Annual earnings report 2017

29 January 2018

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Basis of presentation and comparability of information

The audit report included in the consolidated financial statements at 31 December 2016 contains the following emphasis of matter paragraph in relation to the legal actions associated with the Bankia IPO of July 2011:

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

The audit report included in the consolidated interim financial statements for the first half of 2017 contains the following emphasis of matter paragraph in relation to the information contained those statements:

"We draw attention to note 1.3 of the accompanying explanatory notes, in which it is mentioned that the condensed interim consolidated financial statements do not include all the information required for complete condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and that those condensed interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016. Our opinion has not been modified in relation to this matter".

At 31 December 2017, the financial information contained in this document must be interpreted in the context just mentioned and together with the information contained in the abovementioned notes to the consolidated financial statements for the year ended 31 December 2016 and in the consolidated interim financial statements for the first half of 2017.

The merger between Bankia and BMN was effective for accounting purposes on 1 December 2017. Accordingly, at year-end 2017 the Group balance sheet already includes all the assets and liabilities contributed by BMN, while the income statement only includes BMN's results for one month of activity. Also, in 2017 extraordinary expenses incurred as a result of the merger have affected the Group's results. To facilitate comparison between the two financial years, together with the Group's post-merger financial statements, this report presents a balance sheet and an income statement prepared on a constant perimeter basis, i.e., eliminating in 2017 the balance sheet and results of BMN and stripping out the impact of the extraordinary expenses incurred.

This document was originally prepared in Spanish. The English version published here is for information purposes only. In the event of any discrepancy between the English and the Spanish version, the Spanish version will prevail.

Bankia Group completes merger with BMN and ends 2017 with attributable profit of 816 million euros before integration costs arising from the merger

Bankia completes the merger with BMN and strengthens its competitive position in Spain

- Having successfully completed the 2012-2017 Restructuring Plan, as from 1 January 2018, Bankia has embarked on new lines of activity that will drive the Group's commercial development.
- The merger with Banco Mare Nostrum (BMN) consolidates Bankia's position as Spain's fourth largest financial institution.
- Both Bankia and BMN have a business model focused on retail banking and a similar customer profile, which results in great potential for synergies, with limited integration risk. The Group expects to generate cost synergies of 155 million euros in 2020.
- In 2017, BFA completed the placement of an additional 7% of Bankia's shares to institutional investors reaching an oversubscription of 2.3 times the initial offering.

The commercial strategy, the focus on efficiency and cost of risk control lead to an attributable profit of 816 million euros, allowing the dividend per share to be maintained at the same level as in 2016

- The Group's commercial positioning is reflected in the growth of fee and commission income (+3.2% year-on-year and +1.9% quarter-on-quarter, without considering the BMN merger), offsetting part of the pressure that the yield curve continues to exert on net interest income.
- On a constant perimeter basis (Ex-BMN), operating expenses remain stable compared to 2016 (+0.1%), while recurring provisions and impairments are down 9.4% year-on-year. The Group's cost of risk Ex-BMN stands at 23 basis points in 2017.
- The Group ends 2017 with attributable profit of 816 million euros, without considering the BMN merger. This result allows Bankia to maintain the same dividend per share as in 2016.

A good year for activity and managed funds, thanks to the impetus of the new commercial model

- In 2017 the Group registers 158,000 net new customers, the number of users of "Connect with your Expert" grow 94.8% and digital sales reach 13.4% of total Group sales (+3 percentage points vs. 2016, without considering the businesses contributed by BMN).
- Lending to target segments increases, with year-on-year growth in new mortgage lending (+133.5%), consumer finance (+14.6%) and SMEs (+30.2%), not including BMN.
- In managed funds the focus continues to be on the more liquid funds and on mutual funds. Without BMN's contribution, it is a year of growth in demand deposits (+21.2%), savings accounts (+11.4%) and assets under management in mutual funds (+15.5%).

The Group consolidates a strong solvency position and continues to improve its asset quality

- Non-performing loans, excluding BMN, are down 15.1% year-on-year and 4.5% quarter-on-quarter. The NPL ratio without BMN stands at 8.5% at year-end 2017, down 130 basis points year-on-year and 30 basis points quarter-on-quarter.
- The portfolio of foreclosed assets decreases by 14.5% since December 2016, without considering the properties contributed by BMN, having completed the sale of 8,430 properties.
- At the end of December 2017, after integrating BMN's assets, the Group's CET1 Phase-in ratio stands at 14.15% and the CET1 Fully Loaded ratio, at 12.66%. The Group's Total Capital Fully Loaded ratio is 15.44% at year-end.
- The Group's capital ratios after the merger with BMN show an ample surplus above the regulatory requirements for 2017: +628 bps above the regulatory CET1 Phase-in ratio (7.875%) and +547 bps above the minimum Total Capital Phase-in ratio (11.375%).

1. RELEVANT DATA

	Dec-17 (1)		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Balance sheet (€ million)					
Total assets	213,932	179,098	190,167	12.5%	(5.8%)
Loans and advances to customers (net)(2)	123,025	102,603	104,677	17.5%	(2.0%)
Loans and advances to customers (gross)(2)	128,782	107,459	110,595	16.4%	(2.8%)
On-balance-sheet customer funds	150,181	120,726	125,001	20.1%	(3.4%)
Customer deposits and clearing houses	130,396	101,810	105,155	24.0%	(3.2%)
Borrowings, marketable securities	17,274	16,626	18,801	(8.1%)	(11.6%)
Subordinated liabilities	2,511	2,291	1,045	140.2%	-
Total managed customer funds	175,960	143,191	145,097	21.3%	(1.3%)
Equity	13,222	12,709	12,303	7.5%	3.3%
Common Equity Tier I - BIS III Phase In(3)	11,942	11,538	11,329	5.4%	1.8%
Solvency (%)					
Common Equity Tier I - BIS III Phase In(3)	13.88%	16.64%	14.70%	-0.82 p.p.	+1.94 p.p.
Total capital ratio - BIS III Phase In(3)	16.57%	19.72%	16.03%	+0.53 p.p.	+3.69 p.p.
Ratio CET1 BIS III Fully Loaded(3)	12.33%	14.83%	13.02%	(0.70) p.p.	+1.82 p.p.
Risk management (€ million and %)					
Total risk	136,353	114,811	117,205	16.3%	(2.0%)
Non performing loans	12,117	9,740	11,476	5.6%	(15.1%)
NPL provisions(4)	6,151	5,221	6,323	(2.7%)	(17.4%)
NPL ratio	8.9%	8.5%	9.8%	-0.9 p.p.	-1.3 p.p.
NPL coverage ratio(4)	50.8%	53.6%	55.1%	-4.3 p.p.	-1.5 p.p.

	Dec-17 (1)		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Results (€ million)					
Net interest income	1,968	1,943	2,148	(8.4%)	(9.6%)
Gross income	3,064	3,027	3,166	(3.2%)	(4.4%)
Pre-provision profit	1,483	1,477	1,619	(8.4%)	(8.8%)
Profit/(loss) attributable to the Group	816	816	804	1.5%	1.4%
Key ratios (%)(5)					
Cost to Income ratio (Operating expenses / Gross income)	51.6%	51.2%	48.9%	+2.7 p.p.	+2.3 p.p.
R.O.A. (Profit after tax / Average total assets) (6)	0.4%	0.4%	0.4%	-	-
RORWA (Profit after tax / RWA) (7)	0.9%	1.2%	1.0%	-0.1 p.p.	+0.2 p.p.
ROE (Profit attributable to the group / Equity) (8)	6.6%	6.7%	6.7%	-0.1 p.p.	-
ROTE (Profit attributable to the group / Average tangible equity) (9)	6.8%	6.8%	6.9%	-0.1 p.p.	-0.1 p.p.

	31-Dec-17 (1)		31-Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Bankia share					
Number of shareholders	192,055	-	241,879	(20.6%)	-
Number of shares in issue (million)(10)	3,085	-	2,879	7.1%	-
Closing price (end of period, €)(10)(11)	3.99	-	3.88	2.7%	-
Market capitalisation (€ million)	12,300	-	11,183	10.0%	-
Earnings per share(5)(12) (€)	0.26	-	0.28	(5.3%)	-
Tangible book value per share(13) (€)	4.34	-	4.38	(1.1%)	-
PER (Last price (11) / Earnings per share(5))	15.07	-	13.91	8.4%	-
PTBV (Last price (11) / Tangible book value per share)	0.92	-	0.89	3.7%	-
Dividend per share (cc/share)	11.024	-	11.024	-	-
Additional information					
Number of branches	2,402	1,705	1,855	29.5%	(8.1%)
Number of employees	17,757	13,463	13,505	31.5%	(0.3%)

(1) Group data at 2017 includes figures post merger between Bankia and BMN, integrating BMN full balance sheet at year end and one month of P&L of BMN. The Ex-BMN data excludes the merger effect
(2) Includes transactions with BFA (Dec-17 €47mn; Dec-16 €125mn)
(3) Does not include unrealised gains on the available for sale sovereign portfolio
(4) Group coverage at Dec-17 including additional provisions due to the IFRS 9 application would have been 56,5%
(5) Group data at Dec-17 excludes the €312mn non recurrent integration costs due to the merger between Bankia and BMN
(6) Profit after tax divided by average total assets
(7) Profit after tax divided by risk weighted assets at year end
(8) Attributable profit divided by the previous 12 months equity average excluding the expected dividend payment
(9) Attributable profit divided by the previous 12 months tangible equity average excluding the expected dividend payment
(10) Number of shares and prices at Dec-16 were adjusted to the reverse split executed on June 2017
(11) Using the last price on 29th December 2017 and 30th December 2016
(12) Attributable profit excluding the non recurrent integration costs and divided by the number of shares in issue
(13) Total Equity less intangible assets divided by the number of shares in issue

2. ECONOMIC AND FINANCIAL ENVIRONMENT

2017 was the best year for the world economy since 2011, showing a significant, highly synchronised upturn. All the large developed economies beat expectations (the United States grew 2.2%, the euro area 2.4% and Japan 1.6%), but the strength of the euro area was especially notable, given that the improvement in 2017 was not only quantitative but also qualitative: the growth was more balanced by country (France and Italy, which had been lagging, bounced back significantly) and by demand components (the acceleration of consumption has reduced dependence on the foreign sector). The emerging economies also improved, mainly thanks to the strength of China (6.8%) and the recovery of Brazil and Russia, which exited recession.

On balance, for the first time in more than six years, all the main economies grew above potential, reducing idle capacity. This growth, combined with the strong rise in the oil price, stoked global inflation. Specifically, in 2017, euro area inflation increased to an average of 1.5%, compared to 0.2% in 2016. This macroeconomic strength was also an important stabilising factor for the financial markets during the year in the face of occasional episodes of heightened risk, both political (uncertainty created by the Trump administration, Brexit, crisis in Catalonia and difficulties in forming a government in Germany) and geopolitical (North Korea, Islamist attacks and instability in the Middle East).

This positive economic context prompted the central banks to take steps to withdraw their stimuli, albeit in a prudent and gradual manner. The Fed raised its interest rate three times, to within the 1.25%-1.50% range, and started to reduce its balance sheet in October. The ECB, meanwhile, reduced the monthly rate of asset purchases from 80,000 to 60,000 million in April and at its October meeting announced a further reduction, from January 2018, to 30,000 million euros, although it also extended its programme until September of that year. This decision could delay the start of interest rate rises until the end of 2018 or the first quarter of 2019. This synchronised action by the main central banks did not generate the upward pressure on yields that was initially feared (the 10-year German bond rose only 22 bps in the year and the United States bond actually fell). The Spanish 10-year bond performed reasonably well, despite the political uncertainty in Catalonia, with the risk premium holding steady at between 100 and 130 bp.

In 2017 the Spanish economy remained very buoyant, with GDP growth of 3.2%, slightly below the previous year's rate (3.3%). The dynamism of economic activity fed through to the labour market, with the highest rate of job creation in 12 years. The economy displayed high expansionary inertia, continuing to benefit from certain stimuli that proved more lasting than initially expected: continuing favourable financing conditions, the growth of the tourism industry and, above all, the positive performance of our trading partners. Meanwhile, the impact of the uncertainty shock caused by the political crisis in Catalonia is proving limited. All the demand components contributed to the growth, notably the strength of consumption (thanks to the strong labour market and lower interest payments) and exports, supported by the momentum of the European economies and steady improvements in competitiveness. On the other hand, thanks to the recovery of saving, growth of the economy continued to be compatible with significant financing capacity to finance investment while pushing ahead with private sector deleveraging.

