Earnings Report

January-June 2016

22 July 2016

Bankia

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CONTENTS

Basis of presentation and comparability of information

The audit reports incorporated in the consolidated financial statements for the year ended 31 December 2015 include the following Emphasis of Matter paragraph in relation to the legal proceedings associated with the Bankia IPO in July 2011: “We draw attention to the information provided in Notes 2.18.1 and 22 to the accompanying consolidated financial statements, which describe the uncertainties related to the final outcome of litigation regarding the Initial Public Offering of shares carried out in 2011 for the stock market listing of Bankia, S.A. and to the provisions recorded by the Group to cover the estimated costs of this litigation. This matter does not modify our opinion.” At 30 June 2016 the abovementioned uncertainties remain so the financial data contained in this document must be interpreted in the context just mentioned and together with the information contained in the abovementioned notes to the consolidated financial statements for the year ended 31 December 2015.

HIGHLIGHTS OF THE PERIOD

Attributable profit for the half-year is 481 million euros, with significant progress in the Group's commercial strategy and further improvements in risk management

- The Group ends the first half of 2016 with an attributable profit of 481 million euros. On a constant perimeter basis (excluding, in 1H 2015, City National Bank of Florida's results, which was sold in October 2015), attributable profit is down 8.7% compared to the same period of the previous year. These results reflect the impact of the fall in the Euribor and the repricing of the SAREB bonds, which have continued to squeeze the Group's margins.
- In this complex environment, Bankia succeeded in increasing the attributable profit for 2Q 2016 by 3.5% compared to 1Q 2016, thanks to a high level of efficiency and a lower cost of risk, which continue to be key management factors in the current market environment.
- The Bankia Group maintains its leadership in efficiency. On a constant perimeter basis, operating expenses are down 2.3% compared to the first half of 2015, and down 3.1% compared to the previous quarter, bringing the efficiency ratio to 46.6%, one of the best in the sector.
- Risk management has continued to improve, allowing a reduction in provisioning for loan losses and impairment of foreclosed assets. This improvement is reflected in the cost of risk, which at close of June 2016 stands at 28 bps, an improvement of 15 bps over the half-year.

The new commercial positioning has contributed positively to business performance

- The number of customers who have their income paid directly into their account is up 4.5% in the half-year and the number of new credit cards issued has quadrupled compared to the first half of 2015.
- New lending increases by 2.5% the outstanding balance of loans in the consumer finance and business segments since June 2015.
- Retail customer funds have increased compared to June 2015. The growth is concentrated in mutual funds (+7.3%), demand accounts (+27.2%) and savings accounts (+12.7%), which continue to attract customer funds transferred out of term deposits.
- New entries of customer funds reinforces the Group's mutual funds market share, which stands at 5.70% at the end of June 2016 (+43 bps compared to the first half of 2015).

NPLs continue to decline, while asset quality indicators improve

- The balance of NPLs has fallen 9.6% since December 2015 and is down 6.5% compared to 1Q 2016, making ten consecutive quarters of falls.
- This decline in NPLs has reduced the Group's NPL ratio, which at the end of June 2016 stands at 9.8%, 75 bps less than in 1Q 2016 and 100 bps below that recorded in 4Q 2015.
- The NPL coverage ratio stands at 60.8%, up 80 bps compared to year-end 2015.

Financial soundness and strength in terms of liquidity and solvency

- The Group mantains a sound retail funding structure. The loan-to-deposit (LTD) ratio stands at 100.2% at the end of the first half of 2016.
- The solvency indicators registered a further improvement during the quarter. At the end of June 2016, the Group has a CET 1 phase-in ratio of 14.53% (+64 bps in the half-year) and a CET 1 fully loaded ratio of 12.89% (+63 bps since December 2015), making it one of the most solvent institutions in the Spanish financial system.
- Based on this proven financial soundness, as of the date of this report, both Fitch Ratings and DBRS assign investment grade ratings to Bankia.

1. RELEVANT DATA

	Jun-16	Dec-15	Change
Balance sheet (€ million)			
Total assets	203,501	206,970	(1.7%)
Loans and advances to customers (net)	109,794	110,570	(0.7%)
Loans and advances to customers (gross)	116,475	117,977	(1.3%)
Loans and advances to the resident private sector (gross)	93,633	93,730	(0.1%)
Secured loans and advances (gross)	68,228	69,960	(2.5%)
On-balance-sheet customer funds	132,323	132,629	(0.2%)
Customer deposits and clearing houses	107,908	108,702	(0.7%)
Borrowings, marketable securities	23,382	22,881	2.2%
Subordinated liabilities	1,033	1,046	(1.2%)
Total managed customer funds	155,360	155,402	(0.03%)
Equity	12,089	11,934	1.3%
Common Equity Tier I - BIS III Phase In	11,272	11,289	(0.2%)
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	14.53%	13.89%	+0.64 p.p.
Total capital ratio - BIS III Phase In	15.85%	15.16%	+0.69 p.p.
Ratio CET1 BIS III Fully Loaded	12.89%	12.26%	+0.63 p.p.
Risk management (€ million and %)			
Total risk (1)	120,146	120,924	(0.6%)
Non performing loans	11,751	12,995	(9.6%)
NPL provisions	7,141	7,794	(8.4%)
NPL ratio (1)	9.8%	10.8%	-1.0 p.p.
NPL coverage ratio	60.8%	60.0%	+0.8 p.p.

	Jun-16	Jun-15	Change
Results (€ million)			
Net interest income	1,124	1,388	(19.1%)
Gross income	1,686	2,029	(16.9%)
Operating income before provisions	900	1,186	(24.2%)
Profit/(loss) attributable to the Group	481	556	(13.4%)
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	46.6%	41.5%	+5.1 p.p.
R.O.A. (Profit after tax / Average total assets) (2)	0.5%	0.5%	-0.0 p.p.
R.O.E. (Profit attributable to the group / Equity) (3)	8.2%	9.8%	-1.6 p.p.

	Jun-16	Dec-15	Change
Bankia share			
Number of shareholders	337,207	435,755	(22.6%)
Number of shares in issue (million)	11,517	11,517	-
Closing price (end of period)	0.646	1.074	(39.9%)
Market capitalisation (€ million)	7,440	12,370	(39.9%)
Earnings per share (4)	0.08	0.09	(6.9%)
Tangible book value per share (5)	1.09	1.08	0.7%
Additional information			
Number of branches	1,894	1,932	(2.0%)
Number of employees	13,449	13,569	(0.9%)

(1) NPL ratio excludes transactions with BFA (Jun-16: €1,501 million Repo, €461 million collection right, as agreed, 60% of the total estimated IPO contingency and €1 million of collateral provided)
(2) Annualized profit after tax divided by the average total assets
(3) Annualized attributable profit divided by the average 12 months equity
(4) Annualized attributable profit divided by the number of shares in issue
(5) Total Equity less intangible assets divided by the number of shares in issue

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2. ECONOMIC AND FINANCIAL ENVIRONMENT

The global scenario remained fairly stable throughout the first half of 2016, although the unexpected victory of the "Leave" (Brexit) option in the United Kingdom's EU referendum on 23 June brought fresh complications. On the one hand, the fears of a global recession receded, thanks to the recovery in the United States, and the financial markets overcame the tensions experienced at the start of the year and commodity prices made a strong recovery, especially oil, which helped to improve confidence in the energy sector and the emerging economies. However, the Brexit vote augurs a long period of uncertainty, which could have a significant adverse impact on Europe, though only a limited impact on world growth (initially, Brexit is a regional shock).

In the main developed economies, inflation is generally still too low, especially in the euro area, where it remains close to zero, although the significant rise in the oil price has reinforced expectations that inflation has bottomed out. In this context, the ECB, at its March meeting, adopted further expansionary measures: it cut its main refinancing rate to 0% and its deposit rate to -0.4%, extended and reinforced its asset purchase programme and announced four new liquidity injections, on very attractive terms.

