Earnings Report

January-September 2016

26 October 2016

Bankia

Bankia
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CONTENTS

Basis of presentation and comparability of information

The Bankia Group audits financial information for the periods closing 30 June and 31 December each year. Consequently, the financial information contained in this document at the end of September 2016 has not been audited.

The audit reports included in the consolidated financial statements at 31 December 2015 and the interim financial statements for the first half of 2016 contained the following emphasis of matter paragraph on litigation related to Bankia's Initial Public Offering in July 2011:

"We draw attention to the information provided in Notes 2.18.1 and 22 (1.9.1 and 14) to the accompanying annual consolidated financial statements (to the accompanying semi-annual statements), which describe the uncertainties related to the final outcome of litigation (to the existing related contingencies) regarding the Initial Public Offering of shares carried out in 2011 for the stock market listing of Bankia, S.A. and to the provisions recorded by the Group in connection with the above mentioned litigation (the aforesaid contingencies). This matter does not modify our opinion."

At 30 September 2016, the abovementioned uncertainties remain and the financial data contained in this document should therefore be interpreted in this context and alongside the information contained in the indicated notes to the consolidated financial statements for the year ended 31 December 2015 and the interim financial statements for the first half 2016.

HIGHLIGHTS OF THE PERIOD

The Bankia Group records an accumulated attributable profit of 731 million euros and continues strengthening its solvency ratios, which now stand above 13.2% (CET 1 Fully Loaded)

- Bankia Group’s attributable profit for the first nine months of 2016 stands at 731 million euros, 9.9% below that recorded in the same period in 2015 on a constant perimeter basis (excluding the results from City National Bank of Florida). This result continues reflecting the pressure on the Group's margins from a difficult economic environment with interest rates at historic lows.
- For yet another quarter the cost containment and lower provisioning needs trend has been maintained, which has compensated the impact of the interest rates on the Groups’ margins, allowing attributable profit in 3Q 2016 to increase by 2.2% from the previous quarter to 250 million euros.
- Cost control reduces accumulated operating expenses as of September 2016 by 2.3% versus the same period in 2015.
- The progressive reduction in the cost of risk continues thanks to the improved quality of the portfolios and lower provisions. As of September 2016 the cost of risk for the year in progress stood at 24 bps, with a year-on-year improvement of 26 bps and 19 bps from December 2015.

Advances in the new commercial model

- Consolidation of the multichannel strategy: as of September 2016 multichannel customers account for 36.3% of Bankia’s total customers compared with 30.6% at September 2015.
- New credit cards sold total 246,349, three times more than in the first nine months of 2015, and sales volumes via POS terminals grows 19.9% in the same period.
- Lending to target segments continues to rise: new loans increase the outstanding balance of consumer finance and lending to businesses by 1.9% from September 2015.
- New customer funds grow 4.1% year-on-year, with significant gains in mutual funds (+9%), demand accounts (+16.5%) and savings accounts (+12.5%), which are drawing the funds that are shifting out of term deposits.

Asset quality continues improving, with declines in NPLs and foreclosed assets

- The Group's non-performing loans decline 13.1% from December 2015 and by 3.9% in the quarter, maintaining the coverage ratio high at 60.5% at the end of September 2016 (+50 bps over December 2015).
- The NPL ratio drops to 9.5%, an improvement of 130 bps since December 2015 and 30 bps compared with 2Q 2016.
- Foreclosed assets decrease 11.3% year-on-year and 7.6% since December 2015. In the first nine months of 2016 the Group sold 6,185 assets (+6% over the same period in 2015).

Strong capital ratios and balanced funding structure according to the business model

- Bankia remains one of the most solvent banking groups in the Spanish financial system. At the end of September 2016 the CET 1 phase-in ratio stands at 14.81% (+161 bps year-on-year and +28 bps in the quarter) and the CET 1 fully loaded ratio (excluding gains from the available-for-sale sovereign portfolio) stands at 13.24% (+151 bps from September 2015 and +35 bps in the quarter), having generated 693 million euros of capital in 2016.
- The Group has a balanced retail funding structure, with a loan-to-deposit ratio (LTD) of 99.2% at the end of September 2016.

1. RELEVANT DATA

	Sep-16	Dec-15	Change
Balance sheet (€ million)			
Total assets	195,804	206,970	(5.4%)
Loans and advances to customers (net)[1]	106,028	110,570	(4.1%)
Loans and advances to customers (gross)[1]	112,448	117,977	(4.7%)
On-balance-sheet customer funds	130,148	132,629	(1.9%)
Customer deposits and clearing houses	107,947	108,702	(0.7%)
Borrowings, marketable securities	21,161	22,881	(7.5%)
Subordinated liabilities	1,040	1,046	(0.5%)
Total managed customer funds	149,869	151,645	(1.17%)
Equity	12,349	11,934	3.5%
Common Equity Tier I - BIS III Phase In	11,442	11,289	1.4%
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	14.81%	13.89%	+0.93 p.p.
Total capital ratio - BIS III Phase In	16.18%	15.16%	+1.02 p.p.
Ratio CET1 BIS III Fully Loaded	13.24%	12.26%	+0.98 p.p.
Risk management (€ million and %)			
Total risk[2]	118,469	120,924	(2.0%)
Non performing loans	11,298	12,995	(13.1%)
NPL provisions	6,839	7,794	(12.2%)
NPL ratio[2]	9.5%	10.8%	-1.2 p.p.
NPL coverage ratio	60.5%	60.0%	+0.6 p.p.

	Sep-16	Sep-15	Change
Results (€ million)			
Net interest income	1,631	2,075	(21.4%)
Gross income	2,460	3,030	(18.8%)
Operating income before provisions	1,288	1,773	(27.4%)
Profit/(loss) attributable to the Group	731	855	(14.5%)
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	47.7%	41.5%	+6.2 p.p.
R.O.A. (Profit after tax / Average total assets) [3]	0.5%	0.5%	-
RORWA (Profit after tax / RWA) [4]	1.3%	1.3%	-
R.O.E. (Profit attributable to the group / Equity) [5]	8.2%	9.9%	-1.7 p.p.
ROTE (Annualized attributable profit / average tangible equity) [6]	8.4%	10.2%	-1.8 p.p.

	30-Sep-2016	31-Dec-2015	Change
Bankia share			
Number of shareholders	316,103	435,755	(27.5%)
Number of shares in issue (million)	11,517	11,517	-
Closing price (end of period, €)[7]	0.730	1.074	(32.0%)
Market capitalisation (€ million)	8,408	12,370	(32.0%)
Earnings per share [8]	0.08	0.09	(6.0%)
Tangible book value per share (€) [9]	1.12	1.08	3.1%
PER (Last price [7] / Earnings per share)	8.61	11.89	(27.7%)
PTBV (Last price [7] / Tangible book value per share)	0.65	0.99	(34.1%)
Additional information			
Number of branches	1,855	1,932	(4.0%)
Number of employees	13,478	13,569	(0.7%)

(1) Includes transactions with BFA (Sep-16 €168mn; Dec-15 €2,005mn)
(2) NPL ratio excludes transactions with BFA (Sep-16 €168mn; Dec-15 €2,005mn)
(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) Using the last price on 30th September and 31st December
(8) Annualized attributable profit divided by the number of shares in issue
(9) Total Equity less intangible assets divided by the number of shares in issue

2. ECONOMIC AND FINANCIAL ENVIRONMENT

Confidence in the global scenario strengthened after the doubts stirred by the USA in the first half of the year and the negative impact of Brexit. Global growth moved ahead close to its underlying potential, driven by the gradual recovery in the USA and emerging economies. Furthermore, the financial shock brought on by Brexit has practically disappeared (the sinking pound being the main exception), suggesting that its negative short-term effects on growth could be lower than initially estimated. In the specific case of the euro area, the resilience found in the surveys indicates that GDP growth will probably come in at 0.3%-0.4% in 3Q16, similar to 2Q16. Inflation remains very low (1.1% in the USA and 0.4% in the euro area), but the sharp accumulated increase due to oil prices since January reinforces the expectations that it will rise in the coming months, and converge toward its underlying measures (slightly above 2.0% in the USA and 1.0% in the euro area).

In this context, the US Federal Reserve has given signals that it will raise its benchmark rate before the end of 2016, bringing it to the range of 0.50%-0.75%. The ECB, meanwhile, has made no changes in its strategy, but is expected to soon introduce technical changes in asset purchase programme to head off a potential problem of a paucity of eligible securities. But the most notable development on this front is the fear of a possible drop in the ECB's asset purchases. Although this will not occur in the very near term, the perception in financial markets is that this concern has come to stay, which, taken together with the high valuations and upward revision of inflation projections, places government debt securities in a somewhat vulnerable situation. In fact, an incipient recovery in internal rates of return was seen at the end of September and is continuing into the early part of the fourth quarter.

In Spain, thanks to favourable financing conditions, a lower energy bill and gains in competitiveness, the economy stood sound in 3Q16, although slightly more moderate than in the previous quarters. In this respect, the pace of job creation, as measured by seasonally adjusted social security affiliation figures, slowed slightly (+0.7% quarterly vs +0.9% in 2T16), with the Banco of Spain estimating that GDP grew 0.7% (+0.8% previously). Expansion continues to be driven by the strength of household and business spending.

