

Core Capital Phase-in and Fully Loaded ratios reach 15.83% and 14.16%, respectively

Bankia posts net attributable profit of 739 million euros over the first nine months of the year, up 1%

- Fee and commission income increases 4.1%, whereas expenses drop 3.1%
- NPLs decrease 11.2% since the start of the year, with the NPL ratio falling one percentage point to 8.8%
- The bank registers 141,000 net new customers over the last twelve months, with 103,000 new direct income deposits
- New mortgage lending is 2.3 times higher, with a 22.1% uptick in lending to SMEs and 19.6% more consumer loans
- A total of 512,000 customers now have a remote personal account manager, 70.7% more than at the start of the year
- Customer satisfaction indexes improve once again, setting a new record in the bank's history
- The bank maintains the best efficiency and solvency ratios of the largest Spanish banks for their businesses in Spain

Madrid, 30/10/2017 Bankia achieved a net attributable profit of 739 million euros in the first nine months of 2017, up 1% compared to the same period of the previous year. This was driven by the increase in fee and commission income, together with the decrease in expenses and provisioning as a result of the improvement in credit quality.

Bankia's CEO, José Sevilla, highlighted that: "in a challenging interest rate environment, the bank has managed to increase its earnings thanks to buoyant sales. We have an increasing number of more loyal and satisfied customers contracting more added value products, and we are channelling greater amounts of credit to both individuals and large companies and SMEs."

"This is underpinned by a constantly improving balance sheet, resulting in the need for less provisions and a further decrease in our NPL ratio and foreclosed assets", he stated.



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Sevilla added that: “the bank’s solvency ratio has improved off the back of all this, and now stands at over 14%, making us one of the most capitalised banks in Europe”.

Results

Net interest income reached 1,467 million euros, down 10.1% on the same period in 2016, due to: a) prevailing negative interest rates which are continuing to impact the bank’s mortgage loan book, the lion’s share of which are at floating rates; and b) lower Sareb bond yields, with profitability close to zero.

Fee and commission income is up 4.1% to 636 million euros, driven by an increase in the number of customers and their increased loyalty. This has primarily boosted revenues from payment services, cards and mutual funds and insurance.

The decline in gross income halted at 2.5%, after gains on financial assets and liabilities rose 70.6% to 314 million euros. This increase is due to the sales of fixed-income securities, primarily in the first two quarters of the year, ahead of the expected increase in interest rates.

Administrative expenses were contained (falling by 3.1%), resulting in the cumulative efficiency ratio remaining stable at 48%, practically the same level as at the September close of the previous year and the best figure among Spanish banks for their domestic businesses.

Higher quality balance sheet

An improvement in the quality of the balance sheet, with decreases in NPLs and the volume of foreclosed assets, was another favourable factor in enhancing the income statement, as it allowed for lower provisions.

In the first nine months of the year, provisioning totalled 244 million euros, down 4.3%. The cost of risk (volume of provisions as a percentage of loans) remains at a low of 0.24%.

Thus, profit before tax of 953 million euros was posted, up 1.3%, while net attributable profit totalled 739 million euros, 1% higher than in the first nine months of 2016. A return on equity of 8.1% was achieved.

Non-performing assets slashed

Asset quality improved across practically all items. The balance of NPLs fell 11.2% since the start of the year to 10,194 million euros, with the NPL ratio decreasing by a percentage point



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to 8.8% while the coverage ratio stood at 53.8%. At the same time, the carrying amount of foreclosed assets shrank 7.5% from 2,251 million euros to 2,082 million euros after 6,115 properties were sold – 14.6% of the stock at the start of the year.

Growth in core banking business

Over the first nine months of the year, Bankia's commercial activity remained high, resulting in greater numbers of new customers, stronger loyalty among existing customers, sharp rises in mortgage lending, more loans to businesses, and increased assets under management in mutual funds and pensions. This was all accompanied by enhanced customer satisfaction scores.

Specifically, the bank attracted 141,000 net new customers, over the last 12 months, while new direct salary deposits rose 103,000 and the number of cards issued increased by 168,000.

There was also major growth in customers with a multichannel relationship with the bank. At present, a total of 512,000 customers have a personal account manager serving them remotely through the Connect with your expert service, 70.7% more than at the start of the year. In nine months, Bankia has attracted 149,900 customers through digital channels via "On" accounts.

