

Bankia

Annual results presentation 2018

› 28 January 2019

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2018 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

5

LIQUIDITY AND SOLVENCY

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CONCLUSIONS

> **2018 Highlights**

1

BMN integration

2

Commercial activity

3

Digitalization

4

Balance sheet strengthening

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Results and Dividend

> **2018 Highlights**

1 BMN Integration

Integration successfully executed and in record time

Unified systems



- Back and front operating system
- Unified *back-office*

Unified commercial management



- Management style
- Culture / Values
- Commercial practices
- Commercial positioning

Unified services / agreements



- Real Estate servicers
- Insurance business reorganization

Restructuring and synergies



- Labor Force Reduction Plan exits completed
- Synergies of €130mn vs initial estimate of €66mn

As from April all customers from BMN network started to benefit from all the advantages of being a customer of Bankia

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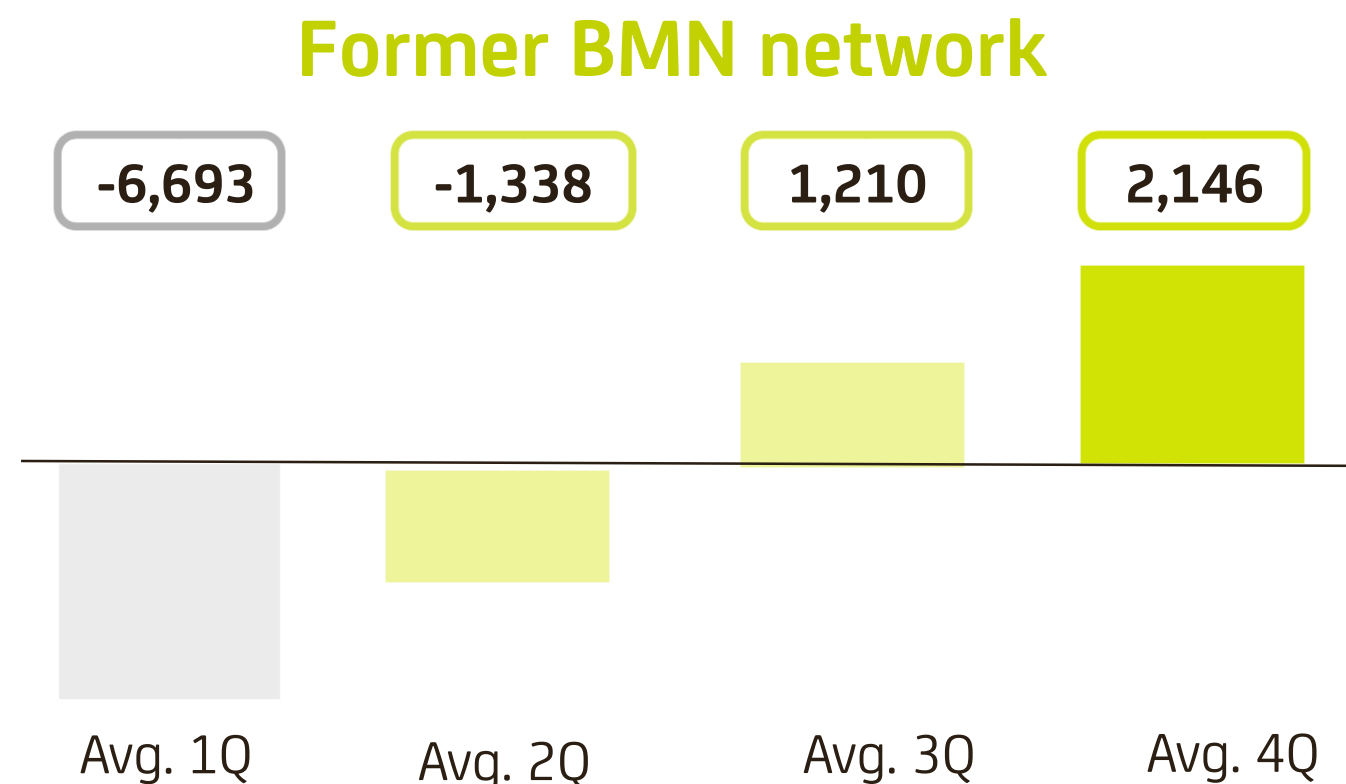
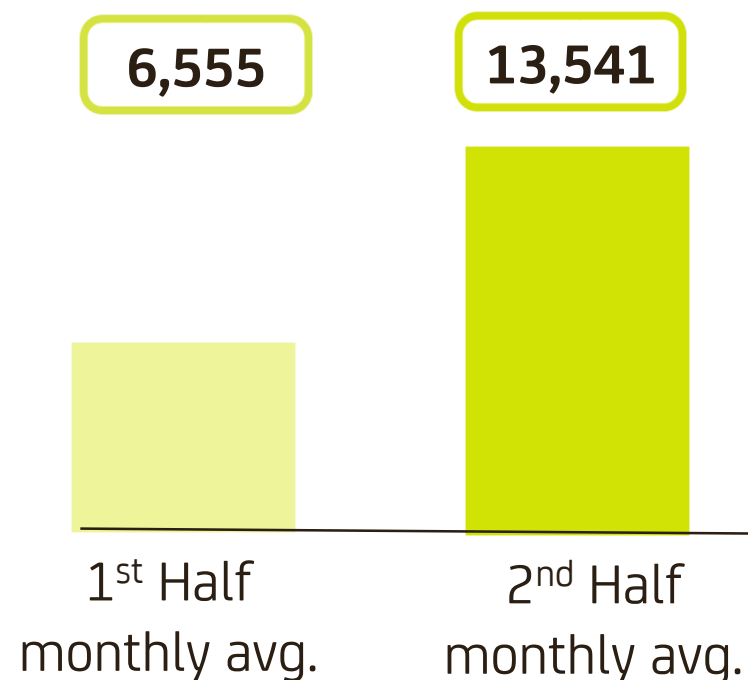
Results and Dividend

> **2018 Highlights**

2 **Commercial activity**

In 2018 we continue to increase the number of customers...

