Bankia

Q3 results improve on previous two quarters and once again exceed market consensus

Bankia obtains a net attributable profit of 731 million euros in the year to September, down 14.5%

- The CET1 fully loaded ratio continues its upward trend, reaching 13.24%, compared to 12.26% at the end of 2015
- The stock of non-performing loans and foreclosed assets is down almost 2,000 million euros in the year to date, while the NPL ratio is down to 9.5%
- Lending to businesses and consumer finance is up 1.9% year-on-year
- Customer funds are up 1,724 million in the nine months to September, with growth in deposits and off-balance-sheet funds
- Multichannel customers already account for 36.3% of the total and digital-only customers, for 15.3%
- The deconsolidation of CNB, the depreciation of the Sareb bonds and the fall of the Euribor have affected accumulated profit
- Expenses remain under control and are down 2.3% on a constant perimeter basis, keeping the efficiency ratio ex NTI at 51.8%
- Return on equity is unchanged at 8.2%, the highest of the six largest banks

Madrid, 26/10/2016. Bankia achieved a net attributable profit of 731 million euros in the first nine months of the year, 14.5% less than in the same period of 2015. The decline is due to the effect of the deconsolidation of City National Bank of Florida (CNB), which was sold in October last year, the depreciation of the SAREB bonds, the fall in interest rates, especially the one-year Euribor, which has been in negative territory since March this year, and the decision taken one year ago to eliminate mortgage floor clauses. Without the effect of the sale of CNB, profit would have been down 9.9%.

On a quarterly basis, however, attributable profit moved upward, from 237 million euros in the first quarter to 245 million euros in the second and 250 million euros in the third, which represents growth of 2.2% quarter-on-quarter.

Bankia's CEO José Sevilla said that "Bankia continues to demonstrate its ability to improve the quality of its balance sheet. Each quarter, we have succeeded in reducing the balance of non-earning assets, maintained our coverage levels and increased our solvency." Seville emphasised that "strong capital levels and high efficiency are key factors for facing the current difficult interest rate environment".

The CEO of Bankia added that "the effort we have made to keep costs under control and reduce the level of provisions, through improvements in balance sheet quality, have allowed us to maintain high levels of profitability".

As regards business trends, Sevilla said that "the strategy of waiving fees, which was launched at the start of the year, has continued to yield good results, both in terms of attracting new customers and in cross-selling to existing customers".

The Bankia CEO also stressed that this quarter "Bankia was included in the Dow Jones Sustainability Index. This is a very important milestone, one that we are very proud of, because it implies the approval not just of the Bank's management results but of how the Bank is being managed." The aspects of Bankia that were assessed include corporate governance, transparency and the management of stakeholder expectations and needs.

Results

In the first nine months of the year, net interest income reached 1,631 million euros, down 21.4%, or 16.9% if we discount the effect of the deconsolidation of CNB. The deconsolidation of CNB deducted 112 million euros from interest income, while the repricing of the SAREB bonds subtracted 119 million euros and the effect of the fall in the Euribor on the loan portfolio removed 161 million euros. The Bank's decision to eliminate floor clauses from mortgage agreements deducted a further 28 million euros.

The figure for net fee and commission income reflects the effect of the elimination, in January, of all fees for customers who have direct-deposit arrangements in their account at Bankia for their income. In the first nine months of the year, net fee and commission income totalled 611 million euros, down 13.8%.

Net trading income came to 184 million euros, down 18%, due to reduced portfolio sales compared to 2015.

As a result, gross income for the first nine months of the year totalled 2,460 million euros, down 18.8%. Without the effect of the deconsolidation of CNB, the decline would have been 15.5% compared to the same period of 2015.

Decrease in expenses

In this difficult environment of negative interest rates, managing costs and controlling NPLs in order to reduce provisions, are key management levers.

Operating expenses continue the downward trend seen in previous quarters. In the first nine months of the year they totalled 1,172 million euros, a fall of 2.3%, excluding the effect of the deconsolidation of CNB. Including the expenses of CNB in 2015, the decline would have been 6.5%.

