

# Bankia

## Quarterly results presentation

3Q 2017

› 30 October 2017

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**9M 2017 HIGHLIGHTS**

**2**

**3Q 2017 RESULTS**

**3**

**ASSET QUALITY AND RISK MANAGEMENT**

**4**

**LIQUIDITY AND SOLVENCY**

**5**

**CONCLUSIONS**

> 9M 2017 Highlights

1	<b>Competitive positioning</b>	NEW MULTICHANNEL DISTRIBUTION MODEL BOOSTS BUSINESS AND REINFORCES OUR CUSTOMERS' SATISFACTION	Highest customers' satisfaction levels <b>2.3x</b> New mortgages <b>+19.6%</b> Consumer finance
2	<b>Profitability</b>	... RETAINING OUR COMPETITIVE ADVANTAGES...	Cost to income ratio: <b>48.0%</b> <sup>9M17</sup> Attrib. profit: <b>€739mn</b> <sup>9M17</sup>
3	<b>Asset quality</b>	... ACCELERATING THE REDUCTION IN NON-PRODUCTIVE ASSETS...	Reduction in NPAs: <b>€1,581mn</b> <small>Sep.17 vs Dec.16</small> NPL ratio: <b>8.8%</b>
4	<b>Capital generation</b>	... AND GENERATING CAPITAL ORGANICALLY AND ON A RECURRENT BASIS	CET1 FL ratio: <b>14.16%</b> Total Capital ratio: <b>17.18%</b>

## > 9M 2017 Highlights

### Commercial positioning | Multichannel transformation

We continue developing our multichannel transformation plan...

Transformation based on our positioning...



Considering and analysing our customers' needs

- Digital profile
- Financial advisory needs
- Operational needs

...and aligned with the distribution model

Customer focused

Efficiency driven

+

Multichannel

Valor

**E** CONECTA CON TU EXPERTO  
GESTIÓN PERSONALIZADA

oficina ágil

Portfolio based model

-

Financial advisory

+

## > 9M 2017 Highlights

Commercial positioning | Remote manager “Connect with your expert”

... consolidating our customers’ remote management model...

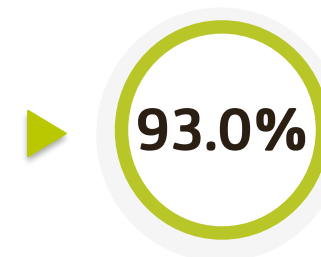
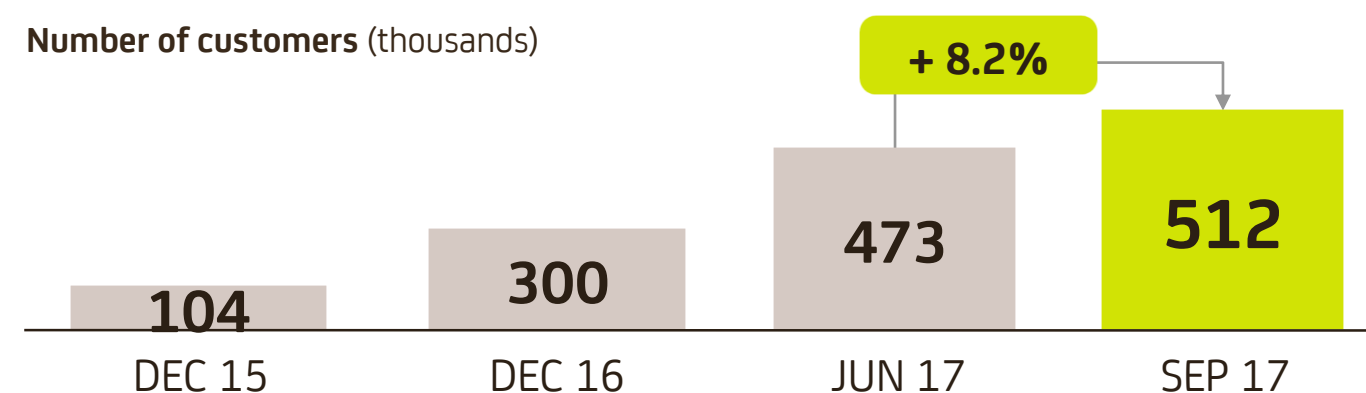


Business volume

**€18,475mn** Sep 17

+ 67% vs Dec.16

Number of customers (thousands)



**Overall satisfaction with manager**  
vs 89.6% overall satisfaction with Bankia



**Productivity**  
Connect with your expert manager vs commercial manager

## > 9M 2017 Highlights

### Commercial positioning | Digital channels

... developing and revamping all the bank's digital channels...

**July 2016**



New website for retail banking and businesses

**+ Usability**

Enhanced browsing  
Streamlined processes  
More "one click" options

**November 2016**



New app

**+ Contactability**

Web Chat  
Easy contact with managers  
Online support  
Wall: allows to complete processes started in other channels

**June 2017**



Bankia Online

**+ Sale oriented**

"One click" consumer and card offering  
Transfer of mutual funds and pension plans  
Buy all products (except insurance and mortgages)  
Commercial offering shaped by Business Intelligence

**July 2017**



New Wallet



Constantly reviewing and improving, adding new functionalities

**+ Service**

Simulators for mortgages, house appraisals, pensions, insurance...  
Setting up of direct debit using photographic images  
Biometric access  
Card activation and deactivation

## > 9M 2017 Highlights

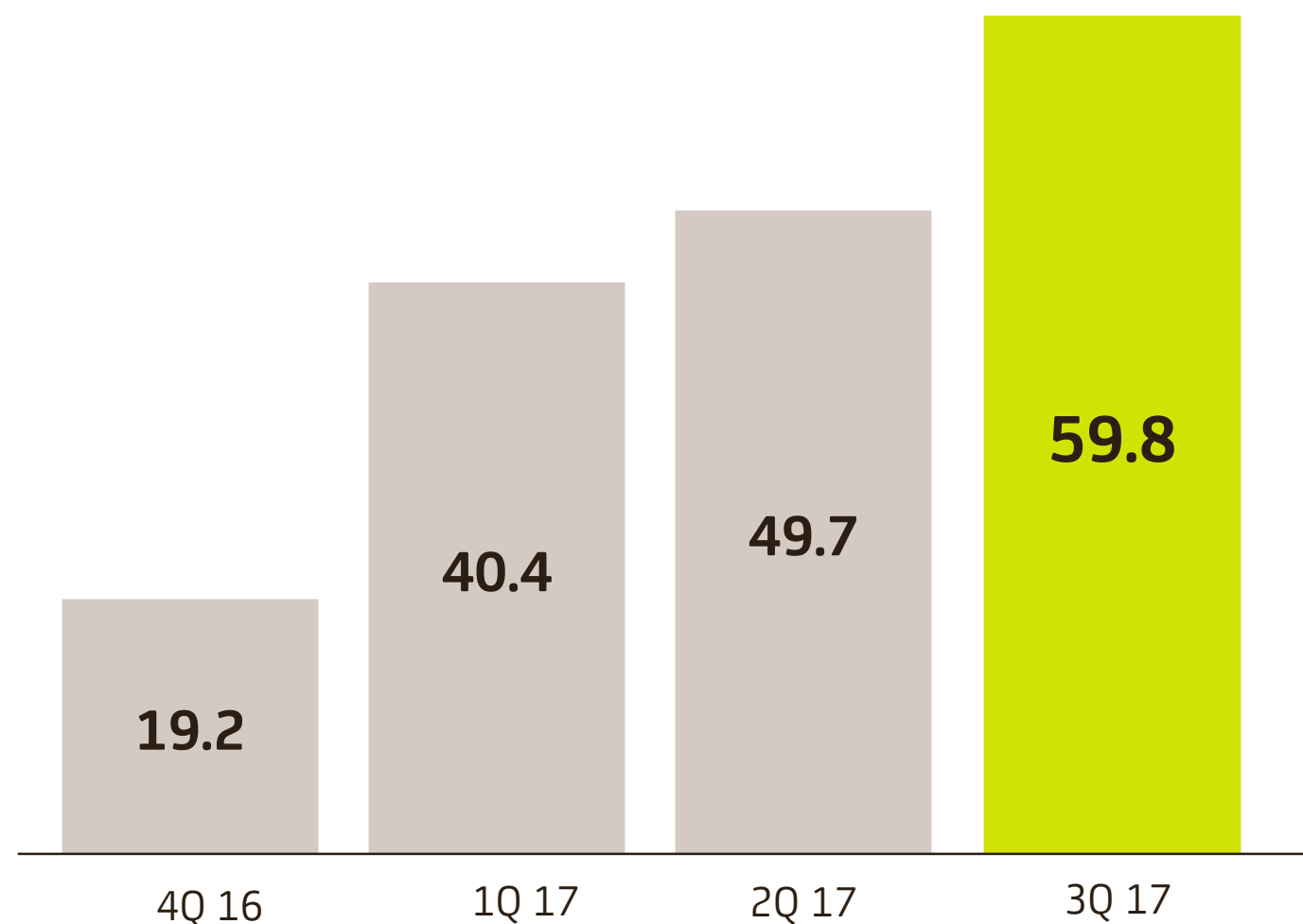
Commercial positioning | Digital sales

...which translates into a bigger number of digital customers and transactions...