> **+120,576 Customers in the last 12 months**



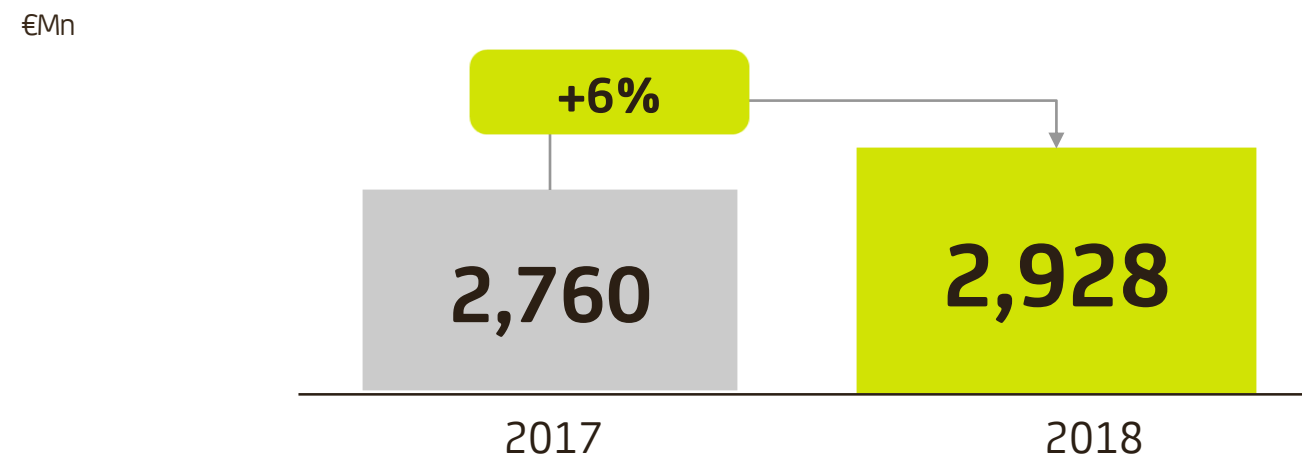
> **+103,000 Customers with direct income deposits in the last 12 months**

