Boasting a solvency ratio of 13.02% – the highest among Spain's largest banks

Bankia posts attributable profit of 541 million euros in 2019 following its best commercial year in its history

- José Ignacio Goirigolzarri: "On the sales side, 2019 has been the best year since Bankia was established, and we have continued to top the solvency rankings among the largest Spanish banks, with capital also comfortably exceeding the regulatory requirements"

- José Sevilla: "Over the last year, we have made great progress in fulfilling our 2018-2020 Strategic Plan, both in terms of turnover and the quality of our balance sheet"

- After increasing the CET 1 Fully Loaded ratio to 13.02%, the Board of Directors will propose distributing 355 million euros in dividends, equating to 11.576 euro-cents per share – the same amount as in the previous year

- The bank continues to make headway reimbursing the state aid and will have repaid over 3.3 billion euros to taxpayers following the dividend pay-out

- The core result (i.e. that of the banking arm only) is up 3.5% year-on-year to 1.287 billion euros after stabilising revenues and cutting expenses by more than planned

- Bankia saw out 2019 as the market leader for new net mutual fund inflows (1.543 billion euros), now managing and distributing 22.3 billion euros and boasting around a million unitholders after attracting 100,000 new ones over the year

- Customer satisfaction hit a new high, with a score of 90.3 points, and the bank has the best customer service quality among the largest banks

- Upwards of 53% of customers are digital and 36% of total sales have been through digital channels – above the target set in the Strategic Plan

- The total stock of performing loans rose 0.2% over the year to 106.7 billion euros, thanks to the increase in new consumer and company loans

- The volume of non-performing assets (non-performing exposures and foreclosed assets) has been cut by 8.4 billion euros in just two years, reducing the NPA ratio to 3.3%, which is very close to the target of 3% forecasted for the end of 2020

Madrid, 28/01/2020. Bankia posted a net profit of 541 million euros in 2019, 23% lower than in 2018 because of smaller gains on the rotation of fixed-income portfolios (net trading income or NTI) and higher allowances associated with the cost of selling off non-performing assets.

Bankia's chairman, José Ignacio Goirigolzarri, explained that this profit was generated after "stabilising recurring income and cutting costs by more than we had planned, allowing us to boost the core result by 3.5% (1.287 billion euros), which is the clearest way of measuring the banking business performance". The core result increased more quickly in the latter part of the year, with a year-on-year (YOY) growth rate of 12% in the fourth quarter.

"A very significant amount of provisions to enhance the quality of our balance sheet also lies behind this profit. For us, this is crucial to responding to the new norm of negative interest rates," Goirigolzarri pointed out.

He also highlighted that "in terms of sales, 2019 has been the best year since Bankia was established" thanks to "our customers' trust and the major effort by all the bank's staff, resulting in us achieving a new all-time highest customer satisfaction score and increasing our market shares across the board".

Solid capital position, dividend and progress in repaying aid

Bankia's chairman reported that the bank has once again increased its solvency, ending the year for the first time with a solvency ratio of over 13%, thus "continuing to top the rankings among our major competitors and comfortably exceeding the regulatory requirements".

"Given this solid capital position, we can announce our intention to keep dividends unchanged and pay out a total of 355 million euros to our shareholders, which equates to a dividend yield of 6.1% (based on market price at 2019 close). By doing so, we are taking another step towards repaying the aid received from taxpayers," he said.

Remuneration will equate to 11.576 euro-cents per share, which sees the pay-out per share remaining unchanged and raises the pay-out to shareholders to 65%, thereby enabling the bank to make further progress repaying the aid it received.

Currently, the Fund for the Orderly Restructuring of the Banking Sector (FROB) directly and indirectly through BFA holds a 61.8% equity stake in Bankia. If this stake remains the same on the date dividends are distributed, BFA will receive 220 million euros, taking the total sum repaid to taxpayers to 3.303 billion euros. Of this amount, 2.122 billion euros relates to the two stake placements (in February 2014 and December 2017) and the remaining 1.181 billion euros to the six dividends distributed by the bank since July 2015.