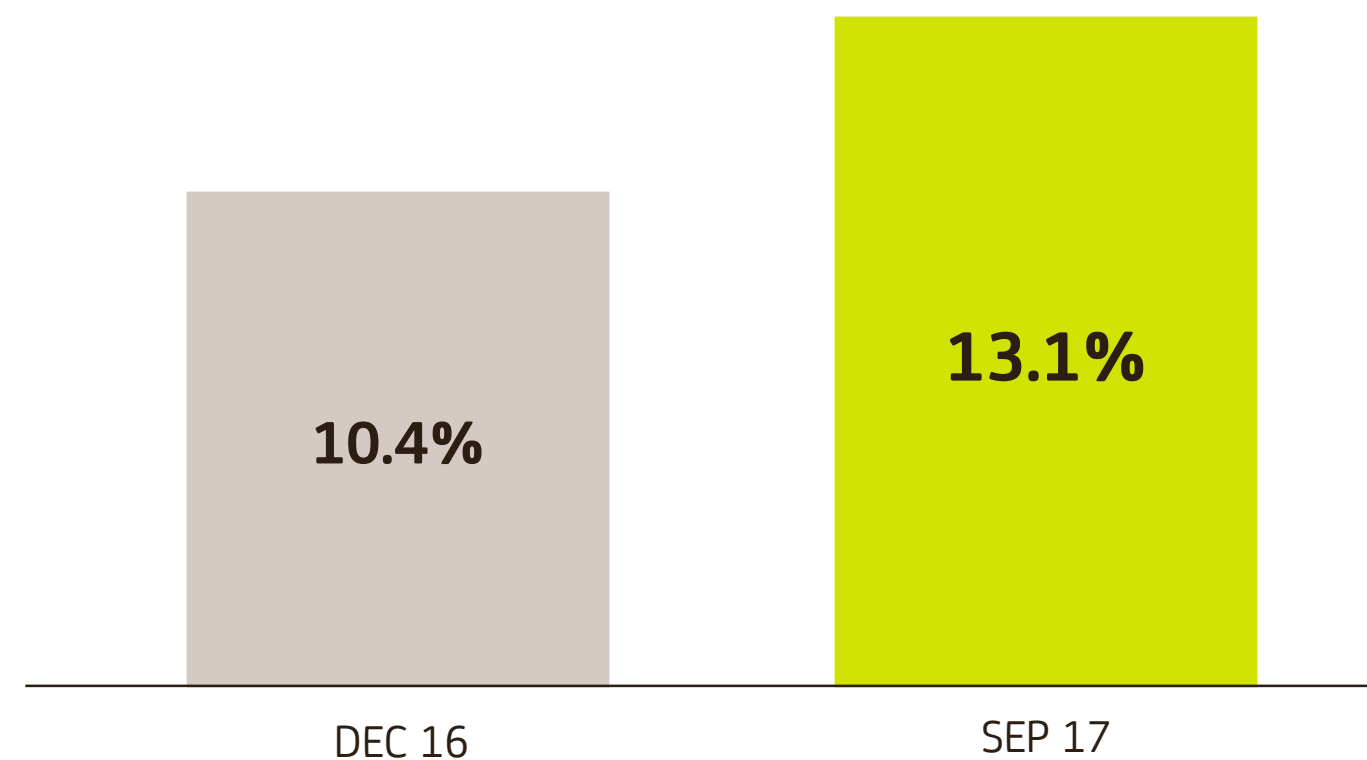
### “ON” ACCOUNT

Quarterly new “On” Accounts (thousands)  
Since launching on Nov.16



### DIGITAL SALES

Digital sales as a % of Bankia total sales



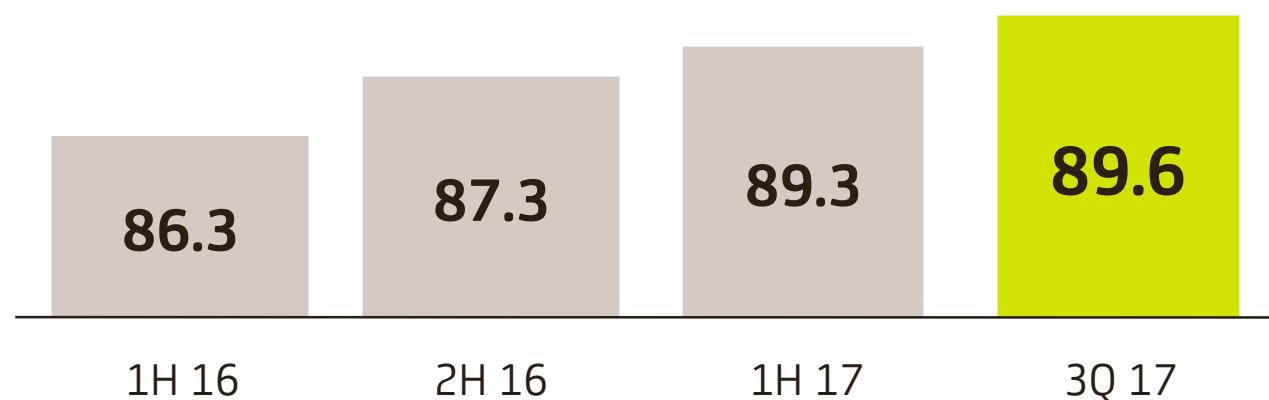


## > 9M 2017 Highlights

### Commercial positioning | Customer satisfaction

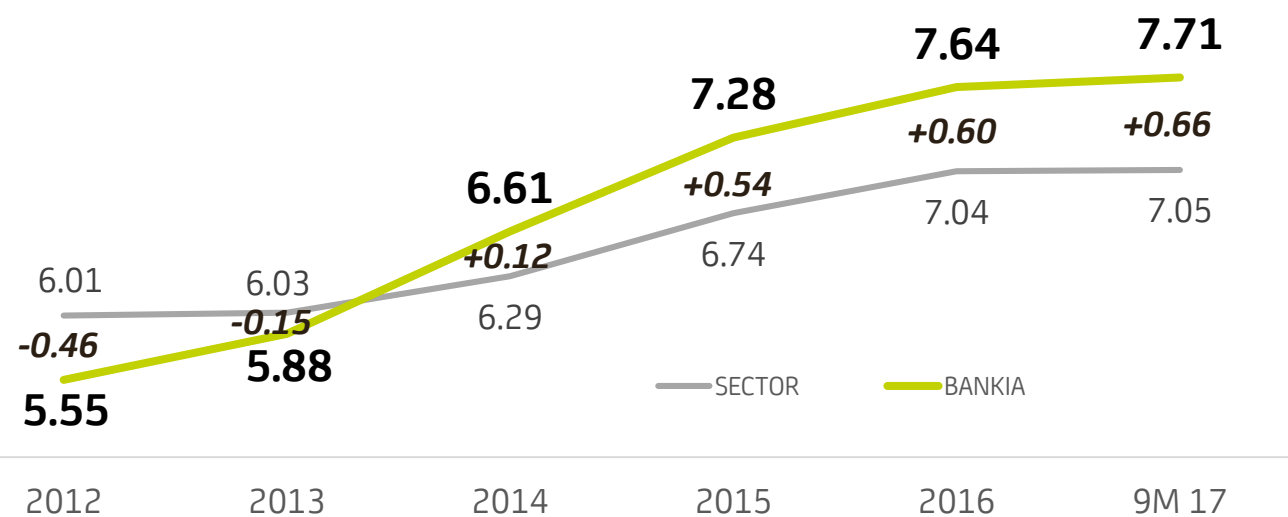
... allowing for our customers' satisfaction to reach maximum levels...

CUSTOMER SATISFACTION INDEX



Source: Bankia

MYSTERY SHOPPING



Source: STIGA Research on mystery shopping satisfaction

NET PROMOTER SCORE – BRANCHES



NET PROMOTER SCORE – CONNECT WITH YOUR EXPERT



Source: Bankia

NPS: index measures willingness of customers to recommend, calculated as a % promoters - % detractors. Promoter customers give a score of 9 or 10, while detractors give a score between 0 and 6, on scale from 0 to 10.

## > 9M 2017 Highlights

Commercial positioning | Commercial activity

... accelerating commercial dynamics



NET NEW CUSTOMERS

+ 141,000

SEP 17 vs SEP 16



DIRECT INCOME DEPOSITS

+ 103,000

SEP 17 vs SEP 16



NET NEW CARDS

+ 168,000

SEP 17 vs SEP 16



POINT OF SALE STOCK

POINT OF SALE terminals installed

+ 14.9%

SEP 17 vs SEP 16



CARDS TURNOVER

In-store Bankia cards

+ 12.7%

SEP 17 vs SEP 16



POINT OF SALE TURNOVER

Total turnover

+ 22.8%

SEP 17 vs SEP 16

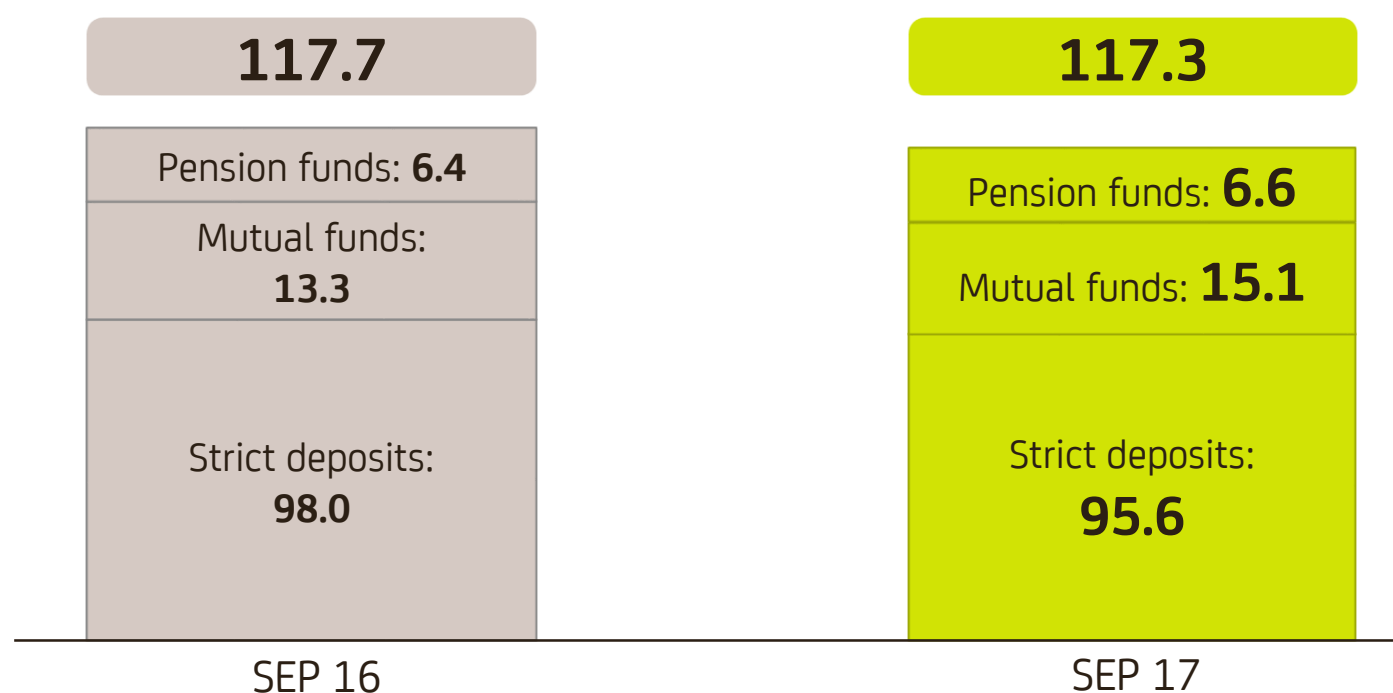
## > 9M 2017 Highlights

### Commercial positioning | Customer funds and new production

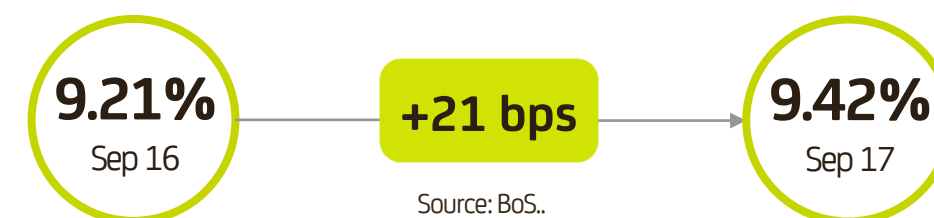
#### Mutual fund volumes continue to rise

€bn

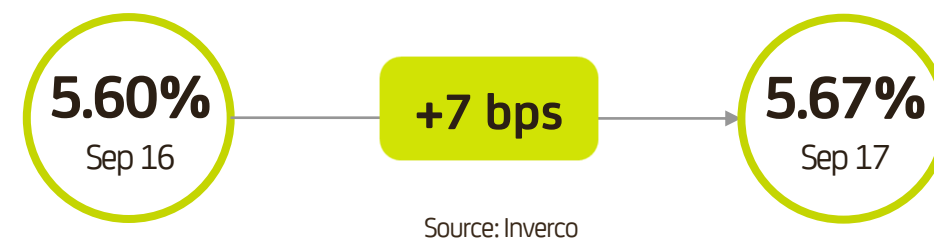
#### STRICT CUSTOMER DEPOSITS + MUTUAL FUNDS + PENSION FUNDS



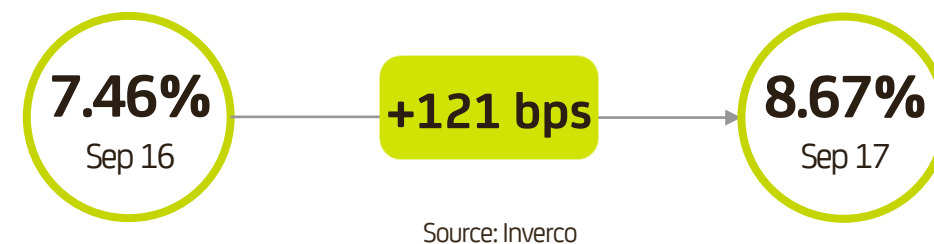
#### HOUSEHOLDS DEPOSITS MKT SHARE



#### MUTUAL FUNDS MKT SHARE



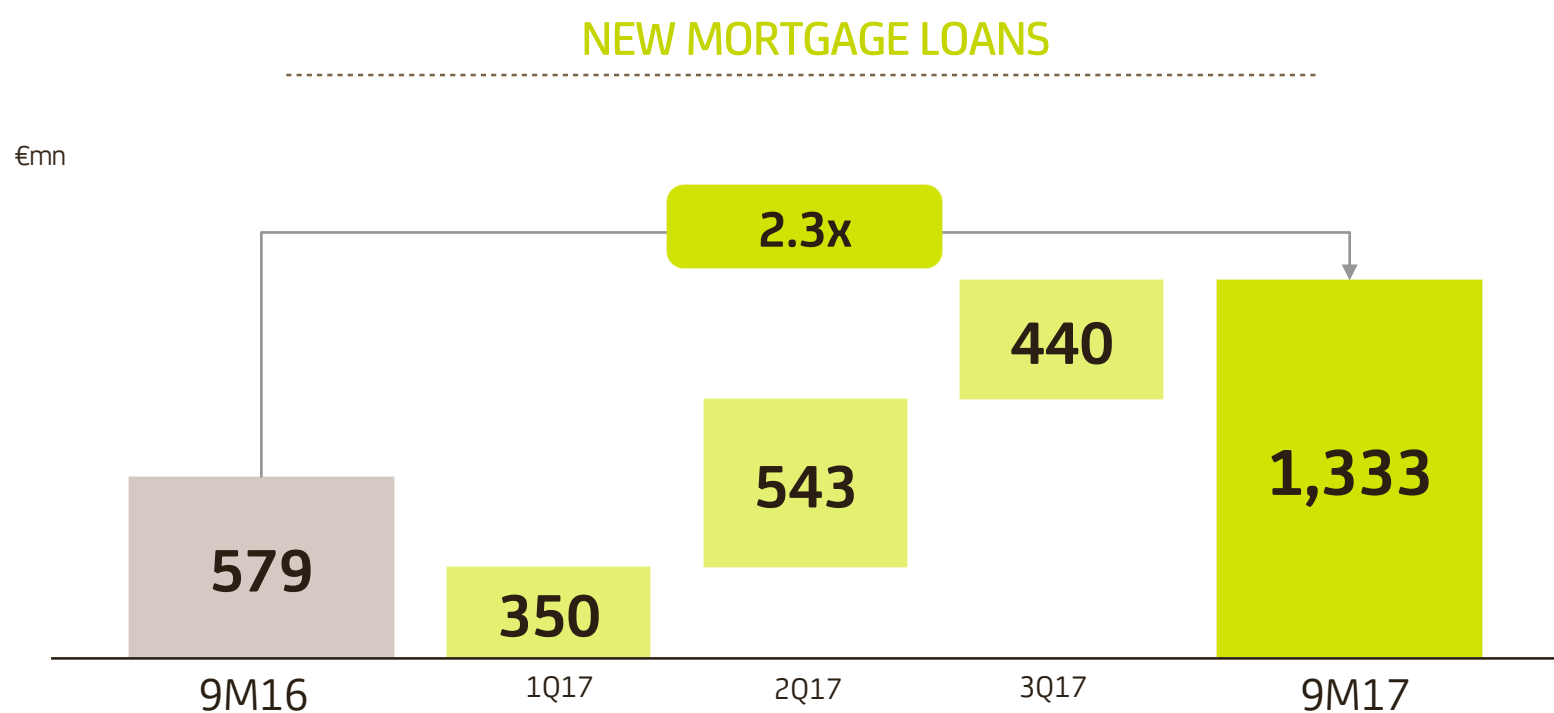
#### NET NEW MUTUAL FUNDS MKT SHARE



## > 9M 2017 Highlights

Commercial positioning | Credit performance and new credit: mortgages

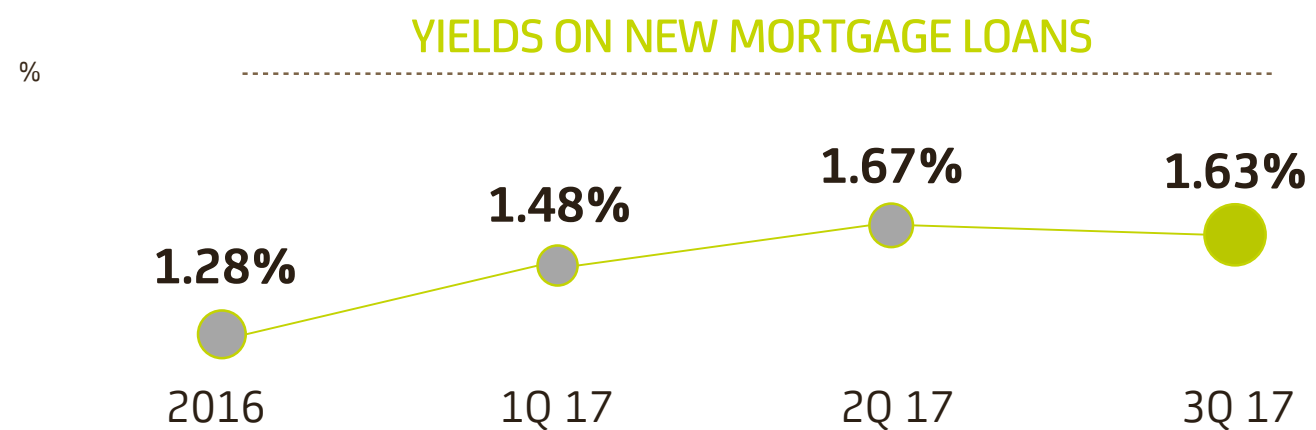
### New mortgage lending continues at a good pace...