> **2018 Highlights**

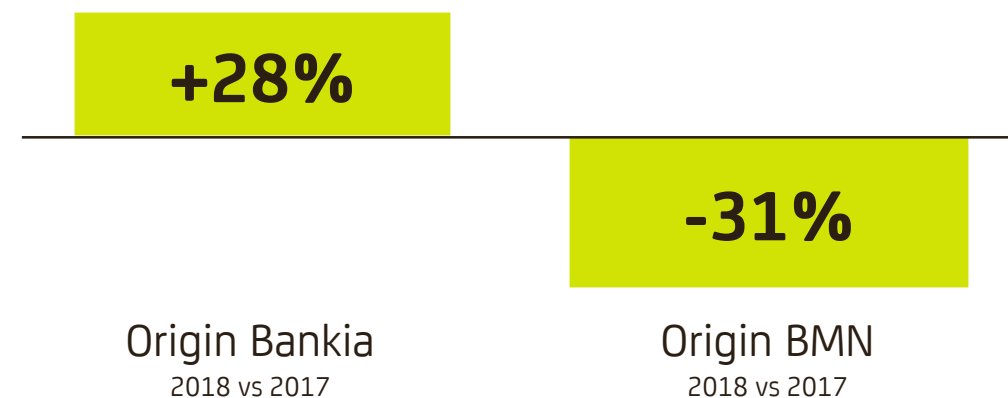
2 Commercial activity

Growth in new mortgages at an increasing speed during the year

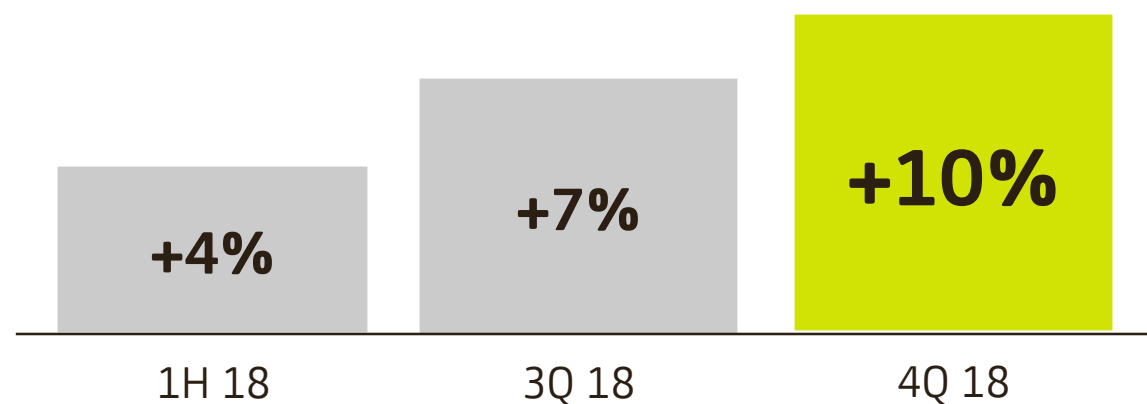
NEW MORTGAGES



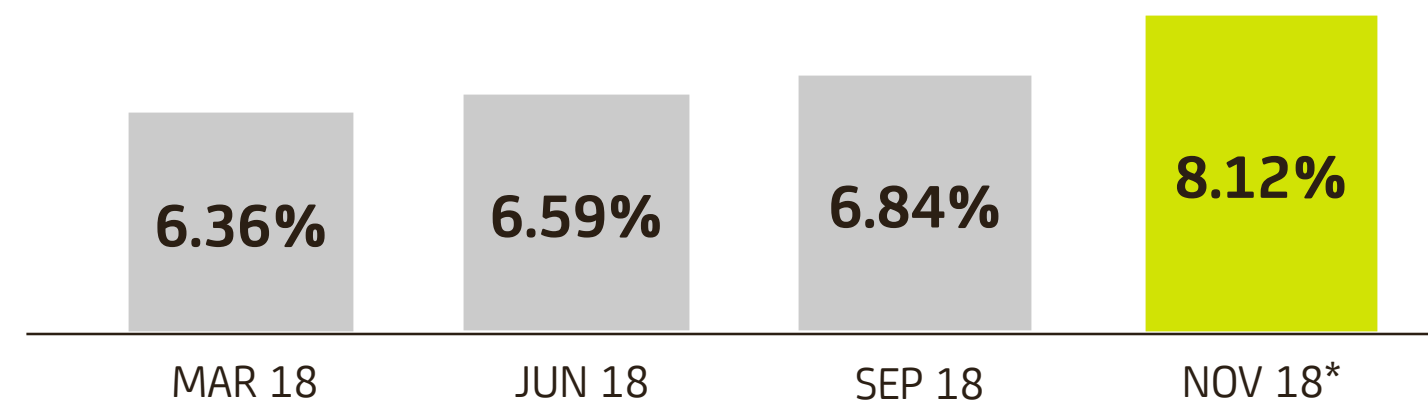
GROWTH BY REGIONS OF ORIGIN



% GROWTH Y-O-Y



NEW MORTGAGES MARKET SHARE

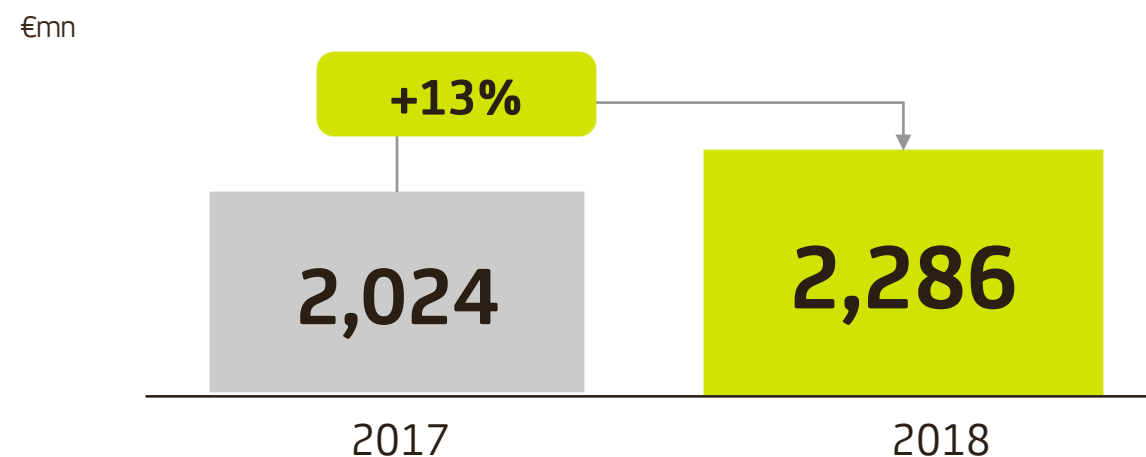


> **2018 Highlights**

