

Best quarterly result in the bank's history in its activities in Spain

Bankia posts net attributable profit of 304 million euros in the first quarter, up 28.4%

- The CET1 fully loaded ratio is up 35 basis points in the quarter and already stands at 13.37%
- NPLs are down another 492 million euros in the quarter and are now below 11,000 million, 9.5% of the total
- New mortgage lending is up more than 93% following the removal of mortgage fees, while consumer finance and loans to SMEs continue to perform strongly
- Customer funds managed both on and off-balance-sheet have grown 5,195 million euros in the last year, an increase of 4.6%
- Customer satisfaction indexes have reached the highest level in the bank's history
- Increased revenue and cost control have resulted in a 10.2% increase in pre-provision profit, to 500 million euros

Madrid, 28/04/2017. Bankia obtained net attributable profit of 304 million euros in the first quarter of the year, 28.4% more than in the same period of the previous year.

The 3.8% growth in revenue (gross income), to 886 million euros, and the 3.4% decline in administrative expenses, to 386 million, situate pre-provision profit at 500 million euros, up 10.2%.

Bankia's CEO, José Sevilla, declared that, "the first quarter has yielded very positive results. The profit achieved by Bankia of more than 300 million euros is the highest quarterly profit in the bank's history in its activities in Spain."

"Once again this quarter, our strengths have been consolidated. We are an increasingly solvent institution. Cost control has enabled us to maintain efficiency, which translates into high levels of profitability," Sevilla added.

For Bankia's CEO, "what is particularly significant is the behaviour of our customers, who have been responding very positively to the changes we have made in recent months. We



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now have customers who are increasingly satisfied, who do more business with us and who recommend us more.”

“On the lending front,” Sevilla said, “the response to the new “No fees mortgage” has been exceptional, with applications that triple the level of one year ago. And we’re doing this while continuing to grow in the two key segments of recent years: consumer finance to households and lending to the self-employed, SMEs and businesses.”

Record results

The pressure on both the debt and the credit portfolios continues in the prevailing low interest rate environment, with the Euribor still in negative territory. As a result, net interest income is down 12.7%, at 504 million euros. On quarterly terms, the decline is of only 2.5%.

Even so, the customer margin has improved, backed by a stable loan yield and lower funding costs. The customer margin rises three points in the quarter, to 1.52%, and accumulates an increase of 11 basis points in the last half-year.

Net fee and commission income is up 3.8%, at 207 million euros. Following Bankia’s decision to waive fees for customers with direct income deposits, this rise is driven by increased revenue from card use, payment services and securities brokerage.

Management of the fixed income portfolios boosted net trading income to 161 million euros. As a result of all the above, gross income reached 886 million euros, up 3.8%.

Operating expenses fell 3.4% during the quarter, compared to the same period of the previous year, to 386 million euros, with falls both in staff costs and in other general expenses.

The cost-to-income ratio thus improved to 43.9%, or 53.4% without net trading income and foreign exchange gains which is similar to the figure recorded at year-end 2016.

With increased income and reduced expenses, pre-provision profit reached 500 million euros, up 10.2% compared to the first quarter of the previous year.

Provisions recorded during the quarter totalled 141 million euros, an increase of 9.9%, due to provisions recorded to cover certain single name exposures.



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Profit before tax was 404 million euros and net attributable profit was 304 million euros, an increase in both cases of 28.4%, marking the best quarter in Bankia's history in terms of results.

Growing in mortgages

The first quarter of the year, which marked the first anniversary of the introduction of the bank's new commercial positioning, with no fees for customers with direct income deposits, reflected the buoyancy of sales activity.

On the lending side, the new No Fees Mortgage ("Hipoteca Sin Comisiones") launched by Bankia on 11 January, sparked a sharp increase in loan applications, which in the first quarter of the year tripled the level recorded in the same period of 2016. In terms of new mortgage lending, the growth was 93.5%, with 350 million euros of new loans in the quarter, following an increasing trend month after month.

The growth trend also continued in consumer finance to households, with new lending up 22.8% in the quarter, at 404 million euros.

Loans to SMEs and the self-employed likewise continued to expand, with growth in new lending across all segments, reaching 27.1% in the case of SMEs. The stock of performing loans to the businesses segment has grown 273 million euros in the last 12 months.

Turning to customer funds, the balance of strict customer deposits grew 3,757 million euros in the last year, an increase of 4%, while off-balance-sheet managed funds grew 7.5% (1,438 million euros).