**65%** Avg. Loan-to-value of new mortgages

**45%** of new mortgages granted at fixed rates in 3Q17 vs 47% in 2Q17

**34%** of applications come from new customers

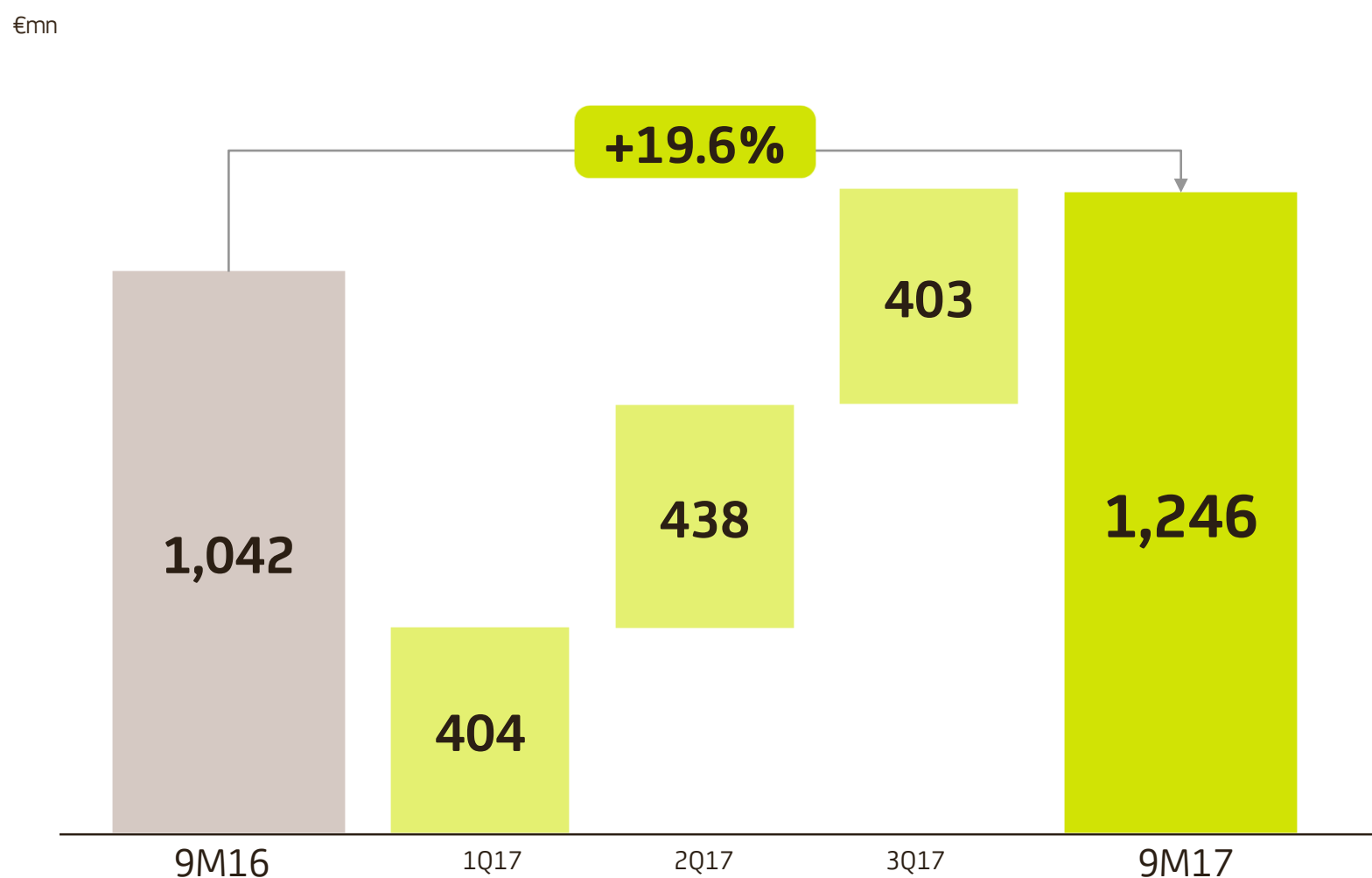


## > 9M 2017 Highlights

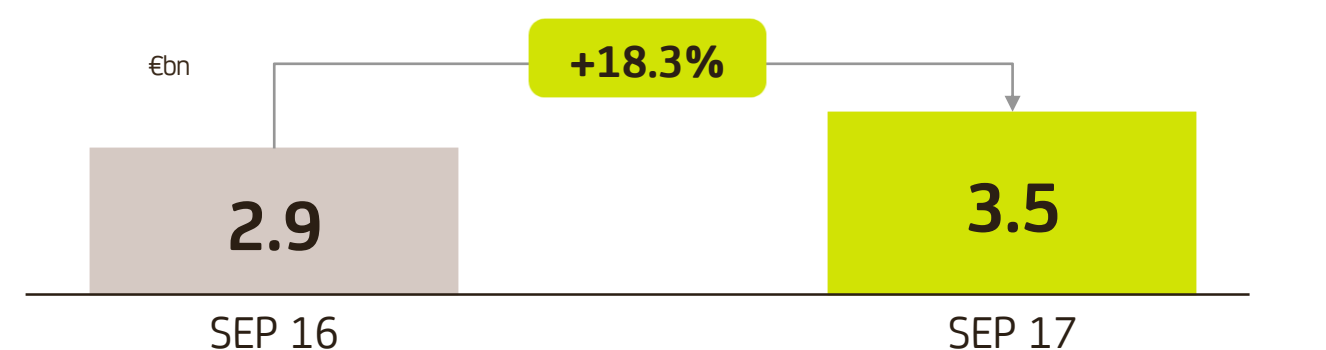
Commercial positioning | Credit performance and new credit: consumer finance

... as is the case of consumer finance...

### NEW CONSUMER FINANCE LOANS



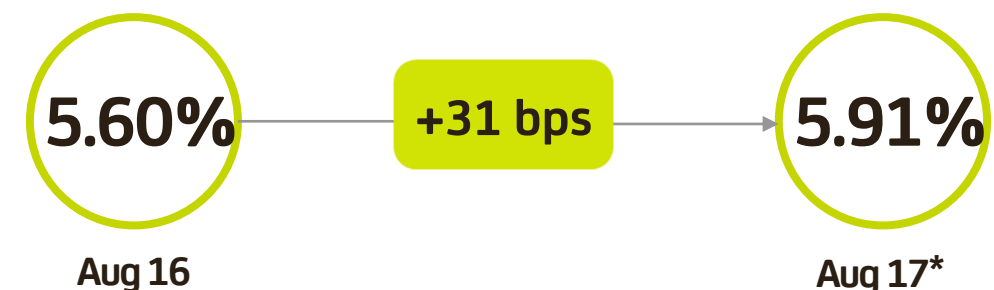
### GROSS CREDIT STOCK | CONSUMER FINANCE



### CONSUMER FINANCE MARKET SHARE – OUTSTANDING BALANCE



### CONSUMER FINANCE MARKET SHARE – NEW LENDING



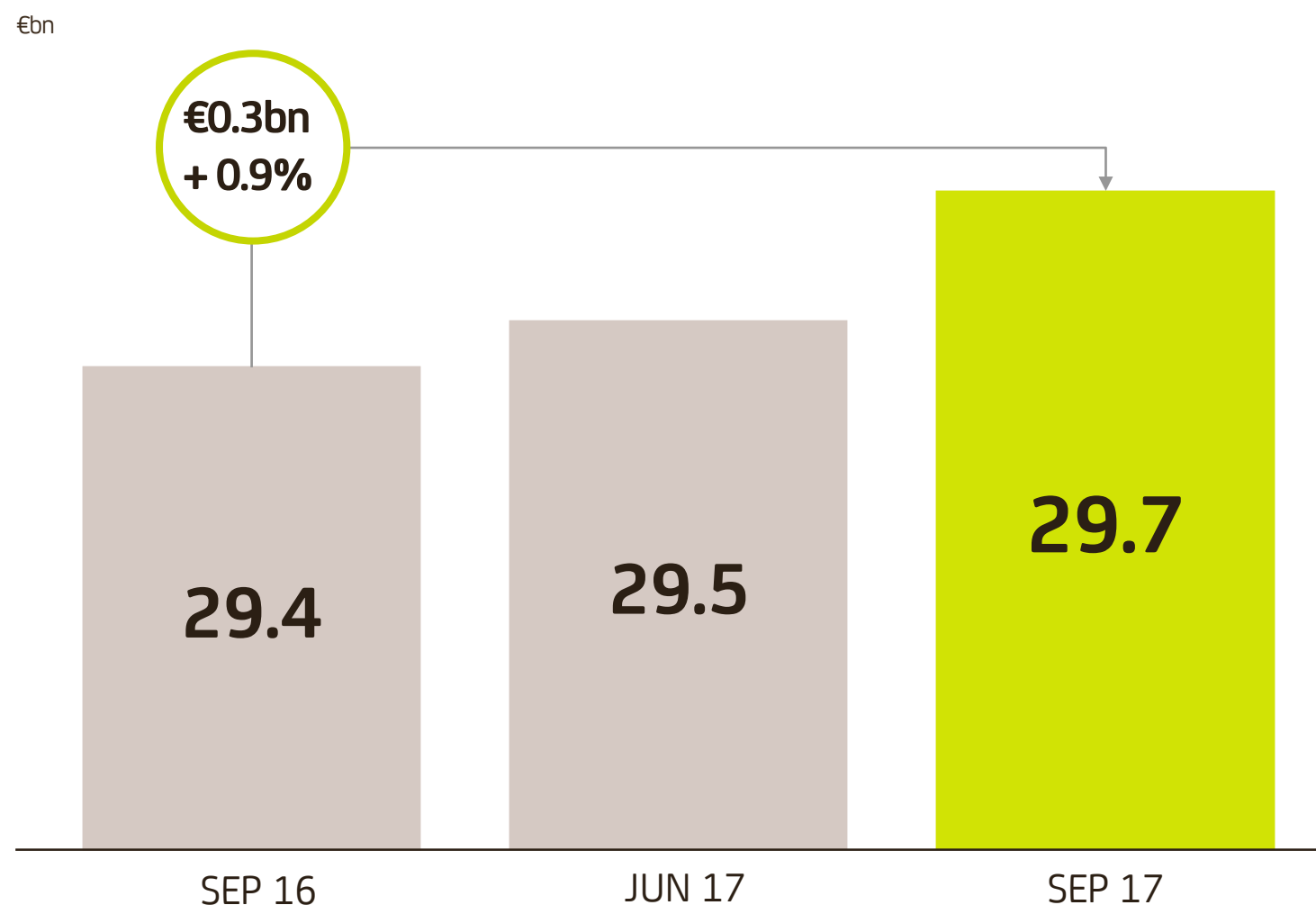
Source: BoS. \* Lastest available data

## > 9M 2017 Highlights

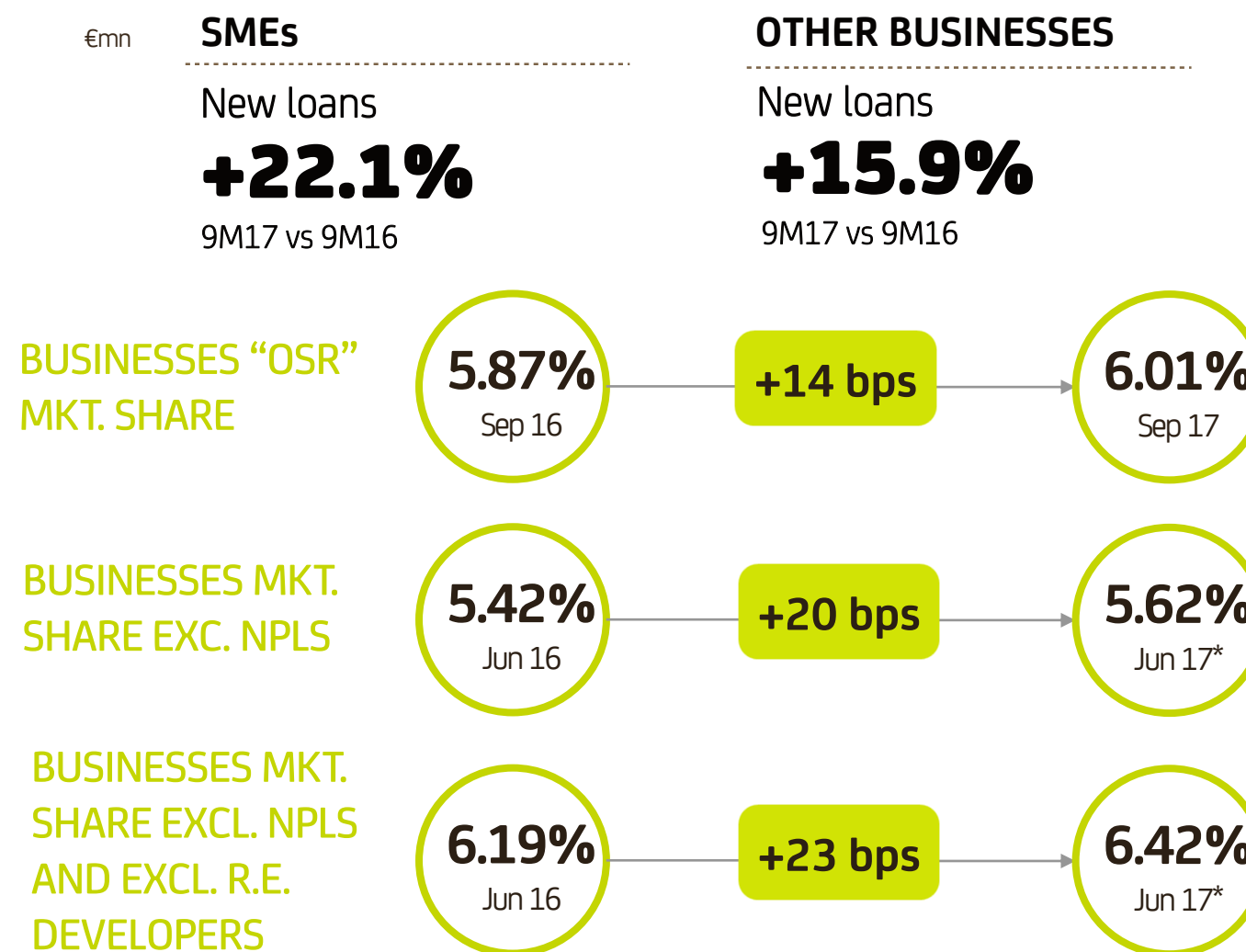
### Commercial positioning | Credit performance and new credit: SMEs

... and in the businesses and SMEs segments

#### CREDIT STOCK EX. NPL - BUSINESSES



#### NEW LOANS PERFORMANCE - BUSINESSES



Source: BoS. \* Latest available data.

