

Earnings Report

January-June 2017

26 July 2017

Bankia

Bankia
LET'S KEEP WORKING

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Basis of presentation and comparability of information

The audit reports included in the consolidated financial statements for the year ended 31 December 2016 include the following Emphasis of Matter paragraph in relation to the legal proceedings associated with the Bankia IPO in July 2011:

“We draw attention to the information provided in Notes 2.18.1 and 20 to the accompanying consolidated financial statements, which describe the uncertainty regarding the final outcome of litigation in relation to the Initial Public Offering of shares carried out in 2011 for the stock market listing of Bankia, S.A. This matter does not modify our opinion.”

At 30 June 2017 the abovementioned uncertainty remains, so the financial data contained in this document must be interpreted in the context just mentioned and together with the information contained in the abovementioned notes to the consolidated financial statements for the year ended 31 December 2016.

The Bankia Group's attributable profit is 514 million euros, an increase of 6.7% compared to the first half of 2016

In line with the targeted objectives, customer's related business performance, cost efficiency and cost of risk control have been key factors in achieving this result

- Net interest income continues with its stabilising trend (-2.6% in the quarter), reflecting the diminishing impact of the interest rates curve on the repricing of the mortgage portfolio, the positive contribution of new lending, and positive management of the cost of retail funding
- Fee and commission income is performing well, growing 4.7% year-on-year and 5.1% quarter-on-quarter, thanks to an increased customer's activity and customer's loyalty
- As a result, the Group's income from the core banking business (net interest income plus fee and commission income) is increasingly stable and recurring (-0.3% quarter-on-quarter)
- Continued cost management brings the efficiency ratio to 46.4% at the end of June 2017
- The Group's cost of risk shows further improvement, ending June 2017 at 25 basis points, three basis points less than in the first half of 2016.
- The stabilisation of income from the banking business, the focus on efficiency, and control of the cost of risk drive attributable profit growth for the first half by 6.7% to 514 million euros.
- The Bankia Group closes the first half of 2017 with an ROE of 8.6%.

Growth in customers and loyalty increases investment and new deposits

- Great dynamism in the multichannel offering. The Connect with your Expert customers are up 57.7% in the half-year. At the end of June 2017, multichannel customers already represent 39.3% of the Group's total customers, compared to 37.6% in December 2016.
- New mortgage loans are up 129% year-on-year and 54.9% in the quarter.
- Consumer and businesses lending maintain a steady rate of growth. Since June 2016 the stock of consumer loans is up 18.1% and the stock of performing loans to businesses grows by 450 million euros.
- Customer funds managed by the Group have grown 1.1% since June 2016, driven by demand deposits (+29.7%), savings accounts (+12.2%) and mutual funds (+11.6%).

Further improvements in risk management

- Non-performing loans reach 10,554 million euros at the end of June 2017, marking a decrease of 8% in the half-year and 10.2% year-on-year. This figure puts the Group's NPL ratio at 9.1%, an improvement of 70 basis points compared to December 2016.
- The decrease in the portfolio of foreclosed assets continues. The net balance is down 17.7% compared to June 2016, with sales totalling 234 million euros in the first half of the year.

Capital strength and value generation for shareholders

- The Bankia Group continues to improve its capital ratios, thanks to its organic capital generation capacity. At the end of the first half of 2017, the Bankia Group's CET1 Phase-in ratio is 15.36% (+66 bps vs. December 2016) and the CET1 Fully loaded ratio (not including unrealised gains on sovereign holdings in the AFS portfolio) is 13.82% (+80 bps in the half-year).
- The Group's capital ratios show an ample surplus above the minimum prudential requirements imposed by the ECB for 2017: +748 bps above the regulatory CET1 Phase-in ratio (7.875%) and +601 bps above the minimum Total Capital ratio (11.375%).
- This comfortable solvency position will allow Bankia to undertake the merger with Banco Mare Nostrum (BMN) without having to resort to the wholesale markets to finance the transaction, while earning a return on the capital generated organically in recent years.
- Bankia carries out its first AT1 bond issue in the amount of 750 million euros. The issue was completed on 6 July, with a coupon of 6.00%, and was 3.3 times oversubscribed.

1. RELEVANT DATA

	Jun-17	Dec-16	Change
Balance sheet (€ million)			
Total assets	180,884	190,167	(4.9%)
Loans and advances to customers (net) ⁽¹⁾	104,144	104,677	(0.5%)
Loans and advances to customers (gross) ⁽¹⁾	109,437	110,595	(1.0%)
On-balance-sheet customer funds	121,700	125,001	(2.6%)
Customer deposits and clearing houses	103,038	105,155	(2.0%)
Borrowings, marketable securities	17,144	18,801	(8.8%)
Subordinated liabilities	1,518	1,045	45.2%
Total managed customer funds	142,830	145,097	(1.56%)
Equity	12,481	12,303	1.4%
Common Equity Tier I - BIS III Phase In	11,463	11,329	1.2%
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In ⁽²⁾	15.36%	14.70%	+0.66 p.p.
Total capital ratio - BIS III Phase In ⁽²⁾	17.39%	16.03%	+1.36 p.p.
Ratio CET1 BIS III Fully Loaded ⁽²⁾	13.82%	13.02%	+0.80 p.p.
Risk management (€ million and %)			
Total risk	116,188	117,205	(0.9%)
Non performing loans	10,554	11,476	(8.0%)
NPL provisions	5,683	6,323	(10.1%)
NPL ratio	9.1%	9.8%	-0.7 p.p.
NPL coverage ratio	53.9%	55.1%	-1.2 p.p.
	Jun-17	Jun-16	Change
Results (€ million)			
Net interest income	995	1,124	(11.4%)
Gross income	1,648	1,686	(2.3%)
Operating income before provisions	884	900	(1.8%)
Profit/(loss) attributable to the Group	514	481	6.7%
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	46.4%	46.6%	-0.2 p.p.
R.O.A. (Profit after tax / Average total assets) ⁽³⁾	0.6%	0.5%	+0.1 p.p.
RORWA (Profit attributable to the group / RWA) ⁽⁴⁾	1.4%	1.2%	+0.2 p.p.
ROE (Profit attributable to the group / Equity) ⁽⁵⁾	8.6%	8.2%	+0.4 p.p.
ROTE (Profit attributable to the group / Average tangible equity) ⁽⁶⁾	8.7%	8.4%	+0.3 p.p.
	30-Jun-2017	31-Dec-2016	Change
Bankia share			
Number of shareholders	204,778	241,879	(15.3%)
Number of shares in issue (million) ⁽⁷⁾	2,879	11,517	-
Closing price (end of period, €) ⁽⁷⁾⁽⁸⁾	4.23	0.97	-
Market capitalisation (€ million)	12,185	11,183	9.0%
Earnings per share ⁽⁷⁾⁽⁹⁾	0.36	0.07	-
Tangible book value per share (€) ⁽⁷⁾⁽¹⁰⁾	4.40	1.10	-
PER (Last price ⁽⁸⁾ / Earnings per share)	11.76	13.91	(15.4%)
PTBV (Last price ⁽⁸⁾ / Tangible book value per share)	0.96	0.89	8.5%
Additional information			
Number of branches	1,766	1,855	(4.8%)
Number of employees	13,477	13,505	(0.2%)

(1) Includes transactions with BFA (Jun-17 €384mn; Dec-16 €125mn)

(2) Capital ratios do not include the €750mn Contingent convertible bond issuance

(3) Annualized profit after tax divided by the average total assets

(4) Annualized attributable profit divided by the risk weighted assets

(5) Annualized attributable profit divided by the previous 12 months equity average

(6) Annualized attributable profit divided by the previous 12 months tangible equity average

(7) Number of shares after the reverse split executed on June 2017

(8) Using the last price on 30th June and 31th December

(9) Annualized attributable profit divided by the number of shares in issue

(10) Total Equity less intangible assets divided by the number of shares in issue

2. ECONOMIC AND FINANCIAL ENVIRONMENT

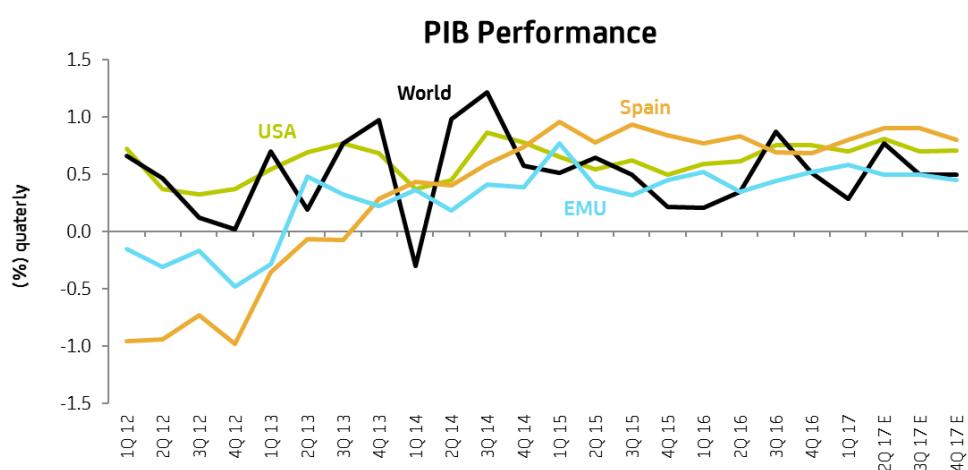
The world economy performed very positively in the first half of 2017 and generally better than expected. Most notably, euro area growth remained strong, above potential, despite the high level of political uncertainty: *Brexit*, elections in France, very complex scenario in Italy and review of the bailout programme for Greece. On top of this, emerging economies reactivation gained strength, there has been improvements in corporate earnings and a recovery in capital investment, the manufacturing sector and international trade. The United States economy maintains expansionary growth, but disappointed slightly. Moreover, trust in the Trump administration's ability to implement economic policy measures has waned. On the other hand, after the upward trend that began in mid-2016, inflation appears to have hit a ceiling in the main developed economies, now that the base effect of energy prices has started to ease off: in the euro area, inflation stood at 1.3% in June, compared with 2.0% in February (Source: Eurostat).