Increase in multichannel users

The quarter saw further progress in digitalisation. The number of customers served by remote customer managers through the "Connect with your expert" service grew 16.7%, to 350,000.

Around 38.4% of the bank's customers are now multichannel, 0.8 percentage points more than at the end of last year, while transactions carried out from mobile phones accounted for 32.4% of the total, compared to 30.2% the previous quarter.

In the first quarter of this year, Bankia launched its new app for smartphones and tablets, started two housing simulators (one for mortgages and one for determining the value of any property in Spain) and presented the new mutual funds and pension plan portal.



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More satisfied customers

This growth in commercial activity clearly results from the satisfaction of Bankia's customers, as the banking industry reports prepared by the consulting firm Stiga show.

The customer satisfaction index, measured as the percentage of customers who award a score higher than seven for the service they have received, stands at 89.2%, the highest level recorded in the bank's history and 1.9 points better than at the end of 2016.

And the net promoter score, which is the difference between the number of customers who give a score above nine and those who give a score below six, has reached 35.7%, whereas one year ago it stood at 20.2%.

Lower NPLs

This quarter, once again, Bankia has reduced the balance of non-performing loans (NPLs) and foreclosed assets. Specifically, the volume of NPLs fell 492 million euros in the quarter (1,580 million over the last year), to below 11,000 million euros (specifically, 10,984). As a result, the NPL ratio has reduced from 10.5% at the end of March 2016 to 9.8% last December and 9.5% at present.

In the case of foreclosed assets, following sales of 1,653 units in the first three months of the year for a total of 102 million euros, the net book value of the foreclosed assets on the balance sheet is now 2,207 million euros, 440 million less than one year ago.

Further improvement in solvency

During the first quarter of the year, Bankia achieved investment grade ratings from the three agencies from which it has requested a rating.

Bankia ended the first quarter with a loan-to-deposit ratio of 97.6% and liquid assets 1.3 times the amount of wholesale debt maturities.

In March, the 500 million euros of subordinated debt that was issued was 10 times oversubscribed.

In terms of solvency, once again Bankia improved its numbers, with a CET1 fully loaded ratio of 13.37%. This figure is 35 basis points higher than in December (13.02%) and 85 basis points higher than one year ago (12.52%). The capital ratio does not include the unrealised gains from AFS sovereign debt portfolios. If these gains were to be included, the ratio would be even higher, at 13.63%.



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On a regulatory or Phase In basis, the CET1 ratio improved 21 basis points in the quarter, to 14.91%.

The total capital ratio, supported by the 66 basis points added by the subordinated debt issue, was 15.41% on a Fully Loaded basis (14.36% in December) and 16.96% on a Phase In basis (16.03% in December).

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Main events in the first quarter of 2017

On 11 January, Bankia launched the “Hipoteca SIN Comisiones” mortgage, which has no arrangement fee and no fee for early repayment (in part or in full), merely for having direct deposit of income, and does not require take-up of any additional product.

On 18 January, Bankia made available a free application for finding the market price of any residential property in Spain. The application is hosted on the [Bankia website](#). It also has 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 9 March, Bankia expanded its social network presence with a Snapchat profile, through the “Bankia te cuenta” channel.

On 10 March, Bankia Fintech by Innsomnia, Spain’s first fintech incubator and accelerator, closed its first international call for applications, with applications from 37 startups from 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. Out of the dividend paid on 31 March, 211 million went to the State, bringing the total amount of state aid now repaid to 1,838 million euros.

The General Meeting authorised a reverse split in the proportion of one new share for every four existing shares. Once this reverse split is put into effect, the number of shares will be reduced from 11,517 million to 2,879 million and the par value per share will be one euro. These changes do not affect the equity value of the bank.

On 24 March, the Bankia Board agreed to create a committee to monitor and oversee the merger of the bank with BMN. The committee is made up entirely of independent directors.



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On 27 March, the bank presented the first [Bankia Índicex Report](#), which gave Spanish companies a pass grade in digital competitiveness.

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.