## > 9M 2017 Highlights

Profitability and efficiency | Value generation levers

Attributable profit up year-on-year, with a ROE of 8.1%

**(2.5%)**

Gross income

9M17 vs 9M16

**(1.8%)**

Operating expenses

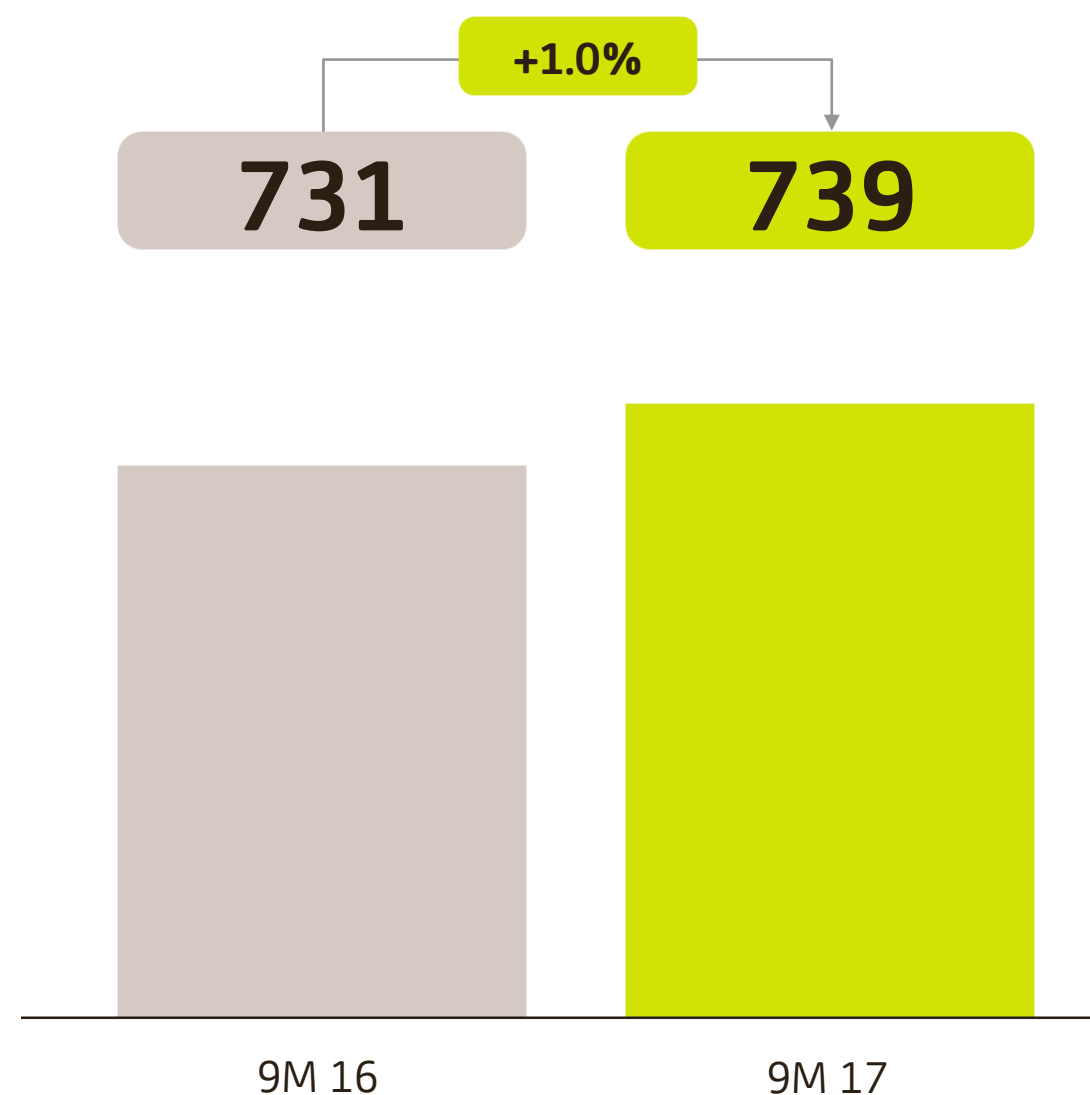
9M17 vs 9M16

=

Cost of risk

24 bps 9M17 vs

24 bps 9M16

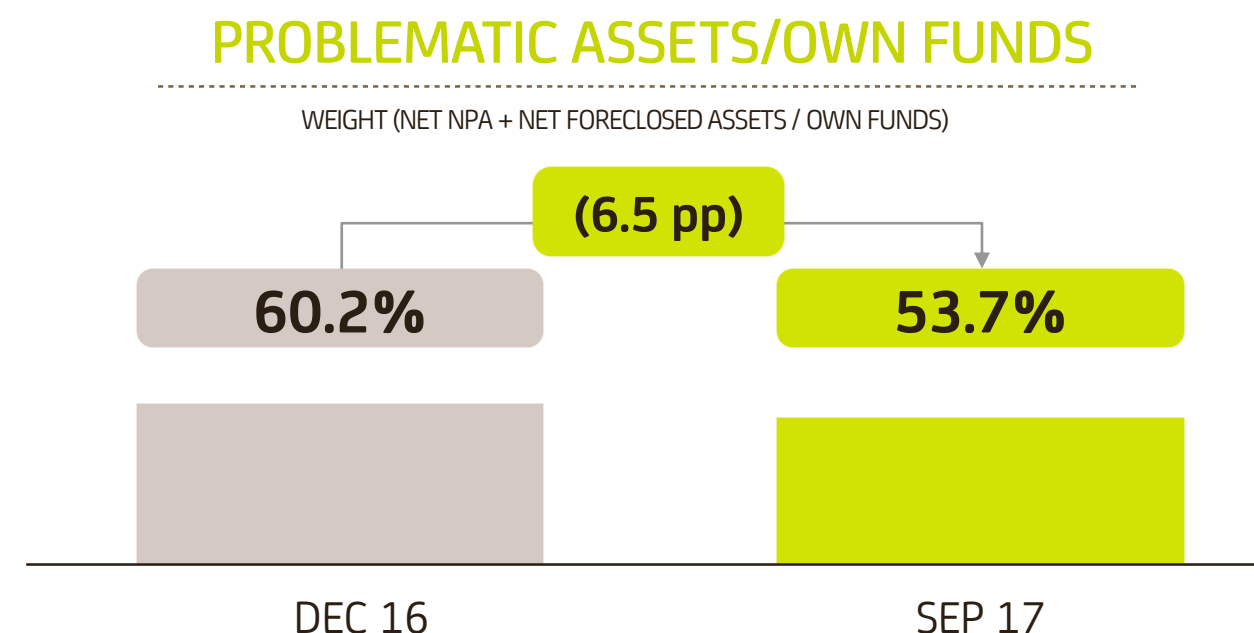
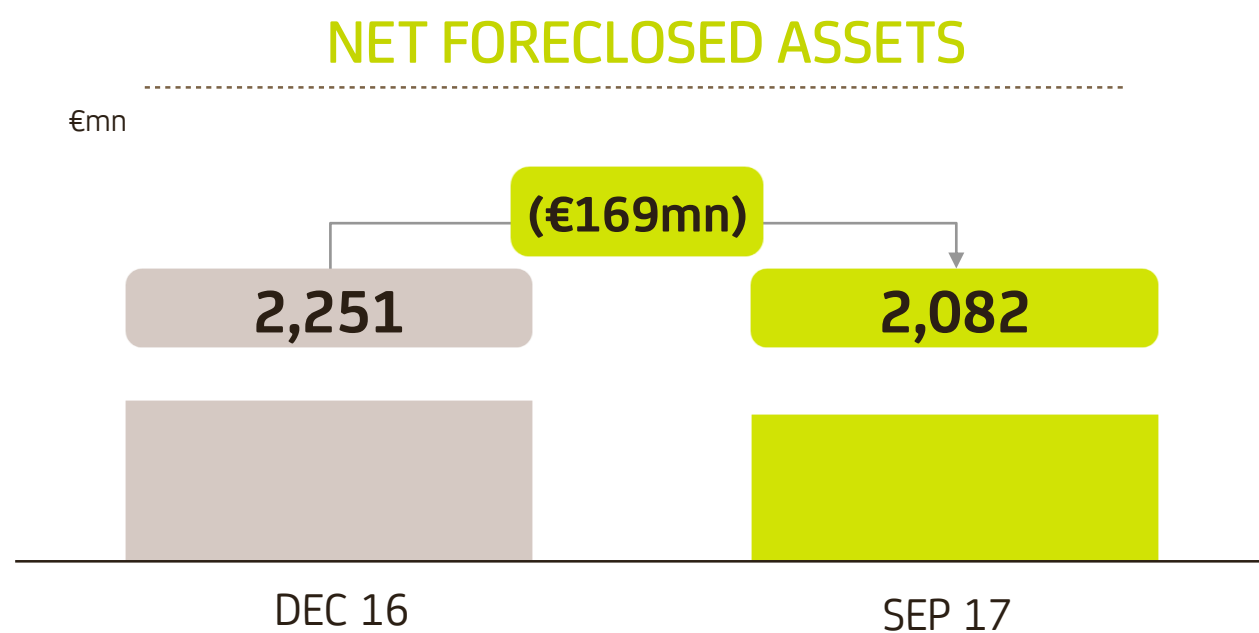
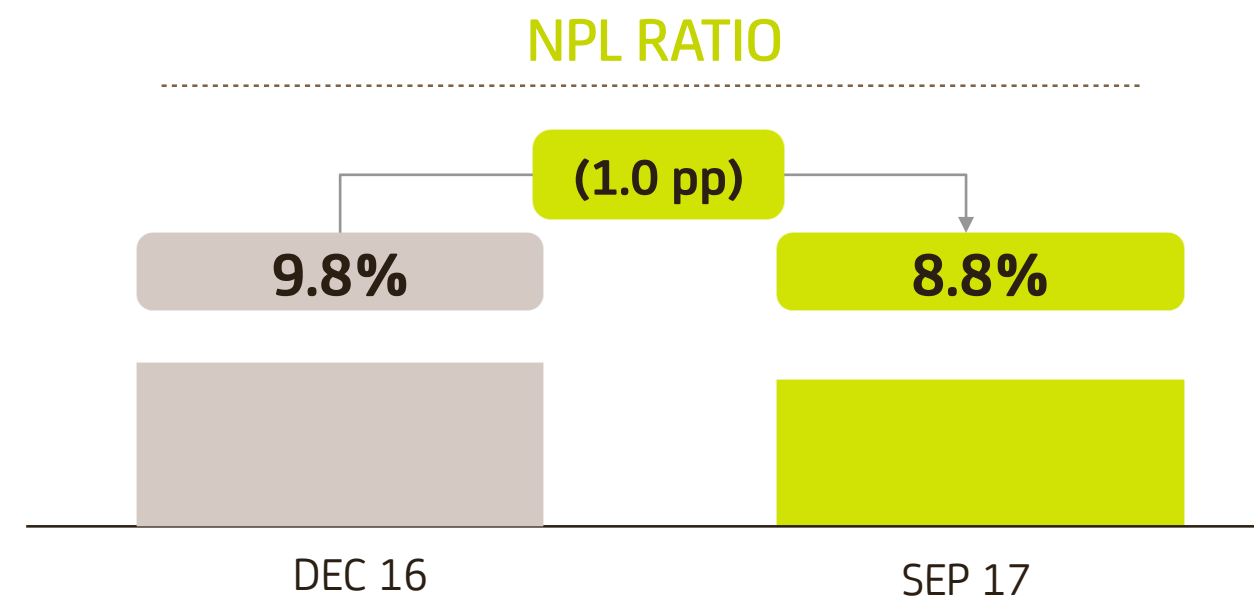
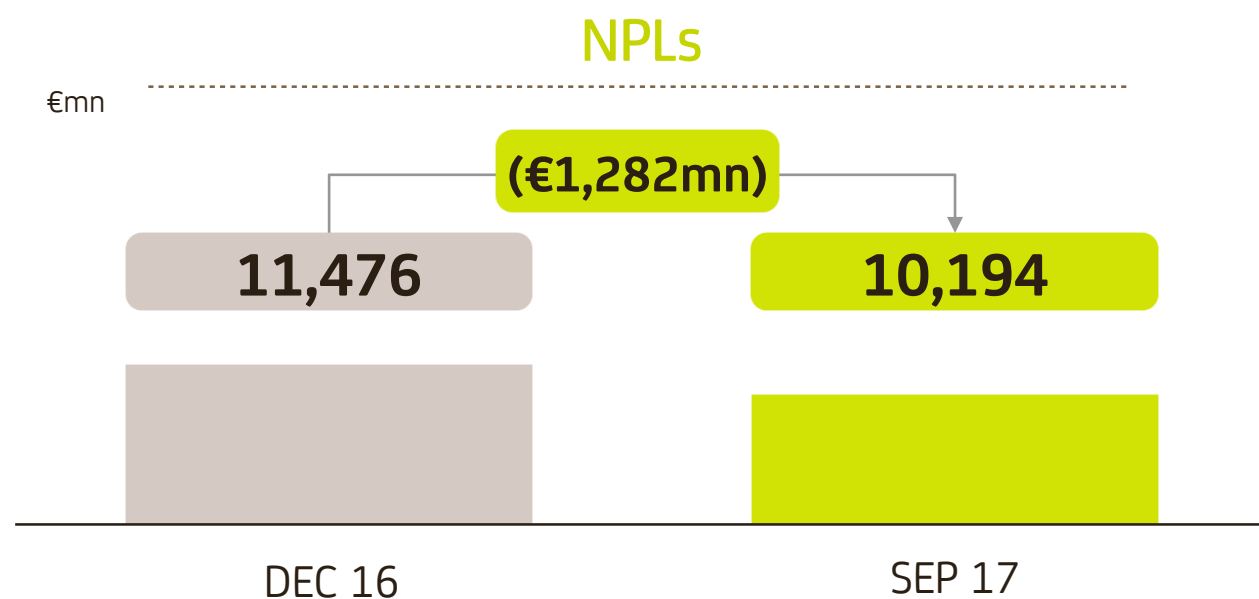