In the field of banking, the year was marked by an increase in the strength of the banks and an upswing in activity, amid financial and regulatory conditions that put great pressure on profitability. Spanish banks reinforced their balance sheets, further increasing their capacity to absorb shocks. Solvency indicators rose and asset quality indicators improved yet again this year. Banking activity was favoured by the buoyancy of the economy and the favourable financing conditions for customers. Profitability remained under strong pressure from low interest rates. Banks have continued to make adjustments to offset this pressure, with cost-cutting and digital transformation plans, as well as mergers.

As regards regulation, the reforms continued, notably with the agreement reached at the end of the year on the outstanding elements of Basel III, in what is the last step to complete this regulatory framework. On the domestic front, the Bank of Spain approved a circular adapting the Spanish accounting regime to the new international standards IFRS 9 and 15, in force since 1 January 2018, mainly with the aim of improving the estimation of provisions.

3. SUMMARY OF RESULTS

Bankia Group completes the merger with BMN and posts attributable profit of 816 million euros

Methodological note: *The merger between Bankia and BMN was effective for accounting purposes on 1 December 2017. Accordingly, at year-end 2017 the Group balance sheet already includes all the assets and liabilities contributed by BMN, while the income statement only includes BMN results for one month of activity. Extraordinary integration expenses incurred in 2017 as a consequence of the merger have also affected the Group's results.*

To facilitate comparison between the two financial years, besides presenting the Group's post-merger financial statements, this earnings report also presents a Bankia Group balance sheet and income statement prepared on a constant perimeter basis, i.e., eliminating in 2017 the balance sheet and results of BMN and stripping out the impact of the extraordinary expenses incurred.

Without the effect of the merger, on a constant perimeter basis (ex-BMN and extraordinary expenses), the Group's attributable profit for 2017 has reached 816 million euros, 1.4% more than in 2016. The growing satisfaction of our customer base, the growth in the number of loyal and digital customers, and the increased volumes of lending to profitable segments have contributed to a gradual stabilisation of gross income. This stabilisation of income, coupled with the continued focus on efficiency and cost of risk control, are the factors that have driven this improvement in results in an interest rate context which in 2017 continued to exert pressure on the Bankia Group's net interest income.

Once the merger with BMN has been completed, the Group's attributable profit is 505 million euros once included the non-recurring merger expenses related to the merger of both banks.

INCOME STATEMENT

	Dec-17 (1)		Dec-16	Change yoy	
(€ million)	Group	Ex-BMN		Group	Ex-BMN
Net interest income	**1,968**	**1,943**	**2,148**	**(8.4%)**	**(9.6%)**
Dividends	9	7	4	-	68.8%
Share of profit/(loss) of companies accounted for using the equity method	40	39	38	3.8%	1.7%
Total net fees and commissions	864	850	824	4.9%	3.2%
Gains/(losses) on financial assets and liabilities	367	368	241	52.3%	52.6%
Exchange differences	10	10	13	(23.3%)	(21.3%)
Other operating income/(expense)	(194)	(191)	(102)	90.2%	86.9%
Gross income	**3,064**	**3,027**	**3,166**	**(3.2%)**	**(4.4%)**
Administrative expenses	(1,407)	(1,378)	(1,387)	1.5%	(0.6%)
Staff costs (2)	(945)	(925)	(907)	4.2%	2.0%
General expenses	(462)	(453)	(480)	(3.7%)	(5.6%)
Depreciation and amortisation	(174)	(172)	(161)	8.0%	6.5%
Pre-provision profit	**1,483**	**1,477**	**1,619**	**(8.4%)**	**(8.8%)**
Provisions	(294)	(292)	(318)	(7.4%)	(8.2%)
Provisions (net)	34	34	(96)	-	-
Impairment losses on financial assets (net)	(329)	(326)	(221)	48.5%	47.3%
Operating profit/(loss)	**1,189**	**1,185**	**1,301**	**(8.6%)**	**(8.9%)**
Impairment losses on non-financial assets	(14)	(14)	(8)	67.1%	69.1%
Other gains and other losses	(106)	(103)	(302)	(65.0%)	(65.8%)
Profit/(loss) before tax	**1,070**	**1,068**	**991**	**7.9%**	**7.8%**
Corporate income tax	(264)	(263)	(189)	39.9%	39.1%
Profit/(loss) after tax	**806**	**805**	**802**	**0.4%**	**0.4%**
Profit/(Loss) attributable to minority interests	(11)	(11)	(2)	-	-
Profit/(loss) attributable to the Group	**816**	**816**	**804**	**1.5%**	**1.4%**
Net integration costs (2)	(312)	0	0	-	-
Profit/(loss) attributable to the Group as reported	**505**	**816**	**804**	**(37.3%)**	**1.4%**
Cost to Income ratio (3)	**51.6%**	**51.2%**	**48.9%**	**+2.6 p.p.**	**+2.3 p.p.**
Recurring Cost to Income ratio (4)	**58.8%**	**58.5%**	**53.2%**	**+5.7 p.p.**	**+5.3 p.p.**

(1) Group data provides figures post merger between Bankia and BMN and includes one month of BMN P&L. The Ex-BMN data excludes the merger effect
(2) Non recurrent integration costs due to the merger between Bankia and BMN, net of taxes
(3) Operating expenses / Gross income. Group data at Dec-17 excludes non recurrent integration costs in the calculation
(4) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences). Group data at Dec-17 excludes non recurrent integration costs in the calculation

QUARTERLY RESULTS

(€ million)	4Q 17 Group[(1)]	4Q 17 Ex-BMN[(1)]	3Q 17	2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16
Net interest income	**501**	**476**	**472**	**491**	**504**	**517**	**507**	**546**	**577**
Dividends	2	0	0	2	6	0	0	3	0
Share of profit/(loss) of companies accounted for using the equity method	9	9	12	10	9	9	8	13	8
Total net fees and commissions	229	214	210	218	207	213	204	207	200
Gains/(losses) on financial assets and liabilities	54	55	51	101	161	57	65	58	61
Exchange differences	3	3	3	2	2	(1)	(2)	8	7
Other operating income/(expense)	(132)	(128)	2	(61)	(3)	(90)	(10)	(2)	(1)
Gross income	**666**	**628**	**751**	**762**	**886**	**706**	**774**	**833**	**853**
Administrative expenses	(383)	(354)	(344)	(336)	(345)	(330)	(346)	(349)	(362)
Staff costs[(2)]	(255)	(235)	(229)	(226)	(235)	(218)	(223)	(227)	(239)
General expenses	(128)	(119)	(114)	(110)	(110)	(112)	(123)	(122)	(124)
Depreciation and amortisation	(47)	(45)	(44)	(42)	(41)	(46)	(40)	(38)	(37)
Pre-provision profit	**236**	**230**	**364**	**384**	**500**	**331**	**388**	**446**	**454**
Provisions	(50)	(48)	(73)	(72)	(99)	(62)	(52)	(87)	(116)
Provisions (net)	38	38	(6)	(5)	8	(98)	53	(24)	(28)
Impairment losses on financial assets (net)	(88)	(85)	(66)	(67)	(107)	35	(105)	(64)	(87)
Operating profit/(loss)	**186**	**182**	**291**	**312**	**401**	**268**	**336**	**359**	**338**
Impairment losses on non-financial assets	(2)	(2)	(2)	(1)	(9)	(3)	3	(6)	(2)
Other gains and other losses	(67)	(65)	(29)	(22)	12	(215)	(38)	(28)	(21)
Profit/(loss) before tax	**117**	**115**	**260**	**289**	**404**	**50**	**302**	**324**	**315**
Corporate income tax	(51)	(50)	(34)	(78)	(100)	20	(51)	(79)	(78)
Profit/(loss) after tax	**65**	**65**	**226**	**210**	**304**	**70**	**251**	**245**	**237**
Profit/(Loss) attributable to minority interests	(12)	(12)	1	0	0	(3)	1	0	0
Profit/(loss) attributable to the Group	**77**	**77**	**225**	**210**	**304**	**73**	**250**	**245**	**237**
Net integration costs[(2)]	(312)	-	-	-	-	-	-	-	-
Profit/(loss) attributable to the Group as reported	**(235)**	**77**	**225**	**210**	**304**	**73**	**250**	**245**	**237**
Cost to Income ratio [(3)]	**64.6%**	**63.5%**	**51.6%**	**49.6%**	**43.6%**	**53.2%**	**49.9%**	**46.5%**	**46.8%**
Recurring Cost to Income ratio [(4)]	**70.6%**	**69.9%**	**55.6%**	**57.4%**	**53.4%**	**57.8%**	**54.3%**	**50.5%**	**50.9%**

(1) Group data provides figures post merger between Bankia and BMN and includes one month of BMN P&L. The Ex-BMN data excludes the merger effect
(2) Non recurrent integration costs due to the merger between Bankia and BMN, net of taxes
(3) Operating expenses / Gross income. Group data at Dec-17 excludes non recurrent integration costs in the calculation
(4) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences). Group data at Dec-17 excludes non recurrent integration costs in the calculation

- Without the effect of the merger, **cumulative net interest income for 2017** stands at 1,943 million euros, a year-on-year decline of 9.6%. This decline reflects the reduced contribution from the fixed income portfolios (ALCO portfolio churn and sales; the lower return of the SAREB bonds, the yields of which have dropped to nearly 0% in 2017), as well as maturities and repricing of the mortgage portfolio, the majority of which is linked to floating rates, which have continued to fall in 2017.

  In the fourth quarter of the year, on a constant perimeter basis (Ex-BMN), the Group's net interest income increases +0.9% compared to the previous quarter, reflecting the diminishing impact of the level of the Euribor curve on mortgages, the growing volume of new lending in profitable segments and the Group's lower funding costs in the quarter.

  In the fourth quarter of 2017, new credit has been granted at an average interest rate of 2.6%, whereas the cost of new term deposits has been 5 basis points, well below the cost of the back book (18 basis points). These factors, combined with the low cost of long-term retail funding, which remains at historically low levels, pushed **the gross customer margin Ex-BMN up to 1.55%, 2 basis points more than in the third quarter**.

  In 2017, the inclusion of one month of BMN results added 25 million euros to the Group's reported net interest income after the merger.

REVENUES AND EXPENSES

	4Q 2017 EX-BMN (1)				3Q 2017			
(€ million & %)	**Average Amount**	**Weight (%)**	**Revenues /Expenses**	**Yield**	**Average Amount**	**Weight (%)**	**Revenues /Expenses**	**Yield**
Loans and advances to credit institutions (2)	6,751	3.8%	20	1.16%	6,374	3.5%	21	1.30%
Net Loans and advances to customers (a)	103,157	57.4%	422	1.62%	102,721	57.2%	417	1.61%
Debt securities	46,998	26.1%	110	0.93%	47,587	26.5%	113	0.95%
Other interest earning assets (3)	391	0.2%	1	0.79%	387	0.2%	1	0.80%
Other non-interest earning assets	22,571	12.5%	-	-	22,577	12.6%	-	-
Total Assets (b)	**179,868**	**100.0%**	**553**	**1.22%**	**179,646**	**100.0%**	**552**	**1.22%**
Deposits from central banks and credit institutions	34,453	19.2%	11	0.12%	34,120	19.0%	11	0.13%
Customer deposits (c)	101,884	56.6%	18	0.07%	102,327	57.0%	21	0.08%
Strict Customer Deposits	*97,107*	54.0%	*16*	*0.07%*	*97,473*	54.3%	*17*	*0.07%*
Repos	*55*	0.0%	*0*	*0.00%*	*74*	0.0%	*0*	*0.00%*
Single-certificate covered bonds	*4,722*	2.6%	*2*	*0.18%*	*4,780*	2.7%	*3*	*0.26%*
Marketable securities	16,852	9.4%	33	0.79%	17,136	9.5%	34	0.80%
Subordinated liabilities	2,285	1.3%	13	2.21%	2,146	1.2%	12	2.19%
Other interest earning liabilities (3)	1,050	0.6%	1	0.55%	979	0.5%	2	0.97%
Other liabilities with no cost	10,287	5.7%	-	-	9,991	5.6%	-	-
Equity	13,057	7.3%	-	-	12,947	7.2%	-	-
Total equity and liabilities (d)	**179,868**	**100.0%**	**77**	**0.17%**	**179,646**	**100.0%**	**81**	**0.18%**
Customer margin (a-c)				**1.55%**				**1.53%**
Net interest margin (b-d)			**476**	**1.05%**			**472**	**1.04%**

(1) EX-BMN data is not affected by the merger between Bankia and BMN
(2) Loans and advances to credit institution includes revenues arising from the negative interest rates applicable on "Deposits from central banks and credit institutions" (mainly TLTRO II and repo transactions) following accounting standards. On the liabilities side, the contrary occurs with regards to "Deposits from central banks and credit institutions"
(3) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities

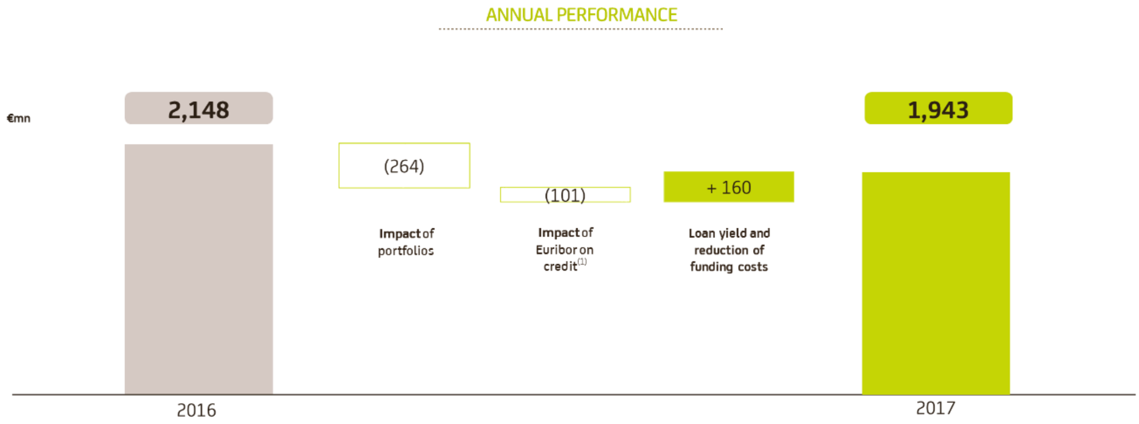
REVENUES AND EXPENSES

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

(1) Loans and advances to credit institution includes revenues arising from the negative interest rates applicable on "Deposits from central banks and credit institutions" (mainly TLTRO II and repo transactions) following accounting standards. On the liabilities side, the contrary occurs 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) Includes estimated impact on the yield curve in mortgages, businesses and public sector.

