Capital has increased and still the most solvent of the large Spanish banks

Bankia stabilises its margins and posts net profit of 205 million in the first quarter, a decrease of 10.8%

- Core earnings, i.e. pure banking profit, reached 306 million euros, up 0.3% vs. one year ago
- The CET1 Fully Loaded ratio reached 12.61%, up 22 basis points during the quarter
- For the first time in recent years, the balance of total performing loans has increased and now exceeds 106,500 million
- New mortgage lending and new consumer lending record year-on year growth of 14.6% and 25.8% respectively, while the balance of loans to companies advances 6.4%
- Non-performing loans fall by close to 500 million euros in the quarter, reducing the NPL ratio by 250 basis points, to 6.2%
- The rate of customer acquisition continues to increase, with the customer base up by 137,000 people in the last year and direct income deposits, up 133,000
- The volume of assets managed in mutual funds increased by 898 million in the quarter, to 20,012 million euros, growth of 4.7% in just one quarter
- Customer satisfaction has reached record levels and stands at 90.1 points at the end of March, demonstrating the success of the merger with BMN
- 23.5% of the bank's total sales were made through digital channels, with the digital customer base expanding by 586,000 in the last 12 months

Madrid, 29/04/2019. Bankia obtained a net attributable profit of 205 million euros during the first quarter of 2019, a decrease of 10.8% compared to the same period of the previous year. The result for the quarter includes the impact of application of the new IFRS 16 accounting standard and lower trading income.

Focusing on the core banking business (net interest income, plus fees and commissions, less expenses), profit comes to 306 million euros, an increase of 0.3%. This performance shows that the bank's increased emphasis on sales, the improvement in lending and post-merger cost synergies are all bearing fruit.

Bankia chairman José Ignacio Goirigolzarri stated, "we have strong earnings, totalling 205 million euros, and are also very satisfied because, together with these results, we have put the BMN merger behind us".

"This is apparent in various aspects: our customers' level of satisfaction increased very significantly in this first quarter; activity levels are improving at an increasing pace, which will soon translate into results; and our loan book has grown in this quarter for the first time in recent years," Goirigolzarri explained. He concluded, "I believe this is very good news for Bankia's customers and shareholders."

CEO José Sevilla, for his part, emphasised that "this first quarter has seen an improvement in solvency and a boost in sales, especially in the businesses we have targeted in our Strategic Plan: lending, payment services, mutual funds and insurance."

"The most important thing for us this quarter, however, has been the steady growth in number of customers," Sevilla went on, pointing out that "in the last twelve months we have gained more than 137,000 new customers."

"Also, we are continuing to reduce non-performing assets, which fell by close to 500 million euros during the quarter," he said, adding that "once again, we have also increased our capital ratio, by 22 basis points, during this first quarter, putting us back at the head of the large Spanish banks in terms of solvency."

Margins stabilising and expenses contained

Net interest income performed better, reaching 502 million euros (-4.2% with the effect of IFRS16 and -4.7% without it), showing a more stable trend during the quarter. This performance is attributable to a smaller contribution from the fixed income portfolios after the sales completed in 2018 and the improvement in customer margin (the difference between the cost of deposits and the yield on loans), which has risen to its highest level in recent years and currently stands at 1.60%.

Meanwhile, net fee and commission income for the first three months of the year totals 260 million euros, 1.2% less than in the same period of last year, due to the removal of fees and commissions for BMN customers. Income from all other fees and commissions increased 4.3%.

For their part, fee income from payment and collection services are up 8.3% year-on-year. Within these, fee income from payment services are up 3.5%.

Gross income reached 813 million euros, 13% less than in the same quarter of the previous year, while operating expenses came to 456 million euros, down 5.6% year-on-year, post IFRS16 (-6% without this effect) demonstrating the realisation of the synergies generated after the merger with BMN.

Provisions are down 36.9% year-on-year and the cost of risk (provisions as a percentage of loans) has improved by 9 basis points, reaching 0.14% at the end of March 2019. As a result of all this, net attributable profit came to 205 million euros.

Balance sheet clean-up

In the first quarter, Bankia continued to steadily reduce non-performing assets and the NPL ratio, while also increasing coverage.

As a result of asset sales and organic reduction, non-performing loans have fallen by close to 500 million euros (-5.3%). This reduction brings the volume of NPAs (non-performing loans and foreclosed assets) to a gross total of 10,428 million euros, reducing the NPA ratio (NPAs as a percentage of total risk assets) to 7.9%.