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	Mar-17	Dec-16	Change
Balance sheet (€ million)			
Total assets	183.953	190.167	(3,3%)
Loans and advances to customers (net) ⁽¹⁾	104.152	104.677	(0,5%)
Loans and advances to customers (gross) ⁽¹⁾	109.653	110.595	(0,9%)
On-balance-sheet customer funds	122.896	125.001	(1,7%)
Customer deposits and clearing houses	103.894	105.155	(1,2%)
Borrowings, marketable securities	17.455	18.801	(7,2%)
Subordinated liabilities	1.547	1.045	48,0%
Total managed customer funds	143.421	145.097	(1,16%)
Equity	12.285	12.303	(0,1%)
Common Equity Tier I - BIS III Phase In	11.317	11.329	(0,1%)
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	14,91%	14,70%	+0,21 p.p.
Total capital ratio - BIS III Phase In	16,94%	16,03%	+0,91 p.p.
Ratio CET1 BIS III Fully Loaded	13,37%	13,02%	+0,35 p.p.
Risk management (€ million and %)			
Total risk ⁽²⁾	116.216	117.205	(0,8%)
Non performing loans	10.984	11.476	(4,3%)
NPL provisions	5.893	6.323	(6,8%)
NPL ratio ⁽²⁾	9,5%	9,8%	-0,3 p.p.
NPL coverage ratio	53,7%	55,1%	-1,4 p.p.
Results (€ million)			
Net interest income	504	577	(12,7%)
Gross income	886	853	3,8%
Operating income before provisions	500	454	10,2%
Profit/(loss) attributable to the Group	304	237	28,4%
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	43,6%	46,8%	-3,2 p.p.
R.O.A. (Profit after tax / Average total assets) ⁽³⁾	0,7%	0,5%	+0,2 p.p.
RORWA (Profit attributable to the group / RWA) ⁽⁴⁾	1,6%	1,2%	+0,4 p.p.
ROE (Profit attributable to the group / Equity) ⁽⁵⁾	10,2%	8,2%	+2,0 p.p.
ROTE (Profit attributable to the group / Average tangible equity) ⁽⁶⁾	10,4%	8,3%	+2,1 p.p.
Bankia share			
Number of shareholders	227.744	241.879	(5,8%)
Number of shares in issue (million)	11.517	11.517	0,0%
Closing price (end of period, €) ⁽⁷⁾	1,07	0,97	9,8%
Market capitalisation (€ million)	12.277	11.183	9,8%
Earnings per share ⁽⁸⁾	0,11	0,07	53,2%
Tangible book value per share (€) ⁽⁹⁾	1,07	1,10	(1,9%)
PER (Last price ⁽⁷⁾ / Earnings per share)	9,97	13,91	(28,3%)
PTBV (Last price ⁽⁷⁾ / Tangible book value per share)	0,99	0,89	11,9%
Additional information			
Number of branches	1.770	1.855	(4,6%)
Number of employees	13.513	13.505	0,1%

(1) Includes transactions with BFA (Mar-17 €304mn; Dec-16 €125mn)

(2) NPL ratio excludes transactions with BFA (Mar-17 €304mn; Dec-16 €125mn)

(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 previous 12 months tangible equity average

(7) Using the last price on 31st March and 31th December

(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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Bankia Group P&L

(€ million)	1Q 2017	1Q 2016	Change	
			Amount	%
Net interest income	504	577	(73)	(12,7%)
Dividends	6	0	5	-
Share of profit/(loss) of companies accounted for using the equity method	9	8	0	5,6%
Total net fees and commissions	207	200	8	3,8%
Gains/(losses) on financial assets and liabilities	161	61	100	164,6%
Exchange differences	2	7	(5)	(70,9%)
Other operating income/(expense)	(3)	(1)	(2)	241,7%
Gross income	886	853	33	3,8%
Administrative expenses	(345)	(362)	17	(4,8%)
Staff costs	(235)	(239)	4	(1,6%)
General expenses	(110)	(124)	14	(10,9%)
Depreciation and amortisation	(41)	(37)	(4)	10,1%
Operating income before provisions	500	454	46	10,2%
Provisions	(99)	(116)	17	(14,3%)
Provisions (net)	8	(28)	36	-
Impairment losses on financial assets (net)	(107)	(87)	(20)	22,5%
Operating profit/(loss)	401	338	63	18,6%
Impairment losses on non-financial assets	(9)	(2)	(6)	258,7%
Other gains and other losses	12	(21)	33	-
Profit/(loss) before tax	404	315	89	28,4%
Corporate income tax	(100)	(78)	(22)	27,9%
Profit/(loss) after tax	304	237	67	28,5%
Profit/(Loss) attributable to minority interests	0	0	-	-
Profit/(loss) attributable to the Group	304	237	67	28,4%
Cost to Income ratio ⁽¹⁾	43,6%	46,8%	-3,2 p.p.	(7,0%)
Recurring Cost to Income ratio ⁽²⁾	53,4%	50,9%	+2,5 p.p.	5,0%

(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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Quarterly Actual P&L

