Business Performance – Q1 2012

Bankia

Warning regarding the information contained in this document

The information provided below is intended to give an account of the performance of the Bankia Group's business, in compliance with regulatory requirements.

The information contained in this document may be subject to changes arising from possible adjustments to the amounts recorded in the financial statements for 2011 and, specifically, from the final conclusion of the audit of the financial statements, which will be published at the time of the announcement of the General Meeting of Shareholders, before the end of May.

15 May 2012

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Methodological note

Bankia was created as an economic group with effect from 1 January 2011, so that the group in its current form is the result of various corporate and financial transactions that were carried out during 2011. Some of said transactions were effective for accounting purposes from 1 January 2011, while the rest were completed during the first half of last year.

In order to give a representative picture of the key financial and operating data of Bankia in the first quarter of 2012, this report includes, for comparison purposes, a breakdown of consolidated data for the Group for the first quarter of 2011, prepared on a pro forma basis as if the group as constituted by the corporate reorganisation had existed from 1 January 2011, that is to say, adapting the financial conditions of internal transactions between Banco Financiero y de Ahorros (BFA) and Bankia to the new group structure and including the corporate transactions carried out in the first half of 2011, notably:

- Elimination and inclusion of the results contributed by certain investees that were transferred between BFA and Bankia.

- Consolidation of Grupo Banco de Servicios Financieros Caja Madrid Mapfre using the full consolidation method, following the purchase in 2011 of additional shares that brought the total ownership interest to 100%.

- Inclusion of revenue and expenses arising from the integration last year of the assets and liabilities that became part of Bancaja Habitat as a result of the split of CISA, Cartera de Inmuebles.

- **Recurring margin before provisions stands at 492 million euros** as a result of the contribution from net interest income, fee and commission income, trading income and cost rationalisation.

- **General expenses and staff costs are down 11.1% compared to the first quarter of 2011**, reflecting cost savings and synergies, which feed through gradually as the Integration Plan advances.

- The Group has debt issuance capacity of nearly 15,500 million euros (including covered bonds maturing before 2015) and liquid assets of 21,889 million euros, **exceeding wholesale maturities** for the period to December 2014 by more than 15,000 million euros.

- At the end of March BFA-Bankia submitted to the Bank of Spain a **clean-up and restructuring plan** that included measures to ensure compliance with Royal Decree 2/2012 and normalize the Group's financial position. After analysing this clean-up plan, the Bank of Spain demanded that the institution take complementary measures to rationalise and strengthen its administrative and management structures, so as to increase the level of professionalisation, combined with a divestment programme. These additional actions were intended to reinforce the soundness of the institution and restore the full confidence of the market. In view of the events of recent weeks and the growing uncertainty regarding the future of the institution, the Bank of Spain has called for the presentation of a reinforced clean-up plan.

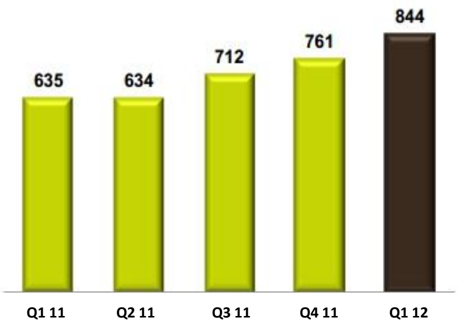
- On 8 May 2012 the **Ministry of Economy and Competitiveness** issued the following **statement**: "*The Ministry of Economy and Competitiveness flatly denies that Bankia has been taken over. The imminent change of executive chairman of the institution has been announced, and from now on the goal is to implement a balance sheet clean-up, restructuring and corporate governance improvement plan that will ensure the institution's future viability. The new management team is expected to submit its plans to the Bank of Spain through the normal channels. The Government will support the institution in every way necessary in order to achieve these goals.*"

KEY CONSOLIDATED FINANCIAL AND OPERATING DATA

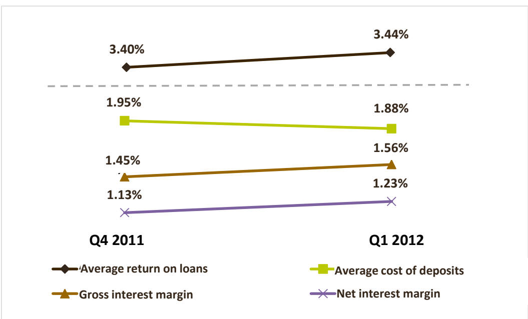
Net interest income

With the proviso, stated at the start of this document, that the figures, especially those for **net interest income**, are provisional, in the first quarter of 2012 net interest income totalled 844 million euros, up 209 million on the same period of the previous year and up 83 million on the last quarter of 2011. This increase reflects mainly the effect of loan portfolio repricing, an improvement in spreads on new loan business, the lower cost of deposits, and interest income from the bond portfolio.

Net interest income



In the first three months of 2012 the net interest margin was 1.23%, with an average loan yield of 3.44%.