- **Without BMN, net fee and commission income is 850 million euros in 2017, up 3.2% year-on-year on a constant perimeter basis.** In commercial banking, fees and commissions from payment services (+5.3%), origination (+9%) and asset management (+5.6%) performed particularly strongly, thanks to factors such as increased customer activity and loyalty, the growth of assets under management, the new digital functionalities and the economic recovery.

  These factors offset the lower volumes from the management of demand accounts, associated with the strategy of waiving fees for customers with direct income deposit, as well as the decline in fees and commissions generated from the management of the Group's impaired assets. **The positive trend in fee and commission income is also apparent in the fourth quarter of the year,** in which net fee income Ex-BMN has totalled 214 million euros, representing quarterly growth of 1.9%.

The incorporation of one month of BMN results contributed 14 million euros to the Group's net fee and commission income after the merger.

NET FEE AND COMMISSION INCOME

(€ million)	12M 2017	12M 2016	Change 12M 2017/12M 2016	
Assets under management	**353**	**334**	**19**	**5.6%**
Securities brokerage service	56	53	4	6.7%
Mutual funds, Pension funds and insurances	296	281	15	5.4%
Payments services	**241**	**229**	**12**	**5.3%**
Bills of exchange	19	36	(17)	(46.5%)
Debit and credit cards	177	165	12	7.3%
Means of payment	44	27	17	61.1%
Origination	**158**	**145**	**13**	**9.0%**
Contingent risks and commitments	89	85	3	4.0%
Structuring and design of transactions	38	31	7	23.8%
Forex	31	29	2	8.0%
Management of NPLs, write offs and others	**130**	**139**	**(9)**	**(6.3%)**
Management of NPLs and write offs	6	16	(10)	(60.8%)
Claims on Past due	102	101	1	0.6%
Other	22	22	0	0.8%
Accounts manteinance	**46**	**54**	**(8)**	**(14.9%)**
Fees and commissions received by Bankia	**928**	**901**	**27**	**3.0%**
Fees and commissions paid by Bankia	**78**	**77**	**1**	**0.9%**
BANKIA Total Net Fee And Commission Income	**850**	**824**	**26**	**3.2%**
BMN Total Net Fee And Commission Income	**14**	**-**	**14**	**-**
GROUP TOTAL NET FEE AND COMMISSION INCOME	**864**	**824**	**40**	**4.9%**

(€ million)	4Q 17	3Q 17	2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16	Change 4Q 17/3Q 17	
Assets under management	**88**	**91**	**88**	**86**	**83**	**81**	**85**	**84**	**(3)**	**(2.8%)**
Securities brokerage service	14	13	15	15	14	13	14	13	1	12.0%
Mutual funds, Pension funds and insurances	74	78	73	71	70	69	71	71	(4)	(5.2%)
Payments services	**64**	**59**	**61**	**57**	**62**	**55**	**57**	**55**	**5**	**8.1%**
Bills of exchange	4	5	5	6	8	9	9	10	(0)	(10.3%)
Debit and credit cards	48	44	44	40	46	40	41	38	4	9.8%
Means of payment	11	10	11	11	8	6	7	7	1	9.0%
Origination	**36**	**38**	**42**	**42**	**37**	**43**	**36**	**30**	**(2)**	**(5.0%)**
Contingent risks and commitments	22	24	22	21	21	21	23	21	(2)	(6.4%)
Structuring and design of transactions	6	6	13	14	4	9	11	7	1	9.7%
Forex	8	9	8	7	12	12	2	2	(1)	(10.7%)
Management of NPLs, write offs and others	**36**	**30**	**36**	**28**	**37**	**32**	**36**	**34**	**6**	**21.2%**
Management of NPLs and write offs	1	1	4	1	4	4	5	2	0	2.5%
Claims on Past due	27	24	26	24	26	24	26	25	2	9.0%
Other	9	5	6	3	7	4	5	6	4	89.8%
Accounts manteinance	**11**	**11**	**12**	**12**	**13**	**13**	**13**	**15**	**(0)**	**(2.4%)**
Fees and commissions received by Bankia	**235**	**229**	**238**	**225**	**232**	**224**	**227**	**218**	**6**	**2.8%**
Fees and commissions paid by Bankia	**21**	**19**	**20**	**18**	**19**	**19**	**21**	**18**	**2**	**12.2%**
BANKIA Total Net Fee And Commission Income	**214**	**210**	**218**	**207**	**213**	**204**	**207**	**200**	**4**	**1.9%**
BMN Total Net Fee And Commission Income	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**-**
GROUP TOTAL NET FEE AND COMMISSION INCOME	**229**	**210**	**218**	**207**	**213**	**204**	**207**	**200**	**18**	**8.6%**

- **Excluding BMN, net trading income (NTI)** is up 127 million euros (+52.6%) compared to 2016, reaching a total of 367 million euros in 2017. This growth reflects the realisation of unrealised gains on sales of fixed-income securities made by the Group ahead of the foreseeable trend in interest rates in the market.

- **Other operating income and expenses** show a total net expense of 191 million euros, without considering the merger with BMN, which is 86.9% more than in 2016, due to the gain posted by the Group in the previous year from the sale of Visa Europe (58 million euros), lower rental income in 2017 and the increase in the contribution to the Deposit Guarantee Fund (DGF), which has affected the whole sector. The biggest increase in this net expense occurred in the fourth quarter, as a result of the seasonality of the payment of the contribution to the DGF, which in 2017 has amounted to 122 million euros.

- The other items of **operating income and expenses** (dividends, share of profit of equity-accounted investees and exchange gains) have contributed 56 million euros to the income statement in 2017, without BMN, compared to 55 million euros in 2016. Including one month of BMN results has contributed an additional 3 million euros, concentrated in dividend income and income from investees.

- The results set out above bring the **Group's gross income without BMN to 3,027 million euros at year-end 2017**, slightly below the figure reported in 2016 (-4.4%). With the inclusion of one month of BMN results, the Group's gross income comes to 3,064 million euros in 2017.

- **On a constant perimeter basis (Ex-BMN), operating expenses (administrative expenses, including depreciation and amortisation) come to a total of 1,550 million euros and remain stable compared to 2016 (+0.1%)**, highlighting the goal of maintaining cost control and efficiency management as strategic management objectives of the Group for the next few years. The best performance is in administrative expenses, which are down 0.6%, offsetting the higher level of depreciation and amortisation due to fixed asset investments.

  Cost control enables the Group to keep the ratio of the year's operating expenses to RWAs at 2.24% in December 2017, without the impact of the BMN merger.

  The inclusion of one month of BMN results in the last quarter of the year raises the Group's operating expenses to 2,026 million euros in 2017, as they include non-recurring merger expenses associated with the staff cutbacks expected to be implemented as a result of the merger between the two banks.

ADMINISTRATIVE EXPENSES

(€ million)	12M 2017	12M 2016	Change 12M 2017/12M 2016	
Staff cost	**925**	**907**	**18**	**2.0%**
Wages and salaries	673	701	(28)	(3.9%)
Social security costs	178	169	9	5.5%
Pension plans	47	15	32	-
Others	27	22	5	23.6%
General expenses	**453**	**480**	**(27)**	**(5.6%)**
From property, fixtures and supplies	100	109	(9)	(8.0%)
IT and communications	159	154	4	2.7%
Advertising and publicity	47	42	4	9.9%
Technical reports	25	37	(11)	(31.2%)
Surveillance and security courier services	14	14	(0)	(2.8%)
Levies and taxes	23	31	(8)	(26.0%)
Insurance and self-insurance premiums	4	4	(0)	(3.8%)
Other expenses	82	88	(6)	(7.2%)
BANKIA TOTAL ADMINISTRATIVE EXPENSES	**1,378**	**1,387**	**(8)**	**(0.6%)**
BMN TOTAL ADMINISTRATIVE EXPENSES	**29**	**-**	**29**	**-**
INTEGRATION COSTS	**445**	**-**	**445**	**-**
GROUP TOTAL ADMINISTRATIVE EXPENSES	**1,852**	**1,387**	**465**	**33.6%**

(€ million)	4Q 17	3Q 17	2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16	Change 4Q 17/3Q 17	
Staff cost	**235**	**229**	**226**	**235**	**218**	**223**	**227**	**239**	**5**	**2.4%**
Wages and salaries	172	166	164	171	166	174	176	184	6	3.6%
Social security costs	44	45	44	45	41	41	42	44	(0)	(0.4%)
Pension plans	12	11	11	13	5	3	4	4	1	10.8%
Others	6	8	7	7	6	5	4	7	(2)	(20.1%)
General expenses	**119**	**114**	**110**	**110**	**112**	**123**	**122**	**124**	**5**	**4.4%**
From property, fixtures and supplies	25	25	24	26	29	25	28	27	0	0.0%
IT and communications	39	40	40	39	39	38	39	39	(1)	(2.7%)
Advertising and publicity	13	10	14	10	11	12	9	11	3	26.1%
Technical reports	9	6	5	5	14	10	6	6	3	51.6%
Surveillance and security courier services	3	4	3	4	3	4	4	3	(0)	(4.1%)
Levies and taxes	6	6	5	6	(13)	15	14	15	1	11.0%
Insurance and self-insurance premiums	0	1	1	1	1	1	1	1	(1)	(72.6%)
Other expenses	23	23	17	19	28	18	22	21	1	2.3%
BANKIA TOTAL ADMINISTRATIVE EXPENSES	**354**	**344**	**336**	**345**	**330**	**346**	**349**	**362**	**10**	**3.0%**
BMN TOTAL ADMINISTRATIVE EXPENSES	**29**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29**	**-**
INTEGRATION COSTS	**445**								**445**	**-**
GROUP TOTAL ADMINISTRATIVE EXPENSES	**828**	**344**	**336**	**345**	**330**	**346**	**349**	**362**	**484**	**140.9%**

- In a like-for-like comparison with 2016, that is, excluding the extraordinary provisions recorded in 2016 for floor clauses and one month of BMN provisions included as a result of the merger, **recurring provisions totalled 448 million euros in 2017, a decrease of 9.4% year-on-year,** which reflects the progress achieved by Bankia in risk management and the improvement in the quality of its assets. **The Group's cost of risk remains at very low levels and continues to stand at 0.23%** at year-end 2017, without the effect of the merger.

  After including one month of BMN provisions (4 million euros in the fourth quarter), the Group's post-merger provisions total 451 million euros in 2017.

- Other **gains and other losses** include mainly impairment losses, selling and maintenance costs of foreclosed assets, as well as gains/(losses) on the sale of investees. In 2017 this item shows a negative balance of 103 million euros (Ex-BMN), which includes the year's impairment losses on foreclosed assets mentioned in the previous point, net of the gain of 47 million euros from the deferred payment from the sale of Globalvia. In 2016 this item showed a negative balance of 302 million euros, as it included the new provisions for foreclosed assets required by the estimation change introduced in the new Annex IX of the Bank of Spain Circular 4/2016.

