Bankia

Earnings Report

January-June 2018

26 July 2018

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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 30 June 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 the first quarter of 2018 and the first quarter of 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 had already been included in the first quarter of 2017.

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The Bankia Group posts attributable profit of 515 million euros after capturing the first synergies from the merger with BMN

Further progress in the integration of BMN

- Having completed the IT integration in March, during the second quarter of 2018 the Group has continued to work on reorganising the business, so as to capture the post-merger synergies.
- At the end of June, 87% of the exits envisaged in the workforce restructuring plan have already taken place.
- In April all of the Group's real estate activity was brought under the management of Haya Real Estate. In May an agreement was signed with Crédit Agricole Consumer Finance to operate in the consumer finance business in Spain and in July, as part of the reorganisation of the insurance business, the completion of the purchase of 100% of the share capital of Caja Granada Vida and Cajamurcia Vida y Pensiones took place.

Business with customers, active cost management and control of the cost of risk continue to be the basis for income generation

- Fee and commission income is up 1.4% year-on-year on a constant perimeter basis, driven by increased customer activity and loyalty, mainly in mutual funds, debit and credit cards and management of payroll and pension deposits.
- The focus on efficiency and the first synergies generated from the merger with BMN reduce operating expenses by 1.7% compared with June 2017 on a constant perimeter basis.
- Provisions and impairments show a positive trend, which in the first half of 2018 decrease by 20.6% year-on-year, despite the integration of BMN's balance sheet. At the end of June 2018, the cost of risk stands at 20 basis points, down 3 basis points vs. the previous quarter and down 5 basis points vs. June 2017.
- Revenue from customers, cost management and control of the cost of risk, lead to an attributable profit for the first half of 515 million euros, compared to 514 million euros in June the previous year.

Strong performance in the banking business, new lending and new customers funds

- At the end of June 2018 digital customers account for 40.9% of the Group's total customers and sales through digital channels make up 16.8% of the Group's total sales.
- Customers with payroll and pension deposits are up 112,000 vs. June 2017 and debit and credit card revenue grows 12% to reach a market share of 11.8%.
- New lending grows, with significant increases in the quarter both in lending to businesses (+35.8%) and to individuals, through mortgage loans (+18.1%) and consumer loans (+34.6%).
- The strategy for attracting savings remains focused on the more liquid resources and on mutual funds. Demand deposits are up 32.3% in the half-year and mutual funds increase 4.1%.

Further improvements in risk indicators and strong capital ratios

- Non-performing loans are down 10.8% since December 2017 and down 7.1% in the quarter. This decline brings the Group's NPL ratio to 8.1% at the end of June, an improvement of 100 basis points compared to December 2017 and 60 basis points in the quarter.
- The declining trend of the portfolio of foreclosed assets continues. Its net balance decreases 17.9% since December 2017, after the completion of sales totalling 309 million euros in the half-year.
- As regards solvency, the Group has reached a CET1 Phase-in ratio of 14.01% and a Total Capital ratio of 17.18%, giving a broad margin over and above the regulatory requirements for 2018: +545 basis points over the regulatory CET1 Phase-in ratio (8.56%) and +512 bps over the minimum Total Capital Phase-in ratio (12.06%). At the end of June 2018, the CET1 Fully Loaded ratio stands at 12.70%.

1. RELEVANT DATA

	Jun-18	Dec-17	Change
Balance sheet (€ million)			
Total assets	208,208	213,932	(2.7%)
Loans and advances to customers (net)[(1)]	121,534	123,025	(1.2%)
Loans and advances to customers (gross)[(1)]	127,082	128,782	(1.3%)
On-balance-sheet customer funds	146,147	150,181	(2.7%)
Customer deposits and clearing houses	128,696	130,396	(1.3%)
Borrowings, marketable securities	14,969	17,274	(13.3%)
Subordinated liabilities	2,482	2,511	(1.2%)
Total customer funds	174,091	177,467	(1.9%)
Equity	12,894	13,222	(2.5%)
Common Equity Tier I - BIS III Phase In	11,720	12,173	(3.7%)
Solvency (%)			
Common Equity Tier I - BIS III Phase In	14.01%	14.15%	-0.14 p.p.
Total capital ratio - BIS III Phase In	17.18%	16.84%	+0.34 p.p.
Ratio CET1 BIS III Fully Loaded	12.70%	12.66%	+0.04 p.p.
Risk management (€ million and %)			
Total risk	133,962	136,353	(1.8%)
Non performing loans	10,809	12,117	(10.8%)
NPL provisions[(2)]	5,945	6,151	(3.4%)
NPL ratio	8.1%	8.9%	-0.8 p.p.
NPL coverage ratio[(2)]	55.0%	50.8%	+4.2 p.p.

	Jun-18	Jun-17 [(3)]	Change
Results (€ million)			
Net interest income	1,047	995	5.3%
Gross income	1,841	1,648	11.8%
Pre-provision profit	897	884	1.5%
Profit/(loss) attributable to the Group	515	514	0.1%
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	51.3%	46.4%	+4.9 p.p.
R.O.A. (Profit after tax / Average total assets) [(4)]	0.5%	0.6%	-0.1 p.p.
RORWA (Profit after tax / RWA) [(5)]	1.2%	1.4%	-0.1 p.p.
ROE (Profit attributable to the group / Equity) [(6)]	8.3%	8.6%	-0.2 p.p.
ROTE (Profit attributable to the group / Average tangible equity) [(7)]	8.5%	8.7%	-0.2 p.p.

	Jun-18	Dec-17	Change
Bankia share			
Number of shareholders	189,897	192,055	(1.12%)
Number of shares in issue (million)	3,085	3,085	-
Closing price (end of period, €)[(8)]	3.21	3.99	(19.6%)
Market capitalisation (€ million)	9,893	12,300	(19.6%)
Earnings per share[(9)] (€)	0.34	0.26	27.2%
Tangible book value per share[(10)] (€)	4.19	4.34	(3.3%)
PER (Last price [(8)] / Earnings per share[(9)])	9.53	15.07	(36.7%)
PTBV (Last price [(8)] / Tangible book value per share)	0.77	0.92	(16.8%)
Additional information			
Number of branches	2,284	2,402	(4.9%)
Number of employees	16,493	17,757	(7.1%)

(1) Includes balances with BFA (in June the balance was 0 and in Dec-17 €47mn)
(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) The Jun-17 data corresponds to Bankia Group before the merger with BMN given that it 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 29th June 2017 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

2. ECONOMIC AND FINANCIAL ENVIRONMENT

World growth continued at a lively pace in the first six months of 2018 (similar to the rate achieved during 2017, averaging around 3.3%), despite a sequence of negative shocks during the half-year, including: (i) a sharp increase in the oil price; (ii) the protectionist spiral driven by the USA; (iii) the political crisis in Italy; and (iv) turbulence in emerging markets sparked by appreciation of the dollar and the Fed's interest rate hikes.

In the euro area, the beginning of the year was somewhat disappointing, as expectations had been raised by the strong performance seen in 2017: growth eased in the first quarter to 1.5%-2.0% and is expected to continue at this pace for the rest of the year. The US economy also slowed in the first quarter of 2018 but picked up sharply in the second quarter, returning to rates above 3.0%. Meanwhile, inflation remains contained, although the scenario is apt to deliver surprises on the upside, given very loose monetary policies (especially in the euro area), sustained growth above potential, a strong labour market, the hike in the oil price and growing trade barriers. The risks are higher in the USA, with core inflation at target and rising, than in the euro area, where core inflation remains stable at around 1.0%.

Despite the increased uncertainty, the two large central banks have continued to normalise their monetary policies, albeit at different rates. The Fed carried out two 25bp increases in its benchmark rate, to 1.75%-2.00%, and has continued reducing its balance sheet. The ECB, in contrast, has decided to reduce its asset purchases from 30 billion euros per month to 15 billion from September and to shut the programme down in December. In a sign of caution, however, it has announced that it does not intend to increase its reference rates until at least the summer of 2019. This announcement, combined with the lower than expected growth in the euro area, has prompted lively investor interest in German government debt, whose 10-year yield has fallen 13 bp in the half-year. This good performance contrasts with the tensions affecting the Italian bond, which has felt the effect of the political profile of the new government and its willingness to increase government spending. The positive news has been that Spanish debt has suffered scarcely any contagion.

Economic activity in Spain in the first half of 2018 continued to expand, with GDP growing 0.7% in the second quarter, a pace it has maintained for one year now, supported by strong domestic demand, in a context of favourable lending conditions and employment growth. Thus, the number in employment has risen by almost 574,000 people in the last year, bringing the total to more than 19 million, its highest level in the last decade. In contrast to the rally in investment, consumption has weakened somewhat in recent months, affected by the loss of purchasing power due to the rise in inflation. Growth of the economy continues to be compatible with a high external financing capacity, which remains at 2% of GDP.

The most notable development as regards the Spanish banking industry has been the year-on-year trend in the stock of loans to households, which has stopped falling for the first time in seven years, driven by the upswing in consumer lending and loans for other purposes. The expansion of new lending in the consumer segment has been decisive in the change of trend and can also be observed in the other segments, though without, as yet, the same positive impact on the outstanding balance. As regards credit quality, the pace of reduction of the volume of non-performing assets has been stepped up this year through sales of large portfolios by some institutions, a trend that is expected to continue in the coming months. On the funding side, the balances of deposits continue to increase slowly, while the assets of mutual funds have grown at a brisker pace. Once again, profitability looms as the great challenge for the industry. With regard to the Banking Union, during the Euro Summit at the end of June a commitment was reached to start work on a road map for negotiations on the European Deposit Insurance Scheme and an agreement to strengthen the European Stability Mechanism, providing a common backstop to the Single Resolution Fund.

3. SUMMARY OF RESULTS

In June 2018, the Bankia Group posts attributable profit of 515 million euros, equalling the figure reported in the first half of 2017

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 at 30 June 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 the first quarter of 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 had already been included at 30 June 2017.

The increase in business with customers has driven growth in fee and commission income, which, combined with the continuing focus on efficiency and control of the cost of risk, has allowed the Group to match the attributable profit obtained in the first half of 2017 and offset the impact on net interest income of sales and rotation of the fixed income portfolio, the maturity and repricing of the mortgage portfolio and the non-recurring profit from the sale of Globalvia recognised in the first half of 2017.