Cost control has allowed Bankia to maintain an efficiency ratio excluding net trading income of 51.8%, outperforming the industry average by more than nine percentage points. Net operating income before provisions was 1,288 million euros, down 27.4%.

Continued improvement in the quality of the Bank's balance sheet, with falls both in NPLs and in foreclosed assets, brought a decrease in provisioning expense, which totals 321 million euros in the year to date, down 47.5%.

As a result of all this, net attributable profit for the first nine months of the year was 731 million euros, down 14.5%. Stripping out the contribution of CNB in 2015, the decrease would be 9.9%. In quarterly terms, profit for the period from July to September was 250 million euros, 2.2% higher than the previous quarter.

These results maintain return on equity (ROE) at 8.2%, the highest of Spain's six largest banks.

Customer satisfaction

The new positioning with customers put into effect at the start of the year continues to bring clear improvement in customer satisfaction rates, encouraging them to intensify their relationship with the bank.

The mystery shopper exercises that assess the quality of the attention customers receive once again returned improved scores for Bankia in the third quarter, rising to 7.62 points out of 10, further widening its advantage over the sector average, which declined to 7.06. The customer satisfaction index continued rising to reach 86.8%, a gain of 4.4 percentage points over the 2015 reading.

Having customers with a higher degree of satisfaction increases the options for the bank to interact with them and this is clearly reflected in the figures. In the first nine months of the year, the number of credit cards in use grew by 246,349, three times the increase recorded in the same period in 2015. The number of customers with direct deposit of their income continued rising (109,212 more) and billings through the bank's POS terminals were up nearly 20%.

On the lending side, activity was brisk in consumer loans and in financing of the self-employed and SMEs. Consumer loans outstanding rose in the last year by 14.9%, while loans to business were up almost 1%. In the last year, the balance in both segments grew 700 million euros, to 38,200 million euros, a gain of 1.9%.

Customers funds, meanwhile, increased 1,724 million in nine-month period. Deposits were up 1,020 million euros, to reach 98,010 million euros. Off-balance-sheet funds (mutual funds and pension plans) grew 704 million euros, reaching 19,720 million euros.

Multichannel customers

Bankia's determined move towards a multichannel customer relationship model continues to provide good results. 36.3% of customers perform transactions with the bank using physical and virtual means, up nearly five points since year-end 2015 (31.5%). 15.3% of customers are digital-only, compared with 13.8% in December of last year.

The new programmes that have been developed include the ‘Connect with your expert’ service, targeted at customers who prefer to be attended via channels other than the branch office. In the last nine months, Bankia achieved more than twofold growth in the number of customers in this service —229,018 against 104,409 at the end of 2015— and in the business volume generated by these customers, which now tops 9,300 million euros.

Bankia's target was to reach the end of the year with 450,000 customers signed up for this service and the strong progress made thus far has led it to improve the projections to half a million.

Decrease in NPLs and foreclosed assets

During the first nine months of the year, Bankia managed to reduce its non-performing loans and volume of foreclosed assets by almost 2,000 million, which the sector refers to as non-earning assets.

Between January and September, the balance of non-performing loans declined 1,697 million euros to 11,298 million euros. This helped consolidate the NPL ratio at below 10%, closing the third quarter at 9.5%, 1.3 percentage points below the 10.8% recorded at year-end 2015.

This decline in the NPL ratio was achieved in parallel to an improvement in the coverage of the non-performing loans that remain on the balance sheet. The coverage ratio rose from 60% in December 2015 to 60.5% at the close of the third quarter of 2016.

The net balance of foreclosed assets was brought down by 205 million euros in the first nine months of the year, to end 3Q at 2,484 million euros, with coverage of around 30%. More than 80% of the foreclosed assets on the balance sheet are completed housing units.