- **In 2017 the Bankia Group's attributable profit totals 816 million euros, 1.4% more than in 2016 on a like-for-like basis** (before including BMN). This result shows the competitive advantages in costs and risk management achieved by the Group, which have offset the pressure of the low interest rate environment on net interest income. The Group's attributable profit post-merger is 505 million euros.

PROVISIONING

(€ million)	12M 2017	12M 2016	Change 12M 2017/12M 2016	
Impairment losses on financial assets (net)	(326)	(221)	(105)	47.3%
Impairment losses on non-financial assets	(14)	(8)	(6)	69.1%
Foreclosed assets	(142)	(268)	126	(47.0%)
Provisions (net)	34	4	31	-
BANKIA recurrent provisions	**(448)**	**(494)**	**46**	**(9.4%)**
BMN recurrent provisions	**(4)**	**-**	**(4)**	**-**
Extraordinary provision (1)	-	(93)	93	(100.0%)
GROUP TOTAL PROVISIONS	**(451)**	**(587)**	**136**	**(23.1%)**

(1) Mortgage floors extraordinary provision of €93mn booked in 2016.

Bankia
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(€ million)	4Q 17	3Q 17	2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16	Change 4Q 17/3Q 17	
Impairment losses on financial assets (net)	(85)	(66)	(67)	(107)	35	(105)	(64)	(87)	(19)	28.7%
Impairment losses on non-financial assets	(2)	(2)	(1)	(9)	(3)	3	(6)	(2)	(0)	0.3%
Foreclosed assets	(63)	(21)	(18)	(39)	(207)	(39)	(12)	(10)	(42)	-
Provisions (net)	38	(6)	(5)	8	3	53	(24)	(28)	44	-
BANKIA recurrent provisions	**(113)**	**(96)**	**(91)**	**(147)**	**(173)**	**(87)**	**(106)**	**(128)**	**(17)**	**17.7%**
BMN recurrent provisions	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**
Extraordinary provision(1)	-	-	-	-	(93)	-	-	-	-	-
GROUP TOTAL PROVISIONS	**(117)**	**(96)**	**(91)**	**(147)**	**(266)**	**(87)**	**(106)**	**(128)**	**(21)**	**5.3%**

(1) Mortgage floors extraordinary provision of €93mn booked in 4Q 16.

4. BALANCE SHEET PERFORMANCE

(€ million)	Dec-17 (1)		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Cash and balances at central banks	4,504	3,733	2,854	57.8%	30.8%
Financial assets held for trading	6,773	6,727	8,331	(18.7%)	(19.3%)
Trading derivatives	6,698	6,651	8,256	(18.9%)	(19.4%)
Equity instruments	2	2	5	(60.1%)	(60.1%)
Debt securities	74	74	71	4.7%	4.7%
Available-for-sale financial assets	22,745	18,404	25,249	(9.9%)	(27.1%)
Debt securities	22,674	18,360	25,223	(10.1%)	(27.2%)
Equity instruments	71	45	26	-	71.1%
Loans and receivables	126,357	107,284	108,817	16.1%	(1.4%)
Debt securities	305	228	563	(45.9%)	(59.5%)
Loans and advances to credit institutions	3,028	4,453	3,578	(15.4%)	24.5%
Loans and advances to customers	123,025	102,603	104,677	17.5%	(2.0%)
Held-to-maturity investments	32,353	26,975	27,691	16.8%	(2.6%)
Hedging derivatives	3,067	2,972	3,631	(15.5%)	(18.2%)
Equity investments	321	290	282	13.8%	2.9%
Tangible and intangible assets	2,661	1,891	1,878	41.7%	0.7%
Non-current assets held for sale	3,271	1,944	2,260	44.7%	(14.0%)
Other assets, prepayments and accrued income, and tax assets	11,879	8,877	9,174	29.5%	(3.2%)
TOTAL ASSETS	**213,932**	**179,098**	**190,167**	**12.5%**	**(5.8%)**
Financial liabilities held for trading	7,421	7,378	8,983	(17.4%)	(17.9%)
Trading derivatives	7,078	7,034	8,524	(17.0%)	(17.5%)
Short positions	343	343	459	(25.2%)	(25.2%)
Financial liabilities at amortised cost	188,898	155,795	164,636	14.7%	(5.4%)
Deposits from central banks	15,356	12,816	14,969	2.6%	(14.4%)
Deposits from credit institutions	22,294	21,393	23,993	(7.1%)	(10.8%)
Customer deposits and funding via clearing houses	130,396	101,810	105,155	24.0%	(3.2%)
Debt securities in issue	19,785	18,916	19,846	(0.3%)	(4.7%)
Other financial liabilities	1,067	860	673	58.7%	27.8%
Hedging derivatives	378	326	724	(47.7%)	(55.0%)
Provisions	2,035	1,161	1,405	44.8%	(17.3%)
Other liabilitiess	1,587	1,329	1,582	0.3%	(16.0%)
TOTAL LIABILITIES	**200,319**	**165,989**	**177,330**	**13.0%**	**(6.4%)**
Minority interests	25	25	45	(45.1%)	(44.9%)
Other accumulated results	366	374	489	(25.2%)	(23.5%)
Equity	13,222	12,709	12,303	7.5%	3.3%
TOTAL EQUITY	**13,613**	**13,109**	**12,837**	**6.0%**	**2.1%**
TOTAL EQUITY AND LIABILITIES	**213,932**	**179,098**	**190,167**	**12.5%**	**(5.8%)**

(1) Group data provides figures post merger between Bankia and BMN. The Ex-BMN data corresponds to Bankia Group excluding the effect of the merger

A good year for managed funds and activity, thanks to the impetus of the new commercial model

- Bankia's customer-focused commercial positioning continues to drive the Group's growth. Customer satisfaction indexes have improved significantly and new products and services have been developed, taking advantage of the new technologies. The result in 2017 has been strong growth in the Bankia Group's new customers (+158,000 net new customers in 2017) and digital sales (+3 percentage points, reaching 13.4% of total sales at year-end).

  In 2017, these advances in commercial strategy were reflected in higher volumes of origination in key segments and will continue in 2018 with the new activities the Group is due to start now that the Restructuring Plan has been completed.

- **On the investment side, new mortgage lending has continued to grow** (+133.5% y-o-y), while the annual rate of growth of new lending in strategic segments such as consumer finance and SMEs reached 14.6% and 30.2%, respectively. As a result, the stock of gross loans in these segments is growing at year-on-year rates of 15.7% in consumer finance and 2.6% in businesses, excluding non-performing loans. In the accounts, this growth is reflected in the growth of loans to businesses (+16.3%), non-current receivables (+4.7%) and current receivables (+9.2%), without considering the assets contributed by BMN. In the mortgage segment, the good pace of new lending still did not offset the amortisation of the back book and so the Group's stock of loans with collateral (without considering BMN) has fallen back 4.6% compared to December 2016.

  These advances in new lending have been achieved while maintaining well diversified portfolios with satisfactory credit quality, **which has allowed the Group to continue to reduce non-performing loans by 15.8% year-on-year on a constant perimeter basis (Ex-BMN).**

  Without the impact of BMN, the good commercial performance brings the healthy loan portfolio (without NPLs or repos) to 98,139 on a gross basis at the end of 2017, a level very similar to that achieved in 2016 (-1.2%), despite continued deleveraging in the mortgage segment.

  BMN's contribution to gross loans and advances in 2017 was 21,323 million euros, bringing the Bankia Group's gross loans and advances to customers to 128,782 million euros at year-end.

CUSTOMER LOANS

(€ million)	Dec-17		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Spanish public sector	5,295	4,935	5,070	4.4%	(2.7%)
Other resident sectors	106,970	89,255	90,622	18.0%	(1.5%)
Secured loans	76,874	62,701	65,746	16.9%	(4.6%)
Other term loans	22,955	20,248	19,332	18.7%	4.7%
Commercial credit	4,570	4,119	3,541	29.1%	16.3%
Receivable on demand and other	2,570	2,187	2,003	28.3%	9.2%
Non-residents	3,585	2,999	3,091	16.0%	(3.0%)
Repo transactions	303	291	517	(41.5%)	(43.8%)
Of which: reverse repurchase agreements with BFA	*47*	*47*	*49*	*(3.9%)*	*(3.9%)*
Other financial assets	1,142	959	586	95.0%	63.7%
Of which: collection right against BFA due to the IPO (1)	*0*	*0*	*76*	*(100.0%)*	*(100.0%)*
Of which: Collateral provided to BFA (2)	*0.3*	*0.3*	*0.4*	*(24.6%)*	*(24.6%)*
Other valuation adjustments	184	(10)	(9)	-	13.7%
Non-performing loans	11,304	9,029	10,717	5.5%	(15.8%)
Gross loans and advances to customers	**128,782**	**107,459**	**110,595**	**16.4%**	**(2.8%)**
Loan loss reserve	(5,757)	(4,856)	(5,918)	(2.7%)	(18.0%)
NET LOANS AND ADVANCES TO CUSTOMERS	**123,025**	**102,603**	**104,677**	**17.5%**	**(2.0%)**
Gross loans & advances to customers ex. balances with BF	**128,735**	**107,411**	**110,470**	**16.5%**	**(2.8%)**
GROSS LOANS AND ADVANCES TO CUSTOMERS EX NPLs &	**117,175**	**98,139**	**99,360**	**17.9%**	**(1.2%)**

(1) 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

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

- **Managed retail customer funds, both on- and off-balance-sheet, increased organically by 564 million euros year-on-year (without considering BMN's contribution)**, so as to reach 119,508 million euros in December 2017. By product, the balance of demand deposits and savings accounts grew at annual rates of 21.2% and 11.4%, respectively, while off-balance-sheet customer funds increased 11.8%, thanks to strong performance in mutual funds. This result is in line with the market and reflects the growth of the customer assets managed by the Group, as well as Bankia's marketing policy, which in the current low interest rate context directs customers' savings towards the more liquid, lower cost funds.

  In mutual funds, the track record has been especially positive, with the Bankia Group growing its market share 5.80% at the end of December, an increase of 27 basis points year-on-year (not including BMN).

Strict customer deposits are up 1.48% in the quarter but down 1.8% compared to December 2016 as a result of the drift of customer savings into off-balance-sheet products. Even so, the LTD ratio remains at a comfortable level of 98%.

Wholesale funding is down 2,175 million euros (-11.6%) compared to December 2016 as a result of debt maturities and redemptions during the year. The highlights, in terms of new issues, are the placement of 500 million euros of Tier 2 subordinated debt in March and the issue of 750 million euros of Additional Tier 1 (AT1) bonds in July. Both issues were well received in the institutional markets and have further strengthened the Bankia Group's solvency.

At the end of December 2017, after the merger with BMN, the Group's total funds stood at 175,960 million euros.

CUSTOMER FUNDS

(€ million)	Dec-17		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Spanish public sector	5,678	3,797	5,029	12.9%	(24.5%)
Other resident sectors	122,501	96,075	97,598	25.5%	(1.6%)
Current accounts	29,016	24,080	19,863	46.1%	21.2%
Savings accounts	41,140	33,347	29,936	37.4%	11.4%
Term deposits	42,183	33,881	41,492	1.7%	(18.3%)
Repo transactions	2,663	205	1,209	-	(83.1%)
Singular mortgage securities	7,499	4,562	5,098	47.1%	(10.5%)
Non-residents	2,217	1,938	2,528	(12.3%)	(23.3%)
Funding via clearing houses and customer deposits	**130,396**	**101,810**	**105,155**	**24.0%**	**(3.2%)**
Debentures and other marketable securities	17,274	16,626	18,801	(8.1%)	(11.6%)
Subordinated loans	2,511	2,291	1,045	-	-
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**150,181**	**120,726**	**125,001**	**20.1%**	**(3.4%)**
Mutual funds	17,731	15,726	13,617	30.2%	15.5%
Pension funds	8,048	6,738	6,478	24.2%	4.0%
Off-balance-sheet customer funds (1)	**25,779**	**22,464**	**20,096**	**28.3%**	**11.8%**
TOTAL CUSTOMER FUNDS	**175,960**	**143,191**	**145,097**	**21.3%**	**(1.3%)**

(1) Group data at Dec-17 includes the off-balance sheet products marketed by BMN, which as from 2018 will be managed by Bankia.