As regards the business with customers, new lending in target segments and the number of loyal and digital customers have continued to grow in the second quarter. This positive trend has been coupled with a steady improvement in risk management metrics, which in the second quarter once again reflect a decline in non-performing loans and the NPL ratio.

INCOME STATEMENT

(€ million)	1H 2018	1H 2017 (1)	Change Amount	Change %
Net interest income	**1,047**	**995**	**52**	**5.3%**
Dividends	8	7	1	9.3%
Share of profit/(loss) of companies accounted for using the equity method	29	18	11	59.5%
Total net fees and commissions	534	425	109	25.6%
Gains/(losses) on financial assets and liabilities	291	262	29	11.0%
Exchange differences	6	4	1	34.3%
Other operating income/(expense)	(74)	(65)	(9)	14.0%
Gross income	**1,841**	**1,648**	**194**	**11.8%**
Administrative expenses	(856)	(681)	(176)	25.8%
Staff costs	(596)	(461)	(135)	29.3%
General expenses	(260)	(220)	(40)	18.3%
Depreciation and amortisation	(88)	(83)	(5)	5.7%
Pre-provision profit	**897**	**884**	**14**	**1.5%**
Provisions	(171)	(171)	0	(0.1%)
Provisions (net)	36	3	34	-
Impairment losses on financial assets (net)	(208)	(174)	(33)	19.2%
Operating profit/(loss)	**726**	**712**	**14**	**1.9%**
Impairment losses on non-financial assets	32	(9)	41	-
Other gains and other losses	(76)	(10)	(67)	-
Profit/(loss) before tax	**681**	**693**	**(12)**	**(1.7%)**
Corporate income tax	(166)	(179)	12	(6.9%)
Profit/(loss) after tax	**515**	**514**	**0**	**0.1%**
Profit/(Loss) attributable to minority interests	0.2	0.6	(0)	(66.2%)
Profit/(loss) attributable to the Group	**515**	**514**	**1**	**0.1%**
Cost to Income ratio (2)	**51.3%**	**46.4%**	**+4.9 p.p.**	**10.6%**
Recurring Cost to Income ratio (3)	**61.1%**	**55.3%**	**+5.8 p.p.**	**10.5%**

(1) 1H 2017 data corresponds to Bankia Group before the merger with BMN given that it took place with accounting effect on 01/12/2017
(2) Operating expenses / Gross income
(3) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences)

QUARTERLY RESULTS

(€ million)	2Q 2018	1Q 2018	4Q 2017 (1)	3Q 2017 (1)	2Q 2017 (1)	1Q 2017 (1)
Net interest income	**521**	**526**	**501**	**472**	**491**	**504**
Dividends	7	1	2	0	2	6
Share of profit/(loss) of companies accounted for using the equity method	18	12	9	12	10	9
Total net fees and commissions	270	264	229	210	218	207
Gains/(losses) on financial assets and liabilities	152	139	54	51	101	161
Exchange differences	5	1	3	3	2	2
Other operating income/(expense)	(70)	(3)	(132)	2	(61)	(3)
Gross income	**903**	**939**	**666**	**751**	**762**	**886**
Administrative expenses	(419)	(437)	(383)	(344)	(336)	(345)
Staff costs	(291)	(305)	(255)	(229)	(226)	(235)
General expenses	(128)	(132)	(128)	(114)	(110)	(110)
Depreciation and amortisation	(40)	(48)	(47)	(44)	(42)	(41)
Pre-provision profit	**444**	**453**	**236**	**364**	**384**	**500**
Provisions	(68)	(103)	(50)	(73)	(72)	(99)
Provisions (net)	24	13	38	(6)	(5)	8
Impairment losses on financial assets (net)	(91)	(116)	(88)	(66)	(67)	(107)
Operating profit/(loss)	**376**	**350**	**186**	**291**	**312**	**401**
Impairment losses on non-financial assets	36	(4)	(2)	(2)	(1)	(9)
Other gains and other losses	(28)	(49)	(67)	(29)	(22)	12
Profit/(loss) before tax	**384**	**297**	**117**	**260**	**289**	**404**
Corporate income tax	(99)	(67)	(51)	(34)	(78)	(100)
Profit/(loss) after tax	**285**	**230**	**65**	**226**	**210**	**304**
Profit/(Loss) attributable to minority interests	(0.1)	0.3	(12)	1	0.4	0.2
Profit/(loss) attributable to the Group	**285**	**229**	**77**	**225**	**210**	**304**
Net integration costs(2)	-	-	(312)	-	-	-
Profit/(loss) attributable to the Group as reported	**285**	**229**	**(235)**	**225**	**210**	**304**
Cost to Income ratio (3)	**50.8%**	**51.7%**	**64.6%**	**51.6%**	**49.6%**	**43.6%**
Recurring Cost to Income ratio (4)	**61.6%**	**60.7%**	**70.6%**	**55.6%**	**57.4%**	**53.4%**

(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 integration costs due to the merger between Bankia and BMN, net of taxes
(3) Operating expenses / Gross income. Group data at 4Q 2017 excludes non recurrent integration costs in the calculation
(4) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences). Group data at 4Q 2017 excludes non recurrent integration costs in the calculation

(€ million)	2Q 2018	1Q 2018	4Q 2017 Bankia + BMN (1)	3Q 2017 Bankia + BMN (1)	2Q 2017 Bankia + BMN (1)	1Q 2017 Bankia + BMN (1)
Net interest income	**521**	**526**	**554**	**552**	**577**	**584**
Dividends	7	1	3	2	3	16
Share of profit/(loss) of companies accounted for using the equity method	18	12	12	13	11	11
Total net fees and commissions	270	264	255	249	269	258
Gains/(losses) on financial assets and liabilities	152	139	69	54	134	177
Exchange differences	5	1	3	2	1	2
Other operating income/(expense)	(70)	(3)	(157)	(0)	(50)	1
Gross income	**903**	**939**	**738**	**872**	**943**	**1,048**
Administrative expenses	(419)	(437)	(455)	(429)	(425)	(430)
Staff costs(2)	(291)	(305)	(295)	(291)	(285)	(297)
General expenses	(128)	(132)	(160)	(138)	(140)	(133)
Depreciation and amortisation	(40)	(48)	(55)	(55)	(54)	(52)
Pre-provision profit	**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
(2) Recurrent staff cost not including the extraordinary integration costs due to the merger between Bankia and BMN (€312mn net of taxes)

- **Net interest income** for the first half of 2018 totalled 1,047 million euros, 5.3% more than in the same period of 2017, due to the inclusion of BMN. If BMN's results had been included in the first half of 2017, the Group's net interest income on a constant perimeter basis would have been down 9.8% year-on-year, affected by lower returns from fixed-income securities after the portfolio sales and rotation that took place in 2017 and 2018, as well as the maturities and repricings of the mortgage portfolio associated with the Euribor negative performance.

  On a quarterly basis, second quarter net interest income is 521 million euros, down 1% (-5 million euros) compared to the previous quarter. This decline is a result of scheduled maturities in the stock of loans and the strategy of selling fixed income portfolios.

  However, active management of the pricing of loans and deposits continued in the second quarter of 2018. New loans (excluding single name transactions) were granted at an average rate of 2.6%, in line with the rate recorded during 2017. The cost of deposits remains at historically low levels, with the rate on new term deposits reaching 3 basis points in the second quarter of 2018, 1 basis point below the rate recorded the previous quarter and 17 basis points below the cost of the back book at the close of the second quarter of 2017.

  This trend in the prices of retail funding has brought the customer margin to 1.56% at the close of the second quarter of the year, on a par with the previous quarter (1.57%) and with the level recorded in the second quarter of 2017 (1.57% on a like-for-like basis (Bankia + BMN).

REVENUES AND EXPENSES

	2Q 2018			1Q 2018			4Q 2017 (Bankia + BMN) (1)			3Q 2017 (Bankia + BMN) (1)		
(€ 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 (2)	7,094	23	1.31%	6,982	22	1.29%	6,670	25	1.48%	7,237	26	1.44%
Net Loans and advances to customers (a)	120,426	506	1.69%	121,071	512	1.71%	124,001	526	1.68%	123,801	525	1.68%
Debt securities	53,195	94	0.71%	53,970	96	0.72%	56,981	119	0.83%	58,314	123	0.83%
Other interest earning assets (3)	425	2	1.87%	431	2	1.87%	391	1	0.99%	387	1	0.82%
Other non-interest earning assets	26,613	-	-	27,011	-	-	28,161	-	-	28,219	-	-
Total Assets (b)	**207,754**	**625**	**1.21%**	**209,465**	**632**	**1.22%**	**216,204**	**671**	**1.23%**	**217,957**	**674**	**1.23%**
Deposits from central banks and credit (2) institutions	37,832	13	0.14%	37,294	12	0.13%	38,553	13	0.14%	39,488	14	0.14%
Customer deposits (c)	126,642	40	0.13%	126,613	43	0.14%	130,718	49	0.15%	131,726	52	0.16%
Strict Customer Deposits	*118,812*	*17*	*0.06%*	*118,186*	*18*	*0.06%*	*120,340*	*24*	*0.08%*	*120,781*	*25*	*0.08%*
Repos	*766*	*1*	*0.29%*	*1,092*	*1*	*0.20%*	*2,588*	*1*	*0.09%*	*2,447*	*0*	*0.01%*
Single-certificate covered bonds	*7,065*	*22*	*1.26%*	*7,335*	*24*	*1.34%*	*7,789*	*25*	*1.27%*	*8,498*	*26*	*1.22%*
Marketable securities	16,016	34	0.85%	17,118	35	0.83%	17,481	36	0.82%	17,764	39	0.86%
Subordinated liabilities	2,495	14	2.20%	2,515	14	2.22%	2,474	16	2.62%	2,332	16	2.70%
Other interest earning liabilities (3)	1,092	3	1.09%	1,293	3	0.81%	1,216	2	0.57%	1,171	3	0.94%
Other liabilities with no cost	10,495	-	-	11,188	-	-	10,883	-	-	10,402	-	-
Equity	13,182	-	-	13,444	-	-	14,880	-	-	15,075	-	-
Total equity and liabilities (d)	**207,754**	**104**	**0.20%**	**209,465**	**106**	**0.21%**	**216,204**	**117**	**0.21%**	**217,957**	**122**	**0.22%**
Customer margin (a-c)			**1.56%**			**1.57%**			**1.53%**			**1.52%**
Net interest margin (b-d)		**521**	**1.01%**		**526**	**1.01%**		**554**	**1.02%**		**552**	**1.01%**