More mortgages and lending to businesses

The increase in customer numbers and loyalty drove up lending. A total of 1,333 million euros in mortgage loans were granted, some 2.3 times higher year-on-year, primarily as a result of the launch of No Fees Mortgages. These loans have no arrangement fees, simply for having direct deposit of income, and do not require take-up of any additional products.

The volume of new consumer loans rose 19.6% to 1,246 million euros. The uptick in activity in this business saw stock increasing by 18.3% to 3,500 million euros.

Turning to business loans, lending to SMEs climbed 22.1%, as did loans to other companies by 15.9%. Thus, the balance of outstanding loans to businesses increased by 0.9% to 29,700 million euros, a trend that is still not reflected in the mortgage segment where maturities continue to outstrip new loans.

Turning to customer funds, assets under management increased by 1,721 million euros in mutual funds (to 15,050 million euros), and by 229 million euros in pension funds. Strict customer deposits fell, however, by 2,400 million euros at a time of practically zero returns.



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The share of new funds acquired also rose in the case of investment funds to 8.67% from 7.46% a year earlier.

Satisfaction indexes

The good performance of the business occurred at the same time that customer satisfaction scores increased again. This indicator – measured by the percentage of customers giving the service provided by Bankia a score of seven or above – rose to 89.6% in September: an all-time high for the bank. This figure is some three tenths of a percent higher quarter-on-quarter.

At the same time, the Net Promoter Score – the sum of the number of customers giving a score of nine or above from those giving less than six – rose to 38.4% for the branch network, almost 10 points higher than at last year's close.

Solvency still on the up

Bankia ended the first three quarters of the year with a loan-to-deposit ratio of 100.1%, and with 1.2 times more liquid assets than wholesale debt.

The bank also tapped the wholesale funding markets for a total of 1,250 million euros, through two issuances: a Tier 2 subordinated bond issue of 500 million euros, placed in March, which was more than 10 times oversubscribed; and a 750 million-euro AT1 bond issue. Both issuances allowed Bankia to increase the buffer of loss-absorbing liabilities in order to meet the future MREL requirement.

In terms of capital adequacy, Bankia improved its figures for yet another quarter, with a CET1 BIS III Fully Loaded ratio of 14.16%, 34 basis points up quarter-on-quarter. This capital metric does not include the gains from sovereign debt portfolios which, if included, would see the ratio rising even higher to 14.55%.

In terms of regulatory capital, the CET1 BIS III Phase-in ratio reached 15.81%, 1.11 percentage points higher than in December (14.7%) and 45 basis points above the figure for the previous quarter-end.

The Total Capital Fully Loaded ratio was 17.18% (14.36% in December), while the Phase-in ratio stood at 18.75% (16.03% in December), illustrating the bank's ability to generate capital organically.

All this sees Bankia continuing to improve these indicators quarter-on-quarter, strengthening its position as the most solvent of Spain's largest banks.



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Relevant events in the first nine months of 2017

On 11 January, Bankia launched the No Fees Mortgage, 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 2 March, Bankia placed a 500 million-euro Tier 2 subordinated debt issue with a 10 year term.

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 BMN. The committee is made up entirely of independent directors.

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 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 14 June, Bankia and the EIB announced that they would lend 200 million euros to SMEs and the self-employed in the farming and agrifood sector.

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



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

On 30 June, Bankia placed 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.

On 6 July, Bankia and the EIB signed an agreement to lend 1,000 million euros to SMEs and the self-employed.

On 10 July, the bank launched [Bankia Responde](#), a new online communications channel for presenting Bankia's corporate position.

On 14 July, the announcement was made that Bankia and the EIB would lend 200 million euros to SMEs and the self-employed in the farming and agrifood sector.

On 24 July, Bankia announced that as from that moment, its customers and those of BMN could use the ATMs of both banks across Spain free of charge.

On 26 July, Bankia and Forética showcased a new free tool for companies to assess their progress with regard to social responsibility.

On 23 August, Bankia published its first 'Socio-economic impact study', concluding that its business had a positive impact of 4,700 million euros on Spanish growth, representing 0.5% of GDP.

On 7 September and for the second year running, Bankia was ranked on the Dow Jones Sustainability Index (DJSI) as one of the most sustainable firms in the world.