The improvement in the behaviour of risk-bearing assets at the start of the second quarter gave way to an increase in volatility and uncertainty with the holding of the UK referendum. The impact of Brexit on the financial markets and, ultimately, on the real economy, created expectations of further monetary stimuli and purchases of haven assets, favouring government debt: the yields of a large majority of bonds of the main countries hit new lows in June, most notably the German 10-year bond, whose yield fell below 0% for the first time in history. The Spanish bond was also favoured by the result of the general elections, with the yield on the 10-year bond falling below that of the Italian bond for the first time in the last year.

In Spain, economic activity continued to expand in the first half, performing even better than initially expected at the beginning of the year. GDP growth remained vigorous, reaching rates of around 0.7%/0.8% per quarter, fuelled by robust domestic demand, assisted by favourable financing conditions and strong job creation (the number of registered employed is at a six-year high). The trade balance continued to improve (the surplus on current account is at an all-time high), thanks to healthy exports, coupled with a reduction in the energy bill.

The good performance of the Spanish economy has been reflected in the performance of the banking system, which continued to improve over the year in fundamental business aspects, such as the growth of lending to households and SMEs, despite deleveraging; the steady decline in the NPL ratio, which is back in single digits for the first time since June 2012; and the improvement in capital strength. However, profitability remains weak due to the interest rate environment and reduced business volumes, despite the return to more normal levels of provisioning, which requires greater cost control. Brexit could also harm the sector, due to the high direct exposure to the United Kingdom of some large institutions.

3. SUMMARY OF RESULTS

The Bankia Group posted attributable profit of 481 million euros in the half-year, with a high level of efficiency and further improvements in the cost of risk

The Bankia Group ended the first half of 2016 with attributable profit of 481 million euros, 8.7% less than in the same period of 2015 on a constant perimeter basis, i.e., excluding City National Bank of Florida (CNBF), which was sold in October 2015.

This result was achieved in an economic scenario that continues to be marked by record low market interest rates, which have affected the return on the loan and securities portfolios. In this difficult business environment, the Bankia Group has focused its management on fundamental aspects of the business such as cost control, allowing it to maintain high levels of efficiency, and the reduction in the cost of risk, which have resulted in a lower volume of provisioning.

Both these key management factors have allowed the Group to counteract the effect of the interest rate environment and **post an attributable profit of 245 million euros in 2Q 2016, an increase of 3.5% compared to the first quarter of the year.**

INCOME STATEMENT EXCLUDING CITY NATIONAL BANK OF FLORIDA

(€ million)	1H 2016	1H 2015	Change Amount	Change %
Net interest income	**1,124**	**1,316**	**(193)**	**(14.6%)**
Dividends	4	4	0	9.7%
Share of profit/(loss) of companies accounted for using the equity m	21	17	3	19.1%
Total net fees and commissions	406	476	(69)	(14.6%)
Gains/(losses) on financial assets and liabilities	119	149	(31)	(20.5%)
Exchange differences	15	11	4	36.1%
Other operating income/(expense)	(3)	(23)	20	(87.5%)
Gross income	**1,686**	**1,951**	**(265)**	**(13.6%)**
Administrative expenses	(711)	(736)	25	(3.4%)
Staff costs	(465)	(468)	3	(0.7%)
General expenses	(245)	(267)	22	(8.2%)
Depreciation and amortisation	(76)	(69)	(7)	9.4%
Operating income before provisions	**900**	**1,146**	**(246)**	**(21.5%)**
Provisions	(203)	(322)	119	(37.0%)
Provisions (net)	(52)	35	(87)	(248.6%)
Impairment losses on financial assets (net)	(151)	(357)	206	(57.7%)
Operating profit/(loss)	**696**	**823**	**(127)**	**(15.4%)**
Impairment losses on non-financial assets	(8)	(10)	2	(17.8%)
Other gains and other losses (1)	(49)	(102)	53	(52.1%)
Profit/(loss) before tax	**639**	**711**	**(72)**	**(10.1%)**
Corporate income tax	(158)	(178)	20	(11.5%)
Profit/(loss) after tax	**481**	**533**	**(52)**	**(9.7%)**
Profit/(Loss) attributable to minority interests	0	6	(6)	(100.0%)
Profit/(loss) attributable to the Group	**481**	**527**	**(46)**	**(8.7%)**
Cost to Income ratio (1)	**46.6%**	**41.3%**	**+5.4 p.p.**	**13.0%**
Recurring Cost to Income ratio (2)	**50.7%**	**45.0%**	**+5.7 p.p.**	**12.7%**

(1) Operating expenses / Gross income

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

CONSOLIDATED QUARTERLY RESULTS EXCLUDING CITY NATIONAL BANK OF FLORIDA

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

(1) Operating expenses / Gross income

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

- Net interest income for the half-year was 1,124 million euros. On a constant perimeter basis (excluding CNBF contribution to NII in 1H 2015), this figure represents a decline of 14.6% compared to the first half of 2015 (1,316 million euros). **Quarter-on-quarter, however, net interest income has stabilised, with a lower decline of 5.4% compared to 1Q 2016.**

  The fall in the Euribor, which turned negative from March 2016, is the factor that has had the biggest impact on half-yearly performance, significantly reducing (by 85 million euros) the Group's net interest income due its impact on the loan portfolio, especially mortgage loans.

Net interest income performance has also been influenced by the repricing of the SAREB bonds in

December 2015, which deducted almost 78 million euros of the Group's interest income in the first half of 2016.

The removal of the "floor clauses", which Bankia no longer includes in its retail mortgages, is also reflected in the Group's net interest income, subtracting 21 million euros compared to 1H 2015.

The Group has offset part of this decline in revenue by adjusting the pricing of deposits, which has allowed to smooth the decline in margin in 2Q 2016 and **to post gross customer margin in 2Q 2016 at 1.55%, 11 bps higher than in 2Q 2015.**

REVENUES AND EXPENSES

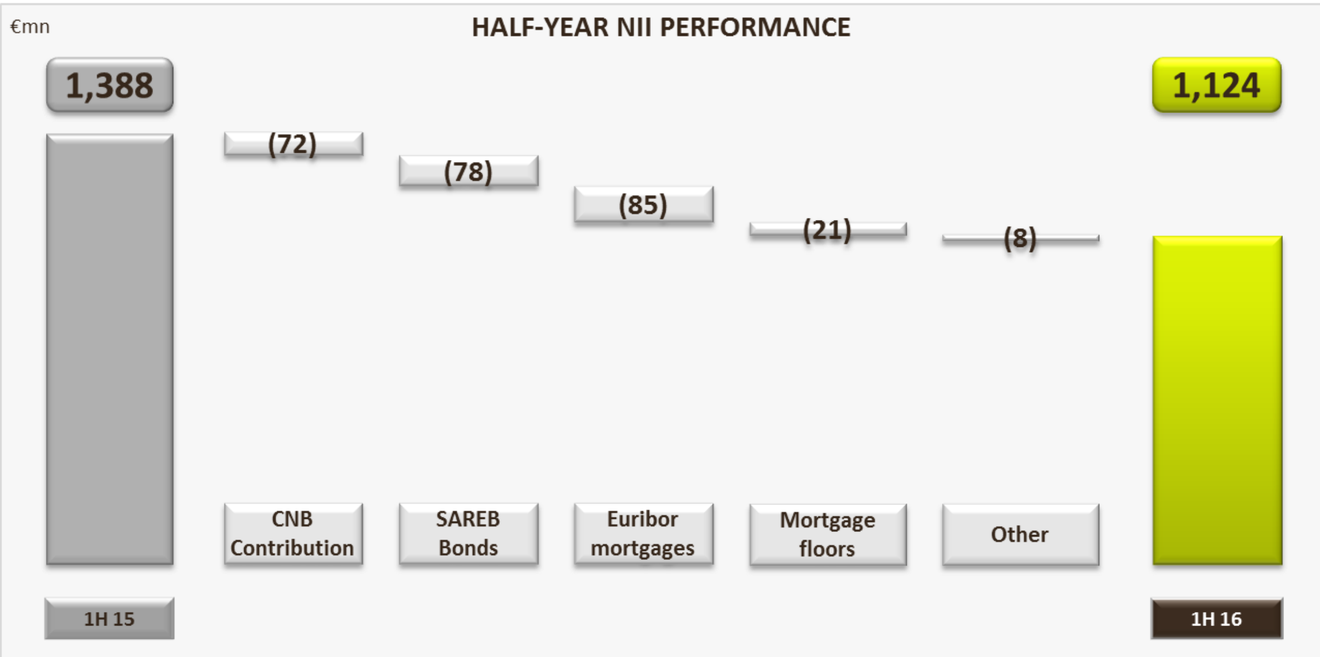
	2 Q 2016				1 Q 2016			
(€ million & %)	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions	6,904	3.4%	7	0.39%	7,259	3.5%	4	0.23%
Net Loans and advances to customers (a)	107,288	52.9%	482	1.81%	107,900	52.5%	506	1.89%
Debt securities	55,375	27.3%	188	1.36%	55,197	26.8%	217	1.58%
Other interest earning assets [(1)]	352	0.2%	2	2.17%	357	0.2%	2	2.35%
Other non-interest earning assets	32,720	16.1%	-	-	34,914	17.0%	-	-
Total Assets (b)	**202,639**	**100.0%**	**678**	**1.35%**	**205,627**	**100.0%**	**729**	**1.43%**
Deposits from central banks and credit inst	40,198	19.8%	21	0.21%	41,099	20.0%	23	0.22%
Customer deposits (c)	105,835	52.2%	67	0.26%	105,482	51.3%	85	0.33%
Strict Customer Deposits	*94,575*	46.7%	*59*	*0.25%*	*93,231*	45.3%	*75*	*0.32%*
Repos	*5,507*	2.7%	*0.02*	*0.001%*	*5,880*	2.9%	*0.2*	*0.01%*
Single-certificate covered bonds	*5,753*	2.8%	*8*	*0.53%*	*6,371*	3.1%	*10*	*0.62%*
Marketable securities	24,078	11.9%	34	0.57%	23,395	11.4%	34	0.58%
Subordinated liabilities	1,046	0.5%	8	3.01%	1,057	0.5%	8	3.13%
Other interest earning liabilities (1)	985	0.5%	2	0.72%	953	0.5%	2	0.75%
Other liabilities with no cost	17,899	8.8%	-	-	20,996	10.2%	-	-
Equity	12,598	6.2%	-	-	12,647	6.2%	-	-
Total equity and liabilities (d)	**202,639**	**100.0%**	**132**	**0.26%**	**205,627**	**100.0%**	**152**	**0.30%**
Customer margin (a-c)				**1.55%**				**1.56%**
Net interest margin (b-d)			**546**	**1.08%**			**577**	**1.13%**

