

# Quarterly results presentation

## 3Q 2014

24 October 2014

**Bankia**

**“Trabajamos desde los  
principios para poner la  
mejor banca a tu servicio”**



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2. 3Q 2014 results
3. Asset quality and risk management
4. Liquidity and solvency
5. Conclusions

## Highlights of the quarter

B

1

### COMMERCIAL ACTIVITY AND CUSTOMER FUNDS

- Successful launch of “Préstamo Dinamización”
- Strong growth of strict customer deposits: **+€2.1Bn** in the quarter

2

### EFFICIENCY AND PROFITABILITY

- **Stability and soundness** in all business margins
- **Recurring cost to income ratio** falls to **45.4%**
- **Cost of risk in 3Q 2014: 59 bps**
- Accumulated net profit: **+ 54% vs. 9M 2013**
- **ROE 9M 2014 at 8.4%**

3

### BALANCE SHEET SOUNDNESS AND STRENGTH

- **Decrease in NPLs: €0.9Bn**
- **LTD ratio at 105.8%**
- Continued capital generation: **+62bps** in the quarter (CET1 Basel III PI)

# Highlights of the quarter

1

## LENDING ACTIVITY

### “Préstamo dinamización”

New loan product “Préstamo Dinamización”, linked to the ECB’s TLTRO loan program, launched on 18 September to spur lending to businesses

**€474.4Mn granted in the first month of marketing**

**Applications amounting to €1,375Mn, more than 50% of total program**

**Only for new lending**

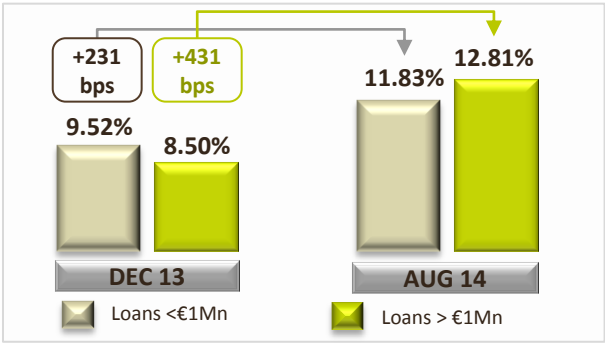
Characteristics

- Amount: €2,700Mn
- Interest rates up to 30% lower
- Up to €15Mn per account holder

Targets

- Capture new customers
- Cross-sell and retain existing customers

**Market shares**  
New lending to corporates and SMEs  
Source: BdE (data per month)

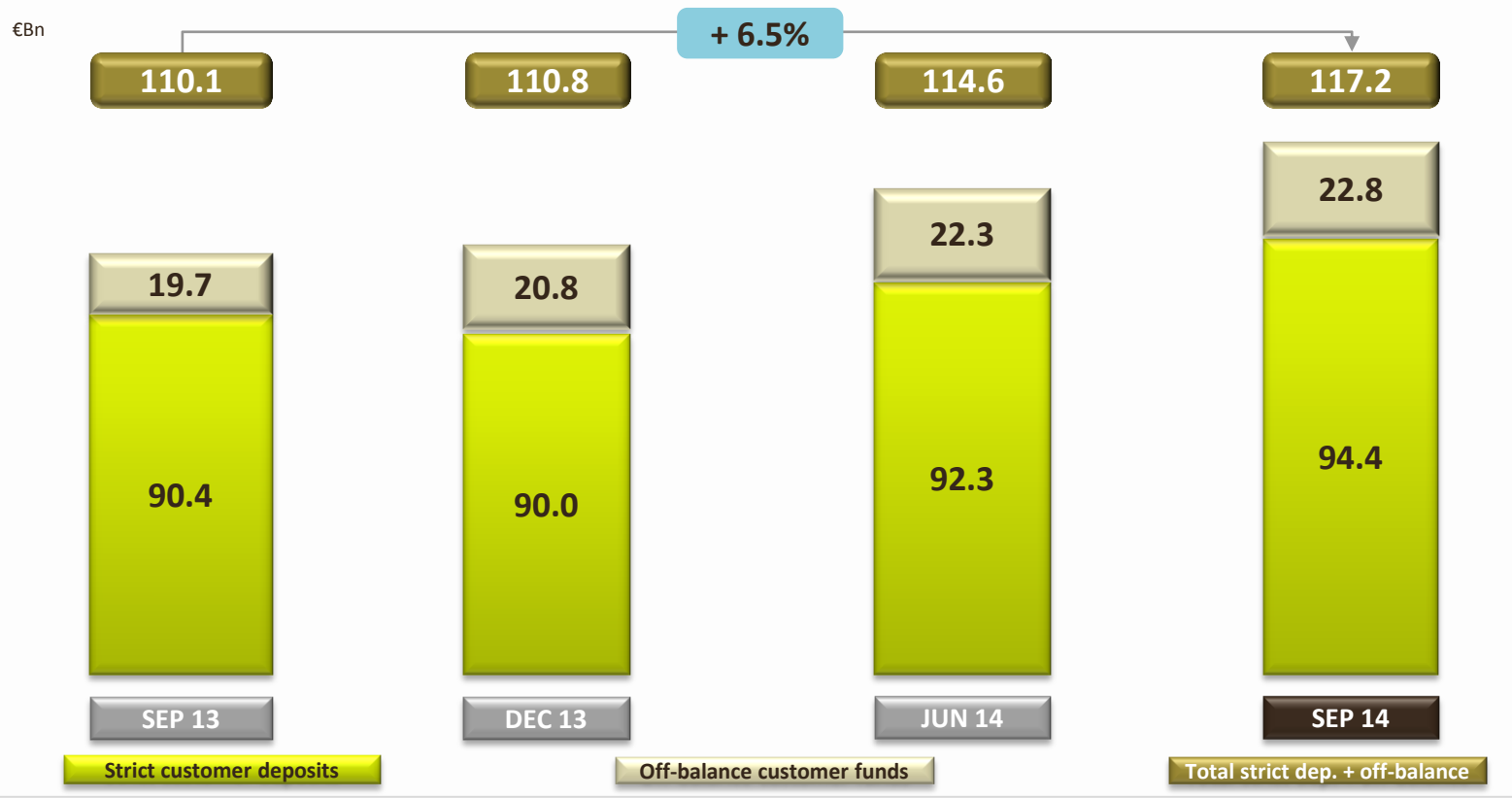


**Large increase in market shares of new lending to corporates and SMEs**

# Highlights of the quarter

1

## STRONG CUSTOMER DEPOSIT GROWTH



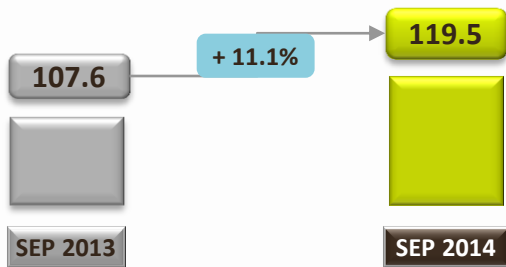
**Managed customer funds already above pre-restructuring levels**

# Highlights of the quarter

1

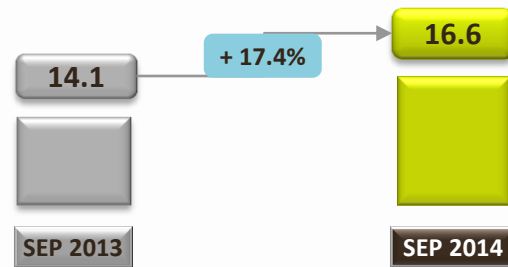
## COMMERCIAL ACTIVITY AND PRODUCTIVITY

### BUSINESS VOL. PER BRANCH (€Mn) <sup>(1)</sup>

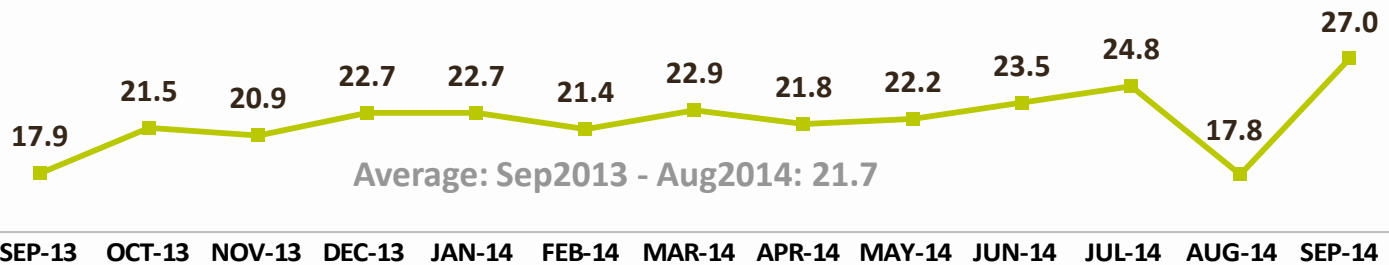


<sup>(1)</sup> Business volume includes gross loans + strict deposits + Off-balance sheet funds

### BUSINESS VOL. PER EMPLOYEE (€Mn) <sup>(1)</sup>



### Products sold per employee (products/month)



Includes data from all retail branches: includes on-demand savings, cards, direct debit and credit, risk insurance, pension plans, investment funds and others. Does not include term savings.