Economic growth and favourable financing conditions continue to be reflected in the performance of the banking sector, which has repeated the trends observed in previous quarters: increase in new lending to households and SMEs, decline in the volume of non-performing loans and in the NPL ratio, and stability in deposits. Deleveraging will continue longer than projected due to the still high level of debt held by families (housing) and businesses (public and real estate sector). In July the European Banking Authority released the results of its latest round of stress tests of European Banks. Spanish banks displayed a satisfactory degree of resilience, comfortably meeting the requirements used as benchmarks in previous testing, thus confirming the sector's adequate solvency levels. In a complex environment with interest rates near historic lows, strong competitive pressure and demanding regulatory pressure, the search for profitability continues to stand as the main challenge for Spanish banks and for the European banking system in general. Cost control and lower provisioning are, for the time being, the main levers for maintaining a sustainable profitability.

3. SUMMARY OF RESULTS

Attributable profit for the first nine months of 2016 reaches 731 million euros, showing a 2.2% increase in 3Q, with good performance in costs and provisioning

Methodological note: *The year-on-year variation in the results of the Bankia Group is affected by the October 2015 sale of City National Bank of Florida (CNBF), whose results are not included in the Group financial statements for 2016. As in previous quarters, in order to facilitate comparisons, this report presents an income statement prepared on a constant perimeter basis, that is, excluding CNBF in 2015.*

In an economic scenario with interest rates remaining at historical lows, in the first nine months of 2016 the Bankia Group obtains an attributable profit of 731 million euros, 9.9% lower than in the same period of 2015 measured on a like-for-like basis.

Considering 3Q only, the Group's attributable profit is 250 million euros, 2.2% higher than 2Q 2016. For yet another quarter, controlled expenses and lower provisioning requirements have been the key management levers for counteracting the impact of the interest rate environment, contributing to the Group's recorded earnings and reflecting **new improvements in the cost of risk and in high efficiency levels.**

INCOME STATEMENT EXCLUDING CITY NATIONAL BANK OF FLORIDA

(€ million)	9M 2016	9M 2015	Change Amount	Change %
Net interest income	**1,631**	**1,964**	**(333)**	**(16.9%)**
Dividends	4	4	0	11.5%
Share of profit/(loss) of companies accounted for using the equity m	29	24	5	21.3%
Total net fees and commissions	611	701	(90)	(12.9%)
Gains/(losses) on financial assets and liabilities	184	223	(39)	(17.5%)
Exchange differences	14	21	(7)	(34.7%)
Other operating income/(expense)	(12)	(26)	14	(53.0%)
Gross income	**2,460**	**2,910**	**(450)**	**(15.5%)**
Administrative expenses	(1,057)	(1,092)	36	(3.3%)
Staff costs	(688)	(697)	8	(1.2%)
General expenses	(368)	(396)	27	(6.9%)
Depreciation and amortisation	(116)	(107)	(8)	7.7%
Operating income before provisions	**1,288**	**1,710**	**(422)**	**(24.7%)**
Provisions	(255)	(472)	217	(45.9%)
Provisions (net)	1	40	(39)	(97.1%)
Impairment losses on financial assets (net)	(256)	(512)	256	(49.9%)
Operating profit/(loss)	**1,032**	**1,238**	**(206)**	**(16.6%)**
Impairment losses on non-financial assets	(5)	(14)	9	(64.0%)
Other gains and other losses	(87)	(131)	44	(33.9%)
Profit/(loss) before tax	**941**	**1,093**	**(152)**	**(13.9%)**
Corporate income tax	(209)	(261)	53	(20.1%)
Profit/(loss) after tax	**732**	**832**	**(100)**	**(12.0%)**
Profit/(Loss) attributable to minority interests	1	20	(19)	(96.8%)
Profit/(loss) attributable to the Group	**731**	**812**	**(80)**	**(9.9%)**
Cost to Income ratio (1)	**47.7%**	**41.2%**	**+6.5 p.p.**	**15.8%**
Recurring Cost to Income ratio (2)	**51.8%**	**45.0%**	**+6.8 p.p.**	**15.1%**

(1) Operating expenses / Gross income

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

CONSOLIDATED QUARTERLY RESULTS EXCLUDING CITY NATIONAL BANK OF FLORIDA

(€ million)	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Net interest income	**507**	**546**	**577**	**658**	**648**	**657**	**659**
Dividends	0	3	0	0	0	3	1
Share of profit/(loss) of companies accounted for using the equity r	8	13	8	8	7	12	6
Total net fees and commissions	204	207	200	228	225	245	230
Gains/(losses) on financial assets and liabilities	65	58	61	56	73	77	72
Exchange differences	(2)	8	7	9	10	13	(1)
Other operating income/(expense)	(10)	(2)	(1)	(192)	(4)	(10)	(12)
Gross income	**774**	**833**	**853**	**767**	**959**	**997**	**954**
Administrative expenses	(346)	(349)	(362)	(359)	(357)	(365)	(371)
Staff costs	(223)	(227)	(239)	(233)	(228)	(231)	(237)
General expenses	(123)	(122)	(124)	(126)	(128)	(134)	(134)
Depreciation and amortisation	(40)	(38)	(37)	(39)	(38)	(36)	(33)
Operating income before provisions	**388**	**446**	**454**	**369**	**564**	**596**	**550**
Provisions	(52)	(87)	(116)	(76)	(149)	(148)	(175)
Provisions (net)	53	(24)	(28)	(8)	5	12	23
Impairment losses on financial assets (net)	(105)	(64)	(87)	(67)	(155)	(160)	(198)
Operating profit/(loss)	**336**	**359**	**338**	**294**	**415**	**448**	**375**
Impairment losses on non-financial assets	3	(6)	(2)	42	(4)	(9)	(2)
Other gains and other losses	(38)	(28)	(21)	(60)	(29)	(45)	(57)
Profit/(loss) before tax	**302**	**324**	**315**	**276**	**382**	**394**	**317**
Corporate income tax	(51)	(79)	(78)	(25)	(83)	(98)	(80)
Profit/(loss) after tax	**251**	**245**	**237**	**251**	**299**	**296**	**237**
Profit/(Loss) attributable to minority interests	1	0	0	1	14	1	5
Profit/(loss) attributable to the Group	**250**	**245**	**237**	**250**	**285**	**296**	**232**
Effect of IPO provision (net)	-	-	-	(184)	-	-	-
Reported profit attributable to the Group	**250**	**245**	**237**	**66**	**285**	**296**	**232**
Cost to Income ratio (1)	**49.9%**	**46.5%**	**46.8%**	**51.9%**	**41.2%**	**40.2%**	**42.4%**
Recurring Cost to Income ratio (2)	**54.3%**	**50.5%**	**50.9%**	**56.7%**	**45.1%**	**44.2%**	**45.7%**

(1) Operating expenses / Gross income

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

- **Net interest income** for the first nine months of 2016 stands at 1,631 million euros, which, on a constant perimeter basis represents a decline of 16.9% compared to the same period of 2015.

  The continuing fall in the Euribor, which turned negative from March 2016, is one of the biggest drivers of the year-on-year change, diminishing the Group's net interest income by 161 million euros due to its impact on the loan portfolio margin, especially in mortgage loans.

  Prominent amongst the factors affecting the year-on-year change in NII has been the lower return on fixed income portfolios, particularly the repricing of the SAREB bonds in December 2015, which diminishes the Group's net interest income by 119 million euros in the first nine months of 2016.

The Group is partly counteracting this decline in revenue through its management of pricing of liabilities, primarily retail term-savings products, by reducing its cost from 0.96% in 3Q 2015 to 0.43% in 3Q 2016 (-53 bps).

In 3Q 2016 the Group's net interest income declines 7.1% compared to 2Q 2016. This performance has been driven by the impact of the mortgages that were repriced in the previous quarter, a lower than expected volume of new loans in profitable segments such as consumer finance and SMEs and the seasonal downturn in finance income from doubtful loans. These factors have not been offset by the drop in the prices of retail term deposits recorded in 3Q 2016 (-7 bps) and the lower cost of interbank funding and the TLTRO II with ECB, bringing the gross customer margin in 3Q 2016 to 1.41%, 6 bps below the figure for 3Q 2015.