In this context, the ECB has maintained its strategy, using extreme caution, although it has given the first signs that the tone of its monetary policy may change in the future. Thus, in April it scaled back its asset purchase programme from a monthly volume of 80,000 million euros to 60,000 million and in June removed from its press release any reference to further rate cuts. With regards to public debt, yields on peripheral debt showed a slight upward trend at the start of the year, due to an increase in the risk premium as a result of the political uncertainty in the euro area. In the case of Spain the yield increased to 150 basis points, with the 10-year bond yield reaching values above 1.90% (Source: Bloomberg). From spring onward, the reduction in political uncertainty favoured a decrease in risk premiums and in the case of Spanish debt, the yield fell below 1.40%,

although in the first week of July it ticked up again to 1.70% (Source: Bloomberg).

In Spain, economic activity in the first half of the year showed a strong expansionary inertia. GDP growth picked up to a rate of 0.9% per quarter in 2Q17 (+0.8% vs. 1Q17), thanks to vigorous domestic demand in a context of favourable financing conditions and intense job creation (Social Security enrolment increased by 672,836 people in the last year). A positive sign is the growing buoyancy of investment, both in capital goods and in construction. Moreover, the growth is more balanced, as the strength of domestic spending remains compatible with a prolonged improvement in the external position: financing capacity is at an all-time high.

The good rate of growth of the Spanish economy continues to favour the growth of banking activity, where the tendency for more moderate rates of decline in the credit stock continues, while the rate of growth of new lending has increased to double-digits in households and SMEs. Likewise, credit quality in the system continues to improve, while final profitability continues to be supported by lower provisioning. On the other hand, after several years, the process of bank consolidation has resumed, with two significant deals at the end of the quarter. On the legislative front, Royal Decree Law 11/2017 on urgent financial measures was passed, bringing two substantial changes: a reform of the legal regime of cooperatives and the creation of a new category of loss-absorbing liabilities accordant with the European Resolution Directive, non-preferred senior debt, which will facilitate progress towards compliance with the MREL (minimum requirement for own funds and eligible liabilities) and ultimately towards European banking union.



Source: Thomson Reuters and Bankia Research. (E) Estimate

3. SUMMARY OF RESULTS

The Bankia Group's attributable profit for the first half of 2017 reaches 514 million euros, improving the profit for the first half of 2016 by 6.7%

The Bankia Group ended the first half of 2017 with attributable profit of 514 million euros, up 6.7% on the same period of 2016.

Customer's related business performance has been one of the main factors driving the improvement in results. The growing satisfaction of our customers, the higher loyalty rates and the progress made with the multichannel strategy have enabled the Group to increase business volumes, improve market shares and stabilise the revenue base from its core business in a persistently low interest rate environment.

The continued focus on efficiency and control of the cost of risk has reinforced the generation of more stable revenues. In addition to the sound performance of the business and costs, in the first half of 2017 the Bankia Group has

maintained its financial strength, with a balanced funding structure, good liquidity ratios and further improvements in its capital position and the credit quality of its portfolios.

The attributable profit for the second quarter of the year is down 94 million euros compared with the previous quarter, due to the annual contribution to the Single Resolution Fund (SRF) paid in May, to the higher net trading income (NTI) in the first quarter and to the profit from the deferred payment for the sale of Globalvía recognised in the first quarter. However, if the impact of these non-recurring factors is excluded, the core banking business (net interest income plus fee and commission income) has remained stable (-0.3%), while operating expenses and the level of provisioning have been reduced by 2% and 38% respectively.

INCOME STATEMENT

(\$ million)	1H 2017	1H 2016	Change	
			Amount	%
Net interest income	995	1,124	(129)	(11.4%)
Dividends	7	4	3	85.6%
Share of profit/(loss) of companies accounted for using the equity method	18	21	(2)	(10.7%)
Total net fees and commissions	425	406	19	4.7%
Gains/(losses) on financial assets and liabilities	262	119	143	120.6%
Exchange differences	4	15	(11)	(72.2%)
Other operating income/(expense)	(65)	(3)	(62)	-
Gross income	1,648	1,686	(38)	(2.3%)
Administrative expenses	(681)	(711)	30	(4.2%)
Staff costs	(461)	(465)	4	(1.0%)
General expenses	(220)	(245)	26	(10.4%)
Depreciation and amortisation	(83)	(76)	(8)	10.3%
Operating income before provisions	884	900	(16)	(1.8%)
Provisions	(171)	(203)	32	(15.6%)
Provisions (net)	3	(52)	55	-
Impairment losses on financial assets (net)	(174)	(151)	(23)	15.2%
Operating profit/(loss)	712	696	16	2.3%
Impairment losses on non-financial assets	(9)	(8)	(1)	13.8%
Other gains and other losses	(10)	(49)	39	(80.1%)
Profit/(loss) before tax	693	639	54	8.4%
Corporate income tax	(179)	(158)	(21)	13.2%
Profit/(loss) after tax	514	481	33	6.8%
Profit/(Loss) attributable to minority interests	0.6	0.1	0	352.2%
Profit/(loss) attributable to the Group	514	481	32	6.7%
Cost to Income ratio ⁽¹⁾	46.4%	46.6%	-0.2 p.p.	(0.6%)
Recurring Cost to Income ratio ⁽²⁾	55.3%	50.7%	+4.6 p.p.	9.2%

(1) Operating expenses / Gross income

(2) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences)

QUARTERLY RESULTS

(€ million)	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net interest income	491	504	517	507	546	577
Dividends	2	6	0	0	3	0
Share of profit/(loss) of companies accounted for using the equity method	10	9	9	8	13	8
Total net fees and commissions	218	207	213	204	207	200
Gains/(losses) on financial assets and liabilities	101	161	57	65	58	61
Exchange differences	2	2	(1)	(2)	8	7
Other operating income/(expense)	(61)	(3)	(90)	(10)	(2)	(1)
Gross income	762	886	706	774	833	853
Administrative expenses	(336)	(345)	(330)	(346)	(349)	(362)
Staff costs	(226)	(235)	(218)	(223)	(227)	(239)
General expenses	(110)	(110)	(112)	(123)	(122)	(124)
Depreciation and amortisation	(42)	(41)	(46)	(40)	(38)	(37)
Operating income before provisions	384	500	331	388	446	454
Provisions	(72)	(99)	31	(52)	(87)	(116)
Provisions (net)	(5)	8	(5)	53	(24)	(28)
Impairment losses on financial assets (net)	(67)	(107)	35	(105)	(64)	(87)
Operating profit/(loss)	312	401	361	336	359	338
Impairment losses on non-financial assets	(1)	(9)	(3)	3	(6)	(2)
Other gains and other losses	(22)	12	(215)	(38)	(28)	(21)
Profit/(loss) before tax	289	404	143	302	324	315
Corporate income tax	(78)	(100)	(8)	(51)	(79)	(78)
Profit/(loss) after tax	210	304	135	251	245	237
Profit/(Loss) attributable to minority interests	0	0	(3)	1	0	0
Profit/(loss) attributable to the Group	210	304	138	250	245	237
Net impact from extraordinary provisions ⁽¹⁾	-	-	(65)	-	-	-
Reported profit attributable to the Group	210	304	73	250	245	237
Cost to Income ratio ⁽²⁾	49.6%	43.6%	53.2%	49.9%	46.5%	46.8%
Recurring Cost to Income ratio ⁽³⁾	57.4%	53.4%	57.8%	54.3%	50.5%	50.9%

(1) Net provision of €65mn due to the mortgage floors on 4Q 2016

(2) Operating expenses / Gross income

(3) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences)

- **Net interest income** for the first half of 2017 has totalled 995 million euros, 11.4% less than for the same period of 2016, impacted by the lower yielding of the fixed income portfolios and the repricing of loans due to the fall in the Euribor.

The results for the second quarter confirm the gradual stabilisation of the customer margin as anticipated in previous quarters, although the pressure on the fixed-income business continues.

The Euribor has remained at the lowest levels ever, lower than Bankia had budgeted for 2017. As a result, the downward repricing of the bank's loan portfolio continues, though at a steadily declining rate. However, commercial dynamics are allowing to increase the contribution of new lending in the consumer finance, businesses and mortgages segments to net interest income, thus mitigating the impact the yield curve is still having on credit. Thus, the yield on customer loans **in the second quarter of 2017 has stood at 1.68%, four basis points higher than the previous quarter**

(1.64%) (excluding the positive impact of non-recurring transactions) and above the 1.65% level recorded in the fourth quarter of 2016.

The Group also continued to concentrate its efforts on managing the cost of retail funding, especially term deposits, the cost of which has been reduced by 3 basis points in the quarter, reaching 9 basis points at the close of the second quarter of 2017.

For yet another quarter, **the combination of these two factors (stabilisation of the credit yield and the decline in the cost of retail deposits) has helped to improve the gross customer margin**, which ended the second quarter at 1.59%, up 7 basis points on the 1.52% recorded in the previous quarter excluding the impact of non-recurring transactions. This improvement in the gross customer margin has offset to a large extent the continuing decline in income from the fixed income portfolios caused by falling interest rates, sales and bond maturities.