(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"

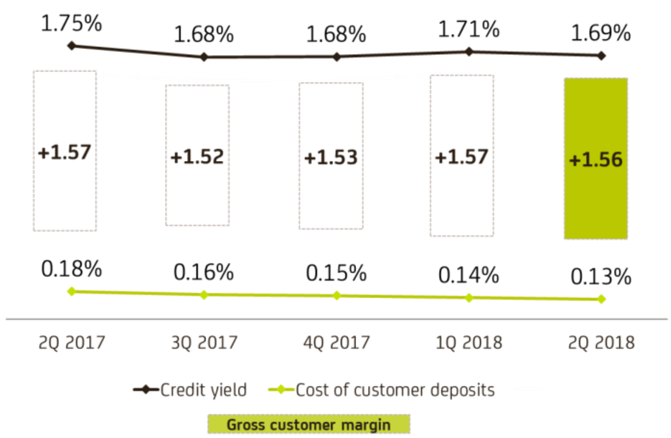
(3) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities

REVENUES AND EXPENSES

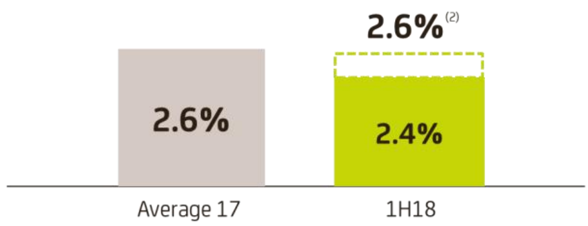
(€ million & %)	2Q 2018 Average Amount	2Q 2018 Revenues /Expense	2Q 2018 Yield	1Q 2018 Average Amount	1Q 2018 Revenues /Expense	1Q 2018 Yield	4Q 2017 (1) Average Amount	4Q 2017 (1) Revenues /Expense	4Q 2017 (1) Yield	3Q 2017 (1) Average Amount	3Q 2017 (1) Revenues /Expense	3Q 2017 (1) Yield
Loans and advances to credit institutions (2)	7,094	23	1.31%	6,982	22	1.29%	6,642	20	1.20%	6,374	21	1.30%
Net Loans and advances to customers (a)	120,426	506	1.69%	121,071	512	1.71%	106,561	457	1.70%	102,721	417	1.61%
Debt securities	53,195	94	0.71%	53,970	96	0.72%	48,626	113	0.92%	47,587	113	0.95%
Other interest earning assets (3)	425	2	1.87%	431	2	1.87%	391	1	0.82%	387	1	0.80%
Other non-interest earning assets	26,613	-	-	27,011	-	-	23,454	-	-	22,577	-	-
Total Assets (b)	**207,754**	**625**	**1.21%**	**209,465**	**632**	**1.22%**	**185,674**	**591**	**1.26%**	**179,646**	**552**	**1.22%**
Deposits from central banks and credit (2) institutions	37,832	13	0.14%	37,294	12	0.13%	35,027	12	0.14%	34,120	11	0.13%
Customer deposits (c)	126,642	40	0.13%	126,613	43	0.14%	106,648	29	0.11%	102,327	21	0.08%
Strict Customer Deposits	*118,812*	*17*	*0.06%*	*118,186*	*18*	*0.06%*	*100,972*	*19*	*0.07%*	*97,473*	*17*	*0.07%*
Repos	*766*	*1*	*0.29%*	*1,092*	*1*	*0.20%*	*464*	*0*	*0.16%*	*74*	*0*	*0.00%*
Single-certificate covered bonds	*7,065*	*22*	*1.26%*	*7,335*	*24*	*1.34%*	*5,211*	*10*	*0.74%*	*4,780*	*3*	*0.26%*
Marketable securities	16,016	34	0.85%	17,118	35	0.83%	16,960	33	0.78%	17,136	34	0.80%
Subordinated liabilities	2,495	14	2.20%	2,515	14	2.22%	2,321	14	2.33%	2,146	12	2.19%
Other interest earning liabilities (3)	1,092	3	1.09%	1,293	3	0.81%	1,084	2	0.57%	979	2	0.97%
Other liabilities with no cost	10,495	-	-	11,188	-	-	10,492	-	-	9,991	-	-
Equity	13,182	-	-	13,444	-	-	13,141	-	-	12,947	-	-
Total equity and liabilities (d)	**207,754**	**104**	**0.20%**	**209,465**	**106**	**0.21%**	**185,674**	**90**	**0.19%**	**179,646**	**81**	**0.18%**
Customer margin (a-c)			**1.56%**			**1.57%**			**1.59%**			**1.53%**
Net interest margin (b-d)		**521**	**1.01%**		**526**	**1.01%**		**501**	**1.07%**		**472**	**1.04%**

(1) BMN was integrated with accounting effect on 1st December, hence, the 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 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

GROSS CUSTOMER MARGIN BANKIA + BMN



TOTAL RATE FOR NEW LENDING BANKIA + BMN (1)



(1) Frontbook excludes public sector
(2) Excluding single name transaction

- **Net fee and commission income reached 534 million euros in the first half of the year, representing year-on-year growth of 25.6%,** as a result of the increased activity and loyalty of our customers and the integration of BMN, which contributes 24.2% of the growth.

  Fees and commissions performed well across all businesses, most notably collection and payment services, demand account management and asset management (mainly, the marketing of mutual funds and insurance). If BMN's results had been included in the first half of 2017, the year-on-year growth would have been 1.4%.

- **The second quarter of 2018 confirms this growth trend, with net fee and commission income up 2.5%** compared to the previous quarter, reaching a total of 270 million euros. Most notable is the growth in fee and commission income from debit and credit cards (+7.5%), closely linked to the higher transactionality levels reached with customers; the securities brokerage service (+6.8%), contingent risks and commitments (+10.7%), and foreign exchange (+12.6%).

NET FEE AND COMMISSION INCOME

(€ million)	6M 2018	6M 2017 (1)	Change 6M 2018 /6M 2017	
Assets under management	**201**	**173**	**28**	**16.1%**
Securities brokerage service	29	30	(1)	(2.1%)
Mutual funds, Pension funds and insurances	172	143	29	19.9%
Payments services	**149**	**118**	**31**	**26.7%**
Bills of exchange	9	10	(1)	(11.7%)
Debit and credit cards	112	85	27	31.5%
Means of payment	29	23	6	25.9%
Origination	**99**	**93**	**6**	**6.7%**
Contingent risks and commitments	50	43	7	16.3%
Forex	16	15	1	8.4%
Structuring and design of transactions	33	35	(2)	(5.8%)
Management of NPLs, write offs and others	**66**	**56**	**11**	**19.1%**
Management of NPLs and write offs	4	5	(1)	(20.3%)
Claims on Past due	62	51	12	22.7%
Accounts manteinance	**60**	**24**	**36**	**153.2%**
Fees and commissions received	**576**	**464**	**113**	**24.3%**
Fees and commissions paid	**42**	**39**	**4**	**9.8%**
TOTAL NET FEE AND COMMISSION INCOME (1)	**534**	**425**	**109**	**25.6%**
Bankia + BMN	**534**	**527**	**7**	**1.4%**

(1) 6M 2017 data corresponds to Bankia Group before the merger with 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)	2Q 18	1Q 18	4Q 17 (1)	3Q 17 (1)	2Q 17 (1)	1Q 17 (1)	Change on 1Q 18	Change on 2Q 17
Assets under management	**100**	**102**	**91**	**91**	**88**	**86**	**(2.2%)**	**13.7%**
Securities brokerage service	15	14	14	13	15	15	6.8%	0.5%
Mutual funds, Pension funds and insurances	84	88	77	78	73	71	(3.7%)	16.5%
Payments services	**76**	**73**	**68**	**59**	**61**	**57**	**4.5%**	**26.0%**
Bills of exchange	4	5	4	5	5	6	(4.5%)	(5.9%)
Debit and credit cards	58	54	51	44	44	40	7.5%	30.2%
Means of payment	14	15	12	10	11	11	(3.4%)	23.0%
Origination	**50**	**49**	**47**	**42**	**48**	**45**	**2.9%**	**4.6%**
Contingent risks and commitments	26	24	23	24	22	21	10.7%	21.2%
Forex	9	8	8	9	8	7	12.6%	10.7%
Structuring and design of transactions	16	18	17	10	19	17	(11.6%)	(17.1%)
Management of NPLs, write offs and others	**39**	**27**	**30**	**25**	**30**	**25**	**40.5%**	**27.5%**
Management of NPLs and write offs	2	2	1	1	4	1	35.8%	(43.9%)
Claims on Past due	36	26	29	24	26	24	40.8%	37.9%
Accounts manteinance	**27**	**33**	**15**	**11**	**12**	**12**	**(17.1%)**	**131.9%**
Fees and commissions received	**292**	**284**	**251**	**229**	**238**	**225**	**2.8%**	**22.6%**
Fees and commissions paid	**22**	**20**	**23**	**19**	**20**	**18**	**7.0%**	**6.9%**
TOTAL NET FEE AND COMMISSION INCOME (1)	**270**	**264**	**229**	**210**	**218**	**207**	**2.5%**	**24.0%**
Bankia + BMN	**270**	**264**	**255**	**249**	**269**	**258**	**2.5%**	**0.5%**

(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 fees and commissions would have been if BMN had been integrated from 1Q 2017

- **Net trading income (NTI)** contributed 291 million euros to the half-yearly income statement, 29 million less than in the first half of 2017. It includes mainly the realisation of unrealised gains on sales of fixed-income securities carried out by the Group in the first half of 2018 and 2017 in anticipation of the foreseeable trend in market interest rates. If BMN's results had been included in the first half of 2017, NTI would have been down 6.4% year-on-year.

- **Other operating income and expenses** show a net expense of 9 million euros in the first half of 2018, 14% more than in June 2017, due to the increased contribution to the Single Resolution Fund (SRF) and the increase in tax on deposits after including BMN. The bulk of this net expense was generated in the second quarter of the year as a result of the contribution to the SRF in the amount of 72 million euros, of which 61 million euros were recorded under this item of the income statement.

- **Other operating revenues** (dividends, share of results of equity-accounted companies and exchange differences) does not include significant amounts, totalling in aggregate 43 million euros at the end of the first half of 2018, 13 million euros more than in the same period of 2017, as a result of the larger contribution from equity-accounted companies (Bankia Mapfre Vida and Caser).