Progress in completing the Strategic Plan

Bankia CEO, José Sevilla, has reported that last year "we made great progress in completing our strategic plan, both in terms of turnover and the quality of our balance sheet".

From a commercial perspective, "during these first two years we have grown our customer base by 243,000 people and have increased by 190,000 the number of customers who now have their salaries paid into an account with us," Sevilla highlighted after saying that customers "are ever more digital and have a stronger relationship with us through higher value-added products such as mutual funds, payment services and insurance".

In particular, Bankia was market leader in 2019 for new net mutual fund inflows, handling 1.543 billion euros – 74% higher than a year before. The volume of assets managed and distributed has thus increased by 16.8% to 22.3 billion euros and the bank's market share has risen by half a point to 7.05%, closing in on the 7.2% target set in the Strategic Plan for 2020. The bank has also attracted 100,000 new unitholders and now boasts close to a million.

Premiums on new insurance policies are up 26.2% on 2018, with growth of 29% in the life business and 24% in non-life. Meanwhile, the volume of assets under management and distributed by the group have grown by 5.9%.

Another value-added product Bankia is continuing to sell well is payment services. Debit and credit card turnover in retailers has grown more quickly by 14.7%. The market share in this segment has also increased in terms of turnover (to 12.4% at September 2019) and the number of credit cards (to 8.6%).

Added to this, service quality and customer satisfaction scores continue to climb to record levels. Specifically, the bank has boosted its customer satisfaction score to an all-time high of 90.3 from 86.9 a year earlier, while boasting the highest service quality among the largest Spanish banks, with a score of 8.28 compared to a sector average of 7.36.

"I think it is especially important to highlight the growth in market shares of value-added products and the record level of customer satisfaction because I believe it demonstrates that the strategy we are following is the right one and that, therefore, results will come in the short, medium and long term," said Bankia's chairman.

The bank has also forged ahead with digitalisation as part of its drive to tailor its products and services to customers' needs. In this regard, sales through Bankia's digital channels now make up 36% of its total sales, which is 20 percentage points (pp) higher than two years back (15.9%) and above the 2020 target set in the Strategic Plan (35%).

The number of digital customers has also continued to rise, and they now comprise 53.3% of the total, after close to a 13 pp rise in the last two years.

Cleaner balance sheet and drop in NPL ratio

Regarding another key development in 2019 mentioned by the CEO – the improved quality of the balance sheet – Sevilla emphasised that “we are very close to reaching the objectives we set ourselves for the 2018-2020 period”.

“We have made a big effort to pare back non-performing assets, which are down 8.4 billion euros in just two years,” reducing the net NPA ratio to 3.3%, which is very close to the 3% target announced for the end of 2020. In two years, 94% of the NPA reduction target set in the three-year plan has been achieved.

Just in the last year, the volume of net non-performing assets (non-performing exposures and foreclosed assets, NPA) has decreased by 2.5 billion euros to 8.350 billion euros (gross) at December 2019, which is 23.2% lower YOY (10.878 billion euros).

Gross NPAs fell by almost 2 billion euros between January and December to 6.465 billion euros (-23.2%), taking the NPL ratio at year-end to 5% after falling by 1.5 points versus December 2018 (6.5%). The reduction in non-performing assets accelerated in the last quarter of the year, falling by half a point between October and December alone. The coverage ratio also ended the fourth quarter at 54%, up three tenths compared to the third quarter (53.7%).

Bankia’s balance sheet includes total assets of 208.468 billion euros, 1.6% more YOY.

Increase in performing credit

The group’s successful sales campaign has led to growth in performing credit (not doubtful), the balance of which has increased by 0.2% in 2019 to 106.700 billion euros (+ 300 million euros), fuelled by high levels of new lending.

Over the year, the stock of consumer loans grew by 12.5% and loans to companies by 9%, driving up Bankia’s market share in November to 5.88% (30 basis points (bp) higher) and 7.75% (33 bp higher), respectively.