Solvency strengthens

Improved capital adequacy continues to be a constant in Bankia. In the year to date the CET1 phase-in ratio is up 92 basis points, at 14.81%. On a fully loaded basis, that is, applying the future regulatory requirements today, the ratio would be 13.24%, after improving 98 basis points in the first nine months of 2016. These figures do not include capital gains in the portfolios of sovereign debt securities.

On the liquidity side, the loan-to-deposit ratio is below 100%, at 99.2%, after having improved 2.7 percentage points over the course of the year.

Bankia's comfortable liquidity position and the change in the structure of the balance sheet has allowed dependence on European Central Bank (ECB) financing to be reduced significantly. There only remain on the balance sheet the TLTRO contributions associated with new lending for consumers and SMEs, two priority areas for Bankia. Four years ago the BFA-Bankia Group drew more than 82,000 million euros from the ECB.

Results of BFA

Bankia's parent company, BFA, posted a net profit of 542 million euros in the first nine months of the year, against 1,890 million euros for the same period in 2015. Last year, BFA disposed of a large part of its bond portfolios, generating extraordinary income of 1,626 million euros.

Highlights of the first nine months of 2016

On 11 January, Bankia withdrew fees and commissions from 2.4 million customers and announced that it would not charge any fees or commissions to customers who have their income paid directly into their account.

On 21 January, Bankia issued 1,000 million euros of five-year mortgage covered bonds.

On 5 February, Bankia and the European Investment Bank signed an agreement to jointly grant 1,000 million euros of loans to SMEs and the self-employed.

On 17 February, Bankia started a process to refund the entire investment to minority shareholders who subscribed for shares in the IPO.

On 23 February, Fitch raised Bankia's long-term rating from "BB+" to "BBB-", thus restoring the Bank's rating to investment grade.

On 1 March, Bankia launched the "mobile payments" service through its Bankia Wallet application.

On 3 March, Bankia placed 1,000 million euros of seven-year mortgage covered bonds.

On 15 March, the General Meeting of Shareholders of Bankia approved the payment of a dividend of 302 million euros, 50% more than the previous year. Of that total, 195 million went to the State, thus increasing to 1,627 million euros the amount of aid returned to taxpayers.

On 17 March, Bankia and FCC completed the sale of their interest in Globalvía Infraestructuras for 420 million euros.

On 1 April, the Board of Bankia appointed Joaquín Ayuso new lead director. Fernando Fernández joined the Appointments and Remuneration committees and Antonio Greño was appointed chairman of the Audit and Compliance Committee.

On 5 April, S&P raised Bankia's rating from "BB" to "BB+" and maintained its positive outlook.

On 11 May, Bankia announced that it would stop charging fees and commissions to self-employed customers who have their social security or taxes paid directly out of their account at the Bank.

On 10 June, together with Innsomnia, Bankia started Spain's first fintech incubator and accelerator.

On 14 June, Bankia launched "Inveinte", a free solution to help companies identify any official aid for which they may be eligible.

On 28 June, Bankia launched the "Pago entre amigos" service for free instant payments from one mobile phone to another.

On 6 July, BFA-Bankia sold a portfolio of non-performing and defaulted loans of 385.9 million euros, in different industrial sectors.

On 8 July, the rating agency DBRS assigned its first rating to Bankia with a long-term rating of 'BBB (high)' for unsecured senior debt and deposits, with a stable outlook.

On 29 July, the results of the EBA stress tests were released, finding that the BFA-Bankia Group would be the most solvent Spanish bank in a very adverse economic situation, with a CET 1 phase-in solvency ratio of 10.6% in 2018.

On 7 September, the EIB and Bankia signed an agreement to provide a total of 100 million euros in financing to agrofood businesses.

On 8 September, Bankia was recognised as one of the most sustainable companies in the work with its listing in the Dow Jones Sustainability Index (DJSI).

