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The bank raised 1,250 million euros in the market in the first half of the year

Bankia obtains a net attributable profit of 514 million euros in the year to June, up 6.7%

- The CET1 Fully Loaded ratio climbs 80 basis points in the half-year, to 13.82%
- NPLs decrease by 922 million euros in the first half and the NPL ratio drops to 9.1%, down 0.7 percentage points
- New mortgage lending is up 129% and 30% of the loans granted are to non-customers
- The customer base has grown by 107,000 in the last twelve months, with more than 100,000 new direct income deposits (salaries and pensions)
- Customer satisfaction indexes are at their highest level in the bank's history
- Thanks to the increase in the number of customers and customer activity, fee and commission income for the first half is up 4.7% year-on-year
- Return on equity rises to 8.6%, above the 8.2% at the end of the first half of 2016

Madrid, 26/7/2017. Bankia achieved a net attributable profit of 514 million euros in the first half of the year, representing a 6.7% increase compared to the same period of the previous year.

Strong revenue from the traditional banking business, coupled with cost control and lower provisioning due to the decline in NPLs and the reduction of foreclosed assets, explain the improvement in profit, which brings the return on equity to 8.6%, compared to 8.2% at the end of the first half of 2016.

Bankia's CEO, José Sevilla, noted that "the first half of the year has been characterized by a strong push in the commercial activity. We granted more mortgages in these six months than in the whole of 2016; Consumer credit is also growing strongly, and so is lending to SMEs."

"Our customers have an increasingly digital profile and 40% have a multichannel relationship with us. Moreover, they are also increasingly satisfied with the service they receive. This translates into customers that are deepening their relationship with Bankia and into a growing number of new clients on a daily basis" Sevilla went on.

For Bankia's CEO, "it is relevant that, for yet another quarter, the bank's strengths have been maintained. We have continued to significantly improve our solvency position and the quality of our balance sheet, after reducing the volume of non-productive assets by more than 1,100 million euros. This allows for lower provisioning needs, which, combined with cost control, allows us to boost profit and profitability."

Results

Net interest income reached 995 million euros, down 11.4%, mainly due to the lower return on the portfolios of debt securities and the effect of low interest rates. The lower funding costs and the stabilisation of credit yields are reflected positively in the customer margin, which has increased to 1.59%.

With regards to net fees and commission, increased customer activity and increased loyalty translate into higher revenues on this line, offsetting the effects of the decision taken in January 2016 to waive all fees for customers who have their salary or pension deposited directly into their Bankia account.

Net fee and commission income for the first half totalled 425 million euros, 4.7% more than for the same period of 2016, driven by increased use of cards, payment services and securities brokerage.

Net trading income reached 262 million euros, largely thanks to the management of fixed income portfolios. Also, in the second quarter of the year the bank recorded a charge in the P&L of 54 million euros associated with its contribution to the Single Resolution Fund. All combined, gross income stood at 1,648 million euros, down 2.3%.

On the expense side, operating costs fell 2.8% in the half-year to 764 million euros, continuing the cost control trend. As a result, the cumulative efficiency ratio for the half-year is 46.4%, a slight improvement on the 46.6% recorded for the first six months of 2016. When excluding net trading income and foreign exchange gains, the recurring efficiency ratio is 55.3%.

Total net provisions in the first half of the year amounted to 238 million euros. The cost of risk was 25 basis points for the first half of the year, compared to 28 basis points one year ago.

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Profit before tax thus totalled 693 million euros, while net attributable profit stood at 514 million euros, 6.7% more than in the first half of 2016.

More customers

The first half of the year was characterised by a strong dynamism in the bank's commercial activity, both in terms of lending, be it mortgages, consumer finance or businesses loans, and in terms of new customer funds. Bankia also significantly increased its ability to attract new customers.

In the last 12 months, Bankia's customer base grew by 107,000, with more than 100,000 new direct deposits of salary and pension.

Customers' relationship with the bank is increasingly digital. The percentage of multichannel customers ended June at 39.3%, compared to 37.6% in December. The number of customers served through remote personal account managers, via the "Connect with your expert" service, increased by 57.7% in thehalf-year, to more than 473,000.

Growth in lending to households and businesses

On the lending side, in the first six months of the year the bank formalized mortgage loans totalling 893 million euros, which is 2.3 times more than in the same period of the previous year. Of that total, 543 million were granted in the second quarter, 54.9% more than in the first quarter, thus confirming the sales momentum generated by the launch of the "No Fees Mortgage" in January.