On 14 September, Bankia and BMN held Extraordinary General Meetings of Shareholders at which the shareholders of both entities approved their merger.

On 25 September, Bankia Fintech by Innsomnia announced that 76 startups had submitted bids for the third round of this programme.



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KEY DATA

	Sep-17	Dec-17	Change
Balance Sheet (€ million)			
Total assets	179.247	190.167	(5,7%)
Loans and advances to customers (net) ⁽¹⁾	103.479	104.677	(1,1%)
Loans and advances to customers (gross) ⁽¹⁾	108.573	110.595	(1,8%)
On-balance-sheet customer funds	120.018	125.001	(4,0%)
Customer deposits and clearing houses	100.637	105.155	(4,3%)
Borrowings, marketable securities	17.103	18.801	(9,0%)
Subordinated liabilities	2.278	1.045	-
Total managed customer funds	141.689	145.097	(2,3%)
Equity	12.655	12.303	2,9%
Common Equity Tier I - BIS III Phase In	11.599	11.329	2,4%
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	15,81%	14,70%	+1,11 p.p.
Total capital ratio - BIS III Phase In	18,75%	16,03%	+2,72 p.p.
Common Equity Tier I - BIS III Fully Loaded	14,16%	13,02%	+1,14 p.p.
Risk management (€million and %)			
Total risk	115.254	117.205	(1,7%)
Non performing loans	10.194	11.476	(11,2%)
NPL provisions	5.480	6.323	(13,3%)
NPL Ratio	8,8%	9,8%	-1,0 p.p.
NPL coverage ratio	53,8%	55,1%	-1,3 p.p.
	Sep-17	Sep-16	Change
Results (€million)			
Net interest income	1.467	1.631	(10,1%)
Gross income	2.398	2.460	(2,5%)
Operating income before provisions	1.247	1.288	(3,1%)
Profit/(loss) attributable to the Group	739	731	1,0%
Key ratios (%)			
Cost to income ratio (Operating expenses / Gross income)	48,0%	47,7%	+0,3 p.p.
ROA (Profit after tax / Average total assets) ⁽²⁾	0,5%	0,5%	-
RORWA (Profit after tax / RWA) ⁽³⁾	1,3%	1,3%	-
ROE (Profit attributable to the Group / Equity) ⁽⁴⁾	8,1%	8,2%	-0,1 p.p.
ROTE (Annualized attributable profit / average tangible equity) ⁽⁵⁾	8,3%	8,4%	-0,1 p.p.
	30 Sep 17	31 Dec 17	Change
Bankia share			
Number of shareholders	199.050	241.879	(17,7%)
Number of shares in issue (€million) ⁽⁶⁾	2.879	2.879	-
Closing price (end of period, €) ⁽⁶⁾⁽⁷⁾	4,08	3,88	5,0%
Market capitalización (€ million) ⁽⁶⁾	11.748	11.183	5,0%
Earning per share (€) ⁽⁶⁾⁽⁷⁾	0,34	0,28	22,9%
Tangible book value per share (€) ⁽⁶⁾⁽⁹⁾	4,45	4,38	1,6%
PER (Last price ⁽⁶⁾⁽⁷⁾ / Earning per share)	11,89	13,91	(14,5%)
PTBV (Last price ⁽⁶⁾⁽⁷⁾ / tangible book value per share)	0,92	0,89	3,4%
Additional information			
Number of branches	1.751	1.855	(5,6%)
Number of employees	13.472	13.505	(0,2%)

(1) It includes transactions with BFA (SE-17 €437 MM and Dec-16 €125 MM)

(2) Annualized profit after tax divided by the average total assets

(3) Annualized attributable profit divided by the risk weighted assets

(4) Annualized attributable profit divided by the prior 12 months equity average

(5) Annualized attributable profit divided by the 12 prior months tangible equity average

(6) Number of shares after reverse stock split in June 2017

(7) Using the last price on 29 September 17 and 31 December 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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9M ACTUAL P&L

