation tool into that integrated environment.

It also adopted the prudent valuation methodology and responded to the requests of the European Banking Authority (EBA) and the European Central Bank (ECB) by participating in their various exercises.

The Group took part in the following market risk exercises:

- ECB Target Review of Internal Models (TRIM)
- EBA 2017 EU-wide Transparency Exercise
- EBA 2017 Benchmarking Exercise
- SSM 2017 Short Term Exercise for SREP (STE quarterly report)
- SSM 2017 Reporting of time series concerning back-testing (quarterly report)
- BCBS 2017 QIS Basel III

Looking to the next year, the challenges Bankia must tackle in relation to market risk are to complete the migration of all market risk reporting to the new application, prepare the design for the adaptation to the new capital requirements framework and take part in all the exercises proposed by the EBA and the ECB in this respect.

COUNTERPARTY RISK IN FINANCIAL MARKETS

Counterparty credit risk is the risk that a counterparty will fail to meet its contractual obligations, giving rise to a loss for the bank in its financial market activity.

The bank's risk control and risk management policy is driven by various decision-making bodies, the Board of Directors being responsible for approval of the Policy Manual for Credit Risk in Market Activities.

All financial market activity is affected by this manual, which includes policies for financial and non-financial entities, as well as for Treasury departments, setting overall limits that function as action frameworks.

In 2017, Bankia carried out various activities in this sphere, the most noteworthy being the migration of part of the current limit monitoring system to the integrated system it is already using and the novation of the collateral master agreements to adapt them to the new variation margin requirements.

The bank also took part in various counterparty risk exercises at the request of the EBA and the ECB.

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book (IRRBB) is the risk of loss resulting from adverse movements in market interest rates, which affect both net interest income and the value of assets and liabilities.

The intensity of the impact depends largely on the different schedules of maturities and repricing of assets, liabilities and off-balance sheet transactions. The management of IRRBB, like the management of other risks, is based on a clear separation of roles and responsibilities.

A PERMANENTLY INFORMED BOARD OF DIRECTORS

The group's exposure to interest rate risk is monitored and managed in accordance with the criteria approved by its governing bodies. The measures corresponding to regulatory scenarios are incorporated in the bank's Risk Appetite Framework and the limits are adapted to the tolerance and appetite levels set by the Board of Directors.

To allow these measures to be monitored, the Assets and Liabilities Committee (ALCO) receives monthly reports on the situation of asset and liability management (ALM) risk, both in terms of economic value (sensitivity to different scenarios and VaR) and in terms of net interest income (net interest income projections in different interest rate scenarios over horizons from one to three years).

The Board of Directors is informed at least quarterly through the Risk Advisory Committee about the situation and monitoring of the limits and is notified immediately if the high-level limits have been exceeded.

To supplement the regulatory scenarios (impact of parallel shifts in interest rates, currently ±200 basis points), the bank prepares various sensitivity scenarios involving non-parallel shifts in the curves that alter the slope of the reference rates for assets and liabilities.

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RISK PROFILE

During 2017, the bank focused on implementing the metrics associated with the new EBA guidelines on interest rate risk. It addressed issues such as the inclusion of the scenarios, curves and options envisaged in the EBA guidelines, prepared a system of limits adapted to new scenarios and horizons, added eight interest rate movement scenarios in euros, as established by the EBA/BCBS, and performed calculations applying the different floors to the current yield curve.

It also made preparations for modelling the different behavioural options, such as the duration of current accounts, prepayments, early cancellations or the credit line use.

The challenges to be met in 2018 include continuing to improve information and data quality and developing and implementing methodological improvements to the IRRBB model, particularly as regards the treatment of automatic option risk.

There are plans to continue to adapt the relevant assumptions of the model to those proposed by the EBA and to implement additional assumptions, and also to develop a stress testing programme that can be used to assess interest rate risk under conditions of stress.

Lastly, the bank will work to evaluate and implement the Basel proposals in relation to IRRBB and its treatment of regulatory capital and risk supervision.

LIQUIDITY AND FUNDING RISK

One of Bankia's principal objectives is to maintain a long-term funding structure in accordance with the liquidity of its assets, seeking maturity profiles that are compatible with the generation of stable, recurring cash flows, so that the balance sheet can be managed without liquidity strains in the short term.

To that end, it ensures that its liquidity position is identified, controlled and monitored daily.

Customer deposits are the bank's main source of funding, given that its banking activity is based on a retail business model. To cover any additional liquidity requirements Bankia raises funds in the domestic and international capital markets and has sizeable funding activity in the repo markets.

For reasons of prudence and to protect itself against possible

strains or crisis situations, the bank also holds various assets as collateral at the ECB, which allow it to obtain immediate liquidity.

Constant collateral surveillance identifies the assets that can be used immediately as a liquidity reserve in times of market stress, differentiating between those that are accepted by the ECB and those that are accepted by the clearing houses or other financial counterparties (insurance companies, mutual funds, etc.).

As regards the structure of roles and responsibilities in relation to liquidity risk, the ALCO is charged with monitoring and managing the risk in accordance with proposals prepared mainly by the Corporate Finance Directorate and in line with the Liquidity and Funding Risk Appetite Framework approved by the Board of Directors.

The ALCO proposes funding actions, broken down by instrument and maturity, with a view to ensuring the availability of funds at all times, at reasonable prices, to meet the bank's obligations and finance its lending activity.