BANKIA KEY DATA

	Sep-16	Dec-15	Change
Balance sheet (€ million)			
Total assets	195,804	206,970	(5.4%)
Loans and advances to customers (net)[1]	106,028	110,570	(4.1%)
Loans and advances to customers (gross)[1]	112,448	117,977	(4.7%)
Customer deposits and clearing houses	130,148	132,629	(1.9%)
Borrowings, marketable securities	107,947	108,702	(0.7%)
Subordinated liabilities	21,161	22,881	(7.5%)
Total managed customer funds	1,040	1,046	(0.5%)
Borrowings, marketable securities	149,869	151,645	(1.17%)
Equity	12,349	11,934	3.5%
Common Equity Tier I - BIS III Phase In	11,442	11,289	1.4%
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	14.81%	13.89%	+0.92 p.p.
Total capital ratio - BIS III Phase In	16.18%	15.16%	+1.02 p.p.
Ratio CET1 BIS III Fully Loaded	13.24%	12.26%	+0.98 p.p.
Risk management (€ million and %)			
Total risk [2]	118,469	120,924	(2.0%)
Non performing loans	11,298	12,995	(13.1%)
NPL provisions	6,839	7,794	(12.2%)
NPL ratio [2]	9.5%	10.8%	-1.3 p.p.
NPL coverage ratio	60.5%	60.0%	+0.5 p.p.

	Sep-16	Sep-15	Change
Results (€ million)			
Net interest income	1,631	2,075	(21.4%)
Gross income	2,460	3,030	(18.8%)
Operating income before provisions	1,288	1,773	(27.4%)
Profit/(loss) attributable to the Group	731	855	(14.5%)
Ratios relevantes (%)			
Cost to Income ratio (Operating expenses / Gross income)	47.7%	41.5%	+6.2 p.p.
R.O.A. (Profit after tax / Average total assets) [3]	0.5%	0.5%	-
RORWA (Profit attributable to the group / RWAs) [4]	1.3%	1.3%	-
R.O.E. (Profit attributable to the group / Equity) [5]	8.2%	9.9%	-1.7 p.p.
ROTE (Beneficio atribuido / average tangible equity[6]	8.4%	10.2%	-1.8 p.p.

	Sep-16	Dec-15	Change
Acción Bankia			
Number of shareholders	316,103	435,755	(27.5%)
Number of shares in issue (million)	11,517	11,517	-
Closing price (end of period)	0.73	1.07	(32.0%)
Market capitalisation (€ million)	8,408	12,370	(32.0%)
Earnings per share [8]	0.08	0.09	(6.0%)
Tangible accounting value per share [9] (euros)	1.12	1.08	3.1%
PER (Market Value per Share / Earnings per Share) [7]	8.61	11.89	(27.7%)
Tangible book value per share [7]	0.65	0.99	(34.1%)
Información Adicional			
Number of branches	1,855	1,932	(4.0%)
Number of employees	13,478	13,569	(0.7%)

(1) Includes transactions with BFA (Sep-16 €168mn; Dec-15 €2,005mn)
(2) NPL ratio excludes transactions with BFA (Sep-16 €168mn; Dec-15 €2,005mn)
(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 30th September and 31st 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 EX CNB