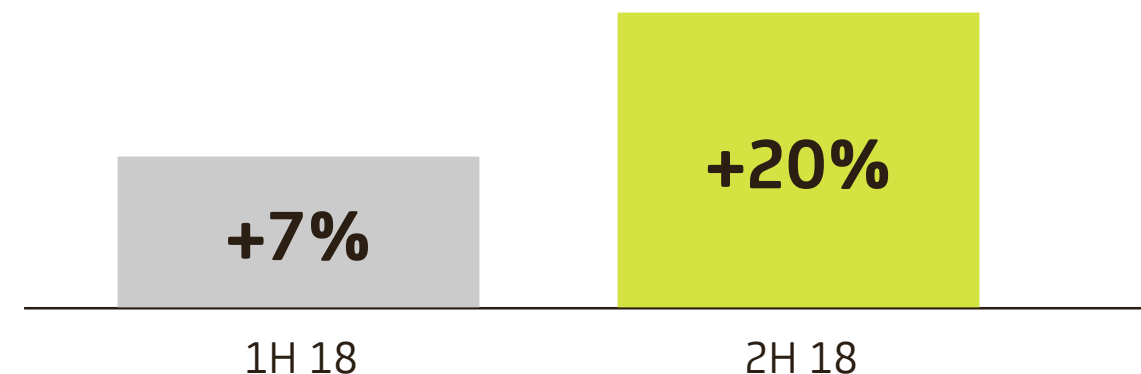
2 Commercial activity

As well as in consumer lending

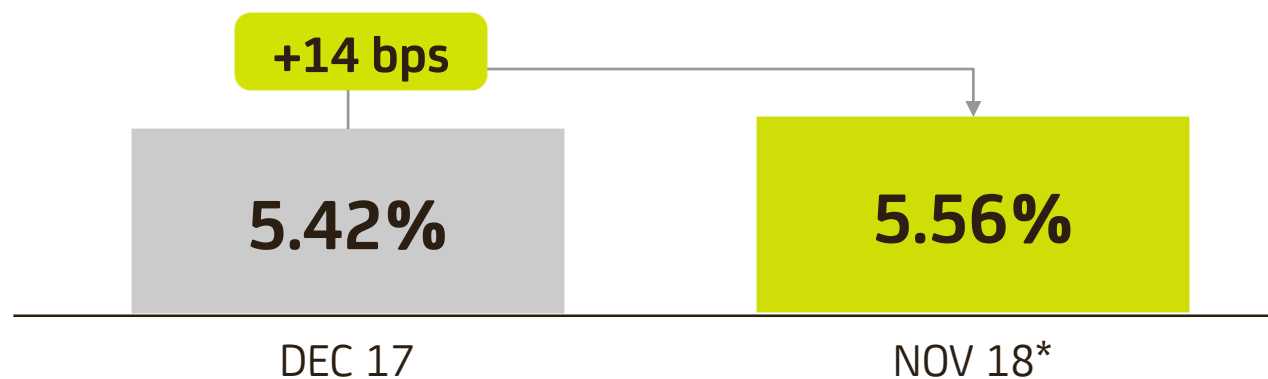
NEW CONSUMER LENDING



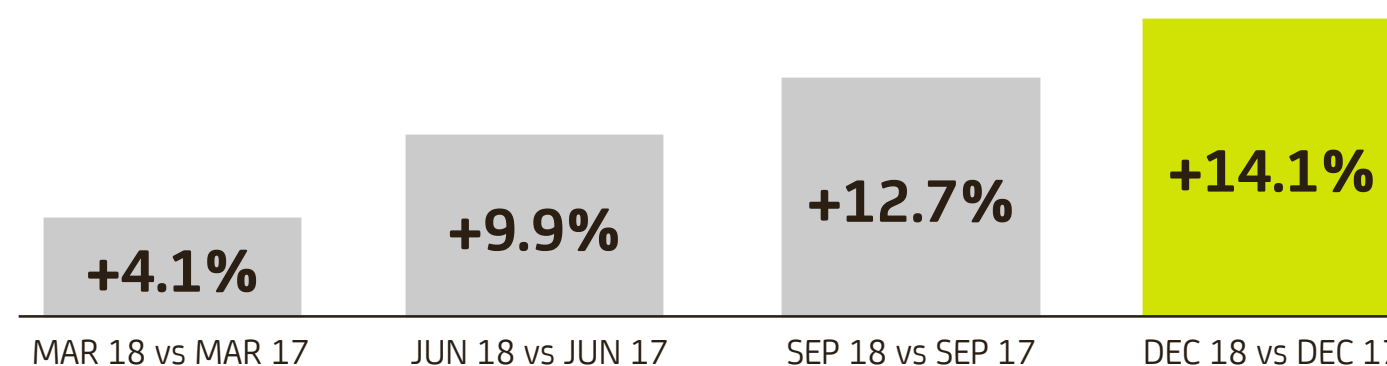
% VARIATION Y-O-Y



CONSUMER LENDING MARKET SHARE



VARIATION CONSUMER LENDING STOCK



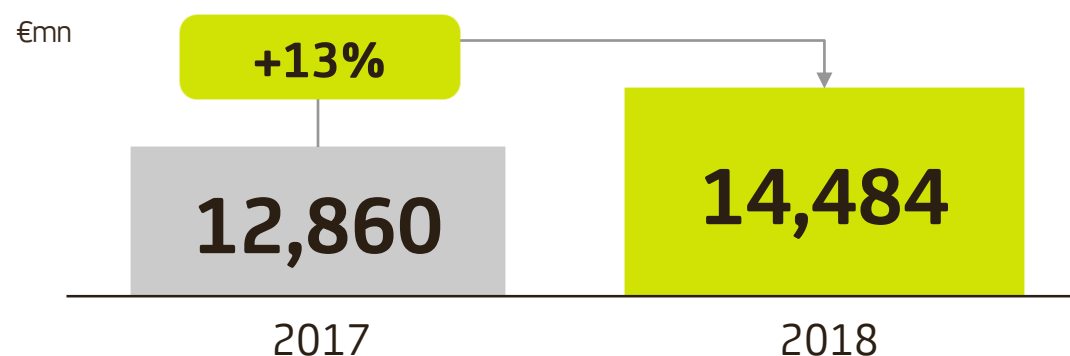
Source: BdE. * latest available market share