The Market and Operational Risks Directorate acts as an independent unit, one of its tasks being to monitor and analyse liquidity risk and promote the integration of

liquidity risk in management by developing metrics and methodologies for keeping the level of risk within the tolerance limits of the bank's risk appetite.

Within these metrics, specific targets are set for liquidity risk management under normal business conditions and under conditions of stress, with the primary objective of achieving appropriate levels of self-funding of balance sheet lending.

On a second level, proper diversification of the wholesale funding structure is achieved by limiting recourse to the capital markets in the short term and by diversifying funding, both in terms of sources and in terms of maturities and concentration of the liquid asset buffer.

To supplement the monitoring of liquidity risk under normal business conditions, an action framework has been designed

that will help prevent and manage liquidity stress events.

Its cornerstone is the Contingency Funding Plan (CFP), which specifies both the committees responsible for monitoring liquidity risk and activating the plan and a protocol that sets out responsibilities, internal and external communication flows and potential action plans for bringing the risk profile back within the bank's tolerance limits.

During 2017, Bankia continued to strengthen the liquidity and funding risk management framework. To do that, it assessed a range of qualitative aspects in order to determine the extent to which the management framework built around liquidity and funding risk complies with the principles and guidelines requested at regulatory and supervisory level, always consistent with the size and complexity of the institution.

This exercise helped identify weaknesses and points for improvement that once again enabled the bank to further increase the quality of its liquidity risk management framework.

The bank has also improved its regulatory reporting by developing and automating metrics and by defining methodologies and processes that will result in a higher quality of reported information.

To supplement the regulatory approach, the risk measurement metrics have been reinforced: the perimeter of existing metrics has been expanded and the monitoring of liquidity risk in various frameworks has been made more consistent and coherent.

Monitoring of intra-day liquidity risk has been implemented and intra-day liquidity risk management has been included in the Contingency Funding Plan.



06.2

RISK PROFILE

IN JANUARY 2018, BANKIA BOUGHT INSURANCE FROM AIG TO COVER CYBER SECURITY RISKS.

The liquidity risk governance framework has been further strengthened through the approval of the Asset Encumbrance Policy Manual.

For 2018, the bank aims to increase the automation of regulatory reports and will take steps to adapt to the implementation standards published by the EBA. It also aims to increase the integration of the regulatory liquidity measures in management, develop intra-day liquidity measures under conditions of stress and make methodological improvements to transfer prices and their effective implementation in the bank's internal processes.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. This definition includes legal risk but excludes reputational risk.

To manage operational risk, Bankia works to promote an operational risk management culture, especially oriented to awareness building, assumption of responsibility and commitment, and service quality.

It also aims to reliably identify and measure operational risk, implement systems for continuous improvement of processes, control structure and mitigation plans, and develop new risk transfer mechanisms that will limit exposure, as well as ensuring that contingency and business continuity plans are in place.

In 2017 steps were taken to acquire insurance cover for cyber security risks and in January 2018 a policy was purchased from the insurance company AIG.

From March 2017, the responsibility for operational risk has been extended to include

technology risk and cyber security risk, as a second line of defence, bringing in a team of two people with training and experience in systems development. Additionally, the necessary policies and procedures manual, which includes governance and the new functions, has been drafted.

ENVIRONMENTAL RISK

| GRI 102-15

By the nature of its activity, Bankia has a very limited direct environmental impact, yet it has a very significant indirect influence through its investment and financing decisions. The goal of environmental risk management is therefore to protect the quality of the bank's assets by supervising the portfolios of loans to customers and monitoring decisions to invest in financial or physical assets.

Environmental risk may be transferred to the bank in two ways:

- Credit risk. From the impact that environmental issues may have on the viability of a

customer's business (regulation or environmental authorisations), increased investments in technology, regulatory risk, loss of cash flows, impairment of assets posted as collateral, or civil or criminal liabilities with internal or external bail.

- Reputational risk. With increased awareness of environmental issues, society and customers subject the bank's activities to closer scrutiny, so the risk to the bank's reputation is increased. The threat of climate change further intensifies this risk.

Bankia takes environmental criteria into account in risk management and acknowledges the importance of the indirect environmental impact resulting from the approval of loans and investment projects. The Credit Risk Policy includes environmental risk-related criteria by taking the environmental impact of customers' business activity into account and requiring that companies comply with applicable laws. On that basis, the environmental risks involved in credit transactions are assessed with a view to the acceptance and monitoring of authorised transactions.

To manage environmental risk, Bankia has a tool that assigns corporate customers an environmental rating, which provides qualitative information supplementary to that provided by the financial rating. The environmental rating can be used to assess the environmental impact of a company's activities, how that impact may affect the viability of the company's businesses and thus the influence it may have on the bank's credit risk.

The tool uses a questionnaire based on the Equator Principles, which, in combination with the industry rating and the financial rating, assigns the company or project in question a rating on a five-point scale from very low to very high risk. Since 2011 the bank has been working to extend the commitment to environmental risk management and has identified 50 key sectors with particular environmental sensitivity, establishing a specific questionnaire for each of these sectors. This allows it to identify where there is a real environmental impact, in order then to take whatever mitigation measures may be necessary.

The degree of environmental risk associated with a company is assessed using a specific

methodology developed by an external provider.