(€ million)	9M 2017	9M 2016	Change s/ 9M 2016	
			Amount	%
Net interest income	1.467	1.631	(164)	(10,1%)
Dividends	7	4	3	75,2%
Share of profit/(loss) of companies accounted for using the equity method	30	29	1	4,9%
Total net fees and commissions	636	611	25	4,1%
Gains/(losses) on financial assets and liabilities	314	184	130	70,6%
Exchange differences	7	14	(7)	(48,0%)
Other operating income/(expense)	(62)	(12)	(50)	-
Gross income	2.398	2.460	(62)	(2,5%)
Administrative expenses	(1.024)	(1.057)	33	(3,1%)
Staff costs	(690)	(688)	(2)	0,3%
General expenses	(334)	(368)	34	(9,4%)
Depreciation and amortisation	(127)	(116)	(11)	9,8%
Operating income before provisions	1.247	1.288	(40)	(3,1%)
Provisions	(244)	(255)	11	(4,3%)
Provisions (net)	(4)	1	(5)	-
Impairment losses on financial assets (net)	(241)	(256)	16	(6,2%)
Operating profit/(loss)	1.003	1.032	(29)	(2,8%)
Impairment losses on non-financial assets	(12)	(5)	(7)	-
Other gains and other losses	(38)	(87)	48	(55,9%)
Profit/(loss) before tax	953	941	13	1,3%
Corporate income tax	(213)	(209)	(4)	2,1%
Profit/(loss) after tax	740	732	8	1,1%
Profit/(Loss) attributable to minority interests	1,3	0,6	1	99,1%
Profit/(loss) after tax	739	731	8	1,0%
Cost to Income ratio ⁽¹⁾	48,0%	47,7%	+0,3 p.p.	0,7%
Recurring Cost to Income ratio ⁽²⁾	55,4%	51,8%	+3,6 p.p.	6,9%

(1) Operating expenses / Gross income

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



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BALANCE SHEET

(€ million)	Sep-17	Dec-16	Change s/Dec-16	
			Amount	%
Cash and balances at central banks	2.378	2.854	(475)	(16,7%)
Financial assets held for trading	6.862	8.331	(1.469)	(17,6%)
Trading derivatives	6.780	8.256	(1.475)	(17,9%)
Equity instruments	12	5	7	-
Debt securities	70	71	(0)	(0,4%)
Available-for-sale financial assets	19.245	25.249	(6.004)	(23,8%)
Debt securities	19.216	25.223	(6.007)	(23,8%)
Equity instruments	29	26	3	11,9%
Loans and receivables	106.973	108.817	(1.844)	(1,7%)
Bank deposits	401	563	(162)	(28,8%)
Loans and advances to customers	3.094	3.578	(483)	(13,5%)
Rest	103.479	104.677	(1.198)	(1,1%)
Held-to-maturity investments	27.870	27.691	178	0,6%
Hedging derivatives	2.983	3.631	(648)	(17,8%)
Non-current assets held for sale	291	282	10	3,4%
Equity investments	1.885	1.878	7	0,4%
Tangible and intangible assets	2.042	2.260	(218)	(9,6%)
Other assets, prepayments and accrued income, and tax assets	8.717	9.174	(457)	(5,0%)
TOTAL ASSETS	179.247	190.167	(10.921)	(5,7%)
Financial liabilities held for trading	7.251	8.983	(1.732)	(19,3%)
Trading derivatives	7.189	8.524	(1.335)	(15,7%)
Short positions	62	459	(396)	(86,4%)
Financial liabilities at amortised cost	156.196	164.636	(8.440)	(5,1%)
Deposits from central banks	12.816	14.969	(2.153)	(14,4%)
Deposits from credit institutions	22.036	23.993	(1.957)	(8,2%)
Customer deposits and funding via clearing houses	100.637	105.155	(4.518)	(4,3%)
Debt securities in issue	19.381	19.846	(465)	(2,3%)
Other financial liabilities	1.325	673	653	97,0%
Hedging derivatives	351	724	(373)	(51,5%)
Provisions	1.185	1.405	(220)	(15,6%)
Other liabilities, accruals and deferred income & tax liabilities	1.206	1.582	(376)	(23,8%)
TOTAL LIABILITIES	166.190	177.330	(11.140)	(6,3%)
Minority interests	46	45	0	0,5%
Valuation adjustments	356	489	(133)	(27,2%)
Equity	12.655	12.303	352	2,9%
TOTAL EQUITY	13.056	12.837	219	1,7%
TOTAL EQUITY AND LIABILITIES	179.247	190.167	(10.921)	(5,7%)



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