REVENUES AND EXPENSES

	4 Q 2015				3 Q 2015			
(€ million & %)	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions	6,944	3.3%	3	0.15%	5,917	2.8%	3	0.22%
Net Loans and advances to customers (a	109,238	51.5%	572	2.08%	109,729	51.3%	563	2.03%
Debt securities	59,308	28.0%	275	1.84%	60,702	28.4%	297	1.94%
Other interest earning assets (1)	360	0.2%	2	2.60%	365	0.2%	2	2.58%
Other non-interest earning assets	36,091	17.0%	-	-	37,065	17.3%	-	-
Total Assets (b)	**211,941**	**100.0%**	**852**	**1.59%**	**213,778**	**100.0%**	**865**	**1.61%**
Deposits from central banks and credit inst	44,366	20.9%	26	0.24%	49,572	23.2%	29	0.23%
Customer deposits (c)	106,859	50.4%	125	0.47%	103,916	48.6%	148	0.56%
Strict Customer Deposits	*94,646*	44.7%	*108*	*0.45%*	*93,451*	43.7%	*128*	*0.54%*
Repos	*5,374*	2.5%	*-0.3*	*-0.02%*	*3,269*	1.5%	*0.0*	*0.01%*
Single-certificate covered bonds	*6,840*	3.2%	*17*	*1.00%*	*7,196*	3.4%	*20*	*1.09%*
Marketable securities	24,249	11.4%	32	0.52%	23,724	11.1%	28	0.47%
Subordinated liabilities	1,042	0.5%	9	3.24%	1,026	0.5%	9	3.30%
Other interest earning liabilities (1)	1,031	0.5%	2	0.80%	1,132	0.5%	4	1.32%
Other liabilities with no cost	21,438	10.1%	-	-	21,728	10.2%	-	-
Equity	12,956	6.1%	-	-	12,680	5.9%	-	-
Total equity and liabilities (d)	**211,941**	**100.0%**	**194**	**0.36%**	**213,778**	**100.0%**	**217**	**0.40%**
Customer margin (a-c)				**1.61%**				**1.47%**
Net interest margin (b-d)			**658**	**1.23%**			**648**	**1.20%**
City National Bank Contribution	***968***		***7***		***5,551***		***40***	
Consolidated Net interest margin	**212,909**		**665**	**1.24%**	**219,330**		**688**	**1.24%**

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

Impact on net interest income of SAREB bonds and Euribor effect



- Net fee and commission income contributed 406 million euros to the income statement for the first half of 2016, 69 million less than in the first half of 2016 excluding the contribution of CNBF in 2015. This decrease has been influenced by the implementation from January 2016 of the new commercial loyalty strategy, which has involved withdrawing all fees and commissions from customers who have their income paid directly into their account. The impact of this campaign in the first half of 2016 has been 20 million euros, in line with the estimated full-year impact of 40 million euros.

The comparison with the first half of 2015 is also affected by the lower volume of fees and commissions charged in the claiming of past due debts (-10 million euros) and those related to the sale of non-performing and defaulted loans portfolios, which were 23 million euros lower than in the first half of 2015.

However, **the quarterly comparison is more favourable (+3.4% compared to 1Q 2016), with a strong contribution from fees and commissions on the more recurring banking activity and fees and commissions arising from loan portfolio management and deal structuring.**

NET FEE AND COMMISSION INCOME

(€ million)	1H 2016	1H 2015	Change 1S 2016/1S 2015	
Contingent risks and commitments	44	47	(3)	(7.4%)
Payments services	141	174	(33)	(19.2%)
Securities brokerage service	27	28	(1)	(4.0%)
Marketing of products	143	144	(2)	(1.2%)
Management and sale of NPLs and write offs	8	31	(23)	(75.0%)
Claims on Past due	51	61	(10)	(16.4%)
Other	33	37	(4)	(10.9%)
Fees and commissions received	**445**	**522**	**(77)**	**(14.7%)**
Fees and commissions paid	**39**	**41**	**(2)**	**(5.4%)**
TOTAL NET FEE AND COMMISSION INCOME	**406**	**481**	**(75)**	**(15.5%)**
of which: City National Bank of Florida	**-**	**5**	**(5)**	**(100.0%)**

(€ million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 2Q 2016/1Q 2016	
Contingent risks and commitments	23	21	23	23	23	24	2	7.6%
Payments services	71	70	88	83	89	85	1	1.2%
Securities brokerage service	14	13	14	13	14	14	1	6.0%
Marketing of products	71	71	69	72	78	66	-	-
Management and sale of NPLs and write offs	5	2	10	13	14	17	3	113.6%
Claims on Past due	26	25	27	25	32	29	1	2.0%
Other	18	15	21	19	20	17	3	20.6%
Fees and commissions received	**227**	**218**	**250**	**248**	**271**	**251**	**9**	**4.3%**
Fees and commissions paid	**21**	**18**	**21**	**21**	**22**	**19**	**3**	**13.8%**
TOTAL NET FEE AND COMMISSION INCOME	**207**	**200**	**229**	**228**	**248**	**233**	**7**	**3.4%**
of which: City National Bank of Florida	**-**	**-**	**1**	**2**	**3**	**3**	**-**	**-**

- **Net trading income (NTI)** totalled 119 million euros for the half-year, 20.5% less than in June the previous year on a constant perimeter basis. The income came mainly from the rollover of the bond portfolios, which gave rise to unrealised gains on bonds classified as available-for-sale financial assets.

- **Other operating income and expenses** showed a negative balance of 3 million euros in the first half of the year, 20 million euros less than the previous year as a result of lower expenses from foreclosed asset management, losses due to fraud and other irregularities. **In the first half of 2016, this heading includes the annual contribution to the Single Resolution Fund (SRF) in the amount of 61 million euros**, which has been fully accounted for in April. In 2015, in contrast, this contribution was accounted for in December. Also included in this heading is the result distributed to Bankia (58 million euros) due to the sale of VISA Europe by Bankia's investee, Servired.