The tool can be used to obtain an overall rating of the portfolios of loans to large and medium-sized companies. The result of the assessment shows that 80.3% of the obligors or customers and 72.8% of the exposure is in portfolios rated as having low or very low environmental risk. 98% of the authorised exposure of the specialised lending portfolio is concentrated in OECD countries.

Bankia has undertaken to preserve the environment by taking steps to reduce the environmental impact of its activities. It also contributes to the establishment of best practices and promotes the necessary training among its professionals.



06.2

RISK PROFILE

In the last quarter of 2017, a working group was appointed to analyse certain sectors liable to generate controversies, such as energy, agriculture, mining and defence, in order to identify and manage environmental and social risks and opportunities.

The goal for 2018, based on that work, is to prepare guidelines for the risky sectors to assist lending decisions, so as to prevent or minimise the social and environmental impact of Bankia's activity in the lending transactions in which it participates.

Future lines of work will include analysing the recommendations issued in June 2017 by the Task Force on Climate-related Financial Disclosures, a working group set up in 2015 within the UN's Financial Stability Board to develop recommendations on climate change risks applicable to companies' financial statements, with a view to implementing those recommendations and continuing the fight against climate change.

COMMITMENT TO RESPONSIBLE MANAGEMENT FOR THE ENVIRONMENT AND CLIMATE CHANGE

Bankia's Responsible Management Policy, approved by the Board of Directors on 28 April 2016, includes Bankia's general commitment to fighting climate change by managing resources efficiently and by monitoring and assessing the environmental impact of the bank's own activities and that of the operations it finances.

Specifically, Bankia undertakes to:

- Minimise its impact on the environment and reduce the associated costs through more efficient use of resources.
- Implement proper environmental management in all its processes.
- Raise its employees' environmental awareness and train them to use resources efficiently.
- Develop environmentally friendly products and services that help combat climate change.
- Include clauses on environmental commitment in contracts with suppliers.

REPUTATIONAL RISK

| GRI 102-15

During 2017 Bankia continued to put considerable effort into managing reputational risk, complying with the regulator's and supervisor's requirements and remaining an exemplary institution in this respect.

One of the key aspects of Bankia's reputational risk model is that it is integrated in the bank's overall risk model. Steps have been taken to reinforce the risk culture through training sessions and workshops with the heads of reputational risk management and coordination in Bankia. Additionally, the number of organisational units involved has been increased, so as to gain a more comprehensive and precise view, which has made it possible to create a more robust and all-inclusive risk management tool for decision making.

The main change in 2017 was the design of a synthetic indicator for regularly monitoring changes in reputation. This indicator serves to identify the main risk events for the bank or the industry that could harm their reputation and measure the quality of the control environment in place in Bankia to prevent or mitigate such events. Through this indicator the Board of Directors is able to judge whether Bankia's reputation is at the desired level or whether action needs to be taken in the bank's internal management or in its relations with stakeholders.

SOCIAL RISK

| GRI 102-15

In 2017 Bankia extended its policy to improve and strengthen the framework of protection for obligors whose wealth or financial circumstances have been adversely affected by unforeseen events.

Since 2012, when various measures to protect mortgage debtors were passed into law, the bank has been sensitive to the vulnerability of numerous Spanish households and has applied measures and solutions in line with the spirit of the law.

Bankia adopted the Code of Good Practices created by Royal Decree Law 6/2012 of 9 March on urgent measures to protect mortgage debtors without resources, as well as subsequent amendments.

In addition, Bankia applies voluntary measures aimed at resolving, as far as possible, situations where families face the loss of their primary residence and preventing situations where family units with any kind of vulnerability find themselves with nowhere to live. These measures are taken both at the customer's request and when the problem is channelled through the social agents (social services departments, NGOs, associations of various kinds, etc.) with which the bank has agreements and a relationship of trust.

As a result of this policy, a total of 1,236 mortgage modifications (more flexible terms to adapt the loans to the household's ability to pay) were implemented in 2017, compared to 5,628 in 2016. At the same time, the bank accepted 665 home surrenders (agreement to cancel the mortgage debt in return for surrender of the home), compared to 550 the previous year.

TOTAL NO. OF HOME SURRENDERS	665
TOTAL NO. OF HOMES FORECLOSED	1,823
TOTAL NO. OF MORTGAGE MODIFICATIONS	1,236
TOTAL NO. OF CONSUMER LOAN MODIFICATIONS	1,549
NO. OF SELF-EMPLOYED/BUSINESS LOAN MODIFICATIONS	793

06.2

RISK PROFILE

In all cases, these were negotiated solutions, aimed at avoiding evictions among especially vulnerable social groups, while at the same time seeking to minimise the loss to the bank. Since 2012, Bankia has accepted a total of 8,592 home surrenders and has executed 75,511 mortgage modifications. In doing so it has helped mitigate the loss of family homes due to the supervening impossibility of servicing the loans with which they were financed.

Foreclosed homes (i.e., homes repossessed by the bank under a court order) totalled 1,823 (1,971 the previous year).

Bankia's help for customers in need also extends to other loans. In 2017 it renegotiated the terms of 1,549 consumer loans (1,809 in 2016) and 793 loans to self-employed workers and companies (1,005 in 2016). The cumulative totals since 2012 are 61,824 and 17,932, respectively.