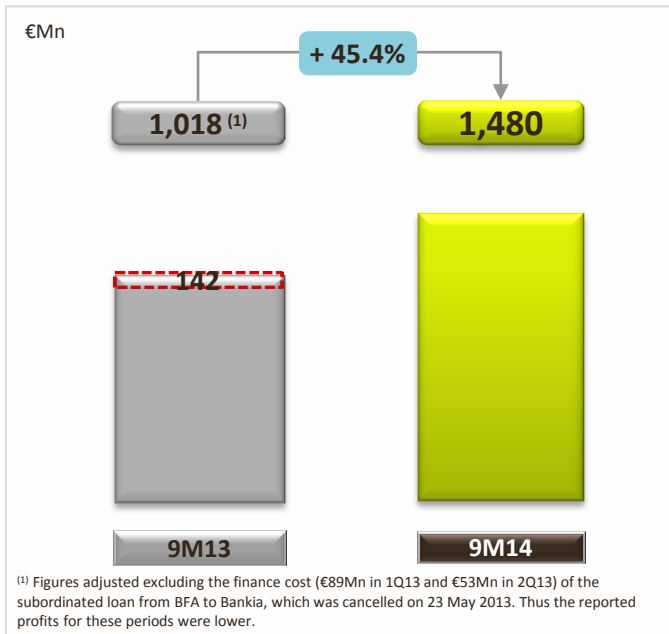
Significant increase in productivity over the last 12 months

# Highlights of the quarter

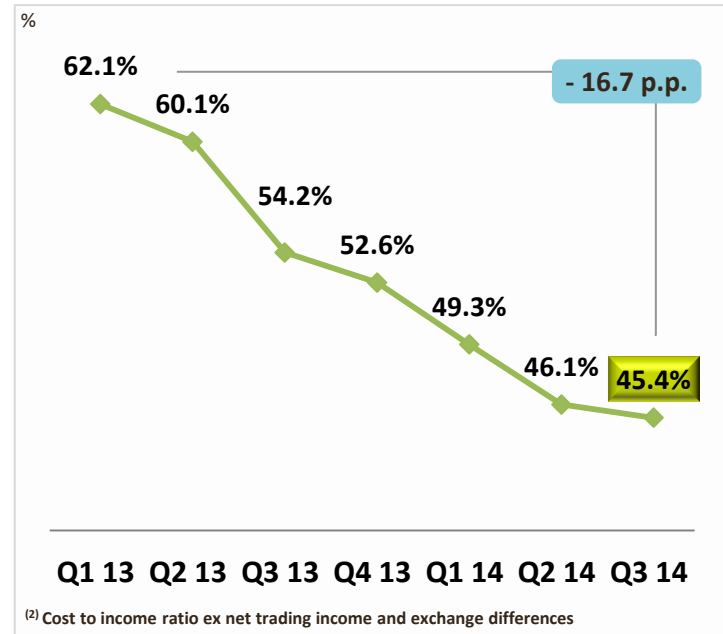
2

## EFFICIENCY AND PROFITABILITY

### Accumulated pre-provision profit ex NTI and exch. diff.



### Cost to income ratio <sup>(2)</sup>



**Accumulated pre-provision profit ex net trading income and exchange differences up 45.4%**



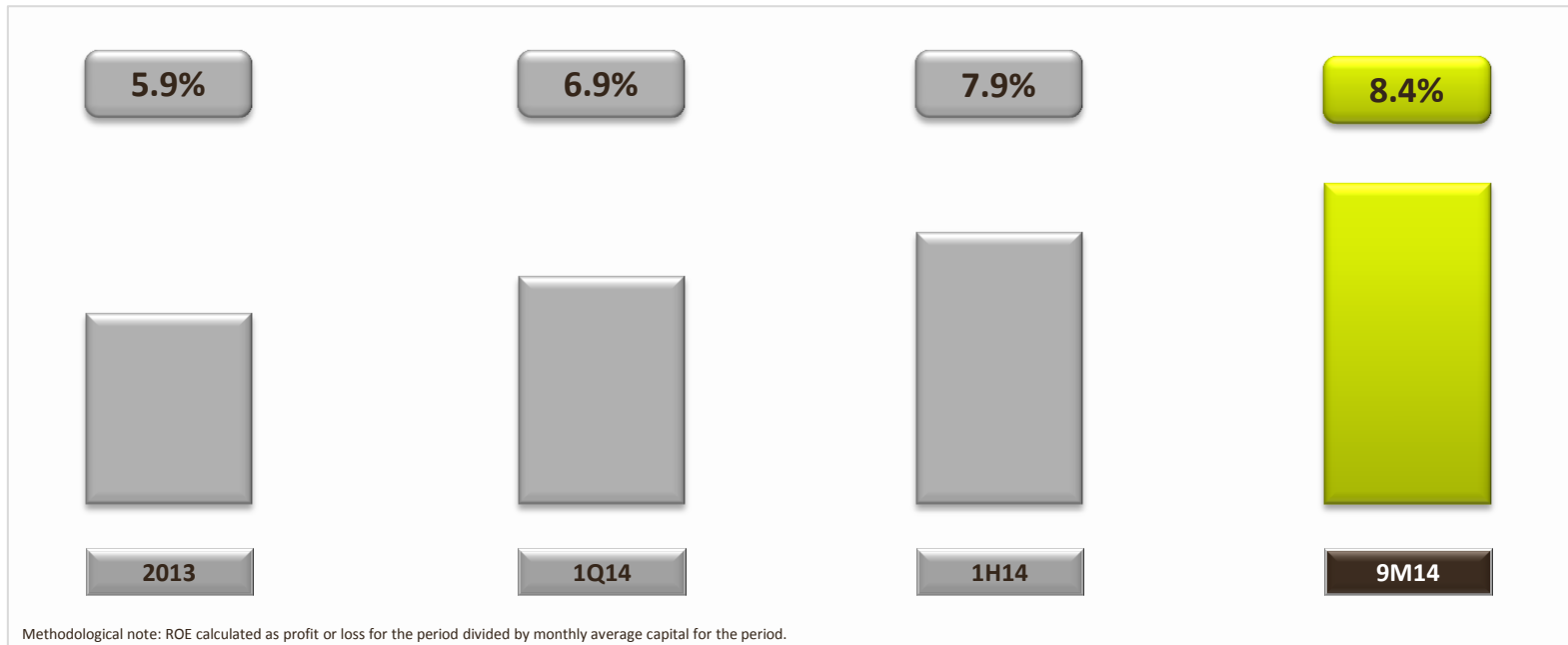
## Highlights of the quarter



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### EFFICIENCY AND PROFITABILITY