- The abovementioned items performance has resulted in a **gross income** of 1,686 million euros for the first half of 2016, 13.6% less than in the same period of 2015 on a constant perimeter basis. In the quarterly comparison, gross income for 2Q 2016 is down 2.3% compared to 1Q 2016, a markedly slower rate of decline, thanks to increased stability in the core banking business (net interest income plus fee and commission income).

- **Operating expenses (administrative expenses and depreciation and amortisation) have continued with the good performance of previous quartes, with a decrease of 3.1% compared to 1Q 2016 and 2.3% compared to the first half of 2015**, adjusted in the latter case for the effect of the sale of CNBF.

This positive trend can be seen both in staff costs and in other general expenses and is attributable to various cost containment and rationalisation initiatives currently under way, now that the Group restructuring has been completed.

As a result, the Group reported an efficiency ratio of 46.6% at the end of the first half of 2016. On a quarterly basis, **the efficiency ratio stands at 46.5% at the close of 2Q 2016, down 30 basis points on 1Q 2016.**

ADMINISTRATIVE EXPENSE

(€ million)	1H 2016	1H 2015	Change 1H 2016/1H 2015	
Staff cost	**465**	**495**	**(29)**	**(5.9%)**
Wages and salaries	361	371	(10)	(2.7%)
Social security costs	86	90	(4)	(4.4%)
Pension plans	8	22	(14)	(63.5%)
Others	11	13	(2)	(13.6%)
General expenses	**245**	**279**	**(34)**	**(12.1%)**
From property, fixtures and supplies	55	60	(5)	(8.9%)
IT and communications	78	85	(7)	(8.0%)
Advertising and publicity	20	28	(8)	(28.7%)
Technical reports	12	19	(7)	(35.9%)
Surveillance and security courier services	7	7	-	-
Levies and taxes	29	28	1	3.6%
Insurance and self-insurance premiums	2	3	(1)	(24.5%)
Other expenses	43	49	(6)	(12.8%)
TOTAL ADMINISTRATIVE EXPENSES	**711**	**774**	**(63)**	**(8.2%)**
of which: City National Bank of Florida	**-**	**38**	**(38)**	**(100.0%)**

(€ million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 2Q 2016/1Q 2016	
Staff cost	**227**	**239**	**234**	**242**	**244**	**250**	**(12)**	**(4.9%)**
Wages and salaries	176	184	171	182	185	185	(8)	(4.3%)
Social security costs	42	44	43	42	44	46	(2)	(4.5%)
Pension plans	4	4	10	10	12	10	-	-
Others	4	7	11	7	3	10	(3)	(40.6%)
General expenses	**122**	**124**	**127**	**134**	**140**	**140**	**(2)**	**(1.5%)**
From property, fixtures and supplies	28	27	31	31	29	31	1	3.7%
IT and communications	39	39	38	39	43	42	-	-
Advertising and publicity	9	11	11	12	13	15	(2)	(20.6%)
Technical reports	6	6	7	15	8	11	-	-
Surveillance and security courier services	4	3	4	4	4	4	0	33.3%
Levies and taxes	14	15	17	14	14	14	(1)	(4.8%)
Insurance and self-insurance premiums	1	1	1	1	1	1	-	-
Other expenses	22	21	18	19	27	22	1	3.2%
TOTAL ADMINISTRATIVE EXPENSES	**349**	**362**	**361**	**376**	**384**	**390**	**(14)**	**(3.8%)**
of which: City National Bank of Florida	**-**	**-**	**3**	**19**	**19**	**19**	**-**	**-**

- Operating income and expenses performance show a **operating income** before provisions of 900 million euros at the end of the first half of 2016. This figure is 21.5% less than that reported in the same period of 2015 after adjusting for the sale of CNBF in 2015.

  In the quarterly comparison**, the improved performance of the core banking business and successful cost containment have stabilised the operating income, which in 2Q 2016 reached 446 million euros, a level very similar to that reported in 1T 2016 (-1.8%).**

- As with operating expenses, **the Group's total volume of provisions performed very positively in both the quarterly and the semi-annual comparison.**

Active risk management and the improvement in asset credit quality are reflected in the level of provisions recorded for impairment of financial assets, which in the first six months of 2016 totalled 151 million euros, 57.6% less than in the first half of 2015 (357 million euros). This decrease in provisioning is associated the reinforcement of the recovery activity carried out by the Group from the start of the year.

This positive trend in provisioning can also be seen in the quarterly comparison, with the provisions recorded in 2Q 2016 down 27.2% compared to the previous quarter.

PROVISIONS

(€ million)	1H 2016	1H 2015	Change 1H 2016/1H 2015	
Impairment losses on financial assets (net)	(151)	(357)	206	(57.6%)
Impairment losses on non-financial assets	(8)	(10)	2	(17.8%)
Foreclosed assets	(23)	(98)	75	(76.5%)
Provisions (net)	(52)	35	(87)	(248.6%)
TOTAL RECURRENT PROVISIONS	**(235)**	**(430)**	**195**	**(45.5%)**

(€ million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Change 2Q 2016/1Q 2016	
Impairment losses on financial assets (net)	(64)	(87)	(70)	(156)	(159)	(198)	24	(27.2%)
Impairment losses on non-financial assets	(6)	(2)	42	(4)	(9)	(2)	(4)	149.4%
Foreclosed assets	(13)	(10)	(76)	(28)	(55)	(43)	(3)	29.0%
Provisions (net)	(24)	(28)	(8)	5	12	23	5	(16.8%)
TOTAL RECURRENT PROVISIONS	**(106)**	**(128)**	**(112)**	**(182)**	**(211)**	**(219)**	**22**	**(17.2%)**
IPO contingency provision(1)	-	-	(184)	-	-	-	-	-
TOTAL PROVISIONS INCLUDING IPO CONTING	**(106)**	**(128)**	**(296)**	**(182)**	**(211)**	**(219)**	**22**	**(17.2%)**

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

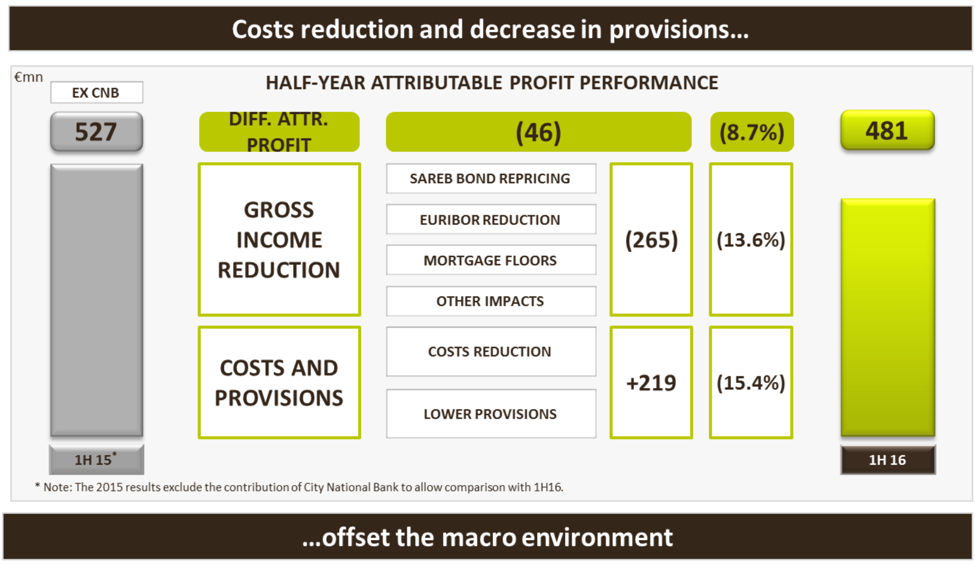
The decrease in provisioning has brought a reduction in **the Group's cost of risk, which was 0.28% for the first half of 2016, an improvement of 15 bps compared to December 2015**. On a quarterly basis, the cost of risk in 2Q 2016 was 0.24%, 9 bps less than the previous quarter, as a result of the abovementioned decrease in provisioning due to portfolio sales and reclassification of doubtful debt.