REVENUES AND EXPENSES

(€ million & %)	2Q 2017				1Q 2017			
	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions ⁽¹⁾	5,793	3.2%	22	1.50%	6,313	3.4%	21	1.35%
Net Loans and advances to customers ⁽²⁾ (a)	103,362	57.0%	434	1.68%	103,549	55.6%	438	1.71%
Debt securities	47,997	26.5%	117	0.98%	51,453	27.6%	133	1.05%
Other interest earning assets ⁽³⁾	391	0.2%	1	0.80%	396	0.2%	1	0.80%
Other non-interest earning assets	23,665	13.1%	-	-	24,674	13.2%	-	-
Total Assets (b)	181,208	100.0%	573	1.27%	186,385	100.0%	593	1.29%
Deposits from central banks and credit institutions	36,275	20.0%	11	0.12%	37,577	20.2%	13	0.14%
Customer deposits (c)	101,869	56.2%	24	0.09%	104,168	55.9%	30	0.12%
<i>Strict Customer Deposits</i>	96,409	53.2%	20	0.08%	98,372	52.8%	28	0.11%
<i>Repos</i>	435	0.2%	0	0.00%	690	0.4%	0	0.00%
<i>Single-certificate covered bonds</i>	5,024	2.8%	4	0.33%	5,106	2.7%	3	0.20%
Marketable securities	17,322	9.6%	34	0.80%	17,969	9.6%	36	0.81%
Subordinated liabilities	1,534	0.8%	11	2.99%	1,131	0.6%	8	2.96%
Other interest earning liabilities ⁽³⁾	776	0.4%	2	0.89%	889	0.5%	1	0.55%
Other liabilities with no cost	10,732	5.9%	-	-	11,835	6.3%	-	-
Equity	12,702	7.0%	-	-	12,815	6.9%	-	-
Total equity and liabilities (d)	181,208	100.0%	82	0.18%	186,385	100.0%	89	0.19%
Customer margin (a-c)				1.59%				1.60%
Net interest margin (b-d)			491	1.09%			504	1.10%

(1) Loans and advances to credit institution includes revenues arising from the negative interest rates applicable on "Deposits from central banks and credit institutions" (mainly TLTRO II and repo transactions) following accounting standards. On the liabilities side, it works all the way around with regards to "Deposits from central banks and credit institutions"

(2) 1Q 2017 includes singular transactions that increase the average yield from 1.64% to 1.71%.

(3) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities

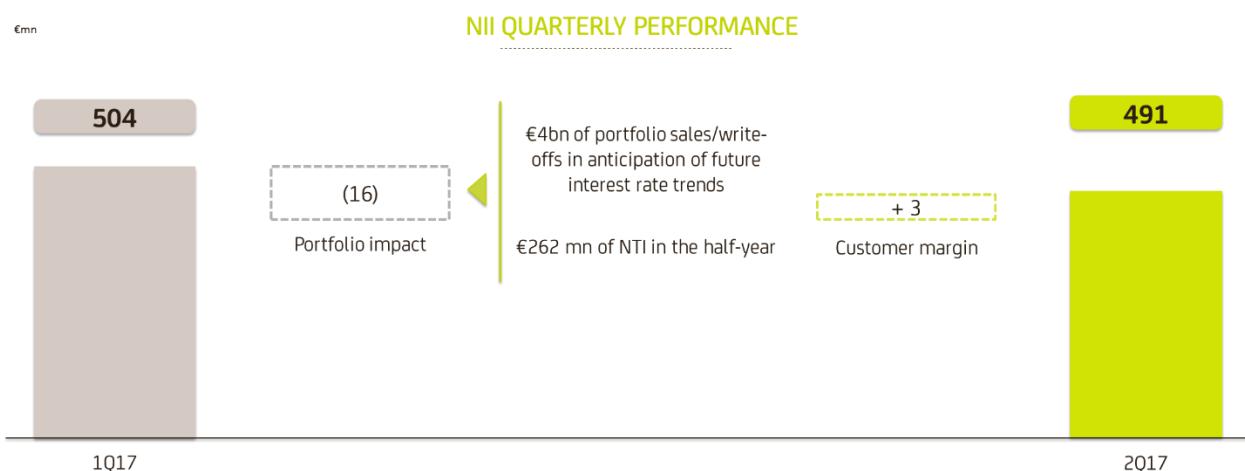
REVENUES AND EXPENSES

(€ million & %)	4Q 2016				3Q 2016			
	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions ⁽¹⁾	6,584	3.4%	23	1.41%	7,057	3.6%	20	1.10%
Net Loans and advances to customers (a)	105,305	54.7%	436	1.65%	106,086	53.6%	429	1.61%
Debt securities	53,879	28.0%	159	1.17%	55,434	28.0%	174	1.25%
Other interest earning assets ⁽²⁾	353	0.2%	2	1.97%	348	0.2%	2	2.05%
Other non-interest earning assets	26,287	13.7%	-	-	29,008	14.7%	-	-
Total Assets (b)	192,407	100.0%	620	1.28%	197,932	100.0%	624	1.26%
Deposits from central banks and credit institutions	40,120	20.9%	14	0.14%	39,704	20.1%	16	0.16%
Customer deposits (c)	104,830	54.5%	43	0.16%	106,330	53.7%	54	0.20%
<i>Strict Customer Deposits</i>	98,267	51.1%	38	0.16%	97,241	49.1%	50	0.20%
<i>Repos</i>	1,239	0.6%	0	0.00%	3,724	1.9%	0	0.00%
<i>Single-certificate covered bonds</i>	5,324	2.8%	4	0.32%	5,365	2.7%	4	0.31%
Marketable securities	19,582	10.2%	37	0.75%	21,655	10.9%	38	0.69%
Subordinated liabilities	1,042	0.5%	8	2.91%	1,036	0.5%	8	2.92%
Other interest earning liabilities ⁽²⁾	761	0.4%	2	0.94%	870	0.4%	2	0.87%
Other liabilities with no cost	13,172	6.8%	-	-	15,394	7.8%	-	-
Equity	12,900	6.7%	-	-	12,944	6.5%	-	-
Total equity and liabilities (d)	192,407	100.0%	103	0.21%	197,932	100.0%	117	0.24%
Customer margin (a-c)				1.49%				1.41%
Net interest margin (b-d)			517	1.07%			507	1.02%

(1) Loans and advances to credit institution includes revenues arising from the negative interest rates applicable on "Deposits from central banks and credit institutions" (mainly TLTRO II and repo transactions) following accounting standards. On the liabilities side, it works all the way around with regards to "Deposits from central banks and credit institutions"

(2) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities

Net interest income influenced by portfolio strategy



- Net fee and commission income reached 425 million euros in the first half of the year, 4.7% more than in the same period of 2016.** In commercial banking, fee and commission income from cards and payment services performed particularly strongly, with growth of 6.9% and 67.9%, respectively, reflecting the increase in customer activity and loyalty. This good performance offsets the decrease in income from maintenance and management of demand accounts and notes and bills, which reflects the Group's strategy of waiving fees for customers with direct deposit of income. Income from deal structuring, securities brokerage and foreign exchange services also has contributed to the good

performance of the Group's fee and commission income in the first half of 2017.

In the second quarter of 2017 net fee and commission income increased 5.1% over the previous quarter, reaching 218 million euros. There has been an increase in the Group's fee and commission income from cards (+9.8%) and sales of financial products (+2.1%), closely linked to the increase in customer transactionality. Fee and commission income from the management of portfolios of non-performing and defaulted loans has also performed well during the quarter, with an increase of 3 million euros.

NET FEE AND COMMISSION INCOME

(\$ million)	1H 2017	1H 2016	Change (%)	
			1H 2017/1H 2016	
Contingent risks and commitments	43	44	(1)	(1.6%)
Payments services	142	141	1	0.6%
Bills of exchange	10	19	(9)	(46.1%)
Debit and credit cards	85	79	5	6.9%
Means of payment	23	14	9	67.9%
Sight deposits	24	29	(5)	(17.4%)
Securities brokerage service	30	27	3	12.7%
Marketing of products	143	143	1	0.6%
Management and sale of NPLs and write offs	5	8	(3)	(39.2%)
Claims on Past due	51	51	(0)	(0.6%)
Structuring and design of transactions	26	18	9	48.4%
Forex	15	5	10	218.7%
Other	9	10	(2)	(14.9%)
Fees and commissions received	464	445	18	4.1%
Fees and commissions paid	39	39	(0)	(1.2%)
TOTAL NET FEE AND COMMISSION INCOME	425	406	19	4.7%

(\$ million)	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	Change	
							2Q 2017/1Q 2017	
Contingent risks and commitments	22	21	21	21	23	21	0	1.6%
Payments services	72	69	74	68	71	70	3	4.3%
Bills of exchange	5	6	8	9	9	10	(1)	(15.4%)
Debit and credit cards	44	40	46	40	41	38	4	9.8%
Means of payment	11	11	8	6	7	7	0	1.1%
Sight deposits	12	12	13	13	13	15	(0)	(2.0%)
Securities brokerage service	15	15	14	13	14	13	0	1.3%
Marketing of products	73	71	70	69	71	71	2	2.1%
Management and sale of NPLs and write offs	4	1	4	4	5	2	3	349.5%
Claims on Past due	26	24	26	24	26	25	2	8.6%
Structuring and design of transactions	14	14	4	9	11	7	0	2.6%
Forex	8	7	12	12	2	2	1	7.8%
Other	5	3	7	4	5	6	2	68.2%
Fees and commissions received	238	225	232	224	227	218	13	5.8%
Fees and commissions paid	20	18	19	19	21	18	2	13.1%
TOTAL NET FEE AND COMMISSION INCOME	218	207	213	204	207	200	11	5.1%

- **Net trading income (NTI)** contributed 262 million euros to the Group's half-year income statement, 143 million more than in the first half of 2016. This growth is the result of the revenue obtained from sales of fixed-income securities and the management of these portfolios, which have been higher than in the first half of the previous year.
- **Other operating income and expenses** show a net expense of 65 million euros as of June 2017, which compares with a net expense of 3 million euros in the first half of 2016 due to the positive result obtained by the Group in June 2016 from the sale of Visa Europe (58 million euros).

