Annual earnings report 2018

28 January 2019

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Basis of presentation and comparability of information

Given that the merger between Bankia and BMN was effective for accounting purposes from 1 December 2017, the Group's balance sheets as at 31 December 2018 and 31 December 2017 already include all the assets and liabilities of the company resulting from the merger. In the income statement, however, the results of BMN have only been included as from December 2017. Therefore, the Group's income statements for 2018 and 2017 are not stated on a constant perimeter basis. To facilitate comparison between the two periods, this report indicates how the main income statement items would have changed on a like-for-like basis, that is, as if BMN's results for an entire year had already been included in the December 2017 close.

A year after the merger with BMN, the Bankia Group has posted an attributable profit of 703 million euros, increasing dividends to shareholders by 5%

BMN's rapid integration, accelerated capture of synergies and consolidation of the commercial model have underpinned earnings in an economic climate that has put pressure on the income statement. The Group has increased dividend payment by 5%.

- The Group finished integrating the IT platforms of Bankia and BMN in March, only two and a half months after the merger between the two entities took place.
- During the second quarter of the year, the businesses were fully unified and Bankia's commercial practices were rolled out across the BMN network. Major agreements were reached concerning real estate asset management (Haya Real Estate) and the consumer credit business in Spain (Crédit Agricole Consumer Finance).
- In December, Bankia completed the reorganisation of its insurance business following the deal reached with Mapfre Group and Caser Group to form bancassurance partnerships in the life and non-life businesses.
- By the end of 2018, the branch closure and workforce restructuring process had been completed, with 2,000 employees having left the Group by the end of November. The reorganisation of the branch network and workforce speeded up the capture of synergies, resulting in a reduction of operating expenses of 4.3% on a constant perimeter basis compared to 2017.
- The cost streamlining and the successful marketing drive since the merger have bolstered the Group's earnings in a more challenging macroeconomic climate than was envisaged in the Strategic Plan, enabling the Group to post a recurrent attributable profit of 788 million euros, after taking into account the impact of the provisions from the sale of portfolios to institutional investors realised in the fourth quarter (-85 million euros). Net of the impact of such sale, the attributable profit is 703 million euros. These result has allowed Bankia to increase the dividend by 5% versus 2017.

Major boost in customer business and activity through digital channels

- There has been a sharp rise in the uptake of digital tools among our customers. At the December 2018 close, sales through digital channels account for 25.8% of total sales and digital customers represent 45.4% of the Group's total customer base.
- The number of customers with payroll and pension deposits is up 103,000 compared to 2017, with in-store card turnover increasing by 12.8% and POS turnover up 15.2%.
- New lending continues its positive trend. In 2018, new mortgages granted increase by 6.1%. New consumer lending and new lending to companies is up 12.8% and 12.6%, respectively. The growth in new loans boosts the stock of gross loans and receivables by 14.1% year-on-year in consumer lending and by 4.4% in the companies loan segment (companies and property developers, excluding NPLs).
- Efforts to attract customer funds still focus on mutual funds and demand deposits. In 2018, Bankia's share of the mutual funds market is up 17 basis points (bps) to 6.55%, and net new customer funds reach a market share of 10.53%.

The Group brings forward by one year its NPA reduction objective in the 2018-2020 Strategic Plan and bolsters its solvency

- In the fourth quarter of 2018, Bankia has closed a deal to sell problematic assets with a gross book value of 3,100 million euros as of the cut-off date of the deal to institutional investors. This deal together with the rest of the reduction of non-performing loans and foreclosed assets reduces the volume of non-performing assets by more than 6,000 million euros in 2018, cutting the Group's NPL ratio to 6.5% and the gross NPA ratio to 8.2%.
- In terms of capital adequacy, the Group has a CET1 Phase-in ratio of 13.80% and a CET1 Fully Loaded ratio of 12.39%. Both ratios are considerably higher than the regulatory minimums imposed for 2018: +524 bps higher than the regulatory CET1 Phase-in ratio (8.56%) and +314 bps higher than the regulatory CET1 Fully Loaded ratio (9.25%).

1. RELEVANT DATA

	Dec-18	Dec-17	Change
Balance sheet (€ million)			
Total assets	205,223	213,932	(4.1%)
Loans and advances to customers (net)	118,295	123,025	(3.8%)
Loans and advances to customers (gross)	122,505	128,782	(4.9%)
On-balance-sheet customer funds	144,680	150,181	(3.7%)
Customer deposits and clearing houses	126,319	130,396	(3.1%)
Borrowings, marketable securities	15,370	17,274	(11.0%)
Subordinated liabilities	2,990	2,511	19.1%
Total customer funds	171,793	177,481	(3.2%)
Equity	13,030	13,222	(1.5%)
Common Equity Tier I - BIS III Phase In	11,367	12,173	(6.6%)
Solvency (%)			
Common Equity Tier I - BIS III Phase In (1)	13.80%	13.84%	-0.04 p.p.
Total capital ratio - BIS III Phase In (1)	17.58%	16.56%	+1.02 p.p.
Ratio CET1 BIS III Fully Loaded (1)	12.39%	12.46%	-0.07 p.p.
Risk management (€ million and %)			
Total risk	129,792	136,353	(4.8%)
Non performing loans	8,416	12,117	(30.5%)
NPL provisions (2)	4,593	6,151	(25.3%)
NPL ratio	6.5%	8.9%	-2.4 p.p.
NPL coverage ratio (2)	54.6%	50.8%	+3.8 p.p.

	Dec-18	Dec-17 (3)	Change
Results (€ million)			
Net interest income	2,049	1,968	4.1%
Gross income	3,368	3,064	9.9%
Pre-provision profit	1,498	1,483	1.0%
Profit/(loss) attributable to the Group	703	505	39.4%
Key ratios (%) (4)			
Cost to Income ratio (Operating expenses / Gross income)	55.5%	51.6%	+3.9 p.p.
R.O.A. (Profit after tax / Average total assets) (4)	0.3%	0.3%	-
RORWA (Profit after tax / RWA) (5)	0.9%	0.6%	+0.3 p.p.
ROE (Profit attributable to the group / Equity) (6)	5.6%	4.1%	+1.5 p.p.
ROTE (Profit attributable to the group / Average tangible equity) (7)	5.7%	4.2%	+1.5 p.p.

	Dec-18	Dec-17	Change
Bankia share			
Number of shareholders	184,643	192,055	(3.86%)
Number of shares in issue (million)	3,085	3,085	-
Closing price (end of period, €) (8)	2.56	3.99	(35.8%)
Market capitalisation (€ million)	7,898	12,300	(35.8%)
Earnings per share (9) (€)	0.23	0.16	39.4%
Tangible book value per share (10) (€)	4.18	4.34	(3.6%)
PER (Last price (8) / Earnings per share (9))	11.23	24.38	(53.9%)
PTBV (Last price (8) / Tangible book value per share)	0.61	0.92	(33.4%)
Dividend per share (cc/share) (11)	11.576	11.024	5.0%
Additional information			
Number of branches	2,298	2,423	(5.2%)
Number of employees	15,924	17,757	(10.3%)

(1) In Dec-17, capital ratios post merger with BMN and including IFRS 9 impact
(2) In Dec-17, the Group coverage, with the inclusion of additional provisions for impairments resulting from IFRS 9 application, would have been 56,5%
(3) Dec-17 data includes one month of BMN P&L account given that the merger took place with accounting effect on 01/12/2017
(4) Annualized profit after tax divided by average total assets
(5) Annualized profit after tax divided by risk weighted assets at period end
(6) Annualized attributable profit divided by the previous 12 months equity average, excluding the expected dividend payment
(7) Annualized Attributable profit divided by the previous 12 months tangible equity average, excluding the expected dividend payment
(8) Using the last price as of 31st December 2018 and 29th December 2017
(9) Annualized attributable profit divided by the number of shares in issue. 2017 excludes the non recurrent integration costs.
(10) Total Equity less intangible assets divided by the number of shares in issue
(11) Dec-18 includes the dividend proposal for 2018 that will be presented at the Bankia AGM

2. ECONOMIC AND FINANCIAL ENVIRONMENT

The macroeconomic environment remained positive in 2018. Global growth topped 3%, exceeding the potential growth for the second year in a row. Nonetheless, in contrast to 2017, the performance of the leading economies, except for the USA; failed to impress and tailed off over the year. Specifically, the EMU weakened more than expected, with the growth rate falling from 2.5% in 2017 to 1.9%. This was fuelled by the slowdown in global trade, change in emissions regulations for the car industry, significant rise in oil prices (until they slumped in October), Brexit, and the dispute over budgets between Italy and the European Commission. The trade war between the USA and China and tightening of monetary policy in the USA also heightened global risks overall. This shook market sentiment in the latter months of the year and led to major falls in the major stock markets.

Turning to monetary policy normalisation, 2018 brought with it significant changes with the Fed hiking interest rates and the ECB bringing its asset purchase programme to an end. In particular, interest rates were increased by a percentage point in the USA to between 2.25% and 2.50%, while the Fed's balance sheet was slimmed down by almost 400,000 million US dollars. In the EMU, the ECB went from buying 60,000 million euros of assets in 2017 to stopping this programme at the end of 2018. These decisions led to US public bond yields recovering over the year, albeit to a smaller extent than those over longer terms, because of numerous uncertainties and because they are somewhat less affected by changes in monetary policy. As a result, the spread between 10Y and 2Y bonds narrowed from 55 bp to a low of 10 bp, accentuating worries about a pending recession. In the EMU, 10Y bond yields decreased pretty much across the board (20 bp in Germany and 15 bp in Spain); Italy being an exception, with a 75 basis-point improvement.

The Spanish economy continued to expand in 2018, although it experienced somewhat of a slowdown, resulting in GDP growing by 2.5% (3% in the previous year). This dip in activity was the result of factors such as the constrained spending during the crisis, the tourism sector, and the positive effect of neighbouring economies and oil prices playing a less prominent role. Against this backdrop, the labour market continued to create jobs for the fifth consecutive year, and at a fast rate (564,000 new Social Security registrations). Activity was fuelled by domestic demand – investments, equipment and construction and consumer spending – underpinned by the strong job creation. On the contrary and unlike in other years, export demand made a negative net contribution to GDP growth as the economies of our main trade partners slowed and the positive contribution of tourism lessened with the main competing destinations returning to normality. Although the balance of trade worsened, the Spanish economy still generated net lending capacity (1.5% of GDP YOY to 3Q18), enabling it to pare back its trade deficit (80.6% of GDP).

The Spanish banking system continued to benefit from the economy's dynamism, evidenced by the uptick in transactions, significant improvement in the balance sheet quality and heightened profitability. Household lending was up, especially due to the major increase in consumer lending. On the contrary, deleveraging by businesses continued, stoked by delinquent loan portfolio sales, despite the increase in new lending. In terms of credit quality, there has been a very significant decrease in the volume of NPLs and therefore, in the NPL ratio to its lowest levels since 2010. On the savings side, the volume of deposits rose, in contrast to mutual funds that were negatively affected by heightened market volatility in the second quarter. The sectors profitability continues to be under pressure from the extraordinarily low interest rates, with banks having to search for efficiency gains through cost constraints, mergers and digitalisation. In November, the results of the European Banking Authority's stress tests of the leading European banks were released, which demonstrated that the Spanish banking sector is considerably resilient. Lastly, on the regulatory side, the second phase of Basel III was completed, culminating in the regulatory framework championed by the G20 following the financial crisis. Work continued in Europe to complete the Banking Union, with the creation of a financial backstop for the Single Resolution Fund. That said, a common deposit guarantee scheme still needs to be introduced and MREL (loss absorption requirement) to be fully rolled out.

3. SUMMARY OF RESULTS

In 2018 the Group posts an attributable profit of 703 million euros and increases by 5% the dividend distributed to its shareholders

Note on the comparative information on results: *Given that the merger between Bankia and BMN was effective for accounting purposes on 1 December 2017, the Group balance sheets as at 31 December 2018 and 31 December 2017 already include all the assets and liabilities of the company resulting from the merger. In the income statement, however, the results of BMN have only been included as from December 2017.*

To facilitate a like-for-like comparison of the Group's income statements closed in both years, this report indicates how the main income statement items would have changed had BMN's results for a full year already been included at 31 December 2017.

The Group closed 2018 with an attributable profit of 703 million euros, allowing it to raise by 5% the remuneration to its shareholders. Without the impact in provisions from the sale of portfolios to institutional investors as described in section 5 ("Risk Management"), the attributable profit reached in 2018 total 788 million euros. The income statement continued to be under pressure from the extraordinary low interest rates. In this context, the Bankia Group concentrated on speeding up the reduction of problematic assets and capturing synergies following the merger with BMN with a view to bringing forward much of the cost savings envisaged in its Strategic Plan. Business was boosted by the growth in loyal customers, digital customers, an increase in customer transactions, and new lending in the key business segments. These achievements were made while reinforcing the Group's solvency and asset quality.