#### Bankia Group Accumulated ROE



On track to reach 10% ROE in 2015

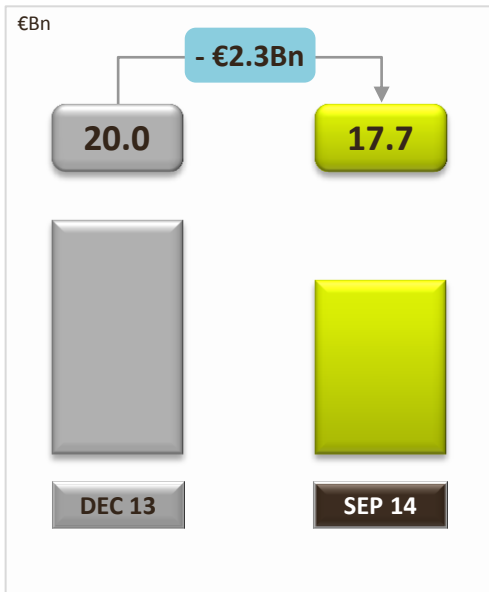
# Highlights of the quarter



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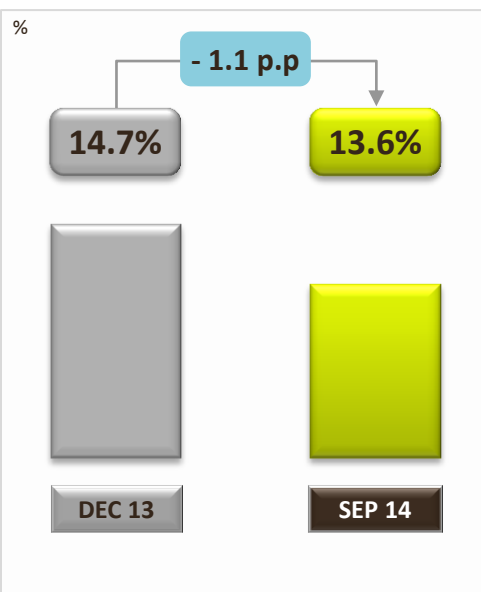
## BALANCE SHEET SOUNDNESS AND STRENGTH

### NPLs



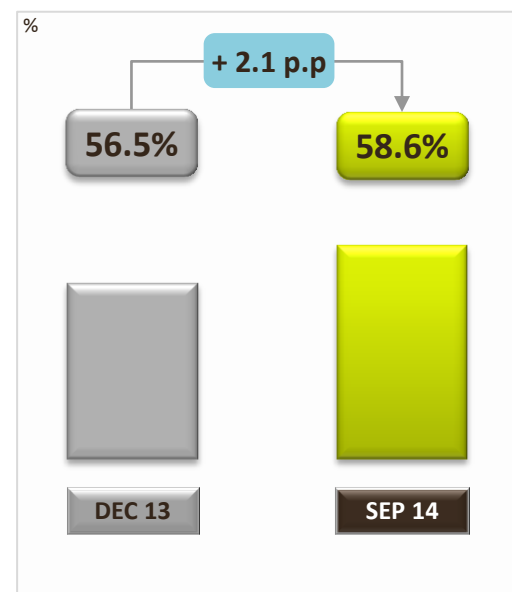
**Additional NPLs reduction of €0.9Bn in the quarter**

### NPL RATIO



**NPL ratio down to 13.6%**

### NPL COVERAGE



**NPL coverage at 58.6%**

# Highlights of the quarter

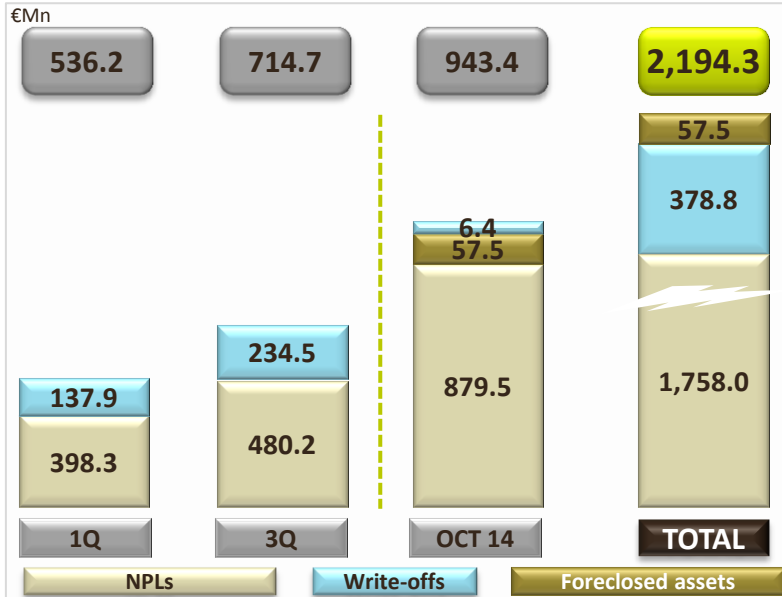


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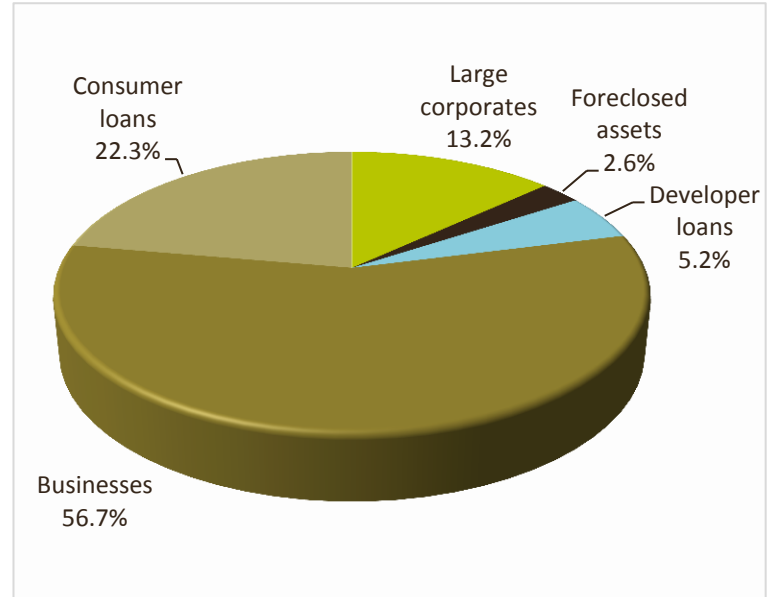
## BALANCE SHEET SOUNDNESS AND STRENGTH

### SALE OF CREDIT PORTFOLIOS – BANKIA GROUP

#### BY STATUS



#### BY SEGMENT



NOTE: NOTE: The amounts of portfolio sales include all outstanding balance on sold loans, incorporating not only the book value on the balance sheet but also any additional rights to the portfolio sold. Specifically, the book value of the NPLs sold in the first nine months of the year are €765Mn: €303Mn in the first quarter and €462Mn in the third quarter.