(€ million)	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16	Change Dec-17/Dec-16	
Spanish public sector	**3,797**	**3,989**	**4,801**	**4,619**	**5,029**	**(1,232)**	**(24.5%)**
Other resident sectors	**91,308**	**89,575**	**91,353**	**90,928**	**91,291**	**17**	**0.0%**
Current accounts	24,080	22,618	22,763	21,404	19,863	4,217	21.2%
Savings accounts	33,347	32,120	32,254	30,607	29,936	3,411	11.4%
Term deposits	33,881	34,837	36,336	38,918	41,492	(7,611)	(18.3%)
Non-residents	**1,938**	**2,067**	**2,055**	**2,209**	**2,528**	**(590)**	**(23.3%)**
BANKIA Strict Customer Deposits	**97,043**	**95,631**	**98,209**	**97,757**	**98,848**	**(1,805)**	**(1.8%)**
Mutual funds	15,726	15,050	14,565	14,012	13,617	2,109	15.5%
Pension funds	6,738	6,621	6,565	6,512	6,478	260	4.0%
BANKIA Total customer off-balance funds	**22,464**	**21,671**	**21,130**	**20,524**	**20,096**	**2,369**	**11.8%**
BANKIA Total customer funds + off-balance funds	**119,508**	**117,302**	**119,339**	**118,281**	**118,944**	**564**	**0.5%**
BMN Strict Customer Deposits	23,191	-	-	-	-	23,191	-
BMN Total customer off-balance funds (1)	3,315	-	-	-	-	3,315	-
GROUP TOTAL CUSTOMER FUNDS + OFF-BALANCE FUNDS	**146,013**	**117,302**	**119,339**	**118,281**	**118,944**	**27,069**	**22.8%**

(1) Group data at Dec-17 includes the off-balance sheet products marketed by BMN, which as from 2018 will be managed by Bankia.

5. RISK MANAGEMENT

Improvement in risk indicators, with declines in non-performing loans (NPLs), the NPL ratio and foreclosed assets

The improvement in the quality of the Group's assets already witnessed in 2016 continued in 2017. **Without taking into account the assets contributed by BMN in the merger, non-performing loans are down 15.1% compared to December 2016 and down 4.5% compared to the previous quarter**, totalling 9,740 million euros at year-end 2017. The bulk of this decrease has been organic, resulting from lower inflows of new NPLs and good recovery management, although sales of credit portfolios, which continued during 2017, also contributed.

As a result of the decline in non-performing loans, **the Group's NPL ratio on a constant perimeter basis (Ex-BMN) dropped 30 basis points in the quarter and 130 basis points year-on-year, to 8.5%** in December 2017, the lowest level since the second half of 2012. The NPL coverage ratio stands at 53.6% at the end 2017.

This positive performance also can be seen in **the portfolio of foreclosed properties**, the net book balance of which, **Ex-BMN, is down 14.5% compared to December 2016** and 7.5% compared to the third quarter. The brisk pace of sales continued in 2017, with completed sales of 8,430 properties, representing 20.2% of the stock held at the start of the year. At year-end 2017, the coverage ratio of Group's portfolio of foreclosed assets, excluding BMN, stands at 36.8%.

The merger with BMN contributed 2,377 million euros of NPLs to the Group at 31 December 2017. Post-merger, after including these NPLs, the Bankia Group NPL ratio as of December 2017 stands at 8.9%.

Meanwhile, net foreclosed assets contributed by BMN in the merger totalled 1,474 million euros at year-end 2017.

NPL RATIO AND COVERAGE RATIO

(€ million and %)	Dec-17		Sep-17	Jun-17	Mar-17	Dec-16	Dec-17 / Dec-16	
	Group	Ex-BMN					Group	Ex-BMN
Non-performing loans	12,117	9,740	10,194	10,554	10,984	11,476	5.6%	(15.1%)
Total risk-bearing assets	136,353	114,811	115,254	116,188	116,216	117,205	16.3%	(2.0%)
Total NPL ratio (1)	**8.9%**	**8.5%**	**8.8%**	**9.1%**	**9.5%**	**9.8%**	**-0.9 p.p.**	**-1.3 p.p.**
Total provisions(2)	6,151	5,221	5,480	5,683	5,893	6,323	(2.7%)	(17.4%)
NPL coverage ratio	**50.8%**	**53.6%**	**53.8%**	**53.9%**	**53.7%**	**55.1%**	**-4.3 p.p.**	**-1.5 p.p.**

(1) NPL ratio: (Doubtfull risks of loans and advances to customers and contingent risks) / (Total risks of loans and advances to customers and contigent risks) Until March 2017 Gross Credit excludes transactions with BFA. As from June 2017, they are not excluded because they are not significant amounts

(2) Group coverage at Dec-17 including additional provisions due to the IFRS 9 application would have been 56.5%

NPL PERFORMANCE

(€ million and %)	12M 17	12M 16	4Q 17	3Q 17	2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16
Non-performing loans at the begining of the period	**11,476**	**12,995**	**10,194**	**10,554**	**10,984**	**11,476**	**11,298**	**11,751**	**12,564**	**12,995**
Net outflows	(1,393)	(1,798)	(336)	(258)	(338)	(461)	(240)	(384)	(771)	(403)
Write offs	(343)	(214)	(118)	(102)	(92)	(31)	(75)	(69)	(42)	(28)
"Anejo IX" CBE 4/2016 Impact	-	492	-	-	-	-	492	-	-	-
BMN NPLs contribution	2,377	-	2,377	-	-	-	-	-	-	-
Non-performing loans at the end of the period	**12,117**	**11,476**	**12,117**	**10,194**	**10,554**	**10,984**	**11,476**	**11,298**	**11,751**	**12,564**

GROSS EXPOSURE BY SECTOR AND COVERAGE RATIOS

(€ million and %)	Dec-17		Sep-17	Jun-17	Mar-17	Dec-16	Dec-17 / Dec-16	
	Group	Ex-BMN					Group	Ex-BMN
Gross exposure								
Individuals	81,454	66,641	67,599	68,528	68,365	69,092	17.9%	(3.5%)
Businesses	38,851	33,491	33,962	34,031	33,844	34,115	13.9%	(1.8%)
Developers	1,478	1,031	1,095	1,266	1,308	1,386	6.6%	(25.6%)
Public sector & others	6,999	6,296	5,917	5,613	5,832	5,877	19.1%	7.1%
Gross Credit [1]	**128,782**	**107,459**	**108,573**	**109,437**	**109,348**	**110,470**	**16.6%**	**(2.7%)**
Gross credit ex developers [1]	**127,304**	**106,427**	**107,477**	**108,172**	**108,041**	**109,084**	**16.7%**	**(2.4%)**
Impairments								
Individuals	1,957	1,271	1,538	1,429	1,583	1,745	12.1%	(27.2%)
Businesses	3,185	3,127	2,994	3,225	3,176	3,389	(6.0%)	(7.7%)
Developers	615	458	562	639	742	784	(21.6%)	(41.6%)
Total Impairments	**5,757**	**4,856**	**5,094**	**5,293**	**5,501**	**5,918**	**(2.7%)**	**(18.0%)**
Coverage ex developers	**5,142**	**4,398**	**4,532**	**4,654**	**4,759**	**5,134**	**0.2%**	**(14.3%)**
Coverage (%)								
Individuals	2.4%	1.9%	2.3%	2.1%	2.3%	2.5%	-0.1 p.p.	-0.6 p.p.
Businesses	8.2%	9.3%	8.8%	9.5%	9.4%	9.9%	-1.7 p.p.	-0.6 p.p.
Developers	41.6%	44.4%	51.3%	50.5%	56.7%	56.6%	-15.0 p.p.	-12.2 p.p.
Total coverage	**4.5%**	**4.5%**	**4.7%**	**4.8%**	**5.0%**	**5.4%**	**-0.9 p.p.**	**-0.9 p.p.**
Coverage ex developers	**4.0%**	**4.1%**	**4.2%**	**4.3%**	**4.4%**	**4.7%**	**-0.7 p.p.**	**-0.6 p.p.**

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

RESTRUCTURED LOANS

(€ million and %)	Dec-17		Sep-17	Jun-17	Mar-17	Dec-16	Dec-17 / Dec-16	
	Group	Ex-BMN					Group	Ex-BMN
Gross exposure								
Non-performing loans	7,399	5,967	6,357	6,661	6,965	7,268	1.8%	(17.9%)
Performing loans	5,180	3,775	3,941	4,105	3,177	3,287	57.6%	14.9%
Total refinanced	**12,579**	**9,743**	**10,298**	**10,766**	**10,142**	**10,555**	**19.2%**	**(7.7%)**
Impairments								
Non-performing loans	3,210	2,750	2,984	3,094	3,269	3,392	(5.3%)	(18.9%)
Performing loans	127	103	101	120	106	113	13.0%	(8.7%)
Total Impairments	**3,338**	**2,852**	**3,086**	**3,214**	**3,375**	**3,504**	**(4.8%)**	**(18.6%)**
Coverage (%)								
Non-performing loans	43.4%	46.1%	46.9%	46.5%	46.9%	46.7%	-3.3 p.p.	-0.6 p.p.
Performing loans	2.5%	2.7%	2.6%	2.9%	3.3%	3.4%	-0.9 p.p.	-0.7 p.p.
Total coverage	**26.5%**	**29.3%**	**30.0%**	**29.9%**	**33.3%**	**33.2%**	**-6.7 p.p.**	**-3.9 p.p.**

BREAKDOWN OF FORECLOSED ASSETS

	Gross value [1]					
	Dec-17		Sep-17	Jun-17	Mar-17	Dec-16
(€ million)	Grupo	Ex-BMN				
Property assets from construction and property development	1,236	326	339	354	365	373
Of which: finished buildings	768	219	230	242	256	273
Of which: buildings under construction	70	26	27	30	30	29
Of which: Land	398	82	82	82	79	72
Property acquired related to mortgage loans to homebuyers	2,979	2,103	2,194	2,294	2,425	2,502
Other foreclosed assets	901	619	617	611	596	574
Total	**5,115**	**3,048**	**3,149**	**3,259**	**3,387**	**3,449**

(1) Includes all 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]					
	Dec-17		Sep-17	Jun-17	Mar-17	Dec-16
(€ million)	Grupo	Ex-BMN				
Property assets from construction and property development	356	106	111	114	116	118
Of which: finished buildings	120	56	60	64	67	73
Of which: buildings under construction	36	10	11	11	11	9
Of which: Land	201	40	40	39	38	36
Property acquired related to mortgage loans to homebuyers	1,138	886	820	860	920	939
Other foreclosed assets	221	131	137	139	144	140
Total	**1,716**	**1,122**	**1,068**	**1,113**	**1,179**	**1,198**

(1) Includes all 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]					
	Dec-17		Sep-17	Jun-17	Mar-17	Dec-16
(€ million)	Grupo	Ex-BMN				
Property assets from construction and property development	879	220	228	240	249	255
Of which: finished buildings	648	163	170	178	189	200
Of which: buildings under construction	34	16	16	19	20	19
Of which: Land	198	42	42	43	41	36
Property acquired related to mortgage loans to homebuyers	1,840	1,217	1,374	1,435	1,506	1,563
Other foreclosed assets	679	488	480	472	452	434
Total	**3,399**	**1,925**	**2,082**	**2,146**	**2,207**	**2,251**

(1) Includes all 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

In 2017, the Group's liquidity position remains comfortable, supported by loan book funding via stable customer funds, which at year-end 2017 account for 64% of the Group's financial resources post-merger.

The Group's balanced retail funding structure situates the post-merger LTD (loan-to-deposit) ratio at a comfortable level of 93.9% at the end of December 2017 (98% Ex-BMN). At that same date, Bankia's liquidity coverage ratio (LCR) post-merger (172%) remains well above the regulatory requirements for 2017 (80%).

Bankia's wholesale funding performance in 2017 is marked by the success in accessing the markets in two issuances: a 500 million euro issue of 10-year Tier 2 subordinated bonds in March, which was more than 10 times oversubscribed, and a 750 million euro issue of AT1 bonds, which was 3.3 times oversubscribed.

The merger with BMN added 3,955 million euros to the Group's liquid assets, which at the end of December 2017 total 31,437 million euros. This volume of assets covers the Group's wholesale debt maturities after the merger with BMN 1.2 times.

At the end of December 2017, funding from the ECB accounts for only 8% of the Group's external funding. Without considering the outstanding balance resulting from the merger with BMN, the Bankia Group has reduced its ECB funding by 2,151 million euros, compared to December 2016, through early repayment of amounts taken up in the TLTRO I auctions. After the merger with BMN, the year-end outstanding balance of ECB funds is 15,356 million euros, of which 2,540 million euros are from BMN.