(€ million)	9M 2016	9M 2015	Change/ 9M 2015 Amount	%
Net interest income	**1,631**	**1,964**	**(333)**	**(16.9%)**
Dividends	4	4	0	11.5%
Share of profit/(loss) of companies accounted for using the equity m	29	24	5	21.3%
Total net fees and commissions	611	701	(90)	(12.9%)
Gains/(losses) on financial assets and liabilities	184	223	(39)	(17.5%)
Exchange differences	14	21	(7)	(34.7%)
Other operating income/(expense)	(12)	(26)	14	(53.0%)
Gross income	**2,460**	**2,910**	**(450)**	**(15.5%)**
Administrative expenses	(1,057)	(1,092)	36	(3.3%)
Staff costs	(688)	(697)	8	(1.2%)
General expenses	(368)	(396)	27	(6.9%)
Depreciation and amortisation	(116)	(107)	(8)	7.7%
Operating income before provisions	**1,288**	**1,710**	**(422)**	**(24.7%)**
Provisions	(255)	(472)	217	(45.9%)
Provisions (net)	1	40	(39)	(97.1%)
Impairment losses on financial assets (net)	(256)	(512)	256	(49.9%)
Operating profit/(loss)	**1,032**	**1,238**	**(206)**	**(16.6%)**
Impairment losses on non-financial assets	(5)	(14)	9	(64.0%)
Other gains and other losses	(87)	(131)	44	(33.9%)
Profit/(loss) before tax	**941**	**1,093**	**(152)**	**(13.9%)**
Corporate income tax	(209)	(261)	53	(20.1%)
Profit/(loss) after tax	**732**	**832**	**(100)**	**(12.0%)**
Profit/(Loss) attributable to minority interests	1	20	(19)	(96.8%)
Reported profit attributable to the Group	**731**	**812**	**(80)**	**(9.9%)**
Cost to Income ratio (1)	**47.7%**	**41.2%**	**+6.5 p.p.**	**15.8%**
Recurring Cost to Income ratio (2)	**51.8%**	**45.0%**	**+6.8 p.p.**	**15.1%**

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

Bankia

BANKIA GROUP P&L

(€ million)	9M 2016	9M 2015	Change / 9M 2015 Amount	%
Net interest income	**1.631**	**2.075**	**(444)**	**(21,4%)**
Dividends	4	5	(1)	(22,4%)
Share of profit/(loss) of companies accounted for using the equity m	29	24	5	21,3%
Total net fees and commissions	611	708	(98)	(13,8%)
Gains/(losses) on financial assets and liabilities	184	224	(40)	(18,0%)
Exchange differences	14	21	(7)	(34,7%)
Other operating income/(expense)	(12)	(28)	16	(55,7%)
Gross income	**2.460**	**3.030**	**(570)**	**(18,8%)**
Administrative expenses	(1.057)	(1.150)	93	(8,1%)
Staff costs	(688)	(736)	48	(6,5%)
General expenses	(368)	(414)	45	(11,0%)
Depreciation and amortisation	(116)	(107)	(8)	7,7%
Operating income before provisions	**1.288**	**1.773**	**(486)**	**(27,4%)**
Provisions	(255)	(473)	217	(46,0%)
Provisions (net)	1	40	(39)	(97,1%)
Impairment losses on financial assets (net)	(256)	(513)	256	(50,0%)
Operating profit/(loss)	**1.032**	**1.301**	**(268)**	**(20,6%)**
Impairment losses on non-financial assets	(5)	(14)	9	(64,0%)
Other gains and other losses	(87)	(131)	44	(33,7%)
Profit/(loss) before tax	**941**	**1.156**	**(215)**	**(18,6%)**
Corporate income tax	(209)	(281)	72	(25,7%)
Profit/(loss) after tax	**732**	**875**	**(143)**	**(16,4%)**
Profit/(Loss) attributable to minority interests	1	20	(19)	(96,8%)
Reported profit attributable to the Group	**731**	**855**	**(124)**	**(14,5%)**
Cost to Income ratio (1)	**47,7%**	**41,5%**	**+6,2 p.p.**	**14,9%**
Recurring Cost to Income ratio (2)	**51,8%**	**45,1%**	**+6,7 p.p.**	**14,8%**