Most of the net expense recorded under this heading has been generated in the second quarter, as a result of the contribution (64 million euros) to the Single Resolution Fund (SRF), of which 54 million euros have been recorded in this line of the P&L.

- None of the other items of operating income (dividends, share of profit of equity investees and exchange gains) was significant in amount, with a combined total that reached 30 million euros at the end of the first half of 2017. The decline in income from foreign exchange differences with respect to the first half of 2016 (-11 million euros) is due to the accounting reclassification of income from foreign exchange differences recorded by the branches in connection with customer's

transactions, which in 2016 were reclassified as fee and commission income under the regulatory amendment to Banco de España Circular 4/2004.

- The Bankia Group's **gross income totalled 1,648 million euros**, very similar (-2.3%) to the figure for the first half of 2016, thanks to the stabilisation of the more recurring revenue (net interest income and fee and commission income) and the performance of the above mentioned other items.
- In line with the goal of maintaining efficiency management as a key strategic priority, **in the first half of 2017 operating expenses (administrative expenses and depreciation and amortisation expense) have decreased by 2.8%** compared to the first half of 2016, to 764 million euros, with a particularly positive performance in general expenses, which fell 10.4% year-on-year.

In the second quarter, operating expenses decreased by 1.9% compared to the previous quarter, thanks to the rationalisation measures and cost discipline implemented in all areas of the Group. The decrease was especially notable in staff costs, which were reduced by 3.7%.

Despite lower income, the Group reported an efficiency ratio of 46.4% at the end of June 2017, below the 46.6% reported in June 2016, making it one of the best ratios among the main Spanish competitors.

ADMINISTRATIVE EXPENSES

(\$ million)	1H 2017	1H 2016	Change	
			1H 2017/1H 2016	(%)
Staff cost	461	465	(4)	(1.0%)
Wages and salaries	335	361	(26)	(7.1%)
Social security costs	89	86	3	3.3%
Pension plans	24	8	16	202.1%
Others	13	11	2	22.2%
General expenses	220	245	(26)	(10.4%)
From property, fixtures and supplies	50	55	(5)	(9.2%)
IT and communications	79	78	1	1.4%
Advertising and publicity	24	20	4	19.9%
Technical reports	10	12	(2)	(17.2%)
Surveillance and security courier services	7	7	(0)	(1.3%)
Levies and taxes	11	29	(17)	(59.9%)
Insurance and self-insurance premiums	3	2	1	33.0%
Other expenses	36	43	(7)	(15.9%)
TOTAL ADMINISTRATIVE EXPENSES	681	711	(30)	(4.2%)

(\$ million)	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	Change	
							2Q 2017/1Q 2017	2Q 2017/1Q 2017
Staff cost	226	235	218	223	227	239	(9)	(3.7%)
Wages and salaries	164	171	166	174	176	184	(6)	(3.6%)
Social security costs	44	45	41	41	42	44	(0)	(1.0%)
Pension plans	11	13	5	3	4	4	(2)	(16.2%)
Others	7	7	6	5	4	7	(0)	(1.4%)
General expenses	110	110	112	123	122	124	(0)	(0.3%)
From property, fixtures and supplies	24	26	29	25	28	27	(2)	(7.5%)
IT and communications	40	39	39	38	39	39	0	1.2%
Advertising and publicity	14	10	11	12	9	11	4	45.4%
Technical reports	5	5	14	10	6	6	1	13.8%
Surveillance and security courier services	3	4	3	4	4	3	(0)	(6.2%)
Levies and taxes	5	6	(13)	15	14	15	(1)	(16.0%)
Insurance and self-insurance premiums	1	1	1	1	1	1	(0)	(0.6%)
Other expenses	17	19	28	18	22	21	(3)	(13.9%)
TOTAL ADMINISTRATIVE EXPENSES	336	345	330	346	349	362	(9)	(2.6%)

- **Pre-provision profit** at the end of the first half of 2017 stands at 884 million euros, **in line (-1.8%) with the first half of 2016**. The decline compared to the previous quarter is due to lower NTI and the contribution to the Single Resolution Fund (SRF) in the second quarter of the year.
- **The net provisions recorded by the Group** in the first half of 2017 totalled **171 million euros, 15.6% less than in the same period of 2016**. This total includes 174 million euros for impairment of financial assets, an increase of 15.2% year-on-year due to the loan loss provisions recognised in the first quarter of 2017 to cover the risk of certain single name exposures.
- **The cost of risk for the first half of the year improves by 3 basis points, from 0.28% in June 2016 to 0.25%** at the end of the first half of 2017. The reported cost of risk reflects the selective growth strategy and the

progress made by the Group with regards to credit risk policies for granting loans, monitoring and control of risk.

- **Other gains and other losses** shows a negative balance of 10 million euros in the first half of 2017. This figure includes the impairment losses and selling and maintenance costs of foreclosed assets for the half-year, and also a gain of 47 million euros arising from the deferred payment associated with the sale of Globalvía carried out the previous year. In the first half of 2016 this item was negative by a larger amount (49 million euros), as it consisted exclusively of impairment losses on foreclosed assets for the period.
- The performance of the various items that make up the Bankia Group's income statement translates into an **attributable profit of 514 million euros for the first half of 2017, which represents an increase of 6.7% compared to the first half of 2016**.

The Group ends the first half of 2017 with an **ROE of 8.6%**, up 40 basis points from the one reported on the first half of 2016.

(\$ million)	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	Change	
							2Q 2017/1Q 2017	2Q 2017/1Q 2017
Impairment losses on financial assets (net)	(67)	(107)	35	(105)	(64)	(87)	40	(37.4%)
Impairment losses on non-financial assets	(1)	(9)	(3)	3	(6)	(2)	8	(89.2%)
Foreclosed assets	(18)	(39)	(207)	(39)	(12)	(10)	21	(54.0%)
Provisions (net)	(5)	8	(5)	53	(24)	(28)	(13)	(165.2%)
TOTAL RECURRENT PROVISIONS	(91)	(147)	(180)	(87)	(106)	(128)	56	(38.0%)
Mortgage floors contingency provision	-	-	(93)	-	-	-	-	-
TOTAL PROVISIONS INCLUDING IPO CONTINGENCIES	(91)	(147)	(273)	(87)	(106)	(128)	56	(38.0%)

4. BALANCE SHEET PERFORMANCE

(€ million)	Jun-17	Dec-16	Change	
			Amount	%
Cash and balances at central banks	3,434	2,854	580	20.3%
Financial assets held for trading	6,937	8,331	(1,394)	(16.7%)
Trading derivatives	6,867	8,256	(1,388)	(16.8%)
Equity instruments	2	5	(3)	(59.9%)
Debt securities	68	71	(3)	(4.4%)
Available-for-sale financial assets	19,438	25,249	(5,810)	(23.0%)
Debt securities	19,411	25,223	(5,812)	(23.0%)
Equity instruments	28	26	2	6.4%
Loans and receivables	107,147	108,817	(1,670)	(1.5%)
Debt securities	406	563	(157)	(27.8%)
Loans and advances to credit institutions	2,597	3,578	(981)	(27.4%)
Loans and advances to customers	104,144	104,677	(533)	(0.5%)
Held-to-maturity investments	27,895	27,691	204	0.7%
Hedging derivatives	2,925	3,631	(707)	(19.5%)
Equity investments	286	282	4	1.6%
Tangible and intangible assets	1,903	1,878	25	1.3%
Non-current assets held for sale	2,119	2,260	(141)	(6.3%)
Other assets, prepayments and accrued income, and tax assets	8,799	9,174	(375)	(4.1%)
TOTAL ASSETS	180,884	190,167	(9,284)	(4.9%)
Financial liabilities held for trading	7,183	8,983	(1,800)	(20.0%)
Trading derivatives	7,111	8,524	(1,413)	(16.6%)
Short positions	72	459	(387)	(84.3%)
Financial liabilities at amortised cost	157,982	164,636	(6,653)	(4.0%)
Deposits from central banks	12,816	14,969	(2,153)	(14.4%)
Deposits from credit institutions	22,268	23,993	(1,725)	(7.2%)
Customer deposits and funding via clearing houses	103,038	105,155	(2,117)	(2.0%)
Debt securities in issue	18,662	19,846	(1,184)	(6.0%)
Other financial liabilities	1,198	673	525	78.1%
Hedging derivatives	358	724	(366)	(50.6%)
Provisions	1,124	1,405	(281)	(20.0%)
Other liabilities	1,335	1,582	(247)	(15.6%)
TOTAL LIABILITIES	167,982	177,330	(9,348)	(5.3%)
Minority interests	45	45	(0)	(0.5%)
Other accumulated results	376	489	(113)	(23.1%)
Equity	12,481	12,303	178	1.4%
TOTAL EQUITY	12,902	12,837	65	0.5%
TOTAL EQUITY AND LIABILITIES	180,884	190,167	(9,284)	(4.9%)

The commercial positioning – simpler and closer to customers – has increased investment and funding

- The progress made in 2016 in implementing the new commercial model has consolidated in the first half of 2017. New products and services have been developed in the various business areas to improve the satisfaction indexes and loyalty of the customer base, taking advantage of the new technologies and working at different levels of digital transformation. These advances have brought significant growth in the Group's multichannel customers, which at the end of June 2017 represent 39.3% of Bankia's total customers, compared to 37.6% in December 2016.

