Annual Earnings Report

2016

30 January 2017

Bankia

Bankia

LET´S KEEP WORKING

CONTENTS

Basis of presentation and comparability of information

The audit reports incorporated in the consolidated financial statements for the year ended 31 December 2015 and in the consolidated interim financial statements for the first half of 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 22 (1.9.1 and 14) to the accompanying consolidated financial statements (of the accompanying notes to financial statements), which describe the uncertainties regarding the final outcome of litigation over (the contingencies relating to) the Initial Public Offering of shares carried out in 2011 for the stock market listing of Bankia, S.A. and the provisions recorded by the Group to cover the estimated costs of that litigation (those contingencies). This matter does not modify our opinion."

At 31 December 2016 the abovementioned uncertainties remain and so the financial metrics 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 2015 and in the consolidated interim financial statements for the first half of 2016.

HIGHLIGHTS OF THE YEAR

Attributable profit stands at 804 million euros, with major advances in the commercial strategy, a strong capital position and further improvements in costs and risk management. This result allows Bankia to propose an increase in the dividend by 5% compared with 2015.

- Net interest income totals 2,148 million euros, down 18.1% year-on-year on a constant perimeter basis (i.e., excluding City National Bank of Florida), reflecting the pressure of the negative interest rate environment on the yield of the loan book and fixed-income portfolios.
- Gross income stands at 3,166 million euros (-13.9% vs. 2015 on a constant perimeter basis).
- To reduce the impact of the complicated economic environment, Bankia has kept the focus on cost control and NPL reduction.
- On a constant perimeter basis, operating expenses are down 3.1% compared to 2015, bringing the efficiency ratio to 48.9%, one of the best in the industry.
- The cost of risk ends 2016 at 24 bps, up 19 bps year-on-year as a result of the decrease in NPLs and lower provisioning.
- The Group ends 2016 with attributable profit of 804 million euros. This result allows Bankia to a propose a dividend increase by 5% compared to 2015.

Transformation of commercial model reinforces business fundamentals

- The number of customers with direct income deposits is up 172,300 year-on-year and the number of new credit cards issued increases 3.5 times compared to 2015.
- New loan production increases consumer finance and businesses outstanding balance by 0.8%, excluding real estate loans and portfolio sales.
- Dynamism in new customer funds. Customer funds are up 2.5% year-on-year, with particularly strong performance in mutual funds (+8.2%), demand accounts (+20.4%) and savings accounts (+13%). The Group has strengthened its market share in mutual funds, which stands at 5.53% at the end of 2016 (+9 bps vs. 2015).
- Significant progress in the multi-channel strategy. At year-end 2016, multi-channel customers make up 37.6% of the total, compared to 31.5% at the end of 2015. The volume of customers managed through the digital banking service “Connect with your expert” reaches 300.000 customers (+188.4%).

Improvement in all asset quality indicators

- The gross inflow of NPLs is down 36.4% year-on-year and the stock of NPLs is down 11.7%, maintaining a high NPL coverage ratio, which ends the year at 55.1%, including the impact of the change in estimates introduced by Anejo IX of Bank of Spain Circular4/2016.
- This NPLs performance has lowered the Group’s NPL ratio by 100 bps compared with 2015, and stands at 9.8% at year end 2016.
- Foreclosed assets are down 16.4% from December 2015. In 2016 the Group sold 9,107 foreclosed assets, which represents a 20% reduction from the stock at the beginning of the year.

Solid organic capital generation

- The Bankia Group maintains a solid capital position, thanks to its ability to generate capital organically. At the end of 2016 the Group has a Phase In CET1 ratio of 14.70% (+81 bps vs 2015) and a Fully Loaded CET1 ratio (not including unrealised gains on the available-for-sale sovereign portfolio) of 13.02% (+76 bps vs Dec. 2015).
- The Bankia Group’s solvency ratios at year-end 2016 amply exceed the minimum prudential requirements imposed on Bankia by the European Central Bank (ECB) for 2017, namely, +682 bps on the regulatory Phase In CET1 ratio (7.875%) and +466 bps on the minimum Total Capital ratio (11.375%).

1. RELEVANT DATA

	Dec-16	Dec-15	Change
Balance sheet (€ million)			
Total assets	190,167	206,970	(8.1%)
Loans and advances to customers (net)(1)	104,677	110,570	(5.3%)
Loans and advances to customers (gross)(1)	110,595	117,977	(6.3%)
On-balance-sheet customer funds	125,001	132,629	(5.8%)
Customer deposits and clearing houses	105,155	108,702	(3.3%)
Borrowings, marketable securities	18,801	22,881	(17.8%)
Subordinated liabilities	1,045	1,046	(0.0%)
Total managed customer funds	145,097	151,645	(4.32%)
Equity	12,303	11,934	3.1%
Common Equity Tier I - BIS III Phase In	11,330	11,289	0.4%
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	14.70%	13.89%	+0.81 p.p.
Total capital ratio - BIS III Phase In	16.03%	15.16%	+0.87 p.p.
Ratio CET1 BIS III Fully Loaded	13.02%	12.26%	+0.76 p.p.
Risk management (€ million and %)			
Total risk(2)	117,205	120,924	(3.1%)
Non performing loans	11,476	12,995	(11.7%)
NPL provisions	6,323	7,794	(18.9%)
NPL ratio (2)	9.8%	10.8%	-1.0 p.p.
NPL coverage ratio	55.1%	60.0%	-4.9 p.p.

	Dec-16	Dec-15	Change
Results (€ million)			
Net interest income	2,148	2,740	(21.6%)
Gross income	3,166	3,806	(16.8%)
Operating income before provisions	1,619	2,148	(24.7%)
Profit/(loss) attributable to the Group	804	1,040	(22.7%)
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	48.9%	43.6%	+5.3 p.p.
R.O.A. (Profit after tax / Average total assets) (3)	0.4%	0.5%	-0.1 p.p.
RORWA (Profit after tax / RWA) (4)	1.0%	1.3%	-0.3 p.p.
ROE (Profit attributable to the group / Equity) (5)	6.7%	9.0%	-2.3 p.p.
ROE ex mortgages floors provision as 2016 and IPO as 2015 (5)	7.3%	10.6%	-3.3 p.p.
ROTE (Annualized attributable profit / average tangible equity) (6)	6.9%	9.2%	-2.3 p.p.

	30-Dec-2016	31-Dec-2015	Change
Bankia share			
Number of shareholders	241,879	435,755	(44.5%)
Number of shares in issue (million)	11,517	11,517	-
Closing price (end of period, €)(7)	0.971	1.074	(9.6%)
Market capitalisation (€ million)	11,183	12,370	(9.6%)
Earnings per share (8)	0.07	0.09	(22.7%)
Tangible book value per share (€) (9)	1.10	1.08	1.0%
PER (Last price (7) / Earnings per share)	13.91	11.89	16.9%
PTBV (Last price (7) / Tangible book value per share)	0.89	0.99	(10.5%)
Cash dividend per share	2.756	2.625	5.0%
Additional information			
Number of branches	1,855	1,932	(4.0%)
Number of employees	13,505	13,569	(0.5%)

(1) Includes transactions with BFA (Dec-16 €125mn; Dec-15 €2,005mn)
(2) NPL ratio excludes transactions with BFA (Dec-16 €125mn; 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 December 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 & FINANCIAL ENVIRONMENT

The economic expansion once again proved remarkably resilient in 2016, riding out major political shocks, including the Brexit vote, the Trump victory in the U.S. presidential elections and the increased instability in Italy following the “NO” vote in the referendum on constitutional reform that led to the resignation of the prime minister. Despite these adverse factors and the weakness of the U.S. economy during the first half of the year, world growth was on a par with 2015. In the euro area, growth remained modest (an estimated 1.6%) but above potential and with significant differences between the main countries. Inflation sentiment also changed substantially over the year. The fears of deflation persisted through part of the first half, but an upward trend in inflation was reinforced by the recovery of the oil price, which ended the year above 55 dollars per barrel, after hitting a low of 27 dollars in January. In November, Trump’s victory in the U.S. presidential elections gave a boost to inflation expectations, as the markets discounted expectations of a strong fiscal stimulus that would revive global demand.

The ECB and the Fed maintained divergent monetary policies, causing the dollar to appreciate against the euro to its highest level since 2003. On the one hand, the Fed resumed its interest rate rises in December and signalled three further 25 bp rises in 2017. On the other, the ECB reacted to the low inflation in the euro area by cutting its reference rates in March, increasing the volume of its asset purchase programme, expanding this programme to include the bonds of non-financial private-sector companies and announcing a liquidity programme for banks, conditional upon lending growth targets being met. In December, the improvement of the economic environment prompted the ECB to pull back: from April 2017 it reduced the volume of its purchases from 80,000 million euros per month to 60,000 million, although it extended its programme to December 2017.

In the euro area, these actions accentuated the fall in interest rates, with new lows in both the 12-month Euribor (-0.082%) and the German bond yield (-0.20%). From September the upswing in confidence and inflation expectations caused a reversal in the situation, especially at the longer maturities, which seem to be embarked on a long-term upward trend.

The Spanish economy displayed remarkable strength in 2016 and surprised observers favourably with higher-than-forecasted GDP growth of 3.2% at the start of the year, the same rate as the previous year. The expansionary stimuli (low oil prices, favourable financing conditions and easing of fiscal consolidation) proved stronger than expected and cushioned the impact of the political uncertainty arising from the hung parliament in Spain and the Brexit vote. Added to this was the buoyancy of the tourism industry and the release of spending held back during the economic crisis. Once again, this high growth was driven by domestic demand, supported mainly by household spending, on the back of strong job creation. Meanwhile, the economy continued to generate high financing capacity, thanks to the recovery of private saving, which helped sustain the recovery of investment and, at the same time, push on with the deleveraging process.

The macroeconomic environment and monetary policy continue to affect the performance of the Spanish banking industry, with a deleveraging process that has gone on for longer than expected. Lending to households and businesses is still falling, albeit at more moderate rates. Loss-absorbing capacity has been strengthened, backed by the general decline in non-performing loans and the improvement in solvency levels.

In July, the results of the stress tests of the main European banks were published. None of the six Spanish banks that took part were found to need additional capital and the impact of the adverse scenario was below the European average. Profitability, however, continues to be the main challenge for banks, on account of various factors: on the one hand, the pressure on margins in a very low interest rate environment, the still limited business volume and the high level of non-performing assets; and on the other, the regulatory pressure. Banks continue to focus their efforts on improving efficiency, as shown by the plans to adjust capacity launched during the year. Efforts to exploit digital technology to achieve that objective continue, while competitive pressure from these new players has intensified.