**8.1%**  
ROE 9M 17

## > 9M 2017 Highlights

### Asset quality | Key metrics

#### Reduction in volume of non-performing loans and foreclosed assets

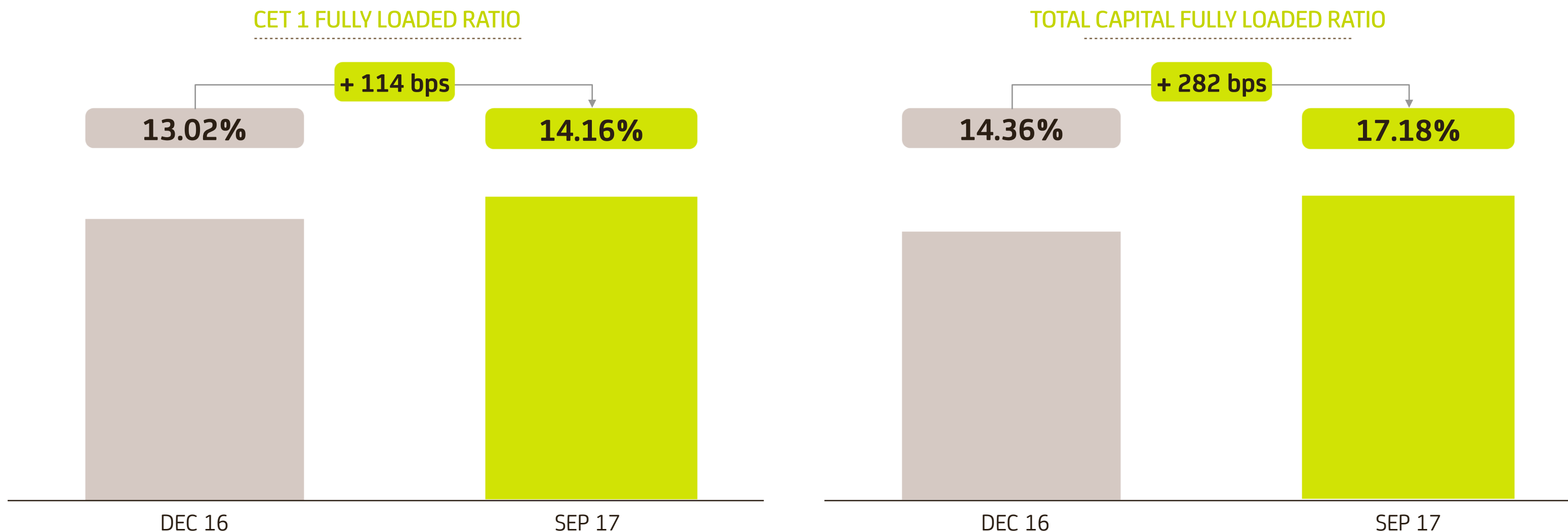




## > 9M 2017 Highlights

### Capital generation | Capital levels

**114 bps of CET1 capital generated in the first nine months of the year**



Solvency ratios include the result attributable to the Group and exclude the regulatory adjustment for the estimated dividend.

If unrealised gains on the AFS sovereign portfolio at 30 September 2017 had been included, the CET 1 Phase In ratio would have reached 16.13%, and Total Capital 19.07%. On a Fully Loaded basis, CET1 ratio would have reached 14.55%, and the Total Capital ratio, 17.58%.

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**CONCLUSIONS**

## > 3Q 2017 Results

### Income statement – Bankia Group

€mn	1Q17	2Q17	3Q17	% diff 3Q vs 2Q	9M16	9M17	% diff
Net interest income	504	491	472	(3.9%)	1,631	1,467	(10.1%)
Fees and commissions	207	218	210	(3.4%)	611	636	4.1%
Gains/(Losses) on financial assets and liabilities	161	101	51	(49.0%)	184	314	70.6%
Other revenue	14	(48)	17	--	35	(17)	--
<b>Gross income</b>	<b>886</b>	<b>762</b>	<b>751</b>	<b>(1.5%)</b>	<b>2,460</b>	<b>2,398</b>	<b>(2.5%)</b>
Operating expenses	(386)	(378)	(387)	2.4%	(1,172)	(1,151)	(1.8%)
<b>Pre-provision profit</b>	<b>500</b>	<b>384</b>	<b>364</b>	<b>(5.3%)</b>	<b>1,288</b>	<b>1,247</b>	<b>(3.1%)</b>
Provisions for credit	(108)	(73)	(75)	2.3%	(260)	(256)	(1.7%)
Provisions for foreclosed assets	(39)	(18)	(21)	17.4%	(61)	(79)	29.1%
Taxes, minority interests and other items	(49)	(82)	(42)	(48.7%)	(235)	(174)	(26%)
<b>Profit attributable to Group</b>	<b>304</b>	<b>210</b>	<b>225</b>	<b>7.2%</b>	<b>731</b>	<b>739</b>	<b>1.0%</b>

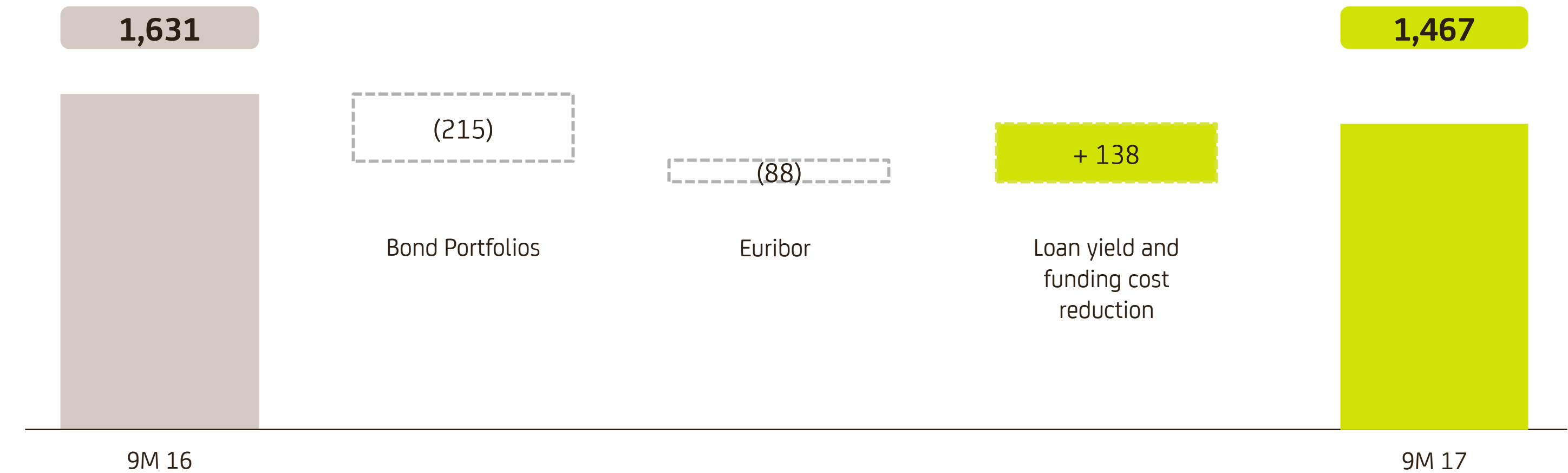
> **3Q 2017 Results**

Net interest income

Impact of the bond portfolios and the Euribor curve shape net interest income performance

NET INTEREST INCOME PERFORMANCE

€mn

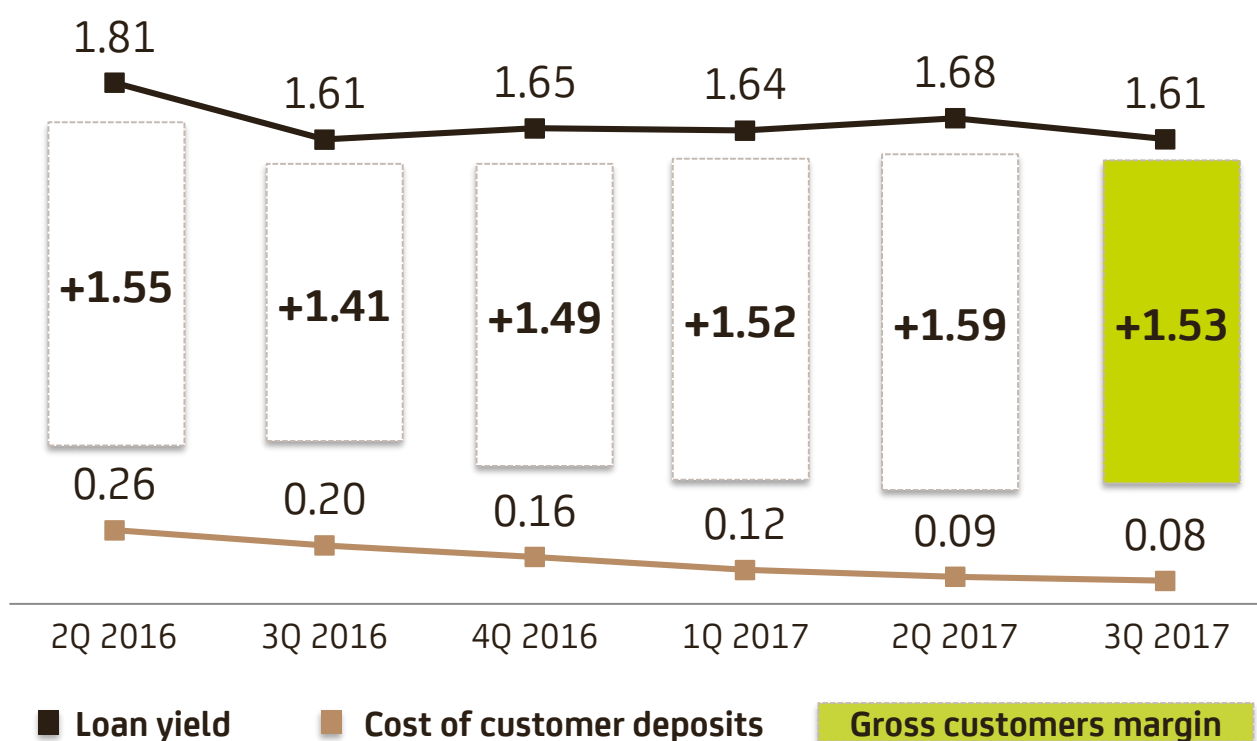


## > 3Q 2017 Results

### Net interest income

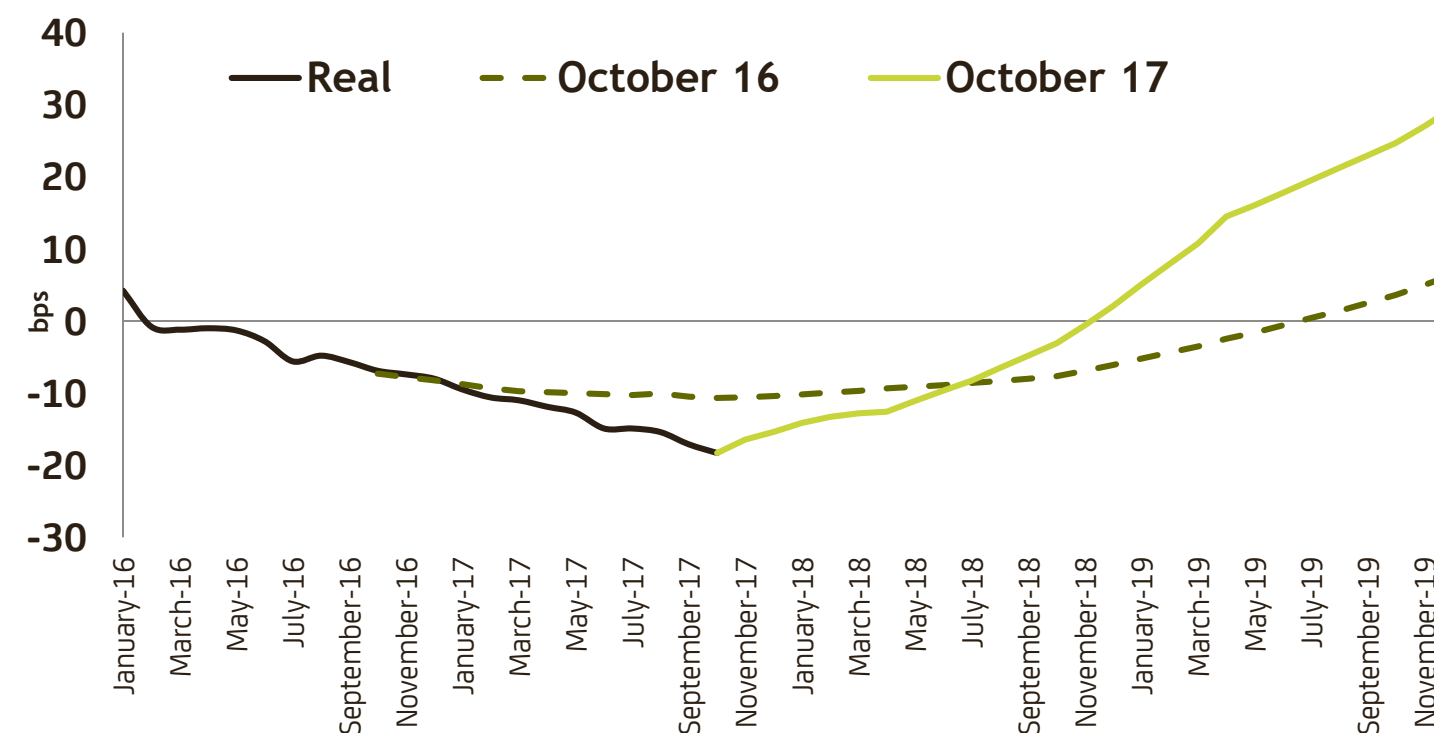
Quarter affected by seasonality and a 12M Euribor curve still at historic lows