The rest of the components of net provisions, consisting mainly of provisions for off-balance-sheet exposures and other contingent liabilities, contribute a negative balance of 52 million euros in the half-year. In the first half of 2015 this balance was positive in the amount of 35 million euros, due to guarantees released during the period as loans guaranteed by Bankia matured.

- The improvement in the quality of the Group's assets has also significantly reduced (-76.5%) the impairment of foreclosed properties compared with the first half of 2015. This reduction is reflected in **Other gains and other losses**, which shows a negative amount of 49 million euros, compared to a negative 102 million euros in the same period of 2015.

- The reported attributable profit was 481 million euros at the end of June 2016, 8.7% less than the figure for the first half of 2015 after adjusting for the effect of the deconsolidation of CNBF in the first half of 2015.

In 2Q 2016 the Group's attributable profit grew 3.5% to 245 million euros. This result was achieved in a quarter in which cost containment and the reduction of the cost of risk continued to be key management tools to counteract the decline in revenues due to the market interest rate environment.



4. BALANCE SHEET

(€ million)	Jun-16	Dec-15	Change Amount	Change %
Cash and balances at central banks	2,462	2,979	(517)	(17.4%)
Financial assets held for trading	11,697	12,202	(505)	(4.1%)
Trading derivatives	11,529	12,076	(546)	(4.5%)
Equity instruments	69	72	(4)	(5.3%)
Debt securities	99	54	45	84.6%
Available-for-sale financial assets	29,909	31,089	(1,180)	(3.8%)
Debt securities	29,884	31,089	(1,205)	(3.9%)
Equity instruments	24	-	24	-
Loans and receivables	115,820	117,776	(1,956)	(1.7%)
Bank deposits	5,423	6,443	(1,021)	(15.8%)
Loans and advances to customers	109,794	110,570	(776)	(0.7%)
Rest	603	762	(160)	(20.9%)
Held-to-maturity investments	25,043	23,701	1,342	5.7%
Hedging derivatives	4,141	4,073	68	1.7%
Non-current assets held for sale	2,679	2,962	(283)	(9.5%)
Equity investments	288	285	3	1.1%
Tangible and intangible assets	2,254	2,261	(7)	(0.3%)
Other assets, prepayments and accrued income, and tax a	9,208	9,642	(433)	(4.5%)
TOTAL ASSETS	**203,501**	**206,970**	**(3,468)**	**(1.7%)**
Financial liabilities held for trading	12,245	12,408	(163)	(1.3%)
Financial liabilities at amortised cost	174,549	176,276	(1,727)	(1.0%)
Deposits from central banks	16,968	19,474	(2,506)	(12.9%)
Deposits from credit institutions	24,154	23,228	925	4.0%
Customer deposits and funding via clearing houses	107,908	108,702	(794)	(0.7%)
Debt securities in issue	23,382	22,881	501	2.2%
Subordinated liabilities	1,033	1,046	(13)	(1.2%)
Other financial liabilities	1,105	945	159	16.9%
Hedging derivatives	944	978	(34)	(3.5%)
Provisions	1,484	2,898	(1,415)	(48.8%)
Other liabilities, accruals and deferred income & tax liabili	1,485	1,714	(229)	(13.4%)
TOTAL LIABILITIES	**190,706**	**194,274**	**(3,567)**	**(1.8%)**
Minority interests	47	66	(20)	(29.6%)
Valuation adjustments	659	696	(36)	(5.2%)
Equity	12,089	11,934	155	1.3%
TOTAL EQUITY	**12,795**	**12,696**	**99**	**0.8%**
TOTAL EQUITY AND LIABILITIES	**203,501**	**206,970**	**(3,468)**	**(1.7%)**

The new commercial positioning has contributed positively to business performance

- At the end of June 2016, **gross loans and advances to customers** have totalled 116,475 million euros, down 1.3% compared to December 2015. Without including non-performing loans (NPLs) and deducting repo transactions and balances with BFA, the healthy loan portfolio has remained stable (-0.3%) in the half-year.

  This stabilisation in customer loans reflects the Bankia Group's strategic decision to reinforce lending growth in key segments, including consumer finance, SMEs and the self-employed, which offsets the amortizations that occur naturally as the Group's back book of loans, mainly in the retail mortgage segment, matures.

  New lending have increased the stock of loans in the consumer finance segment by 14.7% compared to the first half of 2015, while the stock of loans to businesses has grown 1.6% in the same period. As a result, the total aggregate volume of loans in these strategic segments has grown 2.5% since June 2015.

  This increase in new lending to businesses, consumers and the self-employed is concentrated in personal guarantee loans and business loans, which have grown 6.9% and 6.8%, respectively, since December 2015. In contrast, secured loans (-2.5%), consisting mainly of mortgage loans and developer loans, decreased by 2.5% in the half-year.

  Meanwhile, the level of NPLs has continued to improve, falling 10.9% in the half-year, mainly organically but also as the result of the sale of the "Ocean" portfolio in June.

CUSTOMER LOANS

(€ million)	Jun-16	Dec-15	Change Amount	Change %
Spanish public sector	5.731	5.738	(7)	(0,1%)
Other resident sectors	93.633	93.730	(97)	(0,1%)
Secured loans and advences	68.228	69.960	(1.732)	(2,5%)
Personal guarantee loans	16.079	15.035	1.043	6,9%
Business loans and other credit facilities	9.326	8.735	592	6,8%
Non-residents	2.998	3.128	(130)	(4,1%)
Repo transactions	1.851	1.096	755	68,9%
Of which: reverse repurchase agreements with BFA	*1.501*	*899*	*601*	*66,9%*
Other financial assets	1.360	2.043	(682)	(33,4%)
Of which: collection right against BFA due to the IPO (1)	*461*	*1.104*	*(643)*	*(58,2%)*
Of which: Collateral provided to BFA (2)	*1*	*1*	*(1)*	*(54,2%)*
Other valuation adjustments	(10)	(9)	(0,4)	4,5%
Non-performing loans	10.911	12.252	(1.341)	(10,9%)
Gross loans and advances to customers	**116.475**	**117.977**	**(1.502)**	**(1,3%)**
Loan loss reserve	(6.681)	(7.407)	726	(9,8%)
NET LOANS AND ADVANCES TO CUSTOMERS	**109.794**	**110.570**	**(776)**	**(0,7%)**
Gross loans & advances to customers ex. balances with BFA	**114.513**	**115.973**	**(1.460)**	**(1,3%)**
NET LOANS & ADVANCES TO CUSTOMERS EX. BALANCES WITH BFA	**107.832**	**108.565**	**(733)**	**(0,7%)**

(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 the Repo and derivatives transactions

- **Retail customer funds (strict deposits and funds managed off-balance-sheet) increase 1.6% in the half-year and 4.2% in the quarter**, reaching an aggregate total of 121,708 million euros at the end of June 2016. The products that have performed best over the half-year are mutual funds, demand accounts and savings accounts, increasing 3.8%, 6.3% and 8.5%, respectively, as they continue to receive the balances that customers have been transferring out of term deposits.

  Particularly strong has been the growth in mutual funds, a segment in which the Bankia Group's market share was 5.70% in June 2016, 43 bps more than one year ago.

  At the same time, the Group's new commercial positioning, launched in the first quarter of the year, is being reflected in an **increase in customers' loyalty to Bankia**. In the first six months of the year, the number of customers who have their income paid into their account has grown by 113,151. In particular, the number of customers who have their payroll paid into their account has increased by a multiple of 17 in 1H 2016 compared with 1H 2015. In the same period, the number of new credit cards issued by the Bank quadrupled compared to 1H 2015, reaching a total of 203,799 new units. This strong performance is also reflected in our customer satisfaction index, which in 2Q 2016 rose 4 tenths to 86.5% (from 86.1% in March and 82.4% in December).