SINCE 2012, BANKIA HAS ACCEPTED 8,592 HOME SURRENDERS AND HAS EXECUTED 75,511 MORTGAGE MODIFICATIONS.

EMERGING RISKS

Although in previous years the impact of regulatory risk was already analysed and mitigated through specific actions that entailed major investments for financial institutions, the steady increase in regulatory pressure on the sector since the historic financial crisis of the first decade of



the 21st century can be considered a new risk in its own right.

Given the four main components of the framework for Banking Union (regulation, supervision, resolution and deposit insurance), in order to complete the framework a single Deposit Guarantee Fund needs to be established and a common public support mechanism for the Single Resolution Fund that will help break the close link between the risks of sovereign debt and the risks of the banking industry.

In addition, the continually evolving Supervisory Review and Evaluation Process (SREP), which allows competent authorities to gain a comprehensive, integrated view of the risk profile and viability of each credit institution, and the increase in capital requirements create a demanding framework for financial institutions to operate in.

In the context of a world economy subject to continual change, to the

extent that a stable and enduring regulatory framework is achieved that allows banks to establish strategies that remain valid in the medium term, the new risk management structures and tools must be based on the assumption that the regulatory pressure will continue and possibly increase.

Specifically, during 2017 the Bankia Group developed plans to modify its systems and implement processes and resources aimed at adapting to the IFRS 9 and MiFID II standards, both of which affect management and the business.

To largely mitigate the risk that the bank will not be ready in time to meet the new regulatory requirements, Bankia created ad hoc training plans, distributing the most important information about these standards, which have been in force since the start of 2018, through the corporate tools available for that purpose (intranet).

The bank has a Regulatory Compliance Committee, whose tasks include discussing and evaluating new regulatory requirements, assessing non-compliance risks in systems, policies and procedures, and proposing and adopting the necessary measures to ensure that regulations are complied with.



06.3

POLICY ON THE FINANCING OF CONTROVERSIAL ACTIVITIES

BANKIA'S COMMITMENT TO INTERNATIONAL
BEST PRACTICES INCLUDES AVOIDING,
AS FAR AS POSSIBLE, THE FINANCING OF
CONTROVERSIAL ACTIVITIES.

One of Bankia's fundamental goals is to promote good banking practices. For that purpose, specific policies have been established for industries and activities that are potentially sensitive on account of their social implications. Examples include investments or financing related to certain weapons companies, organisations implicated in the violation of human rights and any activity that may entail a violation of the fundamental rights of the individual.

As regards the arms industry, the bank's policy requires that transactions related to controversial weapons (antipersonnel mines, scatter ammunition and biological or chemical weapons) be rejected. The financing of projects for countries at war or subject to a UN embargo is also prohibited.

Bankia's commitment also obliges it to refuse to finance transactions with companies that have been proven to violate human rights in areas such as employment conditions, freedom of association, safety at work and equality. Isolated events are not sufficient proof of failure to respect fundamental rights.

Similar investment and financing restrictions are adopted in the case of illegal activities such as money laundering, terrorism, tax evasion, fraud and corruption.

07. GRI CONTENT INDEX

SCOPE AND EXTERNAL REVIEW OF NON-FINANCIAL DISCLOSURES

I GRI 102-46

The information contained in this annual report includes all the activities carried out by Bankia, as a financial sector company, and its subsidiaries during 2017.

The scope of the independently reviewed non-financial disclosures in this report references the GRI Sustainability Reporting Standards (GRI Standards): Comprehensive option and the Financial Services Sector Supplement. The GRI Standards include a set of principles and indicators, references to which appear throughout this Annual Report. Compliance with the principles established in the AA1000 APS standard (2008) issued by Accountability has also been taken into account in preparing the Report.

In order to prepare this report, Bankia, through an independent expert, carried out an exhaustive materiality analysis, with a view to conducting various types of consultation with its stakeholders and identifying relevant issues that need to be covered in this report. The GRI content index is presented below.

To determine the content of the report, Bankia has applied the following principles:

- **Stake holder inclusiveness.** Bankia has identified its stakeholders, knows their expectations and has mechanisms for maintaining an active dialogue with them. All this is reported in the section “Our commitment” and in the sections on each stakeholder group.
- **Sustainability context.** The report explains the economic, environmental and social approach of Bankia’s activity, which is analysed in depth in the sections “Our commitment”, “Business model”, “Relationship with the environment” and “Risk management”.
- **Materiality.** Through the materiality study, Bankia has identified its material topics according to their priority for stakeholders and for the business, and also the stakeholders’ level of tolerance for failure to meet their expectations. This study has been included in the 2017 Bankia Annual Report.
- **Exhaustiveness.** The content has been included with the participation and under the supervision of the managers of all the units concerned, so as to ensure that the most important aspects and impacts of each unit – both for the unit’s objectives and for the environment in which it operates – have been taken into consideration.

Throughout the process of compiling and presenting the information, Bankia pays heed to the principles of balance, comparability, accuracy, timeliness, clarity and reliability, which are necessary to assure the quality of the information contained in this report. The content of the report has been verified by EY, the same firm that audits the Consolidated Financial Statements. The Audit and Compliance Committee is responsible for ensuring the independence of the external auditor. The reviewed information covers the financial activities carried out by the Bankia Group. Where the perimeter is other than that of the Bankia Group, this is expressly specified in the content of the report or in the table of GRI indicators. Where an explanation is considered necessary for a fuller understanding, the measurement and data calculation techniques and the estimates used are explained in the tables or in the relevant chapters of the report.