REVENUES AND EXPENSES

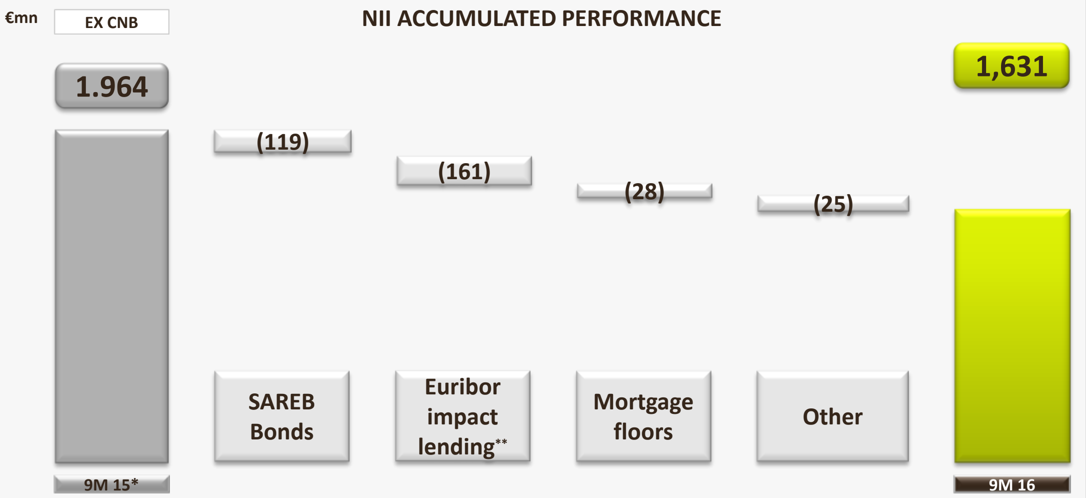
	3 Q 2016				3 Q 2015			
(€ million & %)	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions	7,057	3.6%	20	1.10%	5,917	2.8%	3	0.22%
Net Loans and advances to customers (a)	106,086	53.6%	429	1.61%	109,729	51.3%	563	2.03%
Debt securities	55,434	28.0%	174	1.25%	60,702	28.4%	297	1.94%
Other interest earning assets (1)	348	0.2%	2	2.05%	365	0.2%	2	2.58%
Other non-interest earning assets	29,008	14.7%	-	-	37,065	17.3%	-	-
Total Assets (b)	**197,932**	**100.0%**	**624**	**1.26%**	**213,778**	**100.0%**	**865**	**1.61%**
Deposits from central banks and credit institutions	39,704	20.1%	16	0.16%	49,572	23.2%	29	0.23%
Customer deposits (c)	106,330	53.7%	54	0.20%	103,916	48.6%	148	0.56%
Strict Customer Deposits	*97,241*	49.1%	*50*	*0.20%*	*93,451*	43.7%	*128*	*0.54%*
Repos	*3,724*	1.9%	*0.01*	*0.002%*	*3,269*	1.5%	*0.05*	*0.01%*
Single-certificate covered bonds	*5,365*	2.7%	*4*	*0.31%*	*7,196*	3.4%	*20*	*1.09%*
Marketable securities	21,655	10.9%	38	0.69%	23,724	11.1%	28	0.47%
Subordinated liabilities	1,036	0.5%	8	2.92%	1,026	0.5%	9	3.30%
Other interest earning liabilities (1)	870	0.4%	2	0.87%	1,132	0.5%	4	1.32%
Other liabilities with no cost	15,394	7.8%	-	-	21,728	10.2%	-	-
Equity	12,944	6.5%	-	-	12,680	5.9%	-	-
Total equity and liabilities (d)	**197,932**	**100.0%**	**117**	**0.24%**	**213,778**	**100.0%**	**217**	**0.40%**
Customer margin (a-c)				**1.41%**				**1.47%**
Net interest margin (b-d)			**507**	**1.02%**			**648**	**1.20%**
City National Bank Contribution	**-**		**-**		***5,551***		***40***	
Consolidated Net interest margin	**197,932**		**507**	**1.02%**	**219,330**		**688**	**1.24%**

REVENUES AND EXPENSES

(€ million & %)	3 Q 2016 Average Amount	3 Q 2016 Weight (%)	3 Q 2016 Revenues /Expenses	3 Q 2016 Yield	2 Q 2016 Average Amount	2 Q 2016 Weight (%)	2 Q 2016 Revenues /Expenses	2 Q 2016 Yield
Loans and advances to credit institutions	7,057	3.6%	20	1.10%	6,904	3.4%	7	0.39%
Net Loans and advances to customers (a)	106,086	53.6%	429	1.61%	107,288	52.9%	482	1.81%
Debt securities	55,434	28.0%	174	1.25%	55,375	27.3%	188	1.36%
Other interest earning assets [(1)]	348	0.2%	2	2.05%	352	0.2%	2	2.17%
Other non-interest earning assets	29,008	14.7%	-	-	32,719	16.1%	-	-
Total Assets (b)	**197,932**	**100.0%**	**624**	**1.26%**	**202,639**	**100.0%**	**678**	**1.35%**
Deposits from central banks and credit institutions	39,704	20.1%	16	0.16%	40,198	19.8%	21	0.21%
Customer deposits (c)	106,330	53.7%	54	0.20%	105,835	52.2%	67	0.26%
Strict Customer Deposits	*97,241*	49.1%	*50*	*0.20%*	*94,575*	46.7%	*59*	*0.25%*
Repos	*3,724*	1.9%	*0.01*	*0.002%*	*5,507*	2.7%	*0.02*	*0.001%*
Single-certificate covered bonds	*5,365*	2.7%	*4*	*0.31%*	*5,753*	2.8%	*8*	*0.53%*
Marketable securities	21,655	10.9%	38	0.69%	24,078	11.9%	34	0.57%
Subordinated liabilities	1,036	0.5%	8	2.92%	1,046	0.5%	8	3.01%
Other interest earning liabilities [(1)]	870	0.4%	2	0.87%	985	0.5%	2	0.72%
Other liabilities with no cost	15,394	7.8%	-	-	17,899	8.8%	-	-
Equity	12,944	6.5%	-	-	12,598	6.2%	-	-
Total equity and liabilities (d)	**197,932**	**100.0%**	**117**	**0.24%**	**202,639**	**100.0%**	**132**	**0.26%**
Customer margin (a-c)				**1.41%**				**1.55%**
Net interest margin (b-d)			**507**	**1.02%**			**546**	**1.08%**

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

Net interest income declines due to Euribor and bonds effect



* Note: The 2015 results exclude the contribution from City National Bank to facilitate comparison with 9M16.
** Includes estimated impact of interest rate curve on mortgage, business and public sector lending.

- **Net fee and commission income** for the nine months up to September 2016 totals 611 million euros. As noted in previous quarters, this figure is marked by various singular factors, noteworthy amongst them the implementation in 2016 of the new strategy of removing all fees and commissions from customers who have direct deposit arrangements for their income, the lower volume of fees obtained from the sale and management of non-performing and defaulted loans (-33 million euros) and the decline in charges for claiming past due debts (-11 million euros).

The comparison with 2Q 2016 shows fees and commissions remaining stable, from both the more recurring banking activity and from fees and commissions from loan portfolio management, with an increase of 8 million euros being recorded in the quarter in other fees and commissions due to the accounting reclassification from "exchange differences" of the revenue obtained from exchange of foreign currencies and bills in transactions with customers (as mandated by Bank of Spain Circular 4/2016).

NET FEE AND COMMISSION INCOME

(€ million)	9M 2016	9M 2015	Change 9M 2016/9M 2015	
Contingent risks and commitments	65	70	(6)	(8.1%)
Payments services	209	257	(49)	(19.0%)
Securities brokerage service	39	40	(1)	(2.8%)
Marketing of products	211	216	(5)	(2.3%)
Management and sale of NPLs and write offs	12	44	(33)	(73.6%)
Claims on Past due	75	86	(11)	(12.8%)
Other	59	56	3	5.2%
Fees and commissions received	**669**	**770**	**(101)**	**(13.1%)**
Fees and commissions paid	**58**	**62**	**(3)**	**(5.5%)**
TOTAL NET FEE AND COMMISSION INCOME	**611**	**708**	**(98)**	**(13.8%)**
of which: City National Bank of Florida	**-**	**8**	**(8)**	**(100.0%)**

(€ million)	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 3Q 2016/2Q 2016	
Contingent risks and commitments	21	23	21	23	23	23	24	(2)	(6.7%)
Payments services	68	71	70	88	83	89	85	(3)	(3.9%)
Securities brokerage service	13	14	13	14	13	14	14	(1)	(8.3%)
Marketing of products	69	71	71	69	72	78	66	(2)	(3.5%)
Management and sale of NPLs and write offs	4	5	2	10	13	14	17	(1)	(24.4%)
Claims on Past due	24	26	25	27	25	32	29	(2)	(7.2%)
Other	26	18	15	21	19	20	17	8	42.1%
Fees and commissions received	**224**	**227**	**218**	**250**	**248**	**271**	**251**	**(3)**	**(1.5%)**
Fees and commissions paid	**19**	**21**	**18**	**21**	**21**	**22**	**19**	**(1)**	**(6.4%)**
TOTAL NET FEE AND COMMISSION INCOME	**204**	**207**	**200**	**229**	**228**	**248**	**233**	**(2)**	**(1.0%)**
of which: City National Bank of Florida	**-**	**-**	**-**	**1**	**2**	**3**	**3**	**-**	**-**

- **Net trading income (NTI) performs well in 3Q 2016 (+12.3% with respect to 2Q 2016)**, and totals 65 million euros for the quarter, mainly from unrealised capital gains on bonds classified as available-for-sale financial assets. On an accumulated basis, as of September 2016 the Group has generated net trading income of 184 million euros, 17.5% less than in the same period in 2015, as a result of the markets situation and lower sales of ALCO portfolios than in the previous year.

- **Exchange differences** through September 2016 (14 million euros) decline 34.7% as a result of the 3Q 2016 reclassification of revenues obtained by retail branches from the exchange differences associated with customer transactions, which are now classified as fee and commission income in accordance with Bank of Spain Circular 4/2016.

- **Other operating income and expenses perform well,** showing a negative balance of 12 million euros for the first nine months of 2016, a decline of 53% with respect to the same period last year as a result of lower expenses from foreclosed assets management in 1Q and 2Q, the decrease in losses due to fraud and other irregularities. **This heading includes the annual contribution to the Single Resolution Fund (SRF) made in April 2016 for 61 million euros** (in 2015 such contribution accrued in December) and the profit distributed to Bankia in June (58 million euros) from the sale of VISA Europe by its investee Servired.