CUSTOMER FUNDS

			Change	
(€ million)	Jun-16	Dec-15	Amount	%
Spanish public sector	6,947	6,779	168	2.5%
Repo transactions	-	-	-	-
Other resident sectors	97,068	98,898	(1,831)	(1.9%)
Current accounts	17,544	16,500	1,044	6.3%
Savings accounts	28,753	26,490	2,263	8.5%
Term deposits and other	50,770	55,908	(5,138)	(9.2%)
Repo transactions	1,510	3,637	(2,127)	(58.5%)
Singular mortgage securities	5,354	6,475	(1,122)	(17.3%)
Rest	43,906	45,796	(1,890)	(4.1%)
Non-residents	3,894	3,025	869	28.7%
Repo transactions	2,374	1,600	774	48.4%
Funding via clearing houses and customer deposits	**107,908**	**108,702**	**(794)**	**(0.7%)**
Debentures and other marketable securities	23,382	22,881	501	2.2%
Subordinated loans	1,033	1,046	(13)	(1.2%)
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**132,323**	**132,629**	**(306)**	**(0.2%)**
Mutual funds	13,053	12,580	473	3.8%
Pension funds	6,347	6,436	(89)	(1.4%)
Insurance	3,638	3,757	(119)	(3.2%)
Off-balance-sheet customer funds	**23,038**	**22,773**	**265**	**1.2%**
TOTAL CUSTOMER FUNDS	**155,360**	**155,402**	**(41)**	**(0.0%)**

						Change	
(€ million)	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Jun-16/Dec-15	
Spanish public sector	**6,947**	**4,387**	**6,779**	**5,790**	**6,142**	**168**	**2.5%**
Other resident sectors	**90,204**	**88,134**	**88,786**	**87,423**	**87,630**	**1,418**	**1.6%**
Current accounts	17,544	16,789	16,500	15,459	15,088	1,044	6.3%
Savings accounts	28,753	27,089	26,490	25,523	25,506	2,263	8.5%
Term deposits	43,906	44,256	45,796	46,441	47,036	(1,890)	(4.1%)
Non-residents	**1,520**	**1,479**	**1,425**	**1,376**	**1,274**	**95**	**6.7%**
Strict Customer Deposits	**98,670**	**94,000**	**96,990**	**94,589**	**95,045**	**1,680**	**1.7%**
Off-balance-sheet customer funds	**23,038**	**22,784**	**22,773**	**22,302**	**22,221**	**265**	**1.2%**
Total customer funds + off-balance funds	**121,708**	**116,784**	**119,762**	**116,890**	**117,267**	**1,945**	**1.6%**

5. RISK MANAGEMENT

NPLs continue to decline, while asset quality indicators improve

Following the positive trend seen in 2015, **the steady decline in non-performing loans (NPLs) has continued during the first half of 2016**, with a cumulative drop of 1,244 million euros (-9.6%) since December 2015, reaching a total of 11,751 million euros at the end of June 2016. Of this reduction, 1,029 million euros have been organic, that is, due to a decline in the volume of loans entering non-performing status (-29.2% compared to 1H 2015) and an intensification of the Group's recovery activity. The rest (215.5 million euros) came from the sale of the "Ocean" loan portfolio in the second quarter of the year.

This reduction in NPLs contributes to the **continued improvement in the Group's NPL ratio, which dropped 100 bps** in the half-year and 75 bps in the quarter, to 9.8% at 30 June 2016. This performance testifies to the Group's determined efforts to manage credit quality.

The reduction in NPLs has been accompanied by an increase in the NPL coverage ratio, which at the end of the first half of the year has reached 60.8%, 80 bps higher than in December 2015.

Additionally, as part of its strategy of reducing problematic assets, in the first half of 2016 the Group's stock of foreclosed assets fell 4.3% in gross terms, compared with December 2015 (11.4% compared with June 2015).

NPL RATIO AND NPL COVERAGE RATIO

						Jun-16 / Dec-15	
(€ million and %)	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Amount	%
Non-performing loans	11,751	12,564	12,995	14,084	15,308	(1,244)	(9.6%)
Total risk-bearing assets	120,146	119,366	120,924	123,410	125,955	(778)	(0.6%)
Total NPL ratio (1)	**9.8%**	**10.5%**	**10.8%**	**11.4%**	**12.2%**		**-1.0 p.p.**
Total provisions	7,141	7,601	7,794	8,691	9,271	(653)	(8.4%)
Generic	60	60	60	233	153	-	-
Specific	7,036	7,520	7,713	8,430	9,091	(677)	(8.8%)
Country risk	16	21	21	28	27	(6)	(26.2%)
Fixed Income	30	-	-	-	-	30	-
NPL coverage ratio	**60.8%**	**60.5%**	**60.0%**	**61.7%**	**60.6%**		**+0.8 p.p.**

(1) NPL ratio: (non-performing loans and advances to customers and contingent liabilities) / (loans, advances and contigent risks)
Mar-16 figures exclude the following transactions with BFA (€1,501 million Repo, €461 million collection right, as agreed, 60% of the total estimated IPO contingency, and €1 million of collateral provided)

NPL PERFORMANCE

(€ million and %)	1H 2016	1H 2015	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Non-performing loans at the begining of the period	**12,995**	**16,547**	**12,564**	**12,995**	**14,084**	**15,308**	**16,084**	**16,547**
+ Gross entries	1,216	1,718	551	665	1,266	746	857	861
- Recoveries	(2,113)	(2,492)	(1,095)	(1,017)	(1,502)	(1,065)	(1,273)	(1,219)
= Net entries	(897)	(775)	(545)	(352)	(236)	(319)	(416)	(358)
- Write offs	(132)	(149)	(53)	(79)	(147)	(29)	(44)	(104)
- Sales (1)	(215)	(316)	(215)	-	(706)	(876)	(316)	-
Non-performing loans at the end of the period	**11,751**	**15,308**	**11,751**	**12,564**	**12,995**	**14,084**	**15,308**	**16,084**

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

GROSS EXPOSURE BY SECTOR AND COVERAGE RATIOS

(€ million and %)	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Jun-16 / Dec-15 Amount	Jun-16 / Dec-15 %
Gross exposure							
Individuals	71,795	71,811	72,914	73,901	76,352	(1,119)	(1.5%)
Businesses	34,446	34,776	34,544	34,962	34,714	(98)	(0.3%)
Developers	1,551	1,648	1,814	2,108	2,479	(263)	(14.5%)
Public sector & others	6,721	6,121	6,701	6,417	6,159	20	0.3%
Gross Credit (1)	**114,513**	**114,356**	**115,973**	**117,389**	**119,704**	**(1,460)**	**(1.3%)**
Gross credit ex developers (1)	**112,962**	**112,708**	**114,159**	**115,281**	**117,225**	**(1,197)**	**(1.0%)**
Impairments							
Individuals	1,932	2,151	2,170	2,450	2,724	(238)	(11.0%)
Businesses	3,858	4,108	4,230	4,702	4,842	(372)	(8.8%)
Developers	890	936	1,007	1,159	1,321	(117)	(11.6%)
Total Impairments	**6,681**	**7,195**	**7,407**	**8,311**	**8,887**	**(726)**	**(9.8%)**
Coverage ex developers	**5,791**	**6,259**	**6,400**	**7,152**	**7,566**	**(610)**	**(9.5%)**
Coverage (%)							
Individuals	2.7%	3.0%	3.0%	3.3%	3.6%		-0.3 p.p.
Businesses	11.2%	11.8%	12.2%	13.4%	13.9%		-1.0 p.p.
Developers	57.4%	56.8%	55.5%	55.0%	53.3%		+1.9 p.p.
Total coverage	**5.8%**	**6.3%**	**6.4%**	**7.1%**	**7.4%**		**-0.6 p.p.**
Coverage ex developers	**5.1%**	**5.6%**	**5.6%**	**6.2%**	**6.5%**		**-0.5 p.p.**

(1) Gross Credit excludes transactions with BFA (Mar-16 €1,501 million Repo, €461 million collection right, as agreed, 60% of the total estimated IPO contingency, and €1 million of collateral provided)

BREAKDOWN OF FORECLOSED ASSETS

	Gross value				
(€ million)	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Property assets from financing intended for construction and property development	412	414	430	510	551
Of which: finished buildings	299	303	305	324	329
Of which: buildings under construction	29	29	42	42	42
Of which: Land	85	83	83	144	180
Property acquired related to mortgage loans to homebuyers	2.696	2.764	2.838	2.927	3.038
Other foreclosed assets	601	607	606	614	599
Total	**3.709**	**3.786**	**3.874**	**4.051**	**4.188**