3. SUMMARY OF RESULTS

In 2016 the Group obtains attributable profit of 804 million euros

Methodological note: *To facilitate comparison, this report shows an income statement prepared on a constant perimeter basis, that is, excluding from the figures for 2015 the results of City National Bank of Florida (CNBF), (sold in October 2015).Also the net impact of the extraordinary provisions recorded in both financial years is isolated (65 million euros in 2016 for the mortgage floors and 184 million euros in 2015 to cover the contingencies associated with the 2011 Bankia IPO). The Group income statement without these adjustments is included in the Appendix.*

In 2016 the Bankia Group obtained attributable profit of 804 million euros (-8.4%). On a like-for-like basis (excluding CNBF and extraordinary provisions), the attributable profit is 869 million euros, 193 million euros less than in 2015. These results are influenced by the fall in the 12-month Euribor reaching negative rates, affecting the banking sector as a whole by reducing the yield on banks' credit and fixed-income portfolios.

To mitigate the impact of this complicated economic scenario, the focus of the Group's management has been on cost control and NPL reduction, resulting in **efficiency levels that are among the best in the Spanish banking sector and a significant improvement in the cost of risk.**

INCOME STATEMENT EXCLUDING CNBF AND THE IMPACT OF EXTRAORDINARY PROVISIONS

(€ million)	FY2016	FY2015	Change Amount	Change %
Net interest income	**2,148**	**2,621**	**(473)**	**(18.1%)**
Dividends	4	4	1	14.7%
Share of profit/(loss) of companies accounted for using the equity method	38	32	6	20.2%
Total net fees and commissions	824	929	(106)	(11.4%)
Gains/(losses) on financial assets and liabilities	241	279	(38)	(13.6%)
Exchange differences	13	30	(17)	(56.5%)
Other operating income/(expense)	(102)	(219)	117	(53.3%)
Gross income	**3,166**	**3,677**	**(510)**	**(13.9%)**
Administrative expenses	(1,387)	(1,451)	64	(4.4%)
Staff costs	(907)	(930)	23	(2.4%)
General expenses	(480)	(522)	42	(8.0%)
Depreciation and amortisation	(161)	(147)	(15)	9.9%
Operating income before provisions	**1,619**	**2,079**	**(460)**	**(22.1%)**
Provisions	(225)	(547)	323	(58.9%)
Provisions (net)	(3)	32	(36)	(110.8%)
Impairment losses on financial assets (net)	(221)	(579)	358	(61.8%)
Operating profit/(loss)	**1,394**	**1,532**	**(138)**	**(9.0%)**
Impairment losses on non-financial assets	(8)	28	(36)	(128.7%)
Other gains and other losses	(302)	(191)	(111)	58.1%
Profit/(loss) before tax	**1,084**	**1,369**	**(285)**	**(20.8%)**
Corporate income tax	(217)	(286)	69	(24.2%)
Profit/(loss) after tax	**867**	**1,083**	**(216)**	**(19.9%)**
Profit/(Loss) attributable to minority interests	(2)	21	(23)	(109.5%)
Profit/(loss) attributable to the Group	**869**	**1,062**	**(193)**	**(18.2%)**
Net impact from extraordinary provisions (1)	(65)	(184)	119	(64.6%)
Attributable profit after extraordinary provisions	**804**	**878**	**(74)**	**(8.4%)**
City National Bank of Florida Impact	-	162	(162)	(100.0%)
Reported profit attributable to the Group	**804**	**1,040**	**(236)**	**(22.7%)**
Cost to Income ratio (2)	**48.9%**	**43.5%**	**+5.5 p.p.**	**12.7%**
Recurring Cost to Income ratio (3)	**53.2%**	**47.5%**	**+5.7 p.p.**	**12.0%**

(1) Net provision of €65mn due to the mortgage floors on 2016 and €184mn due to the IPO on 2015

(2) Operating expenses / Gross income

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

Bankia
LET´S KEEP WORKING

QUARTERLY RESULTS EXCLUDING CNBF AND EXTRAORDINARY PROVISIONS

(€ million)	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Net interest income	**517**	**507**	**546**	**577**	**658**	**648**	**657**	**659**
Dividends	0	0	3	0	0	0	3	1
Share of profit/(loss) of companies accounted for using the equity r	9	8	13	8	8	7	12	6
Total net fees and commissions	213	204	207	200	228	225	245	230
Gains/(losses) on financial assets and liabilities	57	65	58	61	56	73	77	72
Exchange differences	(1)	(2)	8	7	9	10	13	(1)
Other operating income/(expense)	(90)	(10)	(2)	(1)	(192)	(4)	(10)	(12)
Gross income	**706**	**774**	**833**	**853**	**767**	**959**	**997**	**954**
Administrative expenses	(330)	(346)	(349)	(362)	(359)	(357)	(365)	(371)
Staff costs	(218)	(223)	(227)	(239)	(233)	(228)	(231)	(237)
General expenses	(112)	(123)	(122)	(124)	(126)	(128)	(134)	(134)
Depreciation and amortisation	(46)	(40)	(38)	(37)	(39)	(38)	(36)	(33)
Operating income before provisions	**331**	**388**	**446**	**454**	**369**	**564**	**596**	**550**
Provisions	31	(52)	(87)	(116)	(76)	(149)	(148)	(175)
Provisions (net)	(5)	53	(24)	(28)	(8)	5	12	23
Impairment losses on financial assets (net)	35	(105)	(64)	(87)	(67)	(155)	(160)	(198)
Operating profit/(loss)	**361**	**336**	**359**	**338**	**294**	**415**	**448**	**375**
Impairment losses on non-financial assets	(3)	3	(6)	(2)	42	(4)	(9)	(2)
Other gains and other losses	(215)	(38)	(28)	(21)	(60)	(29)	(45)	(57)
Profit/(loss) before tax	**143**	**302**	**324**	**315**	**276**	**382**	**394**	**317**
Corporate income tax	(8)	(51)	(79)	(78)	(25)	(83)	(98)	(80)
Profit/(loss) after tax	**135**	**251**	**245**	**237**	**251**	**299**	**296**	**237**
Profit/(Loss) attributable to minority interests	(3)	1	0	0	1	14	1	5
Profit/(loss) attributable to the Group	**138**	**250**	**245**	**237**	**250**	**285**	**296**	**232**
Net impact from extraordinary provisions (1)	(65)	-	-	-	(184)	-	-	-
Attributable profit after extraordinary provisions	**73**	**250**	**245**	**237**	**66**	**285**	**296**	**232**
City National Bank of Florida Impact	-	-	-	-	118	15	16	13
Reported profit attributable to the Group	**73**	**250**	**245**	**237**	**185**	**300**	**311**	**244**
Cost to Income ratio (2)	**53.2%**	**49.9%**	**46.5%**	**46.8%**	**51.9%**	**41.2%**	**40.2%**	**42.4%**
Recurring Cost to Income ratio (3)	**57.8%**	**54.3%**	**50.5%**	**50.9%**	**56.7%**	**45.1%**	**44.2%**	**45.7%**

(1) Net provision of €65mn due to the mortgage floors on 2016 and €184mn due to the IPO on 2015

(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 2016 stands at 2,148 million euros, down 18.1% compared to 2015 on a constant perimeter basis. The key driver of this year-on-year decline was the fall in the Euribor, which subtracted 206 million euros from the Group's net interest income due to its impact on the yield of the loan book, especially mortgage loans.

  The fall in interest rates also reduced the yield of the fixed-income portfolios, as reflected mainly in the repricing of the SAREB bonds in December 2015, deducting 158 million euros from the Group's net interest income in 2016. Another factor that has specifically affected net interest income is the removal of floor clauses, which have not been included in mortgage loans to individuals since September 2015, subtracting 32 million euros from the Bankia Group's net interest income in 2016.

The management of the funding costs has allowed the Group to partly offset the impact of the market interest rate environment. This can be seen mainly in retail term deposits, the cost of which has been steadily lowered, quarter by quarter, from 0.80% in the fourth quarter of 2015 to 0.33% at the end of fourth quarter of 2016 (-47 bps).

The decline in the funding costs, combined with the lesser impact of the interest rates curve and the **increased volume of new lending in segments as consumer finance and businesses**, had a very positive effect in the last part of the year, particularly in the fourt quarter, mitigating the pressure of low interest rates on the loan yield. All this is reflected in the gross customers margin, which started to rebound in the fourth quarter to 1.49%, representing growth of 8 bps compared to that recorded at the third quarter of the year.

REVENUES AND EXPENSES

	4 Q 2016				3 Q 2016			
(€ million & %)	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%
Strict Customer Deposits	*98,267*	51.1%	*38*	*0.16%*	*97,241*	49.1%	*50*	*0.20%*
Repos	*1,239*	0.6%	*0.00*	*-0.001%*	*3,724*	1.9%	*0.01*	*0.00%*
Single-certificate covered bonds	*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 in 2016) following accounting standards. On the liabilities side, it works all the way around with regards to Deposits from central banks and credit institutions.