> **2018 Highlights**

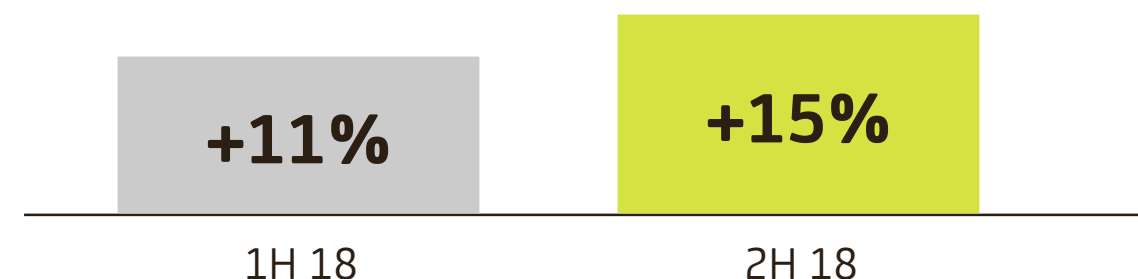
2 Commercial activity

Meaningful growth also in lending to companies

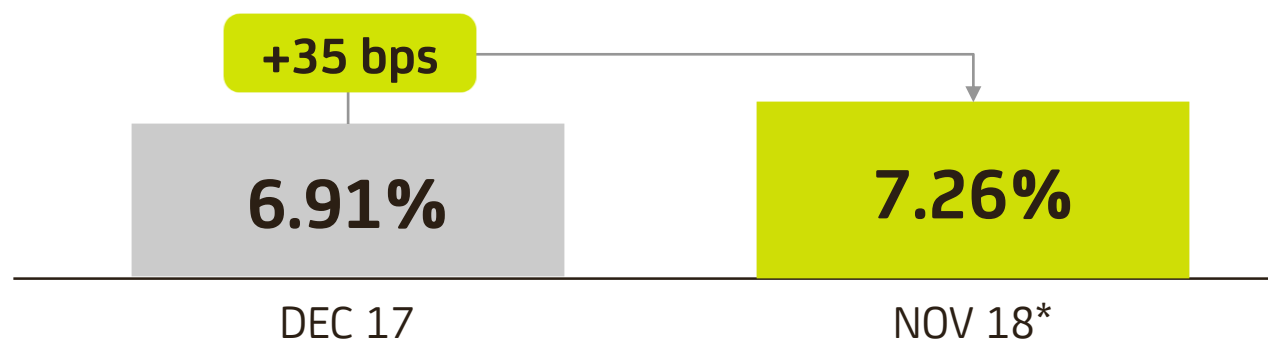
NEW LOANS TO COMPANIES (PRIVATE SECTOR)



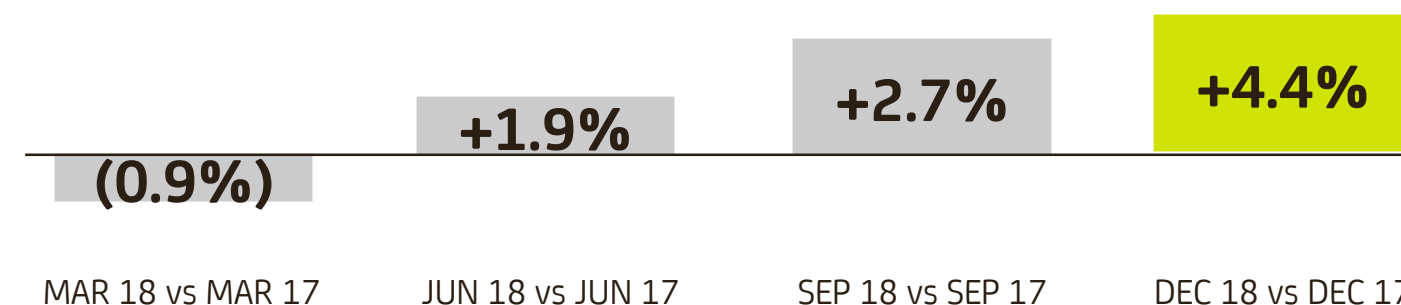
% VARIATION Y-O-Y



COMPANIES MARKET SHARE



VARIATION COMPANIES LENDING STOCK (EXC. NPLS)



Source: BdE. * Latest available market share

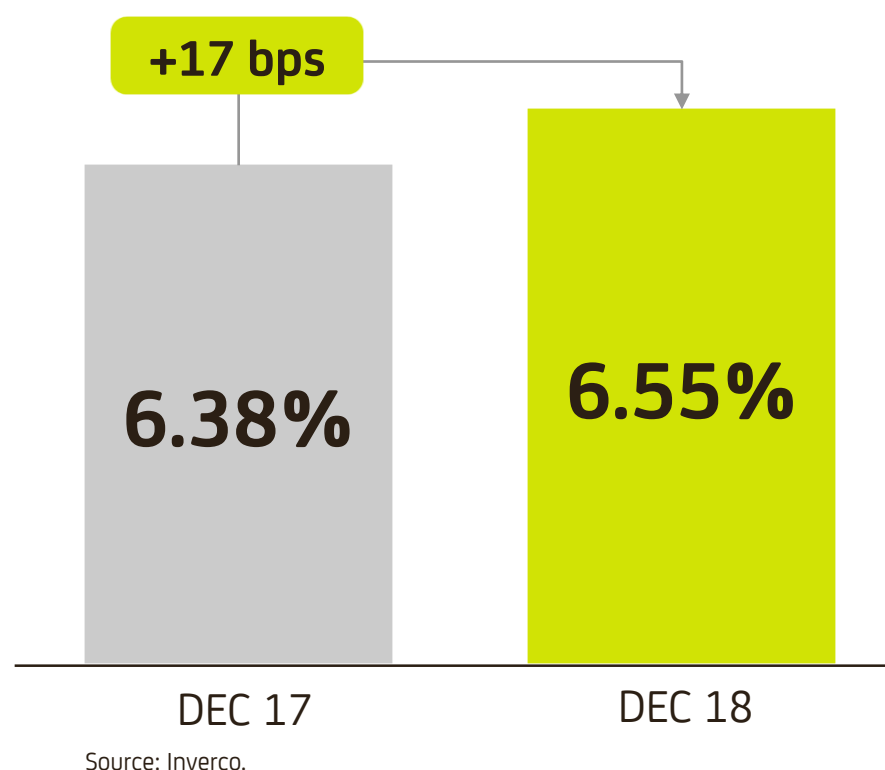
New business in activities restricted during the restructuring plan represent 17% of new lending