GROSS CUSTOMERS MARGIN



Average rate on new loans at 2.7%, remaining 110 bps above backbook

12M EURIBOR PERFORMANCE



Source: Implied yield curve at the reference date

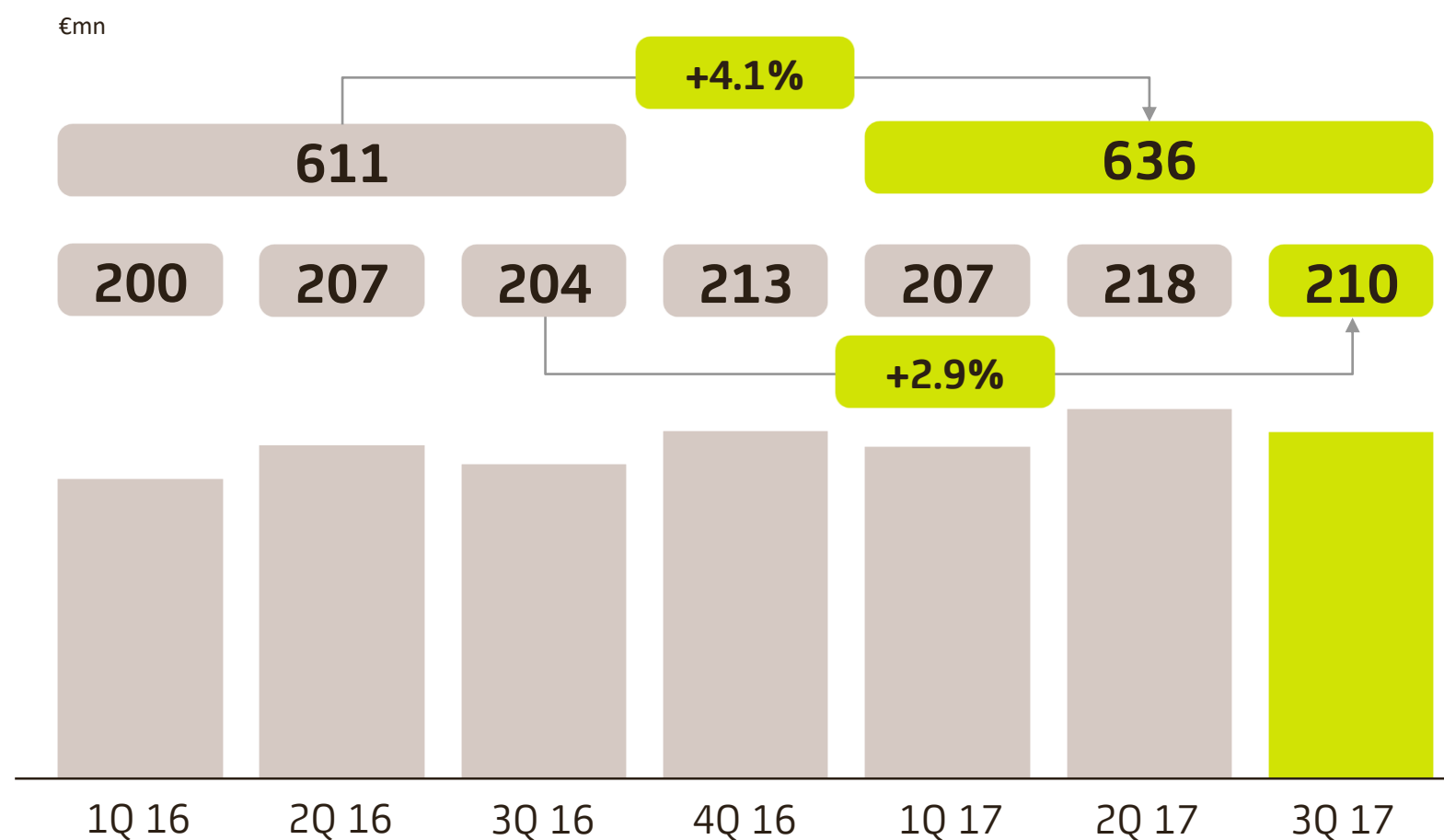
Backbook cost of deposits down to 0.19%, and frontbook cost at 0.05%

## > 3Q 2017 Results

### Fees and commissions

Fees and commissions up 4.1% in first nine months of the year

#### QUARTERLY PERFORMANCE



#### DETAILED PERFORMANCE

€mn

	9M16	9M17	Diff %
Assets under management	250	264	+5.5%
Means of payments	167	177	+5.9%
Origination	109	122	+12.6%
Mngmnt. of NPLs, writedons & others	101	94	(7.2%)
Maintenance	42	35	(15.6%)
<b>Earned fee and commisions</b>	<b>669</b>	<b>693</b>	<b>+3.5%</b>
<b>Paid fee and commisions</b>	<b>(58)</b>	<b>(57)</b>	<b>(2.3%)</b>
<b>NET FEE AND COMMISSIONS</b>	<b>611</b>	<b>636</b>	<b>+4.1%</b>
<b>NET FEE AND COMMISSIONS o/RWAs</b>	<b>1.16%</b>	<b>1.26%</b>	<b>+0.1 pp</b>

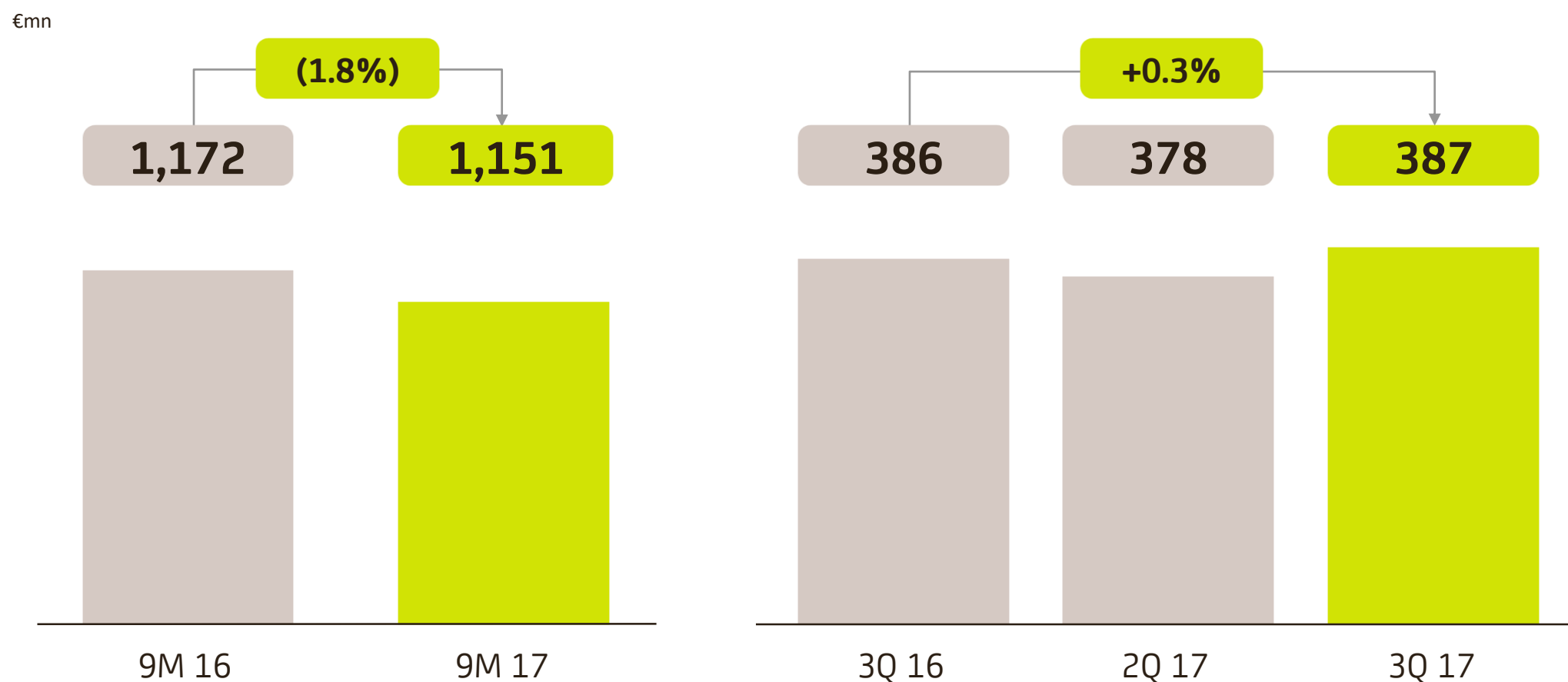
**Fee and commission income fuelled by new positioning**