INCOME STATEMENT

(€ million)	2018	2017 (1)	Change: Amount	Change: %
Net interest income	**2,049**	**1,968**	**81**	**4.1%**
Dividends	11	9	1	14.7%
Share of profit/(loss) of companies accounted for using the equity method	56	40	17	41.5%
Total net fees and commissions	1,065	864	201	23.3%
Gains/(losses) on financial assets and liabilities	411	367	43	11.8%
Exchange differences	15	10	5	46.5%
Other operating income/(expense)	(239)	(194)	(44)	22.9%
Gross income	**3,368**	**3,064**	**303**	**9.9%**
Administrative expenses	(1,696)	(1,852)	156	(8.4%)
Staff costs	(1,161)	(945)	(216)	22.9%
General expenses	(535)	(462)	(73)	15.9%
Non recurrent integration costs (2)		(445)	445	(100.0%)
Depreciation and amortisation	(174)	(174)	0.4	(0.2%)
Pre-provision profit	**1,498**	**1,038**	**459**	**44.2%**
Provisions	(436)	(294)	(142)	48.4%
Provisions (net)	(10)	34	(44)	-
Impairment losses on financial assets (net)	(427)	(329)	(98)	29.8%
Operating profit/(loss)	**1,061**	**744**	**317**	**42.6%**
Impairment losses on non-financial assets	10	(14)	23	-
Other gains and other losses	(151)	(106)	(45)	42.9%
Profit/(loss) before tax	**920**	**625**	**295**	**47.2%**
Corporate income tax	(223)	(131)	(92)	70.0%
Profit/(loss) after tax from continuing operations	**697**	**494**	**203**	**41.2%**
Net profit from discontinued operations (3)	6	0	6	-
Profit/(loss) in the period	**703**	**494**	**209**	**42.4%**
Profit/(Loss) attributable to minority interests	0.3	(11)	11	(102.7%)
Profit/(loss) attributable to the Group	**703**	**505**	**199**	**39.4%**
Cost to Income ratio (4)	**55.5%**	**51.6%**	**+3.9 p.p.**	**3.9%**
Recurring Cost to Income ratio (5)	**63.6%**	**58.8%**	**+4.8 p.p.**	**4.8%**
PRO-MEMORY				
Profit/(loss) attributable to the Group	**703**	**505**	**199**	**39.4%**
Extraordinary profit/(loss) (6)	**(85)**	**(312)**		
Recurrent Profit/(loss) attributable to the Group	**788**	**816**	**(28)**	**(3.5%)**

(1) Dec-17 data includes one month of BMN P&L account given that the merger took place with accounting effect on 01/12/2017

(2) Non recurrent personnel costs due to the merger between Bankia and BMN

(3) 100% of the profit generated by Caja Murcia Vida y Caja Granada Vida following the adquisition of the full stake of both companies on 10th July 2018. Before, their results were equity accounted.

(4) Operating expenses / Gross income. Group data at Dec-17 excludes non recurrent integration costs in the calculation

(5) 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

(6) In 2018 includes extraordinary net provisions due to the impact of the sale of portfolios to institutional investors. In 2017 includes the non recurrent integration costs due to the merger with BMN, net of taxes

QUARTERLY RESULTS

(€ million)	4Q 18	3Q 18	2Q 18	1Q 18	4Q 17 (1)	3Q 17 (1)	2Q 17 (1)	1Q 17 (1)
Net interest income	**507**	**495**	**521**	**526**	**501**	**472**	**491**	**504**
Dividends	3	0	7	1	2	0	2	6
Share of profit/(loss) of companies accounted for using the equity method	13	14	18	12	9	12	10	9
Total net fees and commissions	266	265	270	264	229	210	218	207
Gains/(losses) on financial assets and liabilities	30	90	152	139	54	51	101	161
Exchange differences	4	5	5	1	3	3	2	2
Other operating income/(expense)	(160)	(5)	(70)	(3)	(132)	2	(61)	(3)
Gross income	**662**	**865**	**903**	**939**	**666**	**751**	**762**	**886**
Administrative expenses	(425)	(415)	(419)	(437)	(828)	(344)	(336)	(345)
Staff costs	(278)	(287)	(291)	(305)	(255)	(229)	(226)	(235)
General expenses	(147)	(128)	(128)	(132)	(128)	(114)	(110)	(110)
Non recurrent integration costs (2)					(445)			
Depreciation and amortisation	(43)	(42)	(40)	(48)	(47)	(44)	(42)	(41)
Pre-provision profit	**194**	**407**	**444**	**453**	**(209)**	**364**	**384**	**500**
Provisions	(192)	(73)	(68)	(103)	(50)	(73)	(72)	(99)
Provisions (net)	(46)	(0)	24	13	38	(6)	(5)	8
Impairment losses on financial assets (net)	(146)	(73)	(91)	(116)	(88)	(66)	(67)	(107)
Operating profit/(loss)	**1**	**334**	**376**	**350**	**(259)**	**291**	**312**	**401**
Impairment losses on non-financial assets	(19)	(3)	36	(4)	(2)	(2)	(1)	(9)
Other gains and other losses	(31)	(43)	(28)	(49)	(67)	(29)	(22)	12
Profit/(loss) before tax	**(49)**	**288**	**384**	**297**	**(328)**	**260**	**289**	**404**
Corporate income tax	7	(63)	(99)	(67)	82	(34)	(78)	(100)
Profit/(loss) after tax from continuing operations	**(42)**	**224**	**285**	**230**	**(246)**	**226**	**210**	**304**
Net profit from discontinued operations (3)	1	5						
Profit/(loss) in the period	**(40)**	**229**	**285**	**230**	**(246)**	**226**	**210**	**304**
Profit/(Loss) attributable to minority interests	(0.0)	0.1	(0.1)	0.3	(12)	1	0.4	0.2
Profit/(loss) attributable to the Group	**(40)**	**229**	**285**	**229**	**(235)**	**225**	**210**	**304**
Cost to Income ratio (4)	**70.7%**	**53.0%**	**50.8%**	**51.7%**	**64.6%**	**51.6%**	**49.6%**	**43.6%**
Recurring Cost to Income ratio (5)	**74.6%**	**59.4%**	**61.6%**	**60.7%**	**70.6%**	**55.6%**	**57.4%**	**53.4%**
PRO-MEMORY								
Profit/(loss) attributable to the Group	**(40)**	**229**	**285**	**229**	**(235)**	**225**	**210**	**304**
Extraordinary profit/(loss) (6)	**(85)**				**(312)**			
Recurrent Profit/(loss) attributable to the Group	**44**	**229**	**285**	**229**	**77**	**225**	**210**	**304**

(1) 1Q 2017, 2Q 2017 ad 3Q 2017 data correspond to Bankia Group before the merger with BMN. 4Q 2017 data includes one month of BMN P&L given that the merger took place with accounting effect on 01/12/2017

(2) Non recurrent personnel costs due to the merger between Bankia and BMN

(3) 100% of the profit generated by Caja Murcia Vida y Caja Granada Vida following the adquisition of the full stake of both companies on 10th July 2018. Before, their results were equity accounted.

(4) Operating expenses / Gross income. Group data at Dec-17 excludes non recurrent integration costs in the calculation

(5) 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

(6) In 4Q 18 includes extraordinary net provisions due to the impact of the sale of portfolios to institutional investors. In 4Q 1 7 includes the non recurrent integration costs due to the merger with BMN, net of taxes

(€ million)	4Q 18	3Q 18	2Q 18	1Q 18	4Q 17 Bankia + BMN (1)	3Q 17 Bankia + BMN (1)	2Q 17 Bankia + BMN (1)	1Q 17 Bankia + BMN (1)
Net interest income	**507**	**495**	**521**	**526**	**554**	**552**	**577**	**584**
Dividends	3	0	7	1	3	2	3	16
Share of profit/(loss) of companies accounted for using the equity method	13	14	18	12	12	13	11	11
Total net fees and commissions	266	265	270	264	255	249	269	258
Gains/(losses) on financial assets and liabilities	30	90	152	139	69	54	134	177
Exchange differences	4	5	5	1	3	2	1	2
Other operating income/(expense)	(160)	(5)	(70)	(3)	(157)	(0)	(50)	1
Gross income	**662**	**865**	**903**	**939**	**738**	**872**	**943**	**1,048**
Administrative expenses	(425)	(415)	(419)	(437)	(455)	(429)	(425)	(430)
Staff costs	(278)	(287)	(291)	(305)	(295)	(291)	(285)	(297)
General expenses	(147)	(128)	(128)	(132)	(160)	(138)	(140)	(133)
Depreciation and amortisation	(43)	(42)	(40)	(48)	(55)	(55)	(54)	(52)
Pre-provision profit	**194**	**407**	**444**	**453**	**228**	**388**	**465**	**566**

(1) 1Q 2017, 2Q 2017, 3Q 2017 and 4Q 2017 include BMN to facilitate the quaterly comparison on a like-for-like basis

Bankia
SIGAMOS TRABAJANDO

- **Net interest income for the year reached** 2,049 million euros, up 4.1% YOY. Had BMN's total result for 2017 been included, the Group's net interest income would have been 9.6% lower YOY and on a constant perimeter basis, impacted by the lower return from fixed-income securities after the sales and portfolio rotation in 2017 and 2018, the scheduled maturities of the credit stock, and the still negative repricing of the mortgage portfolio in the first half of the year.

  In the fourth quarter of 2018 net interest income increased by 2.4% to 507 million euros, reflecting the first positive effects on mortgage loans of the Euribor increase, growth in new lending, and the greater interest income derived from the management of NPLs (primarily due to portfolio sales).

These factors improved loan profitability by 7 bp compared to the third quarter, driving up the gross customer margin to 1.58% at the end of the fourth quarter of the year – 7 bp higher QOQ and above the customer margin in the first two quarters of the year.

Active management of the pricing of loans and deposits continued throughout 2018. Thanks to this, in 2018 the average interest rate on new loans has been in line with 2017, which was 2.6%. The cost of customer deposits, meanwhile, stands at 0.11%, 3 bps below the Group's cost of customer deposits at the end of 4Q 2017 on a like-for-like basis (Bankia + BMN).

REVENUES AND EXPENSES

	4Q 2018			3Q 2018			2Q 2018			1Q 2018		
(€ million & %)	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield
Loans and advances to credit institutions [1]	7,906	21	1.04%	7,422	21	1.14%	7,094	23	1.31%	6,982	22	1.29%
Net Loans and advances to customers (a)	119,499	510	1.69%	120,124	490	1.62%	120,426	506	1.69%	121,071	512	1.71%
Debt securities	50,064	74	0.59%	50,044	77	0.61%	53,195	94	0.71%	53,970	96	0.72%
Other interest earning assets [2]	519	2	1.51%	420	2	1.87%	425	2	1.87%	431	2	1.87%
Other non-interest earning assets	26,528	-	-	26,351	-	-	26,613	-	-	27,011	-	-
Total Assets (b)	**204,516**	**606**	**1.18%**	**204,361**	**591**	**1.15%**	**207,754**	**625**	**1.21%**	**209,465**	**632**	**1.22%**
Deposits from central banks and credit [1]	37,116	11	0.11%	37,912	10	0.10%	37,832	13	0.14%	37,294	12	0.13%
Customer deposits (c)	125,402	35	0.11%	124,834	36	0.11%	126,642	40	0.13%	126,613	43	0.14%
Strict Customer Deposits	*118,942*	*13*	*0.04%*	*118,059*	*14*	*0.05%*	*118,812*	*17*	*0.06%*	*118,186*	*18*	*0.06%*
Repos	*71*	*1*	*3.20%*	*102*	*1*	*2.24%*	*766*	*1*	*0.29%*	*1,092*	*1*	*0.20%*
Single-certificate covered bonds	*6,388*	*21*	*1.31%*	*6,673*	*21*	*1.28%*	*7,065*	*22*	*1.26%*	*7,335*	*24*	*1.34%*
Marketable securities	15,246	36	0.93%	14,927	35	0.93%	16,016	34	0.85%	17,118	35	0.83%
Subordinated liabilities	2,991	14	1.87%	2,571	14	2.09%	2,495	14	2.20%	2,515	14	2.22%
Other interest earning liabilities [2]	1,074	4	1.65%	1,167	2	0.71%	1,092	3	1.09%	1,293	3	0.81%
Other liabilities with no cost	9,466	-	-	9,786	-	-	10,495	-	-	11,188	-	-
Equity	13,222	-	-	13,164	-	-	13,182	-	-	13,444	-	-
Total equity and liabilities (d)	**204,516**	**99**	**0.19%**	**204,361**	**96**	**0.19%**	**207,754**	**104**	**0.20%**	**209,465**	**106**	**0.21%**
Customer margin (a-c)			**1.58%**			**1.51%**			**1.56%**			**1.57%**
Net interest margin (b-d)		**507**	**0.99%**		**495**	**0.96%**		**521**	**1.01%**		**526**	**1.01%**