07.

GRI CONTENT INDEX



GRI Disclosure Review

BANKIA S.A. has addressed most of the requested information

Mar 2018
Service

The organization has addressed most of the requested information from the reviewed disclosures in GRI 102: General Disclosures 2016 (102-15, 102-40, 102-41, 102-42, 102-43, 102-44, 102-46, 102-47, 102-54, 102-55). The service has been performed on the Spanish version of the report.

GRI STANDARD	INDICATOR	REFERENCE	
GRI 101: FOUNDATION , 2016			
GRI 102: GENERAL DISCLOSURES, 2016	ORGANIZATIONAL PROFILE		
GRI 102-1	Name of the organization	Bankia, S.A.	
GRI 102-2	Activities, brands, products and services	Pages 22-27 Pages 128-157	
GRI 102-3	Location of headquarters	Pintor Sorolla, 8. 46002 Valencia	
GRI 102-4	Location of operations	Bankia carries on all its banking activity in Spain. Pages 24 - 29	
GRI 102-5	Ownership and legal form	Bankia is registered in the Valencia Commercial Registry, Volume 9,341, Book 6,623, Folio 104, Sheet: V-17.274.	
GRI 102-6	Markets served	It is a credit institution subject to supervision by the Banco de España and is registered in the Administrative Register of the Banco de España, with B.E. Code number 2038, BIC code: CAHMESMMXXX	
GRI 102-7	Scale of the organization	Pages 22 - 27 Pages 128 - 157	
GRI 102-8	Information on employees and other workers	APPENDIX: KEY HISTORICAL DATA (page 230)	
GRI 102-9	Supply chain	Pages 60 - 71	
GRI 102-10	Significant changes to the organization and its supply chain	Pages 172 - 175	
GRI 102-11	Precautionary principle or approach	Pages 88 - 91	
GRI 102-12	External initiatives	Pages 188 - 210	
GRI 102-13	Membership of associations	Page 37 Page 41	
		Page 41	
STRATEGY			
GRI 102-14	Statement from senior decision maker	Pages 4 - 6	
GRI 102-15	Key impacts, risks and opportunities	Page 33 Page 46 Pages 88 - 91	Page 195 Page 204 Page 207
ETHICS AND INTEGRITY			
GRI 102-16	Values, principles, standards and norms of behavior	Pages 10 - 11 Page 37 Page 42	Pages 106 - 108 Pages 110 - 119
GRI 102-17	Mechanisms for advice and concerns about ethics	Pages 106 - 108	

GRI STANDARD	INDICATOR	REFERENCE
GRI 102: GENERAL DISCLOSURES, 2016	GOVERNANCE	
	GRI 102-18 Governance structure	Pages 12 - 15 Pages 30 - 31 Pages 192 - 193
	GRI 102-19 Delegating authority	Pages 30 - 31 Pages 192 - 193
	GRI 102-20 Executive-level responsibility for economic, environmental, and social topics	Pages 12 - 15 Pages 30 - 31 Pages 192 - 193
	GRI 102-21 Consulting stakeholders on economic, environmental, and social topics	Page 13 Pages 122 - 123 Pages 28 - 36 Page 125 Pages 56 - 59 Pages 173 - 174
	GRI 102-22 Composition of the highest governance body and its committees	Pages 12 - 17
	GRI 102-23 Chair of the highest governance body	Page 13
	GRI 102-24 Nominating and selecting the highest governance body	Page 12 Pages 94 - 95 Page 104
	GRI 102-25 Conflicts of interest	Page 95 Page 99
	GRI 102-26 Role of highest governance body in setting purpose, values, and strategy	Page 10 Page 12
	GRI 102-27 Collective knowledge of highest governance body	Page 99
	GRI 102-28 Evaluating the highest governance body's performance	Pages 98 - 99
	GRI 102-29 Identifying and managing economic, environmental, and social impacts	Pages 28 - 35 Pages 192 - 193
	GRI 102-30 Effectiveness of risk management processes	Pages 12 - 15 Pages 30 - 31 Pages 192 - 193
	GRI 102-31 Review of economic, environmental, and social topics	Pages 12 - 15 Pages 30 - 31
	GRI 102-32 Highest governance body's role in sustainability reporting	Approval of the content of the 2017 Annual Report by the Board of Directors.
	GRI 102-33 Communicating critical concerns	Pages 30 - 31 Pages 192 - 193
	GRI 102-34 Nature and total number of critical concerns	Pages 28 - 35 Pages 192 - 193
	GRI 102-35 Remuneration policies	Page 95 Pages 102 - 103
	GRI 102-36 Process for determining remuneration	Page 95 Pages 102 - 103
	GRI 102-37 Stakeholders' involvement in remuneration	Page 12 Page 95
	GRI 102-38 Annual total compensation ratio	Unavailable for reasons of confidentiality. This information is not public as a matter of Bankia's internal policy.
	GRI 102-39 Percentage increase in annual total compensation ratio	Unavailable for reasons of confidentiality. This information is not public as a matter of Bankia's internal policy.

07.