(1) Operating expenses / Gross income

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

BANKIA GROUP P&L

(€ million)	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Net interest income	**507**	**546**	**577**	**658**	**648**	**657**	**659**
Dividends	0	3	0	0	0	3	1
Share of profit/(loss) of companies accounted for using th	8	13	8	8	7	12	6
Total net fees and commissions	204	207	200	228	225	245	230
Gains/(losses) on financial assets and liabilities	65	58	61	56	73	77	72
Exchange differences	(2)	8	7	9	10	13	(1)
Other operating income/(expense)	(10)	(2)	(1)	(192)	(4)	(10)	(12)
Gross income	**774**	**833**	**853**	**767**	**959**	**997**	**954**
Administrative expenses	(346)	(349)	(362)	(359)	(357)	(365)	(371)
Staff costs	(223)	(227)	(239)	(233)	(228)	(231)	(237)
General expenses	(123)	(122)	(124)	(126)	(128)	(134)	(134)
Depreciation and amortisation	(40)	(38)	(37)	(39)	(38)	(36)	(33)
Operating income before provisions	**388**	**446**	**454**	**369**	**564**	**596**	**550**
Provisions	(52)	(87)	(116)	(76)	(149)	(148)	(175)
Provisions (net)	53	(24)	(28)	(8)	5	12	23
Impairment losses on financial assets (net)	(105)	(64)	(87)	(67)	(155)	(160)	(198)
Operating profit/(loss)	**336**	**359**	**338**	**294**	**415**	**448**	**375**
Impairment losses on non-financial assets	3	(6)	(2)	42	(4)	(9)	(2)
Other gains and other losses	(38)	(28)	(21)	(60)	(29)	(45)	(57)
Profit/(loss) before tax	**302**	**324**	**315**	**276**	**382**	**394**	**317**
Corporate income tax	(51)	(79)	(78)	(25)	(83)	(98)	(80)
Profit/(loss) after tax	**251**	**245**	**237**	**251**	**299**	**296**	**237**
Profit/(Loss) attributable to minority interests	1	0	0	1	14	1	5
Profit/(loss) attributable to the Group	**250**	**245**	**237**	**250**	**285**	**296**	**232**
Effect of IPO provision (net)	-	-	-	(184)	-	-	-
Reported profit attributable to the Group	**250**	**245**	**237**	**66**	**285**	**296**	**232**
Cost to Income ratio (1)	**49,9%**	**46,5%**	**46,8%**	**51,9%**	**41,2%**	**40,2%**	**42,4%**
Recurring Cost to Income ratio (2)	**54,3%**	**50,5%**	**50,9%**	**56,7%**	**45,1%**	**44,2%**	**45,7%**

(1) Operating expenses / Gross income

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

Bankia

BANKIA GROUP BALACE SHEET

			Change s/Dec-15	
(€ million)	Sep-16	Dec-15	Amount	%
Cash and balances at central banks	2,811	4,042	(1,230)	(30.4%)
Financial assets held for trading	9,797	12,202	(2,405)	(19.7%)
Trading Derivatives	9,715	12,076	(2,361)	(19.5%)
Debt Securities	8	54	(45)	(84.6%)
Equity Instuments	73	72	1	1.2%
Available-for-sale financial assets	28,778	31,089	(2,311)	(7.4%)
Debt securities	28,752	31,089	(2,337)	(7.5%)
Equity instruments	26	0	26	-
Loans and receivables	110,584	116,713	(6,129)	(5.3%)
Debt securities	604	762	(158)	(20.7%)
Loans and advances to credit institutions	3,952	5,381	(1,429)	(26.6%)
Loans and advances to customers	106,028	110,570	(4,542)	(4.1%)
Held-to-maturity investments	25,856	23,701	2,155	9.1%
Hedging derivatives	4,197	4,073	124	3.0%
Tangible and intangible assets	292	285	6	2.2%
Tangible and intangible assets	1,870	2,261	(391)	(17.3%)
Non-current assets and disposal groups held for sale	2,550	2,962	(412)	(13.9%)
Other assets	9,069	9,642	(572)	(5.9%)
TOTAL ASSETS	**195,804**	**206,970**	**(11,166)**	**(5.4%)**
Financial liabilities held for trading	10,015	12,408	(2,392)	(19.3%)
Derivatives	9,970	12,394	(2,424)	(19.6%)
Short selling	45	14	32	-
Financial liabilities at amortised cost	168,932	176,276	(7,345)	(4.2%)
Deposits from central banks	14,968	19,474	(4,506)	(23.1%)
Deposits from credit institutions	23,105	23,228	(123)	(0.5%)
Customer deposits and funding via clearing houses	107,947	108,702	(755)	(0.7%)
Subordinated liabilities	22,201	23,927	(1,725)	(7.2%)
Other financial liabilities	710	945	(235)	(24.9%)
Hedging derivatives	944	978	(34)	(3.5%)
Provisions	1,240	2,898	(1,658)	(57.2%)
Other liabilities	1,576	1,714	(138)	(8.1%)
TOTAL LIABILITIES	**182,707**	**194,274**	**(11,567)**	**(6.0%)**
Minority interests	47	66	(19)	(29.0%)
Valuation adjustments	701	696	5	0.8%
Equity	12,349	11,934	415	3.5%
TOTAL EQUITY	**13,097**	**12,696**	**401**	**3.2%**
TOTAL EQUITY AND LIABILITIES	**195,804**	**206,970**	**(11,166)**	**(5.4%)**