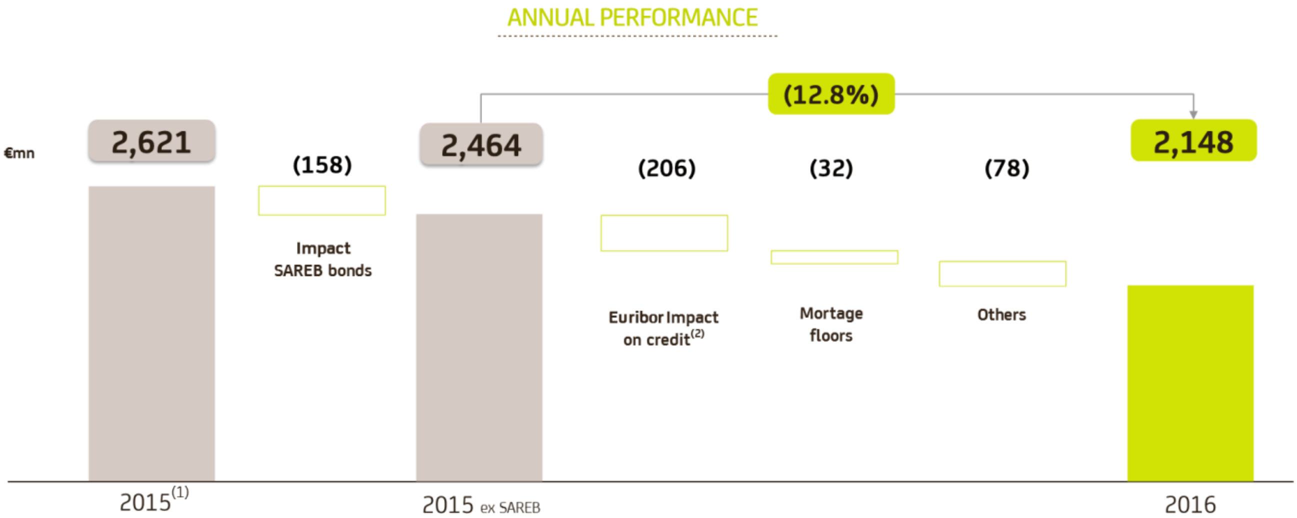
(2) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities

REVENUES AND EXPENSES

(€ million & %)	2 Q 2016 Average Amount	2 Q 2016 Weight (%)	2 Q 2016 Revenues /Expenses	2 Q 2016 Yield	1 Q 2016 Average Amount	1 Q 2016 Weight (%)	1 Q 2016 Revenues /Expenses	1 Q 2016 Yield
Loans and advances to credit institutions (1)	6,904	3.4%	7	0.39%	7,259	3.5%	4	0.23%
Net Loans and advances to customers (a)	107,288	52.9%	482	1.81%	107,900	52.5%	506	1.89%
Debt securities	55,375	27.3%	188	1.36%	55,197	26.8%	217	1.58%
Other interest earning assets (2)	352	0.2%	2	2.17%	357	0.2%	2	2.35%
Other non-interest earning assets	32,719	16.1%	-	-	34,914	17.0%	-	-
Total Assets (b)	**202,639**	**100.0%**	**678**	**1.35%**	**205,627**	**100.0%**	**729**	**1.43%**
Deposits from central banks and credit institutions	40,198	19.8%	21	0.21%	41,099	20.0%	23	0.22%
Customer deposits (c)	105,835	52.2%	67	0.26%	105,482	51.3%	85	0.33%
Strict Customer Deposits	*94,575*	46.7%	*59*	*0.25%*	*93,231*	45.3%	*75*	*0.32%*
Repos	*5,507*	2.7%	*0.02*	*0.001%*	*5,880*	2.9%	*0.16*	*0.011%*
Single-certificate covered bonds	*5,753*	2.8%	*8*	*0.53%*	*6,371*	3.1%	*10*	*0.62%*
Marketable securities	24,078	11.9%	34	0.57%	23,395	11.4%	34	0.58%
Subordinated liabilities	1,046	0.5%	8	3.01%	1,057	0.5%	8	3.13%
Other interest earning liabilities (2)	985	0.5%	2	0.72%	953	0.5%	2	0.75%
Other liabilities with no cost	17,899	8.8%	-	-	20,996	10.2%	-	-
Equity	12,598	6.2%	-	-	12,647	6.2%	-	-
Total equity and liabilities (d)	**202,639**	**100.0%**	**132**	**0.26%**	**205,627**	**100.0%**	**152**	**0.30%**
Customer margin (a-c)				**1.55%**				**1.56%**
Net interest margin (b-d)			**546**	**1.08%**			**577**	**1.13%**

(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 in 2016) 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



(1) 2015 results exclude City National Bank contribution in order to facilitate comparison with 2016 results
(2) Includes estimated impact in interest rate curve in mortgages, credit to businesses and lending to public sector

- In 2016, **net fee and commision income** totalled 824 million euros, compared to 929 million euros in 2015 on a like-for-like basis (ex CNBF). Various singular factors played a role in this outcome, most notably the implementation since January 2016 of the new strategy of waiving all fees to those customers with direct income deposit (with an impact of 40 million euros), the reduced volume of fee income from the sale and management of portfolios of non-performing and defaulted loans, and the decline in dunning fees.

In the more recurring banking activity, fees for payments services increased in the last quarter of the year (+9.3% vs 3Q), driven by the seasonal growth of card activity and increased sales of mutual funds and insurance. Starting in the third quarter this year, income from exchange differences in customers transctions at the retail branches are recorded under this chapter by application of Circular 4/2016 from Bank of Spain.

NET FEE AND COMMISSION INCOME

(€ million)	FY 2016	FY 2015	Change FY 2016/FY 2015	
Contingent risks and commitments	85	93	(8)	(8.2%)
Payments services	283	346	(63)	(18.1%)
Securities brokerage service	53	54	(1)	(1.7%)
Marketing of products	281	285	(4)	(1.5%)
Management and sale of NPLs and write offs	16	54	(38)	(70.9%)
Claims on Past due	101	113	(12)	(10.3%)
Other	82	76	5	7.2%
Fees and commissions received	**901**	**1,021**	**(120)**	**(11.7%)**
Fees and commissions paid	**77**	**83**	**(6)**	**(6.9%)**
TOTAL NET FEE AND COMMISSION INCOME	**824**	**938**	**(114)**	**(12.2%)**
of which: City National Bank of Florida	**-**	**9**	**(9)**	**(100.0%)**

(€ million)	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 4Q 2016/3Q 2016	
Contingent risks and commitments	21	21	23	21	23	23	23	24	(0)	(2.0%)
Payments services	74	68	71	70	88	83	89	85	6	9.3%
Securities brokerage service	14	13	14	13	14	13	14	14	1	10.4%
Marketing of products	70	69	71	71	69	72	78	66	1	1.1%
Management and sale of NPLs and write offs	4	4	5	2	10	13	14	17	0	0.9%
Claims on Past due	26	24	26	25	27	25	32	29	2	9.6%
Other	23	26	18	15	21	19	20	17	(2)	(9.6%)
Fees and commissions received	**232**	**224**	**227**	**218**	**250**	**248**	**271**	**251**	**8**	**3.5%**
Fees and commissions paid	**19**	**19**	**21**	**18**	**21**	**21**	**22**	**19**	**(1)**	**(3.6%)**
TOTAL NET FEE AND COMMISSION INCOME	**213**	**204**	**207**	**200**	**229**	**228**	**248**	**233**	**9**	**4.2%**
of which: City National Bank of Florida	**-**	**-**	**-**	**-**	**1**	**2**	**3**	**3**	**-**	**-**

- **Net trading income (NTI)** contributed 241 million euros to the consolidated income statement for 2016 (-13.6% vs. 2015 on a like-for-like basis), generated basically by the rolling of government debt securities held in the available-for-sale portfolio, realising gains. The biggest quarterly contribution to NTI for the year came in the third quarter due to the higher rolling volume of ALCO portfolios.

- In 2016 the Group's income statement includes **foreign exchange** gains of 13 million euros, down from 30 million euros in 2015 as a result of the reclassification in the third quarter of the revenues from foreign exchange differences associated with customer transactions at the retail branches, which under Bank of Spain Circular 4/2016 rules, must now be reported as fees and commissions.

- **Other operating income and expenses** show a net expense of 102 million euros in 2016, down 53.3% than the figure (117 million euros) reported in the income statement for 2015 on a like-for-like basis. This **positive performance** is attributable to the profit on the sale of Visa Europe in June 2016 (58 million euros), the lower annual contribution to the National Resolution Fund, and the decline in costs for losses, fraud and other irregularities.

- Combining the above items, **gross income** for 2016 reached 3,166 million euros, 13.9% less than reported in 2015 on a like-for-like basis.

- Cost management was one of the key factors in palliating the difficult negative interest rate environment. Thus, **operating expenses (administrative expenses and depreciation and amortisation expense) followed a steady downward trend from the first quarter of the year**, posting a year-on-year decrease of 3.1% after adjusting for the effect of the sale of CNBF. The most marked decreases are in staff costs and general expenses, as a result of various cost containment and cost rationalisation initiatives implemented once the Group's restructuring process was complete.

This cost control has allowed the Bankia Group to maintain an efficiency ratio of 48.9% at year-end 2016, which is one of the best ratios among the largest Spanish financial institutions.

ADMINISTRATIVE EXPENSES

(€ million)	FY 2016	FY 2015	Change FY 2016/FY 2015	
Staff cost	**907**	**971**	**(64)**	**(6.6%)**
Wages and salaries	701	724	(23)	(3.2%)
Social security costs	169	175	(6)	(3.4%)
Pension plans	15	42	(27)	(64.4%)
Others	22	30	(8)	(25.8%)
General expenses	**480**	**541**	**(61)**	**(11.2%)**
From property, fixtures and supplies	109	123	(14)	(11.5%)
IT and communications	154	161	(7)	(4.3%)
Advertising and publicity	42	50	(8)	(15.9%)
Technical reports	37	41	(4)	(10.6%)
Surveillance and security courier services	14	15	(0)	(2.3%)
Levies and taxes	31	60	(28)	(47.1%)
Insurance and self-insurance premiums	4	5	(1)	(21.3%)
Other expenses	88	86	2	2.3%
TOTAL ADMINISTRATIVE EXPENSES	**1,387**	**1,511**	**(125)**	**(8.2%)**
of which: City National Bank of Florida	**-**	**60**	**(60)**	**(100.0%)**

(€ million)	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 4Q 2016/3Q 2016	
Staff cost	**218**	**223**	**227**	**239**	**234**	**242**	**244**	**250**	**(5)**	**(2.2%)**
Wages and salaries	166	174	176	184	171	182	185	185	(8)	(4.7%)
Social security costs	41	41	42	44	43	42	44	46	0	0.8%
Pension plans	5	3	4	4	10	10	12	10	2	73.3%
Others	6	5	4	7	11	7	3	10	1	20.3%
General expenses	**112**	**123**	**122**	**124**	**127**	**134**	**140**	**140**	**(11)**	**(9.3%)**
From property, fixtures and supplies	29	25	28	27	31	31	29	31	4	14.0%
IT and communications	39	38	39	39	38	39	43	42	1	2.0%
Advertising and publicity	11	12	9	11	11	12	13	15	(1)	(7.4%)
Technical reports	14	10	6	6	7	15	8	11	4	40.4%
Surveillance and security courier services	3	4	4	3	4	4	4	4	(0)	(9.4%)
Levies and taxes	(13)	15	14	15	17	14	14	14	(28)	(181.9%)
Insurance and self-insurance premiums	1	1	1	1	1	1	1	1	(0)	(4.5%)
Other expenses	28	18	22	21	18	19	27	22	10	53.7%
TOTAL ADMINISTRATIVE EXPENSES	**330**	**346**	**349**	**362**	**361**	**376**	**384**	**390**	**(16)**	**(4.7%)**
of which: City National Bank of Florida	-	-	-	-	3	19	19	19	-	-

- The **steady improvement in the Group's assets quality,** with decreases in both NPLs and foreclosed assets, **led to a remarkable decrease in provisioning** in 2016, which is another of the levers that have allowed the Group to cushion the impact of the interest rate environment on operating margins. In 2016 the Bankia Group recorded a total of 221 million euros of provisions for impairment of financial assets, down 61.8% on 2015. **The lower level of provisioning has reduced the Group's cost of risk, which in 2016 stands at 0.24% (not considering the release of credit provisions in 4Q16 as a consequence of the change in estimates introduced by the new Anejo IX of Bank of Spain Circular), down 19 basis points on 2015**.