(1) Loans and advances to credit institutions include 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

REVENUES AND EXPENSES

(€ million & %)	4Q 2017 [1]			3Q 2017 [1]			2Q 2017 [1]			1Q 2017 [1]		
	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield
Loans and advances to credit institutions [2]	6,642	20	1.20%	6,374	21	1.30%	5,793	22	1.50%	6,313	21	1.35%
Net Loans and advances to customers (a)	106,561	457	1.70%	102,721	417	1.61%	103,362	434	1.68%	103,549	438	1.71%
Debt securities	48,626	113	0.92%	47,587	113	0.95%	47,997	117	0.98%	51,453	133	1.05%
Other interest earning assets [3]	391	1	0.82%	387	1	0.80%	391	1	0.80%	396	1	0.80%
Other non-interest earning assets	23,454	-	-	22,577	-	-	23,665	-	-	24,674	-	-
Total Assets (b)	**185,674**	**591**	**1.26%**	**179,646**	**552**	**1.22%**	**181,208**	**573**	**1.27%**	**186,385**	**593**	**1.29%**
Deposits from central banks and credit [2]	35,027	12	0.14%	34,120	11	0.13%	36,275	11	0.12%	37,577	13	0.14%
Customer deposits (c)	106,648	29	0.11%	102,327	21	0.08%	101,869	24	0.09%	104,168	30	0.12%
Strict Customer Deposits	*100,972*	*19*	*0.07%*	*97,473*	*17*	*0.07%*	*96,409*	*20*	*0.08%*	*98,372*	*28*	*0.11%*
Repos	*464*	*0*	*0.16%*	*74*	*0*	*0.00%*	*435*	*0*	*0.00%*	*690*	*0*	*0.00%*
Single-certificate covered bonds	*5,211*	*10*	*0.74%*	*4,780*	*3*	*0.26%*	*5,024*	*4*	*0.33%*	*5,106*	*3*	*0.20%*
Marketable securities	16,960	33	0.78%	17,136	34	0.80%	17,322	34	0.80%	17,969	36	0.81%
Subordinated liabilities	2,321	14	2.33%	2,146	12	2.19%	1,534	11	2.99%	1,131	8	2.96%
Other interest earning liabilities [3]	1,084	2	0.57%	979	2	0.97%	776	2	0.89%	889	1	0.55%
Other liabilities with no cost	10,492	-	-	9,991	-	-	10,732	-	-	11,835	-	-
Equity	13,141	-	-	12,947	-	-	12,702	-	-	12,815	-	-
Total equity and liabilities (d)	**185,674**	**90**	**0.19%**	**179,646**	**81**	**0.18%**	**181,208**	**82**	**0.18%**	**186,385**	**89**	**0.19%**
Customer margin (a-c)			**1.59%**			**1.53%**			**1.59%**			**1.60%**
Net interest margin (b-d)		**501**	**1.07%**		**472**	**1.04%**		**491**	**1.09%**		**504**	**1.10%**

(1) NII as reported. BMN was integrated with accounting effect on 1st December, hence, 4Q 2017 revenues/expenses and the average amounts include the financial revenues, financial expenses, interest earning assets and interest earning liabilities of BMN corresponding to December. 3Q 2017, 3Q2017 and 1Q 2017 data corresponds to Bankia group before the merger with 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

(€ million & %)	4Q 2017 (Bankia + BMN) [1]			3Q 2017 (Bankia + BMN) [1]			2Q 2017 (Bankia + BMN) [1]			1Q 2017 (Bankia + BMN) [1]		
	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield	Average Amount	Revenues /Expense	Yield
Loans and advances to credit institutions [2]	6,670	25	1.48%	7,237	26	1.44%	6,781	28	1.63%	7,234	25	1.41%
Net Loans and advances to customers (a)	124,001	526	1.68%	123,801	525	1.68%	125,069	546	1.75%	125,145	552	1.79%
Debt securities	56,981	119	0.83%	58,314	123	0.83%	59,479	130	0.88%	62,438	145	0.94%
Other interest earning assets [3]	391	1	0.99%	387	1	0.82%	391	1	0.83%	396	1	0.81%
Other non-interest earning assets	28,161	-	-	28,219	-	-	29,050	-	-	30,243	-	-
Total Assets (b)	**216,204**	**671**	**1.23%**	**217,957**	**674**	**1.23%**	**220,769**	**705**	**1.28%**	**225,456**	**723**	**1.30%**
Deposits from central banks and credit [2]	38,553	13	0.14%	39,488	14	0.14%	41,933	14	0.13%	43,459	15	0.14%
Customer deposits (c)	130,718	49	0.15%	131,726	52	0.16%	132,294	58	0.18%	133,815	70	0.21%
Strict Customer Deposits	*120,340*	*24*	*0.08%*	*120,781*	*25*	*0.08%*	*119,356*	*27*	*0.09%*	*121,454*	*39*	*0.13%*
Repos	*2,588*	*1*	*0.09%*	*2,447*	*0*	*0.01%*	*3,696*	*1*	*0.08%*	*2,688*	*1*	*0.14%*
Single-certificate covered bonds	*7,789*	*25*	*1.27%*	*8,498*	*26*	*1.22%*	*9,242*	*30*	*1.31%*	*9,673*	*30*	*1.26%*
Marketable securities	17,481	36	0.82%	17,764	39	0.86%	17,944	39	0.86%	18,591	40	0.88%
Subordinated liabilities	2,474	16	2.62%	2,332	16	2.70%	1,715	15	3.60%	1,309	12	3.77%
Other interest earning liabilities [3]	1,216	2	0.57%	1,171	3	0.94%	951	2	0.89%	1,117	2	0.57%
Other liabilities with no cost	10,883	-	-	10,402	-	-	11,100	-	-	12,232	-	-
Equity	14,880	-	-	15,075	-	-	14,833	-	-	14,933	-	-
Total equity and liabilities (d)	**216,204**	**117**	**0.21%**	**217,957**	**122**	**0.22%**	**220,769**	**128**	**0.23%**	**225,456**	**139**	**0.25%**
Customer margin (a-c)			**1.53%**			**1.52%**			**1.57%**			**1.58%**
Net interest margin (b-d)		**554**	**1.02%**		**552**	**1.01%**		**577**	**1.05%**		**584**	**1.05%**

(1) Data including BMN to facilitate the comparison on a like-for-like basis for the period
(2) Loans and advances to credit institutions include 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

- **Net fee and commission income grew to 1,065 million euros at the end of 2018, representing a 23.3%** increase YOY, which derived from the integration with BMN and a greater number of customer transactions.

  Had BMN's fees and commissions for the whole of 2017 been factored in, like-for-like YOY growth would have been 3.4%, driven especially by higher fees and commissions for collection and payment services, and the administration and management of assets (mainly, sales of mutual funds and pension plans).

- **In the fourth quarter, net fee and commission income remained stable (+0.2%), totalling 266 million euros.** The increase in customer activity has led to significant growth in fees and commissions for collection and payment services (+6.3%) and for structuring of corporate transactions (+50.8%). However this is not reflected in net fee and commission income for the quarter because of the extraordinary income from asset sales posted in the previous quarter. Nevertheless, compared to the fourth quarter in 2017, fees and commissions are up 4.4% on a constant perimeter basis, reflecting the Group's strong sales activity.

NET FEE AND COMMISSION INCOME

(€ million)	2018	2017 (1)	Change Amount	Change %
Assets under management	**393**	**356**	**38**	**10.6%**
Securities brokerage service	57	57	1	0.9%
Mutual funds, Pension funds and insurances	336	299	37	12.4%
Payments services	**308**	**245**	**63**	**25.7%**
Bills of exchange	19	19	(0)	(0.7%)
Debit and credit cards	232	180	52	28.9%
Means of payment	56	45	11	24.1%
Origination	**200**	**183**	**17**	**9.2%**
Contingent risks and commitments	102	89	12	14.0%
Forex	35	31	4	11.9%
Structuring and design of transactions and others	63	62	1	1.1%
Management of NPLs, write offs and others	**147**	**110**	**36**	**33.1%**
Management of NPLs and write offs	22	6	15	251.8%
Claims on Past due	125	104	21	20.1%
Accounts manteinance (Sight deposits)	**102**	**50**	**52**	**102.3%**
Fees and commissions received	**1,150**	**944**	**206**	**21.8%**
Fees and commissions paid	**85**	**80**	**5**	**5.8%**
TOTAL NET FEE AND COMMISSION INCOME (1)	**1,065**	**864**	**201**	**23.3%**
Bankia + BMN	**1,065**	**1,030**	**35**	**3.4%**

(1) 2017 data only includes December from BMN given that the merger took place with accounting effect on 01/12/2017, Bankia + BMN data provides a proforma of how the performance of fees and commissions would have been if BMN had been integrated from 1Q 2017

(€ million)	4Q 18	3Q 18	2Q 18	1Q 18	4Q 17 (1)	3Q 17 (1)	2Q 17 (1)	1Q 17 (1)	Change on 3Q18 Amount	Change on 3Q18 %
Assets under management	**96**	**96**	**100**	**102**	**91**	**91**	**88**	**86**	**0**	**0.5%**
Securities brokerage service	13	15	15	14	14	13	15	15	(3)	(17.0%)
Mutual funds, Pension funds and insurances	84	81	84	88	77	78	73	71	3	3.7%
Payments services	**82**	**77**	**76**	**73**	**68**	**59**	**61**	**57**	**5**	**6.3%**
Bills of exchange	5	5	4	5	4	5	5	6	1	11.6%
Debit and credit cards	62	59	58	54	51	44	44	40	3	5.9%
Means of payment	14	13	14	15	12	10	11	11	1	6.2%
Origination	**52**	**48**	**50**	**49**	**47**	**42**	**48**	**45**	**4**	**8.9%**
Contingent risks and commitments	25	27	26	24	23	24	22	21	(1)	(4.4%)
Forex	9	10	9	8	8	9	8	7	(1)	(6.1%)
Structuring and design of transactions and others	18	12	16	18	17	10	19	17	6	50.8%
Management of NPLs, write offs and others	**35**	**46**	**39**	**27**	**30**	**25**	**30**	**25**	**(11)**	**(24.8%)**
Management of NPLs and write offs	2	16	2	2	1	1	4	1	(15)	(90.2%)
Claims on Past due	33	30	36	26	29	24	26	24	3	11.0%
Accounts manteinance (Sight deposits)	**21**	**21**	**27**	**33**	**15**	**11**	**12**	**12**	**(1)**	**(3.2%)**
Fees and commissions received	**285**	**288**	**292**	**284**	**251**	**229**	**238**	**225**	**(3)**	**(0.9%)**
Fees and commissions paid	**20**	**23**	**22**	**20**	**23**	**19**	**20**	**18**	**(3)**	**(13.5%)**
TOTAL NET FEE AND COMMISSION INCOME (1)	**266**	**265**	**270**	**264**	**229**	**210**	**218**	**207**	**0**	**0.2%**
Bankia + BMN	**266**	**265**	**270**	**264**	**255**	**249**	**269**	**258**	**0**	**0.2%**

(1) 1Q 17, 2Q 17 and 3Q 17 data correspond to Bankia Group before the merger with BMN. FY2017 and 4Q 17 data includes one month of BMN P&L given that the merger took place with accounting effect on 01/12/2017. Bankia + BMN data provides a proforma of how the performance of fees and commissions would have been if BMN had been integrated from 1Q 2017

- **Cumulative net trading income (NTI)** increase by 43 million euros (-23 million euros on a constant perimeter basis (Bankia + BMN)) compared to December 2017, reaching 411 million euros in 2018. This includes mainly the realisation of unrealised gains on sales of fixed-income securities carried out by the Group in anticipation of the foreseeable trend of market interest rates.

- **Other operating income and expenses** accumulated to December 2018 show a net expense of 239 million euros, 44 million euros more than in 2017. This increase is due to greater contributions to the Deposit Guarantee Fund (DGF) and to the Single Resolution Fund (SRF), as well as more tax on deposits following the change in perimeter due to the merger with BMN. Much of the quarterly change in this item derives from seasonal differences because the second quarter included the SRF contribution while the fourth quarter included the contribution to the Deposit Guarantee Fund (DGF).

- **Other operating income** (dividends, results from equity-accounted companies and exchange differences) totalled in aggregate 82 million euros at December 2018, 38.1% higher than in 2017 (+5.4% on a constant perimeter basis (Bankia + BMN)), as a result of the larger contribution from equity-accounted companies (Bankia Mapfre Vida, Caser and Redsys). It is noteworthy that following the acquisition of 100% of the capital of Caja Murcia Vida and Caja Granada Vida in July 2018, the results of both companies have been reported as results of discontinued operations. Until July 2018, the results of Caja Murcia Vida and Caja Granada Vida were equity accounted.