- The performance of the above items brings the Group's **gross income** for the half-year to 1,841 million euros, representing year-on-year growth of 11.8%. If BMN's results had been included in the first half of 2017, gross income would have been down 7.5% on a constant perimeter basis. Looking at the quarterly trend, second quarter gross income is down 3.8% due to the seasonal effect of the contribution to the SRF, although revenue from the core business (net interest income and net fee and commission income) has stabilised, reaching a combined total of 791 million euros (vs. 790 million euros the previous quarter).

- Operating expenses (administrative expenses and depreciation and amortisation expense) totalled 944 million euros, a year-on-year increase of 23.6%, which reflects the integration of BMN's results in the first half of 2018. **On a like-for-like basis (i.e., including BMN's expenses in the first half of 2017), operating expenses would have been down 1.7**% compared to June 2017, after the first synergies from the workforce adjustments which begun in April have materialised, with 87.3% of the exits envisaged in the workforce adjustment plan agreed after the merger with BMN already complete as of the end of June 2018. This workforce reduction has reduced second quarter operating expenses by 5.4% compared to the previous quarter.

  The trend in expenses brings the efficiency ratio at the end of the half year to 51.3%, while the ratio of annualised operating expenses to RWAs as of the end of June 2018 is 2.28%.

ADMINISTRATIVE EXPENSES

(€ million)	6M 2018	6M 2017 (1)	Change 6M 2018 /6M 2017	
Staff cost	**596**	**461**	**135**	**29.3%**
Wages and salaries	457	335	122	36.4%
Social security costs	114	89	25	27.8%
Pension plans	10	24	(13)	(55.9%)
Others	15	13	2	14.8%
General expenses	**260**	**220**	**40**	**18.3%**
From property, fixtures and supplies	60	50	10	20.9%
IT and communications	95	79	15	19.4%
Advertising and publicity	25	24	2	7.7%
Technical reports	12	10	1	14.6%
Surveillance and security courier services	9	7	2	30.4%
Levies and taxes	14	11	2	19.6%
Insurance and self-insurance premiums	2	3	(1)	(30.1%)
Other expenses	43	36	8	21.3%
TOTAL ADMINISTRATIVE EXPENSES (1)	**856**	**681**	**176**	**25.8%**
Bankia + BMN	**856**	**855**	**1**	**0.2%**

(1) 6M 2017 data corresponds to Bankia Group before the merger with 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)	2Q 18	1Q 18	4Q 17 [1]	3Q 17 [1]	2Q 17 [1]	1Q 17 [1]	Change on 1Q 18	Change on 2Q 17
Staff cost	**291**	**305**	**255**	**229**	**226**	**235**	**(4.5%)**	**28.8%**
Wages and salaries	220	236	187	166	164	171	(6.7%)	34.1%
Social security costs	56	58	49	45	44	45	(4.2%)	25.7%
Pension plans	6	4	12	11	11	13	61.4%	(40.3%)
Others	9	6	7	8	7	7	34.5%	32.7%
General expenses	**128**	**132**	**128**	**114**	**110**	**110**	**(3.2%)**	**16.6%**
From property, fixtures and supplies	29	32	28	25	24	26	(10.4%)	18.9%
IT and communications	47	48	41	40	40	39	(1.4%)	17.9%
Advertising and publicity	13	12	13	10	14	10	9.6%	(5.0%)
Technical reports	6	6	9	6	5	5	(3.1%)	6.0%
Surveillance and security courier services	5	4	4	4	3	4	4.5%	37.7%
Levies and taxes	7	7	7	6	5	6	1.1%	31.7%
Insurance and self-insurance premiums	1	1	0	1	1	1	15.3%	(24.9%)
Other expenses	21	23	26	23	17	19	(7.5%)	26.0%
ADMINISTRATIVE EXPENSES	**419**	**437**	**383**	**344**	**336**	**345**	**(4.1%)**	**24.8%**
INTEGRATION COSTS	**-**	**-**	**445**	**-**	**-**	**-**	**-**	**-**
TOTAL ADMINISTRATIVE EXPENSES [1]	**419**	**437**	**828**	**344**	**336**	**345**	**(4.1%)**	**24.8%**
Bankia + BMN	**419**	**437**	**900**	**429**	**425**	**430**	**(4.1%)**	**(1.3%)**
Bankia + BMN (without integration costs)	**419**	**437**	**455**	**429**	**425**	**430**	**(4.1%)**	**(1.3%)**

(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 fees and commissions would have been if BMN had been integrated from 1Q 2017

- In the first half of 2018 the Bankia Group recorded **provisions and impairment losses** totalling 189 million euros, 20.6% less than in June 2017. This amount includes releases of net provisions for contingent liabilities in the amount of 36 million euros and, amongst others, 180 million euros for insolvency provisions and 50 million euros for impairment losses on foreclosed assests.

  As a result of the lower volume of provisions, **the Group's cost of risk remains very low, reaching 0.20%** at the end of June 2018, a fall of 3 basis points quarter-on-quarter and 5 basis points year-on-year, despite the inclusion in the balance sheet of more than 20 billion euros of loans and advances to customers from BMN.

- **Other gains and losses** show a net loss of 76 million euros, which include impairments and gains or losses from sales of foreclosed assets and equity investments, as well as the selling and maintenance costs of foreclosed properties for the half-year. In June 2017 this item showed a loss of 10 million euros, as it included the proceeds (47 million euros) of the deferred payment for the sale of Globalvia.

- **The Bankia Group's attributable profit at the end of June 2018 amounts to 515 million euros,** exceeding the profit for the first half of 2017. For yet another quarter, the growth of the business with customers, active cost management and control of the cost of risk were the basis for generating results, allowing the Group to offset the impact on net interest income of the natural amortization in the mortgage back book and the strategy for managing the fixed-income portfolio.

PROVISIONING

(€ million)	2Q 18	1Q 18	4Q 17 [1]	3Q 17 [1]	2Q 17 [1]	1Q 17 [1]	Change on 1Q 18	Change on 2Q 17
Impairment losses on financial assets	(91)	(116)	(88)	(66)	(67)	(107)	(21.6%)	36.2%
Impairment losses on non-financial assets	36	(4)	(2)	(2)	(1)	(9)	-	-
Foreclosed assets	(23)	(27)	(65)	(21)	(18)	(39)	(15.6%)	25.2%
Provisions (net)	24	13	38	(6)	(5)	8	82.7%	-
TOTAL PROVISIONS [1]	**(55)**	**(134)**	**(117)**	**(96)**	**(91)**	**(147)**	**(59.3%)**	**(40.0%)**

(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.

4. BALANCE SHEET PERFORMANCE

(€ million)	Jun-18	Dec-17 (1)	Change Amount	Change %
Cash and balances at central banks	2,518	4,504	(1,986)	(44.1%)
Financial assets held for trading	6,271	6,773	(502)	(7.4%)
Trading derivatives	6,151	6,698	(546)	(8.2%)
Debt securities	116	2	114	5689.1%
Equity instruments	4	74	(70)	(94.4%)
Financial assets designated at fair value through profit or loss	9	-	9	-
Debt securities	0.3	-	0	-
Loans and advances	8.5	-	8	-
Financial assets designated at fair value through equity	17,873	22,745	(4,872)	(21.4%)
Debt securities	17,799	22,674	(4,874)	(21.5%)
Equity instruments	74	71	3	4.0%
Financial assets at amortised cost	161,105	158,711	2,394	1.5%
Debt securities	34,803	32,658	2,145	6.6%
Loans and advances to credit institutions	4,776	3,028	1,748	57.7%
Loans and advances to customers	121,526	123,025	(1,499)	(1.2%)
Hedging derivatives	2,558	3,067	(509)	(16.6%)
Investments in subsidaries, joint ventures and associates	342	321	22	6.8%
Tangible and intangible assets	2,626	2,661	(35)	(1.3%)
Non-current assets held for sale	2,867	3,271	(404)	(12.4%)
Other assets	12,038	11,879	159	1.3%
TOTAL ASSETS	**208,208**	**213,932**	**(5,724)**	**(2.7%)**
Financial liabilities held for trading	6,669	7,421	(752)	(10.1%)
Trading derivatives	6,446	7,078	(631)	(8.9%)
Short positions	222	343	(121)	(35.3%)
Financial liabilities at amortised cost	184,830	188,898	(4,067)	(2.2%)
Deposits from central banks	13,856	15,356	(1,500)	(9.8%)
Deposits from credit institutions	23,867	22,294	1,574	7.1%
Customer deposits and funding via clearing houses	128,696	130,396	(1,700)	(1.3%)
Debt securities in issue	17,451	19,785	(2,334)	(11.8%)
Other financial liabilities	960	1,067	(107)	(10.0%)
Hedging derivatives	252	378	(126)	(33.4%)
Provisions	1,756	2,035	(278)	(13.7%)
Other liabilitiess	1,493	1,587	(95)	(6.0%)
TOTAL LIABILITIES	**195,000**	**200,319**	**(5,319)**	**(2.7%)**
Minority interests	15	25	(10)	(38.7%)
Other accumulated results	299	366	(67)	(18.3%)
Equity	12,894	13,222	(328)	(2.5%)
TOTAL EQUITY	**13,209**	**13,613**	**(405)**	**(3.0%)**
TOTAL EQUITY AND LIABILITIES	**208,208**	**213,932**	**(5,724)**	**(2.7%)**

(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 1.3.1 of the financial statements as of June 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.

New lending increases, driven by the growth trend in SMEs, consumer finance, mortgages and private banking

- After the merger with BMN in the first half of the year, commercial activity has continued at a brisk pace, with significant growth both in new lending and in customer funds. Additionally, the Group has posted strong growth in the debit and credit cards market (+12% year-on-year in turnover) and digital sales, which at the end of June 2018 have reached 16.8% of Group sales.

- **On the asset side, new lending maintained the good performance shown the previous quarter, with significant growth in the second quarter,** both in lending to businesses (+35.8%) and in lending to individuals, through mortgage loans (+18.1%) and consumer loans (+34.6%). The stock of gross loans is up 9.9% year-on-year in consumer finance and up 1.9% in loans to bussineses. In accounting terms, these types of loans are classified as "Other term loans" and "Loans to non-residents", which have grown 2.7% and 13.6% since December 2017. In the mortgage segment, the significant increase in new lending still does not offset natural amortizations. As a result, the Group's stock of secured loans declined by 2.6% in the half-year. On the other hand, receivables on demand are up 918 million euros (+35.7%), driven by the seasonal effect associated with advances to pensioners in June (extraordinary pension payment).