GRI CONTENT INDEX

GRI STANDARD	INDICATOR	REFERENCE
GRI 102: GENERAL DISCLOSURES, 2016	STAKEHOLDER ENGAGEMENT	
	GRI 102-40 List of stakeholder groups	Page 34
	GRI 102-41 Collective bargaining agreements	Page 43
	GRI 102-42 Identifying and selecting stakeholders	Page 28 Page 30 Page 33
	GRI 102-43 Approach to stakeholder engagement	Page 28 Page 33 Page 34 Page 36 Pages 56 - 57 Page 68 Pages 122 - 124 Page 125 Page 136 Page 142 Page 173 Page 187
	GRI 102-44 Key topics and concerns raised	Page 28 Page 29 Page 33 Page 35
	REPORTING PRACTICE	
	GRI 102-45 Entities included in the consolidated financial statements	Financial Statements, Appendix II - Subsidiaries, p. 174
	GRI 102-46 Defining report content and topic boundaries	Page 33 Page 35 Page 213
	GRI 102-47 List of material topics	Page 35
	GRI 102-48 Restatements of information	Page 183
	GRI 102-49 Changes in reporting	Page 183
	GRI 102-50 Reporting period	2017
	GRI 102-51 Date of most recent report	2016
	GRI 102-52 Reporting cycle	Annual
	GRI 102-53 Contact point for questions regarding the report	bankiacomunicacion@bankia.com
	GRI 102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option
	GRI 102-55 GRI content index	Page 213
	GRI 102-56 External assurance	Pages 214 - 227
		Page 229

RESPONSIBLE MARKETING

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundaries
	GRI 103-2	The management approach and its components
	GRI 103-3	Evaluation of the management approach
GRI 416: CUSTOMER HEALTH AND SAFETY, 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
GRI 417: MARKETING AND LABELING, 2016	GRI 417-1	Requirements for product and service information and labeling
	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling
	GRI 417-3	Incidents of non-compliance concerning marketing communications

CORPORATE GOVERNANCE

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundaries
	GRI 103-2	The management approach and its components
	GRI 103-3	Evaluation of the management approach
GRI 102: GENERAL DISCLOSURES, 2016	GRI 102-18	Governance structure
	GRI 102-19	Delegating authority
	GRI 102-20	Executive-level responsibility for economic, environmental, and social topics
	GRI 102-21	Consulting stakeholders on economic, environmental, and social topics

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GRI CONTENT INDEX

CORPORATE GOVERNANCE

GRI STANDARD	INDICATOR	REFERENCE
GRI 102: GENERAL DISCLOSURES, 2016		
	GRI 102-22 Composition of the highest governance body and its committees	Pages 12 - 17
	GRI 102-23 Chair of the highest governance body	Page 13
	GRI 102-24 Nominating and selecting the highest governance body	Page 12 Pages 94 - 95 Page 104
	GRI 102-25 Conflicts of interest	Page 95 Page 199
	GRI 102-26 Role of highest governance body in setting purpose, values, and strategy	Page 10 Page 12
	GRI 102-27 Collective knowledge of highest governance body	Page 99
	GRI 102-28 Evaluating the highest governance body's performance	Pages 98 - 99
	GRI 102-29 Identifying and managing economic, environmental, and social impacts	Pages 28 - 35 Pages 192 - 193
	GRI 102-30 Effectiveness of risk management processes	Pages 12 - 15 Pages 30 - 31 Pages 192 - 193
	GRI 102-31 Review of economic, environmental, and social topics	Pages 12 - 15 Pages 30 - 31
	GRI 102-32 Highest governance body's role in sustainability reporting	Approval of the content of the Annual Report 2017 by the Board of Directors.
	GRI 102-33 Communicating critical concerns	Pages 30 - 31 Pages 192 - 193
	GRI 102-34 Nature and total number of critical concerns	Pages 28 - 35 Pages 192 - 193
	GRI 102-35 Remuneration policies	Page 95 Pages 104 - 105
	GRI 102-36 Process for determining remuneration	Page 95 Pages 102 - 103
	GRI 102-37 Stakeholders' involvement in remuneration	Page 12 Page 95
	GRI 102-38 Annual total compensation ratio	Unavailable for reasons of confidentiality. This information is not public as a matter of Bankia's internal policy.
	GRI 102-39 Percentage increase in annual total compensation ratio	Unavailable for reasons of confidentiality. This information is not public as a matter of Bankia's internal policy.

SOLVENCY

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundaries
	GRI 103-2	The management approach and its components
	GRI 103-3	Evaluation of the management approach
GRI 201: ECONOMIC PERFORMANCE, 2016	GRI 201-1	Direct economic value generated and distributed (thousand euros)
		Gross income
		Net profit from discontinued operations
		Gains on derecognition or disposal of assets not classified as non-current assets held for sale
		Direct economic value generated
		Dividends
		Operating costs
		Staff expenses
		Social investment
		Income tax and non-income taxes
		Direct economic value distributed
GRI 201-2		Direct economic value retained
		Financial implications and other risks and opportunities for the organization's activities due to climate change.
	GRI 201-3	Coverage of the organization's defined benefit plan obligations
	GRI 201-4	Significant financial assistance received from government

ETHICS

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundaries
	GRI 103-2	The management approach and its components
	GRI 103-3	Evaluation of the management approach
GRI 102: GENERAL DISCLOSURES, 2016	GRI 102-16	Values, principles, standards and norms of behavior
	GRI 102-17	Mechanisms for advice and concerns about ethics