**Intense loan portfolio sales activity during the year**

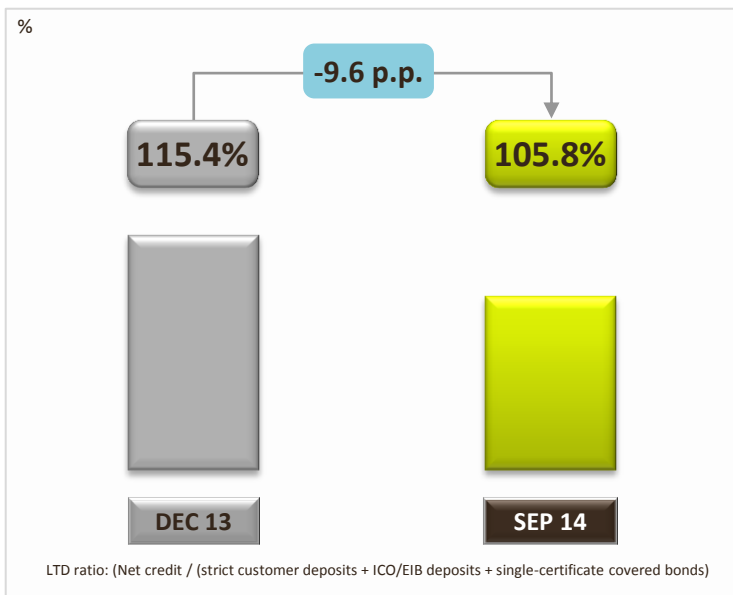
# Highlights of the quarter



3

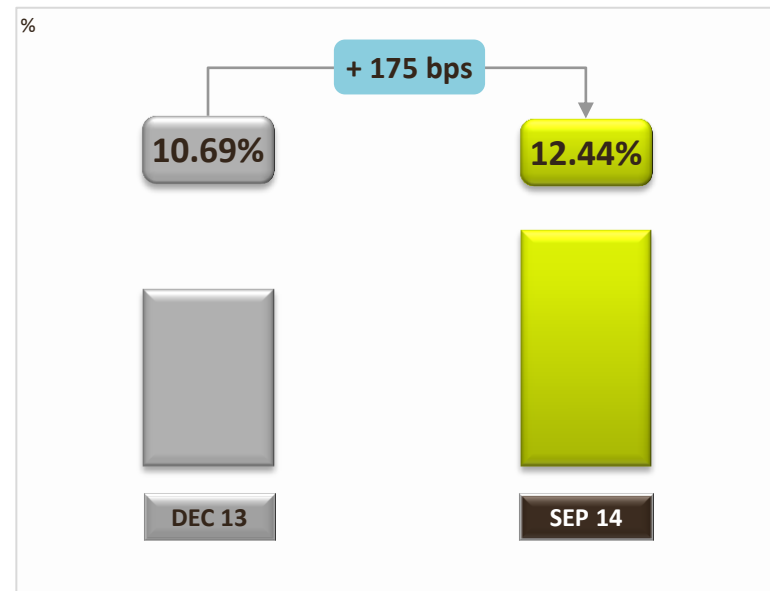
## BALANCE SHEET SOUNDNESS AND STRENGTH

### LOANS TO DEPOSITS



LTD ratio already below 106%

### BASEL III CET1- PHASE IN



Basel III fully loaded CET1 ratio up from 8.60% to 10.51%



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## 3Q 2014 Results

### Pro forma income statement – Bankia Group



€Mn		9M 2013	9M 2014	Diff. %
A	Net interest income	1,876	2,163	15.2%
	Fee and commission income	686	702	2.3%
B	Gross income	2,860	2,937	2.7%
	Gross income ex NTI and exchange differences	2,464	2,786	13.1%
C	Operating expenses	(1,446)	(1,306)	(9.6%)
D	Pre-provision profit	1,414	1,631	15.3%
	Pre-provision profit ex NTI and exchange differences	1,018	1,480	45.4%
E	Provisioning and others	(781)	(670)	(14.2%)
	Taxes	(181)	(265)	46.7%
	<b>Profit after tax</b>	<b>452</b>	<b>696</b>	<b>53.9%</b>

The pro forma income statement for 9M 2013 excludes the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013, with the result that published earnings for that period were lower.

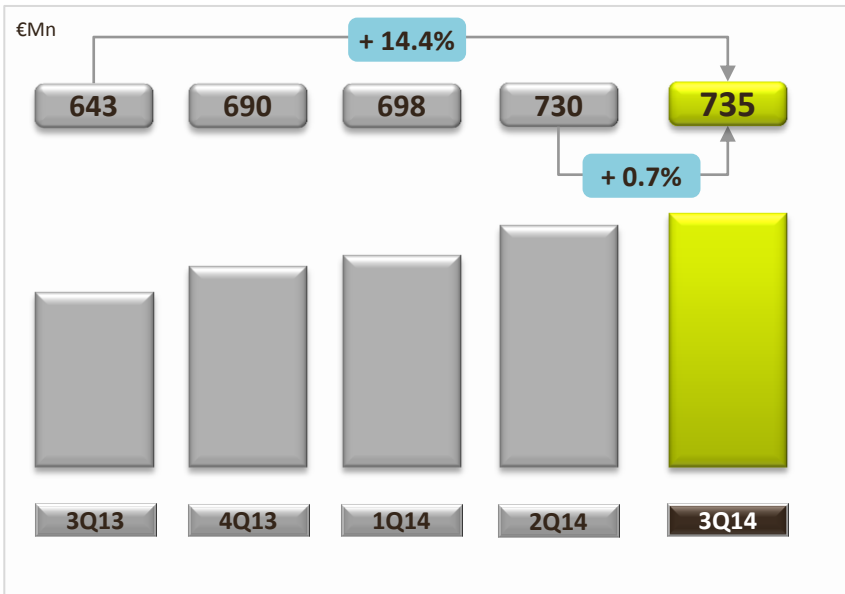


# 3Q 2014 Results

## A Net interest income

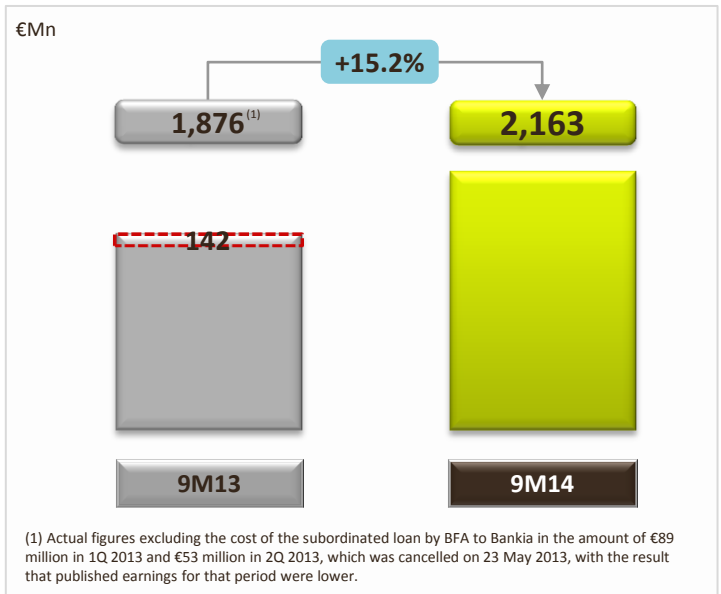
Net interest income up slightly despite the seasonality of the quarter

### Quarterly performance of net interest income



**Net interest income up 14.4% in 3Q14 vs 3Q13**

### Accumulated annual growth



**Accumulated net interest income up 15.2% year on year**

(1) Actual figures excluding the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013, with the result that published earnings for that period were lower.

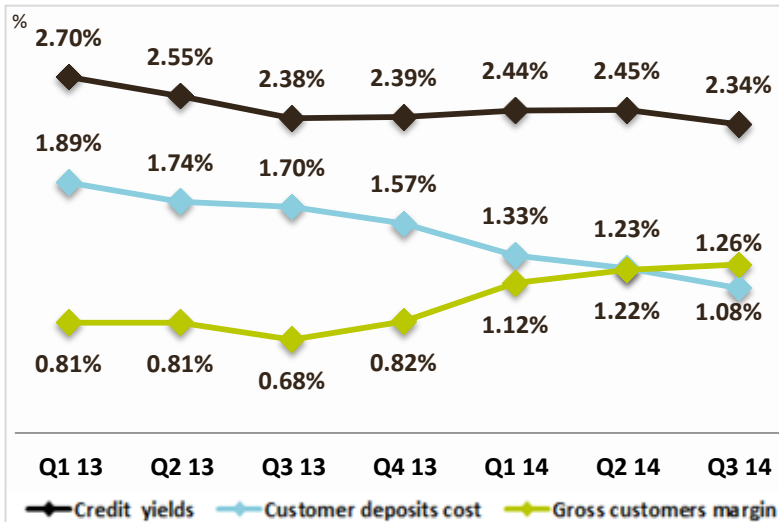


## 3Q 2014 Results

### A Net interest income

Lower cost of deposits leads to improvement in gross customer spread

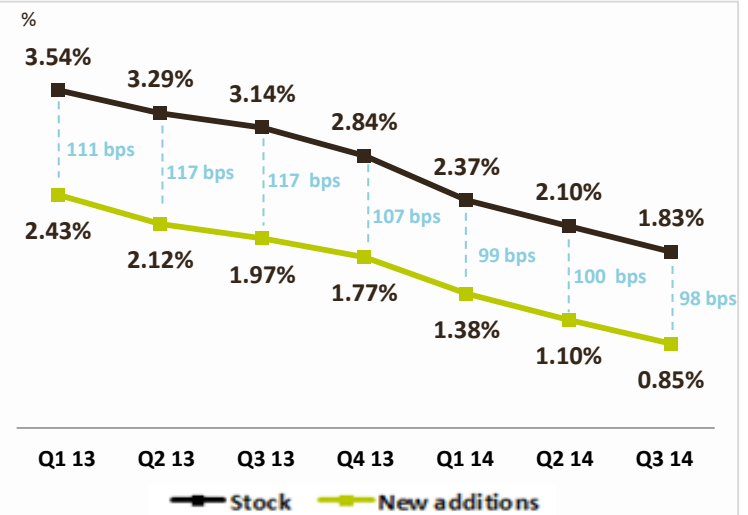
#### Loan yield vs. cost of deposits <sup>(1)</sup>



<sup>(1)</sup> The impact of City National Bank has been excluded from the series.