- All the above items result in an accumulated **gross income** of 2,460 million euros up to September 2016, 15.5% less than in the same period of 2015 on a constant perimeter basis. In the quarterly comparison, gross income for 3Q 2016 was down 7% with respect to 2Q 2016.

- **Operating expenses (administrative expenses and depreciation and amortisation charges) perform well, continuing with the downward trend as in previous quarters, dropping 2.3% year-on-year, after adjusting for the sale of CNBF, and 0.2% compared to 2Q 2016**. Of particular note is the decline in staff costs and other general expenses, which jointly declined 3.3% for the first nine months and by 0.9% for the quarter, as a result of the Group's continued cost containment and rationalisation initiatives after the conclusion of the restructuring process.

All this contributed to allowing the Bankia Group to present an efficiency ratio of 47.7% for the first nine months of 2016 and of 49.9% for the third quarter of the year.

ADMINISTRATIVE EXPENSES

(€ million)	9M 2016	9M 2015	Change 9M 2016/9M 2015	
Staff cost	**688**	**736**	**(48)**	**(6.5%)**
Wages and salaries	535	553	(18)	(3.3%)
Social security costs	127	132	(5)	(3.8%)
Pension plans	10	32	(21)	(67.1%)
Others	16	19	(3)	(16.7%)
General expenses	**368**	**414**	**(45)**	**(11.0%)**
From property, fixtures and supplies	80	92	(12)	(12.7%)
IT and communications	116	124	(8)	(6.2%)
Advertising and publicity	31	40	(8)	(20.3%)
Technical reports	22	34	(12)	(34.1%)
Surveillance and security courier services	11	11	-	-
Levies and taxes	44	42	2	4.7%
Insurance and self-insurance premiums	3	4	(1)	(26.1%)
Other expenses	61	68	(7)	(10.6%)
TOTAL ADMINISTRATIVE EXPENSES	**1,057**	**1,150**	**(93)**	**(8.1%)**
of which: City National Bank of Florida	**-**	**57**	**(57)**	**(100.0%)**

(€ million)	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 3Q 2016/2Q 2016	
Staff cost	**223**	**227**	**239**	**234**	**242**	**244**	**250**	**(4)**	**(1.6%)**
Wages and salaries	174	176	184	171	182	185	185	(2)	(1.2%)
Social security costs	41	42	44	43	42	44	46	(1)	(3.1%)
Pension plans	3	4	4	10	10	12	10	(1)	(33.5%)
Others	5	4	7	11	7	3	10	1	27.7%
General expenses	**123**	**122**	**124**	**127**	**134**	**140**	**140**	**1**	**1.0%**
From property, fixtures and supplies	25	28	27	31	31	29	31	(3)	(9.8%)
IT and communications	38	39	39	38	39	43	42	(1)	(3.2%)
Advertising and publicity	12	9	11	11	12	13	15	3	34.4%
Technical reports	10	6	6	7	15	8	11	4	67.5%
Surveillance and security courier services	4	4	3	4	4	4	4	-	-
Levies and taxes	15	14	15	17	14	14	14	1	7.1%
Insurance and self-insurance premiums	1	1	1	1	1	1	1	-	-
Other expenses	18	22	21	18	19	27	22	(4)	(16.7%)
TOTAL ADMINISTRATIVE EXPENSES	**346**	**349**	**362**	**361**	**376**	**384**	**390**	**(3)**	**(0.9%)**
of which: City National Bank of Florida	**-**	**-**	**-**	**3**	**19**	**19**	**19**	**-**	**-**

- The Bankia Group's **operating income before provisions** stands at 1,288 million euros for the first nine months of 2016. In the quarterly comparison, operating income amounts to 388 million euros, recording a 13% decline from 2Q 2016.

- **The cost of risk continues to improve quarter by quarter, going from 0.44% in 3Q 2015 to 0.16% in 3Q 2016,** with a quarterly decline of 8 bps. On a YTD basis, the cost of risk stands at 0.24% at the end of September 2016, having improved 26 bps in the last twelve months. This positive trend is the result of a lower volume of provisions, reflecting the Group's selective approach toward new lending and the efforts made in recovery activity in recent quarters.

Thus, **the provisions for impairment of financial assets total 256 million euros in the first nine months of 2016, some 50% less than the amount allocated in the same period of 2015.**

The rest of net provisions, consisting mainly of provisions for off-balance-sheet exposures, taxes and other contingent liabilities, contributed an accumulated positive balance of 1 million euros through September 2016, compared with the positive 40 million euros of the previous year.

PROVISIONS

(€ million)	9M 2016	9M 2015	Change 9M 2016/9M 2015	
Impairment losses on financial assets (net)	(256)	(513)	256	(50.0%)
Impairment losses on non-financial assets	(5)	(14)	9	(64.0%)
Foreclosed assets	(61)	(126)	65	(51.4%)
Provisions (net)	1	40	(39)	(97.1%)
TOTAL RECURRENT PROVISIONS	**(321)**	**(612)**	**291**	**(47.5%)**

(€ million)	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 3Q 2016/2Q 2016	
Impairment losses on financial assets (net)	(105)	(64)	(87)	(70)	(156)	(159)	(198)	(41)	65.1%
Impairment losses on non-financial assets	3	(6)	(2)	42	(4)	(9)	(2)	9	-
Foreclosed assets	(39)	(13)	(10)	(76)	(28)	(55)	(43)	(26)	196.1%
Provisions (net)	53	(24)	(28)	(8)	5	12	23	77	-
TOTAL RECURRENT PROVISIONS	**(87)**	**(106)**	**(128)**	**(112)**	**(182)**	**(211)**	**(219)**	**19**	**(17.9%)**
IPO contingency provision[1]	-	-	-	(184)	-	-	-	-	-
TOTAL PROVISIONS INCLUDING IPO CONTING	**(87)**	**(106)**	**(128)**	**(296)**	**(182)**	**(211)**	**(219)**	**19**	**(17.9%)**

(1) Provision against the P/L account. In addition, there is a charge in 4Q15 against reserves of €240mn

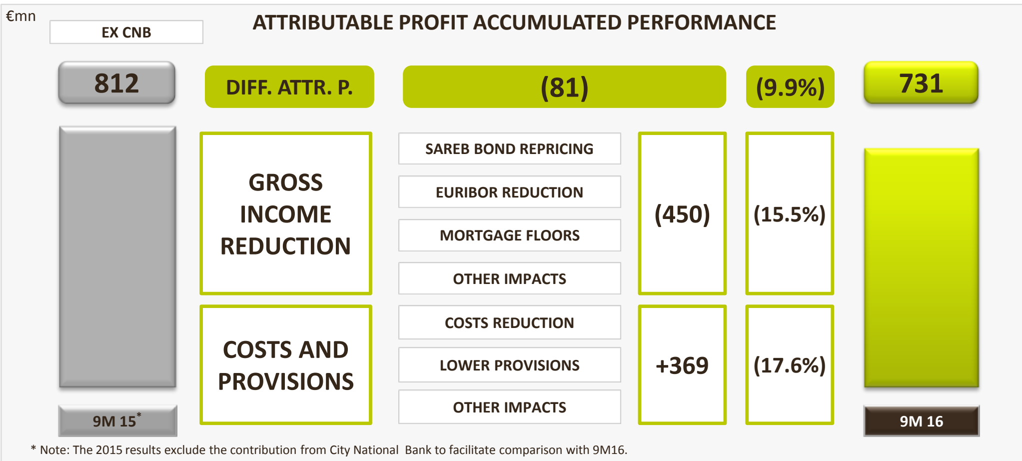
- The improvement in the quality of the Group's assets has also significantly reduced (-51.4%) the impairments of foreclosed properties compared with the first nine months of 2015. The reductions in impairments were concentrated in 1Q and 2Q, as reflected in the Group's **other gains and losses**, which, through September 2016, record a negative balance of 87 million euros, less than the negative 131 million euros recorded for the same period in 2015.

- Corporate income tax expense totals 209 million euros in the first nine months of 2016, 20.1% less than the same period in 2015, with the 3Q 2016 including positive adjustments to the tax due to uncapitalised impairments of investees sold during the quarter.

- As a result of all the above, the Bankia Group's **attributable profit** for the first nine months of 2016 stands at **731 million euros**, 9.9% lower than the figure recorded the previous year after adjusting for the deconsolidation of CNBF.

  Of such amount, 250 million euros have been generated in 3Q 2016, with a quarterly increase of 2.2%. For yet another quarter, containment of expenses and reduction of the cost of risk continued to be the key management levers for obtaining this result, partially offsetting the fall in revenues in the more recurring banking business as a consequence of the interest rate environment.

Cost reduction and decrease in provisions...