Out of the mortgages granted in this period, 30% were granted to people that previously weren't customers of Bankia.

Consumer finance shows a 20% year-on-year growth, with 842 million euros of new lending, pushing the stock of consumer finance up 18.1% in the 12 last months.

New lending to SMEs also grew, at a rate of 27.9%, contributing to the growth of 450 million euros in the stock of performing loans to businesses, to a total of 29,500 million euros. The increased degree of relationship with businesses also translates into increases in receivables discounting (+19.6%), foreign trade (+32.7%) and reverse factoring (+48.8%).

Managed customer funds (deposits, mutual funds and pension plans) are up 400 million euros in the half-year, with stronger growth in mutual funds and pension plans, compared with stable deposits in the current negative interest rate environment. Over the 12 last months, the growth amounts to more than 1,200 million euros.

Customer satisfaction

Another relevant feature this year is the strong improvement in customer satisfaction, as evidenced by the industry reports issued by the Stiga consultancy.

The customer satisfaction index, measured as the percentage of customers who score the service they receive from Bankia at more than seven out of ten, reached 89.3% in the half-year, the highest level ever achieved by the bank and three points higher than one year ago.

The net promoter score (NPS), which is the percentage of customers who give a score of nine or more minus the percentage that give a score of six or less, is 35.9%, compared to 20.7% one year earlier.

Lower non-performing assets

Another area in which Bankia has performed consistently in recent years is the improvement of the balance sheet quality. In the first half of the year, the stock of non-performing loans (NPLs) was reduced by 922 million euros, to 10,554 million euros, leaving the NPL ratio at 9.1%, down 0.7 percentage points. NPL coverage remains practically stable, at 53.9%.

Net foreclosed assets were also lowered during the period, by 105 million euros to a total of 2,146 million euros. In the first six months of the year, Bankia sold 4,326 foreclosed assets, 33.6% more than one year earlier. These sales had a slight positive impact on the income statement.

The sum of non-performing assets net of provisions represents 56.2% of equity, four points better than at the end of last year.

Rising solvency

In the first six months of the year, Bankia once again recorded a notable increase in its solvency levels. The CET1 Fully Loaded ratio rose 80 basis points, from 13.02% to 13.82%. These figures do not include unrealised gains in the AFS sovereign debt portfolios, which would lift the ratio to 14.22%.

In the first half of the year, Bankia has obtained twice the market's support. More recently, with a 750 million euros of contingent convertible bonds issued at the beginning of July at the lowest price achieved for a public issuance of this instrument by any Southern European entity. And in March, 500 million euros were raised through an issue of subordinated debt.

The Total Capital ratio, also on a Fully Loaded basis, increased from 14.36% to 16.85%. This figure includes the convertible bonds issued in July, which added 100 basis points to the ratio.

As regards regulatory solvency or "phase-in", the CET1 ratio ended June at 15.36% (76 basis points higher than in December). This ratio increases to 15.44% with the issue of convertible bonds. Including the convertible bonds, the regulatory total capital ratio reaches 18.39%, up 236 basis points.

In terms of liquidity, the loan-to-deposit ratio was 98%, with a commercial gap of scarcely 2,604 million euros.

For more information:

Bankia Communication	(bankiacomunicacion@bankia.com)
Juan Emilio Maíllo	91 423 90 09 / 689 869 034 (jmaillo@bankia.com)
Mariano Utrilla	91 423 94 72 / 691 827 401 (mutrilla@bankia.com)
Irene Rivas	91 423 96 57 / 616 257 322 (irivas@bankia.com)
Guillermo Fernández	91 423 53 33 / 681 349 040 (gfernandezm@bankia.com)

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OTHER RELEVANT EVENTS DURING THE PERIOD

On 11 January, Bankia launched the No Fees Mortgage ("Hipoteca SIN Comisiones"), which has no arrangement fee and no fee for full or partial early repayment, simply for having direct deposit of income, and also does not require take-up of any additional product.

On 18 January, Bankia started providing a free application for finding the market price of any residential property in Spain. The application is hosted on the Bankia website and includes a mortgage simulator.

On 30 January, Bankia announced the launch of a fast-track procedure in its branches for handling floor clause refunds.

On 9 February, Bankia recovered its investment grade rating from S&P, which upgraded the bank's long-term rating to "BBB-" with a positive outlook.