  Other net provisions were negative 3 million euros in 2016, compared to positive 32 million euros in 2015. These balances reflect the increased volume of guarantees released and other off-balance-sheet exposures and other contingent liabilities recorded in 2015 and are expressed on a like-for-like basis, i.e., excluding the extraordinary provisions recorded to cover contingencies arising from the nullity of floor clauses in retail mortgages (93 million euros provisioned in 2016) and the costs associated with the 2011 Bankia IPO (184 million euros provided in 2015). At 31 December 2015 Bankia had provisions totalling 114 million euros to cover the risk of nullity of the floor clauses with retroactive effect until 9 May 2013. With the provisions recorded in the second half of 2016, Bankia has covered the potential contingencies that could finally materialise as a result of the nullity of floor clauses in retail mortgages.

(€ million)	FY 2016	FY 2015	Change FY 2016/FY 2015	
Impairment losses on financial assets (net)	(221)	(583)	362	(62.0%)
Impairment losses on non-financial assets	(8)	28	(36)	(128.7%)
Foreclosed assets	(268)	(202)	(67)	33.1%
Provisions (net)	(3)	32	(35)	(110.9%)
TOTAL RECURRENT PROVISIONS	**(501)**	**(724)**	**223**	**(30.8%)**
IPO contingency provision (1)	-	(184)	184	(100.0%)
Mortgage floors contingency provision	(93)	-	(93)	-
TOTAL PROVISIONS	**(594)**	**(908)**	**314**	**(34.6%)**
of which: City National Bank of Florida	**-**	**(3)**	**(3)**	**(100.0%)**

(1) Provision charged against the P/L account. In adition, there was a charge against reserves of €240mn on 4Q2015.

Bankia
LET´S KEEP WORKING

(€ million)	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 4Q 2016/3Q 2016	
Impairment losses on financial assets (net)	35	(105)	(64)	(87)	(70)	(156)	(159)	(198)	140	-
Impairment losses on non-financial assets	(3)	3	(6)	(2)	42	(4)	(9)	(2)	(6)	-
Foreclosed assets	(207)	(39)	(12)	(10)	(76)	(28)	(55)	(43)	(169)	438.5%
Provisions (net)	(5)	53	(24)	(28)	(8)	5	12	23	(58)	-
TOTAL RECURRENT PROVISIONS	**(180)**	**(87)**	**(106)**	**(128)**	**(112)**	**(182)**	**(211)**	**(219)**	**(93)**	**106.4%**
IPO contingency provision(1)	-	-	-	-	(184)	-	-	-	184	-
Mortgage floors contingency provision	(93)	-	-	-	-	-	-	-	(93)	-
TOTAL PROVISIONS INCLUDING IPO CONTING	**(273)**	**(87)**	**(106)**	**(128)**	**(296)**	**(182)**	**(211)**	**(219)**	**(186)**	**213.0%**
of which: City National Bank of Florida	**-**	**-**	**-**	**-**	**(2)**	**(1)**	**-**	**-**	**-**	**-**

(1) Provision charged against the P/L account. In adition, there was a charge against reserves of €240mn on 4Q2015.

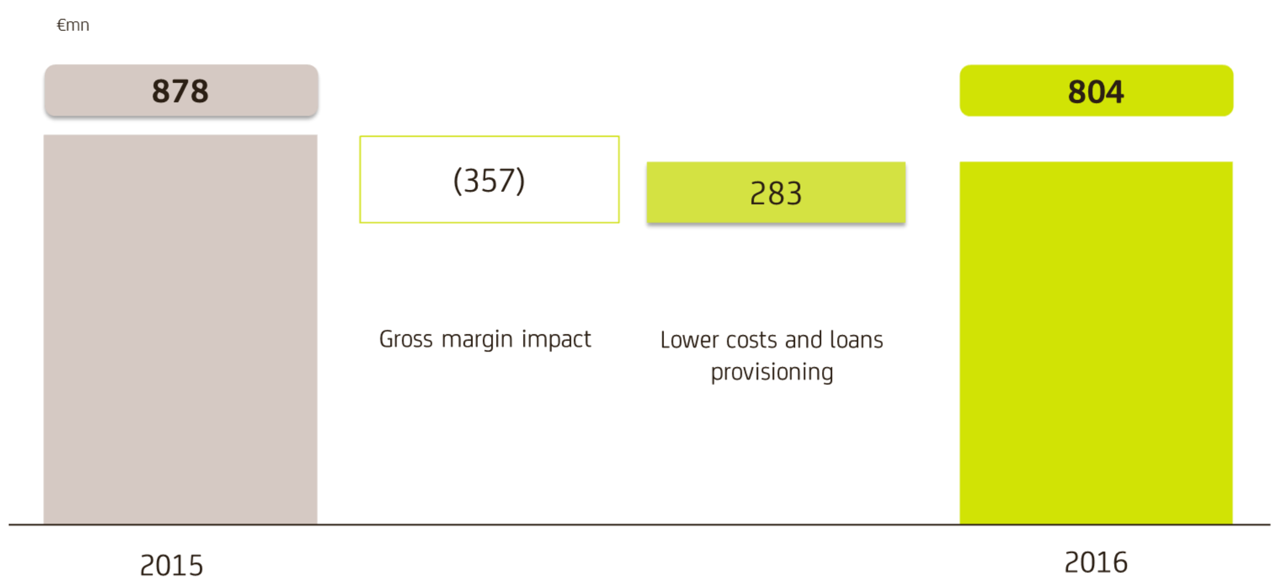
- **Other gains and losses** shows a negative 302 million euros in 2016, 58.1% above the previous year, due to further impairment losses on foreclosed assets recognised by the Group in 2016 (+33.1% vs. 2015) as a consequence of the change in estimates introduced by the new Anejo IX of Bank of Spain Circular 4/2016. The increased impairment of foreclosed assets (140 miilion euros) resulting from the change in estimates due to the Anejo IX of Bank of Spain Circular, has had no impact on the Group's income statement, as it has been offset by the release of provisions for financial assets during the year.

  Other gains and losses are shown on a like-for-like basis in both financial years and so exclude the extraordinary profit obtained by the Group in 2015 from the sale of CNBF.

- As a result of the performance at the above items, **the Bankia Group's attributable profit for 2016 stands at 804 million euros, compared to 878 million euros in 2015**, on a like-for-like basis, after eliminating the effect of the deconsolidation of CNBF in 2015. Excluding the net impact of the extraordinary provisions recorded in 2016 and 2015 to cover the contingencies associated with the nullity of mortgage floors and the 2011 Bankia IPO, the attributable profit totals 869 million euros in 2016, 18.2% lower compared with 2015.

  The Group's competitive advantages in costs and risk management have been key to achieving this result, partly offsetting the impact of the interest rate environment on business margins

ATTRIBUTABLE PROFIT



*Note: 2015 results exclude City National Bank contribution in order to facilitate comparison with 2016 results

4. BALANCE SHEET PERFORMANCE

(€ million)	Dec-16	Dec-15	Change Amount	Change %
Cash and balances at central banks	2.854	4.042	(1.188)	(29,4%)
Financial assets held for trading	8.331	12.202	(3.871)	(31,7%)
Trading derivatives	8.256	12.076	(3.820)	(31,6%)
Equity instruments	5	54	(49)	(90,7%)
Debt securities	71	72	(2)	(2,5%)
Available-for-sale financial assets	25.249	31.089	(5.840)	(18,8%)
Debt securities	25.223	31.089	(5.866)	(18,9%)
Equity instruments	26	0	26	-
Loans and receivables	108.817	116.713	(7.896)	(6,8%)
Debt securities	563	762	(199)	(26,1%)
Loans and advances to credit institutions	3.578	5.381	(1.803)	(33,5%)
Loans and advances to customers	104.677	110.570	(5.893)	(5,3%)
Held-to-maturity investments	27.691	23.701	3.990	16,8%
Hedging derivatives	3.631	4.073	(442)	(10,9%)
Equity investments	282	285	(4)	(1,2%)
Tangible and intangible assets	1.878	2.261	(383)	(16,9%)
Non-current assets held for sale	2.260	2.962	(702)	(23,7%)
Other assets, prepayments and accrued income, and tax as	9.174	9.642	(468)	(4,8%)
TOTAL ASSETS	**190.167**	**206.970**	**(16.802)**	**(8,1%)**
Financial liabilities held for trading	8.983	12.408	(3.425)	(27,6%)
Trading derivatives	8.524	12.394	(3.870)	(31,2%)
Short positions	459	14	445	3291,0%
Financial liabilities at amortised cost	164.636	176.276	(11.640)	(6,6%)
Deposits from central banks	14.969	19.474	(4.505)	(23,1%)
Deposits from credit institutions	23.993	23.228	765	3,3%
Customer deposits and funding via clearing houses	105.155	108.702	(3.547)	(3,3%)
Debt securities in issue	19.846	23.927	(4.081)	(17,1%)
Other financial liabilities	673	945	(273)	(28,8%)
Hedging derivatives	724	978	(254)	(25,9%)
Provisions	1.405	2.898	(1.493)	(51,5%)
Other liabilities, accruals and deferred income & tax liabilit	1.582	1.714	(131)	(7,7%)
TOTAL LIABILITIES	**177.330**	**194.274**	**(16.943)**	**(8,7%)**
Minority interests	45	66	(21)	(31,8%)
Valuation adjustments	489	696	(207)	(29,7%)
Equity	12.303	11.934	369	3,1%
TOTAL EQUITY	**12.837**	**12.696**	**141**	**1,1%**
TOTAL EQUITY AND LIABILITIES	**190.167**	**206.970**	**(16.802)**	**(8,1%)**

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 December 2016 but also for December 2015, for comparison purposes.