The volume of new mortgage loans remained stable in 2019 at around 2.9 billion euros, a third of which have been granted to new customers. Fixed-rate mortgages account for 48%

of the total amount of new mortgage loans and the average loan-to-value ratio stands at 64%.

The volume of new loans to companies surpassed 14 billion euros and the consumer loans book grew to 2.647 billion euros, at a time of prudent lending. It is notable that in the last year, Bankia has increased its share of new business loans from 7.88% to 9.49%.

“Our customers are applying for more finance, primarily in the companies and consumer credit segments, which are making up an increasingly large part of our balance sheet and means that our loan book is ever more balanced, as envisaged in our plan,” Sevilla pointed out. Mortgages have moved from comprising 66% of the total loan book in 2017 to 61% in 2019, while the share of loans to companies has gone up from 30% to 34% and consumer loans from 4% to 5%.

Championing sustainable finance

As part of its lending activity, in 2019 the bank redoubled its commitment to the environment and sustainable finance by creating the Sustainable Finance and Business Department. It also signed the United Nations Principles for Responsible Banking, was listed on the Dow Jones Sustainability Europe Index, and has resolved to become carbon neutral in 2020.

During 2019, it was party to green finance deals worth over 900 million euros. Added to this, Bankia has contributed to raising a total of 9 billion euros of funding for sustainable purposes, including corporate loans, project finance, bond issuance and developer loans.

The bank has also established the Bankia Futuro Sostenible mutual fund – the first launched in Spain intended to have an impact in accordance with the UN’s Sustainable Development Goals (SDGs.

Results: stabilisation of margins and cost containment

Thanks to its aforementioned performance, the bank has managed to practically stabilise its interest margin, which totalled 2.023 billion euros in 2019 (-1.3%). In the fourth quarter, the interest margin stood at 503 million euros – up 0.2% on the previous quarter.

Fee and commission income totalled 1.081 billion euros, 1.5% higher than in 2018, thanks to good YOY growth in revenue from payment services (+9.9%) and assets under management (+4.7%). During the last quarter of the year, the balance of fees and commissions hit a yearly high, off the back of quarter-on-quarter (QOQ) growth of 8%.

Gross income therefore ended 2019 at 3.245 billion euros (-3.6%), while operating expenses fell by 2.9% to 1.817 billion euros. This indicates that synergies of 220 million euros were unlocked through the integration of BMN, which is above the initial estimate of 155 million euros.

The gross customer margin stood at 1.64% at the end of 2019 – above the figure of 1.58% for the same period a year earlier. The bank's efficiency ratio stands at 56% over the year.

Charges to provisions and other gains and losses have increased to 673 million euros because of the allowance set aside to cover the cost of selling credit portfolios and foreclosed assets, primarily in the second half of the year.

In short, the stabilisation of income, higher fees and commissions and cost cutting, combined with lower gains from Net Trading Income and higher provisioning to enhance the quality of the balance sheet has resulted in profit of 541 million euros.

Leader in solvency among the largest banks

Quarter-on-quarter throughout 2019, Bankia has bolstered its solvency and remained leader among the largest Spanish banks after ending the year with a CET1 Fully Loaded ratio as per regulatory criteria (including unrealised sovereign gains in the fair value portfolio) of 13.02%, which is a 63-basis point (bp) improvement on the previous year (12.39% in December 2018). Thus, the cumulative surplus capital over and above 12% amounts to 795 million euros.

Moreover, the Phase-In CET1 ratio was 14.33% and the Total Capital ratio was 18.10% at December 2019. These levels represent a capital surplus over and above the minimum SREP requirements of 508 bp; 535 bp at the total capital level.

On the other hand, the bank's eligible placements for MREL totalled 3.5 billion euros in 2019 and include 1.25 billion euros in senior non-preferred debt, 1.25 billion euros of senior preferred debt and 1 billion euros of subordinated debt. This strengthens the bank's capital and liquidity position.