Note: Since June 2016, the consolidated financial statements of the Bankia group are reported after adjusting the content of the public information to the the so-called FINREP criteria, which is mandatory and established by the European Union rules for credit institutions. As a result, the balance sheet shown in this report is adapted to these criteria, not only for September 2016 but also for December 2015, for comparison purposes.

BFA GROUP RELEVANT DATA

(€ million)	Sep-16	Dec-15	Change
Total assets	199.952	213.699	(6,4%)
Loans and advances to customers (net)	105.880	108.573	(2,5%)
Loans and advances to customers (gross)	112.423	116.127	(3,2%)
Loans and advances to the resident private sector (gross)	92.480	93.784	(1,4%)
Secured loans and advances (gross)	67.459	70.014	(3,6%)
On-balance-sheet customer funds	129.778	132.954	(2,4%)
Customer deposits and clearing houses	107.566	107.430	0,1%
Borrowings, marketable securities	21.172	24.478	(13,5%)
Subordinated liabilities	1.040	1.046	(0,5%)
Total managed customer funds	149.498	151.970	(1,6%)
Equity	8.965	8.736	2,6%
Common Equity Tier I - BIS III Phase In	11.747	12.130	(3,2%)
Capital adequacy (%)			
Common Equity Tier I - BIS III Phase In	14,83%	14,58%	+0,25 p.p.
Total capital ratio - BIS III Phase In	15,71%	15,55%	+0,16 p.p.
Ratio CET1 BIS III Fully Loaded	13,29%	12,88%	+0,41 p.p.
Risk management (€ million and %)			
Total risk	118.767	122.182	(2,8%)
Non performing loans	11.380	13.100	(13,1%)
NPL provisions	6.963	7.942	(12,3%)
NPL ratio	9,58%	10,72%	(1,14) p.p.
NPL coverage ratio	61,18%	60,63%	+0,56 p.p.
	Sep-16	**Sep-15**	**Change**
Results (€ million)			
Net interest income	1.672	2.138	(21,8%)
Gross income	2.722	4.438	(38,7%)
Operating income before provisions	1.544	3.174	(51,3%)
Profit/(loss) after tax	542	1.890	(71,3%)