The growth in new lending has been achieved while maintaining high asset quality. Thus, **non-performing loans have continued to decline, falling 10.9% compared to December 2017.** At the end of the first half of 2018, non-performing loans account for 7.9% of the Group's gross loan book, compared to 8.8% in December 2017.

Excluding non-performing loans and reverse repurchase agreements, in June 2018 the performing gross loans portfolio totalled 116,967 million euros, similar to the level recorded in December the previous year (-0.2%), thanks to the favourable commercial trends, which help offset the deleveraging that is still in progress in the mortgage segment.

LOANS AND ADVANCES TO CUSTOMERS

			Change	
(€ million)	Jun-18	Dec-17	Amount	%
Spanish public sector	5,218	5,295	(77)	(1.5%)
Other resident sectors	106,512	106,970	(457)	(0.4%)
Secured loans	74,899	76,874	(1,975)	(2.6%)
Other term loans	23,566	22,955	611	2.7%
Commercial credit	4,559	4,570	(12)	(0.3%)
Receivable on demand and other	3,489	2,570	918	35.7%
Non-residents	4,073	3,585	489	13.6%
Repo transactions	39	303	(264)	(87.1%)
Of which: reverse repurchase agreements with BFA	*0*	*47*	*(47)*	*(100.0%)*
Other financial assets	985	1,142	(157)	(13.7%)
Other valuation adjustments	178	184	(6)	(3.1%)
Non-performing loans	10,076	11,304	(1,228)	(10.9%)
Gross loans and advances to customers	**127,082**	**128,782**	**(1,700)**	**(1.3%)**
Loan loss reserve	(5,548)	(5,757)	209	(3.6%)
NET LOANS AND ADVANCES TO CUSTOMERS	**121,534**	**123,025**	**(1,490)**	**(1.2%)**
GROSS LOANS AND ADVANCES TO CUSTOMERS EX NPLs & REPOs	**116,967**	**117,175**	**(208)**	**(0.2%)**

- **Retail customer funds (excluding repo transactions and single-certificate covered bonds) have grown 1.1% in the half-year (+**1.9% quarter-on-quarter), reaching a total of 149,535 million euros at the end of June 2018.

  Broken down by product, term deposits and savings accounts have continued to decrease in relation to demand deposits, which have grown 32.3% since December, due to the transfer out of term savings and the effect of supplementary salary payments in June. Public sector deposits are up 22.8% and off-balance-sheet customer funds show the same good performance as in previous quarters, with cumulative growth of 2.4% in the half-year, driven by strong performance in new customer funds and an increase in portfolios managed and marketed. Most notable is the growth of mutual funds, a product in which the Bankia Group's market share has reached 6.4% at the end of May 2018, having grown 2 basis points since December 2017.

As regards the rest of the Group's funding, reverse repurchase agreements dropped 2,234 million euros (-83.9%) in the half-year, while wholesale funding is down 2,304 million euros (-13.3%), due to maturities in the second quarter.

CUSTOMER FUNDS

(€ million)	Jun-18	Dec-17	Change Amount	Change %
Spanish public sector	6,970	5,678	1,293	22.8%
Other resident sectors	119,645	122,501	(2,856)	(2.3%)
Current accounts	38,377	29,016	9,362	32.3%
Savings accounts	36,127	41,140	(5,014)	(12.2%)
Term deposits	38,036	42,183	(4,147)	(9.8%)
Repo transactions	428	2,663	(2,234)	(83.9%)
Single-certificate covered bonds	6,676	7,499	(823)	(11.0%)
Non-residents	2,080	2,217	(137)	(6.2%)
Funding via clearing houses and customer deposits	**128,696**	**130,396**	**(1,700)**	**(1.3%)**
Debentures and other marketable securities	14,969	17,274	(2,304)	(13.3%)
Subordinated loans	2,482	2,511	(29)	(1.2%)
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**146,147**	**150,181**	**(4,034)**	**(2.7%)**
Mutual funds	19,993	19,205	788	4.1%
Pension funds	7,951	8,082	(131)	(1.6%)
Off-balance-sheet customer funds (1)	**27,944**	**27,287**	**657**	**2.4%**
TOTAL CUSTOMER FUNDS	**174,091**	**177,467**	**(3,376)**	**(1.9%)**

(1) Off-balance sheet products managed and marketed without SICAVS

(€ million)	Jun-18 (1)	Mar-18 (1)	Dec-17 (1)	Sep-17	Jun-17	Change on Mar-18	Change on Dec-17
Spanish public sector	**6,970**	**5,393**	**5,678**	**3,989**	**4,801**	**29.3%**	**22.8%**
Other resident sectors	**112,540**	**111,745**	**112,339**	**89,575**	**91,353**	**0.7%**	**0.2%**
Current accounts	38,377	37,115	29,016	22,618	22,763	3.4%	32.3%
Savings accounts	36,127	34,453	41,140	32,120	32,254	4.9%	(12.2%)
Term deposits	38,036	40,177	42,183	34,837	36,336	(5.3%)	(9.8%)
Non-residents	**2,080**	**2,162**	**2,217**	**2,067**	**2,055**	**(3.8%)**	**(6.2%)**
Strict Customer Deposits	**121,591**	**119,300**	**120,234**	**95,631**	**98,209**	**1.9%**	**1.1%**
Mutual funds	19,993	19,635	19,205	16,272	15,902	1.8%	4.1%
Pension funds	7,951	8,025	8,082	6,642	6,588	(0.9%)	(1.6%)
Total customer off-balance funds (2)	**27,944**	**27,660**	**27,287**	**22,915**	**22,491**	**1.0%**	**2.4%**
TOTAL	**149,535**	**146,960**	**147,521**	**118,546**	**120,700**	**1.8%**	**1.4%**
TOTAL Bankia + BMN (1)	**149,535**	**146,960**	**147,521**	**145,340**	**147,341**	**1.8%**	**1.4%**

(1) Since Dec-17, the data corresponds to the merger of Bankia and BMN. Bankia + BMN data provides a proforma of how the develop would have been if BMN had been integrated from 1Q 2017

(2) Off-balance sheet products managed and marketed without SICAVS

5. RISK MANAGEMENT

Good performance in non-performing assets and further reductions in NPLs and foreclosed assets

In the first half of 2018, the Bankia Group maintained the positive trend in the main risk management indicators.

The Group's NPL ratio stands at 8.1%, reflecting a further improvement of 60 basis points in the quarter and 80 basis points since December 2017. (On a constant perimeter basis, i.e. Bankia + BMN, the improvement since June 2017 is 110 basis points.) NPL coverage, meanwhile, reached 55% at the end of the first half, up 4.2 percentage points compared to December 2017.

This improvement has been assisted by the favourable trend in non-performing loans, which have fallen 822 million euros in the quarter and 1,309 million euros since the previous year-end, reaching a total of 10,809 million euros at the end of June 2018. The decline has been achieved both organically (through lower inflow of new NPLs and effective recovery management) and through the sales of loan portfolios carried out during the half-year.

Foreclosed assets have also followed the positive trend seen in previous quarters, falling 17.9% since the end of 2017 to a net total of 2,693 million euros at the end of June 2018. In the first half of 2018, the Group continued with its strategy of reducing real estate exposure and completed sales of foreclosed assets for a total of 309 million euros, 1.4% more than in the same period of 2017. As regards provision coverage, at the end of June 2018 the Group's portfolio of foreclosed assets had coverage of 39% from the time of foreclosure.

Reducing the volume of non-performing assets 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. As of the end of the first half of 2018, the Group has already reduced 1,700 million euros of non-performing assets, which represents 58% of the target for the year. This reduction is being achieved while maintaining the coverage ratio, and selling foreclosed assets of all kinds without impairing the quality profile of the real estate assets retained on the balance sheet.

NPL RATIO AND COVERAGE RATIO

						Jun-18 / Dec-17	
(€ million and %)	Jun-18 (1)	Mar-18 (1)	Dec-17 (1)	Sep-17	Jun-17	Amount	%
Non-performing loans	10,809	11,631	12,117	10,194	10,554	(1,309)	(10.8%)
Total risk-bearing assets	133,962	134,258	136,353	115,254	116,188	(2,391)	(1.8%)
Total NPL ratio (2)	**8.1%**	**8.7%**	**8.9%**	**8.8%**	**9.1%**		**-0.8 p.p.**
Total provisions(3)	5,945	6,412	6,151	5,480	5,683	(207)	(3.4%)
NPL coverage ratio (3)	**55.0%**	**55.1%**	**50.8%**	**53.8%**	**53.9%**		**+4.2 p.p.**

(1) Since Dec-17, the data corresponds to the merger of Bankia and BMN.
(2) NPL ratio: (Doubtfull risks of loans and advances to customers and contingent risks) / (Total risks of loans and advances to customers and contigent risks)
(3) Group coverage at Dec-17 including additional provisions due to the IFRS 9 application would have been 56.5%

NPL PERFORMANCE

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

BREAKDOWN OF FORECLOSED ASSETS

	Gross value (1)				
(€ million)	Jun-18 (2)	Mar-18 (2)	Dec-17 (2)	Sep-17	Jun-17
Property assets from construction and property development	772	802	828	339	354
Of which: finished buildings	370	389	361	230	242
Of which: buildings under construction	48	49	70	27	30
Of which: Land	354	364	398	82	82
Property acquired related to mortgage loans to homebuyers	2,902	3,032	3,188	2,194	2,294
Other foreclosed assets	1,087	1,104	1,099	617	611
Total	**4,761**	**4,938**	**5,115**	**3,149**	**3,259**
(-) Assets assigned to the Social Housing Fund (3)	(218)	(228)			
(-) Rented assets yielding >3% of their net value (3)	(142)	(148)			
Total gross foreclosed assets	**4,401**	**4,562**	**5,115**	**3,149**	**3,259**

(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) Since Dec-17, the data corresponds to the merger of Bankia and BMN.
(3) Excluded from "Total gross foreclosed assets" as from Mar-18.