Quarterly return of loans and deposits, year-on-year

Fee and commission income and net trading income

Net fee and commission income added 261 million euros to the Group's income statement for the first quarter of 2012, down 10% on the same period of the previous year. The largest contribution comes from fees and commissions earned on the structuring and underwriting of government debt issues, in particular those of the Catalan government, the Valencian government, the Community of Madrid, and the state financial agency ICO, as well as private issues. Fees and commissions for contingent risks and commitments, securities services and marketing of products (mutual funds, pension funds and insurance) remained stable, while fees and commissions for payments services declined compared to the fourth quarter.

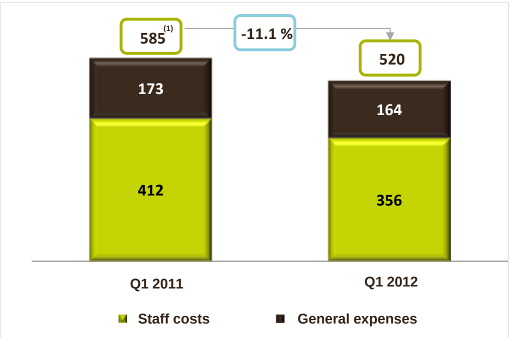
Trading income and exchange gains reached an aggregate balance of 349 million euros. This total includes the results of the management of fixed income portfolios and the results generated by the repurchase of the Group's securitisation bonds (231 million euros).

All the above, combined with the results from equity investments in companies and other operating income and expenses, which in the first quarter of 2012 include an increase in contributions to the deposit guarantee fund as a result of the new regulation, generated for the Group a provisional **gross margin** of 1,311 million euros.

Administrative expenses

Administrative expenses, which include staff costs and general expenses, totalled 520 million euros in the first three months of the year, 79 million euros less (-13%) than in the fourth quarter of 2011 and 88 million euros more than in the same period of the previous year. On a recurring basis, therefore, excluding certain extraordinary effects in 2011, administrative expenses were down 65 million euros (-11.1%) compared to the same period of the previous year.

Administrative expenses (€m)



(1) Pro forma and recurring: Does not include release of provision in the amount of €153m

As regards the progress of the Integration Plan, as of 31 March 2012, 840 branches had been closed, 817 in 2011 and 23 in the first quarter of the current year. Meanwhile, the workforce had been reduced by more than 4,000 people since December 2010.

In addition, the IT integration of Bancaja was completed in April 2012, with the result that the Bankia systems already cover 90% of the Group's customers.

With respect to provisions for impairment of financial and non-financial assets, as explained at the start of this document, the closing balances for 2011 are subject to review, so any changes to said balances may lead to changes in provisioning requirements for the first quarter of 2012. Therefore, the additional provisions that are required for these assets will not be estimated until the definitive financial statements for 2011 and the auditors' report on the financial statements are available.

GROUP BUSINESS PERFORMANCE

The Bankia Group ended the first quarter of the year with business volume of around 414,500 million euros.

CUSTOMER FUNDS

At the end of March 2012 on-balance-sheet customer funds totalled 204,228 million euros, 7,150 million euros less than in December 2011.

This decrease during the first quarter of the year is due mainly to the maturity of various wholesale issues and the repurchase of securitisation bonds issued by vehicles belonging to the Group.

Resident private sector deposits were up 1,193 million euros (+1%) compared to December, at 125,115 million euros at the end of the first quarter of 2012. This increase is the end result of a decline of 1,160 million euros in demand accounts (current accounts and savings accounts), a decline of 1,387 million euros due to redemptions of single-certificate covered bonds, an increase of 2,581 million euros in repo transactions, and an increase of 1,160 million euros in other time deposits.

Excluding the repo transactions and the single-certificate mortgage covered bonds, narrow customer deposits fell 766 million euros (-1%) compared to December 2011, reaching 111,868 million euros at the end of March 2012. This fall is linked mainly to the reinvestment of part of our customers' deposits in retail commercial paper in the first quarter of the year. Including the retail tranche of the notes issued by Bankia, customer deposits totalled 115,688 million euros at the end of March 2012.

Meanwhile, non-resident deposits fell 7,462 million euros as a result of the decrease in financing through European trading platforms and central counterparty clearing houses.

The balance of Spanish public sector deposits came to 11,027 million euros in the first quarter of the year, up 6,151 million euros on December 2011 as a result of increased repo trading volume with the public sector.

CUSTOMER LOANS

The Bankia Group's gross loans and advances to customers at the end of March 2012 totalled 190,053 million euros, down 2,802 million euros on the previous quarter, due to the low demand for credit and the context of greater credit and liquidity risk in the market.

The decrease in loans is apparent across practically all business sectors. Specifically, loans to companies, SMEs and independent contractors fell 3.7% in the quarter, representing 27.8% of total gross loans at the end of March 2012. Retail mortgage-backed financing for house purchase fell 1.5% compared to December 2011, bringing it to 44.5% of total loans. Credit for real estate development and construction remained basically unchanged in the first quarter of 2012, accounting for 17% of gross loans to customers.