	Impairments				
(€ million)	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Property assets from financing intended for construction and property development	127	129	142	202	236
Of which: finished buildings	76	78	79	88	88
Of which: buildings under construction	12	12	23	20	20
Of which: Land	39	39	40	94	128
Property acquired related to mortgage loans to homebuyers	812	848	883	883	916
Other foreclosed assets	162	162	160	165	161
Total	**1.102**	**1.139**	**1.185**	**1.249**	**1.313**

	Net value				
(€ million)	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Property assets from financing intended for construction and property development	285	286	288	308	315
Of which: finished buildings	223	225	226	235	241
Of which: buildings under construction	17	17	19	22	22
Of which: Land	45	44	43	51	52
Property acquired related to mortgage loans to homebuyers	1.884	1.916	1.955	2.044	2.122
Other foreclosed assets	439	445	445	450	438
Total	**2.608**	**2.647**	**2.689**	**2.802**	**2.875**

6. FUNDING STRUCTURE AND LIQUIDITY

In line with the retail banking model on which its activity is based, the Bankia Group funds its loan portfolio mainly through customer funds. Thus, at the end of the first half of 2016 the Group is operating with an LTD ratio of 100.2%, 1.7 percentage points lower than in December 2015, highlighting the sound funding structure Bankia has achieved.

In addition, the Bankia Group follows a policy of selective debt issuance in fixed-income markets to supplement its structural liquidity needs. In the first half of 2016, in the months of January and March, Bankia has successfully placed two new issues of mortgage covered bonds in the market for an aggregate amount of 2,000 million euros.

Also in the first-half of 2016, Bankia obtained 11,316 million euros in the ECB's new TLTRO II auctions, which has allowed it to extend maturities from the current year until 2020 and replace planned issues of wholesale debt that would otherwise have been carried out at a higher cost.

LTD RATIO AND CUSTOMER FUNDING GAP

			Change	
(€ million)	Jun-16	Dec-15	Amount	%
Net Loans and advances to customers	**109,794**	**110,570**	**(776)**	**(0.7%)**
o/w Repo transactions RPS(1)	348	195	153	78.6%
o/w Repo transactions NRE(1)	2	2	-	-
o/w Repo transactions with BFA(1)	1,501	899	601	66.9%
o/w collateral delivered to BFA(2)	462	1,105	(644)	(58.2%)
a. Strict Net Loans and advances to customers	**107,482**	**108,369**	**(887)**	**(0.8%)**
Strict customer deposits and retail commercial paper	98,670	96,990	1,680	1.7%
Single-certificate covered bonds	5,354	6,475	(1,122)	(17.3%)
ICO/EIB deposits	3,196	2,928	268	9.2%
b. Total Deposits	**107,220**	**106,393**	**827**	**0.8%**
LTD ratio (a/b)	**100.2%**	**101.9%**		**-1.7 p.p.**

(1) Reverse repurchase agreements

(2) Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€461 as Jun-16 and €1,104mn as Dec-15) and collateral provided to BFA (€1mn)

			Change	
(€ million)	Jun-16	Dec-15	Amount	%
Net Loans and advances to customers	**109,794**	**110,570**	**(776)**	**(0.7%)**
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Strict Net Loans and advances to customers	**107,482**	**108,369**	**(887)**	**(0.8%)**
(-) Strict customer deposits and retail commercial paper	98,670	96,990	1,680	1.7%
(-) ICO/EIB deposits	3,196	2,928	268	9.2%
Strict Comercial GAP	**5,615**	**8,451**	**(2,835)**	**(33.6%)**

(1) Reverse repurchase agreements

(2) Collection rights against BFA due to the distribution of the estimated contingency costs associated to the IPO 2011 (€461 as of Jun-16 and €1,104mn as of Dec and collateral provided to BFA (€1mn)

7. SOLVENCY

At the end of the first half of 2016, the Bankia Group has reached a **CET 1 Phase In ratio of 14.53**%, up +64 bps in the period. Despite the advance in the Basel III phase-in schedule, the Bankia Group has succeeded in improving its capital position, maintaining strong capital and leverage ratios (5.7% phase-in), thanks to its organic capital generation model. This model is founded on the accumulation of profit net of planned dividends and balance sheet deleveraging, combined with an improvement in loan book quality and growth in strategic business segments.

At 30 June, the CET 1 fully loaded ratio is 12.89%, indicating a capital build up of +63 bps in the half-year. If the gains on the sovereign assets in the available-for-sale portfolio were included, the CET-1 fully loaded ratio would have been 13.76%. At the same time, the fully loaded leverage ratio at the end of the half-year is 5.1% (5.5% if the sovereign gain is included).

Following the supervisory review and evaluation process (SREP), the ECB has set a minimum phase-in Common Equity Tier 1 (CET1) requirement (including Pillar 1, Pillar 2 and capital conservation buffer) of 10.25% for the Bankia Group. The Bankia Group has also been identified by the Banco de España as one of the “Other systemically important institutions” (O-SIIs), making it subject to a CET1 buffer of 0.25% of its total exposure amount, which will be phased in over four years, starting from 1 January 2016.

At 30 June 2016, the Bankia Group had a surplus of 422 bps of phase-in CET1 over and above the SREP requirement plus 0.0625% (25% of 0.25%) for the O-SII buffer.

On a fully loaded basis, the surplus of CET1 over the SREP requirement plus 0.25% of O-SII buffer would be 239 bps (326 bps if the gains associated with the available-for-sale sovereign portfolio were included).

	Jun -16	
(millones de euros y %)	Phase In [1]	Fully Loaded [1][2]
Capital de nivel I ordinario (%)	14.53%	12.89%
SREP Requirement	10.25%	10.25%
SREP Requirement with additional buffers	10.31%	10.50%
Surplus over SREP Requirement with additional buffers	**4.22%**	**2.39%**

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

(2) Does not include unrealised gains on the sovereign portfolio. Had they been included, the surplus over SREP Requirement with additional buffers would have been 3

SOLVENCY AND LEVERAGE RATIOS

PHASE IN RATIOS

(€ million and %)	Jun -16 (1)	Dec -15 (1)
Eligible capital	12,296	12,323
Common equity Tier I (CET 1)	11,272	11,289
Tier I	11,272	11,289
Tier II	1,024	1,033
Risk-weighted assets	77,586	81,303
Common equity Tier I Phase In (CET 1) (%)	**14.53%**	**13.89%**
Tier I	14.53%	13.89%
Tier II	1.32%	1.17%
Solvency ratio - Total capital ratio (%)	**15.85%**	**15.16%**
Leverage ratio (phase in)	**5.73%**	**5.66%**
Total exposition leverage ratio	**196,557**	**199,551**

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

FULLY LOADED RATIOS

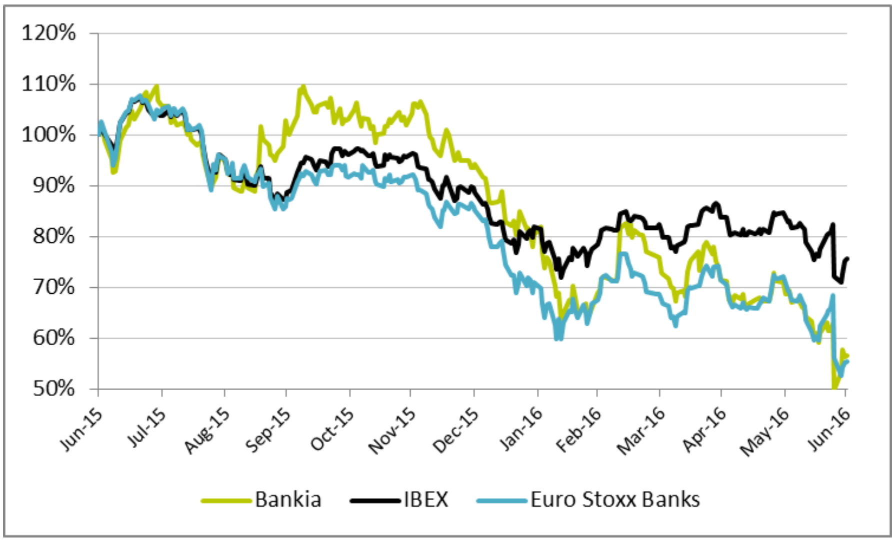
(€ million and %)	Jun -16 (1)(2)	Dec -15 (1) (2)
Eligible capital	11,032	10,998
Common equity Tier I (CET 1)	10,004	9,964
Tier I	10,004	9,964
Tier II	1,028	1,034
Risk-weighted assets	77,586	81,303
Common equity Tier I Phase In (CET 1) (%)	**12.89%**	**12.26%**
Tier I	12.89%	12.26%
Tier II	1.33%	1.27%
Solvency ratio - Total capital ratio (%)	**14.22%**	**13.53%**
Leverage ratio (phase in)	**5.12%**	**5.03%**
Total exposition leverage ratio	**195,277**	**198,212**