- The performance of the above items have taken the Group's **gross income** for 2018 to 3,368 million euros, representing YOY growth of 9.9%. If all of BMN's results had been included in the previous year, gross income would have been down 6.5% on a constant perimeter basis.

- Operating expenses (administrative expenses and depreciation and amortisation expense) rose 18.3% to 1,870 million euros in aggregate at December 2018 as a result of the BMN merger. However, **on a like-for-like basis (i.e., including BMN's expenses in the 12 months of 2017), operating expenses would have been down 4.3%** YOY, as synergies from the merger have been captured faster. Workforce restructuring began in April, and in November 2018 all the exits envisaged in the workforce adjustment plan agreed after the merger with BMN were completed.

  This cost cutting put the efficiency ratio at 55.5% at the 2018 close, while the ratio of operating expenses to RWAs stands at 2.27%.

ADMINISTRATIVE EXPENSES

			Change	
(€ million)	2018	2017 (1)	Amount	%
Staff cost	**1,161**	**945**	**216**	**22.9%**
Wages and salaries	882	688	194	28.1%
Social security costs	219	182	37	20.4%
Pension plans	32	47	(14)	(30.6%)
Others	27	28	(1)	(1.8%)
General expenses	**535**	**462**	**73**	**15.9%**
From property, fixtures and supplies	120	103	17	16.1%
IT and communications	192	160	31	19.4%
Advertising and publicity	52	47	5	10.5%
Technical reports	27	25	2	7.8%
Surveillance and security courier services	18	14	4	25.4%
Levies and taxes	30	24	6	24.0%
Insurance and self-insurance premiums	4	4	(0)	(2.2%)
Other expenses	94	85	9	11.1%
TOTAL ADMINISTRATIVE EXPENSES (1)	**1,696**	**1,407**	**289**	**20.6%**
Integration costs	**-**	**445**	**(445)**	**(100.0%)**
Bankia + BMN	**1,696**	**2,184**	**(487)**	**(22.3%)**

(1) 2017 data only includes December from BMN given that the merger took place with accounting effect on 01/12/2017,
Bankia + BMN data provides a proforma of how the performance of adinistrative expenses would have been if BMN had been integrated from 1Q 2017

(€ million)	4Q 18	3Q 18	2Q 18	1Q 18	4Q 17	3Q 17	2Q 17	1Q 17	Change on 3Q18 Importe	Change on 3Q18 %
Staff cost	**278**	**287**	**291**	**305**	**255**	**229**	**226**	**235**	**(10)**	**(3.4%)**
Wages and salaries	207	218	220	236	187	166	164	171	(10)	(4.6%)
Social security costs	53	53	56	58	49	45	44	45	(1)	(1.3%)
Pension plans	11	11	6	4	12	11	11	13	(1)	(7.2%)
Others	7	5	9	6	7	8	7	7	2	35.2%
General expenses	**147**	**128**	**128**	**132**	**128**	**114**	**110**	**110**	**19**	**15.1%**
From property, fixtures and supplies	29	30	29	32	28	25	24	26	(0)	(1.1%)
IT and communications	48	49	47	48	41	40	40	39	(0)	(0.2%)
Advertising and publicity	13	13	13	12	13	10	14	10	(0)	(1.6%)
Technical reports	15	1	6	6	9	6	5	5	13	-
Surveillance and security courier services	4	5	5	4	4	4	3	4	(0)	(5.0%)
Levies and taxes	9	7	7	7	7	6	5	6	2	26.1%
Insurance and self-insurance premiums	1	1	1	1	0	1	1	1	(0)	(15.7%)
Other expenses	28	23	21	23	26	23	17	19	5	22.9%
ADMINISTRATIVE EXPENSES	**425**	**415**	**419**	**437**	**383**	**344**	**336**	**345**	**9**	**2.3%**
INTEGRATION COSTS	**-**	**-**	**-**	**-**	**445**	**-**	**-**	**-**	**-**	**-**
TOTAL ADMINISTRATIVE EXPENSES (1)	**425**	**415**	**419**	**437**	**828**	**344**	**336**	**345**	**9**	**2.3%**
Bankia + BMN	**425**	**415**	**419**	**437**	**900**	**429**	**425**	**430**	**9**	**2.3%**
Bankia + BMN (without integration costs)	**425**	**415**	**419**	**437**	**455**	**429**	**425**	**430**	**9**	**2.3%**

(1) 1Q 17, 2Q 17 ad 3Q 17 data correspond to Bankia Group before the merger with BMN. 4Q 17 data includes one month of BMN P&L given that the merger took place with accounting effect on 01/12/2017. Bankia + BMN data provides a proforma of how the performance of administrative expenses would have been if BMN had been integrated from 1Q 2017

- **In 2018, provisions and impairment losses totalled 530 million euros**, up 17.6% YOY. This amount includes the impact of impairment losses, in the fourth quarter, from the sale of portfolios to institutional investors as described in section 5 ("Risk management"). This sale will reduce by some 3,000 million euros the non-performing assets and will drive down costs by over 200 million euros during the subsequent three years as from when the transaction is closed. The volume of assets of the transaction is slightly lower than what it was announced due to some of the assets of the initial perimeter having been sold through the ordinary activity since the cut-off date.

  Excluding the provisions for the portfolio sale in the fourth quarter, the recurring cost of risk was 0.18% at year-end 2018, 5 bp below the December 2017 figure.

- **Other gains and other losses** amounted to a net loss of 151 million euros in the year, comprising the results of selling off investees, impairment losses, maintenance costs and the results of foreclosed asset sales. In 2017, this item showed a loss that was 45 million euros lower than in 2018, as it included the proceeds (47 million euros) of the deferred payment for the sale of Globalvia.

- **In 2018, the Bankia Group's recurrent attributable profit totalled 788 million euros,** without considering the impact in provisions from the portfolio sale to institutional investors. If this impact is included, the attributable profit totals 703 million euros, higher than that of 2017 following the takeover of BMN.

  The positive effect of the integration, the accelerated cost reduction and the good commercial dynamics after the merger, have all contributed to achieving this result, allowing the Group to increase dividends by 5% versus 2017.

PROVISIONING

(€ million)	4Q 18	3Q 18	2Q 18	1Q 18	4Q 17 (1)	3Q 17 (1)	2Q 17 (1)	1Q 17 (1)	Change on 3Q 18	Change on 4Q 17
Impairment losses on financial assets (net)	(146)	(73)	(91)	(116)	(88)	(66)	(67)	(107)	99.8%	65.6%
Impairment losses on non-financial assets	(19)	(3)	36	(4)	(2)	(2)	(1)	(9)	-	-
Foreclosed assets	(26)	(29)	(23)	(27)	(65)	(21)	(18)	(39)	(11.4%)	(60.6%)
Provisions (net)	(46)	(0)	24	13	38	(6)	(5)	8	-	-
TOTAL GROUP PROVISIONS	**(237)**	**(104)**	**(55)**	**(134)**	**(117)**	**(96)**	**(91)**	**(147)**	**127.0%**	**102.9%**

(1) 1Q 17, 2Q 17 and 3Q 17 data correspond to Bankia Group before the merger with BMN. 4Q 17 data includes one month of BMN P&L given that the merger took place with accounting effect on 01/12/2017.

4. BALANCE SHEET

(€ million)	Dec-18	Dec-17 (1)	Change Amount	Change %
Cash and balances at central banks	4,754	4,504	250	5.5%
Financial assets held for trading	6,308	6,773	(466)	(6.9%)
Trading derivatives	6,022	6,698	(675)	(10.1%)
Debt securities	282	2	280	-
Equity instruments	4	74	(70)	(94.7%)
Financial assets designated at fair value through profit or loss	9	-	9	-
Debt securities	-	-	-	-
Loans and advances	9	-	9	-
Financial assets designated at fair value through equity	15,636	22,745	(7,109)	(31.3%)
Debt securities	15,559	22,674	(7,115)	(31.4%)
Equity instruments	76	71	5	7.6%
Financial assets at amortised cost	156,413	158,711	(2,298)	(1.4%)
Debt securities	33,742	32,658	1,084	3.3%
Loans and advances to credit institutions	4,433	3,028	1,405	46.4%
Loans and advances to customers	118,237	123,025	(4,788)	(3.9%)
Hedging derivatives	2,627	3,067	(440)	(14.3%)
Investments in subsidaries, joint ventures and associates	306	321	(15)	(4.6%)
Tangible and intangible assets	2,527	2,661	(134)	(5.0%)
Non-current assets held for sale	3,915	3,271	644	19.7%
Other assets	12,728	11,879	849	7.2%
TOTAL ASSETS	**205,223**	**213,932**	**(8,709)**	**(4.1%)**
Financial liabilities held for trading	6,047	7,421	(1,374)	(18.5%)
Trading derivatives	5,925	7,078	(1,153)	(16.3%)
Short positions	122	343	(221)	(64.5%)
Financial liabilities at amortised cost	181,869	188,898	(7,029)	(3.7%)
Deposits from central banks	13,856	15,356	(1,500)	(9.8%)
Deposits from credit institutions	21,788	22,294	(506)	(2.3%)
Customer deposits and funding via clearing houses	126,319	130,396	(4,076)	(3.1%)
Debt securities in issue	18,360	19,785	(1,425)	(7.2%)
Other financial liabilities	1,545	1,067	478	44.8%
Hedging derivatives	183	378	(195)	(51.6%)
Provisions	1,922	2,035	(112)	(5.5%)
Other liabilitiess	2,013	1,587	426	26.8%
TOTAL LIABILITIES	**192,033**	**200,319**	**(8,285)**	**(4.1%)**
Minority interests	12	25	(12)	(49.9%)
Other accumulated results	147	366	(218)	(59.7%)
Equity	13,030	13,222	(193)	(1.5%)
TOTAL EQUITY	**13,189**	**13,613**	**(424)**	**(3.1%)**
TOTAL EQUITY AND LIABILITIES	**205,223**	**213,932**	**(8,709)**	**(4.1%)**

(1)The consolidated financial statements of the Bankia Group are reported considering the adjustment of the content of the public financial information to the the so-called NIIF 9 criteria, which came into force on 1st January 2018. The changes of this adaptation are detailed in note 1.3 of the financial statements as of December 2018. The most relevant changes are the reclassification of the fixed income portfolio and change in their nomenclature, given that Bankia decided not to restate the comparable financial statements as of December 2017, as allowed by the rule.

The unification of the business model after the merger with BMN has translated into more new loans, customer transactions and customer deposits

- After the merger with BMN, in 2018 the Bankia Group has enjoyed further business growth, posting important growth in net additions of customers, new loans, and the use of the products and services offered by the bank.

  The Group has continued to strengthen its digital offering, leading to a sharp rise in sales through these channels (25.8% of the Group's total sales at December 2018 compared to 15.9% a year earlier) and the number of digital customers, which now account for 45.4% of the bank's customer base at the end of 2018 (40.5% in December 2017). Bankia has also continued to boost customer transactions, with sharp growth in the cards market (+12.8% YOY in terms of in-store turnover) and in the number of customers with direct income deposits (+103,000 since December 2017).

- The number of new loans was up significantly in 2018 thanks to Bankia's major focus on digital banking, having launched new IT solutions aimed at facilitating online banking. **On a constant perimeter basis, the number of mortgage loans and consumer loans have risen by 6.1% and 12.8% YOY, while new lending to companies has grown by 12.6% versus 2017.** This growth has driven up the outstanding balance of gross loans YOY in both the consumer lending segment (+14.1%) and in the companies segment (+4.4% in performing companies and property developer loans, excluding NPLs). This has had an accounting effect on "Other term loans", "Loans to companies" and "Loans to non-residents", which are up 6.5%, 1.8% and 1.4% since December 2017. On the contrary, the Group has seen "Secured loans" decrease by 4.7% despite the growth in mortgage loans. This is because of scheduled secured loan maturities. Meanwhile, receivables on demand have increased by 204 million euros over the year (+7.9%) affected by the larger drawdowns by customers in credit accounts and treasury lines.

  The growth in new lending is being achieved through a responsible approach to lending. To this regard, there has been a **decrease in non-performing loans of 1,942 million euros in the fourth quarter and of 3,588 million euros over the entire year**, which includes the transfer to non-current assets held-for-sale of doubtful mortgage loans totalling 1,404 million euros (gross) as a result of the sale of problematic assets to institutional investors described in section 5 ("Risk management").

  At year-end 2018, the gross performing loan book (excluding doubtful loans and reverse repos) totalled 114,675 million euros, 2.1% lower than in 2017, because the Group's favourable commercial trends are not sufficient to offset the deleveraging that is still being observed in the mortgage segment.