Customer spread continues to improve due to repricing of term deposits.

#### Cost of term deposits – Back book vs. Front book



Stock and new additions, quarterly average (excluding impact of City National Bank)

€52Bn of term deposits (average term 18 months) in process of being repriced. Difference of 98 bps between back and front book



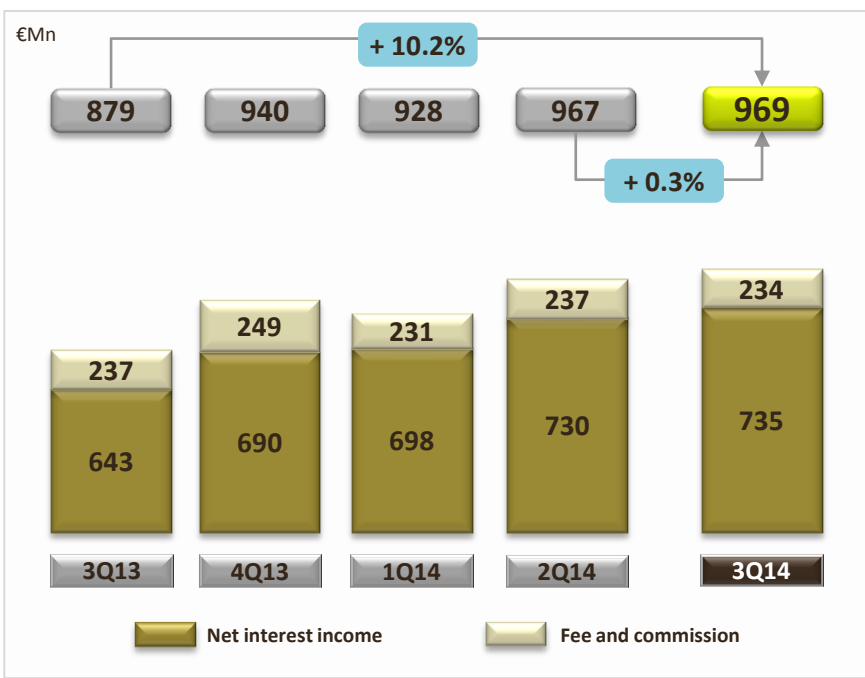


# 3Q 2014 Results

## A Net interest income and fee and commission income

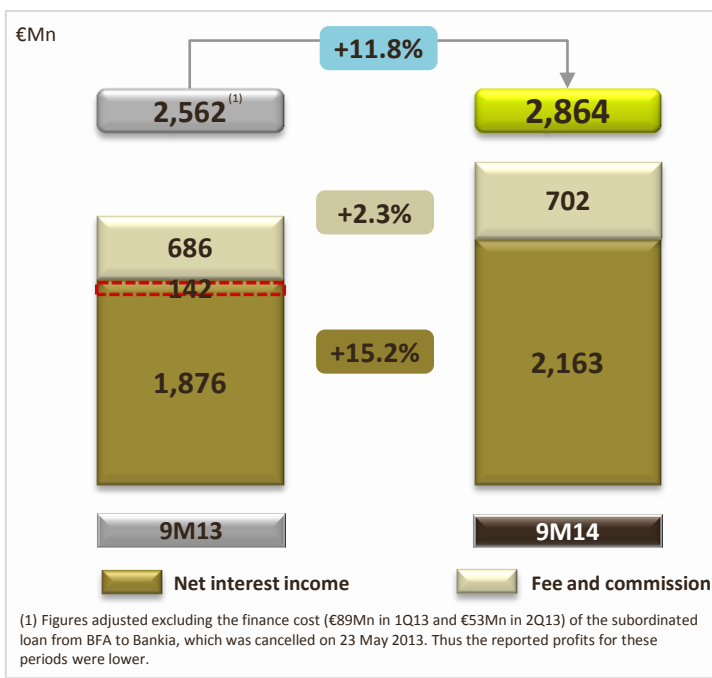
Core banking business continues positive trend despite the seasonality of the quarter

### Quarterly performance of core banking business



Core banking business continues positive quarterly trend

### Core banking business performance



Up 11.8% in cumulative terms

(1) Figures adjusted excluding the finance cost (€89Mn in 1Q13 and €53Mn in 2Q13) of the subordinated loan from BFA to Bankia, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower.

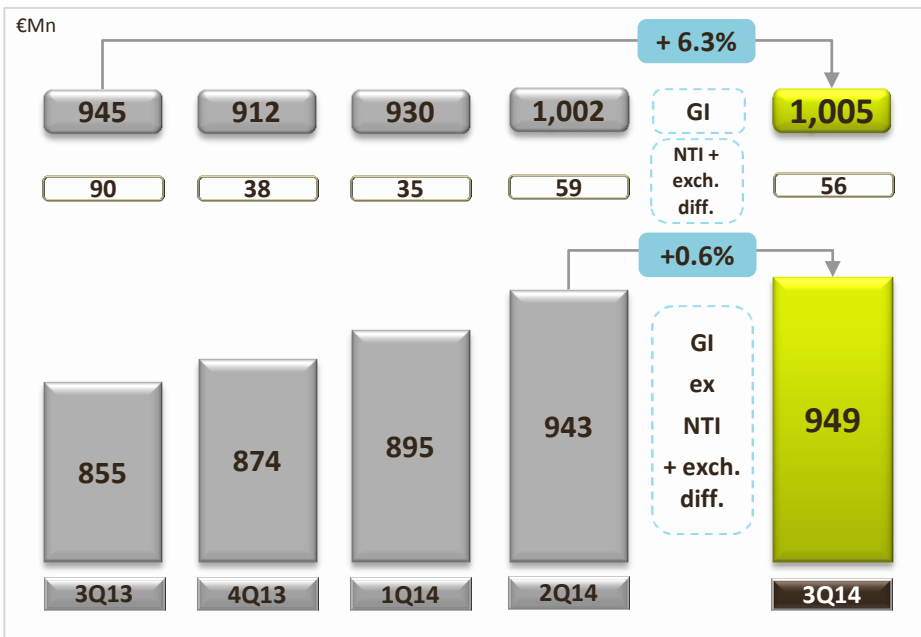


# 3Q 2014 Results

## B Gross income

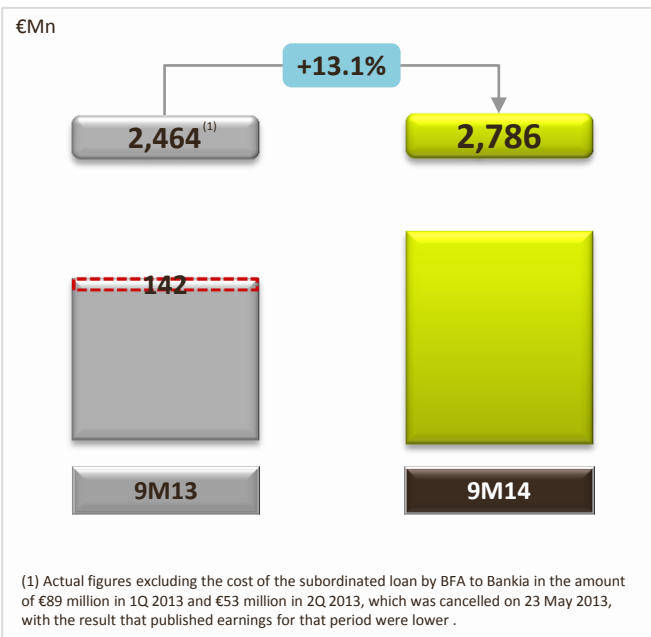
Stable gross income at above €1,000Mn in the quarter

### Quarterly performance of gross income



**Gross income up 6.3% in 3Q14 vs 3Q13**

### Gross income ex NTI and exch. diff.



**Accumulated gross income ex NTI and exch. diff. up 13.1%**

(1) Actual figures excluding the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013, with the result that published earnings for that period were lower.