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

(2) Does not include unrealised gains on the sovereign portfolio. Had they been included in the Fully Loaded ratio, at 31st December 2015, CET 1 ratio would have been and total solvency ratio 14.4%, and at 30th June 2016 the CET 1 ratio would have been 13.8 %, and total solvency ratio 15.1%

8. SHARE PERFORMANCE

SHARE PERFORMANCE



STOCK MARKET DATA

BANKIA (stock data)	Jun-16
Number of shareholders	337,207
Daily average volume (num. shares)	36,373,883
Daily average turnover (euros)	29,665,997
Maximum closing price (€/share)	1,044 (4-Jan)
Minimum closing price (€/share)	0,568 (24-Jun)
Closing price (€/share)	0.646

9. RATING

On 23 February 2016, Fitch Ratings ("Fitch") upgraded Bankia's long-term rating from BB+ to BBB-, with a Stable outlook. On 26 February 2016, this agency upgraded the rating of Bankia's covered bonds from A- to A, also with a Stable outlook.

Subsequently, on 5 April 2016, Standard & Poor's Ratings Services ("S&P") raised Bankia's long-term rating one notch to BB+ (from BB), maintaining the Positive outlook.

Additionally, in the first half of the year Bankia decided to publicly request DBRS to assign issuer ratings. After the end of the first half, on 8 July, based on its assessment of Bankia's intrinsic financial strength, DBRS assigned the following ratings, all with a Stable outlook:

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

Also in the first half of 2016, Bankia decided to publicly ask Scope Ratings AG (SCOPE) to assign ratings to Bankia's mortgage covered bonds. After the end of the half-year, on 8 July, SCOPE assigned a rating of "AAA" with a Stable outlook, based on Bankia's intrinsic strength, the legal and resolution framework applicable to mortgage covered bonds in Spain and the analysis of the mortgage portfolio backing Bankia's mortgage covered bonds.

CREDIT AGENCY RATINGS

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

Mortgage Covered Bonds Ratings	Standard & Poor's	Fitch Ratings	DBRS	SCOPE
Rating	A+	A	AA (high)	AAA
Outlook	Stable	Stable	---	Stable
Date	15-Jan-16	26-Feb-16	23-Jun-16	8-Jul-16

10. SIGNIFICANT EVENTS DURING THE HALF-YEAR

Refund of investments to minority shareholders who acquired shares in Bankia's IPO

On 17 February 2016, Bankia started a voluntary process to refund the investments made by investors who subscribed for Bankia shares in the 2011 IPO, paying compensatory interest of 1% per annum for the period until the investment is refunded.

The process was aimed exclusively at investors who subscribed shares in the IPO primary market in 2011 and under the retail tranche. Shareholders who had sold their shares would be paid the difference between the amount they invested and the amount they obtained from the sale of the shares, plus the 1% annual interest on that difference until the refunding of the investment.

The period to apply for a refund began on 18 February 2016 and continued for three months, ending on 18 May 2016.

Payment of dividend out of 2015 results

On 31 March 2016, in execution of the resolutions adopted by the General Meeting of Shareholders on 15 March 2016, Bankia paid a dividend out 2015, to the holders of shares that carried dividend rights on the payment date, in the total amount of 300.72 million euros (2.625 cents per share), which is almost 50% more than the dividend paid one year earlier.

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

Completion of sale of Globalvía Infraestructuras

On 23 October 2015, the Bankia Group and Fomento de Construcciones y Contratas, S.A. (FCC) entered into a sale and purchase agreement with the funds USS, OPTrust and PGGM for the sale, to these funds, of 100% of the shares of Globalvía Infraestructuras, S.A., a company in which Bankia and FCC each had 50% shareholdings.

The sale was the result of the funds exercising their pre-emption right as holders of a €750 million convertible bond into shares of Globalvía Infraestructuras, S.A.

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

The purchase and sale agreement between Bankia and FCC and the abovementioned funds was executed on 17 March 2016.

Sale of non-performing and defaulted loans

As part of the planned disposal of non-strategic assets, in June 2016 BFA-Bankia completed the sale of a portfolio of 385.9 million euros of non-performing loans and write-offs, from different industry sectors, partly backed by real estate and other collateral.

The disposal serves to achieve a double objective. On the one hand, it reduces the NPL ratio through the transfer of non-performing and write-offs. On the other, it improves liquidity and releases funds for new lending.

The total portfolio consists of 253.9 million euros relating to Bankia and 132 million euros relating to BFA.

The sale of this portfolio reduces the Group's NPLs by 230.2 million euros, the remaining 155.7 million euros consisting of fully provisioned write-offs. Of the NPLs, 214.8 million euros relate to Bankia and 15.4 million euros to BFA.

In order to maximise the price obtained for the portfolios, the sale was carried out through a competitive bidding process among institutional investors and top-ranking financial institutions.

11. APPENDIX

BANKIA GROUP REPORTED INCOME STATEMENT

(€ million)	1H 2016	1H 2015	Change Amount	Change %
Net interest income	**1,124**	**1,388**	**(264)**	**(19.1%)**
Dividends	4	5	(1)	(14.2%)
Share of profit/(loss) of companies accounted for using the equity m	21	17	3	19.1%
Total net fees and commissions	406	481	(75)	(15.5%)
Gains/(losses) on financial assets and liabilities	119	151	(32)	(21.2%)
Exchange differences	15	11	4	36.1%
Other operating income/(expense)	(3)	(24)	21	(88.1%)
Gross income	**1,686**	**2,029**	**(343)**	**(16.9%)**
Administrative expenses	(711)	(774)	63	(8.2%)
Staff costs	(465)	(495)	29	(5.9%)
General expenses	(245)	(279)	34	(12.1%)
Depreciation and amortisation	(76)	(69)	(7)	9.4%
Operating income before provisions	**900**	**1,186**	**(287)**	**(24.2%)**
Provisions	(203)	(322)	119	(36.9%)
Provisions (net)	(52)	35	(87)	-
Impairment losses on financial assets (net)	(151)	(357)	206	(57.6%)
Operating profit/(loss)	**696**	**864**	**(168)**	**(19.4%)**
Impairment losses on non-financial assets	(8)	(10)	2	(17.8%)
Other gains and other losses	(49)	(102)	53	(52.0%)
Profit/(loss) before tax	**639**	**753**	**(113)**	**(15.1%)**
Corporate income tax	(158)	(191)	33	(17.5%)
Profit/(loss) after tax	**481**	**562**	**(80)**	**(14.3%)**
Profit/(Loss) attributable to minority interests	0	6	(6)	(100.0%)
Profit/(loss) attributable to the Group	**481**	**556**	**(74)**	**(13.4%)**
Cost to Income ratio (1)	**46.6%**	**41.5%**	**+5.1 p.p.**	**12.3%**
Recurring Cost to Income ratio (2)	**50.7%**	**45.1%**	**+5.5 p.p.**	**12.3%**

(1) Operating expenses / Gross income

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

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million and %)	Jun-16 (1)	Dec-15 (1)	Change Amount	Change %
ALCO Portfolio	29,742	29,744	(2)	(0.0%)
NO ALCO Portfolio	3,521	4,830	(1,309)	(27.1%)
SAREB Bonds	17,337	17,356	(19)	(0.1%)
Total Fixed Income Portfolio	**50,600**	**51,930**	**(1,330)**	**(2.6%)**

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

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