As a result of the progress made in cleaning up the balance sheet, the Group has reduced the NPL ratio by 250 basis points since March 2018, to 6.2%. The ratio fell 30 basis points in this first quarter. At the same time, the NPL coverage ratio continues to improve and ended the quarter at 55%, up four basis points.

Leader in solvency

In terms of solvency, Bankia continues to strengthen its lead among the large Spanish banks. During the first quarter, it issued 1,000 million euros of Tier 2 subordinated debt and 500 million of senior preferred debt, while also announcing the early redemption of the previous Tier 2 issue. The bank has thus further increased its stock of loss-absorbing capital instruments to meet the future MREL requirement.

The CET1 Fully Loaded ratio under regulatory criteria (including unrealised sovereign gains in the fair value portfolio) was 12.61%, generating 22 basis points of capital. The transitional CET1 Phase-in ratio reached 13.78% in the quarter, while the total capital ratio was 17.51%.

With these levels, Bankia has a capital surplus of 453 basis points above the SREP minimum requirements and a total capital surplus of 476 basis points.

The major reduction in non-performing assets and the strengthening of the bank after the merger with BMN led the rating agency Fitch to upgrade Bankia's long-term rating from 'BBB-' to 'BBB'. S&P Global Ratings also affirmed Bankia's long-term rating at 'BBB', with a Stable outlook.

Business performance: more customers, more lending and more managed funds

Bankia continues to improve its sales performance each quarter. In the last 12 months, the customer base has grown by 137,000 people, 43% more than it grew the previous year, and the number of customers with direct income deposits has increased by 133,000 (+40%).

In lending, new mortgage lending has grown at a rate of 14.6% year-on-yeat, reaching 728 million euros, accounting for 7.33% of new lending at the end of February. Fixed-rate mortgages already account for 54.3% of new mortgage loans, while 36.5% of new mortgages are granted to new customers.

Bankia continues to pay special attention to lending to companies. Loans to companies grew 6.4% in the quarter and accounted for 7.53% of new lending at the end of February, up from 5.82% one year ago.

In consumer finance, Bankia maintains its prudent lending policy and reached a total of 589 million euros of new consumer loans in the year to March, an increase of 25.8%. The share of the stock of consumer loans is 5.61%, a quarter of a point more than one year ago.

As a result of all the above, the outstanding balance of performing loans has grown for the first time in recent years and now exceeds 106,500 million (+0.1%). The growth is consistent across consumer finance (+16%), real estate developer loans (+10%) and loans to companies (+6%) on a year-on year basis.

As regards managed funds, mutual funds grew a remarkable 898 million in the quarter, to a total of 20,012 million euros, an increase of 4.7% in just one quarter. Bankia attracted more funds in March than any other entity in the market. Over the quarter as a whole, its share of new funds reached 16%, while its share of total managed funds was 6.63%, 21 basis points more than one year ago.

In pension funds the volume under management also rose 2%, while the volume of strict customer deposits increased by 1.7%. In insurance, total new business premiums grew 42%.

Another higher value added segment targeted in Bankia's Strategic Plan is payment services. Card revenue in retail establishments increased by 14.1% in the last year, while revenue from point-of-sale terminals grew 13%. The bank's market shares in both businesses have thus grown at a good pace and at the end of the quarter stand at 12.2% in cards (+47 basis points year-on-year) and 12.5% in POS terminals (+38 basis points).

Customers more satisfied and more digital

Bankia continues to move forward in its digitalisation plans, with the result that customers are increasingly satisfied with the new products and services tailored to their needs.

The customer satisfaction index improved significantly during the quarter, rising from 86.9 points in December 2018 to 90.1 points at the end of March, demonstrating the success of the merger with BMN.

As regards the multichannel strategy, sales through Bankia's digital channels reached 23.5% of total sales, while the number of digital customers increased by 586,000 compared to March 2018.

Moreover, nearly 740,000 customers now have their own online personal adviser through the "Connect with your expert" service, 22% more than one year ago.

Main events during the first quarter

On 25 January, Bankia reorganised its structure to support the bank's transformation, created four deputy general directorates (Financial, Credit Risks, People and Culture, and Digital Transformation and Strategy) and increased the number of members of its Management Committee from eight to twelve.

On 30 January, Fitch raised Bankia's long-term rating one notch to 'BBB' (from 'BBB-') and changed the bank's outlook from positive to stable.