Strong commercial performance, with growth in lending in key segments and increased new customer funds

- Continued boost to coomercial activity in 2016, with significant improvements in our customers satisfaction index and the Group's multi-channel strategy, which translated into higher lending volumes to more profitable segments and increased new retail customers funds. foreclosed

  Positive performance of the outstanding balances of consumer finance and businesses, with increasing volumes of new lending during the course of the year, showing a 0.8% increase year on year. This growth is calculated excluding real estate loans and the effect of portfolio sales executed during the year.

  New lending to consumers and businesses is accounted under unsecured loans, which posted growth of 11.5% compared to December 2015. In the mortgages portfolio, in contrast, cancellations still exceed new loans, resulting in a decline of 6% in secured loans, compared with year-end 2015.

Non-performing loans (NPLs) continued to perform very positively, decreasing 12.5% over the year, mainly organically. Even so, the Bankia Group continued with its portfolio sales in 2016, completing various sales of NPLs during the course of the year for an aggregate total of 455 million euros.

Gross loans and advances to customers, thus, ended 2016 at 110,595 million euros, down 6.3% on December 2015. Not including NPLs and deducting repo transactions and the balances with BFA, the performing loan portfolio was down 4.1%, **maintaining the gradual trend towards stabilisation that has been observed since December 2015.**

CUSTOMER LOANS

			Change	
(€ million)[1]	Dec-16	Dec-15	Amount	%
Spanish public sector	5,070	5,738	(668)	(11.6%)
Other resident sectors	90,622	93,730	(3,108)	(3.3%)
Secured loans and advences	65,746	69,960	(4,215)	(6.0%)
Personal guarantee loans	16,768	15,035	1,733	11.5%
Business loans and other credit facilities	8,108	8,735	(627)	(7.2%)
Non-residents	3,091	3,128	(36)	(1.2%)
Repo transactions	517	1,096	(579)	(52.8%)
Of which: reverse repurchase agreements with BFA	*49*	*899*	*(850)*	*(94.6%)*
Other financial assets	586	2,043	(1,457)	(71.3%)
Of which: collection right against BFA due to the IPO [2]	*76*	*1,104*	*(1,028)*	*(93.1%)*
Of which: Collateral provided to BFA [3]	*0*	*1*	*(1)*	*(65.9%)*
Other valuation adjustments	(9)	(9)	0.6	(6.5%)
Non-performing loans	10,717	12,252	(1,535)	(12.5%)
Gross loans and advances to customers	**110,595**	**117,977**	**(7,383)**	**(6.3%)**
Loan loss reserve	(5,918)	(7,407)	1,489	(20.1%)
NET LOANS AND ADVANCES TO CUSTOMERS	**104,677**	**110,570**	**(5,893)**	**(5.3%)**
Gross loans & advances to customers ex. balances with BFA	**110,470**	**115,973**	**(5,503)**	**(4.7%)**
NET LOANS & ADVANCES TO CUSTOMERS EX. BALANCES WITH BFA	**104,552**	**108,565**	**(4,014)**	**(3.7%)**

(1) Credit distribution mantaining 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 the Repo and derivatives transactions

- **Retail funds (strict customer deposits and off-balance-sheet assets under management) grew 2.5% on a combined basis**, reaching 118,944 million euros in December 2016.

  In line with the market, the fastest-growing products were the ones with the lowest costs (savings accounts, +13%, and demand accounts, +20.4%) and mutual funds (+8.2%), which continue to channel the savings from our customers from term deposits. In mutual funds, the intense activity carried out by Bankia Fondos increased the Bankia Group's market share by nine basis points in the year, to 5.53% in December 2016. Adding to this the activity in pension funds, the Bankia Group posted growth of 5.7% in off-balance-sheet managed funds compared to year-end 2015.

  Wholesale debt, meanwhile, was down 4,080 million euros in the year, reflecting maturities during the year, mainly of mortgage covered bonds ("cédulas hipotecarias"), which have not been replaced by new issuances, given the liquidity generated by the improvement in the commercial gap.

CUSTOMER FUNDS

			Change	
(€ million)	Dec-16	Dec-15	Amount	%
Spanish public sector	5,029	6,779	(1,750)	(25.8%)
Other resident sectors	97,598	98,898	(1,301)	(1.3%)
Current accounts	19,863	16,500	3,363	20.4%
Savings accounts	29,936	26,490	3,446	13.0%
Term deposits and other	47,799	55,908	(8,110)	(14.5%)
Repo transactions	1,209	3,637	(2,428)	(66.8%)
Singular mortgage securities	5,098	6,475	(1,378)	(21.3%)
Rest	41,492	45,796	(4,304)	(9.4%)
Non-residents	2,528	3,025	(496)	(16.4%)
Repo transactions	0	1,600	(1,600)	(100.0%)
Funding via clearing houses and customer deposits	**105,155**	**108,702**	**(3,547)**	**(3.3%)**
Debentures and other marketable securities	18,801	22,881	(4,080)	(17.8%)
Subordinated loans	1,045	1,046	(0)	(0.0%)
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**125,001**	**132,629**	**(7,628)**	**(5.8%)**
Mutual funds	13,617	12,580	1,037	8.2%
Pension funds	6,478	6,436	42	0.7%
Off-balance-sheet customer funds (1)	**20,096**	**19,016**	**1,080**	**5.7%**
TOTAL CUSTOMER FUNDS	**145,097**	**151,645**	**(6,548)**	**(4.3%)**

(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%.

						Change	
(€ million)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Dec-16/Dec-15	
Spanish public sector	**5,029**	**5,849**	**6,947**	**4,387**	**6,779**	**(1,750)**	**(25.8%)**
Other resident sectors	**91,291**	**89,467**	**90,204**	**88,134**	**88,786**	**2,505**	**2.8%**
Current accounts	19,863	18,015	17,544	16,789	16,500	3,363	20.4%
Savings accounts	29,936	28,706	28,753	27,089	26,490	3,446	13.0%
Term deposits	41,492	42,747	43,906	44,256	45,796	(4,304)	(9.4%)
Non-residents	**2,528**	**2,693**	**1,520**	**1,479**	**1,425**	**1,103**	**77.5%**
Strict Customer Deposits	**98,848**	**98,010**	**98,670**	**94,000**	**96,990**	**1,859**	**1.9%**
Off-balance-sheet customer funds (1)	**20,096**	**19,720**	**19,400**	**19,086**	**19,016**	**1,080**	**5.7%**
Total customer funds + off-balance funds	**118,944**	**117,730**	**118,070**	**113,086**	**116,006**	**2,938**	**2.5%**

(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

Improvement in asset quality, with a lower NPL ratio and a lower volume of foreclosed assets

The improvement in NPLs already seen in 2015 continued in 2016. The Group's NPLs totalled 11,476 million euros at year-end, down 11.7% (1,520 million euros) compared to December 2015. Most of this decrease was organic, due to the reduced inflow of new NPLs and good recovery management, mainly in the mortgage segment. The rest is attributable to portfolio sales, mainly of non-performing loans to SMEs.

As a result of the decrease in NPLs, the Group's NPL ratio dropped to 9.8% at year-end 2016, an improvement of 100 basis points compared to December 2015. This fall in the NPL ratio follows an increase in NPLs in the fourth quarter of 2016 as a result of the change in estimates introduced by the new Anejo IX of Bank of Spain Circular 4/2016. The Group's NPL coverage ratio reached 55.1% at year-end.

The strategy of reducing problematic assets also extends to the outstanding balance of foreclosed assets, which is down 16.4% compared to December 2015. In 2016 the Group has sold 9,107 foreclosed properties, which represents 20% of the total stock of foreclosed assets at the beginning of the year. At year-end 2016, 80% of the portfolio consisted of liquid assets, mainly used housing and finished new build, which facilitates the divestment process.

NPL RATIO AND NPL COVERAGE RATIO

						Dec-16 / Dec-15	
(€ million and %)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Amount	%
Non-performing loans	11,476	11,298	11,751	12,564	12,995	(1,520)	(11.7%)
Total risk-bearing assets	117,205	118,469	120,146	119,366	120,924	(3,719)	(3.1%)
Total NPL ratio [1]	**9.8%**	**9.5%**	**9.8%**	**10.5%**	**10.8%**		**-1.0 p.p.**
Total provisions	6,323	6,839	7,141	7,601	7,794	(1,471)	(18.9%)
NPL coverage ratio	**55.1%**	**60.5%**	**60.8%**	**60.5%**	**60.0%**		**-4.9 p.p.**

(1) NPL ratio: (non-performing loans and advances to customers and contingent liabilities) / (loans, advances and contigent risks)
Excludes transactions with BFA (Dec-16 €76 million collection right from BFA, based on the agreement to provide 60% of the estimated contingency costs related to Bankia´s IPO, €49 million due to repo transactions and €0.4 million of collateral provided)