These placements have increased the levels of eligible liabilities to fulfil MREL regulatory requirements. At the end of 2019, the MREL ratio as a percentage of risk-weighted assets (RWAs) stood at 21.93%, and Bankia looks to be in a comfortable position to hit the 23.66% target for July 2021.

Bankia

Key events in 2019

On 25 January, Bankia completed the reorganisation of its structure to contribute to the bank's transformation, creating four sub-general directorates (Finance; Credit Risk; People and Culture; and Transformation and Digital Strategy) and increasing the size of its Management Committee from eight to 12 members.

On 30 January, Fitch upgraded its long-term rating for Bankia by a notch to BBB (previously BBB-) and changed its outlook from Positive to Stable.

On 7 February, Bankia placed a 1 billion-euro ten-year subordinated bond issue.

On 26 February, Bankia's board appointed Eva Castillo Sanz as independent lead director replacing Joaquín Ayuso García.

On 18 January Bankia placed a 500 million-euro five-year senior preferred bond issue.

On 27 March, Carlos Egea stepped down from his executive position at Bankia following the completion of the BMN merger, and will continue to serve on the bank's board of directors as an external director. On 26 June, he was appointed as a new member of the bank's Audit and Compliance Committee.

On 1 April, Bankia completed the sale of 51% of Caja Granada Vida and Cajamurcia Vida to Mapfre for 110.3 million euros, completing the reorganisation of the bancassurance arm after taking over BMN.

On 9 May, Scope Ratings ratified Bankia's BBB+ with a Stable outlook rating.

On 17 May, Bankia brokered a deal with ING to offer financial services on special terms to its business customers. On 24 June, both banks expanded and strengthened their partnership enabling ING customers to use Bankia's ATM network.

On 31 May, the rating agency S&P affirmed its long-term BBB with a Stable outlook rating for Bankia.

On 18 June, Bankia placed a 500 million-euro five-year senior non-preferred bond issue.

On 2 July, Bankia placed a 750 million-euro seven-year senior preferred bond issue.

On 2 July, DBRS affirmed its long-term BBB (high) rating, upgrading the outlook from Stable to Positive.

On 12 July, Bankia and the European Investment Bank launched a pioneering line of credit in Europe of 300 million euros to grant 'green mortgages'.

On 26 July, Bankia completed the sale of a portfolio of foreclosed assets totalling 1.42 billion euros and doubtful mortgage loans of 1.283 billion euros. The deal had been announced in December 2018.

On 27 August, Bankia announced the creation of a Sustainable Finance and Business Department.

On 13 September, Bankia pledged to make its customers' lives easier every day, with its new brand claim: 'That easy'.

On 14 September, Bankia re-joined the Dow Jones Sustainability Europe Index as one of the most sustainable companies.

On 22 September, Bankia signed the United Nations Principles for Responsible Banking along with 130 global banks.

On 16 October, the bank announced the opening of Bankia Fintech's headquarters in Madrid, the creation of 'Bankia Fintech Venture': a fund to channel up to 20 million euros over five years into projects developed by start-ups in the financial sector.

On 5 November, Bankia placed 750 million euros of seven-year senior non-preferred bonds, which were 2.5 times oversubscribed.

On 29 November, Bankia announced its partnership with the 25th Conference on Climate Change (COP25) in Madrid, providing the organisers with a mobile branch bus for delegates to conduct their banking transactions.

On 4 December, Bankia redoubled its efforts to support the internationalisation of Spanish firms, opening a representative office in Casablanca (Morocco).

On 5 December, the ECB notified Bankia as part of the Supervisory Review and Evaluation Process (SREP) that it had maintained its Pillar 2 capital requirement for 2020 at the same level as a year earlier: 2%.

On 20 December, the rating agency Fitch affirmed its long-term BBB rating with a Stable outlook for Bankia.

And in the current year, on 23 January Bankia closed the sale of 15% of Caser's capital to Helvetia for 166 million euros, which will have an estimated positive impact on Bankia's total solvency ratio of 12 bp.

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