...to mitigate interest rates impact in top line of income statement

Bankia
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4. BALANCE SHEET PERFORMANCE

(€ million)	Sep-16	Dec-15	Change Amount	Change %
Cash and balances at central banks	2,811	4,042	(1,230)	(30.4%)
Financial assets held for trading	9,797	12,202	(2,405)	(19.7%)
Trading derivatives	9,715	12,076	(2,361)	(19.5%)
Equity instruments	8	54	(45)	(84.6%)
Debt securities	73	72	1	1.2%
Available-for-sale financial assets	28,778	31,089	(2,311)	(7.4%)
Debt securities	28,752	31,089	(2,337)	(7.5%)
Equity instruments	26	0	26	-
Loans and receivables	110,584	116,713	(6,129)	(5.3%)
Bank deposits	604	762	(158)	(20.7%)
Loans and advances to customers	3,952	5,381	(1,429)	(26.6%)
Rest	106,028	110,570	(4,542)	(4.1%)
Held-to-maturity investments	25,856	23,701	2,155	9.1%
Hedging derivatives	4,197	4,073	124	3.0%
Non-current assets held for sale	292	285	6	2.2%
Equity investments	1,870	2,261	(391)	(17.3%)
Tangible and intangible assets	2,550	2,962	(412)	(13.9%)
Other assets, prepayments and accrued income, and tax as	9,069	9,642	(572)	(5.9%)
TOTAL ASSETS	**195,804**	**206,970**	**(11,166)**	**(5.4%)**
Financial liabilities held for trading	10,015	12,408	(2,392)	(19.3%)
Trading derivatives	9,970	12,394	(2,424)	(19.6%)
Short positions	45	14	32	236.1%
Financial liabilities at amortised cost	168,932	176,276	(7,345)	(4.2%)
Deposits from central banks	14,968	19,474	(4,506)	(23.1%)
Deposits from credit institutions	23,105	23,228	(123)	(0.5%)
Customer deposits and funding via clearing houses	107,947	108,702	(755)	(0.7%)
Debt securities in issue	22,201	23,927	(1,725)	(7.2%)
Other financial liabilities	710	945	(235)	(24.9%)
Hedging derivatives	944	978	(34)	(3.5%)
Provisions	1,240	2,898	(1,658)	(57.2%)
Other liabilities, accruals and deferred income & tax liabilit	1,576	1,714	(138)	(8.1%)
TOTAL LIABILITIES	**182,707**	**194,274**	**(11,567)**	**(6.0%)**
Minority interests	47	66	(19)	(29.0%)
Valuation adjustments	701	696	5	0.8%
Equity	12,349	11,934	415	3.5%
TOTAL EQUITY	**13,097**	**12,696**	**401**	**3.2%**
TOTAL EQUITY AND LIABILITIES	**195,804**	**206,970**	**(11,166)**	**(5.4%)**

Note: Since June 2016, the consolidated financial statements of the Bankia group are reported after adjusting the content of the public information to the the so-called FINREP criteria, which is mandatory and established by the European Union rules for credit institutions. As a result, the balance sheet shown in this report is adapted to these criteria, not only for September 2016 but also for December 2015, for comparison purposes.

The customer-focused commercial strategy has contributed positively to business performance

- **Gross loans and advances to customers** close September 2016 with a balance of 112,448 million euros, a decline of 4.7% from December 2015. Without including non-performing loans (NPLs) and deducting repo transactions and balances with BFA, the healthy loan portfolio declines 2%, **maintaining the stabilisation trend observed since the start of the year.**

  Consumer finance loans and lending to SMEs perform favourably, with growing volumes of new loans that are contributing to stabilising the Group's loan book. In this respect, the new loans have increased the stock of consumer finance loans by 14.9% with respect to September 2015, while lending to businesses have grown by 0.9%, with a progressive contribution from loans granted via digital channels.

As a result, **the aggregate volume of loans in these two segments has grown by 1.9% since September 2015.** New lending to consumers and businesses is accounted for under personal guarantee loans and business loans, which have grown 7.7% and 1%, respectively, since December 2015. Conversely, in the mortgage loans portfolio, repayments continue exceeding new lending, resulting in a decrease of 3.7% in loans with collateral with respect to the end of the previous year.

NPLs continue to perform favourably, falling 14.1% so far this year, mainly organically but also as a result of the sale of portfolios. In this respect, the Bankia Group remained active in 3Q 2016, closing the sale of the Samil portfolio. This disposal followed the sale of the Ocean portfolio in June 2016.

CUSTOMER LOANS

(€ million)[1]	Sep-16	Dec-15	Change Amount	Change %
Spanish public sector	5,365	5,738	(373)	(6.5%)
Other resident sectors	92,426	93,730	(1,305)	(1.4%)
Secured loans and advences	67,405	69,960	(2,555)	(3.7%)
Personal guarantee loans	16,198	15,035	1,162	7.7%
Business loans and other credit facilities	8,823	8,735	88	1.0%
Non-residents	2,951	3,128	(176)	(5.6%)
Repo transactions	281	1,096	(815)	(74.3%)
Of which: reverse repurchase agreements with BFA	*0*	*899*	*(899)*	*(100.0%)*
Other financial assets	905	2,043	(1,138)	(55.7%)
Of which: collection right against BFA due to the IPO [2]	*167*	*1,104*	*(937)*	*(84.8%)*
Of which: Collateral provided to BFA [3]	*0*	*1*	*(1)*	*(65.9%)*
Other valuation adjustments	(0)	(9)	9.4	(99.5%)
Non-performing loans	10,519	12,252	(1,732)	(14.1%)
Gross loans and advances to customers	**112,448**	**117,977**	**(5,529)**	**(4.7%)**
Loan loss reserve	(6,420)	(7,407)	987	(13.3%)
NET LOANS AND ADVANCES TO CUSTOMERS	**106,028**	**110,570**	**(4,542)**	**(4.1%)**
Gross loans & advances to customers ex. balances with BFA	**112,280**	**115,973**	**(3,693)**	**(3.2%)**
NET LOANS & ADVANCES TO CUSTOMERS EX. BALANCES WITH BFA	**105,860**	**108,565**	**(2,706)**	**(2.5%)**

(1) Credit distribution mantaining the same 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 civi 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 e 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 the Repo and derivatives transactions

- **Despite the reduction in the balance from the public sector, strict customer deposits and off-balance sheet funds grow 4.1% year-on-year (1.5% since December) on an aggregate basis** reaching 117,730 million euros at the end of September 2016.

  Growth has been especially notable in savings accounts (+12.5%), demand accounts (+16.5%), the non-resident sector (+95.8%) and mutual funds (+9%), which continue to capture savings that customers are shifting away from term deposits. In mutual funds the Bankia Group's market share has increased to 5.60% in September 2016, 16 bps more than in December 2015.

This success in attracting customer funds has been boosted by the implementation, in the first quarter of the year, of the Group's new commercial strategy aimed at intensifying **customers' loyalty to Bankia.**

In this loyalty-building process, the **Bankia Group is proving to be especially active when it comes to providing digital solutions** with high added value for its customers, which has consequently boosted the business volume under management.

CUSTOMER FUNDS

(€ million)	Sep-16	Dec-15	Change Amount	Change %
Spanish public sector	5,849	6,779	(930)	(13.7%)
Other resident sectors	96,445	98,898	(2,453)	(2.5%)
Current accounts	18,015	16,500	1,514	9.2%
Savings accounts	28,706	26,490	2,216	8.4%
Term deposits and other	49,724	55,908	(6,184)	(11.1%)
Repo transactions	1,610	3,637	(2,027)	(55.7%)
Singular mortgage securities	5,368	6,475	(1,108)	(17.1%)
Rest	42,747	45,796	(3,049)	(6.7%)
Non-residents	5,652	3,025	2,628	86.9%
Repo transactions	2,959	1,600	1,359	85.0%
Funding via clearing houses and customer deposits	**107,947**	**108,702**	**(755)**	**(0.7%)**
Debentures and other marketable securities	21,161	22,881	(1,720)	(7.5%)
Subordinated loans	1,040	1,046	(5)	(0.5%)
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**130,148**	**132,629**	**(2,480)**	**(1.9%)**
Mutual funds	13,329	12,580	749	6.0%
Pension funds	6,392	6,436	(44)	(0.7%)
Off-balance-sheet customer funds (1)	**19,720**	**19,016**	**704**	**3.7%**
TOTAL CUSTOMER FUNDS	**149,869**	**151,645**	**(1,776)**	**(1.2%)**

(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)	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Change Sep-16/Sep-15	Change %
Spanish public sector	**5,849**	**6,947**	**4,387**	**6,779**	**5,790**	**59**	**1.0%**
Other resident sectors	**89,467**	**90,204**	**88,134**	**88,786**	**87,423**	**2,044**	**2.3%**
Current accounts	18,015	17,544	16,789	16,500	15,459	2,555	16.5%
Savings accounts	28,706	28,753	27,089	26,490	25,523	3,184	12.5%
Term deposits	42,747	43,906	44,256	45,796	46,441	(3,695)	(8.0%)
Non-residents	**2,693**	**1,520**	**1,479**	**1,425**	**1,376**	**1,318**	**95.8%**
Strict Customer Deposits	**98,010**	**98,670**	**94,000**	**96,990**	**94,589**	**3,421**	**3.6%**
Off-balance-sheet customer funds (1)	**19,720**	**19,400**	**19,086**	**19,016**	**18,507**	**1,213**	**6.6%**
Total customer funds + off-balance funds	**117,730**	**118,070**	**113,086**	**116,006**	**113,096**	**4,634**	**4.1%**

(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

New improvement in asset quality, with a decline in NPL ratio and the volume of foreclosed assets

The Group's non-performing loans (NPLs) ends September 2016 at 11,298 million euros, accumulating a decline of 1,697 million euros (-13.1%) since December 2015 and of 453 million euros (-3.9%) in the third quarter of 2016. The greater part of this decrease has been organic (1,422 million euros), due to fewer loans entering non-performing status and good loan-recovery management. The remainder (284 million euros) is explained by the sale of the Ocean (2Q 2016) and Samil (3Q 2016) portfolios, which mainly included distressed loans in the consumer finance and SME segments.