CHANGE IN NPLs

(€ million and %)	FY 2016	FY 2015	4Q 16	3Q 16	2Q 16	1Q 16	4Q 15	3Q 15	2Q 15	1Q 15
Non-performing loans at the begining of the period	**12,995**	**16,547**	**11,298**	**11,751**	**12,564**	**12,995**	**14,084**	**15,308**	**16,084**	**16,547**
+ Gross entries	2,371	3,730	671	484	551	665	1,266	746	857	861
- Recoveries	(3,602)	(5,059)	(705)	(785)	(1,095)	(1,017)	(1,502)	(1,065)	(1,273)	(1,219)
= Net entries	(1,232)	(1,329)	(34)	(301)	(545)	(352)	(236)	(319)	(416)	(358)
- Write offs	(325)	(325)	(110)	(83)	(53)	(79)	(147)	(29)	(44)	(104)
- Sales [1]	(455)	(1,898)	(171)	(69)	(215)	-	(706)	(876)	(316)	-
+ "Anejo IX" CBE 4/2016 Impact	492	-	492	-	-	-	-	-	-	-
Non-performing loans at the end of the period	**11,476**	**12,995**	**11,476**	**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 %)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Dec-16 / Dec-15 Amount	Dec-16 / Dec-15 %
Gross exposure							
Individuals	69,092	70,116	71,795	71,811	72,914	(3,822)	(5.2%)
Businesses	34,115	34,574	34,446	34,776	34,544	(429)	(1.2%)
Developers	1,386	1,453	1,551	1,648	1,814	(428)	(23.6%)
Public sector & others	5,877	6,137	6,721	6,121	6,701	(824)	(12.3%)
Gross Credit (1)	**110,470**	**112,280**	**114,513**	**114,356**	**115,973**	**(5,502)**	**(4.7%)**
Gross credit ex developers (1)	**109,085**	**110,827**	**112,962**	**112,708**	**114,159**	**(5,074)**	**(4.4%)**
Impairments							
Individuals	1,746	1,749	1,932	2,151	2,170	(424)	(19.5%)
Businesses	3,388	3,835	3,858	4,108	4,230	(842)	(19.9%)
Developers	784	836	890	936	1,007	(223)	(22.2%)
Total Impairments	**5,918**	**6,420**	**6,681**	**7,195**	**7,407**	**(1,489)**	**(20.1%)**
Coverage ex developers	**5,134**	**5,584**	**5,791**	**6,259**	**6,400**	**(1,266)**	**(19.8%)**
Coverage (%)							
Individuals	2.5%	2.5%	2.7%	3.0%	3.0%		-0.4 p.p.
Businesses	9.9%	11.1%	11.2%	11.8%	12.2%		-2.3 p.p.
Developers	56.6%	57.5%	57.4%	56.8%	55.5%		+1.0 p.p.
Total coverage	**5.4%**	**5.7%**	**5.8%**	**6.3%**	**6.4%**		**-1.0 p.p.**
Coverage ex developers	**4.7%**	**5.0%**	**5.1%**	**5.6%**	**5.6%**		**-0.9 p.p.**

(1) Gross Credit excludes transactions with BFA (Dec-16 €76 million collection right from BFA, based on the agreement to provide 60% of the estimated contingency costs related to Bankia´s IPO, €49 million due to repo transactions and €0.4 million of collateral provided)

RESTRUCTURED LOANS

(€ million)	Dec-16 (1)	Sep-16	Jun-16	Mar-16	Dec-15	Dec-16 / Dec-15 Amount	Dec-16 / Dec-15 %
Gross exposure							
Non-performing loans	7,268	7,013	7,246	7,915	8,224	(956)	(11.6%)
Performing loans	3,287	14,940	15,182	15,126	14,967	(11,680)	(78.0%)
Total refinanced	**10,555**	**21,954**	**22,428**	**23,041**	**23,191**	**(12,636)**	**(54.5%)**
Impairments							
Non-performing loans	3,392	3,702	3,765	4,042	4,076	(684)	(16.8%)
Performing loans	113	227	261	324	330	(218)	(65.9%)
Total Impairments	**3,504**	**3,929**	**4,026**	**4,366**	**4,406**	**(902)**	**(20.5%)**
Coverage (%)							
Non-performing loans	46.7%	52.8%	52.0%	51.1%	49.6%		-2.9 p.p.
Performing loans	3.4%	1.5%	1.7%	2.1%	2.2%		+1.2 p.p.
Total coverage	**33.2%**	**17.9%**	**18.0%**	**18.9%**	**19.0%**		**+14.2 p.p.**

(1) The change in the stock of refinanced loans during 2016 (€ 10,892million) is mainly due to the application of the disclose, classification and cure criteria set in CBE 4/2004, ammended in 2016 and in line with EBA and ECB recommendations.

BREAKDOWN OF FORECLOSED ASSETS

	Gross value (1)				
(€ million)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
Property assets from financing intended for construction and property development	373	386	412	414	430
Of which: finished buildings	273	280	299	303	305
Of which: buildings under construction	29	29	29	29	42
Of which: Land	72	76	85	83	83
Property acquired related to mortgage loans to homebuyers	2,502	2,584	2,696	2,764	2,838
Other foreclosed assets	574	573	601	607	606
Total	**3,449**	**3,543**	**3,709**	**3,786**	**3,874**

(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

	Impairments (1)				
(€ million)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
Property assets from financing intended for construction and property development	118	106	127	129	142
Of which: finished buildings	73	64	76	78	79
Of which: buildings under construction	9	9	12	12	23
Of which: Land	36	34	39	39	40
Property acquired related to mortgage loans to homebuyers	939	809	812	848	883
Other foreclosed assets	140	144	162	162	160
Total	**1,198**	**1,059**	**1,102**	**1,139**	**1,185**

(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

	Net value (1)				
(€ million)	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
Property assets from financing intended for construction and property development	255	279	285	286	288
Of which: finished buildings	200	217	223	225	226
Of which: buildings under construction	19	20	17	17	19
Of which: Land	36	43	45	44	43
Property acquired related to mortgage loans to homebuyers	1,563	1,775	1,884	1,916	1,955
Other foreclosed assets	434	430	439	445	445
Total	**2,251**	**2,484**	**2,608**	**2,647**	**2,689**

(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 Group's liquid assets stood at 29,835 million euros at year-end 2016, 4,769 million euros less than in December 2015, as a result of maturities, collateral management and the trend in the commercial gap during the period.

In line with the retail banking model on which its activity is based, the Bankia Group funds its loan portfolio mainly through customers funds. Thus, at year-end 2016 the Group had a balanced retail funding structure and was operating with a loan-to-deposit ratio (LTD) of 97.2%.

Additionally, Bankia raises funds in the wholesale markets to supplement its structural liquidity needs. At 31 December 2016 wholesale debt accounted for 12% of the Group's liabilities and consisted mainly of mortgage covered bonds, including the new issuances during the year in an aggregate amount of 2,286 million euros.

ECB funding totalled 14,969 million euros, fully related to funds borrowed in the ECB TLTRO auctions. As of December 2016, the Group had fully amortised its ECB short term funding (MRO).

LTD RATIO AND COMMERCIAL GAP

			Change	
(€ million)	Dec-16	Dec-15	Amount	%
Net Loans and advances to customers	**104,677**	**110,570**	**(5,893)**	**(5.3%)**
o/w Repo transactions RPS[(1)]	469	195	274	140.6%
o/w Repo transactions NRE[(1)]	0	2	(2)	(100.0%)
o/w Repo transactions with BFA[(1)]	49	899	(850)	(94.6%)
o/w collateral delivered to BFA[(2)]	76	1,105	(1,029)	(93.1%)
a. Strict Net Loans and advances to customers	**104,083**	**108,369**	**(4,285)**	**(4.0%)**
Strict customer deposits and retail commercial paper	98,848	96,990	1,859	1.9%
Single-certificate covered bonds	5,098	6,475	(1,378)	(21.3%)
ICO/EIB deposits	3,117	2,928	189	6.5%
b. Total Deposits	**107,063**	**106,393**	**670**	**0.6%**
LTD ratio (a/b)	**97.2%**	**101.9%**		**-4.6 p.p.**

			Change	
(€ million)	Dec-16	Dec-15	Amount	%
Net Loans and advances to customers	**104,677**	**110,570**	**(5,893)**	**(5.3%)**
o/w Repo transactions RPS[(1)]	469	195	274	140.6%
o/w Repo transactions NRE[(1)]	0	2	(2)	(100.0%)
o/w Repo transactions with BFA[(1)]	49	899	(850)	(94.6%)
o/w collateral delivered to BFA[(2)]	76	1,105	(1,029)	(93.1%)
Strict Net Loans and advances to customers	**104,083**	**108,369**	**(4,285)**	**(4.0%)**
(-) Strict customer deposits and retail commercial paper	98,848	96,990	1,859	1.9%
(-) ICO/EIB deposits	3,117	2,928	189	6.5%
Strict Comercial GAP	**2,117**	**8,451**	**(6,333)**	**(74.9%)**

(1) Reverse repurchase agreements

(2) Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€76mn as of Dec-16 and €1,104mn as of Dec-15) and collateral provided to BFA (€0.4mn as of Dec-16 and €1mn as of Dec-15)

Bankia
LET´S KEEP WORKING

MATURITY OF ISSUES

(€ million)	2017 (1)	2018(1)	2019 (1)	>2019 (1)
Covered bonds	555	2,436	1,719	12,646
Senior debt	1,028	247	1,000	106
Subordinated debt	0	0	1,000	0
Securitisation	0	0	0	2,616
Total issuance maturities	**1,583**	**2,683**	**3,719**	**15,368**

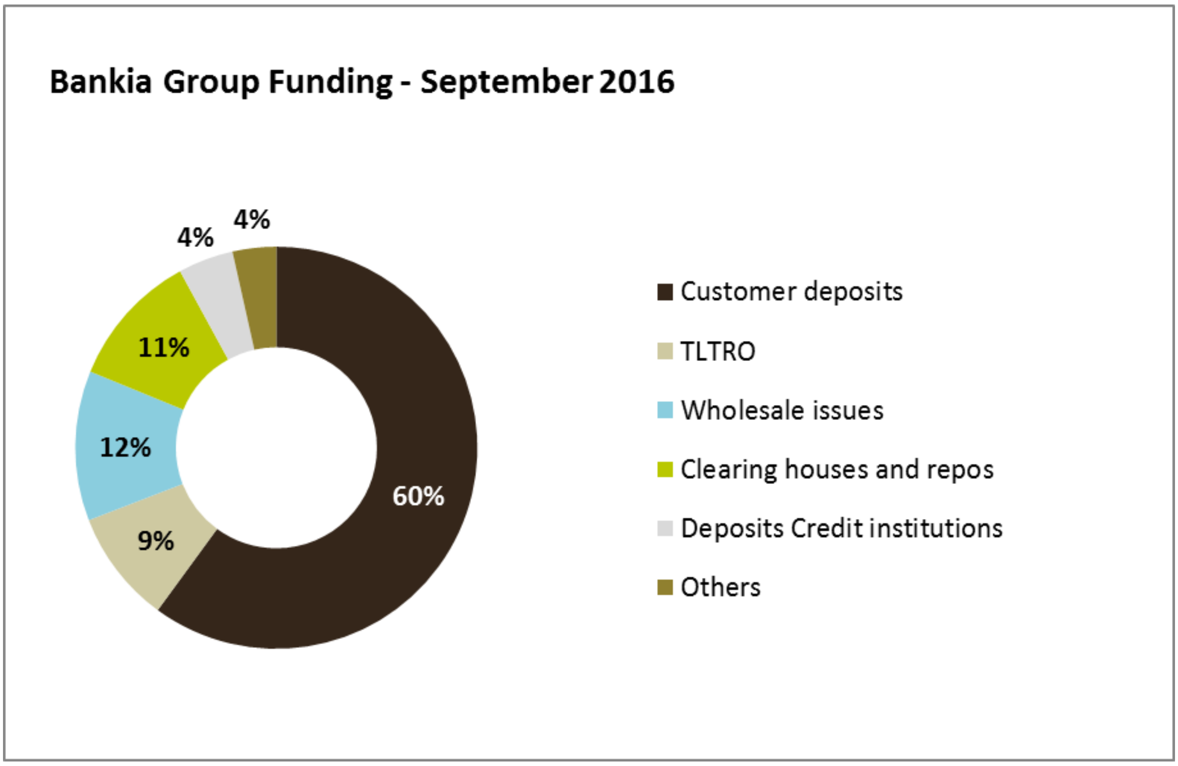
(1) Maturities of Bankia group in nominal values net of treasury shares and retained issuance

