

The bank maintains the lead in terms of solvency amongst the large Spanish banks

Bankia posts net attributable profit of 515 million euros in the first half, an increase of 0.1%

- Profit for the second quarter reached 285 million euros, a 24%.2% increase compared with the previous quarter.
- Fee and commission income is up 1.4% on a constant perimeter basis and operating expenses are down 1.7%, as synergies from the BMN merger are captured earlier
- The bank regained the commercial momentum held back by the merger, as evidenced by the growth in new mortgage lending (in the second quarter compare to the first quarter) of 18.1%; 34.6% in consumer credit and 35.8% in lending to businesses
- Managed customer funds grew 2,100 million euros in the half year, with mutual funds and pension funds up 700 million and deposits up 1,400 million
- In the last year, the bank increased net new customers with direct income deposits by 112,000
- Payments in retail outlets using Bankia debit and credit cards grew 12% year-on-year (25.1% in the case of digital transactions), while turnover in the bank's POS terminals rose 14.9%
- The CET1 Fully Loaded ratio, without including the unrealised gains on the sovereign debt portfolio, ended the second quarter at 12.41%, up 46 basis points in the half year
- 40.9% of the bank's customers are digital and 16.8% of purchases now go through digital channels
- Non-earning assets (non-performing loans and gross foreclosed assets) have reduced by 1,700 million euros and the NPL ratio is down 80 basis points in the half-year, at 8.1%



@Bankia
@PressBankia



www.facebook.com/bankia.es

Bankia

Madrid, 26/07/2018. In the first six months of the year, Bankia obtained net attributable profit of 515 million euros, 0.1% more than in the first half of the previous year. Contributing to this result is the growth in fee and commission income, as a result of increased commercial activity, and the decrease in operating expenses, due to savings obtained from the merger with BMN.

The bank's business activity slipped into a higher gear in the second quarter, after a first quarter very closely focused on the integration. The new spurt of activity is apparent in the profit, which from April to June came to 285 million euros, 24.2% more than in the first three months of the year.

As Bankia chairman José Ignacio Goirigolzarri has explained, "Bankia has regained its commercial drive in this second quarter of the year, after completing the IT integration with BMN, and has made early progress in capturing the synergies from the merger, allowing us to post a profit of 515 million euros, in line with our budget forecasts".

The bank's CEO, José Sevilla, has pointed out that the second quarter "has been characterised by a boost in commercial activity, bringing significant growth in new mortgage loans, new consumer loans and lending to businesses".

"Furthermore, we managed to increase the number of customers with direct income deposits by 112,000, thanks to the bank's positioning and the policy of not charging fees and commissions," Sevilla said, adding that, "this improvement in commercial activity has been accompanied by a reduction of 1,700 million euros in non-performing loans and foreclosed assets and further improvements in capital ratios, keeping us in the lead among the large Spanish banks".

Results

In the income statement, net interest income rose 5.3% in the half year as a result of the integration, offsetting the repricing of the mortgage portfolio and lower returns from fixed income securities after the portfolio rotation that took place in 2017 and 2018. On a constant perimeter basis, net interest income would have been down 9.8%.

Net fee and commission income grew 25.6% (1.4% on a constant perimeter basis), to 534 million, thanks to the bank's strong commercial performance, which was mostly observed in the growth in lending and in payment services. Net trading income, meanwhile, was up 11%, at 291 million.



@Bankia
@PressBankia



www.facebook.com/bankia.es

Gross income has increased

Gross income was up 11.8%, although on a like-for-like basis it would have been down 7.5%. The gross income figure takes into account the seasonal effect of the payment to the Single Resolution Fund (SRF), to which the bank made a contribution of 61 million euros in the second quarter.

Operating expenses decreased by 1.7% on a like-for-like basis, which means that the expected synergies from the merger were captured earlier than expected, due to having accelerated the branch closures and the exits of staff who voluntarily opted into the workforce adjustment plan. 87.3% of those who were expected to leave have already left, allowing a reduction in costs of 5.4% in the second quarter compared to the first.

Provisions for loans and foreclosed assets during the second quarter reached 96 million euros, 28.4% lower than those of the first quarter, for a total in the first half of 230 million euros. As a consequence, the cost of risk (ratio of provisions to loans) was down five basis points year-on-year, to 0.20%. As a result of all this, net attributable profit for the half-year is 515 million euros, in line with the 514 million recorded in the first half of 2017.