At 31 March 2012 loans and advances to customers were focused on the resident sector, specifically on secured loans, which totalled 116,769 million euros, accounting for 61.4% of total gross loans. Personal guarantee loans amounted to 24,214 million euros and business loans to 13,799 million euros, respectively accounting for 12.7% and 7.3% of total loans. At the end of the first quarter of the year the institution had limited exposure to the Spanish public sector, with credit transactions totalling nearly 6,500 million euros.

FUNDING STRUCTURE AND LIQUIDITY

At the close of the first quarter of 2012 the customer funding gap (adjusted for repo and reverse repo transactions, single-certificate covered bonds and issues of commercial paper for the retail sector) stood at 66,064 million euros, down 6,204 million on December 2011.

The customer funding gap was reduced by more than 6,000 million over the course of the first quarter, from 72.3 billion at year-end 2011 to 66.1 billion at 31 March 2012. At the end of the first quarter of 2012 customer deposits represented 76% of the Group's funding, compared to 74% in December 2011 and 70% in December 2010.

At the end of March 2012 the Group had debt issuance capacity of nearly 2012 million euros (including covered bonds maturing before 2015) and liquid assets of 21,889 million euros, exceeding wholesale maturities for the period to December 2014 by more than 15,000 million euros.

In the first quarter of the year the institution met 53% (9,244 million euros) of the wholesale funding maturities scheduled for 2012.

On the other hand, 45% of the Group's maturities are from 2015 onward, which gives stability to the maturity structure.

EVENTS AFTER THE BALANCE SHEET DATE

On 9 May 2012, in accordance with Law 24/1988 of 28 July on the Securities Market, Banco Financiero y de Ahorros, S.A. (BFA), parent of Bankia, reported that at that date, within the framework of RDL 9/2009 and the resolution of the Board of Directors of Banco Financiero y de Ahorros (BFA) adopted on 3 December 2010 as part of the process of adaptation to Royal Decree-Law 2/2012, and other applicable laws and regulations, the institution's Board of Directors agreed to apply to the Fund for Orderly Bank Restructuring (FROB), through the Bank of Spain, to request implementation of the conversion procedure, so that the 4,465 million euros of convertible preferred participating securities issued by BFA and subscribed by the FROB would become shares of BFA, which will be issued in execution of the agreement to increase capital to meet the requirements of the conversion of the convertible preferred participating securities, as established in said agreement dated 3 December 2010.

On 14 May 2012 the Governing Committee of the FROB agreed to accept the institution's request and set in motion the conversion of the 4,465 million euros of convertible preferred participating securities issued by BFA and paid by the FROB on 28 December 2010 in the context of the integration of the seven savings banks that formed BFA, the Institution having been notified to this effect on 14 May 2012.

At the end of March, BFA-Bankia submitted to the Bank of Spain a clean-up and restructuring plan that included measures to ensure compliance with Royal Decree 2/2012 and normalise the Group's financial position. After analysing this clean-up plan, the Bank of Spain demanded that the institution take complementary measures to rationalise and strengthen its administrative and management structures, so as to increase the level of professionalization, combined with a divestment programme. These additional actions were intended to reinforce the soundness of the institution and restore the full confidence of the market. In view of the events of recent weeks and the growing uncertainty regarding the future of the institution, the Bank of Spain has called for the presentation of a reinforced clean-up plan.

On 12 May 2012 Royal Decree-Law 18/2012 on the clean-up and sale of financial sector real estate assets was published. Based on a preliminary calculation of the increased provisioning requirements, the Bankia Group estimates that the new provisions to be recorded to cover the amount of financing granted for property development in Spain outstanding at 31 December 2011 amount to 4,722 million euros before taxes, additional to the requirements arising from Royal Decree-Law 2/2012.

These additional provisions entail a reduction of around 200 basis points in the overall regulatory capital ratio.

As regards the risks to which the Institution and its Group are exposed, as indicated at the start of this document, the financial statements for 2011 and, specifically, the final conclusion of the audit of the financial statements are currently under review. Once said review is complete, the provisions that are required to cover said risks will be established.

During the first quarter of 2012 up to the date of this document the composition of the Bankia Board of directors has changed as follows:

Board meeting held on 9 January 2012:

- Inclusion of Mr. Francisco Pons Alcoy as Director and Vice-Chairman (filling the vacancy left by Mr. José Luis Olivas Martínez, who resigned in 2011)

- Inclusion of Mr. José Ibern Gallart as Director (to replace Mr. Atilano Soto Rábanos)

Board meeting held on 9 May 2012:

- Inclusion of Mr. José Ignacio Goirigolzarri Tellaeche as Director and Executive Chairman (to replace Mr. Rodrigo de Rato Figaredo)

- Resignation of Mr. Jose Manuel Fernández Norniella as Director.

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