	Impairments (1)				
(€ million)	Jun-18 (2)	Mar-18 (2)	Dec-17 (2)	Sep-17	Jun-17
Property assets from construction and property development	309	310	334	111	114
Of which: finished buildings	113	112	97	60	64
Of which: buildings under construction	22	23	36	11	11
Of which: Land	174	175	201	40	39
Property acquired related to mortgage loans to homebuyers	1,237	1,192	1,230	820	860
Other foreclosed assets	242	247	272	137	139
Total	**1,788**	**1,749**	**1,836**	**1,068**	**1,113**
(-) Impairments of assets assigned to the Social Housing Fund (3)	(50)	(52)			
(-) Impairments of rented assets yielding >3% of their net value (3)	(42)	(44)			
Total impairments on foreclosed assets	**1,696**	**1,653**	**1,836**	**1,068**	**1,113**

(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) Since Dec-17, the data corresponds to the merger of Bankia and BMN.
(3) Excluded from "Total impairments on foreclosed assets" as from Mar-18.

	Net value (1)				
(€ million)	Jun-18 (2)	Mar-18 (2)	Dec-17 (2)	Sep-17	Jun-17
Property assets from construction and property development	463	492	494	228	240
Of which: finished buildings	257	277	263	170	178
Of which: buildings under construction	26	26	34	16	19
Of which: Land	179	189	197	42	43
Property acquired related to mortgage loans to homebuyers	1,666	1,840	1,958	1,374	1,435
Other foreclosed assets	845	857	827	480	472
Total	**2,973**	**3,189**	**3,280**	**2,082**	**2,146**
(-) Assets assigned to the Social Housing Fund (3)	(168)	(176)			
(-) Rented assets yielding >3% of their net value (3)	(99)	(104)			
Total net foreclosed assets	**2,705**	**2,909**	**3,280**	**2,082**	**2,146**

(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) Since Dec-17, the data corresponds to the merger of Bankia and BMN.
(3) Excluded from "Total net foreclosed assets" as from Mar-18.

RESTRUCTURED LOANS

(€ million and %)	Jun-18 (1)	Mar-18 (1)	Dec-17 (1)	Sep-17	Jun-17	Jun-18 / Dec-17 Amount	Jun-18 / Dec-17 %
Gross exposure							
Non-performing loans	6,369	7,095	7,399	6,357	6,661	(1,029)	(13.9%)
Performing loans	4,635	4,874	5,180	3,941	4,105	(545)	(10.5%)
Total refinanced	**11,005**	**11,969**	**12,579**	**10,298**	**10,766**	**(1,574)**	**(12.5%)**
Impairments							
Non-performing loans	2,792	3,006	3,210	2,984	3,094	(418)	(13.0%)
Performing loans	239	265	127	101	120	112	88.0%
Total Impairments	**3,032**	**3,271**	**3,338**	**3,086**	**3,214**	**(306)**	**(9.2%)**
Coverage (%)							
Non-performing loans	43.8%	42.4%	43.4%	46.9%	46.5%		+0.4 p.p.
Performing loans	5.2%	5.4%	2.5%	2.6%	2.9%		+2.7 p.p.
Total coverage	**27.5%**	**27.3%**	**26.5%**	**30.0%**	**29.9%**		**+1.0 p.p.**

(1) Since Dec-17, the data corresponds to the merger of Bankia and BMN.

6. FUNDING STRUCTURE AND LIQUIDITY

At the end of June 2018, the Bankia Group has a strong liquidity position, based on the funding of its lending activity through customer funds, which at the end of the half-year 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 the first half of 2018 stood at 92.2%. At that same date, Bankia's liquidity coverage ratio (155.3%) was well above the regulatory requirement for 2018 (100%).

As regards institutional funding, as of 30 June 2018 issued wholesale debt totals 17,451 million euros and is made up of various different debt instruments, including senior secured and unsecured debt (mainly residential mortgage covered bonds) and subordinated debt.

Funding from the ECB has been reduced by 1,500 million euros compared to December 2017, since Bankia prepaid the TLTRO I funding in the second quarter. At the end of June 2018, ECB funding totals 13,856 million euros, all of it under the TLTRO II programme, representing 7% of the Group's total funding.

The Group's total liquid assets at the end of the first half of 2018 amount to 30,089 million euros. This amount covers the Group's wholesale debt maturities 1.3 times.

LTD RATIO AND COMMERCIAL GAP

			Change	
(€ million)	Jun-18	Dec-17	Amount	%
Net Loans and advances to customers	**121,534**	**123,025**	**(1,490)**	**(1.2%)**
o/w Repo transactions RPS[1]	39	256	(217)	(84.7%)
a. Strict Net Loans and advances to customers	**121,495**	**122,769**	**(1,274)**	**(1.0%)**
Strict customer deposits and retail commercial paper	121,591	120,234	1,357	1.1%
Single-certificate covered bonds	6,676	7,499	(823)	(11.0%)
ICO/EIB deposits	3,527	3,007	520	17.3%
b. Total Deposits	**131,795**	**130,740**	**1,054**	**0.8%**
LTD ratio (a/b)	**92.2%**	**93.9%**		**-1.7 p.p.**

(1) Reverse repurchase agreements

			Change	
(€ million)	Jun-18	Dec-17	Amount	%
Net Loans and advances to customers	**121,534**	**123,025**	**(1,490)**	**(1.2%)**
o/w Repo transactions RPS[1]	39	256	(217)	(84.7%)
Strict Net Loans and advances to customers	**121,495**	**122,769**	**(1,274)**	**(1.0%)**
(-) Strict customer deposits and retail commercial paper	121,591	120,234	1,357	1.1%
(-) ICO/EIB deposits	3,527	3,007	520	17.3%
Strict Comercial GAP	**(3,623)**	**(472)**	**(3,151)**	**667.4%**

(1) Reverse repurchase agreements

DEBT MATURITIES

(€ million) (1)	2018	2019	2020	>2020
Covered bonds	271	2,764	418	14,506
Senior debt	9	1,000	-	136
Subordinated debt	-	1,000	-	1,425
Securitisation	-	-	-	1,715
Total issuance maturities	**280**	**4,764**	**418**	**17,781**

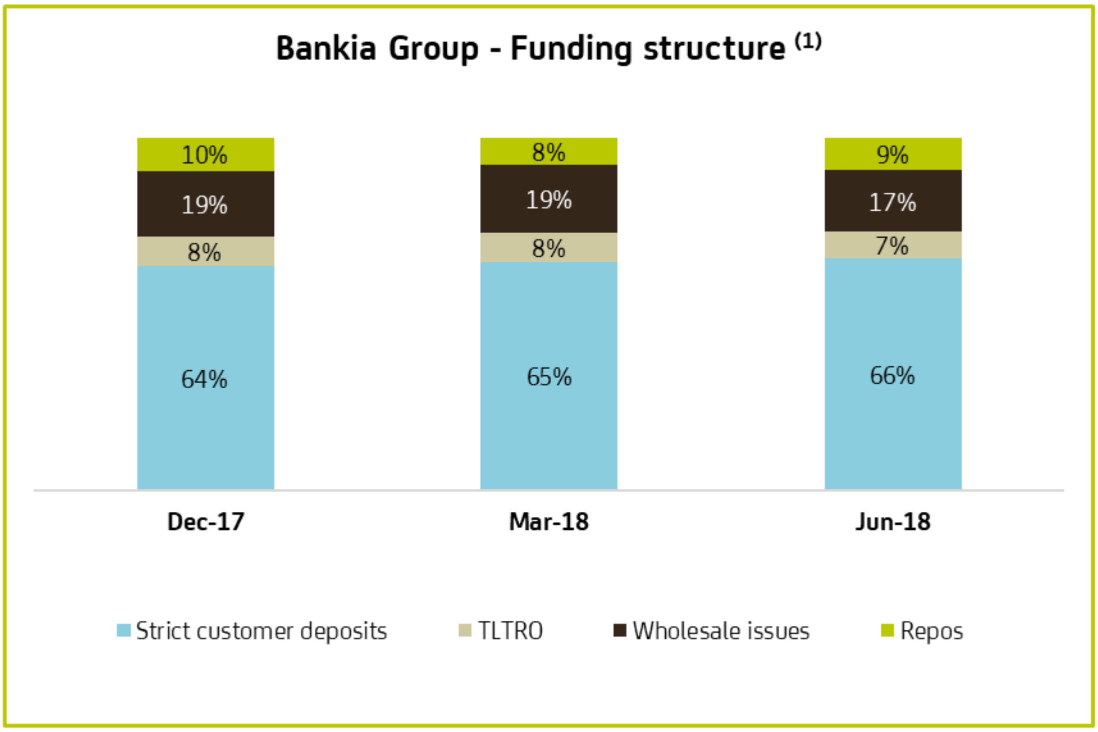
(1) Maturities of Bankia group in nominal values net of treasury shares and retained issuance

LIQUID ASSETS

			Change	
(€ million)	Jun-18	Dec-17	Amount	%
Treasury account and deposit facility (1)	414	2,206	(1,792)	(81.2%)
Undrawn amount on the facility	14,460	10,918	3,542	32.4%
Available high liquidity assets (2)	15,215	19,703	(4,488)	(22.8%)
Total	**30,089**	**32,827**	**(2,738)**	**(8.3%)**

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

FUNDING STRUCTURE



(1) Since Dec17 group data post merger between Bankia and BMN

7. SOLVENCY

As of 30 June 2018 the Bankia Group has a CET1 Phase-in ratio of 14.01% and a Total Capital Phase-in ratio of 17.18%. During the first half of 2018, the CET1 Phase-in ratio fell 14 basis points as a result of the impact of the change in the applicable calendar and the effect of full implementation of IFRS 9 (the Bankia Group has not elected to apply the transitional provisions), which was partly absorbed by organic capital generation. The Total Capital Phase-in ratio was 17.18%, up 34 basis points compared to December 2017, given that the decline in CET1 was offset by the positive effect of the increase in eligible Tier 2 provisions after IFRS 9. 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 545 basis points and a Total Capital surplus of 512 basis points.

If the unrealised sovereign gains in the fair value portfolio are excluded, the CET1 Phase-in ratio is 13.72% and the Total Capital ratio, 16.89%.

On a Fully Loaded basis, the CET1 ratio stands at 12.70% and the Total Capital ratio stands at 15.87%. During the first half of 2018, the CET1 Fully Loaded ratio has risen 4 basis points, given that the effect of full implementation of IFRS 9 on 1 January 2018 has been absorbed by organic generation of fully loaded capital. The Total Capital Fully Loaded ratio is 15.87%, up 43 basis points compared to December 2017, due to the increase in CET1 and the positive effect of the increase in eligible Tier 2 provisions under IFRS 9.