LTD RATIO AND COMMERCIAL GAP

(€ million)	Dec-17		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Net Loans and advances to customers	**123,025**	**102,603**	**104,677**	**17.5%**	**(2.0%)**
o/w Repo transactions RPS(1)	256	244	469	(45.4%)	(100.0%)
o/w Repo transactions with BFA(1)(2)	-	-	49	(100.0%)	(100.0%)
o/w other balances with BFA(2)	-	-	76	(100.0%)	(100.0%)
a. Strict Net Loans and advances to customers	**122,769**	**102,359**	**104,083**	**18.0%**	**(1.7%)**
Strict customer deposits and retail commercial paper	120,234	97,043	98,848	21.6%	(1.8%)
Single-certificate covered bonds	7,499	4,562	5,098	47.1%	(10.5%)
ICO/EIB deposits	3,007	2,833	3,117	(3.5%)	(9.1%)
b. Total Deposits	**130,740**	**104,438**	**107,063**	**22.1%**	**(2.5%)**
LTD ratio (a/b)	**93.9%**	**98.0%**	**97.2%**	**-3.3 p.p.**	**+0.8 p.p.**

(€ million)	Dec-17		Dec-16	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
Net Loans and advances to customers	**123,025**	**102,603**	**104,677**	**17.5%**	**(2.0%)**
o/w Repo transactions RPS(1)	256	244	469	(45.4%)	(100.0%)
o/w Repo transactions with BFA(1)(2)	-	-	49	(100.0%)	(100.0%)
o/w other balances with BFA(2)	-	-	76	(100.0%)	(100.0%)
Strict Net Loans and advances to customers	**122,769**	**102,359**	**104,083**	**18.0%**	**(1.7%)**
(-) Strict customer deposits and retail commercial paper	120,234	97,043	98,848	21.6%	(1.8%)
(-) ICO/EIB deposits	3,007	2,833	3,117	(3.5%)	(9.1%)
Strict Comercial GAP	**(472)**	**2,483**	**2,117**	**-**	**17.3%**

(1) Reverse repurchase agreements
(2) In Dec-16, Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€76mn) as of Dec-16 and collateral provided to BFA (€0.4mn). In Dec-17 they are not excluded from loans and advances to customers due they are not significant.

MATURITY OF ISSUES

(€ million) (1) (2)	2018	2019	2020	>2020
Covered bonds	2,836	2,764	418	14,406
Senior debt	262	983	-	136
Subordinated debt	-	1,000	-	1,425
Securitisation	-	-	-	1,841
Total issuance maturities	**3,097**	**4,747**	**418**	**17,807**

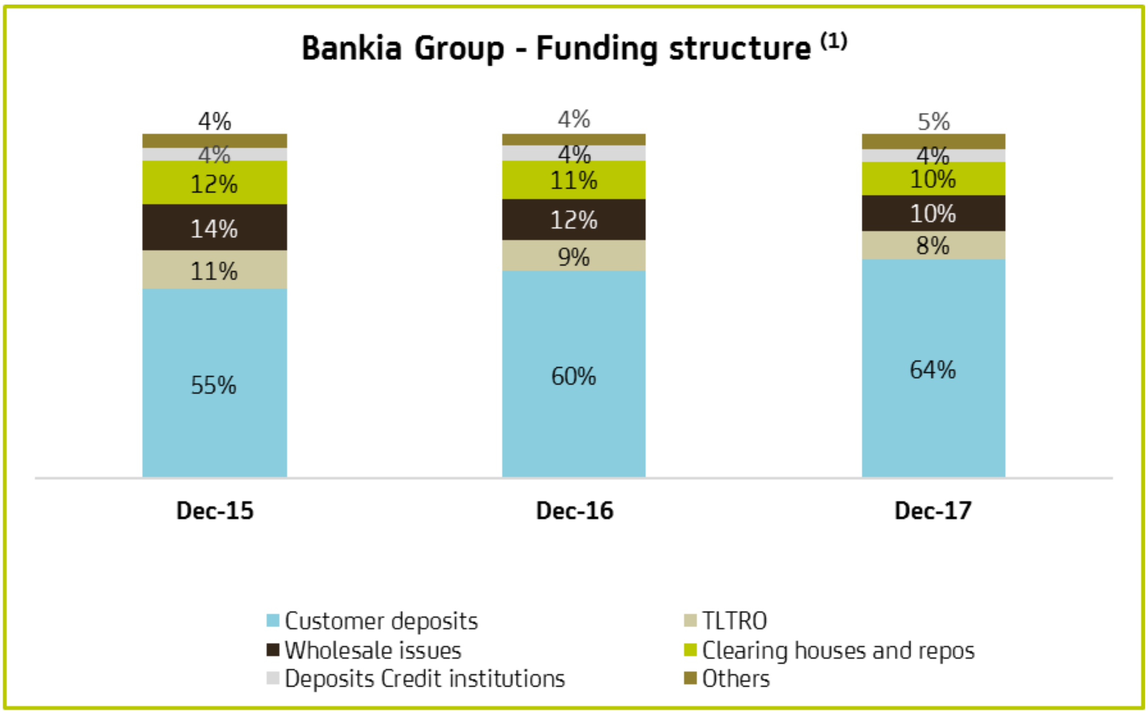
(1) Group data post merger between Bankia and BMN
(2) Maturities of Bankia group in nominal values net of treasury shares and retained issuance

LIQUID ASSETS

			Change	
(€ million)	Dec-17 (1)	Dec-16	Amount	%
Treasury account and deposit facility (2)	2,206	950	1,256	132.2%
Undrawn amount on the facility	10,918	1,881	9,037	-
Available high liquidity assets (3)	18,313	27,004	(8,691)	(32.2%)
Total	**31,437**	**29,835**	**1,602**	**5.4%**

(1) Group data post merger between Bankia and BMN
(2) Cash and Central Banks accounts reduced by minimal reserves
(3) Market value considering ECB haircut

FUNDING STRUCTURE



(1) Group data at Dec17 post merger between Bankia and BMN

7. SOLVENCY

At 31 December 2017, the Bankia Group Ex-BMN would have had a CET-1 Phase-in ratio, not including unrealised sovereign gains, of 16.64% and a Total Capital Phase-in ratio of 19.72%, which entails year-on-year organic capital generation of +194 and +369 basis points, respectively. In December 2017, Bankia merged with BMN, with an estimated impact of -276 basis points on the CET-1 Phase-in ratio and -315 basis points on the Total Capital ratio. This impact has been absorbed with internal capital, without recourse to the market. Thus, at 31 December 2017, after the merger with BMN, the Bankia Group's CET-1 Phase-in ratio, without including unrealised gains on the available-for-sale sovereign portfolio, is 13.88% and the Total Capital ratio, 16.57%. Including unrealised gains on the available-for-sale sovereign portfolio (regulatory capital), the CET-1 Phase-in ratio is 14.15% and the Total Capital ratio, 16.84%. These ratios represent a surplus of +628 basis points at CET1 level and +547 basis points at Total Capital level, above the minimum SREP capital requirements notified by the Supervisor for 2017 (7.875% CET1 and 11.38% Total Capital).

At Total Capital level, one of the main events during the year is the issue in March 2017 of 500 million euros of subordinated bonds, with a positive impact of +66 basis points on Total Capital at the time of the issue. Additionally, in July 2017, the Bankia Group issued 750 million euros of perpetual bonds contingently convertible into ordinary shares of Bankia, eligible as Additional Tier 1 capital, with an estimated impact on the CET1 and Total Capital ratios of +100 basis points. Lastly, after the merger with BMN, the Group reinforced its Total Capital with 175 million euros from subordinated bonds contributed by BMN. With these issues, the Bankia Group has increase its loss-absorbing capital base to meet the future MREL requirement provided for in the Bank Resolution and Recovery Directive (BRRD).

On a Fully Loaded basis (not including unrealised gains in the AFS sovereign debt portfolio), the Bankia Group Ex-BMN's CET1 ratio would have been 14.83% and the Total Capital ratio, 18.03%, entailing capital generation of +181 bps and +367 bps, respectively, during the year. After the merger with BMN, whose effect on the CET1 and Total Capital Fully Loaded ratios was -250 bps and -292 bps, respectively, Bankia reached a CET1 Fully Loaded ratio of 12.33% and a Total Capital Fully Loaded ratio of 15.11%. If the unrealised gains on the AFS sovereign debt portfolio are included, the CET1 Fully Loaded ratio would be 12.66% and the Total Capital ratio, 15.44% (including the effect of the merger with BMN).

The Bankia Group Ex-BMN's Fully Loaded leverage ratio at 31 December 2017 is 6.23% (6.40% if unrealised sovereign gains are included), well above the required levels, reflecting an increase of +90 basis points during the year, all this without taking the impact of the BMN merger into account. If the merger effect is included, the Fully Loaded leverage ratio would be 5.35% (5.49% including unrealised sovereign gains).

Lastly, if the estimated impact on solvency of the entry into force of IFRS 9 is brought forward from 1 January 2018 to December 2017, the CET-1 Fully Loaded ratio would be 11.96% (12.49% including unrealised sovereign gains), which would imply a negative impact of -37 bps (-17 bps including new unrealised sovereign gains from portfolio reclassifications). The estimated impact on the leverage ratio would be -11 bps on both a Phase-in and a Fully Loaded basis.

SOLVENCY RATIOS AND LEVERAGE

(%)	Dec-17 [1]			
	Group [3]		Ex - BMN	
	Phase In	Fully Loaded	Phase In	Fully Loaded
Common equity Tier I (%)- CET1 [2]	13.88%	12.33%	16.64%	14.83%
Total Solvency ratio (%)	16.57%	15.11%	19.72%	18.03%
Regulatory capital ratios (incl. AFS unrealised gains):				
Common equity Tier I - CET1	14.15%	12.66%	16.98%	15.25%
Total capital ratio	16.84%	15.44%	20.06%	18.45%
CET1 2017 SREP requirement (incl. additional buffers)	7.88%	9.25%	7.88%	9.25%
Total solvency 2017 SREP requirement (incl. additional buffers)	11.38%	12.75%	11.38%	12.75%
Surplus over CET1 2017 SREP requirement	**6.28%**	**3.41%**	**9.11%**	**6.00%**
Surplus over Total solvency 2017 SREP requirement	**5.47%**	**2.69%**	**8.69%**	**5.70%**

(1) Includes the result that it is expected to be allocated into reserves
(2) Does not include unrealised gains on the available for sale sovereign portfolio
(3) Data post merger between Bankia and BMN (incl. Capital increase, consolidation of BMN, integration cots).

SOLVENCY AND LEVERAGE RATIOS

RATIOS PHASE IN

(€ million and %)	Dec -17 (1) (2)		Dec -16 (1) (2)
	Group (3)	Ex-BMN	
Eligible capital	14,256	13,677	12,359
Common equity Tier I (CET 1)	11,942	11,538	11,329
Capital	3,704	2,879	9,214
Reserves (as per reserve perimeter)	9,094	9,094	2,330
Result attributable net of dividend acrual	164	498	487
Deductions	(963)	(877)	(663)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(57)	(57)	(38)
Tier I Capital	12,624	12,220	11,329
Instruments	750	750	-
Others	(68)	(68)	-
Tier II Capital	1,632	1,457	1,030
Instruments	1,672	1,497	1,000
Others	(40)	(40)	30
Risk-weighted assets	86,046	69,346	77,078
Common equity Tier I (CET 1) (%)	**13.88%**	**16.64%**	**14.70%**
Tier I Capital	14.67%	17.62%	14.70%
Tier II Capital	1.90%	2.10%	1.34%
Solvency ratio - Total capital ratio (%)	**16.57%**	**19.72%**	**16.03%**
Leverage ratio	**5.91%**	**6.85%**	**5.97%**
Total exposition leverage ratio	**213,518**	**178,295**	**189,610**

(1) Does not include unrealised gains on the available for sale sovereign portfolio, although since October it has been included in the regulatory capital according to the (EU) 2016/445ECB regulation. Had they been included in the Phase in ratio, as of 31 December 2017, CET1 ratio would have been 14.15% and Total Solvency ratio 16.84%. And as of 31 December 2016 the CET 1 ratio would have been 15.00 %, and Total Solvency ratio 16.33%. Ex BMN CET-1 would have been 16.98% and 20.06% Total Solvency.

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

(3) Data post merger between Bankia and BMN (incl. Capital increase, integration of BMN, costs).