This reduction in NPLs has led to the Group's NPL ratio decreasing quarter by quarter, reaching 9.5% at 30 September 2016, accumulating a decline of 130 bps from December 2015 and of 30 bps in the quarter. The Group covers these NPLs with a loan loss reserve of 6,839 million euros, resulting in a coverage ratio of 60.5%, in line with the level achieved in previous quarters.

The strategy of reducing problematic assets also extends to the stock of foreclosed real estate assets, which has decreased by 8.5% in gross terms since December 2015 (12.5% since September 2015). In the first nine months of 2016 the Group has sold 6,185 foreclosed properties, 2,948 of them in 3Q 2016, mainly as part of the sale of the Lane portfolio.

NPL RATIO AND NPL COVERAGE RATIO

						Sep-16 / Dec-15	
(€ million and %)	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Amount	%
Non-performing loans	11,298	11,751	12,564	12,995	14,084	(1,697)	(13.1%)
Total risk-bearing assets	118,469	120,146	119,366	120,924	123,410	(2,455)	(2.0%)
Total NPL ratio [1]	**9.5%**	**9.8%**	**10.5%**	**10.8%**	**11.4%**		**-1.3 p.p.**
Total provisions	6,839	7,141	7,601	7,794	8,691	(955)	(12.2%)
Generic	60	60	60	60	233	0	0.2%
Specific	6,733	7,036	7,520	7,713	8,430	(980)	(12.7%)
Country risk	17	16	21	21	28	(5)	(21.8%)
Fixed Income	30	30	-	-	-	30	-
NPL coverage ratio	**60.5%**	**60.8%**	**60.5%**	**60.0%**	**61.7%**		**+0.5 p.p.**

(1) NPL ratio: (non-performing loans and advances to customers and contingent liabilities) / (loans, advances and contigent risks)
Excludes transactions with BFA (Sep-16 €167.4 million collection right from BFA, based on the agreement to provide 60% of the estimated contingency costs related to Bankia´s IPO, and €0.4 million of collateral provided)

NPL PERFORMANCE

(€ million and %)	9M 2016	9M 2015	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Non-performing loans at the begining of the period	**12,995**	**16,547**	**11,751**	**12,564**	**12,995**	**14,084**	**15,308**	**16,084**	**16,547**
+ Gross entries	1,700	2,464	484	551	665	1,266	746	857	861
- Recoveries	(2,898)	(3,557)	(785)	(1,095)	(1,017)	(1,502)	(1,065)	(1,273)	(1,219)
= Net entries	(1,198)	(1,093)	(301)	(545)	(352)	(236)	(319)	(416)	(358)
- Write offs	(215)	(178)	(83)	(53)	(79)	(147)	(29)	(44)	(104)
- Sales [1]	(284)	(1,192)	(69)	(215)	-	(706)	(876)	(316)	-
Non-performing loans at the end of the period	**11,298**	**14,084**	**11,298**	**11,751**	**12,564**	**12,995**	**14,084**	**15,308**	**16,084**

(1) Book-value of NPLs disposals. This figure does not include any additional rights related to the portfolio sold

GROSS EXPOSURE BY SECTOR AND COVERAGE RATIOS

(€ million and %)	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Sep-16 / Dec-15 Amount	Sep-16 / Dec-15 %
Gross exposure							
Individuals	70,116	71,795	71,811	72,914	73,901	(2,799)	(3.8%)
Businesses	34,574	34,446	34,776	34,544	34,962	31	0.1%
Developers	1,453	1,551	1,648	1,814	2,108	(360)	(19.9%)
Public sector & others	6,137	6,721	6,121	6,701	6,417	(564)	(8.4%)
Gross Credit [1]	**112,280**	**114,513**	**114,356**	**115,973**	**117,389**	**(3,693)**	**(3.2%)**
Gross credit ex developers [1]	**110,827**	**112,962**	**112,708**	**114,159**	**115,281**	**(3,332)**	**(2.9%)**
Impairments							
Individuals	1,749	1,932	2,151	2,170	2,450	(421)	(19.4%)
Businesses	3,835	3,858	4,108	4,230	4,702	(395)	(9.3%)
Developers	836	890	936	1,007	1,159	(171)	(17.0%)
Total Impairments	**6,420**	**6,681**	**7,195**	**7,407**	**8,311**	**(987)**	**(13.3%)**
Coverage ex developers	**5,584**	**5,791**	**6,259**	**6,400**	**7,152**	**(816)**	**(12.7%)**
Coverage (%)							
Individuals	2.5%	2.7%	3.0%	3.0%	3.3%		-0.5 p.p.
Businesses	11.1%	11.2%	11.8%	12.2%	13.4%		-1.1 p.p.
Developers	57.5%	57.4%	56.8%	55.5%	55.0%		+2.0 p.p.
Total coverage	**5.7%**	**5.8%**	**6.3%**	**6.4%**	**7.1%**		**-0.7 p.p.**
Coverage ex developers	**5.0%**	**5.1%**	**5.6%**	**5.6%**	**6.2%**		**-0.6 p.p.**

(1) Gross Credit excludes transactions with BFA (Sep-16 €167.4 million collection right from BFA, based on the agreement to provide 60% of the estimated contingency costs related to Bankia´s IPO, and €0.4 million of collateral provided)

REFINANCINGS

(€ million)	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Sep-16 / Dec-15 Amount	Sep-16 / Dec-15 %
Gross exposure							
Non-performing loans	7,013	7,246	7,915	8,224	8,702	(1,211)	(14.7%)
Performing loans	14,940	15,182	15,126	14,967	14,769	(26)	(0.2%)
Total refinanced	**21,954**	**22,428**	**23,041**	**23,191**	**23,470**	**(1,237)**	**(5.3%)**
Impairments							
Non-performing loans	3,702	3,765	4,042	4,076	4,384	(374)	(9.2%)
Performing loans	227	261	324	330	387	(103)	(31.3%)
Total Impairments	**3,929**	**4,026**	**4,366**	**4,406**	**4,770**	**(477)**	**(10.8%)**
Coverage (%)							
Non-performing loans	52.8%	52.0%	51.1%	49.6%	50.4%		+3.2 p.p.
Performing loans	1.5%	1.7%	2.1%	2.2%	2.6%		-0.7 p.p.
Total coverage	**17.9%**	**18.0%**	**18.9%**	**19.0%**	**20.3%**		**-1.1 p.p.**

BREAKDOWN OF FORECLOSED ASSETS

(€ million)	Gross value[1] Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Property assets from financing intended for construction and property development	386	412	414	430	510
Of which: finished buildings	280	299	303	305	324
Of which: buildings under construction	29	29	29	42	42
Of which: Land	76	85	83	83	144
Property acquired related to mortgage loans to homebuyers	2,584	2,696	2,764	2,838	2,927
Other foreclosed assets	573	601	607	606	614
Total	**3,543**	**3,709**	**3,786**	**3,874**	**4,051**

(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] Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Property assets from financing intended for construction and property development	106	127	129	142	202
Of which: finished buildings	64	76	78	79	88
Of which: buildings under construction	9	12	12	23	20
Of which: Land	34	39	39	40	94
Property acquired related to mortgage loans to homebuyers	809	812	848	883	883
Other foreclosed assets	144	162	162	160	165
Total	**1,059**	**1,102**	**1,139**	**1,185**	**1,249**

(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] Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Property assets from financing intended for construction and property development	279	285	286	288	308
Of which: finished buildings	217	223	225	226	235
Of which: buildings under construction	20	17	17	19	22
Of which: Land	43	45	44	43	51
Property acquired related to mortgage loans to homebuyers	1,775	1,884	1,916	1,955	2,044
Other foreclosed assets	430	439	445	445	450
Total	**2,484**	**2,608**	**2,647**	**2,689**	**2,802**

(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

At 30 September 2016, the Bankia Group has total liquid assets of 31,097 million euros, 3,507 million euros less than in December 2015, as a result of wholesale debt maturities, collateral management with ECB and the performance of commercial gap in the period.

Due to the retail banking nature of its business model, the Bankia Group mainly funds its lending activity through customer funds. Thus, at the end of September 2016 the Group presents a balanced retail funding structure, operating with a LTD ratio of 99.2%.

Bankia taps wholesale funding markets to supplement its structural liquidity needs. At September 2016 on-balance sheet debt issues total 22,201 million euros. This amount is 1,725 million euros down from the December 2015 figure and includes two new issues of covered bonds for an aggregate of 2,000 million euros carried out in 1Q 2016, net of the maturities during the period (mainly mortgage covered bonds).

Also, in 2Q 2016, Bankia prepaid 11,316 million euros of the ECB's TLTRO I auction, which it replaced with TLTRO II, allowing it to obtain better financing conditions and extend maturities until 2020 and replace planned issues of wholesale debt that would otherwise have been carried out at a higher cost.