LIQUID ASSETS

(€ million)	Dec-16	Dec-15	Change Amount	Change %
Treasury account and deposit facility (1)	950	2,051	(1,101)	(53.7%)
Undrawn amount on the facility	1,881	5,354	(3,473)	(64.9%)
Highly liquid available assets (2)	27,004	27,199	(195)	(0.7%)
Total	**29,835**	**34,604**	**(4,769)**	**(13.8%)**

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

FUNDING STRUCTURE



7. SOLVENCY

The Bankia Group ended 2016 with a Phase In CET1 ratio of 14.70%, without including unrealised gains on the available for sale sovereign portfolio. This figure represents an increase of +81 bps compared to year-end 2015, demonstrating the Group's capacity to generate capital organically and allowing the bank to propose a dividend per share increase by 5% compared to the previous year. If the unrealised gains on the available-for-sale sovereign portfolio were included, the phase-in CET1 ratio would have been 15.00%.

This organic capital generation results from the capitalisation of profit, after deducting the foreseeable dividend, as part of a gradual balance sheet deleveraging process, and from the sale of non-strategic assets and the focus on growth in business segments considered strategic on account of their higher credit quality. Additionally, at 31 December 2016 the market risk assessment model is just under review and as a consequence there is an increase in the risk-weighted assets (RWAs), not due to market risk activity but to the fact that the model is under review, and this has an impact of 51 bps on the Phase In CET1 ratio and of 46 bps on the Fully Loaded CET1 ratio. Most probably during 2017, once the mentioned revision is concluded, such adjustements on the RWAs will revert.

The Fully Loaded CET1 ratio, without including unrealised gains on the available for sale sovereign portfolio, was 13.02%, which implies capital generation of +76 bps in the year. If the unrealised gains on the available-for-sale sovereign portfolio were included, the Fully Loaded CET1 ratio would have been 13.52%. The leverage ratio on a fully loaded basis at the end of 2016 is 5.33% (5.53% if the sovereign gains are included). Thus, at 31 December 2016, on a phase-in basis, the Bankia Group's surplus of CET1 capital above the SREP minimum requirement plus the combined buffer requirements is +439 basis points (+468 bps if the gains associated with the available-for-sale sovereign portfolio are included).

On a fully loaded basis, the surplus of CET1 capital over the SREP requirement plus combined buffer requirements would be +252 bps (+302 bps if the gains associated with the available-for-sale sovereign portfolio are included).

SOLVENCY RATIOS AND LEVERAGE

PHASE IN RATIOS

(€ million and %)	Dec -16 (1)(2)(3)	Dec -15 (1)
Eligible capital	12,359	12,323
Common equity Tier I (CET 1)	11,329	11,289
Capital	9,214	9,214
Reserves	2,330	1,730
Result attributable net of dividend acrual	487	738
Deductions	(663)	(410)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(38)	17
Tier I	11,329	11,289
Tier II	1,030	1,033
Instruments	1,000	1,000
Others	30	33
Risk-weighted assets	77,078	81,303
Common equity Tier I Phase In (CET 1) (%)	**14.70%**	**13.89%**
Tier I	14.70%	13.89%
Tier II	1.34%	1.27%
Solvency ratio - Total capital ratio (%)	**16.03%**	**15.16%**
Leverage ratio (phase in)	**5.97%**	**5.66%**
Total exposition leverage ratio	**189,610**	**199,551**

(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) 2016/445ECB regulation. Had they been included in the Phase in ratio, as of 31 December 2015, CET1 ratio would have been 14.23% and Total Solvency ratio 15.50%. 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

(3) Estimated figures

SOLVENCY RATIOS AND LEVERAGE

FULLY LOADED RATIOS

(€ million and %)	Dec -16 (1)(2)(3)	Dec -15 (1)
Eligible capital	11,068	10,998
Common equity Tier I (CET 1)	10,038	9,964
Capital	9,214	9,214
Reserves	2,330	1,730
Result attributable net of dividend acrual	487	738
Deductions	(1,965)	(1,748)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(27)	31
Tier I	10,038	9,964
Tier II	1,030	1,033
Instruments	1,000	1,000
Others	30	33
Risk-weighted assets	77,078	81,303
Common equity Tier I Phase In (CET 1) (%)	**13.02%**	**12.26%**
Tier I	13.02%	12.26%
Tier II	1.34%	1.27%
Solvency ratio - Total capital ratio (%)	**14.36%**	**13.53%**
Leverage ratio (phase in)	**5.33%**	**5.03%**
Total exposition leverage ratio	**188,308**	**198,212**

(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 31 December 2015, CET1 ratio would have been 13.11% and total solvency ratio 14.38%. 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

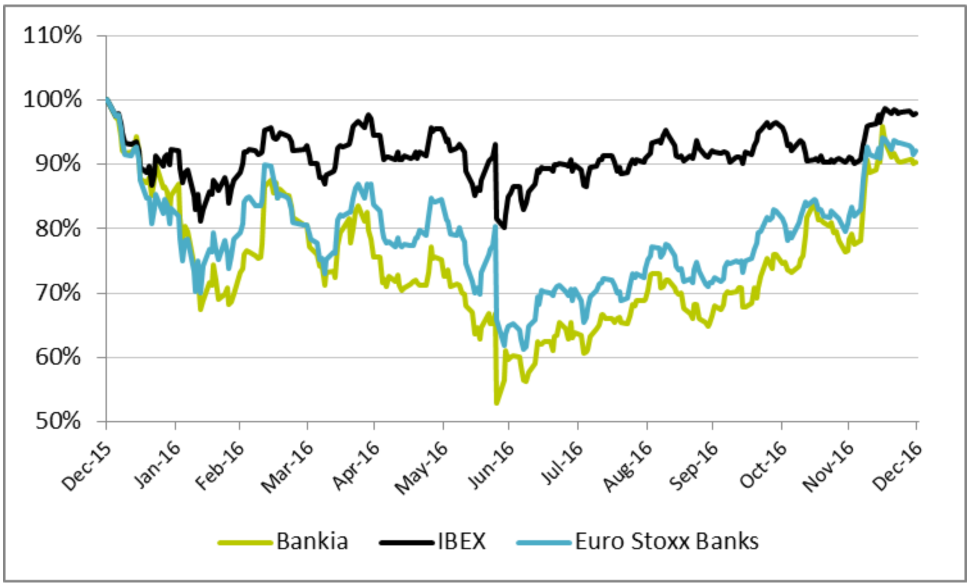
(3) Estimated figures

	Dec-16	
(%)	Phase In (1)	Fully Loaded (1)
Common equity Tier I Phase In - CET1	14.70%	13.02%
Total capital ratio	16.03%	14.36%
CET1 2016 SREP Requirement (incl. additional buffers)	10.31%	10.50%
Surplus over 2016 SREP requirement (incl. additional buffers)	**4.39%**	**2.52%**
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)	**6.82%**	**3.77%**
Surplus over Total solvency 2017 SREP requirement (incl. additional buffers)	**4.66%**	**1.61%**

(1) Does not include unrealised gains on the available for sale sovereign portfolio. Had they be included, surplus over 2016 SREP requirement incl. additional buffers would have been 4.68 p.p. Phase In and 3.02 p.p. Fully Loaded. Regarding 2017 SREP requirement incl. additional buffers, surplus on a Phase In basis would have been +7.12 p.p with regards to CET1 and +4.96 p.p. with regards to Total Solvency. And on a Fully Loaded basis surplus would have been +4.27 p.p with regards to CET1 and +2.10 p.p. with regards to Total solvency.

8. SHARE PERFORMANCE

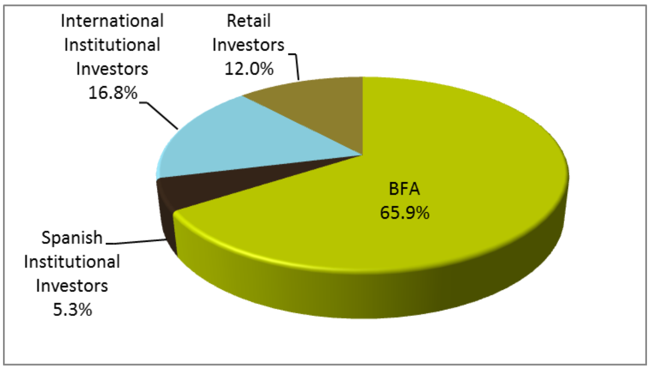
SHARE PRICE



MAJOR SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Dec-16
Number of shareholders [(1)]	241,879
Daily average volume (num. shares)	32,339,973
Daily average turnover (euros)	25,990,888
Maximum closing price (€/share)	1.044 (4-Jan)
Minimum closing price (€/share)	0.568 (24-Jun)
Closing price (€/share)	0.971 (30-Dec)

(1) Provisional data waiting for final adjustments after the came into force of the reform in the Stock market regarding Settlement and Registration which has affected all issuer.



At 31 December 2016 Bankia had 241,879 shareholders, down 193,876 compared to the previous year. This year-on-year decline in the number of shareholders is largely attributable to the changes in ownership in 2016 following the refunding of the investment to minority shareholders who bought shares in the IPO in 2011.

9. RATING

The achievement of all the objectives of the 2012-2015 Strategic Plan, coupled with the positive performance of the banking business, the reduction of problematic assets and the improvement in capitalisation, have had a positive effect on Bankia's ratings in 2016.