RATIOS FULLY LOADED

(€ million and %)	Dec -17 (1) (2)		Dec -16 (1) (2)
	Group (3)	Ex-BMN	
Eligible capital	12,999	12,503	11,068
Common equity Tier I (CET 1)	10,607	10,286	10,038
Capital	3,704	2,879	9,214
Reserves (as per reserve perimeter)	9,094	9,094	2,330
Result attributable net of dividend acrual	164	498	487
Deductions	(2,301)	(2,132)	(1,965)
Others (treasury stocks, Non-controlling interests and unrealised gains on AFS portfolio)	(54)	(55)	(27)
Tier I Capital	11,357	11,036	10,038
Instruments	750	750	-
Tier II Capital	1,642	1,467	1,030
Instruments	1,672	1,497	1,000
Others	(30)	(30)	30
Risk-weighted assets	86,046	69,346	77,078
Common equity Tier I (CET 1) (%)	**12.33%**	**14.83%**	**13.02%**
Tier I Capital	13.20%	15.91%	13.02%
Tier II Capital	1.91%	2.12%	1.34%
Solvency ratio - Total capital ratio (%)	**15.11%**	**18.03%**	**14.36%**
Leverage ratio	**5.35%**	**6.23%**	**5.33%**
Total exposition leverage ratio	**212,249**	**177,108**	**188,308**

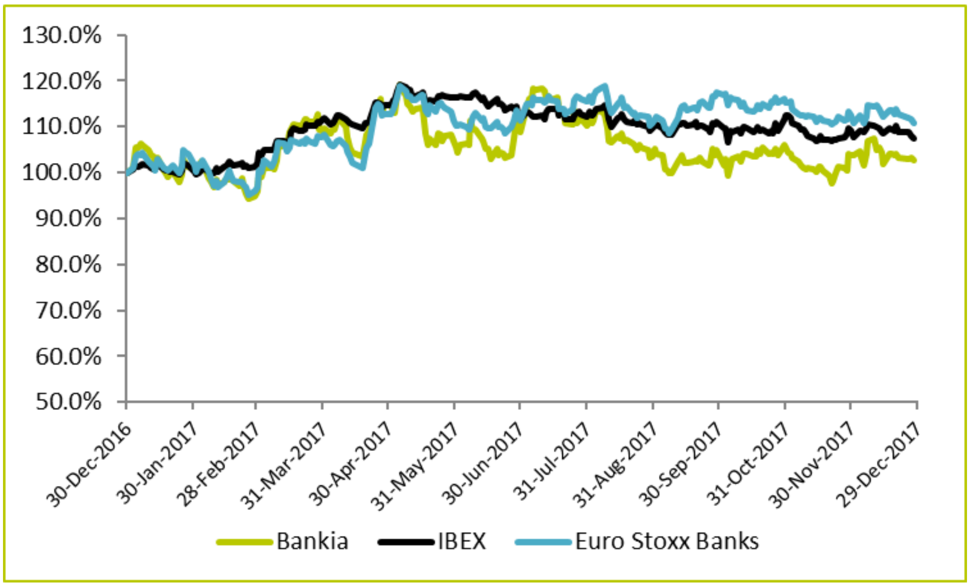
(1) Does not include unrealised gains on the available for sale sovereign portfolio, although since October it has been included in the regulatory capital according to the (EU) 2016/445ECB regulation. Had they been included in the Fully loaded ratio, as of 31 December 2017, CET1 ratio would have been 12.66% and Total Solvency ratio 15.44%. And as of 31 December 2016 the CET 1 ratio would have been 13.52 %, and total solvency ratio 14.85% Ex BMN CET-1 would have been 15.25% and 18.45% Total Solvency.

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

(3) Data post merger between Bankia and BMN (incl. Capital increase, integration of BMN, costs).

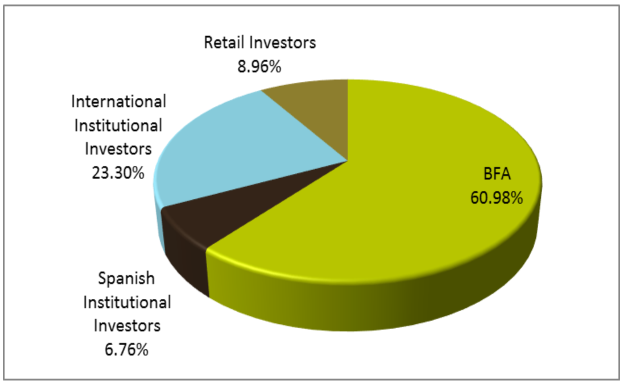
8. SHARE PERFORMANCE

SHARE PRICE



MAJOR SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Dec-2017
Number of shareholders[1]	192,055
Daily average volume (num. shares)	8,496,539
Daily average turnover (euros)	35,112,266
Maximum closing price (€/share)	4.624 (5-May)
Minimum closing price (€/share)	3.664 (24-Feb)
Closing price (€/share)	3.987 (29-Dec)



(1) Post the capital increase carried out to execute the exchange of the merger between Bankia and BMN.

After the reduction of the nominal value of the shares and the reverse split carried out in June 2017, followed by the capital increase in December 2017 to execute the merger exchange with BMN, Bankia's share capital is represented by 3,085 million shares with a nominal value of one euro per share.

9. RATING

The successful conclusion of the bank's 2012-2017 Restructuring Plan, together with the positive performance of the banking business, the reduction of problem assets and the improvement in capitalisation, have all had a positive impact on the level of the bank's ratings in 2017. The most significant rating actions during the year are as follows:

- On 9 February, **S&P Global Ratings ("S&P") upgraded Bankia's long-term rating from "BB+" to "BBB-", assigning a Positive outlook**, which meant that the Bank had again an investment grade rating from S&P. This rating action resulted from an improvement in S&P's assessment of the economic risk and of the industry risk of banks operating in Spain, combined with the strengthening of Bankia's capital position over the course of 2016. On 24 March, following its annual review of Bankia's ratings, S&P affirmed this rating.

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

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

- **On 5 July**, after completing its annual review of Bankia's credit profile and taking the announcement of the terms of the merger with BMN into account, **DBRS affirmed the ratings of Bankia's long-term debt and deposits at "BBB (high)" and the short-term rating at "R-1 (low)", maintaining the Stable outlook**.

- In the second half of 2017, **Bankia decided to publicly solicit Scope Ratings** ("Scope") to assign issuer ratings and so, on 30 November, **Scope assigned Bankia the following ratings**, based on its assessment of Bankia's intrinsic financial strength, all with a Stable outlook:

  - Issuer rating of "BBB+".
  - Unsecured senior debt rating (non-MREL) of "BBB+".
  - Unsecured senior debt rating (MREL) of "BBB".
  - Short-term debt rating of "S-2".

Bankia thus has four long-term investment grade ratings. All the ratings take the merger with BMN into account.

Additionally, in relation to Bankia's **mortgage covered bonds**, on 7 April, following the improvement in the outlook on Spain's rating, **S&P affirmed the rating of Bankia's mortgage covered bonds at "A+", improving the outlook from Stable to Positive**. The outlook of Spanish mortgage covered bonds reflects the outlook of the Spanish sovereign rating.

Subsequently, on 22 September, after a review carried out as part of the agency's ongoing monitoring, **DBRS upgraded the rating of the covered bonds one notch, from "AA (high)" to "AAA"**. This action was based mainly on an improvement in the overcollateralization of the mortgage portfolio.

Finally, on 18 October, following a complete industry-level review of the residential mortgage covered bond programmes it rates in Spain, **Fitch affirmed the rating of Bankia's covered bonds at "A", maintaining the Stable outlook. On 23 January 2018, after the merger with BMN, Fitch affirmed that rating.**

CREDIT AGENCY RATINGS

Issuer Ratings	S&P Global Ratings	Fitch Ratings	DBRS	SCOPE
Long-term	BBB-	BBB-	BBB (high)	BBB+
Short-term	A-3	F3	R-1 (low)	S-2
Outlook	Positive	Stable	Stable	Stable
Date	28-Jun-17	15-Feb-17	5-Jul-17	30-Nov-17
Mortgage Covered Bonds Ratings	**S&P Global Ratings**	**Fitch Ratings**	**DBRS**	**SCOPE**
Rating	A+	A	AAA	AAA
Outlook	Positive	Stable	---	Stable
Date	7-Apr-17	23-Jan-18	22-Sep-17	8-Jul-16

10. RELEVANT EVENTS DURING THE YEAR

End of the Restructuring Plan

The 2012-2017 Restructuring Plan approved by the European authorities at the end of 2012 aimed at recapitalising the Group through an injection of public funds officially ended on 31 December 2017. The Group had already met the targets set in the Plan before the end of 2015, two years ahead of schedule.

The commitments agreed with the authorities under the Restructuring Plan restricted the Group's non-organic growth and any activity outside the scope of retail banking. With the Plan successfully completed, those restrictions disappear, which means that from January 2018 the Bankia Group will be able to compete on equal terms with the other players in the Spanish financial sector.

In this new scenario, the Group is working on a second strategic plan for the period 2018-2020.

Merger with Banco Mare Nostrum (BMN)

On 14 September 2017, the Extraordinary General Meetings of Shareholders of Bankia and BMN resolved in favour of the merger of the two institutions. Pursuant to those resolutions, Bankia undertook the merger by absorption of BMN. The merger was executed on 8 January 2018 (effective for accounting purposes on 1 December 2017) through the delivery to BMN shareholders of 205.6 million newly issued shares of Bankia. As a result Bankia's Total Capital is now represented by 3,085 million shares.

The merger consolidates Bankia as the fourth largest bank by asset volume in the Spanish market and comes at a time when the outlook for the financial system is improving, both in terms of expected business growth and in light of the foreseeable trend in interest rates. It also allows the shareholders of both entities to benefit from significant value generation through the expected synergies. Bankia and BMN both have a business model focused on retail banking and a similar customer profile, which results in great potential for synergies through reduction of cost duplication, while keeping the integration risk low.

It is estimated that the reduction of recurring costs (before taxes) will reach 155 million euros in 2020.

The fact that Bankia has a comfortable capital position, well above the regulatory minimums and above its peers, has made it unnecessary for the bank to raise funds in the markets to finance the merger.

By using its existing capital surplus, Bankia has been able to optimise the use of capital and achieve a return above its cost of capital, thus creating value for its shareholders.

Bankia expects to achieve a return on invested capital (ROIC) of 12% in 2020 and ROE growth of approximately 120 basis points by that same date. The regulatory CET1 Fully Loaded ratio post-merger stands at 12.66% at year-end 2017.

Changes in Bankia's share capital

On 1 June 2017, Bankia carried out a capital reduction in the amount of 6,335 million euros in order to increase the Group's voluntary reserves, by reducing the nominal value of all the shares by 0.55 euros to 0.25 euros per share, setting Bankia's share capital at 2,879 million euros.

On that same date, it carried out a reverse split in which every four shares with a nominal value of 0.25 euros per share were converted into one new share with a nominal value of 1 euro. As a result, the number of Bankia shares went from 11,517 million to 2,879 million, effective on the stock market from 5 June 2017. This action was taken in order to adapt Bankia's equity structure and avoid volatility in the shares and did not entail any change in the economic value of the shares for the bank's shareholders.

In addition, effective for accounting purposes on 31 December 2017, Bankia executed a capital increase of 205.6 million euros through the issue of 205.6 million new shares, which were delivered to the shareholders of BMN as consideration in the merger exchange between the two institutions.

At the end of December 2017, after the transactions described above, Bankia's share capital stands at 3,085 million euros.

Sale of 7% of Bankia's share capital by BFA

On 12 December 2017, BFA sold 201,553,250 shares, representing 7% of Bankia's share capital. The shares were placed among qualified investors through a book building process, at a selling price of 4.06 euros per share, generating proceeds of 818.3 million euros. Investors submitted bids totalling 1,900 million euros, resulting in an oversubscription of 2.3 times.

This sale represents a further step towards the privatisation of Bankia and also helps continue the repayment of the state aid received by the bank. BFA already sold 7.5% of Bankia's capital in February 2014 for 1,304 million euros. Added to this amount are the three dividend payments in the three following years, amounting to a gross total of 820 million euros. Thus, thanks to the value it has generated in recent years, between share sales and dividend payments Bankia has already repaid 2,942 million euros of the aid it received.

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

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

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

In August 2017, Bankia received authorisation from the Supervisor to treat this AT1 issue as AT1 capital, which will reinforce the Group's solvency and expand its buffer of loss-absorbing liabilities to meet the future MREL requirement.

Payment of a dividend out of profit for 2016

On 31 March 2017, in execution of the resolutions adopted by the General Meeting of Shareholders on 24 March 2017, Bankia paid a dividend out of profits for 2016 to the holders of shares that carried dividend rights on the payment date in the gross total amount of 317.42 million euros, which was almost 5% more than the dividend paid the previous year.

Of this amount, 211 million euros were paid to BFA, Tenedora de Acciones, S.A.U., which at year-end 2016 held 65.9% of Bankia's capital.

The results obtained, together with the favourable trend in the balance sheet and the main solvency parameters, have allowed Bankia to allocate 820 million euros to shareholder remuneration since 2014.

11. APPENDIX

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million and %)	Dec-17[1]		Dec-16[1]	Change yoy	
	Group	Ex - BMN		Group	Ex-BMN
ALCO Portfolio	29,440	25,404	29,742	(1.0%)	(14.6%)
NON ALCO Portfolio	1,317	1,192	2,969	(55.6%)	(59.9%)
SAREB Bonds	20,698	15,575	16,431	26.0%	(5.2%)
Total Fixed Income Portfolio	**51,455**	**42,171**	**49,142**	**4.7%**	**(14.2%)**

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

INFORMATION RELATING TO ALTERNATIVE PERFORMANCE MEASURES (APMs)

In addition to the financial information prepared in accordance with generally accepted accounting principles (IFRS), the Bankia Group uses certain alternative performance measures ("APMs") that are normally used in the banking sector as indicators for monitoring the management of the Group's assets and liabilities and its financial and economic position. In compliance with the ESMA guidelines on transparency and investor protection in the European Union published in October 2015, the following tables give details of all the APMs used in this document, including their definitions and a reconciliation with the balance sheet and income statement line items used in their calculation.