On 7 February, Bankia issued 1,000 million euros of 10-year subordinated bonds and strengthened its solvency position.

On 26 February, the Bankia Board elected Eva Castillo Sanz as lead independent director to replace Joaquín Ayuso García.

On 18 March, Bankia issued 500 million euros of five-year senior preferred bonds.

On 22 March, the General Meeting of Shareholders approved a 5% increase in the dividend, to 357 million, which entailed the payment of 11.576 euro cents per share out of profits for 2018.

On 27 March, Carlos Egea resigned from his executive role in Bankia after the successful completion of the BMN merger but will stay on as a member of the bank's Board of Directors in the category of non-executive director.

On 29 March, Bankia announced that it would bear the mortgage expenses in new mortgages, thus becoming the only institution with a large number of branches to offer a mortgage with no expenses, no fees and no requirement to take up other products in order to be eligible for these conditions.

For more information:

Bankia Communication	(bankiacomunicacion@bankia.com)
Virginia Zafra	91 423 51 04 / 690 047 723 (vzafra@bankia.com)
Guillermo Fernández	91 423 53 33 / 681 349 040 (gfernandezm@bankia.com)
Mariano Utrilla	91 423 94 72 / 691 827 401 (mutrilla@bankia.com)
Irene Rivas	91 423 96 57 / 616 257 322 (irivas@bankia.com)
Belén Porras	91 423 59 53 / 690 909 569 (bporras@bankia.com)

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KEY DATA

	Mar-19	Dec-18	Change
Balance sheet (€ million)			
Total assets	208.760	205.223	1,7%
Loans and advances to customers (net)	118.812	118.295	0,4%
Loans and advances to customers (gross)	122.808	122.505	0,2%
On-balance-sheet customer funds	147.188	144.680	1,7%
Customer deposits and clearing houses	128.419	126.319	1,7%
Borrowings, marketable securities	14.781	15.370	(3,8%)
Subordinated liabilities	3.987	2.990	33,4%
Total customer funds	175.358	171.793	2,1%
Equity	12.859	13.030	(1,3%)
Common Equity Tier I - BIS III Phase In	11.372	11.367	0,1%
Solvency (%)			
Common Equity Tier I - BIS III Phase In	13,78%	13,80%	-0,02 p.p.
Total capital ratio - BIS III Phase In	17,51%	17,58%	-0,07 p.p.
Ratio CET1 BIS III Fully Loaded	12,61%	12,39%	+0,22 p.p.
Risk management (€ million and %)			
Total risk	129.369	129.792	(0,3%)
Non performing loans	7.969	8.416	(5,3%)
NPL provisions	4.381	4.593	(4,6%)
NPL ratio	6,2%	6,5%	-0,3 p.p.
NPL coverage ratio	55,0%	54,6%	+0,4 p.p.

	Mar-19	Mar-18	Change
Results (€ million)			
Net interest income	502	526	(4,7%)
Gross income	813	939	(13,3%)
"Core" result (Net interest income + Net fees and commissions - Operating Expenses)	306	305	0,3%
Pre-provision profit	357	453	(21,2%)
Profit/(loss) attributable to the Group	205	229	(10,8%)
Key ratios (%)[4]			
Cost to Income ratio (Operating expenses / Gross income)	56,1%	51,7%	+4,4 p.p.
R.O.A. (Profit after tax / Average total assets) [1]	0,4%	0,4%	-
RORWA (Profit after tax / RWA) [2]	1,0%	1,1%	-0,1 p.p.
ROE (Profit attributable to the group / Equity) [3]	6,6%	7,5%	-0,9 p.p.
ROTE (Profit attributable to the group / Average tangible equity) [4]	6,7%	7,7%	-1,0 p.p.

	Mar-19	Dec-18	Change
Bankia share			
Number of shareholders	183.472	184.643	(0,63%)
Number of shares in issue (million)	3.085	3.085	-
Closing price (end of period, €)[5]	2,31	2,56	(9,8%)
Market capitalisation (€ million)	7.126	7.898	(9,8%)
Earnings per share[6] (€)	0,27	0,23	18,1%
Tangible book value per share[7] (€)	4,14	4,18	(1,0%)
PER (Last price [5] / Earnings per share[6])	8,58	11,23	(23,6%)
PTBV (Last price [5] / Tangible book value per share)	0,56	0,61	(8,8%)
Additional information			
Number of branches	2.298	2.298	-
Number of employees	16.069	15.924	0,9%