LOANS AND ADVANCES TO CUSTOMERS

			Change	
(€ million)	Dec-18	Dec-17	Amount	%
Spanish public sector	4,846	5,295	(449)	(8.5%)
Other resident sectors	105,152	106,970	(1,818)	(1.7%)
Secured loans	73,275	76,874	(3,600)	(4.7%)
Other term loans	24,448	22,955	1,494	6.5%
Commercial credit	4,655	4,570	84	1.8%
Receivable on demand and other	2,774	2,570	204	7.9%
Non-residents	3,636	3,585	52	1.4%
Repo transactions	114	303	(189)	(62.3%)
Of which: reverse repurchase agreements with BFA	*100*	*47*	*53*	*113.9%*
Other financial assets	868	1,142	(274)	(24.0%)
Other valuation adjustments	173	184	(11)	(5.9%)
Non-performing loans	7,716	11,304	(3,588)	(31.7%)
Gross loans and advances to customers	**122,505**	**128,782**	**(6,277)**	**(4.9%)**
Loan loss reserve	(4,210)	(5,757)	1,547	(26.9%)
NET LOANS AND ADVANCES TO CUSTOMERS	**118,295**	**123,025**	**(4,730)**	**(3.8%)**
GROSS LOANS AND ADVANCES TO CUSTOMERS EX NPLs & REPOs	**114,675**	**117,175**	**(2,500)**	**(2.1%)**

Bankia
SIGAMOS TRABAJANDO

- In 2018, on- and off-balance sheet retail customer funds amounted to 147,149 million euros, down slightly by 0.3% versus 2017, which is linked to the movement in loans and advances to customers on the balance sheet.

  Broken down by product, term deposits and savings accounts have continued to decrease in relation to more liquid and cheaper funds (current accounts), which have grown 30.6% over the year. Public sector deposits are up 16.4%, while off-balance sheet funds remained stable throughout 2018 (-0.7%) despite the negative impact of market volatility on prices. Notable during the year has been the **decent rate of new funds and the increase in assets under management in mutual funds**, where Bankia's market share has reached 6.55% at the end of December 2018 having grown by 17 bp during the year.

  As regards the rest of the Group's funding, repos have dropped 2,627 million euros (-98.6%), while own issuances are down 1,904 million euros (-11%), due to maturities during the year.

  Nevertheless, there was a noteworthy development in wholesale funding with the placement of the second AT1 bond issue of 500 million euros, completed in July, which was well received in the institutional markets.

CUSTOMER FUNDS

(€ million)	Dec-18	Dec-17	Change Amount	Change %
Spanish public sector	6,608	5,678	930	16.4%
Other resident sectors	117,200	122,501	(5,301)	(4.3%)
Current accounts	37,905	29,016	8,889	30.6%
Savings accounts	37,334	41,140	(3,806)	(9.3%)
Term deposits	35,678	42,183	(6,505)	(15.4%)
Repo transactions	36	2,663	(2,627)	(98.6%)
Singular mortgage securities	6,248	7,499	(1,251)	(16.7%)
Non-residents	2,511	2,217	294	13.3%
Funding via clearing houses and customer deposits	**126,319**	**130,396**	**(4,076)**	**(3.1%)**
Debentures and other marketable securities	15,370	17,274	(1,904)	(11.0%)
Subordinated loans	2,990	2,511	479	19.1%
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**144,680**	**150,181**	**(5,501)**	**(3.7%)**
Mutual funds	19,114	19,200	(86)	(0.4%)
Pension funds (1)	7,999	8,100	(101)	(1.2%)
Off-balance-sheet customer funds (1)	**27,113**	**27,300**	**(187)**	**(0.7%)**
TOTAL CUSTOMER FUNDS	**171,793**	**177,481**	**(5,688)**	**(3.2%)**

(1) Off-balance sheet products managed and marketed without SICAVS. Pension funds inlude mathematical provisions

(€ million)	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Change on Dec-17 Amount	Change on Dec-17 %
Spanish public sector	**6,608**	**6,129**	**6,970**	**5,393**	**5,678**	**930**	**16.4%**
Other resident sectors	**110,916**	**110,279**	**112,540**	**111,745**	**112,339**	**(1,423)**	**(1.3%)**
Current accounts	37,905	37,713	38,377	37,115	29,016	8,889	30.6%
Savings accounts	37,334	36,088	36,127	34,453	41,140	(3,806)	(9.3%)
Term deposits	35,678	36,478	38,036	40,177	42,183	(6,505)	(15.4%)
Non-residents	**2,511**	**2,120**	**2,080**	**2,162**	**2,217**	**294**	**13.3%**
Strict Customer Deposits	**120,036**	**118,529**	**121,591**	**119,300**	**120,234**	**(198)**	**(0.2%)**
Mutual funds	19,114	19,925	19,993	19,711	19,200	(86)	(0.4%)
Pension funds	7,999	8,157	8,237	8,293	8,100	(101)	(1.2%)
Total customer off-balance funds (2)	**27,113**	**28,082**	**28,230**	**28,004**	**27,300**	**(187)**	**(0.7%)**
TOTAL	**147,149**	**146,611**	**149,821**	**147,304**	**147,534**	**(385)**	**(0.3%)**

(1) Off-balance sheet products managed and marketed without SICAVS. Pension funds inlude mathematical provisions

5. RISK MANAGEMENT

The Group has speeded up the reduction of non-performing assets and continues to improve its risk indicators. The NPL ratio has decreased by 2.4 percentage points (pp) in 2018 to 6.5%

The Group's strategy to pare back its problematic assets portfolio includes the **agreement reached with the fund Lone Star XI in December** to establish a joint venture to administrate, develop and dispose of a portfolio of foreclosed assets and to transfer a portfolio of doubtful mortgage loans totalling approximately 3,000 million euros (gross book value). It is expected that the deal will be closed in the second quarter of 2019 when the Group will write said assets off its balance sheet.

Reducing the volume of non-performing assets (doubtful and foreclosed) is one of the main pillars of the Group's Strategic Plan. Accordingly, Bankia has set itself the target of reducing the volume of non-performing assets by 2,900 million euros per year. **The deal with Lone Star XI, together with the decrease in doubtful loans and foreclosed assets over the rest of the year, represents a NPAs reduction of c. 6,000 million euros (gross book value) during 2018. This has resulted in the NPA reduction target set in the 2018-2020 Strategic Plan being achieved a year earlier.** The faster reduction comes while maintaining the NPL coverage ratio, and selling all kinds of foreclosed assets without impairing the quality profile of the real estate assets retained on the balance sheet.

Thus, in 2018 doubtful exposures are down 3,702 million euros, 1,404 million euros of which are loans reclassified as non-current assets held for sale as a consequence of the aforementioned sale. The decrease in NPLs has driven down the Group's NPL ratio by 2.4 pp over the year (1 percentage point due to the portfolio sale to institutional investors), standing at 6.5% at the end of 2018. NPL coverage, meanwhile, reached 54.6%, up 3.8 pp compared to December 2017.

This reduction trend has also been achieved in the portfolio of foreclosed assets. In 2018, recurrent sales reached 646 million euros (+7.2% compared to 2017), after the Group sold around 13,300 properties, representing 24% of total properties foreclosed at the end of 2017.

Considering the assets transferred through the sale of portfolios to institutional investors, which will be closed in 2019, the reduction in gross foreclosed assets in 2018 totals 2,277 million euros, leaving the gross amount of foreclosed assets at year-end 2018 in 2,462 million euros.

NPL RATIO AND NPL COVERAGE RATIO

						Change on Dec-17	
(€ million and %)	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Amount	%
Non-performing loans	8,416	10,362	10,809	11,631	12,117	(3,702)	(30.5%)
Total risk-bearing assets	129,792	132,962	133,962	134,258	136,353	(6,561)	(4.8%)
Total NPL ratio (1)	**6.5%**	**7.8%**	**8.1%**	**8.7%**	**8.9%**		**-2.4 p.p.**
Total provisions(2)	4,593	5,677	5,945	6,412	6,151	(1,558)	(25.3%)
NPL coverage ratio (2)	**54.6%**	**54.8%**	**55.0%**	**55.1%**	**50.8%**		**+3.8 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)
(2) Group coverage at Dec-17 including additional provisions due to the IFRS 9 application would have been 56.5%

CHANGE IN NPLs

(€ million and %)	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Non-performing loans at the begining of the period	**10,362**	**10,809**	**11,631**	**12,117**	**10,194**	**10,554**	**10,984**	**11,476**
Net outflows	(420)	(370)	(754)	(297)	(336)	(258)	(338)	(461)
Write offs	(153)	(77)	(68)	(190)	(118)	(102)	(92)	(31)
BMN NPLs contribution	-	-	-	-	2,377	-	-	-
Disposals related to NPLs portfolio sale(1)	(1,373)							
Non-performing loans at the end of the period	**8,416**	**10,362**	**10,809**	**11,631**	**12,117**	**10,194**	**10,554**	**10,984**

(1) Mortgage NPLs allocated in "Non-current assets held for sale" after the portfolio sale to institutional investors.

BREAKDOWN OF FORECLOSED ASSETS

(€ million)	Gross value (1)				
	Dec-18 (2)	Sep-18	Jun-18	Mar-18	Dec-17
Total	**2,909**	**4,516**	**4,761**	**4,938**	**5,115**
(-) Assets assigned to the Social Housing Fund and rented (3)	(446)	(346)	(364)	(376)	(376)
Total gross foreclosed assets	**2,462**	**4,170**	**4,397**	**4,562**	**4,739**

(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

(2) Dec-18 data calculated assuming the asset disposal due to the sale of portfolios to intitutional investors in 4Q18

(3) Includes assets assigened to the Social Housing Fund, assets with special rental terms to vulnerable collectives and rented assets yielding >3% of their net value

(€ million)	Impairments (1)				
	Dec-18 (2)	Sep-18	Jun-18	Mar-18	Dec-17
Total	**762**	**1,706**	**1,788**	**1,749**	**1,836**
(-) Assets assigned to the Social Housing Fund and rented (3)	(113)	(81)	(74)	(96)	(96)
Total gross foreclosed assets	**649**	**1,625**	**1,714**	**1,653**	**1,740**

(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

(2) Dec-18 data calculated assuming the asset disposal due to the sale of portfolios to intitutional investors in 4Q18

(3) Includes assets assigened to the Social Housing Fund, assets with special rental terms to vulnerable collectives and rented assets yielding >3% of their net value

(€ million)	Net value (1)				
	Dec-18 (2)	Sep-18	Jun-18	Mar-18	Dec-17
Total	**2,146**	**2,810**	**2,973**	**3,189**	**3,280**
(-) Assets assigned to the Social Housing Fund and rented (3)	(333)	(265)	(291)	(280)	(280)
Total gross foreclosed assets	**1,813**	**2,545**	**2,682**	**2,909**	**3,000**

(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

(2) Dec-18 data calculated assuming the asset disposal due to the sale of portfolios to intitutional investors in 4Q18

(3) Includes assets assigened to the Social Housing Fund, assets with special rental terms to vulnerable collectives and rented assets yielding >3% of their net value

NON PERFORMING ASSETS (NPAs)

(€ million and %)	Dec-18 (1)	Sep-18	Jun-18	Mar-18	Dec-17	Change on Dec-17	
						Amount	%
Gross Non-performing loans	8,416	10,362	10,809	11,631	12,117	(3,701)	(30.5%)
Gross foreclosed assets	2,462	4,170	4,397	4,562	4,739	(2,277)	(48.0%)
Gross NPAs	**10,878**	**14,532**	**15,205**	**16,193**	**16,856**	**(5,978)**	**(35.5%)**
NPL provisions	4,593	5,677	5,945	6,412	6,151	(1,558)	(25.3%)
Impairments on foreclosed assets	649	1,625	1,714	1,653	1,740	(1,090)	(62.7%)
NPAs provisions	**5,243**	**7,302**	**7,659**	**8,065**	**7,891**	**(2,648)**	**(33.6%)**
Net NPLs	3,823	4,685	4,864	5,219	5,966	(2,143)	(35.9%)
Net forclosed assets	1,813	2,545	2,682	2,909	3,000	(1,186)	(39.6%)
Net NPAs	**5,636**	**7,230**	**7,547**	**8,128**	**8,966**	**(3,330)**	**(37.1%)**
Total risk	**132,050**	**137,132**	**138,359**	**138,819**	**141,469**	**(9,419)**	**(6.7%)**
Gross NPAs ratio	**8.2%**	**10.6%**	**11.0%**	**11.7%**	**11.9%**		**-3.7 p.p.**
Net NPAs ratio	**4.3%**	**5.3%**	**5.5%**	**5.9%**	**6.3%**		**-2.0 p.p.**
NPAs Coverage	**48.2%**	**50.2%**	**50.4%**	**49.8%**	**46.8%**		**+1.4 p.p.**

(1) Dec-18 data calculated assuming the asset disposal due to the sale of portfolios to institutional investors in 4Q18

RESTRUCTURED LOANS

(€ million and %)	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Change on Dec-17	
						Amount	%
Gross exposure							
Non-performing loans	4,727	5,859	6,369	7,095	7,399	(2,672)	(36.1%)
Performing loans	4,133	4,736	4,635	4,874	5,180	(1,047)	(20.2%)
Total refinanced	**8,860**	**10,594**	**11,005**	**11,969**	**12,579**	**(3,719)**	**(29.6%)**
Impairments							
Non-performing loans	1,928	2,504	2,792	3,006	3,210	(1,282)	(39.9%)
Performing loans	204	234	239	265	127	77	60.5%
Total Impairments	**2,132**	**2,738**	**3,032**	**3,271**	**3,338**	**(1,205)**	**(36.1%)**
Coverage (%)							
Non-performing loans	40.8%	42.7%	43.8%	42.4%	43.4%		-2.6 p.p.
Performing loans	4.9%	4.9%	5.2%	5.4%	2.5%		+2.5 p.p.
Total coverage	**24.1%**	**25.8%**	**27.5%**	**27.3%**	**26.5%**		**-2.5 p.p.**

In 2018 restructured loans totalled 8,860 million euros accumulating a decrease of 3,719 millions euros in the year. As of December 2018 it represents 7.2% of gross loans and advances to customers (9.8% as of December 2017), of which 53% is classified as NPLs.