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GRI CONTENT INDEX

ETHICS

GRI STANDARD	INDICATOR	REFERENCE
GRI 205: ANTI-CORRUPTION, 2016	GRI 205-1 Operations assessed for risks related to corruption	Page 114
	GRI 205-2 Communication and training about anti-corruption policies and procedures	Pages 106 - 108 Pages 110 - 111
	GRI 205-3 Confirmed incidents of corruption and actions taken	Page 108
GRI 206: UNFAIR COMPETITION, 2016	GRI 206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices	No legal actions have been identified

CONTRIBUTION TO SOCIETY

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Pages 160 - 161
	GRI 103-2 The management approach and its components	Pages 160 - 171
	GRI 103-3 Evaluation of the management approach	Pages 160 - 171
GRI 413: LOCAL COMMUNITIES, 2016	GRI 413-1 Operations with local community engagement, impact assessments, and development programs	Pages 160 - 171
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	Not applicable. The means by which Bankia carries on its activity do not have impacts on the local community.

TALENT MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 60
	GRI 103-2 The management approach and its components	Pages 60 - 65
	GRI 103-3 Evaluation of the management approach	Pages 60 - 65
GRI 401: EMPLOYMENT, 2016	GRI 401-1 New employee hires and employee turnover	Page 63 Page 71
	GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 63 Page 70
	GRI 401-3 Parental leave	Page 63

TALENT MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
GRI 404: TRAINING AND EDUCATION, 2016	GRI 404-1 Average hours of training per year per employee	Page 65
	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	Pages 61 - 65
	GRI 404-3 Percentage of employees receiving regular performance and career development reviews	Page 61

TRANSPARENCY

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 176
	GRI 103-2 The management approach and its components	Page 36 Pages 176 - 179
	GRI 103-3 Evaluation of the management approach	Pages 176 - 179

INNOVATION AND MULTICHANNEL MARKETING

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 46
	GRI 103-2 The management approach and its components	Pages 46 - 49
	GRI 103-3 Evaluation of the management approach	Page 25 Pages 46 - 49 Pages 136 - 139

DATA SECURITY

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 112 Page 115 Pages 118 - 119
	GRI 103-2 The management approach and its components	Page 112 Page 115 Pages 118 - 119
	GRI 103-3 Evaluation of the management approach	Page 112 Page 115 Pages 118 - 119
GRI 418: CUSTOMER PRIVACY, 2016	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Nine data protection complaints were resolved, which entailed a total of 136,000 euros in fines.

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GRI CONTENT INDEX

FUNDING STRUCTURE

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 81
	GRI 103-2 The management approach and its components	Pages 20 - 21 Pages 80 - 83
	GRI 103-3 Evaluation of the management approach	Page 55 Pages 80 - 83 Page 175

PRODUCTS THAT HAVE A POSITIVE IMPACT

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 134
	GRI 103-2 The management approach and its components	Page 44 Page 134
	GRI 103-3 Evaluation of the management approach	Pages 132 - 134 Page 143 Pages 151 - 152
GRI 203: INDIRECT ECONOMIC IMPACTS, 2016	GRI 203-1 Infrastructure investments and services supported	Information unavailable. At present, Bankia cannot guarantee the accuracy of the available information, as the intended use is not always taken into consideration when granting financing to customers.
	GRI 203-2 Significant indirect economic impacts	Page 32 Page 39 Pages 151 - 152
		Pages 174 - 175 Page 180 Pages 204 - 208 Page 161

ASSET QUALITY MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Page 190
	GRI 103-2 The management approach and its components	Pages 190 - 209
	GRI 103-3 Evaluation of the management approach	Pages 82 - 83 Pages 190 - 209
GRI 203: INDIRECT ECONOMIC IMPACTS, 2016	GRI 203-1 Infrastructure investments and services supported	Information unavailable. At present, Bankia cannot guarantee the accuracy of the available information, as the intended use is not always taken into consideration when granting financing to customers.
	GRI 203-2 Significant indirect economic impacts	Page 32 Page 39 Pages 151 - 152
		Pages 174 - 175 Page 180 Pages 204 - 208 Page 161

ENVIRONMENTAL MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundaries
	GRI 103-2	The management approach and its components
	GRI 103-3	Evaluation of the management approach
GRI 301: MATERIALS, 2016	GRI 301-1	Materials used by weight or volume
	GRI 301-2	Recycled materials used
	GRI 301-3	Products and packaging materials reused
GRI 302: ENERGY, 2016	GRI 302-1	Energy consumption within the organization
	GRI 302-2	Energy consumption outside of the organization
	GRI 302-3	Energy intensity
	GRI 302-4	Reduction of energy consumption
	GRI 302-5	Reductions in energy requirements of products and services
GRI 305: EMISSIONS, 2016	GRI 305-1	Direct (Scope 1) GHG emissions
	GRI 305-2	Energy indirect (Scope 2) GHG emissions
	GRI 305-3	Other indirect (Scope 3) GHG emissions
	GRI 305-4	GHG emissions intensity
	GRI 305-5	Reduction of GHG emissions
	GRI 305-6	Emissions of ozone-depleting substances (ODS)
	GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
GRI 306: EFFLUENTS AND WASTE, 2016	GRI 306-1	Water discharge by quality and destination
	GRI 306-2	Waste by type and disposal method
	GRI 306-3	Significant spills
	GRI 306-4	Transport of hazardous waste
	GRI 306-5	Water bodies affected by discharges of water and runoff

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GRI CONTENT INDEX

ENVIRONMENTAL MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
GRI 307: ENVIRONMENTAL COMPLIANCE, 2016	GRI 307-1 Non-compliance with environmental laws and regulations	No material non-compliance has been identified.
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT, 2016	GRI 308-1 Negative environmental impacts in the supply chain and actions taken	Page 175
	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	No material non-compliances have been identified.