On 15 February, Fitch affirmed Bankia's long-term rating at "BBB-", which is within the levels considered investment grade.

On 10 March, Bankia Fintech by Innsomnia, Spain's first fintech incubator and accelerator, closed its first international call for participation with applications from 37 startups on four continents.

On 24 March, the General Meeting of Shareholders of Bankia approved the payment of a cash dividend of 317 million euros, 5% more than the previous year. Of the dividend paid on 31 March, 211 million went to the State, bringing the total amount of state aid repaid to 1,838 million euros.

On 24 March, the Bankia Board agreed to form a committee to monitor and oversee the bank's merger with Banco Mare Nostrum (BMN). The committee is made up entirely of independent directors.

On 30 March, Bankia announced the sale of a 102.97 million euro portfolio of non-performing and defaulted loans to different industry sectors, mainly real estate developers.

On 3 April, the bank launched the "Cuenta_ON para autónomos" account for the self-employed, which permanently waives fees for self-employed customers on their usual transactions, without their having to meet any other economic requirements.

On 8 May, Bankia announced that it had set itself the target for 2017 of doubling the number of customers served by remote personal account managers, through the "Connect with your expert" service, from 300,000 to 600,000.

On 25 May, Bankia Fintech by Innsomnia selected eight startups from four different continents to join its international program.

On 5 June, the bank executed the reverse split approved at its last General Meeting of Shareholders, in the proportion of one new share for every four old shares. The number of shares was reduced from 11,517 million to 2,879 million and the face value was set at one euro per share. These changes do not affect the bank's equity value.

On 12 June, the bank made more than 3,500 million euros of pre-approved financing available to Spanish SMEs.

On 14 June, Bankia and the EIB announced that they would provide 200 million euros of finance for SMEs and the self-employed in the farming and agrifood sector.

On 26 June, the Bankia Board approved the merger agreement with BMN.

On 28 June, Bankia sold a 100 million euro portfolio of non-performing and defaulted debt without mortgage collateral.

On 28 June, S&P confirmed Bankia's long-term issuer rating at "BBB-", with a positive outlook

On 30 June, Bankia launched its first issue of 750 million euros of perpetual bonds contingently convertible into new shares, with the lowest coupon of any public issue by a Spanish entity.

Key Data

	Jun-17	Dec-16	Change
Balance Sheet (€ million)			
Total assets	180.884	190.167	(4,9%)
Loans and advances to customers (net) (1)	104.144	104.677	(0,5%)
Loans and advances to customers (gross) (1)	109.437	110.595	(1,0%)
On-balance-sheet customer funds	121.700	125.001	(2,6%)
Customer deposits and clearing houses	103.038	105.155	(2,0%)
Borrowings, marketable securities	17.144	18.801	(8,8%)
Subordinated liabilities	1.518	1.045	45,2%
Total managed customer funds	142.830	145.097	(1,6%)
Equity	12.481	12.303	1,4%
Commom Equity Tier I - BIS III Phase In	11.520	11.329	1,7%
Capital adecuacy (%)			
Commom Equity Tier I - BIS III Phase In	15,44%	14,70%	+0,74 p.p.
Total capital ratio - BIS III Phase In	18,39%	16,03%	+2,36 p.p.
Commom Equity Tier I - BIS III Fully Loaded	13,82%	13,02%	+0,80 p.p.
Risk management (€millon and %)			
Total risk(2)	116.188	117.205	(0,9%)
Non performing loans	10.554	11.476	(8,0%)
NPL provisions	5.683	6.323	(10,1%)
NPL Ratio(2)	9,1%	9,8%	-0,7 p.p.
NPL coverage ratio	53,9%	55,1%	-1,2 p.p.

	Jun-17	Dec-16	Change
Results (€millon)			
Net interest income	995	1.124	(11,4%)
Gross income	1.648	1.686	(2,3%)
Operating income before provisions	884	900	(1,8%)
Profit/(loss) attributable to the Group	514	481	6,7%
Key ratios (%)			
Cost to income ratio (Operating expenses / Gross income)	46,4%	46,6%	-0,2 p.p.
ROA (Profit after tax / Average total assets) (3)	0,6%	0,5%	+0,1 p.p.
RORWA (Profit after tax / RWA) (4)	1,4%	1,2%	+0,2 p.p.
ROE (Profit attributable to the Group / Fondos propios) (5)	8,6%	8,2%	+0,4 p.p.
ROTE (Annualizerd attributable profit / average tangible equity) (6)	8,7%	8,4%	+0,3 p.p.