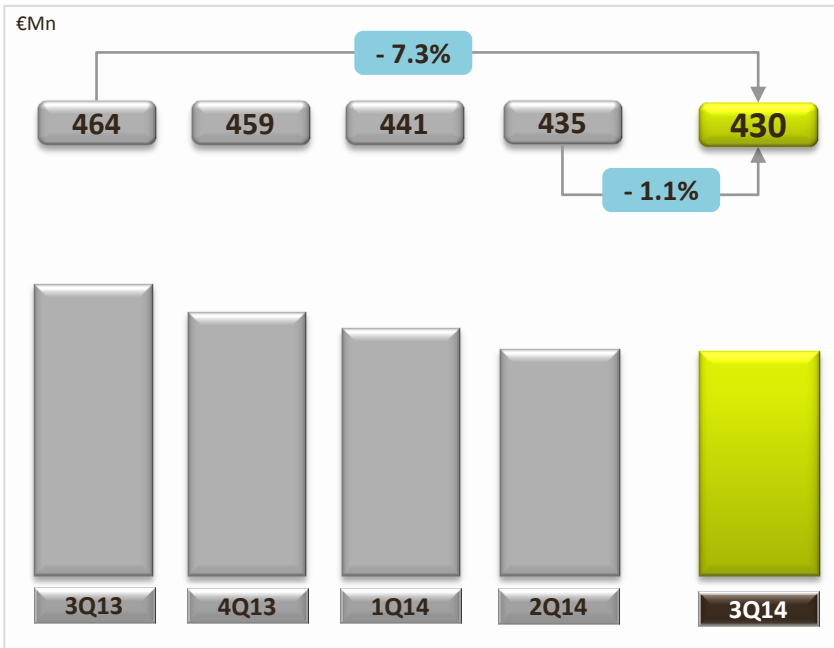


## 3Q 2014 Results

### C Operating expenses

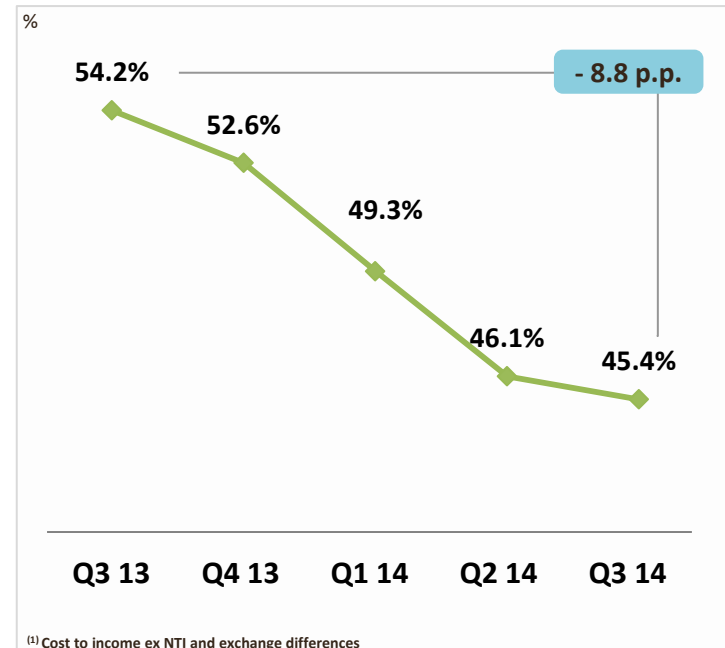
Cost to income ratio near 45%

#### Quarterly performance of operating expenses



Operating expenses continue to fall in 3Q14

#### Cost to income ratio ex NTI and exch. diff. <sup>(1)</sup>



Cost to income ratio falls further to 45.4%

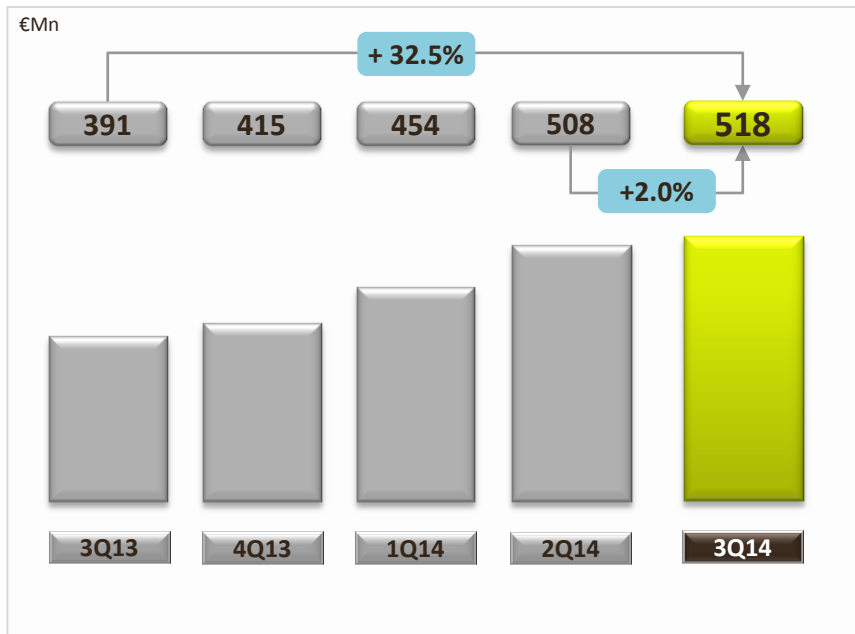


## 3Q 2014 Results

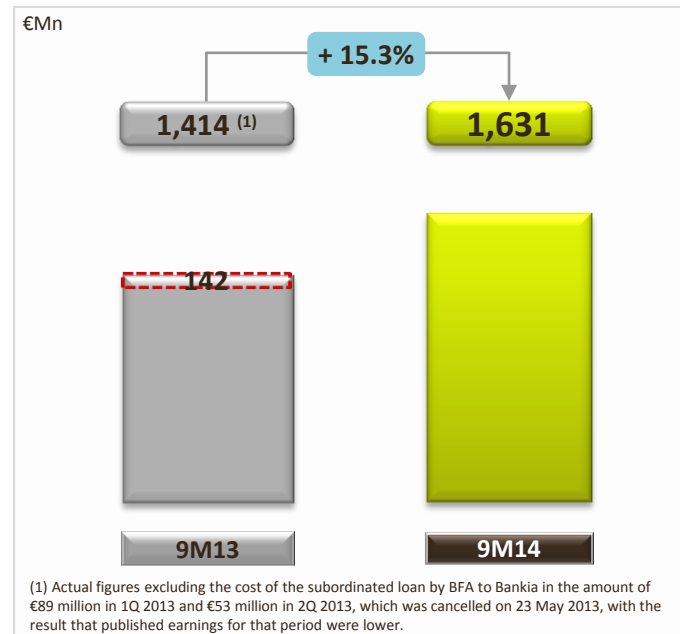
### D Pre-provision profit

Pre-provision profit upward trend continues

#### Pre-provision profit ex NTI and exch. diff.



#### Accumulated pre-provision profit



**Recurring pre-provision profit ex NTI and exchange differences up 2.0% quarter on quarter and up 32.5% vs. 3Q 2013**



# 3Q 2014 Results

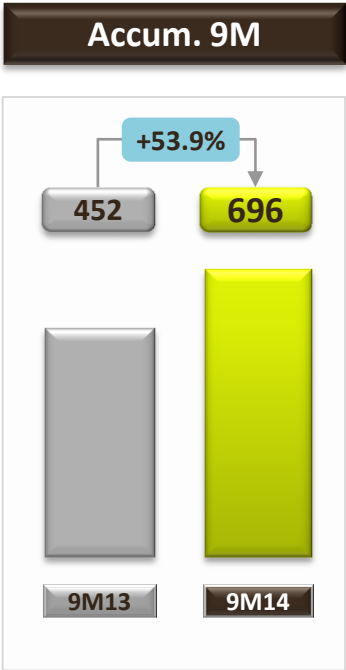
## E Profit after tax

Large increase in net profit compared to same quarter of previous year

€Mn

	3Q 13	4Q 13	1Q 14	2Q 14	3Q 14
Pre-provision profit	481	453	489	567	574
Provisions	(294)	(353)	(303)	(262)	(253)
Profit from sales and others	21	53	62	3	25
Profit from discount. ops. <sup>(1)</sup>	21	24	21	17	21
<b>Profit after tax</b>	<b>161</b>	<b>156</b>	<b>186</b>	<b>245</b>	<b>265</b>