The greater closeness and accessibility granted to customers through the digital channels translated into growth in business volumes, both in new lending and in new retail customer's funds.

Consumer loans and loans to businesses continued to grow at a steady pace, driven by new formalizations. The stock of consumer loans grows 18.1% year-on-year, while the stock of performing loans to businesses grows by 450 million euros. This type of

lending is concentrated in personal guarantee loans and commercial credit, which are up 63% and 8.8%, respectively, compared to December 2016.

The success of the "No Fees Mortgage" has driven **growth in new mortgage loans granted, which are up 129% year-on-year (+54.9% in the quarter).** However, this positive performance in mortgage lending is insufficient to offset repayments, which results in a 2.3% decrease in mortgage secured loans from December 2016.

The growth in new lending has been achieved while maintaining high asset quality. Non-performing exposures are down 8.3% compared to December 2016, situating the NPL ratio (9.1%) at its lowest level since the first half of 2012.

At the end of the half-year, **gross loans** stands at 109,437 million euros. Excluding non-performing loans and repos, the **performing portfolio has grown 194 million euros since December 2016, confirming the stabilisation trend observed in the last quarters.**

LOANS AND ADVANCES TO CUSTOMERS

(\$ million) ⁽¹⁾	Jun-17	Dec-16	Change	
			Amount	%
Spanish public sector	4,837	5,070	(233)	(4.6%)
Other resident sectors	90,866	90,622	244	0.3%
Secured loans and advances	64,222	65,746	(1,524)	(2.3%)
Personal guarantee loans	17,826	16,768	1,057	6.3%
Business loans and other credit facilities	8,819	8,108	711	8.8%
Non-residents	2,966	3,091	(125)	(4.0%)
Repo transactions	440	517	(78)	(15.0%)
Of which: reverse repurchase agreements with BFA	367	49	318	651.6%
Other financial assets	523	586	(63)	(10.8%)
Of which: collection right against BFA due to the IPO ⁽²⁾	17	76	(59)	(78.1%)
Of which: Collateral provided to BFA ⁽³⁾	0.3	0.4	(0)	(24.6%)
Other valuation adjustments	(26)	(9)	(17.0)	191.9%
Non-performing loans	9,831	10,717	(886)	(8.3%)
Gross loans and advances to customers	109,437	110,595	(1,157)	(1.0%)
Loan loss reserve	(5,293)	(5,918)	625	(10.6%)
NET LOANS AND ADVANCES TO CUSTOMERS	104,144	104,677	(533)	(0.5%)
Gross loans & advances to customers ex. balances with BFA	109,053	110,470	(1,417)	(1.3%)
NET LOANS & ADVANCES TO CUSTOMERS EX. BALANCES WITH BFA	103,760	104,552	(792)	(0.8%)

(1) Credit distribution maintaining the same classification criteria of previous periods

(2) Amounts to be recovered from BFA as a result of the agreement to distribute, between Bankia and BFA, the contingency cost derived from the civil lawsuits brought by retail shareholders in relation to Bankia's IPO in 2011. The total costs that have been assumed by BFA (which correspond to 60% of estimated contingency) are detailed in the amendment to the Transactional Agreement signed between both parties on the 27th February 2015

(3) Collateral provided by Bankia to BFA due to Guarantee transactions

- The Group's loyalty strategy is reflected in the growth of customer funds (strict deposits and off-balance-sheet funds under management), which are up 1.1% on combined basis compared to June 2016, reaching 119,339 million euros at the end of the first half of 2017.**

Within on-balance-sheet funds, **the performance of demand accounts and savings accounts has been very positive, with growth of 29.7% and 12.2%, respectively, since June 2016**. Off-balance-sheet customer funds also performed strongly and, together with demand deposits, continue to absorb a large share of the funds transferred by our customers out of term products. **Particularly notable is the growth in mutual funds (+11.6% year-on-year)**, a product in which the Bankia Group's market share reached 5.67% at the end of June, an increase of 14 basis points in the six-month period.

During the first half of the year, strict deposits fell slightly (-0.7%), strongly influenced by the decline in deposits from the public sector and non-residents, and term deposits, due to the Group's active management of funding costs in a very low interest rate environment. Despite this, the LTD ratio remains at a comfortable 98%.

Outstanding wholesale debt falls by 1,656 million euros in the half-year, reflecting redemptions during the period, mainly of securitisation bonds. With regards to new issuances, it is worth noting the placement of 500 million euros of Tier 2 subordinated debt in March and the issue of 750 million euros of AT1 bonds in July, after the end of the first half of 2017. Both issues will serve to reinforce the Bankia Group's solvency.

CUSTOMER FUNDS

(\$ million)	Jun-17	Dec-16	Change	
			Amount	%
Spanish public sector	4,801	5,029	(228)	(4.5%)
Other resident sectors	96,181	97,598	(1,417)	(1.5%)
Current accounts	22,763	19,863	2,900	14.6%
Savings accounts	32,254	29,936	2,318	7.7%
Term deposits and other	41,164	47,799	(6,635)	(13.9%)
Repo transactions	71	1,209	(1,138)	(94.2%)
Singular mortgage securities	4,758	5,098	(340)	(6.7%)
Rest	36,336	41,492	(5,156)	(12.4%)
Non-residents	2,055	2,528	(473)	(18.7%)
Repo transactions	0	0	(0)	(100.0%)
Funding via clearing houses and customer deposits	103,038	105,155	(2,117)	(2.0%)
Debentures and other marketable securities	17,144	18,801	(1,656)	(8.8%)
Subordinated loans	1,518	1,045	473	45.2%
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	121,700	125,001	(3,301)	(2.6%)
Mutual funds	14,565	13,617	947	7.0%
Pension funds	6,565	6,478	87	1.3%
Off-balance-sheet customer funds ⁽¹⁾	21,130	20,096	1,034	5.1%
TOTAL CUSTOMER FUNDS	142,830	145,097	(2,267)	(1.6%)

(1) Insurances have been excluded from the historical data as these are managed by Bankia Mapfre Vida, not considered to be part of the Group

as Bankia holds an indirect stake of 49%.

(\$ million)	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Change	
						Jun-17/Jun-16	
Spanish public sector	4,801	4,619	5,029	5,849	6,947	(2,146)	(30.9%)
Other resident sectors	91,353	90,928	91,291	89,467	90,204	1,149	1.3%
Current accounts	22,763	21,404	19,863	18,015	17,544	5,219	29.7%
Savings accounts	32,254	30,607	29,936	28,706	28,753	3,501	12.2%
Term deposits	36,336	38,918	41,492	42,747	43,906	(7,571)	(17.2%)
Non-residents	2,055	2,209	2,528	2,693	1,520	536	35.3%
Strict Customer Deposits	98,209	97,757	98,848	98,010	98,670	(460)	(0.5%)
Mutual funds	14,565	14,012	13,617	13,329	13,053	1,512	11.6%
Pension funds	6,565	6,512	6,478	6,392	6,347	218	3.4%
Total customer off-balance funds	21,130	20,524	20,096	19,720	19,400	1,730	8.9%
Total customer funds + off-balance funds	119,339	118,281	118,944	117,730	118,070	1,270	1.1%

(1) Insurances have been excluded from the historical data as these are managed by Bankia Mapfre Vida, not considered to be part of the Group as Bankia holds an indirect stake of 49%.

5. RISK MANAGEMENT

Continuing improvement in the Group's asset quality and risk indicators

In the first half of 2017, the Bankia Group maintained the positive trend in the main risk management indicators.

Non-performing loans show a further decrease and are down 8% (922 million euros) since the end of 2016 (-10.2% year-on-year), reaching a total of 10,554 million euros at the end of June 2017. As a result, the Group's NPL ratio has continued to improve, reaching 9.1% at the end of the first half of the year, down 70 basis points in the half-year and also year-on-year.

In line with its strategy of reducing problematic assets, the Group has reduced the outstanding amount of foreclosed

properties by 17.7% since the end of June 2016 (-13.2% in terms of stock).

As regards divestment, the sales dynamic has continued as in previous quarters, so that total sales of foreclosed properties in the first half of the year reached 233 million euros, 12.8% more than in the same period of 2016. At the end of June 2017, more than 80% of the portfolio of foreclosed assets consists of liquid assets, mainly second-hand housing and finished new build, which facilitates divestment.

NPL RATIO AND COVERAGE RATIO

(\$ million and %)	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Jun-17 / Dec-16	
						Amount	%
Non-performing loans	10,554	10,984	11,476	11,298	11,751	(922)	(8.0%)
Total risk-bearing assets	116,188	116,216	117,205	118,469	120,146	(1,017)	(0.9%)
Total NPL ratio⁽¹⁾	9.1%	9.5%	9.8%	9.5%	9.8%		-0.7 p.p.
Total provisions	5,683	5,893	6,323	6,839	7,141	(639)	(10.1%)
NPL coverage ratio	53.9%	53.7%	55.1%	60.5%	60.8%		-1.2 p.p.

(1) NPL ratio: (non-performing loans and advances to customers and contingent liabilities) / (loans, advances and contingent risks)

The ratio excludes transactions with BFA until March 2017. Since June 2017, they are not excluded because they are not significant amounts.