6. FUNDING STRUCTURE AND LIQUIDITY

In 2018, the Bankia Group has maintained a strong liquidity position, based on the funding of its lending activity through customer funds, which at the end of 2018 account for 66% of the Group's financial resources (64% in December 2017).

With this retail funding structure, the Group's LTD (loan-to-deposit) ratio at the end of December 2018 stood at 91.2%. At that same date, Bankia's liquidity coverage ratio (163%) was well above the regulatory requirement for 2018 (100%).

As regards funding, at 31 December 2018 wholesale debt totalled 18,360 million euros. Most notable during the year has been the placement of the Group's second AT1 bond issuance of 500 million euros, which was completed in September with notable market acceptance, being five times oversubscribed.

Funding from the ECB has fallen by 1,500 million euros since December 2017 after Bankia prepaid the TLTRO I funding in the second quarter. At the end of 2018, ECB funding totals 13,856 million euros, all of it under the TLTRO II programme, representing 8% of the Group's total funding.

The Group's total liquid assets at 31 December 2018 amount to 31,938 million euros. At the same date, this amount covers the Group's wholesale debt maturities 1.3 times.

LTD RATIO AND COMMERCIAL GAP

			Change	
(€ million)	Dec-18	Dec-17	Amount	%
Net Loans and advances to customers	**118,295**	**123,025**	**(4,730)**	**(3.8%)**
o/w Repo transactions [1]	14	256	(242)	(94.7%)
a. Strict Net Loans and advances to customers	**118,281**	**122,769**	**(4,488)**	**(3.7%)**
Strict customer deposits and retail commercial paper	120,036	120,234	(198)	(0.2%)
Single-certificate covered bonds	6,248	7,499	(1,251)	(16.7%)
ICO/EIB deposits	3,424	3,007	416	13.8%
b. Total Deposits	**129,707**	**130,740**	**(1,033)**	**(0.8%)**
LTD ratio (a/b)	**91.2%**	**93.9%**		**-2.7 p.p.**

			Change	
(€ million)	Dec-18	Dec-17	Amount	%
Net Loans and advances to customers	**118,295**	**123,025**	**(4,730)**	**(3.8%)**
o/w Repo transactions [1]	14	256	(242)	(94.7%)
Strict Net Loans and advances to customers	**118,281**	**122,769**	**(4,488)**	**(3.7%)**
(-) Strict customer deposits and retail commercial paper	120,036	120,234	(198)	(0.2%)
(-) ICO/EIB deposits	3,424	3,007	416	13.8%
Strict Comercial GAP	**(5,178)**	**(472)**	**(4,706)**	**-**

(1) Reverse repurchase agreements

MATURITIES OF ISSUES

(€ million) (1)	2019	2020	2021	>2021
Covered bonds	2,764	418	2,025	12,881
Senior debt	1,005	-	35	100
Subordinated debt	-	-	175	2,750
Securitisation	-	-	-	1,602
Total issuance maturities	**3,769**	**418**	**2,235**	**17,333**

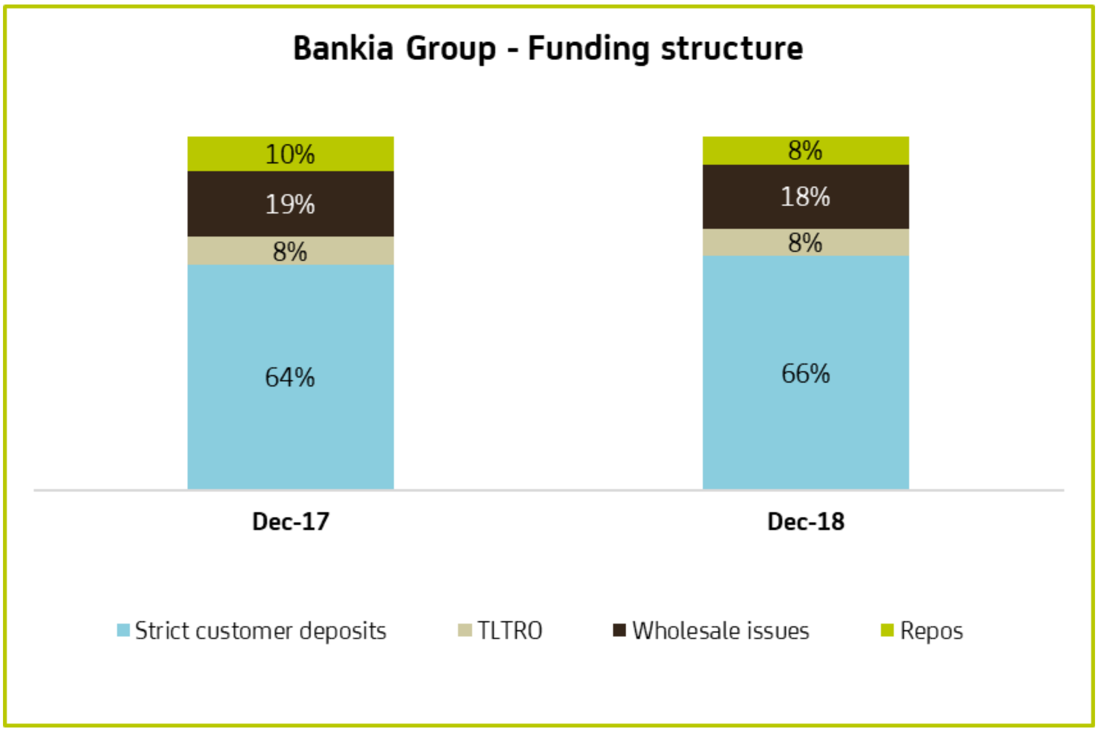
(1) Maturities of Bankia group in nominal values net of treasury shares and retained issuance

LIQUID ASSETS

			Change	
(€ million)	Dec-18	Dec-17	Amount	%
Treasury account and deposit facility (1)	2,921	2,206	715	32.4%
Undrawn amount on the facility	11,339	10,918	421	3.9%
Available high liquidity assets (2)	17,678	19,703	(2,025)	(10.3%)
Total	**31,938**	**32,827**	**(889)**	**(2.7%)**

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

FUNDING STRUCTURE



7. SOLVENCY

As of 31 December 2018, the Bankia Group has achieved a fully-loaded CET1 ratio of 12.28% (excluding unrealised sovereign gains in the fair value portfolio); under regulatory criteria (i.e. including these gains), this ratio stands at 12.39%. In 2018, the Group's organic fully-loaded CET1 generation totalled +83 bps, enabling it to absorb the impact of two extraordinary effects associated with credit institutions regulations and oversight:

- Entry into force of IFRS 9: the Bankia Group has chosen to apply the negative impact of this standard in full for capital adequacy purposes, which is estimated to be -38 bps on the fully-loaded CET1 management ratio within the management perimeter (excluding unrealised gains; -20 pbs on the fully-loaded CET1 regulatory ratio).

- The European Central Bank has begun reviewing banks' internal models for calculating capital requirements in order to eliminate any inconsistencies between banks in the average risk weighting not attributable to their risk profiles. This process known as the Targeted Review of Internal Models (TRIM) has focused in 2018 on reviewing the models associated with the mortgage loan book and has led to an increase in the Group's risk-weighted assets with an impact on the CET1 ratio of -23 bp.

Furthermore, in 2018 the Bankia Group reached an agreement with Mapfre to reorganise their bancassurance partnerships. This was not carried out during the year because the pertinent authorisations had not yet been received. This led to the fully-loaded CET1 ratio at December 2018 including the negative impact of repurchasing insurance subsidiaries of -17 bp but not the positive impact that will arise when the sale to Mapfre is completed.

Lastly, the Group has reached an agreement with Lone Star to sell off a significant portfolio of non-performing assets, which will be executed in 2019. The effect of the increase in provisions associated with the portfolio is estimated at -10 bps on the fully-loaded CET1 ratio and is included in 2018, but not the positive effect of the reduction in risk-weighted assets that will take effect when the aforementioned sell-off is finalised.

The estimated combined effect that both transactions would have had in the fully-loaded CET1 ratio if executed in 2018 totals +23 bp, which would have taken the fully-loaded CET1 ratio to 12.51% at December 2018.

RATIOS FULLY LOADED

(€ million and %)	Dec -18 (1) (2)	Dec -17 (1) (2) (3)
Eligible capital	13,318	13,289
Common equity Tier I (CET 1)	10,205	10,896
Capital	3,704	3,704
Reserves (as per reserve perimeter)	8,719	9,094
Result attributable net of dividend acrual	346	164
Deductions	(2,575)	(2,301)
Others (treasury stocks, Non-controlling interests and unrealised gains on FV portfolio)	11	235
Tier I Capital	11,455	11,646
Instruments	1,250	750
Tier II Capital	1,863	1,642
Instruments	1,672	1,672
Others	191	(30)
Risk-weighted assets	82,380	86,042
Common equity Tier I (CET 1) (%)	**12.39%**	**12.66%**
Tier I Capital	13.91%	13.54%
Tier II Capital	2.26%	1.91%
Solvency ratio - Total capital ratio (%)	**16.17%**	**15.44%**
Leverage ratio	**5.56%**	**5.49%**
Total exposition leverage ratio	**205,916**	**212,236**

(1) Includes unrealised gains in the fair value (FV) sovereign debt portfolio which since October 2016 are included in regulatory capital due to Reglamento (UE) 2016/445 BCE. Without including unrealised gains in the FV sovereign debt portfolio (regulatory capital), as of 31st December 2018, the CET-1 Fully Loaded ratio stands at 12.28% and the Total Capital Fully Loaded ratio at 16.06%. And as of 31 December 2017 the CET 1 ratio would have been 12.33%, and Total Capital ratio 15.11%.

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

(3) Data includes the effects of the merger with BMN (capital increase, BMN integration, costs)

Looking at Total Capital, noteworthy was the September 2018 issuance of perpetual contingent bonds convertible into ordinary Bankia shares of 500 million euros, eligible as AT1 Capital, with an estimated impact on Tier1 Capital and Total Capital of +60 bp. With this issuance, the Bankia Group meets the 1.5% AT1 minimum capital requirement under Pillar 1, while increasing its base of instruments with loss-absorbing capacity ahead of the future regulatory requirement of the MREL (Minimum Requirement for Own Funds and Eligible Liabilities) envisaged in the BRRD directive. Thus, at 31 December 2018, the fully-loaded Total Capital ratio (excluding unrealised sovereign gains) stands at 16.06%, up +95 bps during the year explained by the impact of the issuance, the positive effect of the increase in provisions eligible as Tier 2 capital on application of IFRS 9, and the organic generation of capital, which have jointly absorbed the impact of the extraordinary events during the year. Factoring in the unrealised sovereign gains in the fair value portfolio, the Total Capital ratio would be 16.17%.

At 31 December 2018, based on the regulatory ratios, if the unrealised sovereign gains in the fair value portfolio are included, the phase-in CET1 ratio would have been 13.80% and the Total Capital ratio would have been 17.58%. Compared with the SREP minimum capital requirements for 2018 notified by the supervisor (CET1 8.563% and Total Capital 12.063%), these figures indicate a CET1 surplus of +524 bps and a Total Capital surplus of +552 bps.

The fully Loaded leverage ratio at 31 December 2018 is 5.52% (5.56% if the unrealised sovereign gains are included), amply exceeding the regulatory capital requirements.