(1) Includes recurring profit of Aseval



**RECURRING COST OF RISK 3Q 2014 (CREDIT)** 59 bps

**Accumulated net profit reaches €696Mn, up 54% vs. same period of previous year**



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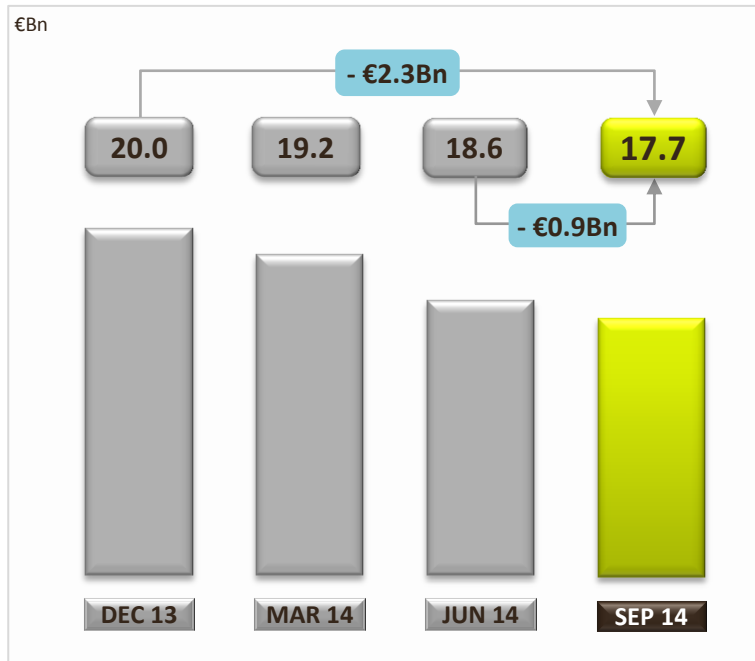