## > 3Q 2017 Results

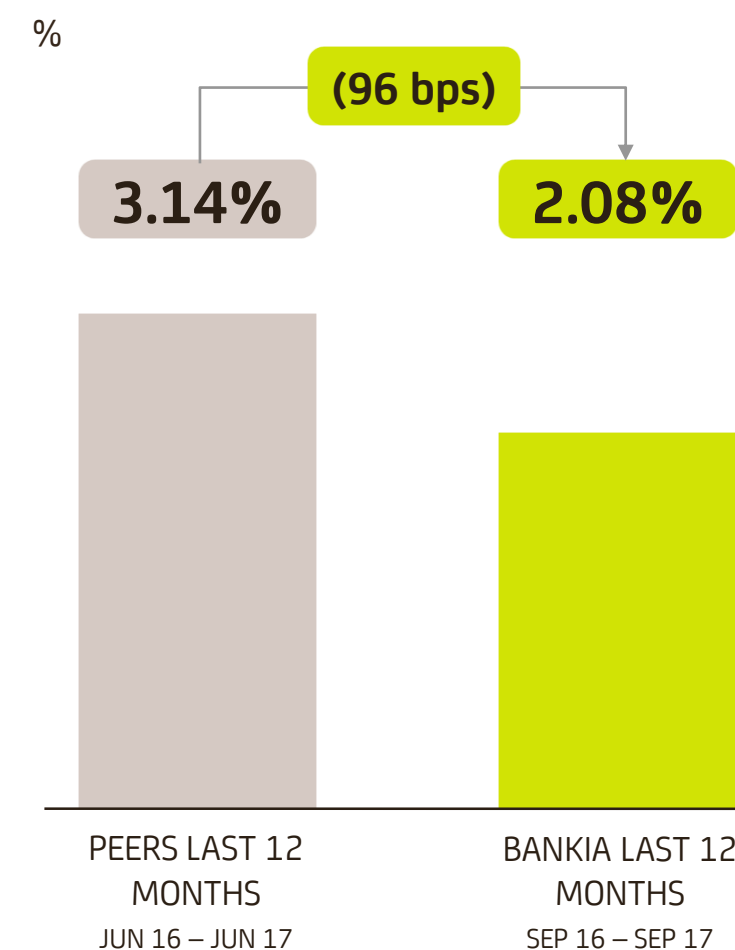
### Operating expenses

**1.8% reduction in operating expenses in 9M 2017**

#### OPERATING EXPENSES PERFORMANCE



#### OPERATING EXPENSES AS A % OF RWAs



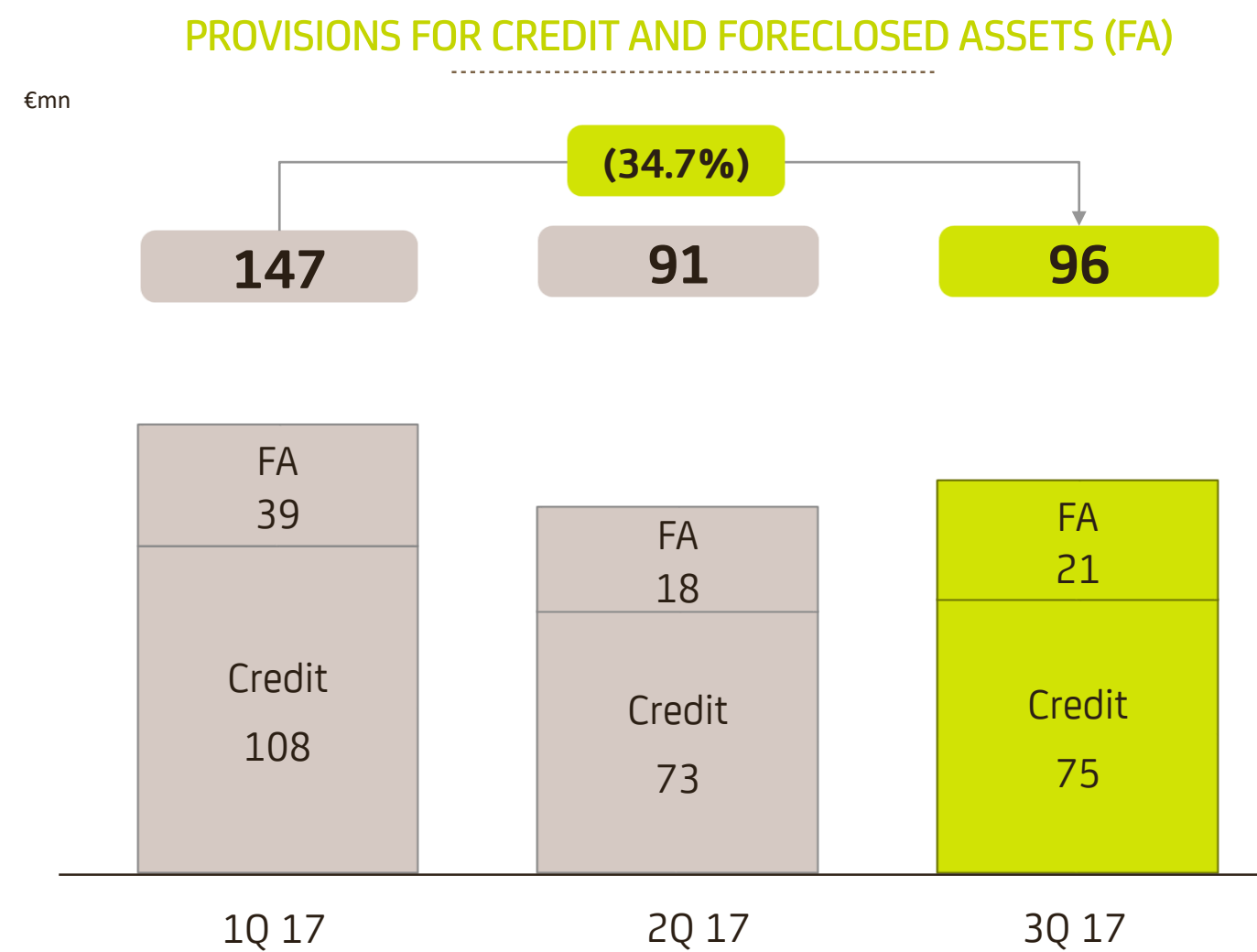
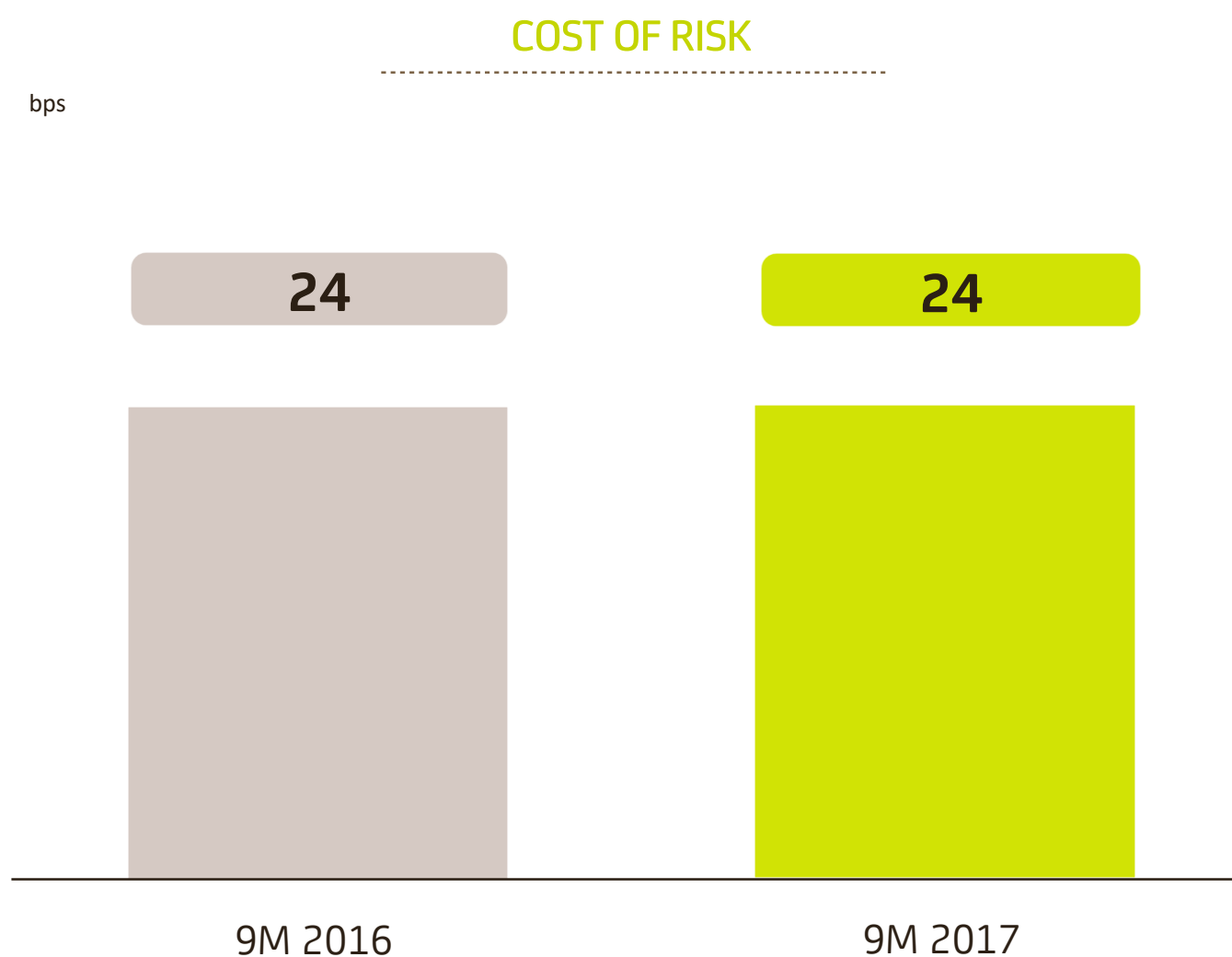
(1) Peers include BBVA Spain (including real estate division), Bankinter (ex Portugal), Caixabank (ex BPI), Liberbank, Sabadell (ex TSB) and Santander Spain (including real estate division)

**Efficiency ratio of 48.0% in 9M17**

## > 3Q 2017 Results

### Cost of risk

Cost of risk remains at 24 bps during the year



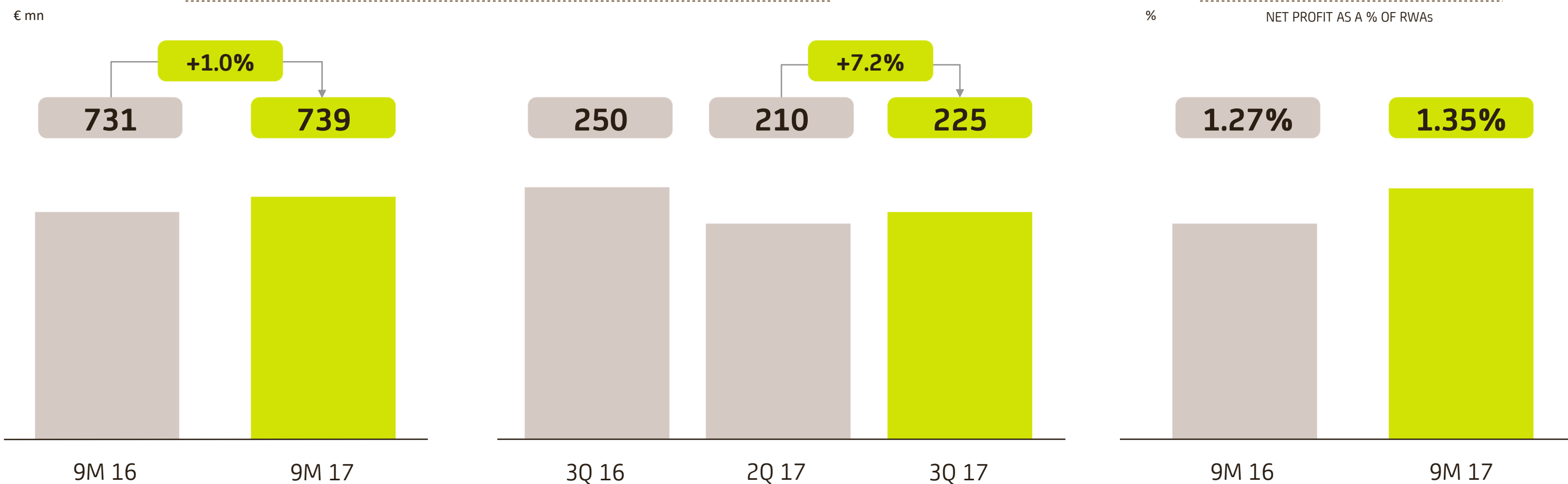


## > 3Q 2017 Results

### Attributable profit

Accumulated attributable profit up on same period of previous year

#### ATTRIBUTABLE PROFIT PERFORMANCE



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9M 2017 HIGHLIGHTS

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3Q 2017 RESULTS

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LIQUIDITY AND SOLVENCY

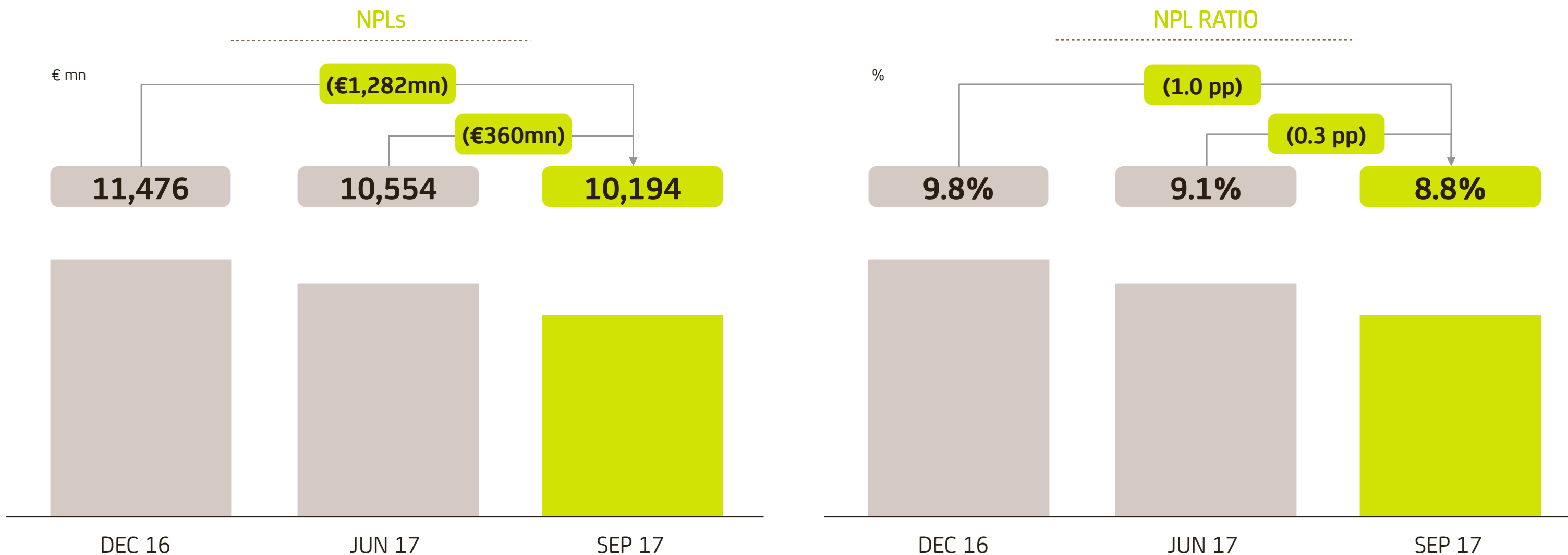
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CONCLUSIONS

## > Asset quality and risk management

### Credit quality

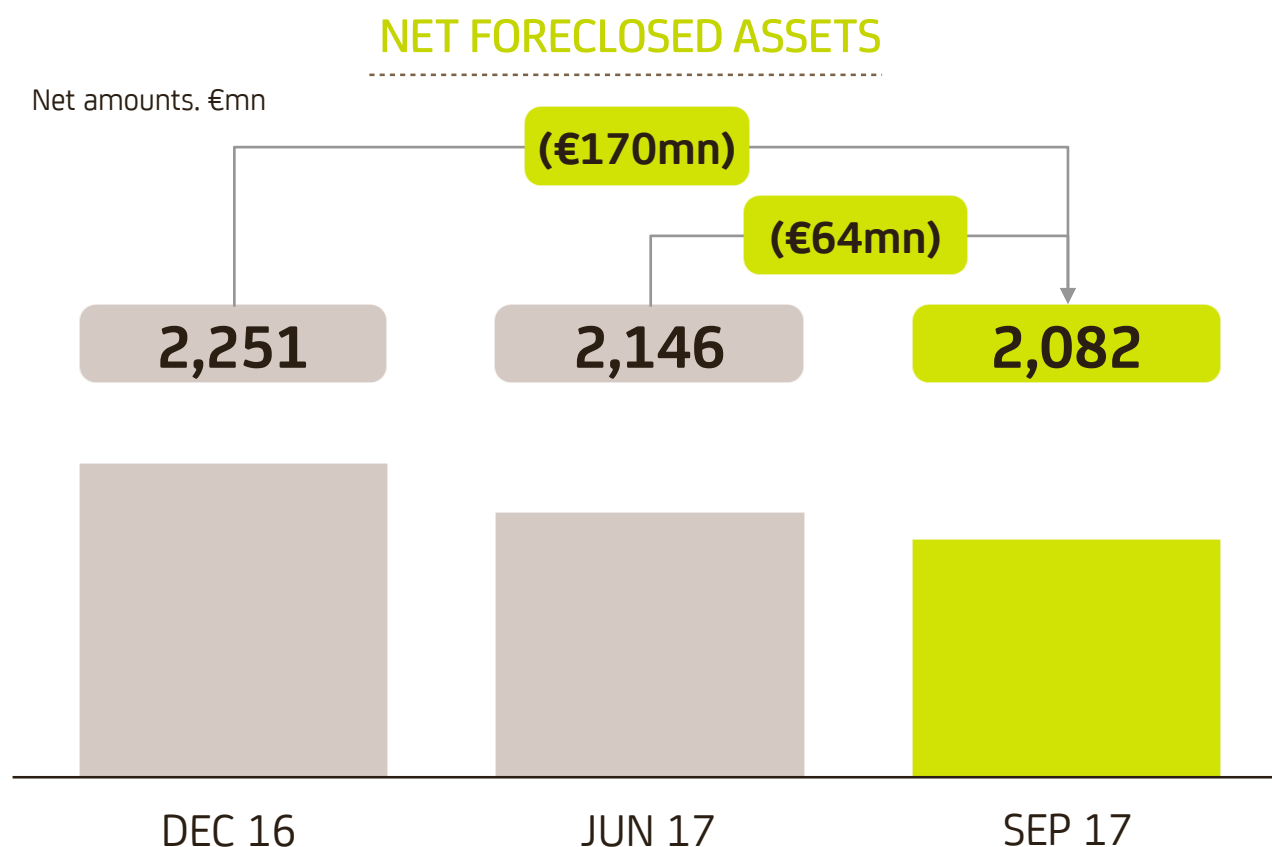
NPLs down c.€1,300mn in first nine months of the year