	30 June 17	31 Dec 17	Change
Bankia share			
Number of shareholders	204.778	241.879	(15,3%)
Number of shares in issue (€million)	2.879	11.517	-
Closing price (end of period, €) (7)	4,23	0,97	-
Market capitalización (€ millon)	12.185	11.183	9,0%
Earning per share (€) (8)	0,36	0,07	-
Tangible book value per share (€)(9)	4,40	1,10	-
PER (Last price (7) / Earning per share)	11,76	13,91	(15,4%)
PTBV (Last price (7) / tangible book value per share)	0,96	0,89	8,5%
Effective dividend per share(€ cents)	-	2,756	-
Additional information			
Number of branches	1.766	1.855	(4,8%)
Number of employees	13.477	13.505	(0,2%)

(1) It includes transactions with BFA (Jun-17 €384 MM and Dec-16 €125 MM)
(2) NL ratio includes the contingent convertible bonds issuance (AT1) for the amount of €750MM)
(3) Annualized profit after tax divided by the average total assets
(4) Annualized attributable profit divided by the risk weighted assets
(5) Annualized attributable profit divided by the previous 12 months equity average
(6) Annualized attributable profit divided by the 12 previous months tangible equity average
(7) Using the last price on 30 June 17 and 31 Decembere 2016
(8) Annualized attributable profit divided by the number of shares in issue
(9) Total equity less intangible assets divided by the number of shares in issue

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Half-yearly PL

(€ million)	1H 2017	1H 2016	Change s/ 1H 2016 Amount	Change s/ 1H 2016 %
Net interest income	**995**	**1.124**	**(129)**	**(11,4%)**
Dividends	7	4	3	85,6%
Share of profit/(loss) of companies accounted for using the equity met	18	21	(2)	(10,7%)
Total net fees and commissions	425	406	19	4,7%
Gains/(losses) on financial assets and liabilities	262	119	143	-
Exchange differences	4	15	(11)	(72,2%)
Other operating income/(expense)	(65)	(3)	(62)	-
Gross income	**1.648**	**1.686**	**(38)**	**(2,3%)**
Administrative expenses	(681)	(711)	30	(4,2%)
Staff costs	(461)	(465)	4	(1,0%)
General expenses	(220)	(245)	26	(10,4%)
Depreciation and amortisation	(83)	(76)	(8)	10,3%
Operating income before provisions	**884**	**900**	**(16)**	**(1,8%)**
Provisions	(171)	(203)	32	(15,6%)
Provisions (net)	3	(52)	55	-
Impairment losses on financial assets (net)	(174)	(151)	(23)	15,2%
Operating profit/(loss)	**712**	**696**	**16**	**2,3%**
Impairment losses on non-financial assets	(9)	(8)	(1)	13,8%
Other gains and other losses	(10)	(49)	39	(80,1%)
Profit/(loss) before tax	**693**	**639**	**54**	**8,4%**
Corporate income tax	(179)	(158)	(21)	13,2%
Profit/(loss) after tax	**514**	**481**	**33**	**6,8%**
Profit/(Loss) attributable to minority interests	0,6	0,1	0,5	-
Profit/(loss) after tax	**514**	**481**	**32**	**6,7%**
Cost to Income ratio [1]	**46,4%**	**46,6%**	**-0,2 p.p.**	**(0,6%)**
Recurring Cost to Income ratio [2]	**55,3%**	**50,7%**	**+4,6 p.p.**	**9,2%**