All the abovementioned capital and leverage ratios discount the expected cash dividend of 357 million euros against 2018 earnings which is expected to be proposed to the General Shareholders Meeting for its approval – in other words, a dividend of 11.576 euro cents per share, which is a 5% increase on the last dividend distributed. Thus, the pay-out increases to 50.3%. This pay-out fully adheres to the dividend distribution recommendations published by the European Central Bank in January 2019, allowing the Bankia Group to be categorised as a Category 1 credit institution, with a capital surplus that allows it to make discretionary capital distributions.

	Dec-18 (1)	
(€ million and %)	Phase In	Fully Loaded
Common equity Tier I - CET1 (%) (2)	13.69%	12.28%
Total solvency ratio (%) (2)	17.47%	16.06%
Regulatory capital ratios (incl. FV unrealised gains):		
Common equity Tier I - CET1	13.80%	12.39%
Total capital ratio (%)	17.58%	16.17%
CET1 2018 SREP requirement (incl. additional buffers)	8.56%	9.25%
Total solvency 2018 SREP requirement (incl. additional buffers)	12.06%	12.75%
Surplus over CET1 2018 SREP requirement	**5.24%**	**3.14%**
Surplus over Total solvency 2018 SREP requirement	**5.52%**	**3.42%**

(1) Solvency ratios include the result that is expected to be allocated to reserves
(2) Does not include unrealised gains on the Fair Value sovereign portfolio.

RATIOS PHASE IN

(€ million and %)	Dec -18 (1) (2)	Dec -17 (1) (2) (3)
Eligible capital	14,480	14,488
Common equity Tier I (CET 1)	11,367	12,173
Capital	3,704	3,704
Reserves (as per reserve perimeter)	8,719	9,094
Result attributable net of dividend acrual	346	164
Deductions	(1,413)	(963)
Others (treasury stocks, Non-controlling interests and unrealised gains on FV portfolio)	11	175
Tier I Capital	12,617	12,856
Instruments	1,250	750
Others	0	(68)
Tier II Capital	1,863	1,632
Instruments	1,672	1,672
Others	191	(40)
Risk-weighted assets	82,380	86,042
Common equity Tier I (CET 1) (%)	**13.80%**	**14.15%**
Tier I Capital	15.32%	14.94%
Tier II Capital	2.26%	1.90%
Solvency ratio - Total capital ratio (%)	**17.58%**	**16.84%**
Leverage ratio	**6.09%**	**6.02%**
Total exposition leverage ratio	**207,078**	**213,505**

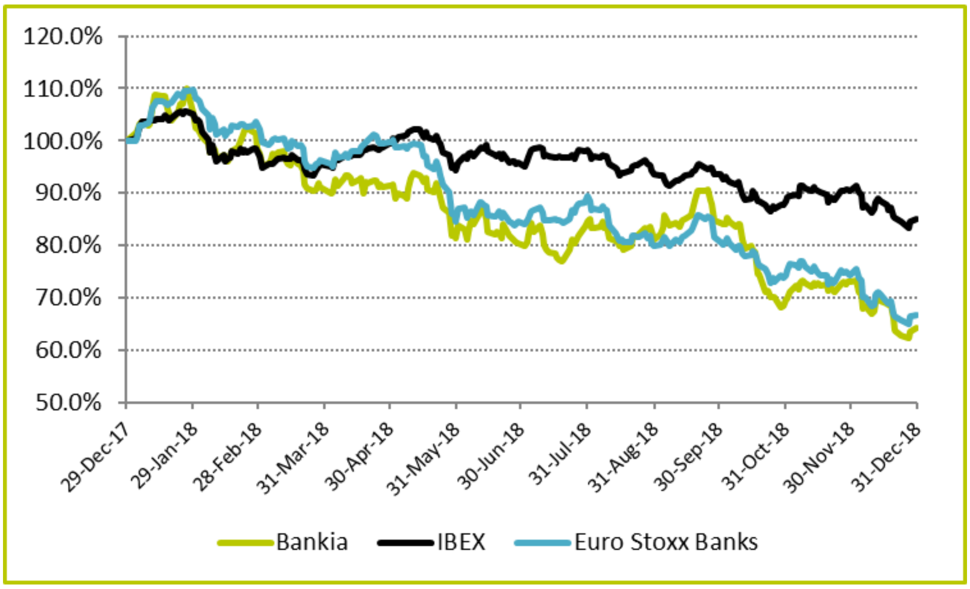
(1) Includes unrealised gains in the fair value (FV) sovereign debt portfolio which since October 2016 are included in regulatory capital due to Reglamento (UE) 2016/445 BCE. Without including unrealised gains in the FV sovereign debt portfolio (regulatory capital), as of 31st December 2018, the CET-1 Phase-in ratio stands at 13.69% and the Total Capital Phase-in ratio at 17.47%. And as of 31 December 2017 the CET 1 ratio would have been 13.88 %, and Total Capital ratio 16.57%.

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

(3) Data includes the effects of the merger with BMN (capital increase, BMN integration, costs)

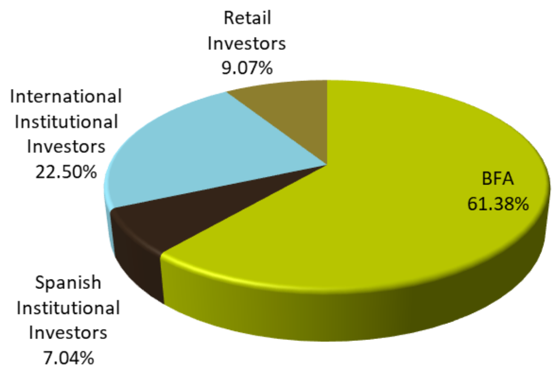
8. SHARE PERFORMANCE

SHARE PRICE



MAJOR SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Dec-2018
Number of shareholders	184,643
Daily average volume (num. shares)	7,729,467
Daily average turnover (euros)	26,872,023
Maximum closing price (€/share)	4,389 (26-Jan)
Minimum closing price (€/share)	2,485 (27-Dec)
Closing price (€/share)	2,56 (31-Dec)



Bankia
SIGAMOS TRABAJANDO

9. RATING

Throughout 2018, the ratings agencies have factored in the strong economic recovery and progress in recent years to reduce the budget deficit, and have also considered that the structural improvements to the Spanish economy have increased the likelihood of sustainable growth. This has led to S&P Global Ratings (hereinafter "S&P"), Fitch Ratings (hereinafter "Fitch") and DBRS Ratings Limited (hereinafter "DBRS"), upgrading Spain's sovereign debt rating a notch to "A-", "A-" and "A", respectively.

Bankia has consolidated its position as "investment grade" during a year shaped by the integration of BMN, accelerated cost synergies capture, and improvement in the quality of its balance sheet thanks to progress made in reducing at an accelerated speed its problematic assets. Highlights during the year regarding Bankia's credit rating are as follows:

- On 6 February, **Fitch upgraded Bankia's outlook from Stable to positive, leaving its rating unchanged at BBB-.** The agency said that Bankia's ratings reflect a national franchise that has been bolstered by the BMN merger, robust post-merger capital levels, adequate funding and liquidity, along with a management team that has experience in mergers.

- On 6 April, **S&P upgraded Bankia's rating from BBB- with a Positive outlook to BBB with a Stable outlook**.

  This rating action was prompted by the improvement in the agency's assessment of the "economic and industry risks" that face banks operating mainly in Spain, after the country's rating was upgraded. The agency expects Bankia's capital position to continue to improve thanks to organic generation and the issuance of hybrid instruments, and that its problematic assets will continue to decrease over the next two years as recurring profitability improves following the BMN takeover.

- On 4 July, following its annual review of Bankia's credit profile, **DBRS affirmed the BBB (high) rating for long-term debt and deposits, and the R-1 (low) rating for short-term debt, leaving the outlook as Stable**.

With respect to Bankia's mortgage covered bonds, on 23 March **Fitch affirmed its A rating with a Positive outlook**, and on 27 March **S&P upgraded the rating of these instruments from A+ to AA-**, keeping the Positive outlook.

Additionally, following its annual review of Bankia's mortgage covered bonds, on 12 July, **the agency Scope Ratings affirmed the AAA rating and Stable outlook** for these bonds. On 21 September, **DBRS affirmed the AAA rating for the mortage covered bonds.**

CREDIT AGENCY RATINGS

Issuer Ratings	S&P Global Ratings	Fitch Ratings	DBRS	Scope
Long-term	BBB	BBB-	BBB (high)	BBB+
Short-term	A-2	F3	R-1 (low)	S-2
Outlook	Stable	Positive	Stable	Stable
Date	06-Apr-18	06-Feb-18	04-Jul-18	30-Nov-17
Mortgage Covered Bonds Rating	**S&P Global Ratings**	**Fitch Ratings**	**DBRS**	**Scope**
Rating	AA-	A	AAA	AAA
Outlook	Positive	Positive	---	Stable
Date	27-Mar-18	23-Mar-18	21-Sep-18	12-Jul-18

10. SIGNIFICANT EVENTS DURING THE YEAR

Unveiling of new Strategic Plan

On 27 February 2018 the Bankia Group presented its new Strategic Plan 2018-2020, which had been approved by the Board of Directors of the Bank on 22 February 2018.

The objectives of the new Strategic Plan are focused on continuing to boost earnings through greater commercial dynamics, achieving further improvements in the quality of its balance sheet and making progress in the remuneration of shareholders. To achieve these aims, the Strategic Plan 2018-2010 rests on four main pillars:

- **Significant potential for synergies** following the BMN merger by reducing duplicated costs (up to an estimated 190 million euros in 2020, of which 130 million euros already achieved in 2018) and significant increases in the number of customers in regions where Bankia had limited presence until the merger (Murcia, Granada, the Balearic Islands).

- **Efficiency improvement** driving down the ratio to below 47% in 2020 after the cost synergies deriving from the integration of BMN materialise.

- **Revenue growth through more sales of high-value products.** This objective will be achieved through: new lending (mortgage, consumer lending and loans to companies); fees and commissions from the management and sale of mutual funds, payment services and insurance; and new activities the Group has been able to undertake such as lending to real estate developers, long-term lending to major corporations with access to capital markets, and other products that generate fees and commissions (project finance and acquisition financing).

- **Faster reduction in problematic assets** organically and through portfolio sales. The plan includes reductions in doubtful and foreclosed assets (NPAs) of 8,800 million euros by the end of 2020, of which c. 6,000 million euros have already been reduced in 2018.

By fulfilling the objectives in the Strategic Plan, the Bankia Group will continue to generate high levels of capital organically, which will ensure its solvency ratio remains above 12% (fully-loaded CET 1).

The Group completes the integration of BMN

In March 2018, the Group successfully finished integrating the IT platforms of Bankia and BMN, only two and a half months after the merger was authorised by the regulatory authorities. Following the IT integration, BMN customers can now benefit from Bankia's products and terms and conditions and all the branches are now Bankia branded. Over 1,000 ATMs across the country have also been adapted.

The branch closure process was completed with the network comprising 2,298 branches at the end of 2018. Workforce restructuring commenced in April and was completed in November with the departure of 2,000 employees. The branch network and workforce restructuring has began to generate the first cost synergies in 2018, driving a YOY reduction in the Group's operating expenses of 4.3% on a constant perimeter basis.

Progress made reorganising the businesses

During 2018, the Group entered into various agreements aimed at accelerating the creation of the synergies set out in the 2018-2020 Strategic Plan.

- Since April, all **the activity related to the Group's real estate assets started to be managed by Haya Real Estate** following the termination of the contracts BMN had with other entities and the novation of the sale agreement for the asset management and service business entered into with Haya Real Estate, S.L. on 3 September 2013.

- In May, an **agreement was signed with Crédit Agricole Consumer Finance to operate a consumer credit business in Spain** through a joint venture that will sell its products exclusively in Spain through non-banking channels. In August, the European Commission authorised the incorporation of the joint venture.

- In December, Bankia closed a **deal with the Mapfre Group and with the Caser Group to reorganise the bancassurance partnerships**. In the non-life insurance business, this has entailed selling Mapfre Vida 51% of the share capital of Caja Granada Vida and Caja Murcia Vida y Pensiones, without prejudice to the Caser Group retaining the exclusivity agreement in the Balearic Islands for the life insurance business and pensions business. Furthermore, in the non-life insurance business, Bankia agreed with the Caser Group to end their partnership for certain general insurance products, while broadening the scope of Bankia's existing partnership with the Mapfre Group for general insurance to include the branch network from BMN. At year-end 2018, this deal was pending approval by the pertinent regulatory and anti-trust authorities before being executed.