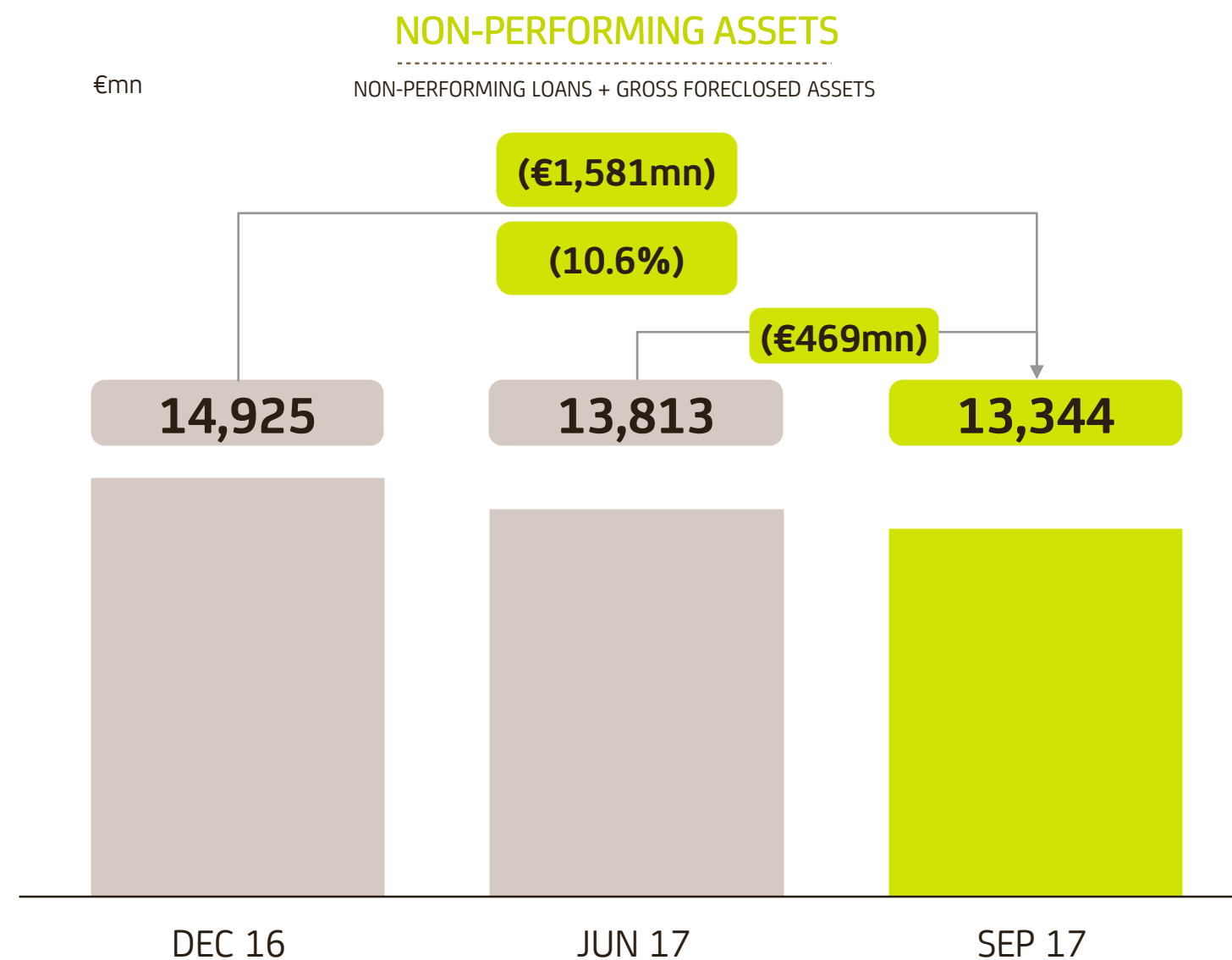
## > Asset quality and risk management

### Credit quality

#### Stock of net foreclosed assets continues to decrease



**14.6%** units sold in 9M 17 as % of total stock at the start of the year



## > Asset quality and risk management

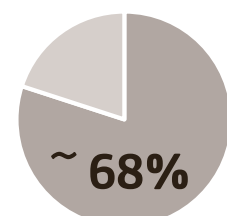
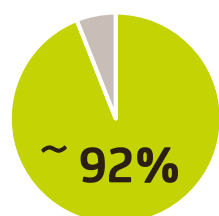
### Credit quality

#### Stable coverage levels with respect to the previous quarter

##### NPLs MIX AND COVERAGE

#### BANKIA TOTAL NPL COVERAGE: 53.8%

% NPLs EX R.E. DEVELOPERS / NPL



NPLs COVERAGE EX R.E. DEVELOPER



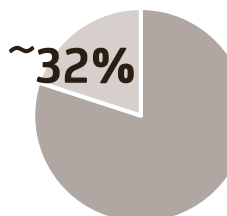
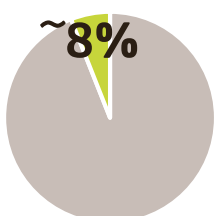
Bankia Sep 17 Peers Jun 17 <sup>(1)</sup>

R.E. DEVELOPER NPLs COVERAGE



Bankia Sep 17 Peers Jun 17 <sup>(1)</sup>

% R.E. DEVELOPERS NPLs / NPLs



**BANKIA**  
SEP 17

**PEERS**  
JUN 17

##### FORECLOSED ASSETS COVERAGE

COVERAGE SINCE FORECLOSURE



Bankia Sep 17 Peers Jun 17 <sup>(1)</sup>

COVERAGE SINCE LOAN ORIGINATION



Bankia Sep 17 Peers Jun 17 <sup>(1)</sup>

Finished homes  
Land  
Other foreclosed assets

	Weight o/ total		Coverage	
	Bankia	Peers <sup>(1)</sup>	Bankia	Peers <sup>(1)</sup>
Finished homes	74%	53%	61%	46%
Land	2%	29%	78%	69%
Other foreclosed assets	24%	19%	58%	51%

Bankia data as of Sep 17 / Sector data as of Jun 17

(1) Peers include BBVA Spain (including RE division), Caixabank (ex BPI), Sabadell (ex TSB) and Santander Spain (including RE division and Banco Popular)

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**CONCLUSIONS**

## > Liquidity

### Funding structure and liquidity

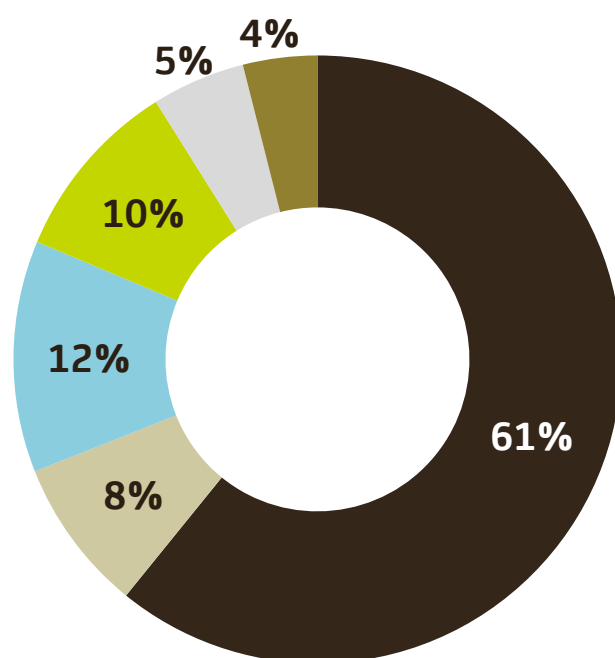
#### Stable funding structure, with greater weight of retail deposits

#### FUNDING STRUCTURE AND MATURITIES PROFILE

Data as of Sep 17

##### FUNDING STRUCTURE

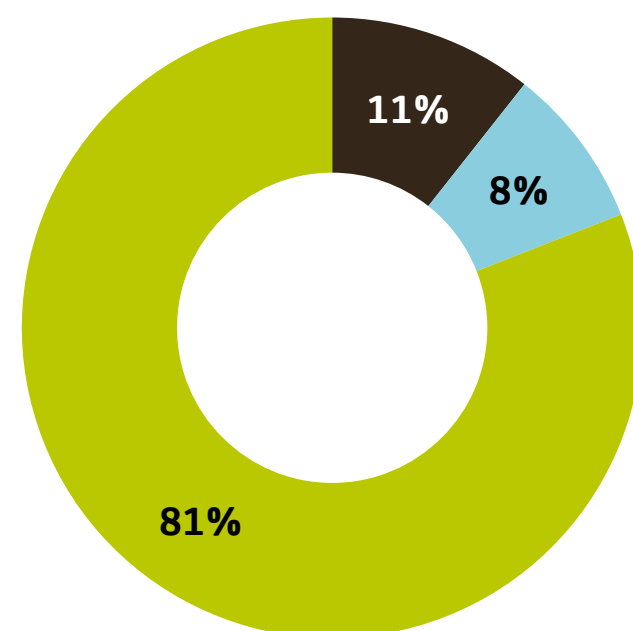
SEP 17



- Customer deposits
- TLTRO
- Wholesale debt
- Clearing houses and repos
- Deposits Credit Institutions
- Other

##### WHOLESALE DEBT

SEP 17



- Subordinated debt <sup>(1)</sup>
- Senior debt
- Covered Bonds

##### WHOLESALE MATURITIES

SEP 17

	4Q17	2018	2019	2020	>2020
Covered Bonds	160	2,436	1,742	127	12,658
Senior debt	438	251	983		106
Subordinated debt <sup>(1)</sup>			1,000		1,250
<b>TOTAL MATURITIES</b>	<b>598</b>	<b>2,687</b>	<b>3,725</b>	<b>127</b>	<b>14,014</b>

> ECB exposure  
(100% TLTRO)

**€12.8bn**

> LCR

**160%**

> LTD ratio

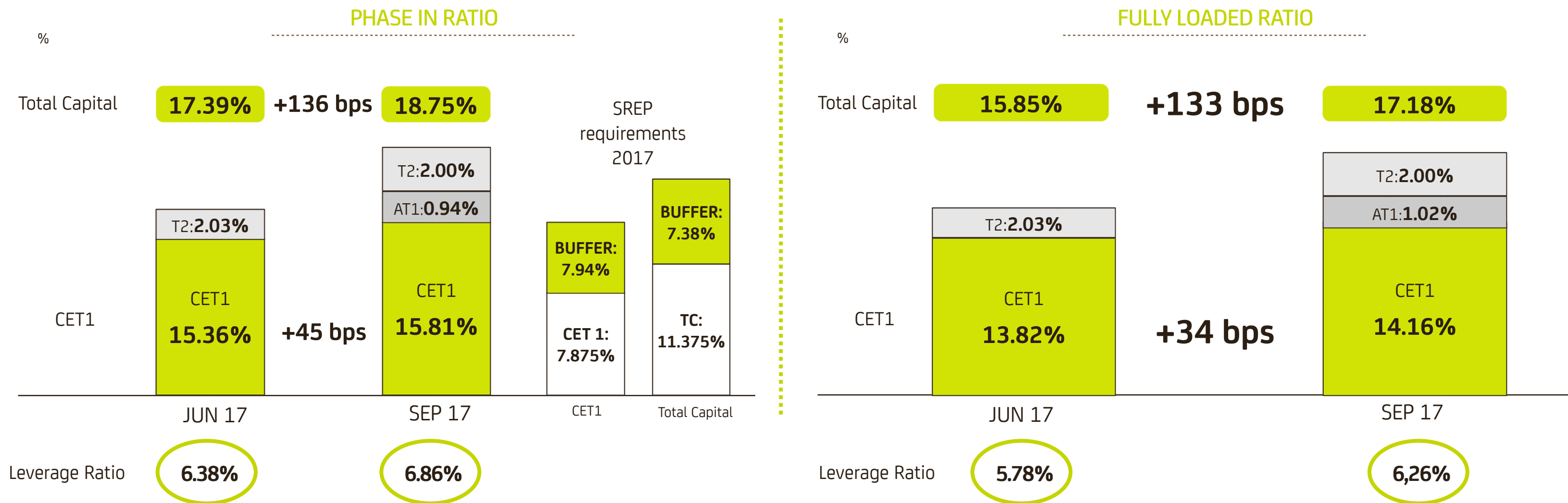
**100.1%**

(1) Subordinated debt includes Tier 1 and Tier 2 issuances

## > Solvency

### Capital ratios

#### 34 bps of capital generation (CET1 FL) in last quarter



Solvency ratios include the result attributable to the Group and exclude the regulatory adjustment for the estimated dividend.

If unrealised gains on the AFS sovereign portfolio at 30 September 2017 had been included, the CET 1 Phase In ratio would have reached 16.13%, and Total Capital 19.07%. On a Fully Loaded basis, CET1 ratio would have reached 14.55%, and the Total Capital ratio, 17.58%.

The leverage ratio including the unrealised gains on the AFS sovereign portfolio at 30 September 2017 would reach 6.99% Phased-in and 6.42% Fully Loaded.



**1**

**9M 2017 HIGHLIGHTS**

**2**

**3Q 2017 RESULTS**

**3**

**ASSET QUALITY AND RISK MANAGEMENT**

**4**

**LIQUIDITY AND SOLVENCY**

**5**

**CONCLUSIONS**

## > Conclusions

### > Commercial positioning

More customers and more satisfied translates into a good performance of new production and business market shares

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### > Asset quality

NPLs continue to decrease (-1.0 pp during 2017), with stable coverage ratios and with a cost of risk of 24 bps

### > Multichannel

We continue making progress in adapting our distribution model to our customers' needs

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### > Profitability and solvency

Recurrent profitability of the business (ROE of 8.1% in the year) allows to continue generating capital organically and drives up CET1 Fully Loaded ratio to 14.16%

**Bankia**  
LET'S KEEP WORKING

**Bankia Comunicación**

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