(1) Operating expenses / Gross income

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

Quarterly PL ex mortgage floors

(€ million)	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net interest income	**491**	**504**	**517**	**507**	**546**	**577**
Dividends	2	6	0	0	3	0
Share of profit/(loss) of companies accounted for usin	10	9	9	8	13	8
Total net fees and commissions	218	207	213	204	207	200
Gains/(losses) on financial assets and liabilities	101	161	57	65	58	61
Exchange differences	2	2	(1)	(2)	8	7
Other operating income/(expense)	(61)	(3)	(90)	(10)	(2)	(1)
Gross income	**762**	**886**	**706**	**774**	**833**	**853**
Administrative expenses	(336)	(345)	(330)	(346)	(349)	(362)
Staff costs	(226)	(235)	(218)	(223)	(227)	(239)
General expenses	(110)	(110)	(112)	(123)	(122)	(124)
Depreciation and amortisation	(42)	(41)	(46)	(40)	(38)	(37)
Operating income before provisions	**384**	**500**	**331**	**388**	**446**	**454**
Provisions	(72)	(99)	31	(52)	(87)	(116)
Provisions (net)	(5)	8	(5)	53	(24)	(28)
Impairment losses on financial assets (net)	(67)	(107)	35	(105)	(64)	(87)
Operating profit/(loss)	**312**	**401**	**361**	**336**	**359**	**338**
Impairment losses on non-financial assets	(1)	(9)	(3)	3	(6)	(2)
Other gains and other losses	(22)	12	(215)	(38)	(28)	(21)
Profit/(loss) before tax	**289**	**404**	**143**	**302**	**324**	**315**
Corporate income tax	(78)	(100)	(8)	(51)	(79)	(78)
Profit/(loss) after tax	**210**	**304**	**135**	**251**	**245**	**237**
Profit/(Loss) attributable to minority interests	0,4	0,2	(3)	1	0,1	0
Profit/(loss) after tax	**210**	**304**	**138**	**250**	**245**	**237**
Net impact from extraordinary provisions [1]	-	-	(65)	-	-	-
Reported profit attibutable to the Group	**210**	**304**	**73**	**250**	**245**	**237**
Cost to Income ratio [2]	**49,6%**	**43,6%**	**53,2%**	**49,9%**	**46,5%**	**46,8%**
Recurring Cost to Income ratio [3]	**57,4%**	**53,4%**	**57,8%**	**54,3%**	**50,5%**	**50,9%**

(1) Net provision of €65 MM due to the mortgage floors in 4Q 2016
(2) Operating expenses / Gross income
(3) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences)

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Balance Sheet

(€ million)	Jun-17	Dec-16	Change s/Dec-16 Amount	%
Cash and balances at central banks	3.434	2.854	580	20,3%
Financial assets held for trading	6.937	8.331	(1.394)	(16,7%)
Trading derivatives	6.867	8.256	(1.388)	(16,8%)
Equity instruments	2	5	(3)	(59,9%)
Debt securities	68	71	(3)	(4,4%)
Available-for-sale financial assets	19.438	25.249	(5.810)	(23,0%)
Debt securities	19.411	25.223	(5.812)	(23,0%)
Equity instruments	28	26	2	6,4%
Loans and receivables	107.147	108.817	(1.670)	(1,5%)
Bank deposits	406	563	(157)	(27,8%)
Loans and advances to customers	2.597	3.578	(981)	(27,4%)
Rest	104.144	104.677	(533)	(0,5%)
Held-to-maturity investments	27.895	27.691	204	0,7%
Hedging derivatives	2.925	3.631	(707)	(19,5%)
Non-current assets held for sale	286	282	4	1,6%
Equity investments	1.903	1.878	25	1,3%
Tangible and intangible assets	2.119	2.260	(141)	(6,3%)
Other assets, prepayments and accrued income, and tax asset	8.799	9.174	(375)	(4,1%)
TOTAL ASSETS	**180.884**	**190.167**	**(9.284)**	**(4,9%)**
Financial liabilities held for trading	7.183	8.983	(1.800)	(20,0%)
Trading derivatives	7.111	8.524	(1.413)	(16,6%)
Short positions	72	459	(387)	(84,3%)
Financial liabilities at amortised cost	157.982	164.636	(6.653)	(4,0%)
Deposits from central banks	12.816	14.969	(2.153)	(14,4%)
Deposits from credit institutions	22.268	23.993	(1.725)	(7,2%)
Customer deposits and funding via clearing houses	103.038	105.155	(2.117)	(2,0%)
Debt securities in issue	18.662	19.846	(1.184)	(6,0%)
Other financial liabilities	1.198	673	525	78,1%
Hedging derivatives	358	724	(366)	(50,6%)
Provisions	1.124	1.405	(281)	(20,0%)
Other liabilities, accruals and deferred income & tax liabilities	1.335	1.582	(247)	(15,6%)
TOTAL LIABILITIES	**167.982**	**177.330**	**(9.348)**	**(5,3%)**
Minority interests	45	45	(0)	(0,5%)
Valuation adjustments	376	489	(113)	(23,1%)
Equity	12.481	12.303	178	1,4%
TOTAL EQUITY	**12.902**	**12.837**	**65**	**0,5%**
TOTAL EQUITY AND LIABILITIES	**180.884**	**190.167**	**(9.284)**	**(4,9%)**

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