If the unrealised sovereign gains in the fair value portfolio are excluded (management ratios), the CET1 Fully Loaded ratio stands at 12.41% (+8 basis points in the half-year) and the Total Capital ratio stands at 15.58% (+47 basis points vs. December 2017).

The Bankia Group's Fully Loaded leverage ratio at 30 June 2018 is 5.43% (5.32% if the unrealised sovereign gains are not included), amply exceeding the regulatory capital requirements and after absorbing the effect the application of IFRS 9 has had on the leverage ratio.

SOLVENCY RATIOS AND LEVERAGE

	Jun-18 (1) (2)	
(€ million and %)	Phase In	Fully Loaded
Common equity Tier I - CET1 (%)	13.72%	12.41%
Total solvency ratio (%)	16.89%	15.58%
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	**5.16%**	**3.16%**
Surplus over Total solvency 2018 SREP requirement	**4.83%**	**2.83%**

(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.

SOLVENCY RATIOS AND LEVERAGE

RATIOS PHASE IN

(€ million and %)	Jun -18 (1) (2)	Dec -17 (1) (2) (3)
Eligible capital	14,372	14,488
Common equity Tier I (CET 1)	11,720	12,173
Capital	3,704	3,704
Reserves (as per reserve perimeter)	8,750	9,094
Result attributable net of dividend acrual	300	164
Deductions	(1,201)	(963)
Others (treasury stocks, Non-controlling interests and unrealise	166	175
Tier I Capital	12,470	12,856
Instruments	750	750
Others		(68)
Tier II Capital	1,902	1,632
Instruments	1,672	1,672
Others	230	(40)
Risk-weighted assets	83,634	86,042
Common equity Tier I (CET 1) (%)	**14.01%**	**14.15%**
Tier I Capital	14.91%	14.94%
Tier II Capital	2.27%	1.90%
Solvency ratio - Total capital ratio (%)	**17.18%**	**16.84%**
Leverage ratio	**5.93%**	**6.02%**
Total exposition leverage ratio	**210,399**	**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 30 June 2018, the CET-1 Phase-in ratio stands at 13.72% and the Total Capital Phase-in ratio at 16.89%. 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)

RATIOS FULLY LOADED

(€ million and %)	Jun -18 (1) (2)	Dec -17 (1) (2)
Eligible capital	13,271	13,289
Common equity Tier I (CET 1)	10,618	10,896
Capital	3,704	3,704
Reserves (as per reserve perimeter)	8,750	9,094
Result attributable net of dividend acrual	300	164
Deductions	(2,302)	(2,301)
Others (treasury stocks, Non-controlling interests and unrealise	166	235
Tier I Capital	11,368	11,646
Instruments	750	750
Others	1,902	1,642
Tier II Capital	1,672	1,672
Instruments	230	(30)
Risk-weighted assets	83,634	86,042
Common equity Tier I (CET 1) (%)	**12.70%**	**12.66%**
Tier I Capital	13.60%	13.54%
Tier II Capital	2.27%	1.91%
Solvency ratio - Total capital ratio (%)	**15.87%**	**15.44%**
Leverage ratio	**5.43%**	**5.49%**
Total exposition leverage ratio	**209,298**	**212,236**

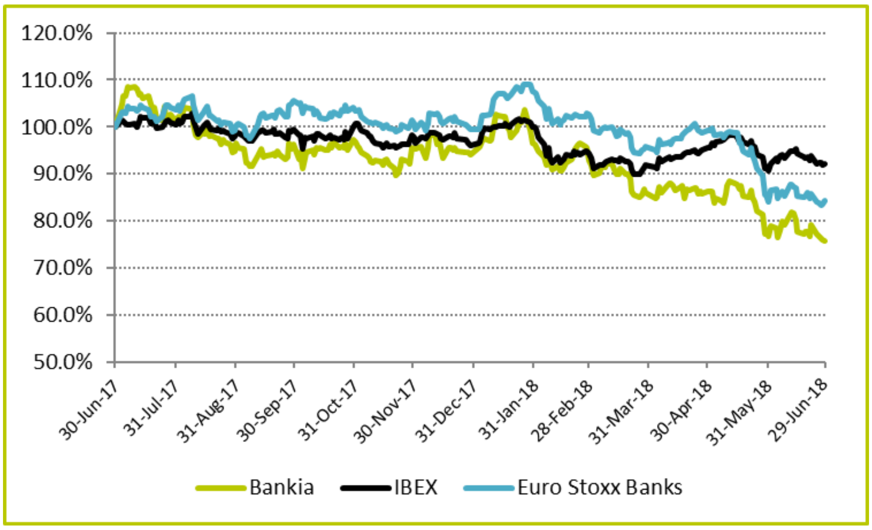
(1) Includes unrealised gains in the fair value (FV) sovereign debt portfolio which since October 2016 are included in regulatory capital due to Reglamento (UE) 2016/445 BCE. Without including unrealised gains in the FV sovereign debt portfolio (regulatory capital), as of 30 June 2018, the CET-1 Fully Loaded ratio stands at 12.41% and the Total Capital Fully Loaded ratio at 15.58%. 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)

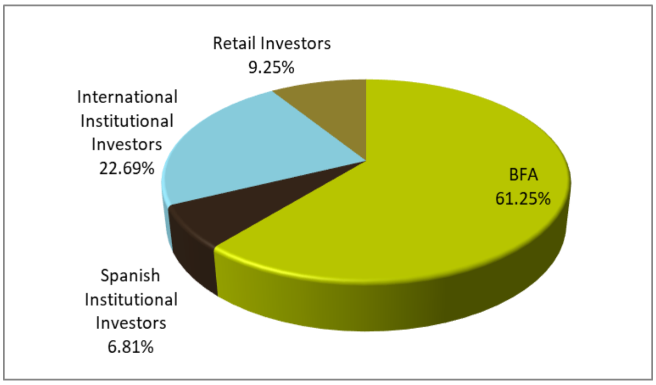
8. SHARE PERFORMANCE

SHARE PRICE



MAJOR SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Jun-2018
Number of shareholders	189,897
Daily average volume (num. shares)	9,204,718
Daily average turnover (euros)	34,579,525
Maximum closing price (€/share)	4,389 (26-Jan)
Minimum closing price (€/share)	3,207 (29-Jun)
Closing price (€/share)	3,207 (29-Jun)



9. RATING

In the first half of 2018, Fitch, S&P and DBRS upgraded Spain's rating to A-/Stable, A-/Positive, and A/Stable, respectively. Scope Ratings, for its part, affirmed Spain's rating at A-/Stable. The rating actions on the sovereign indicate the rating agencies' positive view of the macro environment in which banks in Spain are operating.

As regards Bankia's ratings, on 6 February Fitch **raised Bankia's outlook from Stable to Positive, maintaining the rating at BBB-.** According to the agency, Bankia's ratings reflect a strengthened domestic franchise after the merger with BMN, strong post-merger capital levels, appropriate liquidity and funding sources, and a management team experienced in banks integrations.

On 6 April, S&P **upgraded Bankia's rating from BBB-/Positive to BBB/Stable**. This action is a result of the improvement in the agency's economic and industry risk assessment for banks operating mainly in Spain, after the upgrade in Spain's rating. The agency expects Bankia's capital to continue to improve, thanks to organic capital generation and the issue of hybrid instruments, and to its non-performing assets continuing to decline over the next two years, while recurring profitability improves after the merger with BMN.

Lastly, on 4 July, after the end of the half-year, **DBRS**, following its annual review of Bankia's credit profile, **affirmed Bankia's rating at BBB (high)/Stable.**

As regards Bankia's mortgage covered bonds, on 23 March **Fitch affirmed the rating at A/Positive outlook**, and on 27 March S&P **upgraded the rating from A+ to AA-**, maintaining the Positive outlook. After the end of the half-year, on 12 July **Scope Ratings**, following its annual review of Bankia's mortgage covered bonds, **affirmed the covered bond rating at AAA/Stable**.

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	4-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	22-Sep-17	12-Jul-18

10. SIGNIFICANT EVENTS DURING THE SECOND QUARTER

Reorganisation of the bancassurance business

On 22 February 2018, the purchase and sale agreements for the acquisition by Bankia, S.A. of 50% of the insurance undertakings Caja Granada Vida Compañía de Seguros y Reaseguros, S.A., held by Ahorro Andaluz, S.A., and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A., held by Aviva Europe, S.E., were signed.

The acquisition was completed on 10 July 2018, once the competition authority had given its approval and the Directorate General for Insurance and Pension Funds had raised no objection.

After this acquisition, which is part of the bancassurance business reorganisation process that was started after the merger with BMN, Bankia, S.A. holds all the shares of the two companies, putting an end to the bancassurance alliances with Aviva Europe, S.E.

Reorganisation of the real estate asset management business

In April, Bankia, S.A. signed two agreements related to the the provision of bad debt collection services and real estate assets management services.

On 26 April 2018, it was agreed to terminate the agreements BMN had entered into with other entities. And on 27 April 2018, Bankia, S.A. signed the novation of the purchase and sale agreement signed with Haya Real Estate on 3 September 2013, related to the procurement of services and management business. The abovementioned agreements are part of the process of reorganisation of the non-performing asset management business after the merger with BMN, aimed at boosting efficiency and accelerating the run-off of these assets from the Group's balance sheet.

Agreement with Crédit Agricole to operate in the consumer finance business in Spain

On 28 May 2018, Bankia and Crédit Agricole, through its subsidiary Crédit Agricole Consumer Finance, entered into an agreement that marked the start of the creation of a joint venture through which the two companies will operate in the consumer finance business in Spain.

The new company will be owned 51% by Crédit Agricole Consumer Finance and 49% by Bankia. The company will specialise in consumer lending at the point of sale.

Bankia and Crédit Agricole Consumer Finance will thus work together to establish distribution agreements with retail establishments, through both physical and digital channels.

Among the products the joint venture will offer are personal and consumer loans, leasing and long-term rental of consumer goods, revolving loans and loyalty cards.

The new Bankia–Crédit Agricole joint venture, which still needs clearance from regulatory and supervisory bodies, will market its products exclusively in Spain through non-banking channels.