- Also in December, **Bankia agreed with two subsidiaries of the investment fund Lone Star XI to incorporate a company to administrate, develop and dispose of a foreclosed real estate assets portfolio and to transfer a portfolio of doubtful mortgage loans, jointing totalling 3,070 million euros (gross book value)** (1,650 million euros of foreclosed assets and 1,420 million euros of mortgage loans). It is expected that the deal will be closed in the second quarter of 2019 when the Group will write said assets off its balance sheet. The cost savings to be achieved through this arrangement are estimated to be just over 200 million euros before tax over the three years following closure of the deal. This deal and the organic decrease in doubtful loans and foreclosed assets over 2018 makes NPAs fall by more than 6,000 million euros (gross book value), enabling the NPA reduction target set in the 2018-2020 Strategic Plan to be achieved one year in advance.

Shareholder remuneration

On 20 April 2018, Bankia paid a cash dividend against 2017 earnings for a gross amount of 340.1 million euros (0.11024 euros per share), which is 7.1% higher than the dividend paid in the previous year. Of this amount, 208 million euros was paid to BFA, Tenedora de Acciones, S.A.U., which held 61.175% of Bankia's capital at 20 April 2018.

Issue of perpetual contingent bonds convertible into Bankia shares (AT1)

On 10 September 2018, Bankia, S.A. placed an issuance of perpetual contingent bonds convertible into newly issued ordinary Bankia shares, excluding pre-emptive subscription rights of its shareholders, for 500 million euros.

The issuance targeted only qualified investors and the bonds were issued at par and their coupon (the payment of which is subject to certain conditions and is at the Bank's discretion) was set at 6.375% on an annual basis for the first five years. After that period, the coupon will be reviewed by applying a margin of 622.4 bps on the 5-year Euro Mid-Swap Rate. The coupon will be payable quarterly in arrears.

The securities are perpetual, but they may be called under certain circumstances at Bankia's discretion. In any event, they would be converted into newly issued ordinary Bankia shares if Bankia, S.A. or the Bankia Group posted a Common Equity Tier 1 (CET1) ratio – calculated in accordance with Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms – were to fall below 5.125%.

The issuance, which is the second Bankia has completed (the first being placed in July 2017), was five times oversubscribed by investors, with demand reaching 2,520 million euros.

In November, Bankia obtained the supervisor's approval for the issuance to be computed as Additional Tier 1 capital of Bankia and/or its Group, which allows the bank to reinforce its solvency and to increase the buffer of liabilities with capacity to absorb losses ahead of the future MREL regulatory requirement.

11. APPENDIX

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million and %)	Dec-18 (1)	Dec-17 (1)	Change Amount	Change %
ALCO Portfolio	26,804	29,440	(2,636)	(9.0%)
NON ALCO Portfolio	762	1,317	(555)	(42.1%)
SAREB Bonds	19,155	20,698	(1,543)	(7.5%)
Total Fixed Income Portfolio	**46,721**	**51,455**	**(4,734)**	**(9.2%)**

(1) Nominal values of the "fair value" and "amortised cost" 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 definition and a reconciliation with the balance sheet and income statement line items used in their calculation.

ALTERNATIVE PERFORMANCE MEASURES

PERFORMANCE MEASURE	DEFINITION	MANNER OF CALCULATION AND ACCOUNTING DATA USED
Total customer funds on- and off-balance-sheet	Sum of customer deposits, senior and subordinated wholesale issues and resources managed and marketed off-balance-sheet	Balance sheet items: - Customer deposits - Marketable debt securities Third-party resources managed and marketed by the Group: - Mutual funds - Pension funds
NPL ratio (%)	Relationship between non-performing loans and the total balance of customer credit risk and contingent risks	Gross book amount (before provisions) of non-performing loans and advances to customers and contingent liabilities (NPEs) as a percentage of total gross loans and advances to customers (before provisions) and contingent liabilities.
NPL coverage ratio (%)	Measures the degree of impairment of NPLs for which impairment allowances have been recognised	Book amount of allowances for impairment of loans and advances to customers and contingent liabilities as a percentage of the gross book amount of non-performing loans and advances to customers and contingent liabilities (NPEs).
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. - Customer deposits exclude repurchase agreements.
Net trading income	Sum of the gains or losses obtained from management of portfolios of financial assets and liabilities and accounting hedges.	Sum of the gains or losses from the following income statement items: - 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 not held for trading that are mandatorily measured at fair value through profit or loss, 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	MANNER OF CALCULATION AND ACCOUNTING DATA USED
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	Average interest rate on loans and advances to customers: - Interest income on loans and advances to customers recognised in the

PERFORMANCE MEASURE	DEFINITION	MANNER OF CALCULATION AND ACCOUNTING DATA USED
	advances to customers and the average interest rate paid on customer deposits	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 or loss for the year divided by the average month-end balance 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 on average risk-weighted 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 obtained from own funds	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 expense divided by gross income for the period.
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 The impairment losses on financial assets are measured net of extraordinary, non-recurrent provisions, the external costs of recoveries and the movement in impairment losses on fixed-income instruments. The total amount of the impairment losses on financial assets and provisions for contingent liabilities is annualised at the March, June and September accounting closes.
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
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
Tangible book value per share	The book value of the company per each share issued, minus intangible assets	The Group's equity, after deducting intangible assets, divided by the number of shares outstanding at period-end.
P/E ratio	Measures the price per share as a multiple of the earnings 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 FIGURES USED TO CALCULATE ALTERNATIVE PERFORMANCE MEASURES

ACCOUNTING FIGURES (expect where specified otherwise, figures are in millions of euros and %)	Dec-18	Dec-17 (1)
Sum of customer funds managed on and off balance sheet	**171,793**	**177,481**
- Customer deposits	126,319	130,396
- Marketable debt securities	18,360	19,785
- Mutual funds	19,114	19,200
- Pension funds	7,999	8,100
NPL ratio (%)	**6.5%**	**8.9%**
- Non-performing loans and advances to customers and contingent liabilities (NPEs)	8,416	12,117
- Total loans and advances to customers and contingent liabilities	129,792	136,353
NPL coverage ratio (%)	**54.7%**	**50.8%**
- Loan impairment and customer advances and contingent risks	4,607	6,151
- Non-performing loans and advances to customers and contingent liabilities (NPEs).	8,416	12,117
LTD ratio (%)	**91.2%**	**93.9%**
- Loans and advances to customers	118,295	123,025
- Reverse repo transactions	14	256
- Customer deposits	126,319	130,396
- Repo transactions	36	2,663
- Funds for intermediated loans received from the EIB and ICO	3,424	3,007
Market capitalisation	**7,898**	**12,300**
- Shares outstanding at period-end (million)	3,085	3,085
- Share price at period-end (euros)	2.56	3.987
Earnings per share (euros)	**0.228**	**0.164**
- Profit/(loss) attributable to equity holders of the Group in the period	703	505
- Number of shares outstanding at period-end (millions)	3,085	3,085
Tangible book value per share (euros)	**4.18**	**4.34**
- Total equity	13,189	13,613
- Intangible assets	298	237
- Total equity less intangible assets	12,892	13,376
- Number of shares outstanding at period-end (millions)	3,085	3,085
P/E ratio	**11.23**	**24.38**
- Share price at period-end (euros)	2.56	3.987
- Earnings per share in the period (euros)	0.228	0.164
Price to tangible book value	**0.61**	**0.92**
- Share price at period-end (euros)	2.56	3.987
- Tangible book value per share (euros)	4.18	4.34

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	Dec-18	Dec-17 (1)
Net trading income	**411**	**367**
- Gains or (-) losses on financial assets and liabilities not measured at fair value through profit or loss, net	400	310
- Gains or (-) losses on financial assets and liabilities held for trading, net	40	87
- Gains or losses on financial assets not held for trading that are mandatorily measured at fair value through profit or loss, 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	(29)	(30)

ACCOUNTING FIGURES USED TO CALCULATE ALTERNATIVE PERFORMANCE MEASURES

ACCOUNTING FIGURES (expect where specified otherwise, figures are in millions of euros and %)	Dec-18	Dec-17
Pre-provision profit	**1,498**	**1,483**
- Gross income	3,368	3,064
- Administrative expenses	(1,696)	(1,407) (1)
- Depreciation and amortisation	(174)	(174)
ROA (%)	**0.3%**	**0.3%**
- Profit after tax for the period	703	494
- Average month-end balance of assets recorded on the balance sheet for the period	206,524	183,228
RORWA (%)	**0.9%**	**0.6%**
- Profit after tax for the period	703	494
- Regulatory risk-weighted assets at the end of the period	82,380	86,042
ROE (%)	**5.6%**	**4.1%**
- Profit or loss for the period attributable to the Group	703	505
- Average month-end balance of equity for the 12 months preceding the end of the period, adjusted for the expected dividend	12,648	12,286
ROTE (%)	**5.7%**	**4.2%**
- Profit or loss for the period attributable to the Group	703	505
- Average month-end balance of tangible equity for the 12 months preceding the end of the period, adjusted for the expected dividend	12,375	12,053
Efficiency ratio (%)	**55.5%**	**51.6% (1)**
- Administrative expenses	1,696	1,407 (1)
- Depreciation and amortisation	174	174
- Gross income	3,368	3,064
Cost of risk (%) a/(b+c)	**0.18% (3)**	**0.23% (2)**
- Impairment losses on financial assets	(427)	(326)
- External cost of recoveries	71	47
- Impairment of fixed-income instruments	-	(5)
- Provisions/release of provisions for contingent risks	51	19
- **Total impairment losses for calculating the cost of risk (a)**	**(240)**	**(265)**
- Average gross loans and advances to customers for the period (b)	124,453	108,560
- Average value of contingent risks in the period (c)	8,503	7,434

(1) In December 2017, this excludes the net extraordinary integration costs of 312 million euros arising from the merger between Bankia and BMN.
(2) In December 17, the cost of risk is calculated using Bankia Group figures, excluding the merger with BMN.
(3) In December 2018, the cost of risk is calculated stripping out the extraordinary allowances associated with the sale of problematic assets to the institutional investor, Lone Star XI.

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Customer margin (%)	**1.58%**	**1.51%**	**1.56%**	**1.57%**
Average interest rate on loans and advances to customers (%):	1.69%	1.62%	1.69%	1.71%
- Interest income on loans and advances to customers in period	510	490	506	512
- Average interest rate on loans and advances to customers (%)	2,022	1,946	2,029	2,076
- Average month-end balances of loans and advances to customers	119,499	120,124	120,426	121,071
Average interest rate paid on customer deposits (%):	0.11%	0.11%	0.13%	0.14%
- Interest expenses on customer deposits in the period	35	36	40	43
- Annualised interest expenses on customer deposits	137	141	160	173
- Average month-end balances of customer deposits	125,402	124,834	126,642	126,613

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	4Q 2017 (1)	3Q 2017 (2)	2Q 2017 (2)	1Q 2017 (2)
Customer margin (%)	**1.59%**	**1.53%**	**1.59%**	**1.60%**
Average interest rate on loans and advances to customers (%):	1.70%	1.61%	1.68%	1.71%
- Interest income on loans and advances to customers in period	457	417	434	438
- Average interest rate on loans and advances to customers (%)	1,813	1,674	1,739	1,775
- Average month-end balances of loans and advances to customers	106,561	102,721	103,362	103,549
Average interest rate paid on customer deposits (%):	0.11%	0.08%	0.09%	0.12%
- Interest expenses on customer deposits in the period	29	21	24	30
- Annualised interest expenses on customer deposits	115	83	95	122
- Average month-end balances of customer deposits	106,648	102,327	101,869	104,168

(1) The 4Q 2017 data include the finance income, finance costs, interest-bearing assets and interest-bearing liabilities of BMN solely for the month of December, as the merger was effective for accounting purposes from 1/12/2017.
(2) The 3Q 2017, 2Q 2017 and 1Q 2017 data are for the Bankia Group before the merger with BMN, as the merger was effective for accounting purposes from 1/12/2017.

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

Solvency and leverage (%)	Bankia 31-Dec-2018
Common equity Tier I (CET1) (Group) BIS III Phase In (incl. FV unrealised gains) (1)	13.80%
Common equity Tier I (CET1) (Group) BIS III Fully Loaded (incl. FV unrealised gains) (1)	12.39%
Common equity Tier I (CET1) (Individual) BIS III Phase In (incl. FV unrealised gains) (1)	13.03%
Common equity Tier I (CET1) (Individual) BIS III Fully Loaded (incl. FV unrealised gains) (1)	11.65%
Total capital ratio (Group) BIS III Phase In (incl. FV unrealised gains) (1)	17.58%
Total capital ratio (Group) BIS III Fully Loaded (incl. FV unrealised gains) (1)	16.17%
Solvency ***(€mn)***	
Available distributable items (Individual) (2)	8,454

(1) Unrealised gains and losses of the Fair Value portfolio
(2) Excluding the regulatory expected dividend and the accrual AT1 cupon payment

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