More customers, more lending and more managed customer funds

On the business front, in the second quarter the bank regained the commercial drive that had been held back by the merger process during the first quarter. This renewed activity translated into strong growth in new lending and an increase in the volumes of managed customer funds, together with an increase in the acquisition of direct deposit customers and a larger volume of business in value-added products such as credit and debit card payments.

In the last 12 months, the bank increased in net terms the number of new customers with direct income deposits (salary or pension) by 112,000. These customers are exempt from paying fees and commissions and usually have a larger number of products with the bank.

The growth in activity between the two quarters is especially apparent in lending. The volume of new mortgage loans grew 18.1%, consumer loans 34.6% and business loans 35.8%.

Thus, in the first half of the year the bank granted 1,385 million euros in mortgages, 1,099 million in consumer credit and 7,495 million in business loans. The stock of business loans grew by 1.9% in the last 12 months, while consumer finance is up 9.9%.



@Bankia
@PressBankia



www.facebook.com/bankia.es

Bankia

Payments in retail outlets using Bankia credit and debit cards grew 12% in the half year compared to the previous year, while the turnover of the bank's POS terminals rose 14.9%. The growth is even greater in the case of e-commerce payments, which grew 25.1%. Already 40.9% of Bankia's customers are digital (two points more than three months ago) and make 16.8% of their purchases in the bank through digital channels (2.2 points more than in the first quarter).

With regards to digitalisation, the bank signed an agreement with PayPal in the first quarter that makes Bankia the first bank in Spain to allow customers to register on the PayPal platform from within the bank itself. In recent weeks it also started to offer its customers the option of using the Apple Pay payment system.

On the retail customer funds side, these increased by 2,100 million euros in the half-year, reaching a total of 149,600 million, after mutual funds and pension funds managed and marketed grew by 700 million and strict customer deposits increased by 1,400 million.

The bank continued increasing its market share in mutual funds, which reached 6.42% at the end of June, up four basis points since the beginning of the year. This growth was assisted by the expansion of the *Expert Management* portfolio management service, which was launched in the past month of april and already accumulates 9% of the total balance of managed funds.

1,700 million euro decrease in non-performing loans and foreclosed assets

The bank continued to improve the quality of its assets, achieving a reduction of 1,700 million euros in non-performing assets in the half year, in line with the trend in previous quarters, and pushing down the NPL ratio. Additionally, this amount is in line with the trend to achieve the targeted annual reduction of 2,900 million euros in non-productive assets

Non-performing loans fell 1,309 million euros in the half-year, due partly to organic factors (reduced inflow of new NPLs and effective recovery management) and partly to sales of loan portfolios. As a result, the NPL ratio fell to 8.1%, compared to 8.9% at the start of year. The NPL coverage ratio reached 55%.

Gross foreclosed assets fell 354 million euros in the last six months, to 4,385 million, after asset sales totalling 309 million during the period, 1.4% more than in the first half of the previous year. This means that the stock of foreclosed properties reduced by 10% in six months, in line with the annual reductions of 20% seen in previous years.



@Bankia
@PressBankia



www.facebook.com/bankia.es

Further increase in solvency, maintaining leadership among the large banks

As regards to solvency Bankia ended the quarter with a Common Equity Tier 1 (CET1) Fully Loaded ratio (i.e., applying in full the Basel III requirements that will not come into force until 2019) of 12.41%, excluding unrealised gains in the sovereign debt portfolio, up 46 basis points on the previous year-end. This ratio implies an excess capital of 343 million euros. If unrealised gains in the fair value portfolio are included, this ratio would have come in at 12.70%, 24 basis points higher.

On a Phase-in basis (i.e. applying current regulatory requirements) and including the unrealised gains in the fair value portfolio, the CET1 ratio is 14.01%. The capital surplus above the SREP requirements for 2018 has continued to increase and already stands at 545 basis points.

In terms of liquidity, the bank ended the quarter with a loan-to-deposit ratio of 92.2% (93.9% at year-end) and liquid assets totalling 30,089 million euros, sufficient to cover the Group's wholesale maturities 1.3 times. External funding from the ECB has been reduced by 1,500 million following the prepayment of the TLTRO I funds and now consists of a total of 13,856 million under the TLTRO II programme.

In April, on the back of this improvement in financial strength, Standard & Poor's upgraded the bank's long-term rating from 'BBB-' to 'BBB', and Fitch Ratings improved the outlook from stable to positive.