ACCESSIBILITY AND FINANCIAL INCLUSION

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1 Explanation of the material topic and its Boundaries	Page 35 Pages 130 - 145
	GRI 103-2 The management approach and its components	Pages 130 - 145
	GRI 103-3 Evaluation of the management approach	Pages 22 - 27 Pages 130 - 145
GRI 203: INDIRECT ECONOMIC IMPACTS, 2016	GRI 203-1 Infrastructure investments and services supported	Information unavailable. At present, Bankia cannot guarantee the accuracy of the available information, as the intended use is not always taken into consideration when granting financing to customers.
	GRI 203-2 Significant indirect economic impacts	Page 32 Page 39 Pages 151 - 152 Page 161 Pages 174 - 175 Page 180 Pages 204 - 208

FINANCIAL SERVICES SECTOR SUPPLEMENT

CATEGORY: ECONOMIC

GRI STANDARD	INDICATOR	REFERENCE
GRI 201: ECONOMIC PERFORMANCE, 2016	GRI 201-1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Page 219

CATEGORY: ENVIRONMENTAL

GRI STANDARD	INDICATOR	REFERENCE
GRI 305: EMISSIONS, 2016	GRI 305-1 Direct greenhouse gas emissions (Scope 1)	Page 183
	GRI 305-2 Energy indirect greenhouse gas emissions (Scope 2)	Page 183
	GRI 305-3 Other indirect greenhouse gas emissions (Scope 3)	Page 183
GRI 306: EFFLUENTS AND WASTE, 2016	GRI 306-2 Waste by type and disposal method	Page 185

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GRI CONTENT INDEX

SOCIAL ASPECTS FOR THE FINANCIAL SERVICES SECTOR

RESPONSIBLE PRODUCTS

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundary Page 28 Page 35 Pages 122 - 129
	GRI 103-2	The management approach and its components Pages 28 - 29 Pages 122 - 129 Page 134
	GRI 103-3	Evaluation of the management approach Pages 122 -129 Page 136 Page 142
FS-6	Percentage of the portfolio for business lines by specific region, size (e.g. micro SME/ large) and by sector	Pages 22-25 Pages 130-157
FS-7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Pages 130-157
FS-8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Pages 130-157
FS-10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Pages 144-145 Page 152 Pages 204-208
FS-11	Percentage of assets subject to positive and negative environmental screening	Page 152 Pages 204-208
FS-15	Policies for the fair design and sale of financial products and services	Pages 28-29 Pages 43-44 Pages 122-129
FS-16	Initiatives to enhance financial literacy by type of beneficiary	Pages 28-29 Page 166 Page 178

LOCAL COMMUNITIES

GRI STANDARD	INDICATOR	REFERENCE
GRI 103: MANAGEMENT APPROACH, 2016	GRI 103-1	Explanation of the material topic and its Boundary Page 28 Page 35 Page 130
	GRI 103-2	The management approach and its components Pages 130 - 157 Pages 160 - 161
	GRI 103-3	Evaluation of the management approach Pages 22 - 27 Pages 130 - 157 Pages 160 - 171
FS-13	Access points in low-populated or economically disadvantaged areas	Pages 25-27
FS-14	Initiatives to improve access to financial services for disadvantaged people	Pages 25-27 Pages 42-45 Pages 130-139 Pages 160-161 Pages 207-208

CALCULATION OF THE INDICATOR GRI 302-3

ENERGY INTENSITY

$$\frac{\text{Primary energy consumption} + \text{Electricity consumption}}{\text{No. of employees}} = \frac{15,580 \text{ GJ} + 312,950 \text{ GJ}}{13,122} = 25.04 \text{ GJ / employee}$$

CALCULATION OF THE INDICATOR GRI 305-4

GREENHOUSE GAS EMISSION INTENSITY

$$\frac{\text{Scope 1 emissions} + \text{Scope 2 emissions}}{\text{Bankia, S.A. revenue}^{(1)} \text{ (million euros)}} = \frac{4,545.7 + 0}{3,546.91} = 1.2816 \text{ tCO}_2\text{e/€ mill}$$

(1) In the denominator of the indicator we have used the figure for Bankia, S.A.'s revenue taken from the company's statutory income statement (in thousands of euros).

REVENUE ITEM

REVENUE ITEM	AMOUNT (million euros)	FINANCIAL STATEMENTS
Interest income	2,315.83	Note 26
Dividend income	61.63	Note 28
Fee and commission income	866.06	Note 29
Gains (losses) on financial assets and liabilities	375.80	Note 31
Other operating income	52.58	Note 32
Gains (losses) on derecognition of non-financial assets and equity investments, net	9.32	Note 41
Gains (losses) arising from non-current assets and disposal groups	134.31	Note 42

08. EXTERNAL REVIEW REPORT



Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid
España

Tel: 915 727 200
Fax: 915 727 238
ey.com

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.

Maria 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.

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