(€ million)	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net interest income	504	517	507	546	577
Dividends	6	0	0	3	0
Share of profit/(loss) of companies accounted for using the equity method	9	9	8	13	8
Total net fees and commissions	207	213	204	207	200
Gains/(losses) on financial assets and liabilities	161	57	65	58	61
Exchange differences	2	(1)	(2)	8	7
Other operating income/(expense)	(3)	(90)	(10)	(2)	(1)
Gross income	886	706	774	833	853
Administrative expenses	(345)	(330)	(346)	(349)	(362)
Staff costs	(235)	(218)	(223)	(227)	(239)
General expenses	(110)	(112)	(123)	(122)	(124)
Depreciation and amortisation	(41)	(46)	(40)	(38)	(37)
Operating income before provisions	500	331	388	446	454
Provisions	(99)	(62)	(52)	(87)	(116)
Provisions (net)	8	(98)	53	(24)	(28)
Impairment losses on financial assets (net)	(107)	35	(105)	(64)	(87)
Operating profit/(loss)	401	268	336	359	338
Impairment losses on non-financial assets	(9)	(3)	3	(6)	(2)
Other gains and other losses	12	(215)	(38)	(28)	(21)
Profit/(loss) before tax	404	50	302	324	315
Corporate income tax	(100)	20	(51)	(79)	(78)
Profit/(loss) after tax	304	70	251	245	237
Resultado atribuido a intereses minoritarios	-	(3)	1	0	0
Profit/(loss) attributable to the Group	304	73	250	245	237
IPO net impact provision	0	0	0	0	0
Reported profit attributable to the Group	304	73	250	245	237
Cost to Income ratio ⁽¹⁾	43,6%	53,2%	49,9%	46,5%	46,8%
Recurring Cost to Income ratio ⁽²⁾	53,4%	57,8%	54,3%	50,5%	50,9%

(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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Bankia Group Balance Sheet

(€ million)	Mar-17	Dec-16	Change	
			Amount	%
Cash and balances at central banks	3.904	2.854	1.050	36,8%
Financial assets held for trading	7.600	8.331	(731)	(8,8%)
Trading derivatives	7.493	8.256	(763)	(9,2%)
Equity instruments	31	5	26	517,2%
Debt securities	76	71	6	8,0%
Available-for-sale financial assets	20.207	25.249	(5.042)	(20,0%)
Debt securities	20.179	25.223	(5.044)	(20,0%)
Equity instruments	28	26	2	7,2%
Loans and receivables	107.628	108.817	(1.189)	(1,1%)
Debt securities	409	563	(154)	(27,3%)
Loans and advances to credit institutions	3.067	3.578	(511)	(14,3%)
Loans and advances to customers	104.152	104.677	(525)	(0,5%)
Held-to-maturity investments	27.994	27.691	302	1,1%
Hedging derivatives	3.358	3.631	(273)	(7,5%)
Equity investments	284	282	2	0,8%
Tangible and intangible assets	1.898	1.878	20	1,1%
Non-current assets held for sale	2.204	2.260	(56)	(2,5%)
Other assets, prepayments and accrued income, and tax assets	8.876	9.174	(298)	(3,2%)
TOTAL ASSETS	183.953	190.167	(6.215)	(3,3%)
Financial liabilities held for trading	8.053	8.983	(930)	(10,4%)
Trading derivatives	7.999	8.524	(525)	(6,2%)
Short positions	54	459	(405)	(88,2%)
Financial liabilities at amortised cost	160.246	164.636	(4.390)	(2,7%)
Deposits from central banks	13.968	14.969	(1.001)	(6,7%)
Deposits from credit institutions	22.599	23.993	(1.395)	(5,8%)
Customer deposits and funding via clearing houses	103.894	105.155	(1.261)	(1,2%)
Debt securities in issue	19.002	19.846	(844)	(4,3%)
Other financial liabilities	783	673	110	16,4%
Hedging derivatives	401	724	(323)	(44,6%)
Provisions	1.197	1.405	(209)	(14,8%)
Other liabilities	1.444	1.582	(138)	(8,8%)
TOTAL LIABILITIES	171.340	177.330	(5.990)	(3,4%)
Minority interests	45	45	0	0,3%
Other accumulated results	282	489	(207)	(42,3%)
Equity	12.285	12.303	(18)	(0,1%)
TOTAL EQUITY	12.612	12.837	(225)	(1,8%)
TOTAL EQUITY AND LIABILITIES	183.953	190.167	(6.215)	(3,3%)



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