(1) Annualized profit after tax divided by average total assets for the period
(2) Annualized profit after tax divided by risk weighted assets at period end
(3) Annualized attributable profit divided by the previous 12 months average equity, excluding the expected dividend payment
(4) Annualized Attributable profit divided by the previous 12 months average tangible equity, excluding the expected dividend payment
(5) Using the last price as of 29 March 2019 and 31 December 2018.
(6) Annualized attributable profit divided by the number of shares in issue.
(7) Total Equity less intangible assets divided by the number of shares in issue

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YEARLY P&L

(€ million)	1Q 2019	1Q 2018	Change on 1Q 2018 Amount	%
Net interest income	**502**	**526**	**(25)**	**(4,7%)**
Dividends	1	1	(0)	(36,0%)
Share of profit/(loss) of companies accounted for using the equity method	14	12	3	23,2%
Total net fees and commissions	260	264	(3)	(1,2%)
Gains/(losses) on financial assets and liabilities	37	139	(102)	(73,3%)
Exchange differences	3	1	2	278,6%
Other operating income/(expense)	(4)	(3)	(0)	13,1%
Gross income	**813**	**939**	**(125)**	**(13,3%)**
Administrative expenses	(407)	(437)	30	(7,0%)
Staff costs	(285)	(305)	20	(6,5%)
General expenses	(122)	(132)	11	(8,1%)
Depreciation and amortisation	(50)	(48)	(1,5)	3,0%
Pre-provision profit	**357**	**453**	**(96)**	**(21,2%)**
Provisions	(65)	(103)	38	(36,9%)
Provisions (net)	(10)	13	(23)	-
Impairment losses on financial assets (net)	(55)	(116)	61	(52,5%)
Operating profit/(loss)	**292**	**350**	**(58)**	**(16,6%)**
Impairment losses on non-financial assets	(3,5)	(4,1)	0,6	(13,6%)
Other gains and other losses	(19)	(49)	29	(60,2%)
Profit/(loss) before tax	**269**	**297**	**(28)**	**(9,4%)**
Corporate income tax	(64)	(67)	3	(4,4%)
Profit/(loss) after tax from continuing operations	**205**	**230**	**(25)**	**(10,9%)**
Net profit from discontinued operations	0	0	-	-
Profit/(loss) in the period	**205**	**230**	**(25)**	**(10,9%)**
Profit/(Loss) attributable to minority interests	(0,0)	0,3	(0,4)	-
Profit/(loss) attributable to the Group	**205**	**229**	**(25)**	**(10,8%)**
Cost to Income ratio (1)	**56,1%**	**51,7%**	**+4,4 p.p.**	**4,4%**
Recurring Cost to Income ratio (2)	**59,0%**	**60,7%**	**(1,7) p.p.**	**(1,7%)**
PRO-MEMORY				
"Core" Result	**306**	**305**	**1**	**0,3%**

(1) Operating expenses / Gross income.
(2) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences).
(3) Net interest income + total net fees and commissions - administrative expenses - depreciation and amortization

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QUATERLY P&L

(€ million)	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Net interest income	**502**	**507**	**495**	**521**	**526**
Dividends	1	3	0	7	1
Share of profit/(loss) of companies accounted for using the equity method	14	13	14	18	12
Total net fees and commissions	260	266	265	270	264
Gains/(losses) on financial assets and liabilities	37	30	90	152	139
Exchange differences	3	4	5	5	1
Other operating income/(expense)	(4)	(160)	(5)	(70)	(3)
Gross income	**813**	**662**	**865**	**903**	**939**
Administrative expenses	(407)	(425)	(415)	(419)	(437)
Staff costs	(285)	(278)	(287)	(291)	(305)
General expenses	(122)	(147)	(128)	(128)	(132)
Depreciation and amortisation	(50)	(43)	(42)	(40)	(48)
Pre-provision profit	**357**	**194**	**407**	**444**	**453**
Provisions	(65)	(192)	(73)	(68)	(103)
Provisions (net)	(10)	(46)	(0)	24	13
Impairment losses on financial assets (net)	(55)	(146)	(73)	(91)	(116)
Operating profit/(loss)	**292**	**1**	**334**	**376**	**350**
Impairment losses on non-financial assets	(4)	(19)	(3)	36	(4)
Other gains and other losses	(19)	(31)	(43)	(28)	(49)
Profit/(loss) before tax	**269**	**(49)**	**288**	**384**	**297**
Corporate income tax	(64)	7	(63)	(99)	(67)
Profit/(loss) after tax from continuing operations	**205**	**(42)**	**224**	**285**	**230**
Net profit from discontinued operations (1)		1	5		
Profit/(loss) in the period	**205**	**(40)**	**229**	**285**	**230**
Profit/(Loss) attributable to minority interests	(0,0)	(0,0)	0,1	(0,1)	0,3
Profit/(loss) attributable to the Group	**205**	**(40)**	**229**	**285**	**229**
Cost to Income ratio (2)	**56,1%**	**70,7%**	**53,0%**	**50,8%**	**51,7%**
Recurring Cost to Income ratio (3)	**59,0%**	**74,6%**	**59,4%**	**61,6%**	**60,7%**
PRO-MEMORY					
Profit/(loss) attributable to the Group	**205**	**(40)**	**229**	**285**	**229**
Extraordinary profit/(loss) for the period (4)		**(85)**			
Recurrent Profit/(loss) attributable to the Group	**205**	**44**	**229**	**285**	**229**
"Core" Result (5)	**306**	**305**	**302**	**332**	**305**