CHANGE IN NPLs

(\$ million and %)	1H 17	1H 16	Jun-17 / Dec-16					
			2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16
Non-performing loans at the beginning of the period	11,476	12,995	10,984	11,476	11,298	11,751	12,564	12,995
Net outflows	(799)	(1,174)	(338)	(461)	(240)	(384)	(771)	(403)
Write offs	(123)	(70)	(92)	(31)	(75)	(69)	(42)	(28)
"Anejo IX" CBE 4/2016 Impact	-	-	-	-	492	-	-	-
Non-performing loans at the end of the period	10,554	11,751	10,554	10,984	11,476	11,298	11,751	12,564

GROSS EXPOSURE BY SECTOR AND COVERAGE RATIOS

(\$ million and %)	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Jun-17 / Dec-16	
						Amount	%
Gross exposure							
Individuals	68,528	68,365	69,092	70,116	71,795	(565)	(0.8%)
Businesses	34,031	33,844	34,115	34,574	34,446	(83)	(0.2%)
Developers	1,266	1,308	1,386	1,453	1,551	(120)	(8.7%)
Public sector & others	5,613	5,832	5,877	6,137	6,721	(264)	(4.5%)
Gross Credit ⁽¹⁾	109,437	109,348	110,470	112,280	114,513	(1,032)	(0.9%)
Gross credit ex developers ⁽¹⁾	108,172	108,041	109,084	110,827	112,962	(912)	(0.8%)
Impairments							
Individuals	1,429	1,583	1,745	1,749	1,932	(316)	(18.1%)
Businesses	3,225	3,176	3,389	3,835	3,858	(164)	(4.8%)
Developers	639	742	784	836	890	(145)	(18.4%)
Total Impairments	5,293	5,501	5,918	6,420	6,681	(625)	(10.6%)
Coverage ex developers	4,654	4,759	5,134	5,584	5,791	(480)	(9.4%)
Coverage (%)							
Individuals	2.1%	2.3%	2.5%	2.5%	2.7%		-0.4 p.p.
Businesses	9.5%	9.4%	9.9%	11.1%	11.2%		-0.4 p.p.
Developers	50.5%	56.7%	56.6%	57.5%	57.4%		-6.1 p.p.
Total coverage	4.8%	5.0%	5.4%	5.7%	5.8%		-0.6 p.p.
Coverage ex developers	4.3%	4.4%	4.7%	5.0%	5.1%		-0.4 p.p.

(1) Gross Credit excludes transactions with BFA until March 2017. Since June 2017, they are not excluded because they are not significant amounts.

RESTRUCTURED LOANS

(\$ million)	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Jun-17 / Dec-16	
						Amount	%
Gross exposure							
Non-performing loans	6,661	6,965	7,268	7,013	7,246	(1)	(8.4%)
Performing loans	4,105	3,177	3,287	14,940	15,182	1	24.9%
Total refinanced	10,766	10,142	10,555	21,954	22,428		+0.0 p.p.
Impairments							
Non-performing loans	3,094	3,269	3,392	3,702	3,765	(0)	(8.8%)
Performing loans	120	106	113	227	261	0	6.6%
Total Impairments	3,214	3,375	3,504	3,929	4,026		-0.1 p.p.
Coverage (%)							
Non-performing loans	46.5%	46.9%	46.7%	52.8%	52.0%		-0.2 p.p.
Performing loans	2.9%	3.3%	3.4%	1.5%	1.7%		-0.5 p.p.
Total coverage	29.9%	33.3%	33.2%	17.9%	18.0%		-3.3 p.p.

BREAKDOWN OF FORECLOSED ASSETS

(€ million)	Gross value ⁽¹⁾				
	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16
Property assets from financing intended for construction and property development	354	365	373	386	412
Of which: finished buildings	242	256	273	280	299
Of which: buildings under construction	30	30	29	29	29
Of which: Land	82	79	72	76	85
Property acquired related to mortgage loans to homebuyers	2,294	2,425	2,502	2,584	2,696
Other foreclosed assets	611	596	574	573	601
Total	3,259	3,387	3,449	3,543	3,709

(1) Includes every assets acquired by the Group in payment of debt, regardless if they are clasified as non-current assets held for sale, investment properties and inventories

(€ million)	Impairments ⁽¹⁾				
	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16
Property assets from financing intended for construction and property development	114	116	118	106	127
Of which: finished buildings	64	67	73	64	76
Of which: buildings under construction	11	11	9	9	12
Of which: Land	39	38	36	34	39
Property acquired related to mortgage loans to homebuyers	860	920	939	809	812
Other foreclosed assets	139	144	140	144	162
Total	1,113	1,179	1,198	1,059	1,102

(1) Includes every assets acquired by the Group in payment of debt, regardless if they are clasified as non-current assets held for sale, investment properties and inventories

(€ million)	Net value ⁽¹⁾				
	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16
Property assets from financing intended for construction and property development	240	249	255	279	285
Of which: finished buildings	178	189	200	217	223
Of which: buildings under construction	19	20	19	20	17
Of which: Land	43	41	36	43	45
Property acquired related to mortgage loans to homebuyers	1,435	1,506	1,563	1,775	1,884
Other foreclosed assets	472	452	434	430	439
Total	2,146	2,207	2,251	2,484	2,608

(1) Includes every assets acquired by the Group in payment of debt, regardless if they are clasified as non-current assets held for sale, investment properties and inventories

6. FUNDING STRUCTURE AND LIQUIDITY

The Bankia Group continues to have a very comfortable liquidity position and great financial strength supported by the financing of lending out of customer funds, which at the end of June 2017 accounted for 62% of the Group's financial resources, 2 percentage points more than in December 2016.

Thanks to the balanced retail funding structure, the LTD (loan to deposit) ratio stood at 98% at the end of June 2017. Moreover, customer deposits are highly stable resources, as they originate mainly from the retail customer business (80.4% of customer deposits as of June 2017).

Issuance activity continued at a good pace in the first half of the year, with Bankia issuing 500 million euros of 10-year

Tier 2 subordinated bonds in March, which was more than 10 times oversubscribed. Bankia's market access ample capacity has been evidenced by the successful placement of the Group's first issue of AT1 bonds (750 million euros, with a coupon of 6.00%), which was completed after the end of the first half of the year (6 July), beating the price set by its competitors and 3.3 times oversubscribed. It has been the AT1 issuance with the lowest price among all of the public issuances in Southern Europe.

At the close of the first half of 2017, liquid assets totalled 28,608 million euros, providing 1.3 times coverage of the Bankia Group's wholesale debt maturities at the end of June 2017.

LTD RATIO AND COMMERCIAL GAP

(\$ million)	Jun-17	Dec-16	Change	
			Amount	%
Net Loans and advances to customers	104,144	104,677	(533)	(0.5%)
o/w Repo transactions RPS ⁽¹⁾	73	469	(396)	(84.5%)
o/w Repo transactions with BFA ⁽¹⁾	367	49	318	651.6%
o/w collateral delivered to BFA ⁽²⁾	-	76	(76)	(100.0%)
a. Strict Net Loans and advances to customers	103,704	104,083	(379)	(0.4%)
Strict customer deposits and retail commercial paper	98,209	98,848	(639)	(0.6%)
Single-certificate covered bonds	4,758	5,098	(340)	(6.7%)
ICO/EIB deposits	2,890	3,117	(227)	(7.3%)
b. Total Deposits	105,857	107,063	(1,206)	(1.1%)
LTD ratio (a/b)	98.0%	97.2%		+0.8 p.p.

(1) Reverse repurchase agreements

(2) Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€17mn as of Jun-17 and €76mn as of Dec-16) and collateral provided to BFA (€0.3mn as of Jun-17 and €0.4mn as of Dec-16)

(\$ million)	Jun-17	Dec-16	Change	
			Amount	%
Net Loans and advances to customers	104,144	104,677	(533)	(0.5%)
o/w Repo transactions RPS ⁽¹⁾	73	469	(396)	(84.5%)
o/w Repo transactions with BFA ⁽¹⁾	367	49	318	651.6%
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Strict Net Loans and advances to customers	103,704	104,083	(379)	(0.4%)
(-) Strict customer deposits and retail commercial paper	98,209	98,848	(639)	(0.6%)
(-) ICO/EIB deposits	2,890	3,117	(227)	(7.3%)
Strict Commercial GAP	2,604	2,117	487	23.0%

(1) Reverse repurchase agreements

(2) Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€17mn as of Jun-17 and €76mn as of Dec-16) and collateral provided to BFA (€0.3mn as of Jun-17 and €0.4mn as of Dec-16)

MATURITY OF ISSUES

(€ million)	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾	>2019 ⁽¹⁾
Covered bonds	160	2,436	1,742	12,785
Senior debt	444	247	983	106
Subordinated debt	-	-	1,000	500
Securitisation	-	-	-	1,952
Total issuance maturities	604	2,683	3,725	15,343

(1) Maturities of Bankia group in nominal values net of treasury shares and retained issuance