> 2018 Highlights

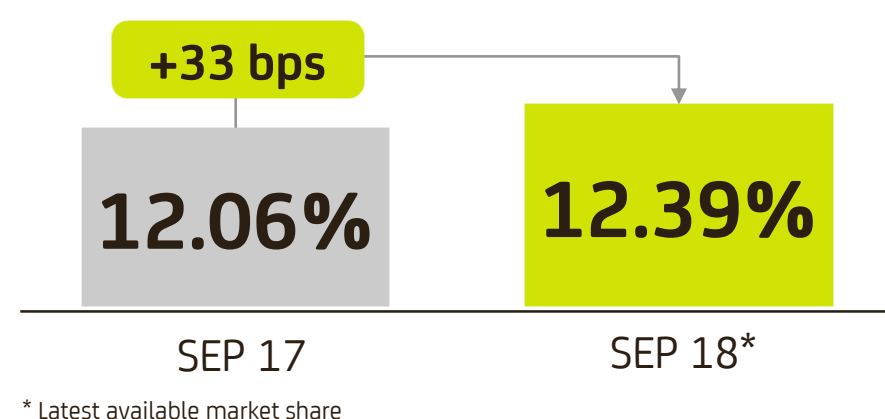
2 Commercial activity

With a focus on value added products, like mutual funds and payment services...

MUTUAL FUNDS MARKET SHARE

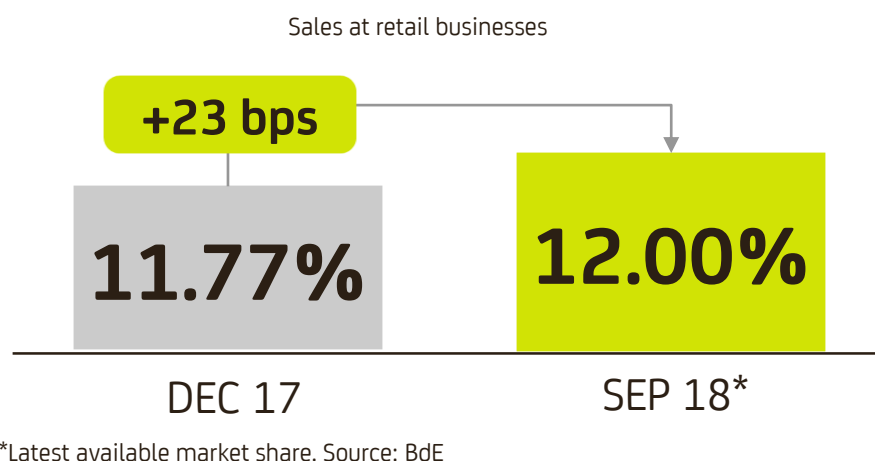


POS TERMINALS SALES MKT. SHARE

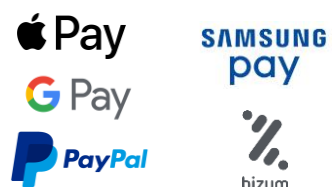


POS TERMINALS - SALES
 Million euros
+15.2%
 2018 vs 2017

CREDIT CARDS SALES MKT. SHARE



CARDS - SALES
 Sales at retail businesses. Million euros
+12.8%
 2018 vs 2017



Payment services: first bank in Spain to offer its customers the possibility to operate in all payment platforms. Leader in instant transfers.

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> 2018 Highlights

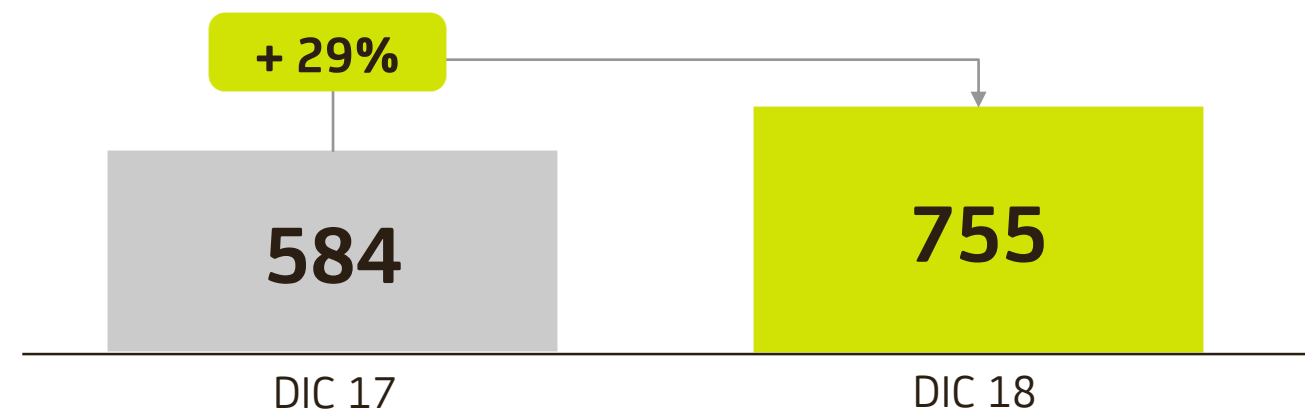
3 Digitalization

We continue developing our distribution model...