ALTERNATIVE PERFORMANCE MEASURES

PERFORMANCE MEASURE	DEFINITION	CALCULATION AND ACCOUNTING DATA
Sum of customer resources managed on and off the balance sheet	Sum of customer deposits, subordinated and senior wholesale issues and off-balance sheet customer funds	Balance sheet items: - Customer deposits - Marketable debt securities Third-party resources managed by the Group (Statement F.22.02 excluding the customer portfolios managed on a discretionary basis): - Collective investment - Pension funds
NPL ratio (%)	Relationship between doubtful risks of loans and advances to customers and contingent risks and the total risks of loans and advances to customers and contingent risks	Doubtful risks of loans and advances to customers and contingent risks divided by the total risks of loans and advances to customers and contingent risks
NPL coverage ratio (%)	Measures the degree of impairments on loans, customer advances and contingent risks with regards to total doubtful risks of loans and advances to customers and contingent risks	Impairments on loans, customer advances and contingent risks divided by total doubtful risks of loans and advances to customers and contingent risks
LTD ratio (%)	Relationship between loans granted to customers and deposits taken from customers	Loans and advances to customers divided by customer deposits plus funds raised through second-floor loans received from the EIB and ICO. - Loans and advances to customers less reverse repos. Also in December 2016, less balances with BFA - Customer deposits less repos and single-certificate mortgage covered bonds
Gains/(losses) on financial assets and liabilities	Sum of the profit/(loss) from management of the trading portfolios, financial assets available for sale, assets and liabilities at amortised cost and accounting hedges	Sum of the following items on the income statement: - Gains or (-) losses on financial assets and liabilities not measured at fair value through profit or loss, net - Gains or (-) losses on financial assets and liabilities held for trading, net - Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net - Gains or (-) losses from hedge accounting, net

PERFORMANCE MEASURE	DEFINITION	CALCULATION AND ACCOUNTING DATA
Pre-provision profit	Gross margin less administrative expenses and depreciation and amortisation	Sum of the following items on the income statement: - Gross income - Administrative expenses - Depreciation and amortisation
Customer margin (%)	Difference between the average interest rate charged on loans and advances to customers and the average interest rate paid on customer deposits	Average interest rate on loans and advances to customers: - Interest income on loans and advances to customers recognised in the period divided by the average month-end balance of loans and advances to customers in the period Average interest rate paid on customer deposits: - Interest expenses on customer deposits recognised in the period divided by the average month-end balance of customer deposits in the period Interest income and interest expenses are annualised at the March, June and September accounting closes
Interest margin (net interest income) (%)	Difference between the average return on assets and the average cost of liabilities and equity	Average return on assets: - Interest income in the period divided by average month-end balances of recognised assets Average cost of liabilities and equity: - Interest expenses in the period divided by average month-end balances of total equity and liabilities in the period Interest income and interest expenses are annualised at the March, June and September accounting closes
ROA (%)	Measures the return on the Group's assets	After-tax profit/(loss) for the year divided by average month-end balances of recognised assets in the period After-tax profit/(loss) for the year is annualised at the March, June and September accounting closes
RORWA (%)	Measures the return obtained from the risk-weighted average assets	After-tax profit/(loss) for the year divided by regulatory risk-weighted assets at the end of the period After-tax profit/(loss) for the year is annualised at the March, June and September accounting closes
ROE (%)	Measures the return on equity	Profit/(loss) for the year attributable to equity holders of the Group divided by average value of equity of the 12 months preceding the period-end adjusted for expected dividends Profit/(loss) for the year attributable to equity holders of the Group is annualised at the March, June and September accounting closes
ROTE (%)	Measures the return on equity excluding intangible assets	Profit/(loss) for the year attributable to equity holders of the Group divided by average value of equity of the 12 months preceding the period-end adjusted for expected dividends Profit/(loss) for the year attributable to equity holders of the Group is annualised at the March, June and September accounting closes
Efficiency ratio (%)	Measures operating expenses as a percentage of gross income	Administrative expenses + depreciation and amortisation divided by gross income
Cost of risk (%)	Measures the relationship between non-performing loan provisions and the total balance of customer credit risk and contingent risks	Sum of losses from impairment of financial assets and provisions for contingent risks included under "Provisions (net)" on the income statement divided by the average value of loans and advances to customers, gross (before provisions) and contingent risks in the period Out of impairment of financial assets, the extraordinary and non-recurrent provisions, the external costs of recoveries and the variations in impairment of fixed-income instruments, are deducted. Total of impairment losses of financial assets and provisions for contingent risks are annualised at the March, June and September accounting closing
Market capitalisation	Economic metric indicating the total value of a business as per the market price of its shares	Sum of share price multiplied by the number of shares outstanding at period-end In December 2016, the number of shares and share price are proforma following the reverse split in June 2017
Earnings per share	Measures the part of profit attributable to each of the bank's shares	Profit/(loss) attributable to equity holders of the Group divided by the number of shares outstanding at period-end Profit/(loss) for the year attributable to equity holders of the Group is annualised at the March, June and September accounting closes In December 2016, the number of shares is proforma following the reverse split in June 2017
Tangible book value per share	The book value of the company per each share issued, minus intangible assets	Sum of dividing the Group's equity less intangible assets by the number of shares outstanding at period-end In December 2016, the number of shares outstanding is proforma following the reverse split in June 2017
P/E ratio	Number of times earnings goes into the price per share	Share price at period-end divided by earnings per share in the period
Price to tangible book value ratio	Ratio comparing the bank's share price as a proportion of its tangible book value	Share price at period-end divided by tangible book value per share in the period

ACCOUNTING DATA USED TO CALCULATE THE ALTERNATIVE PERFORMANCE MEASURES

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	Dec-17 (1)	Dec-16
Sum of customer funds managed on and off balance sheet	**175,960**	**145,097**
- Customer deposits	130,396	105,155
- Marketable debt securities	19,785	19,846
- Investment companies and funds	17,731	13,617
- Pension funds	8,048	6,478
NPL ratio (%)	**8.9%**	**9.8%**
- Doubtful risks of loans and advances to customers and contingent risks	12,117	11,476
- Total risks of loans and advances to customers and contingent risks	136,353	117,205
NPL coverage ratio (%)	**50.8%**	**55.1%**
- Impairments on loans, customer advances and contingent risks	6,151	6,323
- Doubtful risks of loans, advances to customers and contingent risks	12,117	11,476
LTD ratio (%)	**93.9%**	**97.2%**
- Loans and advances to customers	123,025	104,677
- Reverse repo transactions	256	469
- Reverse repo transactions with BFA	-	49
- Other balances with BFA	-	76
- Customer deposits	130,396	105,155
- Repo transactions	2,663	1,209
- Single-certificate mortgage covered bonds	7,499	5,098
- Funds for second-floor credit facilities from the EIB and ICO	3,007	3,117
Market capitalisation (2)	**12,300**	**11,183**
- Number of shares outstanding at end of period (million)	3,085	2,879.3
- Share price at end of period (euros)	3.987	3.884
Earnings per share (euros) (2)	**0.265**	**0.279**
- Profit or loss attributable to equity holders of the Group for the period	816	804
- Number of shares outstanding at end of period (million)	3,085	2,879.3
Tangible book value per share (euros) (2)	**4.34**	**4.38**
- Total equity	13,613	12,837
- Intangible assets	237	220
- Total equity less intangible assets	13,376	12,617
- Number of shares outstanding at end of period (million)	3,085	2,879.3
P/E ratio (2)	**15.07**	**13.91**
- Share price at end of period (euros)	3,987	3.884
- Earnings per share for the period (euros)	0.265	0.279
Price to tangible book value ratio (2)	**0.92**	**0.89**
- Share price at end of period (euros)	3,987	3.884
- Tangible book value per share (euros)	4.34	4.38

(1) Group figures after the merger between Bankia and BMN
(2) Where the figure for attributable profit is used, in 2017 this excludes the net extraordinary integration costs of €312 million, resulting from the merger between Bankia and BMN

ACCOUNTING DATA USED TO CALCULATE THE ALTERNATIVE PERFORMANCE MEASURES

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	Dec-17 (1)	Dec-16
Net trading income	**367**	**241**
- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.	310	253
- Gains or losses on financial assets and financial liabilities held for trading, net.	87	42
- Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net.	-	-
- Gains or losses from hedge accounting, net.	(30)	(54)
Net income before provisions	**1,483**	**1,619**
- Total operating income	3,064	3,166
- Administrative expenses	(1,407)	(1,387)
- Depreciation and amortisation	(174)	(161)
ROA (%) (2)	**0.4%**	**0.4%**
- Profit after tax for the period	806	802
- Average month-end balance of assets recorded on the balance sheet for the period	183,228	199,651
RORWA (%)(2)	**0.9%**	**1.0%**
- Profit after tax for the period	806	802
- Regulatory risk-weighted assets at the end of the period	86,046	77,078
ROE (%)(2)	**6.6%**	**6.7%**
- Profit or loss attributable to equity holders of the Group for the period	816	804
- Average month-end balance of equity for the 12 months preceding the end of the period, adjusted for the expected dividend	12,286	11,930
ROTE (%)(2)	**6.8%**	**6.9%**
- Profit or loss attributable to equity holders of the Group for the period	816	804
- Average month-end balance of tangible equity for the 12 months preceding the end of the period, adjusted for the expected dividend	12,053	11,718
Efficiency (%)(2)	**51.6%**	**48.9%**
- Administrative expenses	1,407	1,387
- Depreciation and amortisation for the period	174	161
- Total operating income	3,064	3,166
Cost of risk (%) a/(b+c)	**0.23%(3)**	**0.24%**
- Impairment losses on financial assets	(326)	(221)
- External costs of recoveries	47	57
- Impairment losses on fixed-income financial instruments	(5)	6
- Provisions / releases of provisions for contingent liabilities	19	-
- Impact of extraordinary provisions per Annex IX 4/2016 BoS	-	(130)
- **Total impairment for calculating the cost of risk (a)**	**(265)**	**(288)**
- Average gross loans and advances to customers for the period (b)	108,560	113,399
- Average contingent liabilities for the period (c)	7,434	6,974

(1) Group figures after the merger between Bankia and BMN
(2) In Dec17 the calculation of the ratios excludes the extraordinary net integration costs of €312mn resulting from the merger between Bankia and BMN
(3) In Dec17 the cost of risk is calculated with Bankia Group figures, excluding the merger with BMN

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	4Q 2017 EX-BMN (1)	3Q 2017	2Q 2017	1Q 2017
Customer margin (%)	**1.55%**	**1.53%**	**1.59%**	**1.60%**
Average interest rate on loans and advances to customers (%):	1.62%	1.61%	1.68%	1.71%
- Interest income from loans and advances to customers for the period	422	417	434	438
- Interest income from loans and advances to customers for the period, annualised	1,674	1,656	1,739	1,775
- Average month-end balance of loans and advances to customers.	103,157	102,721	103,362	103,549
Average interest rate on customer deposits (%):	0.07%	0.08%	0.09%	0.12%
- Interest expense of customer deposits for the period	18	21	24	30
- Interest expense of customer deposits, annualised	73	82	95	122
- Average month-end balance of customer deposits	101,884	102,327	101,869	104,168

(1) The figures at the end of 4Q 2017 exclude the effect of the merger with BMN, so as to show the information on a like-for-like basis

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

Solvency and leverage (%)	Bankia [3] 31-Dec-2017
Common equity Tier I (Group) BIS III Phase In (incl. AFS unrealised gains) [1]	14.15%
Common equity Tier I (Group) BIS III Fully Loaded (incl. AFS unrealised gains) [1]	12.66%
Common equity Tier I (Individual) BIS III Phase In (incl. AFS unrealised gains) [1]	12.82%
Common equity Tier I (Individual) BIS III Fully Loaded (incl. AFS unrealised gains) [1]	11.41%
Total capital ratio (Group) BIS III Phase In (incl. AFS unrealised gains) [1]	16.84%
Total capital ratio (Group) BIS III Fully Loaded (incl. AFS unrealised gains) [1]	15.44%
Solvency ***(€mn)***	
Available distributable items (Individual) [2]	8,515

(1) Unrealised gains and losses of the Available for Sale portfolio
(2) Excluding the regulatory expected dividend and the accrual AT1 cupon payment
(3) Data post merger between Bankia and BMN

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