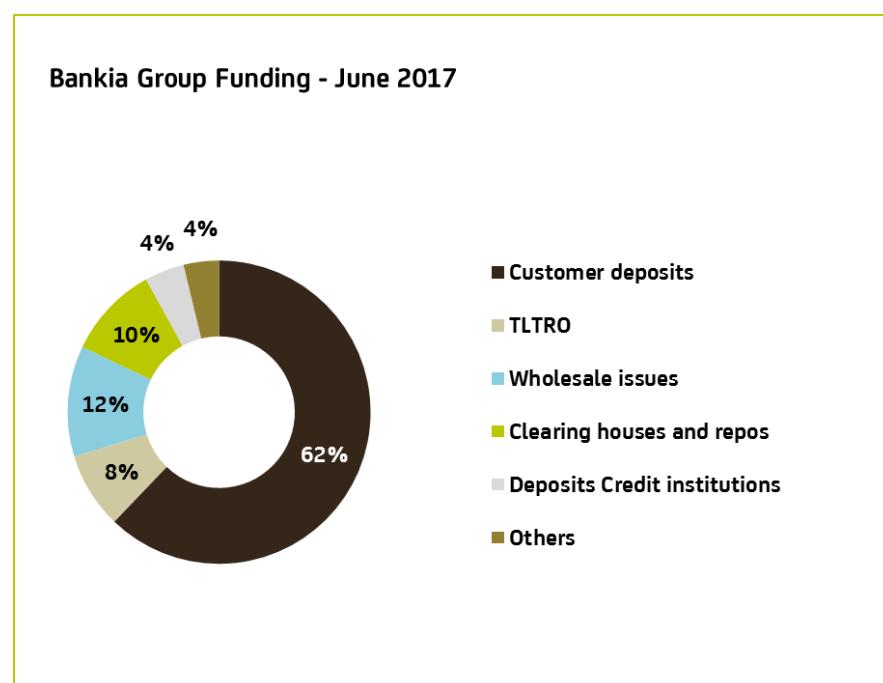
LIQUID ASSETS

(€ million)	Jun-17	Dec-16	Change	
			Amount	%
Treasury account and deposit facility ⁽¹⁾	1,564	950	614	64.6%
Undrawn amount on the facility	13,654	1,881	11,773	625.9%
Highly liquid available assets ⁽²⁾	13,390	27,004	(13,614)	(50.4%)
Total	28,608	29,835	(1,227)	(4.1%)

(1) Cash and Central Banks accounts reduced minimal reserves

(2) Market value haircut by ECB

FUNDING STRUCTURE



7. SOLVENCY

At 30 March 2017 the Bankia Group reached a CET1 Phase-in ratio of 15.36% (not including unrealised gains on the AFS sovereign debt portfolio). This reflects organic CET1 Phase-in capital generation of +66 basis points in the half-year, after absorption of the adverse impact of the change in the deductions schedule for 2017 vs. 2016, estimated at -21 basis points. This CET1 Phase-in ratio implies a surplus of 748 basis points (+5,586 million euros) above the minimum SREP CET1 capital requirements (7.875%) notified to Bankia by the ECB for 2017.

As regards Total Solvency, the issue of 500 million euros of subordinated bonds in March 2017 added +66 basis points to the total capital ratio, meeting the 2% Tier 2 capital requirement. Thus, at 30 June 2017 the Total Capital Phase-in ratio stands at 17.39%, with a surplus of 601 basis points (+4,486 million euros) above the minimum requirements at the SREP total capital level (11.375%). If the unrealised gains on the AFS sovereign debt portfolio were included, the CET1 Phase-in ratio at 30 June 2017 would have been 15.68% and the Total Capital ratio, 17.71%. Additionally, in July 2017 Bankia has issued 750 million euros of perpetual bonds contingently convertible into ordinary shares of

Bankia (AT1), eligible as Additional Tier 1 capital, with an estimated impact on the CET1 and Total Capital ratios of +100 basis points. This impact is not included in the data at June 2016 in the tables shown below. With these issues, the Bankia Group builds its loss-absorbing capital base to meet the future MREL (Minimum Required Eligible Liabilities) requirement provided for in the Bank Resolution and Recovery Directive (BRRD).

On a Fully Loaded basis (not including unrealised gains on the AFS sovereign debt portfolio), the CET1 ratio stands at 13.82% and the Total Capital ratio at 15.85%, representing capital generation of +80 bps and +149 bps, respectively, in the half-year. If the unrealised gains on the AFS sovereign debt portfolio were included, the CET1 Fully Loaded ratio would have been 14.22% and the Total Capital ratio, 16.25%.

The Fully Loaded leverage ratio at 30 June 2017 stands at 5.78% (5.95% if the unrealised gains on the AFS sovereign debt portfolio are included), amply exceeding the capital requirements set as a reference and representing an increase of +45 basis points in the half-year.

SOLVENCY RATIOS AND LEVERAGE

PHASE IN RATIOS

(€ million and %)	Jun -17 ⁽¹⁾⁽²⁾	Dec -16 ⁽¹⁾⁽²⁾
Eligible capital		
Common equity Tier I (CET 1)		
Capital	12,975	12,359
Reserves (as per reserve perimeter)	11,463	11,329
Result attributable net of dividend accrual	2,879	9,214
Deductions	9,149	2,330
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	311	487
Tier I Capital	(819)	(663)
Others	(58)	-38
Tier II Capital	11,463	11,329
Instruments	-	-
Others	1,512	1,030
Risk-weighted assets	1,497	1,000
Common equity Tier I (CET 1) (%)	15.36%	14.70%
Tier I Capital	15	30
Tier II Capital	74,628	77,078
Solvency ratio - Total capital ratio (%)	17.39%	16.03%
Leverage ratio	6.38%	5.97%
Total exposition leverage ratio	179,608	189,610

(1) Does not include unrealised gains on the available for sale sovereign portfolio, although since October it has been included in the regulatory capital according to the (EU) 2016/445/ECB regulation. Had they been included in the Phase in ratio, as of 30 June 2017, CET1 ratio would have been 15.68% and Total Solvency ratio 17.71%.

And as of 31 December 2016 the CET 1 ratio would have been 15.00 %, and Total Solvency ratio 16.33%

(2) Solvency ratios include the result that it is expected to be allocated into reserves

SOLVENCY RATIOS AND LEVERAGE

FULLY LOADED RATIOS

(€ million and %)	Jun -17 ^{(1) (2)}	Dec -16 ^{(1) (2)}
Eligible capital	11,827	11,068
Common equity Tier I (CET 1)	10,315	10,038
Capital	2,879	9,214
Reserves (as per reserve perimeter)	9,149	2,330
Result attributable net of dividend accrual	311	487
Deductions	(1,966)	(1,965)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(58)	-27
Tier I Capital	10,315	10,038
Others	-	-
Tier II Capital	1,512	1,030
Instruments	1,497	1,000
Others	15	30
Risk-weighted assets	74,628	77,078
Common equity Tier I (CET 1) (%)	13.82%	13.02%
Tier I Capital	13.82%	13.02%
Tier II Capital	2.03%	1.34%
Solvency ratio - Total capital ratio (%)	15.85%	14.36%
Leverage ratio	5.78%	5.33%
Total exposition leverage ratio	178,462	188,308

(1) Does not include unrealised gains on the available for sale sovereign portfolio, although since October it has been included in the regulatory capital according to the (EU)

2016/445 ECB regulation. Had they been included in the Fully loaded ratio, as of 30 June 2017, CET1 ratio would have been 14.22% and total solvency ratio 16.25%.

And as of 31 December 2016 the CET 1 ratio would have been 13.52 %, and total solvency ratio 14.85%

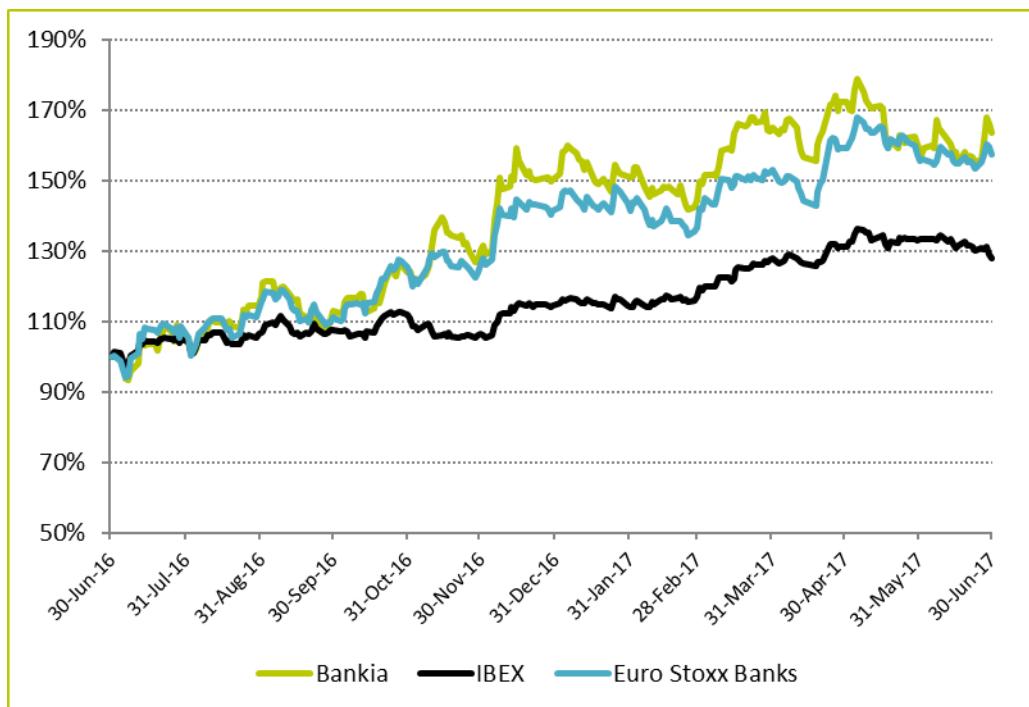
(2) Solvency ratios include the result attributable to the Group that it is expected to be allocated into reserves