LTD RATIO AND COMMERCIAL GAP

(€ million)	Sep-16	Dec-15	Change vs Dec.15 Amount	Change vs Dec.15 %
Net Loans and advances to customers	**106,028**	**110,570**	**(4,542)**	**(4.1%)**
o/w Repo transactions RPS[1]	279	195	84	43.3%
o/w Repo transactions NRE[1]	2	2	0	12.7%
o/w Repo transactions with BFA[1]	0	899	(899)	(100.0%)
o/w collateral delivered to BFA[2]	168	1,105	(937)	(84.8%)
a. Strict Net Loans and advances to customers	**105,579**	**108,369**	**(2,790)**	**(2.6%)**
Strict customer deposits and retail commercial paper	98,010	96,990	1,020	1.1%
Single-certificate covered bonds	5,368	6,475	(1,108)	(17.1%)
ICO/EIB deposits	3,011	2,928	82	2.8%
b. Total Deposits	**106,388**	**106,393**	**(5)**	**(0.0%)**
LTD ratio (a/b)	**99.2%**	**101.9%**		**-2.7 p.p.**

(€ million)	Sep-16	Dec-15	Change vs Dec.15 Amount	Change vs Dec.15 %
Net Loans and advances to customers	**106,028**	**110,570**	**(4,542)**	**(4.1%)**
o/w Repo transactions RPS[1]	279	195	84	43.3%
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(-) Strict customer deposits and retail commercial paper	98,010	96,990	1,020	1.1%
(-) ICO/EIB deposits	3,011	2,928	82	2.8%
Strict Comercial GAP	**4,558**	**8,451**	**(3,893)**	**(46.1%)**

(1) Reverse repurchase agreements

(2) Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€167.4mn as of Sep-16 and €1,104mn as of Dec-15) and collateral provided to BFA (€0.4mn as of Sep-16 and €1mn as of Dec-15)

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MATURITIES OF DEBT ISSUES

(€ million)	2016 [1]	2017 [1]	2018 [1]	>2018 [1]
Covered bonds	1,667	555	2,436	14,365
Senior debt	74	1,010	247	1,108
Subordinated debt	0	0	0	1,000
Securitisation	0	0	0	3,182
Commercial paper	2	0	0	0
Total issuance maturities	**1,742**	**1,565**	**2,683**	**19,655**

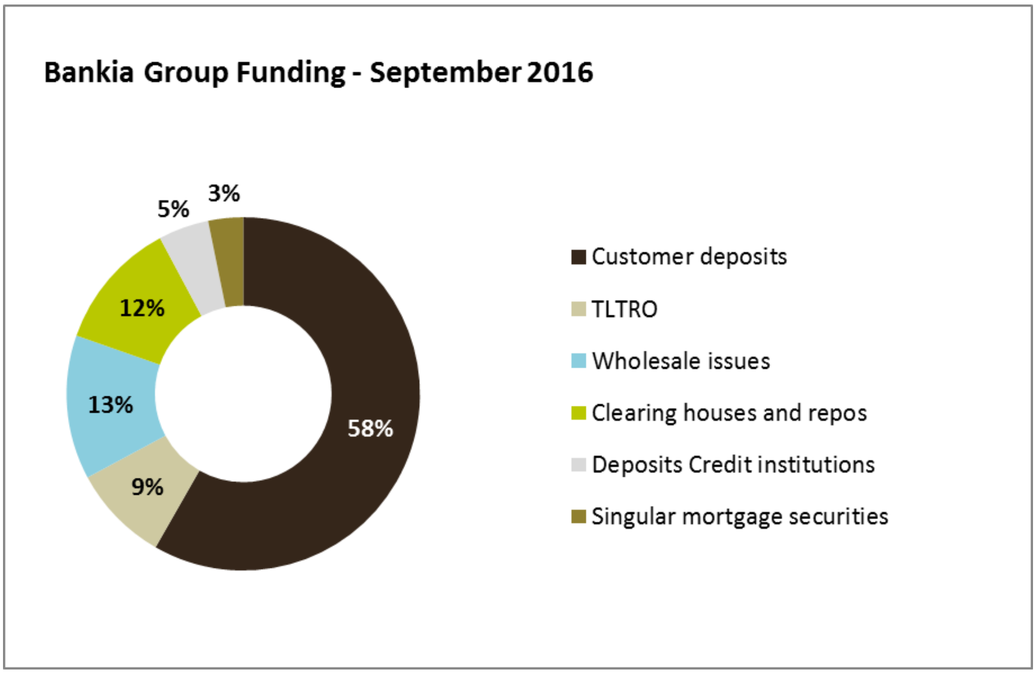
(1) Maturities of Bankia group in nominal values net of treasury shares and retained issuance

LIQUID ASSETS

(€ million)	Sep-16	Dec-15	Change: Amount	Change: %
Treasury account and deposit facility [1]	628	2,051	(1,423)	(69.4%)
Undrawn amount on the facility	13,584	5,354	8,230	153.7%
Highly liquid available assets [2]	16,885	27,199	(10,314)	(37.9%)
Total	**31,097**	**34,604**	**(3,507)**	**(10.1%)**

(1) Cash and Central Banks accounts reduced minimal reserves
(2) Market value haircut by ECB

FUNDING STRUCTURE



7. SOLVENCY

The Bankia Group ends the third quarter of 2016 with a **CET 1 phase-in ratio of 14.81%**, up +28 bps from the June quarterly closing and +92 bps since December 2015. This improvement was once again supported by the Group's organic capital generation model, in which the accumulation of profit net of planned dividends and selective growth in business segments considered to be strategic because of its better credit profile, are the basis of this solid performance. At the same time, the Group is undertaking a gradual deleveraging of its balance sheet and the sale of non-strategic assets. At the end of September 2016 the phase-in leverage ratio stands at 6%, an increase of 34 bps over December 2015.

In a fully loaded scenario, the CET 1 ratio stands at 13.24%, which means that capital generation is up +35 bps in the quarter (+98 bps since December 2015).

If the gains on the available-for-sale sovereign portfolio were included, the CET-1 fully loaded ratio would stand at 14.18%. At the same time, the fully loaded leverage ratio at the end of September 2016 is 5.40% (5.79% if sovereign gains are included).

Thus, at 30 September 2016, the Bankia Group had a surplus of 450 bps of phase-in CET1 capital (3,475.8 million euros) over and above the 2016 SREP requirement plus 0.0625% (25% of 0.25%) for the O-SII buffer.

On a fully loaded basis, the surplus of CET1capital over the 2016 SREP requirement plus 0.25% of O-SII buffer would be 274 bps (368 bps if the gains associated with the available-for-sale sovereign portfolio are included).

SOLVENCY RATIOS AND LEVERAGE

PHASE IN RATIOS

(€ million and %)	Sep -16 [1]	Dec -15 [1]
Eligible capital	12,497	12,323
Common equity Tier I (CET 1)	11,442	11,289
Capital	9,214	9,214
Reserves	2,447	1,730
Result attributable net of dividend acrual	475	738
Deductions	(662)	(410)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(33)	17
Tier I	11,442	11,289
Tier II	1,056	1,033
Instruments	1,000	1,000
Others	56	33
Risk-weighted assets	77,244	81,303
Common equity Tier I Phase In (CET 1) (%)	**14.81%**	**13.89%**
Tier I	14.81%	13.89%
Tier II	1.37%	1.27%
Solvency ratio - Total capital ratio (%)	**16.18%**	**15.16%**
Leverage ratio (phase in)	**6.00%**	**5.66%**
Total exposition leverage ratio	**190,590**	**199,551**

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

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SOLVENCY RATIOS AND LEVERAGE

FULLY LOADED RATIOS

(€ million and %)	Jun -16 (1)(2)	Dec -15 (1) (2)
Eligible capital	11,287	10,998
Common equity Tier I (CET 1)	10,231	9,964
Capital	9,214	9,214
Reserves	2,447	1,730
Result attributable net of dividend acrual	475	738
Deductions	(1,885)	(1,748)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(20)	31
Tier I	10,231	9,964
Tier II	1,056	1,033
Instruments	1,000	1,000
Others	56	33
Risk-weighted assets	77,244	81,303
Common equity Tier I Phase In (CET 1) (%)	**13.24%**	**12.26%**
Tier I	13.24%	12.26%
Tier II	1.37%	1.27%
Solvency ratio - Total capital ratio (%)	**14.61%**	**13.53%**
Leverage ratio (phase in)	**5.40%**	**5.03%**
Total exposition leverage ratio	**189,367**	**198,212**

(1) Solvency ratios include the results attributable to the Group that are expected to be allocated to reserves

(2) Does not include unrealised gains on the sovereign portfolio. Had they been included in the Fully Loaded ratio, at 31 st December 2015, CET 1 ratio would have been 13.1 %, and total solvency ratio 14.4%, and at 30th September 2016 the CET 1 ratio would have been 14.18 %, and total solvency ratio 15.55%