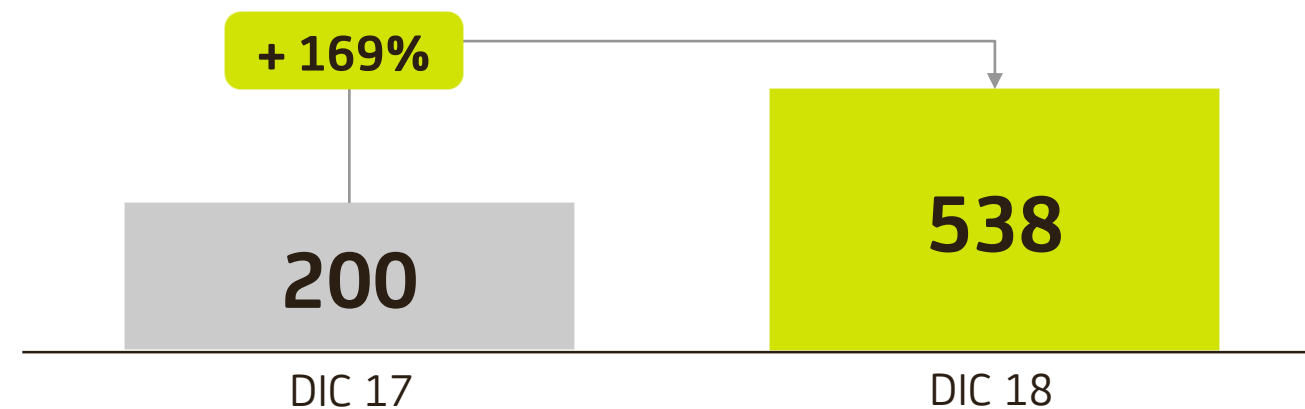
CONNECT WITH YOUR EXPERT

Number of users (thousands)



SERVICIO +VALOR

Number of users (thousands)



Half of our customers have a personalized account manager

> **2018 Highlights**

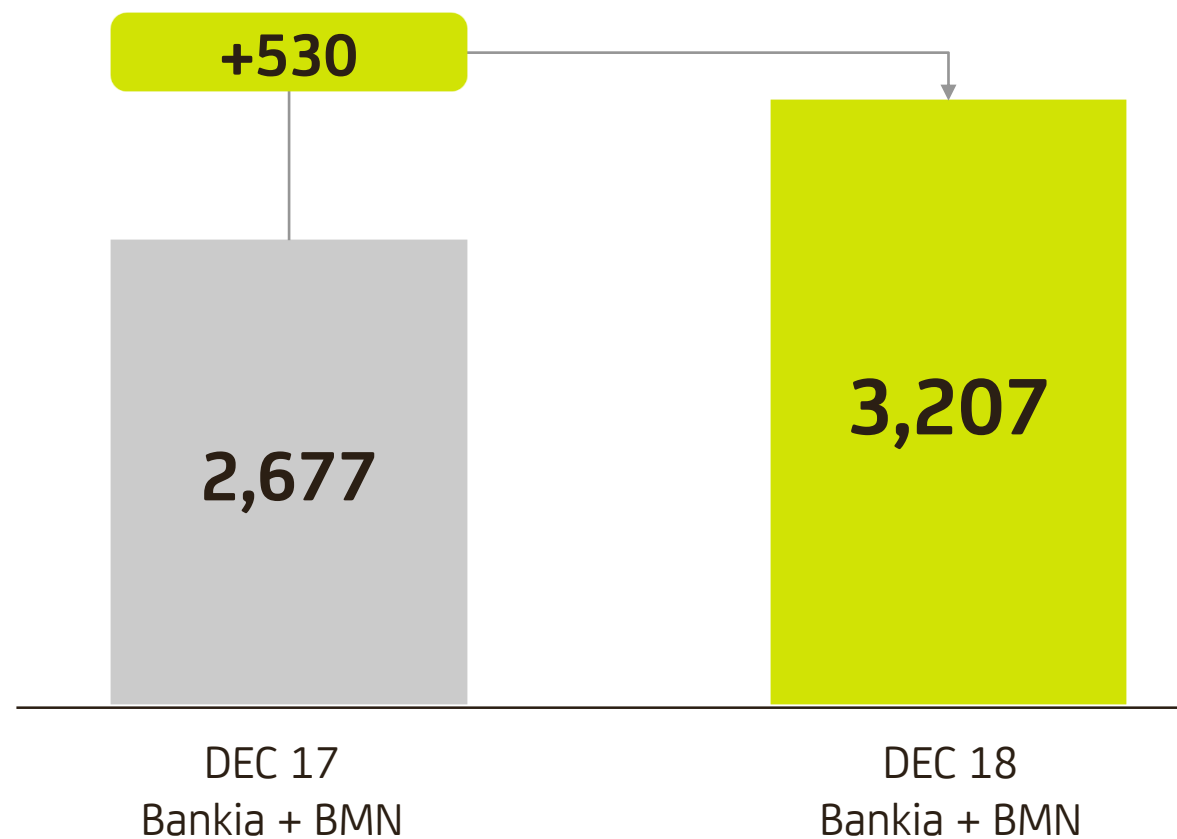
3 Digitalization

Boosting multichannel distribution...