(%)	Jun-17	
	Phase In ⁽¹⁾	Fully Loaded
Common equity Tier I - CET1	15.36%	13.82%
Total capital ratio	17.39%	15.85%
CET1 2017 SREP requirement (incl. additional buffers)	7.88%	9.25%
Total solvency 2017 SREP requirement (incl. additional buffers)	11.38%	12.75%
Surplus over CET1 2017 SREP requirement (incl. additional buffers)	7.48%	4.57%
Surplus over Total solvency 2017 SREP requirement (incl. additional buffers)	6.01%	3.10%

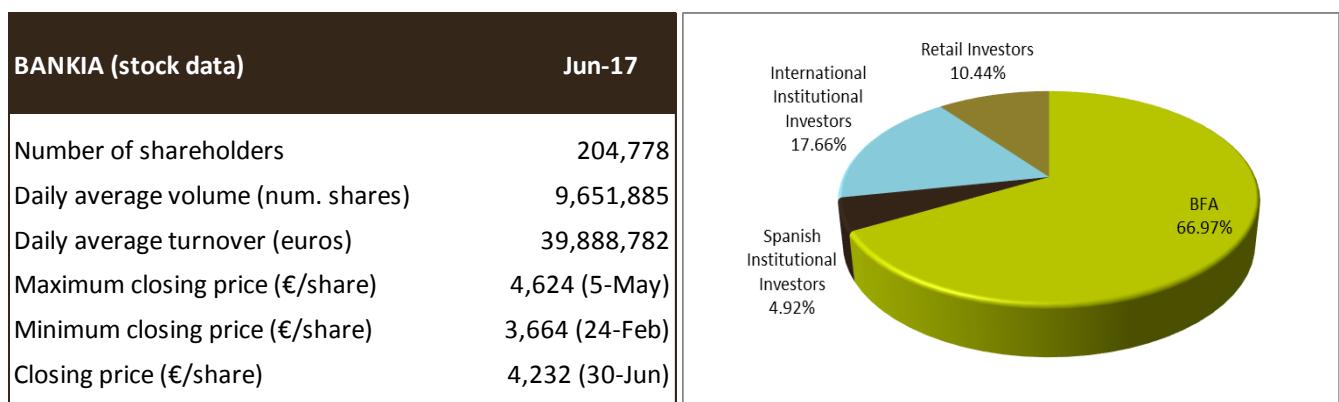
(1) Does not include unrealised gains on the available for sale sovereign portfolio. Had they be included, surplus over 2017 SREP CET1 phase in requirement as of June incl. additional buffers would have been 7.80 p.p. and 6.33 p.p. of Total solvency. On fully loaded, the surplus would have been +4.97 p.p. CET1 and 3.50 p.p. of Total Solvency.

8. SHARE PERFORMANCE

SHARE PRICE



MAJOR SHAREHOLDERS AND STOCK MARKET DATA



After the reduction in the face value of the shares and the reverse split carried out on 1 June 2017, Bankia's share capital consists of 2,879 million shares with a face value of one euro per share, without these transactions entailing any change in the economic value of the shares for Bankia's shareholders.

9. RATING

On 9 February, S&P Global Ratings ("S&P") **upgraded Bankia's long-term rating from BB+ to BBB-, assigning a Positive outlook**, thereby returning to an investment grade rating from S&P. This rating action resulted from an improvement in S&P's assessment of the economic risk and the 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 its annual review of Bankia's ratings, S&P affirmed this rating. According to S&P, Bankia's funding and credit profile had continued 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, indicating that

the transaction would have a limited impact on Bankia's credit profile.

On 15 February, Fitch Ratings ("Fitch") **affirmed Bankia's long-term rating at BBB-, maintaining the Stable outlook**.

And on 5 July, **DBRS**, after completing its annual review of Bankia's credit profile and taking the announcement of the terms of the merger with BMN into account, **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 Stable outlook**.

As regards Bankia's mortgage covered bonds, on 7 April, following the improvement in the outlook on Spain's rating, **S&P affirmed the rating of Bankia's mortgage covered bonds at A+, improving the outlook from Stable to Positive**.

CREDIT AGENCY RATINGS

Issuer Ratings	Standard & Poor's	Fitch Ratings	DBRS
Long-term	BBB-	BBB-	BBB (high)
Short-term	A-3	F3	R-1 (low)
Outlook	Positive	Stable	Stable
Date	28-Jun-17	15-Feb-17	5-Jul-17

Mortgage Covered Bonds Ratings	Standard & Poor's	Fitch Ratings	DBRS	SCOPE
Rating	A+	A	AA (high)	AAA
Outlook	Positive	Stable	---	Stable
Date	7-Abr-17	4-Nov-16	23-Sep-16	8-Jul-16

10. SIGNIFICANT EVENTS DURING THE QUARTER

Merger with Banco Mare Nostrum (BMN)

On 26 June 2017 the Board of Directors of Bankia entered into an integration agreement with Banco Mare Nostrum (hereinafter BMN), under which Bankia will undertake a merger by absorption of BMN.

The merger consolidates Bankia's position as the fourth largest bank by total assets in the Spanish market and comes at a time when there is a positive outlook for financial system, both in terms of expected business growth and as regards the foreseeable trend in interest rates. The merger will also allow the shareholders of both entities to benefit from significant value generation through the expected cost synergies (155 million euros in 2020). Both Bankia and BMN have a business model focused on retail customers, resulting in great potential for synergies through elimination of cost duplication, while keeping the integration risk limited.

The fact that Bankia has a comfortable capital position, well above the regulatory minimums and above its peers, has allowed the bank to finance the merger without the need to raise funds in the markets. Thus Bankia optimises its existing capital surplus, achieving a return above its cost of capital, resulting in value creation for its shareholders.

Bankia expects to achieve a return on invested capital (ROIC) of 12% in 2020 and ROE growth of approximately 120 basis points by that same date. The estimated CET1 Fully Loaded ratio at the end of 2017 is 12%, time by which the merger is expected to have been completed.

The merger will be implemented through the delivery to the current shareholders of BMN of 205.6 million new shares of Bankia, thereby Bankia's total capital will consist of 3,085 million shares. This entails valuing BMN at 825 million euros (0.41 times its tangible book value at year-end 2016).

The planned merger will be submitted to the respective Extraordinary General Meetings of Shareholders of Bankia, S.A. and Banco Mare Nostrum, S.A. (which will both take place on 14 September 2017) for their approval and will remain in any case conditional upon authorisation by the Minister of Economy, Industry and Competitiveness and all other necessary authorisations.

Capital reduction and reverse share split

On 1 June 2017, following the resolution adopted by the General Meeting of Shareholders held on 24 March 2017, Bankia reduced its capital by 6,335 million euros in order to increase voluntary reserves, by reducing the face value of all the shares by 0.55 euros to 0.25 euros per share.

On that same date, a reverse split was implemented in which every four shares with a face value of 0.25 euros per share were converted into one new share with a face value of 1 euro.

As a result of the above, Bankia's share capital stands at 2,879 million euros, represented by 2,879 million shares with a face value of 1 euro per share.

This step was taken in order to adapt Bankia's equity structure and avoid volatility in the shares, and did not entail any alteration of any kind in the economic value of the equity stake of the bank's shareholders.

Issue of perpetual bonds contingently convertible into ordinary shares (AT1)

At its meeting on 29 June 2017, Bankia's Board of Directors resolved to carry out the bank's first issue of perpetual bonds contingently convertible into new ordinary shares of Bankia, with the exclusion of shareholders' preferential subscription rights ("AT1 issue").

After the Board resolution, Bankia completed the 750 million euro issue on 6 July, with a coupon of 6.00%, lower than that of other recent public issues by Spanish banks due to the strong demand for the bonds in the market. The issue was targeted exclusively to non-resident institutional investors and was 3.3 times oversubscribed.

Bankia has filed a request with the Supervisor that this AT1 issue be considered eligible as AT1 capital, which will reinforce the Group's solvency and increase the buffer of loss-absorbing liabilities in order to meet the future MREL requirement.

11. APPENDIX

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(\u20ac million and %)	Jun-17 ⁽¹⁾	Dec-16 ⁽¹⁾	Change	
			Amount	%
ALCO Portfolio	26,239	29,741	(3,502)	(11.8%)
NON ALCO Portfolio	1,511	2,788	(1,277)	(45.8%)
SAREB Bonds	16,431	16,431	-	-
Total Fixed Income Portfolio	44,181	48,960	(4,779)	(9.8%)

(1) Nominal values of the "available for sale" and "held to maturity" portfolios

INFORMATION RELATING TO THE ISSUE OF CONTINGENT CONVERTIBLE BONDS (AT1)

Solvency and leverage (%)	Bankia 30 June 2017
Common equity Tier I (Group) BIS III Phase In (incl. AFS unrealised gains) ⁽¹⁾	15.68%
Common equity Tier I (Group) BIS III Fully Loaded (incl. AFS unrealised gains) ⁽¹⁾	14.22%
Common equity Tier I (Individual) BIS III Phase In (incl. AFS unrealised gains) ⁽¹⁾	15.08%
Common equity Tier I (Individual) BIS III Fully Loaded (incl. AFS unrealised gains) ⁽¹⁾	13.57%
Total capital ratio (Group) BIS III Phase In (incl. AFS unrealised gains) ⁽¹⁾⁽²⁾	17.71%
Total capital ratio (Group) BIS III Fully Loaded (incl. AFS unrealised gains) ⁽¹⁾⁽²⁾	16.25%
Solvency (\u20acmn)	
Available distributable items (Individual)	8,154

(1) Unrealised gains and losses of the Available for Sale portfolio

(2) Does not include the €750mn Contingent convertible bond issuance done in July 2017

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