The most significant rating actions during the year are as follows:

- On 23 February 2016, Fitch Ratings ("Fitch") **upgraded Bankia's long-term rating from BB+ to BBB-**, with a Stable outlook. On 26 February 2016, Fitch upgraded the rating of Bankia's covered bonds from A- to A, also with a Stable outlook. The agency affirmed this rating on 5 August and 4 November.
- On 5 April 2016, Standard & Poor's Ratings Services ("S&P") **raised Bankia's long-term rating one notch to BB+** (from BB), maintaining the **Positive outlook**. On 15 January and 3 November 2016, following a thorough review of the rating of the Bank's mortgage covered bonds, S&P affirmed the rating at A+.
- On 8 July 2016, based on its assessment of the Group's intrinsic financial strength, the agency DBRS assigned to Bankia the following ratings, all of them with a 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).

  Additionally, on 23 June 2016 DBRS raised its rating of Bankia's mortgage covered bonds, which it has rated since 2014, one notch from AA to AA (high). On 23 September, DBRS affirmed the rating and outlook of Bankia's covered bonds.
- Also on 8 July, Scope Ratings assigned Bankia's mortgage covered bonds an AAA rating with a Stable outlook, based on the level of intrinsic strength, the legal and resolution framework applicable to mortgage covered bonds in Spain and an analysis of the mortgage portfolio backing the issue of Bankia's mortgage covered bonds.

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	3-Nov-16	4-Nov-16	23-Sep-16	8-Jul-16

10. SIGNIFICANT EVENTS DURING THE YEAR

Refunding of its investment to those retail investors who acquired shares during Bankia's IPO

On 17 February 2016, Bankia started a voluntary process to refund retail investors the amount they invested in buying Bankia shares in the 2011 IPO, adding a compensatory interest of 1% per annum for the time elapsed until the investment had been refunded.

The period to apply for a refund under this process started on 18 February 2016 and ended on until 18 May 2016.

The process was addressed exclusively to investors who subscribed shares in the IPO primary market in 2011 and only under the retail tranche. For those shareholders who had sold their shares, they would be refunded the difference between the amount they invested and the amount they obtained from the sale of the shares, plus the 1% per annum on that difference until the investment had been refunded.

This process allowed every retail investor who subscribed for shares in the Bankia IPO to recover the full amount invested on a simply and speedy manner, without having to meet any other conditions and without incurring in legal costs or delays associated to court claims.

Completion of the sale of Globalvía Infraestructuras

On 17 March 2016 the purchase and sale agreement signed in October 2015 between Bankia and Fomento de Construcciones y Contratas, S.A. ("**FCC**") and the USS, OPTrust and PGGM funds for the sale of 100% of the shares of Globalvía Infraestructuras, S.A., in which Bankia and FCC each had a 50% stake, was completed.

The sale resulted from the exercise by the funds of their pre-emption right as holders of a 750 million euro bond convertible into shares of Globalvía Infraestructuras, S.A.

The selling price was structured with an initial payment of 166 million, to be made when the share transfer was completed, and a deferred payment, to be made in the first half of 2017, which could reach a maximum of 254 million euros, depending on the valuation of the company at the time of conversion of the bond.

Payment of dividend out of 2015 results

On 31 March 2016, in execution of the resolutions adopted by the General Meeting of Shareholders on 15 March 2016, Bankia paid a dividend among the shares that carried dividend rights on the payment date in the total amount of 300.72 million euros (2.625 cents per share), which represented almost a 50% increase on the dividend paid one year earlier.

Of that total amount, 195.3 million euros were paid to Bankia's majority shareholder, BFA, Tenedora de Acciones, S.A.U.

The results achieved, together with the good performance of the balance sheet and the main solvency parameters, has allowed Bankia to remunerate its shareholders with more than 500 million euros out of 2014 and 2015 profits, representing one of the Group's greatest achievements since it was formed. Together with the proposed dividend out of 2016 profit, the accumulated remuneration will reach 815 million euros.

Good results in EBA stress tests

On 29 July 2016, the European Banking Authority (EBA) published the results of the stress tests of 51 entities representing approximately 70% of EU banking sector assets. In this exercise, carried out by the EBA in collaboration with the Bank of Spain, the ECB, the European Commission and the European Systemic Risk Board (ESRB), participated the six largest Spanish banking groups (Santander, BBVA, BFA-Bankia, Criteria-Caixa, Popular and Sabadell).

The results obtained by BFA-Bankia in the stress test show that the Group would maintain a Phase In CET1 ratio of 10.6% in 2018 in a highly adverse economic scenario.

At year-end 2015 the BFA-Bankia Group had a starting Phase In CET1 ratio of 14.57%. On a Fully Loaded basis, i.e., under the requirements that will apply in 2019, the starting Fully Loaded CET1 ratio was 13.74% (including unrealised gains on the available-for-sale sovereign debt portfolios, as specified by the EBA).

In the EBA's baseline scenario, in 2018 the BFA-Bankia Group would have a Phase In CET1 ratio of 15.09% and 14.42% on a Fully Loaded basis. In the most adverse scenario, the ratios would be 10.64% Phase In and 9.58% Fully Loaded.

These results demonstrate the Bank's capacity to maintain high solvency levels even in a hypothetical scenario of serious deterioration in the economy, and are a consequence of BFA-Bankia Group's strong capital generation in the last three years through retained earnings and disposal of non-strategic assets.

FROB study of reorganising options for its investee credit institutions

On 28 September 2016, the Fund for Orderly Bank Restructuring (FROB) informed Bankia of the resolution adopted by its Governing Committee to put in place the necessary measures to analyse the reorganising of its investee credit institutions, exploring different alternatives, among which it was included the possibility of a merger between Bankia and Banco Mare Nostrum (BMN).

To date, this is merely a study by the FROB and no merger decision has been taken. Any possible merger transaction would be carried out with a view to maximising the value of the Bankia Group for all its shareholders and thus optimising the ability to recover the state aid.

SREP capital requirements

On 25 November 2016, as a result of the supervisory review and evaluation process (SREP) carried out by the ECB, Bankia, S.A. received a notice from the ECB requiring it to maintain throughout 2017 a minimum CET1 ratio of 7.875% and a minimum Total Capital ratio of 11.375%, both of these on a Phase In basis.

These capital ratios include: i) the minimum Pillar 1 requirement (4.5% of CET1 and 8.0% of Total Capital); ii) the Pillar 2 requirement (2%); iii) the capital conservation buffer (1.25%); and iv) the requirement arising from the Bank's status as an Other Systemically Important Institution or O-SII, which for 2017 has been set at 0.125%.

This decision by the ECB means that the consolidated CET1 level below which Bankia, S.A. would be obliged to calculate the maximum distributable amount, commonly referred to as the MDA trigger, which would limit its discretionary distributions (dividend payments and variable remuneration), stands at 7.875% for CET1 and 11.375% for Total Capital.

11. APPENDIX

REPORTED INCOME STATEMENT OF THE BANKIA GROUP

(€ million)	FY 2016	FY 2015	Change Amount	Change %
Net interest income	**2,148**	**2,740**	**(592)**	**(21.6%)**
Dividends	4	6	(1)	(19.7%)
Share of profit/(loss) of companies accounted for using the equity m	38	32	6	20.2%
Total net fees and commissions	824	938	(114)	(12.2%)
Gains/(losses) on financial assets and liabilities	241	281	(40)	(14.2%)
Exchange differences	13	30	(17)	(56.5%)
Other operating income/(expense)	(102)	(220)	118	(53.7%)
Gross income	**3,166**	**3,806**	**(640)**	**(16.8%)**
Administrative expenses	(1,387)	(1,511)	125	(8.2%)
Staff costs	(907)	(971)	64	(6.6%)
General expenses	(480)	(541)	61	(11.2%)
Depreciation and amortisation	(161)	(147)	(15)	9.9%
Operating income before provisions	**1,619**	**2,148**	**(530)**	**(24.7%)**
Provisions	(318)	(735)	417	(56.8%)
Provisions (net)	(96)	(152)	56	(36.6%)
Impairment losses on financial assets (net)	(221)	(583)	362	(62.0%)
Operating profit/(loss)	**1,301**	**1,413**	**(112)**	**(8.0%)**
Impairment losses on non-financial assets	(8)	28	(36)	(128.7%)
Other gains and other losses	(302)	11	(312)	(2960.1%)
Profit/(loss) before tax	**991**	**1,452**	**(461)**	**(31.7%)**
Corporate income tax	(189)	(391)	202	(51.7%)
Profit/(loss) after tax	**802**	**1,061**	**(258)**	**(24.4%)**
Profit/(Loss) attributable to minority interests	(2)	21	(23)	(109.5%)
Profit/(loss) attributable to the Group	**804**	**1,040**	**(236)**	**(22.7%)**
Cost to Income ratio (1)	**48.9%**	**43.6%**	**+5.3 p.p.**	**12.2%**
Recurring Cost to Income ratio (2)	**53.2%**	**47.4%**	**+5.7 p.p.**	**12.1%**

(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 %)	Dec-16 (1)	Dec-15 (1)	Change Amount	Change %
ALCO Portfolio	29,741	29,744	(3)	(0.0%)
NO ALCO Portfolio	2,788	4,830	(2,042)	(42.3%)
SAREB Bonds	16,431	17,356	(925)	(5.3%)
Total Fixed Income Portfolio	**48,960**	**51,930**	**(2,970)**	**(5.7%)**

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

DISCLAIMER

This document is for informational purposes only and does not constitute an offer to sell or an invitation to purchase any product. Neither this document nor any part of it shall form the basis of, or be relied on in connection with, any agreement or commitment.

The decision about any financial transaction must be made taking the needs of the customer and the transaction's appropriateness from a legal, tax, accounting and/or financial point of view into account, in accordance with the informational documents provided for by applicable laws and regulations. The investments mentioned or recommended herein may not be of interest to all investors.

The opinions, projections and estimates contained in this document are based on publicly available information and constitute Bankia, S.A.'s assessment at the date of issue but in no way guarantee that future results or events will be in accordance with said opinions, projections or estimates.

The information is subject to changes without notice. No guarantee is offered as to its accuracy and it may be incomplete or abridged. Bankia, S.A. will accept no responsibility for any losses that may arise from any use of this document or its content or in any other way in relation to said content.

Investor Relations

ir@bankia.com