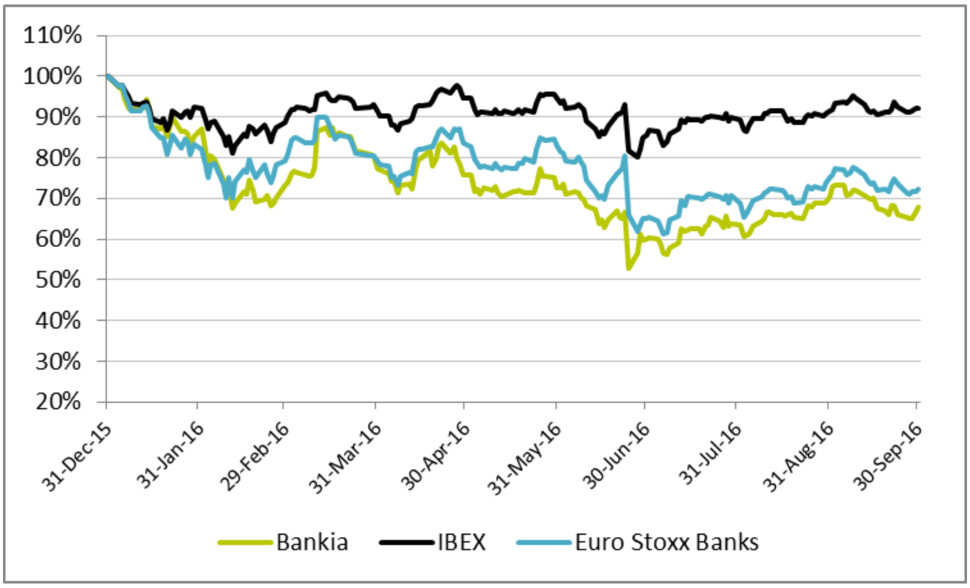
(€ million and %)	Sep -16	
	Phase In (1)	Fully Loaded (1)(2)
Capital de nivel I ordinario (%)	14.81%	13.24%
SREP Requirement CET1 level	9.63%	7.75%
SREP Requirement with additional buffers	10.31%	10.50%
Surplus over SREP Requirement with additional buffers	**4.50%**	**2.74%**

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

(2) Does not include unrealised gains on the sovereign portfolio. Had they been included, the surplus over SREP Requirement with additional buffers would have been 3.68 p.p.

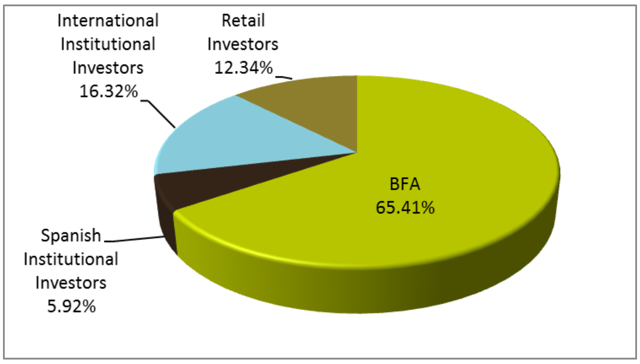
8. SHARE PERFORMANCE

SHARE PRICE



MAIN SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Sep-16
Number of shareholders	316,103
Daily average volume (num. shares)	32,859,965
Daily average turnover (euros)	25,773,401
Maximum closing price (€/share)	1.044 (4-Jan)
Minimum closing price (€/share)	0.568 (24-Jun)
Closing price (€/share)	0.73 (30-Sep)



9. RATING

With regards to Bankia's credit ratings it is worth noting that in the third quarter of 2016, DBRS (issuer ratings) and Scope Ratings (mortgage covered bonds ratings) assigned public ratings that in both cases had been previously requested by Bankia from these agencies.

In the case of DBRS, on 8 July the agency assigned the following ratings based on its assessment of Bankia Group's intrinsic financial strength, all with Stable outlook:

- Long-term unsecured senior debt and deposit rating: "BBB (high)".
- Short-term debt and deposit rating: "R-1 (low)".
- Long-term critical obligations rating: "A".
- Short-term critical obligations rating: "R-1 (low)".

Likewise on 8 July, Scope Ratings assigned a "AAA" rating with a Stable outlook to Bankia's mortgage covered bonds, based on Bankia's intrinsic strength, the legal and resolution framework applicable to mortgage covered bonds in Spain, and the analysis of the mortgage portfolio backing the Bank's mortgage covered bonds.

In addition, also in relation to Bankia's mortgage covered bonds, in August and September, respectively, both Fitch ("A") and DBRS ("AA high") affirmed the ratings and the Stable outlook, after concluding their respective reviews.

CREDIT AGENCY RATINGS

Issuer Ratings	Standard & Poor's	Fitch Ratings	DBRS
Long-term	BB+	BBB-	BBB (high)
Short-term	B	F3	R-1 (low)
Outlook	Positive	Stable	Stable
Date	5-Apr-16	23-Feb-16	8-Jul-16

Mortgage Covered Bonds Ratings	Standard & Poor's	Fitch Ratings	DBRS	SCOPE
Rating	A+	A	AA (high)	AAA
Outlook	Stable	Stable	---	Stable
Date	15-Jan-16	5-Aug-16	23-Sep-16	8-Jul-16

10. SIGNIFICANT EVENTS DURING THE QUARTER

Good results in EBA stress tests

On 29 July 2016, the European Banking Authority (EBA) published the results of stress tests of 51 institutions that account for approximately 70% of the banking sector assets in the European Union. The exercise was conducted by the EBA in collaboration with Bank of Spain, the European Central Bank, the European Commission and the European Systemic Risk Board (ESRB) and included the participation of Spain's six largest banking groups (Santander, BBVA, BFA-Bankia, Criteria-Caixa, Popular and Sabadell).

The results obtained by BFA-Bankia in the stress tests demonstrate that the Group would maintain a CET 1 Phase In solvency ratio of 10.6% in 2018 in a very adverse economic scenario.

At the end of 2015 the BFA-Bankia Group had a regulatory CET 1 capital level (Phase In) of 14.57%. Bringing forward to that date the requirements that will apply in 2019 (what is known as Fully Loaded), the ratio would be 13.74% (including the capital gains on the sovereign debt portfolio, as per the EBA's criterion).

In the EBA's baseline scenario, in 2018 the BFA-Bankia Group would have a CET 1 Phase In ratio of 15.09% and 14.42% on a Fully Loaded basis. In the most adverse scenario, those ratios would be 10.64% Phase In and 9.58% on a Fully Loaded basis.

These results demonstrate the Bank's capacity to maintain high levels of solvency even in a hypothetical scenario of a severe deterioration of the economy, and are possible thanks to the robust generation of capital in the BFA-Bankia Group in the last three years as a result of the profits obtained and the sale of non-strategic assets.

Study of alternative approaches for reorganising credit institutions held by FROB

On 28 September 2016 the FROB notified Bankia of the resolution approved by its Governing Committee to implement the necessary measures for analysing the reorganisation of its bank holdings, exploring different alternatives, that would include a potential merger between Bankia and Banco Mare Nostrum (BMN). At the present date, this action only involves the study by the FROB and, for now, no decision whatsoever has been made to carry out that merger.

Any possible integration will be done with the aim of maximising the value of the Bankia Group for all of its shareholders and, therefore, optimising the capacity to recover the State aid.

11. APPENDIX

REPORTED INCOME STATEMENT OF THE BANKIA GROUP

(€ million)	9M 2016	9M 2015	Change Amount	Change %
Net interest income	**1,631**	**2,075**	**(444)**	**(21.4%)**
Dividends	4	5	(1)	(22.4%)
Share of profit/(loss) of companies accounted for using the equity m	29	24	5	21.3%
Total net fees and commissions	611	708	(98)	(13.8%)
Gains/(losses) on financial assets and liabilities	184	224	(40)	(18.0%)
Exchange differences	14	21	(7)	(34.7%)
Other operating income/(expense)	(12)	(28)	16	(55.7%)
Gross income	**2,460**	**3,030**	**(570)**	**(18.8%)**
Administrative expenses	(1,057)	(1,150)	93	(8.1%)
Staff costs	(688)	(736)	48	(6.5%)
General expenses	(368)	(414)	45	(11.0%)
Depreciation and amortisation	(116)	(107)	(8)	7.7%
Operating income before provisions	**1,288**	**1,773**	**(486)**	**(27.4%)**
Provisions	(255)	(473)	217	(46.0%)
Provisions (net)	1	40	(39)	(97.1%)
Impairment losses on financial assets (net)	(256)	(513)	256	(50.0%)
Operating profit/(loss)	**1,032**	**1,301**	**(268)**	**(20.6%)**
Impairment losses on non-financial assets	(5)	(14)	9	(64.0%)
Other gains and other losses	(87)	(131)	44	(33.7%)
Profit/(loss) before tax	**941**	**1,156**	**(215)**	**(18.6%)**
Corporate income tax	(209)	(281)	72	(25.7%)
Profit/(loss) after tax	**732**	**875**	**(143)**	**(16.4%)**
Profit/(Loss) attributable to minority interests	1	20	(19)	(96.8%)
Profit/(loss) attributable to the Group	**731**	**855**	**(124)**	**(14.5%)**
Cost to Income ratio (1)	**47.7%**	**41.5%**	**+6.2 p.p.**	**14.9%**
Recurring Cost to Income ratio (2)	**51.8%**	**45.1%**	**+6.7 p.p.**	**14.8%**

(1) Operating expenses / Gross income

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

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million and %)	Sep-16 (1)	Dec-15 (1)	Change Amount	Change %
ALCO Portfolio	29,742	29,744	(2)	(0.0%)
NO ALCO Portfolio	3,170	4,830	(1,660)	(34.4%)
SAREB Bonds	17,337	17,356	(19)	(0.1%)
Total Fixed Income Portfolio	**50,249**	**51,930**	**(1,681)**	**(3.2%)**

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

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ir@bankia.com