11. APPENDIX

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million and %)	Jun-18 [(1)]	Dec-17 [(1)]	Change Amount	Change %
ALCO Portfolio	28,545	29,440	(895)	(3.0%)
NON ALCO Portfolio	1,042	1,317	(275)	(20.9%)
SAREB Bonds	19,962	20,698	(736)	(3.6%)
Total Fixed Income Portfolio	**49,549**	**51,455**	**(1,906)**	**(3.7%)**

(1) Nominal values of the "fair value" and "amortised cost" portfolios

INFORMATION ABOUT 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 - Debt securities issued Third-party resources managed and marketed by the Group: - Collective investment - Pension funds
NPL ratio (%)	Ratio of non-performing loans to total loans and advances to customers and contingent liabilities	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 to which the impairment of non-performing assets is covered, for accounting purposes, by loan loss provisions.	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 (%)	Ratio of financing granted to customers to deposits taken from customers.	Book amount of loans and advances to customers as a percentage of the book amount of customer deposits plus funds for intermediated loans received from the EIB and the state financial agency ICO. - The book amount of loans and advances to customers excludes reverse repurchase agreements. - 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 derecognition of financial assets and liabilities not measured at fair value through profit or loss, net. - Gains or losses on financial assets and financial 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.
Pre-provision profit	Gross income less administrative	Income statement items:

PERFORMANCE MEASURE	DEFINITION	MANNER OF CALCULATION AND ACCOUNTING DATA USED
	expenses and depreciation and amortisation.	- Gross income - Administrative expenses - Depreciation and amortisation
Customer margin (%)	Difference between the average interest rate charged on loans and advances to customers and the average interest rate paid on customer deposits	Average interest rate on loans and advances to customers: - Interest income on loans and advances to customers recognised in the period divided by the average month-end balance of loans and advances to customers in the period. Average interest rate paid on customer deposits: - Interest expenses on customer deposits recognised in the period divided by the average month-end balance of customer deposits in the period. Interest income and interest expenses are annualised at the March, June and September accounting closes.
Interest margin (net interest income) (%)	Difference between the average return on assets and the average cost of liabilities and equity	Average return on assets: - Interest income in the period divided by the average month-end balance of recognised assets Average cost of liabilities and equity - Interest expense in the period divided by the average month-end balance of total equity and liabilities in the period. Interest income and interest expense 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. The after-tax profit or loss is annualised at the March, June and September accounting closes.
RORWA (%)	Measures the return on average risk-weighted assets	After-tax profit or loss for the period divided by regulatory risk-weighted assets at the end of the period. The after-tax profit or loss is annualised at the March, June and September accounting closes.
ROE (%)	Measures the return on equity	Profit or loss attributable to the Group divided by average month-end equity for the 12 months preceding the period-end, adjusted for expected dividends. The profit or loss attributable to the Group is annualised at the March, June and September accounting closes.
ROTE (%)	Measures the return on equity excluding intangible assets	Profit or loss attributable to the Group divided by average month-end equity less intangible assets for the 12 months preceding the period-end, adjusted for expected dividends. The profit or loss attributable to 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 ratio of loan loss provisions to the total amount of loans and advances to customers and contingent liabilities	Sum of impairment losses on financial assets and provisions for contingent liabilities included under "Provisions (net)" on the income statement divided by the average amount of gross loans and advances to customers (i.e. before provisions) and contingent liabilities 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 an enterprise based on the market price of its shares	The share price multiplied by the number of shares outstanding at period-end.
Earnings per share	Measures the amount of profit attributable to each of the bank's shares	Profit or loss attributable to the Group divided by the number of shares outstanding at period-end. The profit or loss attributable to the Group is annualised at the March, June and September accounting closes.
Tangible book value per share	Measures the company's book value per share issued, after deducting 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	The share price at period-end divided by the earnings per share for the period.
Price to tangible book value	Compares the bank's share price to its tangible book value.	Price per share at period-end divided by tangible book value per share for the period.

ACCOUNTING DATA USED TO CALCULATE THE ALTERNATIVE PERFORMANCE MEASURES

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	Jun-18	Dec-17
Sum of customer funds managed on and off balance sheet	**174,091**	**177,467**
- Customer deposits	128,696	130,396
- Debt securities issued	17,451	19,785
- Mutual funds	19,993	19,205
- Pension funds	7,951	8,082
NPL ratio (%)	**8.1%**	**8.9%**
- Non-performing loans and advances to customers and contingent risks (NPEs)	10,809	12,117
- Total loans and advances to customers and contingent risks	133,962	136,353
NPL coverage ratio (%)	**55.0%**	**50.8%**
- Allowances for impairment of loans and advances to customers and contingent risks	5,945	6,151
- Non-performing loans and advances to customers and contingent risks (NPEs).	10,809	12,117
LTD ratio (%)	**92.2%**	**93.9%**
- Loans and advances to customers	121,534	123,025
- Reverse repurchase agreements	39	256
- Customer deposits	128,696	130,396
- Reverse Repurchase agreements	428	2,663
- Funds for intermediated loans received from the EIB and ICO	3,527	3,007
Market capitalisation (1)	**9,893**	**12,300**
- Number of shares outstanding at period-end (millions)	3,085	3,085
- Share price at period-end (euros)	3.207	3.987
Earnings per share (euros) (1)	**0.336**	**0.265**
- Profit or loss for the period attributable to the Group	515	816
- Profit or loss for the period attributable to the Group (annualised)	1,038	816
- Number of shares outstanding at period-end (millions)	3,085	3,085
Tangible book value per share (euros) (1)	**4.19**	**4.34**
- Total equity	13,209	13,613
- Intangible assets	278	237
- Total equity less intangible assets	12,931	13,376
- Number of shares outstanding at period-end (millions)	3,085	3,085
P/E ratio (1)	**9.53**	**15.07**
- Share price at period-end (euros)	3.207	3.987
- Earnings per share for the period (euros)	0.336	0.265
Price to tangible book value ratio (1)	**0.77**	**0.92**
- Share price at period-end (euros)	3.207	3.987
- Tangible book value per share (euros)	4.19	4.34

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

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	Jun-18	Jun-17 (1)
Net trading income	**291**	**262**
- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.	270	217
- Gains or losses on financial assets and financial liabilities held for trading, net.	34	60
- 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.	(13)	(15)

(1) The June 2017 data are for the Bankia Group before the merger with BMN, as the merger was effective for accounting purposes from 1/12/2017.

ACCOUNTING DATA USED TO CALCULATE THE ALTERNATIVE PERFORMANCE MEASURES

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	Jun-18	Jun-17 (1)
Pre-provision profit	**897**	**884**
- Gross income	1,841	1,648
- Administrative expenses	(856)	(681)
- Depreciation and amortisation	(88)	(83)
ROA (%)	**0.5%**	**0.6%**
- Profit after tax for the period	515	514
- Profit after tax for the period (annualised)	1,038	1,037
- Average month-end balance of assets recorded on the balance sheet for the period	208,609	183,796
RORWA (%)	**1.2%**	**1.4%**
- Profit after tax for the period	515	514
- Profit after tax for the period (annualised)	1,038	1,037
- Regulatory risk-weighted assets at the end of the period	83,634	74,628
ROE (%)	**8.3%**	**8.6%**
- Profit or loss for the period attributable to the Group	515	514
- Profit or loss for the period attributable to the Group (annualised)	1,038	1,036
- Average month-end balance of equity for the 12 months preceding the end of the period, adjusted for the expected dividend	12,478	12,113
ROTE (%)	**8.5%**	**8.7%**
- Profit or loss for the period attributable to the Group	515	514
- Profit or loss for the period attributable to the Group (annualised)	1,038	1,036
- Average month-end balance of tangible equity for the 12 months preceding the end of the period, adjusted for the expected dividend	12,230	11,888
Efficiency (%)	**51.3%**	**46.4%**
- Administrative expenses	856	681
- Depreciation and amortisation	88	83
- Gross income	1,841	1,648
Cost of risk (%) a/(b+c)	**0.20%**	**0.25%**
- Impairment losses on financial assets	(208)	(174)
- External costs of recoveries	38	24
- Impairment losses on fixed-income financial instruments	-	(4)
- Provisions/ releases of provisions for contingent liabilities	37	8
- **Total impairment losses for calculating the cost of risk**	**(132)**	**(146)**
- **Total impairment losses for calculating the cost of risk annualised (a)**	**(267)**	**(293)**
- Average gross loans and advances to customers for the period (b)	125,266	109,056
- Average contingent liabilities for the period (c)	8,712	7,291

(1) The June 2017 data are for the Bankia Group before the merger with BMN, as the merger was effective for accounting purposes from 1/12/2017.

ACCOUNTING DATA (except where stated otherwise, the figures are in millions of euros and %)	2Q 2018	1Q 2018	4Q 2017 (2)	3Q 2017 (1)
Customer margin (%)	**1.55%**	**1.57%**	**1.59%**	**1.53%**
Average interest rate on loans and advances to customers (%):	1.68%	1.71%	1.70%	1.61%
- Interest income from loans and advances to customers for the period	506	512	457	417
- Interest income from loans and advances to customers for the period (annualised)	2,029	2,076	1,813	1,674
- Average month-end balance of loans and advances to customers.	120,426	121,071	106,561	102,721
Average interest rate on customer deposits (%):	0.13%	0.14%	0.11%	0.08%
- Interest expense of customer deposits for the period	40	43	29	21
- Interest expense of customer deposits for the period (annualised)	160	173	115	83
- Average month-end balance of customer deposits	126,642	126,613	106,648	102,327

(1) The 3Q 2017 data are for the Bankia Group before the merger with BMN, as the merger was effective for accounting purposes from 1/12/2017.
(2) The 4Q 2017 data include the financial income, financial expenses, interest-bearing assets and interest-bearing liabilities of BMN for the month of December, 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 30-Jun-2018
Common equity Tier I (CET1) (Group) BIS III Phase In (incl. FV unrealised gains) [1]	14.01%
Common equity Tier I (CET1) (Group) BIS III Fully Loaded (incl. FV unrealised gains) [1]	12.70%
Common equity Tier I (CET1) (Individual) BIS III Phase In (incl. FV unrealised gains) [1]	12.84%
Common equity Tier I (CET1) (Individual) BIS III Fully Loaded (incl. FV unrealised gains) [1]	11.57%
Total capital ratio (Group) BIS III Phase In (incl. FV unrealised gains)[1]	17.18%
Total capital ratio (Group) BIS III Fully Loaded (incl. FV unrealised gains)[1]	15.87%
Solvency ***(€mn)***	
Available distributable items (Individual)[2]	8,486

(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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