(1) 4Q18 and 3Q18 includes the result from Caja Murcia Vida and Caja Granada Vida since the acquisition of 100% of equity in both companies on 10 July 2018

In 1Q 2019 the results from Caja Murcia Vida and Caja Granada Vida are accounted for the equity method after the sale of 51% in both companies to Mapfre Vida.

(2) Operating expenses / Gross income.

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

(4) 4Q18 includes net extraordinary provisions associated with the impact of the sale of non-performing assetes to an institutional investor.

(5) Net interest income + total net fees and commissions - administrative expenses - depreciation and amortization.

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BALANCE SHEET

(€ million)	Mar-19	Dec-18	Change on Dec.18 Amount	%
Cash and balances at central banks	3.975	4.754	(779)	(16,4%)
Financial assets held for trading	6.605	6.308	297	4,7%
Trading derivatives	6.435	6.022	413	6,9%
Debt securities	167	282	(115)	(40,8%)
Equity instruments	3	4	(1)	(28,2%)
Financial assets designated at fair value through profit or loss	10	9	10	5,3%
Debt securities	-	-	-	-
Loans and advances	10	9	10	5,3%
Financial assets designated at fair value through equity	16.637	15.636	1.002	6,4%
Debt securities	16.556	15.559	997	6,4%
Equity instruments	81	76	5	6,4%
Financial assets at amortised cost	159.458	156.461	2.997	1,9%
Debt securities	34.594	33.742	852	2,5%
Loans and advances to credit institutions	6.062	4.433	1.628	36,7%
Loans and advances to customers	118.802	118.286	516	0,4%
Hedging derivatives	2.629	2.627	2	0,1%
Investments in subsidaries, joint ventures and associates	425	306	119	39,1%
Tangible and intangible assets	3.114	2.487	626	25,2%
Non-current assets held for sale	3.446	3.906	(461)	(11,8%)
Other assets	12.462	12.728	(267)	(2,1%)
TOTAL ASSETS	**208.760**	**205.223**	**3.537**	**1,7%**
Financial liabilities held for trading	6.884	6.047	837	13,8%
Trading derivatives	6.462	5.925	537	9,1%
Short positions	422	122	300	245,7%
Financial liabilities at amortised cost	185.444	181.869	3.575	2,0%
Deposits from central banks	13.881	13.856	25	0,2%
Deposits from credit institutions	22.741	21.788	954	4,4%
Customer deposits and funding via clearing houses	128.419	126.319	2.100	1,7%
Debt securities in issue	18.769	18.360	408	2,2%
Other financial liabilities	1.633	1.545	88	5,7%
Hedging derivatives	96	183	(87)	(47,5%)
Provisions	1.827	1.922	(95)	(4,9%)
Other liabilitiess	1.425	2.013	(588)	(29,2%)
TOTAL LIABILITIES	**195.676**	**192.033**	**3.643**	**1,9%**
Minority interests	13	12	0	2,2%
Other accumulated results	212	147	64	43,5%
Equity	12.859	13.030	(170)	(1,3%)
TOTAL EQUITY	**13.084**	**13.189**	**(106)**	**(0,8%)**
TOTAL EQUITY AND LIABILITIES	**208.760**	**205.223**	**3.537**	**1,7%**