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BFA GROUP P&L

(€ million)	9M 2016	9M 2015	Change Amount	Change %
Net interest income	**1.672**	**2.138**	**(466)**	**(21,8%)**
Dividends	4	5	(1)	(22,5%)
Share of profit/(loss) of companies accounted for using the equity	29	24	5	21,3%
Total net fees and commissions	596	655	(58)	(8,9%)
Gains/(losses) on financial assets and liabilities	423	1.626	(1.203)	(74,0%)
Exchange differences	14	23	(9)	(40,0%)
Other operating income/(expense)	(16)	(32)	16	(49,1%)
Gross income	**2.722**	**4.438**	**(1.717)**	**(38,7%)**
Administrative expenses	(1.062)	(1.157)	95	(8,2%)
Staff costs	(688)	(736)	48	(6,5%)
General expenses	(373)	(421)	48	(11,3%)
Depreciation and amortisation	(116)	(107)	(8)	7,7%
Operating income before provisions	**1.544**	**3.174**	**(1.630)**	**(51,3%)**
Provisions	(394)	(180)	(214)	-
Provisions (net)	(248)	(474)	226	(47,7%)
Impairment losses on financial assets (net)	**903**	**2.521**	**(1.618)**	**(64,2%)**
Impairment losses on non-financial assets	(5)	(14)	9	(64,0%)
Other gains and other losses	(69)	(80)	11	(13,3%)
Profit/(loss) before tax	**828**	**2.427**	**(1.599)**	**(65,9%)**
Corporate income tax	(286)	(538)	252	(46,8%)
Profit/(loss) from continuing operations	**542**	**1.890**	**(1.347)**	**(71,3%)**
Profit/(loss) from discontinued operations	0	0	0	-
Profit/(loss) after tax	**542**	**1.890**	**(1.347)**	**(71,3%)**
Profit/(Loss) attributable to minority interests	254	331	(77)	(23,1%)
Profit/(Loss) attributable to the Group	**288**	**1.559**	**(1.271)**	**(81,5%)**

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BFA GROUP BALANCE

(€ million)	Sep-16	Dec-15	Change Amount	Change %
Cash and balances at central banks	2.811	2.979	(168)	(5,6%)
Financial assets held for trading	9.797	10.828	(1.031)	(9,5%)
Of which: loans and advances to customers	*0*	*0*	*0*	-
Available-for-sale financial assets	58.146	63.522	(5.375)	(8,5%)
Debt securities	58.120	63.522	(5.401)	(8,5%)
Equity instruments	26	0	26	-
Loans and receivables	110.437	115.873	(5.435)	(4,7%)
Bank deposits	3.952	6.537	(2.585)	(39,5%)
Loans and advances to customers	109.833	108.573	1.260	1,2%
Rest	604	763	(158)	(20,7%)
Held-to-maturity investments	0	0	0	-
Hedging derivatives	4.197	4.220	(23)	(0,5%)
Non-current assets held for sale	2.542	2.968	(426)	(14,4%)
Equity investments	292	285	6	2,2%
Tangible and intangible assets	1.871	2.261	(391)	(17,3%)
Other assets, prepayments and accrued income, and tax assets	9.860	10.763	(904)	(8,4%)
TOTAL ASSETS	**199.952**	**213.699**	**(13.746)**	**(6,4%)**
Financial liabilities held for trading	10.015	11.034	(1.018)	(9,2%)
Financial liabilities at amortised cost	170.761	180.471	(9.710)	(5,4%)
Deposits from central banks	14.968	19.474	(4.506)	(23,1%)
Deposits from credit institutions	25.315	27.098	(1.783)	(6,6%)
Customer deposits and funding via clearing houses	107.566	107.430	136	0,1%
Debt securities in issue	21.172	24.478	(3.306)	(13,5%)
Subordinated liabilities	1.040	1.046	(5)	(0,5%)
Other financial liabilities	699	944	(245)	(25,9%)
Hedging derivatives	944	2.352	(1.408)	(59,9%)
Liabilities under insurance contracts	0	0	0	-
Provisions	1.812	3.417	(1.605)	(47,0%)
Other liabilities, accruals and deferred income, and tax liabilitie	1.874	2.015	(141)	(7,0%)
TOTAL LIABILITIES	**185.406**	**199.289**	**(13.882)**	**(7,0%)**
Minority interests	4.711	4.676	34	0,7%
Valuation adjustments	870	998	(128)	(12,8%)
Equity	8.965	8.736	229	2,6%
TOTAL EQUITY	**14.546**	**14.410**	**136**	**0,9%**
TOTAL EQUITY AND LIABILITIES	**199.952**	**213.699**	**(13.746)**	**(6,4%)**

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