# Asset quality and risk management

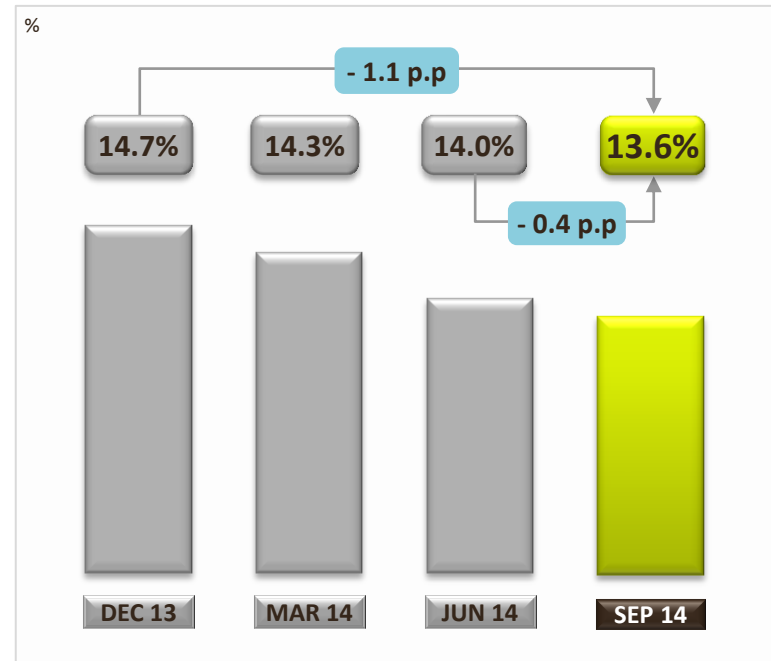
## Credit quality

Decrease in stock of NPLs and NPL ratio

### NPLs



### NPL ratio



Further decline in NPL volumes and NPL ratio

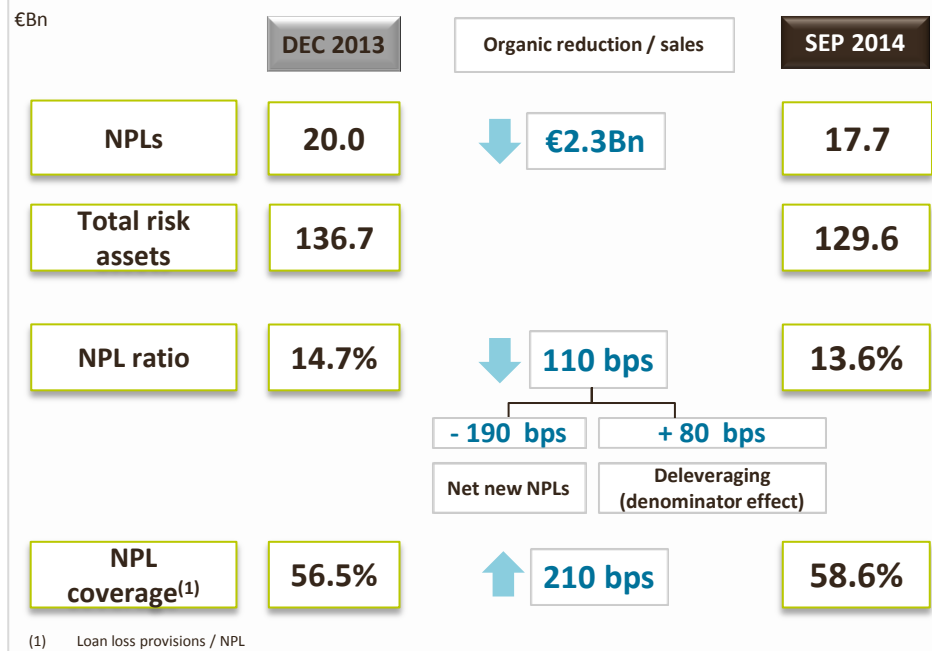


# Asset quality and risk management

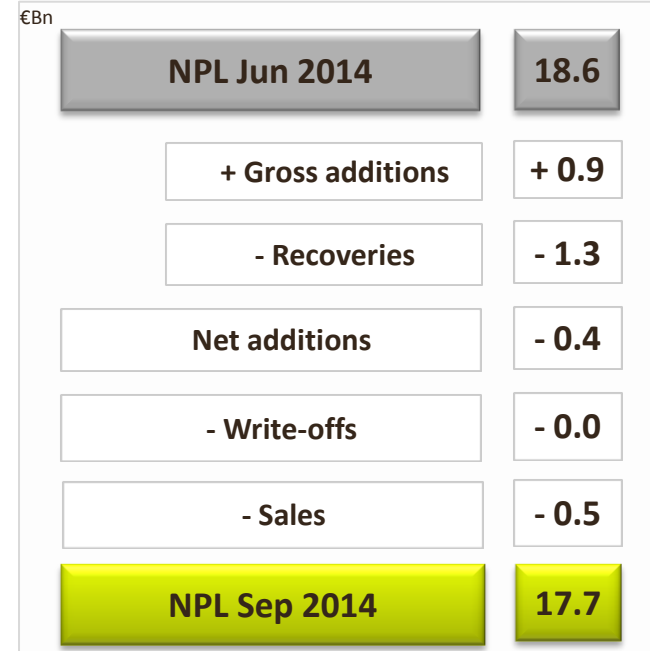
## Credit quality

Decrease in stock of NPLs and NPL ratio

### Performance of NPLs, NPL ratio and NPL coverage



### NPL performance



**NPLs down €2.3Bn year to date, while NPL ratio falls to 13.6%**  
**NPL coverage up 210 bps in the year to 58.6%**





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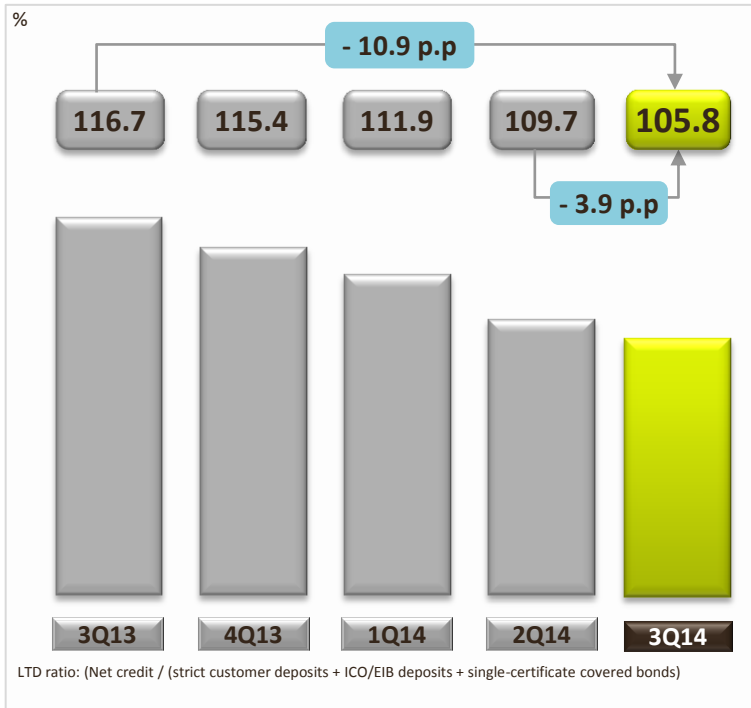


## Liquidity and solvency

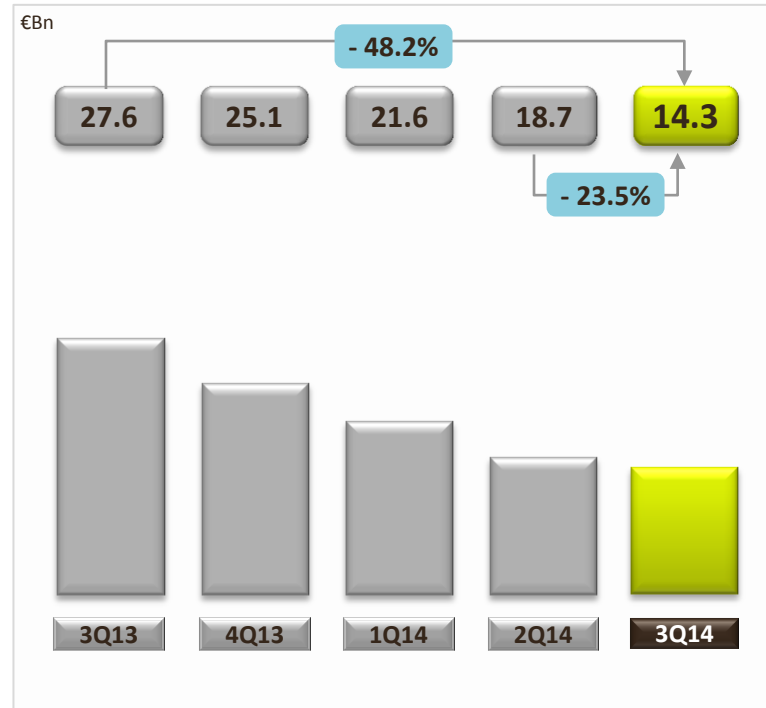
### Liquidity indicators

Liquidity improving quarter on quarter

#### Quarterly performance of LTD ratio (%)



#### Quarterly performance of commercial gap



LTD ratio falls a further 3.9 p.p. in the quarter

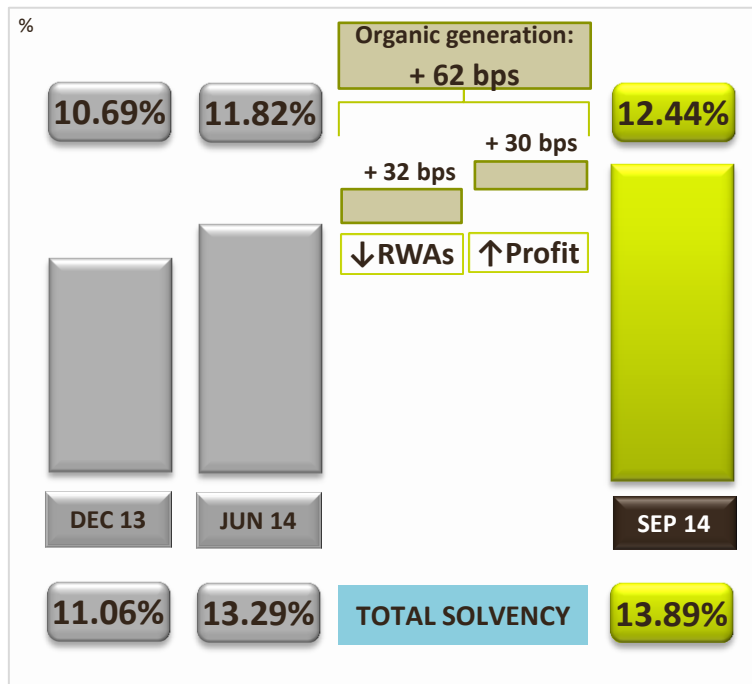


## Liquidity and solvency

Significant organic capital generation

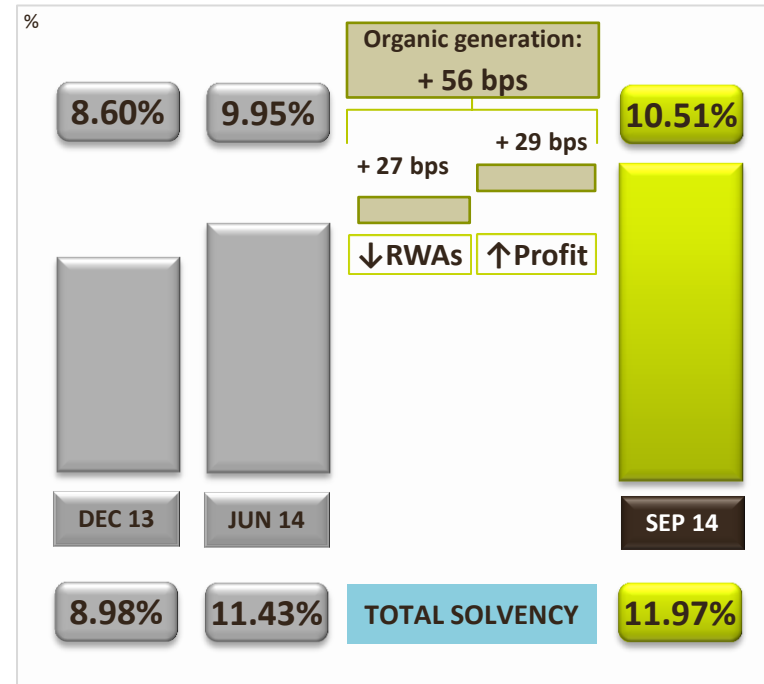
High rate of capital generation

### Phase-in Basel III CET 1 ratio



Basel III phase-in CET1 ratio up close to c.12.5%

### Fully loaded Basel III CET 1 ratio



Basel III fully loaded CET1 ratio at 10.51%



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## Conclusions

**3<sup>rd</sup> quarter 2014: further progress in the objectives of our Strategic Plan...**

**Commercial capacity acceleration. “Préstamo Dinamización”**

**Strong push in recurrent results generation (pre-provision profit: + 45.4%)**

**Cost to income ratio already close to 45%**

**Three consecutives quarters of NPL ratio reduction and coverage increase**

**Positive trend of the capital ratio continues (12.4%)**

**Further ROE increase (8.4%)**

**... to reach a 10% ROE in 2015**

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**Investor Relations**

[ir@bankia.com](mailto:ir@bankia.com)