@Bankia
@PressBankia



www.facebook.com/bankia.es

Bankia

Main events during the half-year

On 8 January 2018, Bankia and BMN completed the legal merger with the registration of the merger deed in the Commercial Registry.

On 11 January, BMN shareholders received the Bankia shares from the exchange of shares provided for in the merger agreements, at the rate of one ordinary share of Bankia, with a nominal value of one euro, for every 7.82987 ordinary shares of BMN, also with a nominal value of one euro per share. To implement the transaction, Bankia issued 205,630,814 new shares with a nominal value of one euro per share (7.142% of the absorbing company's share capital before the merger).

On 12 January, the newly issued shares of Bankia were admitted to trading on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges.

On 19 January, the CNMV approved the changes affecting the funds included in Bankia Fondos that were previously marketed by BMN.

On 26 January, the Bankia Board of Directors named Carlos Egea as executive director and proposed to the General Meeting of Shareholders a dividend distribution of 340 million euros, 7% more than the previous year, the equivalent of 11.024 cents per share.

On 6 February, Bankia and Aon signed an agreement to advise large companies in the contracting of specialised insurance products.

On 6 February, Fitch improved the outlook for Bankia from stable to positive and reaffirmed its 'BBB-' rating.

On 15 February, Bankia signed an agreement on redundancies with union representatives.

On 23 February, Bankia agreed to acquire the 50% of Caja Granada Vida held by Ahorro Andaluz (owned by Aviva and Unicaja) and Cajamurcia Vida y Pensiones, owned by Aviva, thus starting the reorganisation of its bancassurance business after the merger with BMN.

On 27 February, Bankia presented its Strategic Plan 2018-2020, which is aimed at being "the best bank in Spain" in efficiency, capital adequacy and profitability, as well as in customer satisfaction. The bank announced that it expects to distribute more than 2,500 million euros to its shareholders over the next three years, more than twice the 1,160 million paid out in the last four years.

On 7 March, Bankia and Crédit Agricole agreed to begin exclusive negotiations to set up a consumer finance joint venture

On 13 March, Bankia announced it was waiving fees and commissions, as from 1 April, for more than 520,000 former BMN customers with direct income deposits.



@Bankia
@PressBankia



www.facebook.com/bankia.es

Bankia

On 19 March, Bankia concluded the integration of technology platforms after its merger with BMN.

El 22 March, Bankia and PayPal partnered to improve their customers' payment experience in Spain.

On 26 March, Bankia announced the appointment of Elena Bernal as Data Protection and Privacy officer to reinforce the security of its customers' data.

On 6 April, S&P raised Bankia's rating one notch from 'BBB-' to 'BBB'.

On 20 April, Bankia paid out 340 million in dividends, bringing the total amount of state aid now repaid to 2,864 million euros. On 27 April, Bankia unified all the management of its real estate assets in Haya Real Estate.

On 2 May, the bank announced the opening of new Bankia Banca Privada branches in Granada, Murcia and Palma de Mallorca.

On 10 May, Bankia reached an agreement with the Provincial Council of Granada for the introduction of an "Ofibús" mobile banking unit to serve villages in the province that have no bank branch.

On 29 May, the bank reduced the interest rate on loans for the purchase of ecologically friendly vehicles by 1.25 points, to 4.75% (fixed).

On 11 June, the bank launched 'Bankia Fácil', a set of practical responses Bankia offers to make its customers' lives easier.

As from the July 3, Bankia's customers can enjoy 'Apple Pay' mobile payment service.

www.bankia.com

www.bankiaresponde.com

www.darcuerda.com

www.blogbankia.es



@Bankia
@PressBankia



www.facebook.com/bankia.es

Bankia

KEY 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

(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

YEARLY P&L

			Change	
			Amount	%
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) Dato proporcionado para facilitar la comparativa del resultado atribuido en términos homogéneos en ambos períodos.

(2) Operating expenses / Gross income

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



@Bankia
 @PressBankia



www.facebook.com/bankia.es

QUARTERLY P&L

(€ 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



@Bankia
@PressBankia



www.facebook.com/bankia.es

BALANCE SHEET

(€ million)	Jun-18	Dec-17 ⁽¹⁾	Change	
			Amount	%
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 subsidiaries, 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 liabilities	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 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.



@Bankia
@PressBankia



www.facebook.com/bankia.es