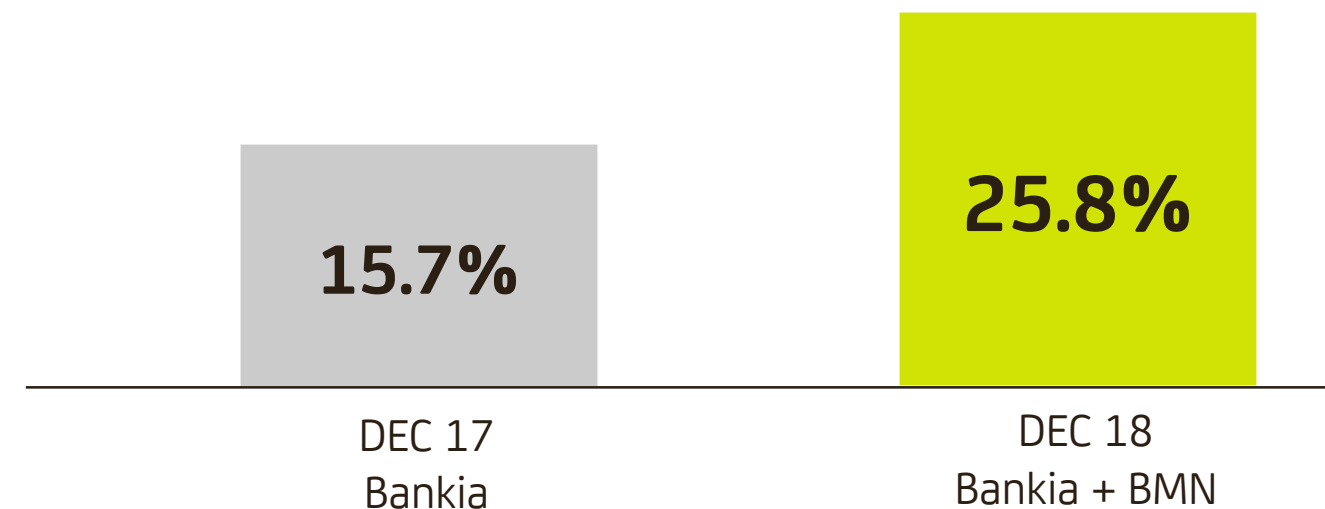
DIGITAL CUSTOMERS

(thousands)



DIGITAL SALES

Digital sales as % of Bankia total sales



% Digital sales by product

o/total sales 2018

- Securities account: **41.9%**
- Consumer lending: **31.4%**
- Pension Plans: **19.4%**
- Mutual Funds: **12.6%**

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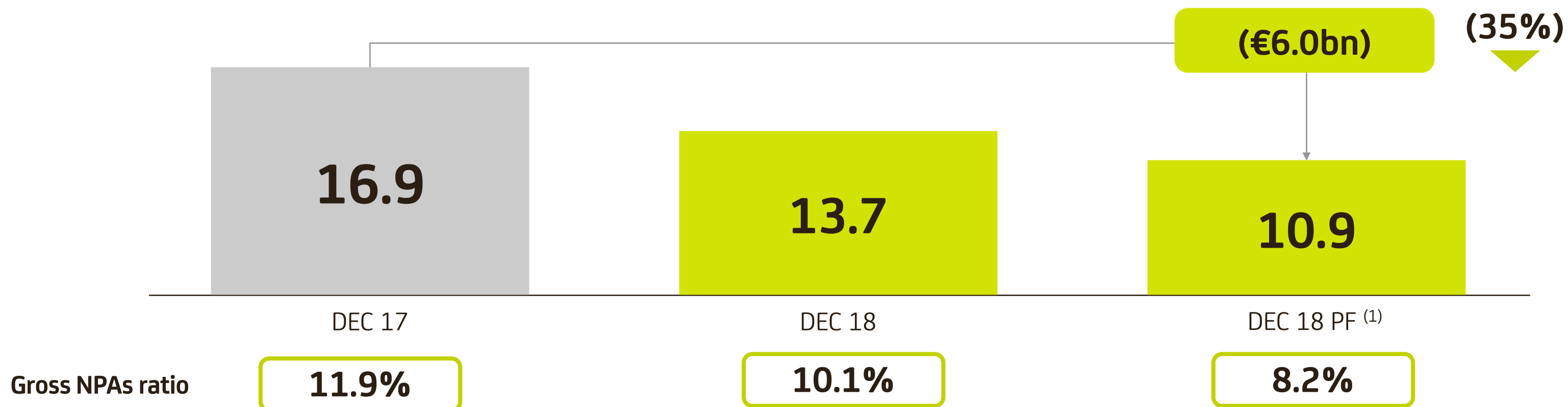
Results and Dividend

> **2018 Highlights**

4 Balance sheet strengthening

35% annual reduction of NPAs (gross)

NPAs - GROSS

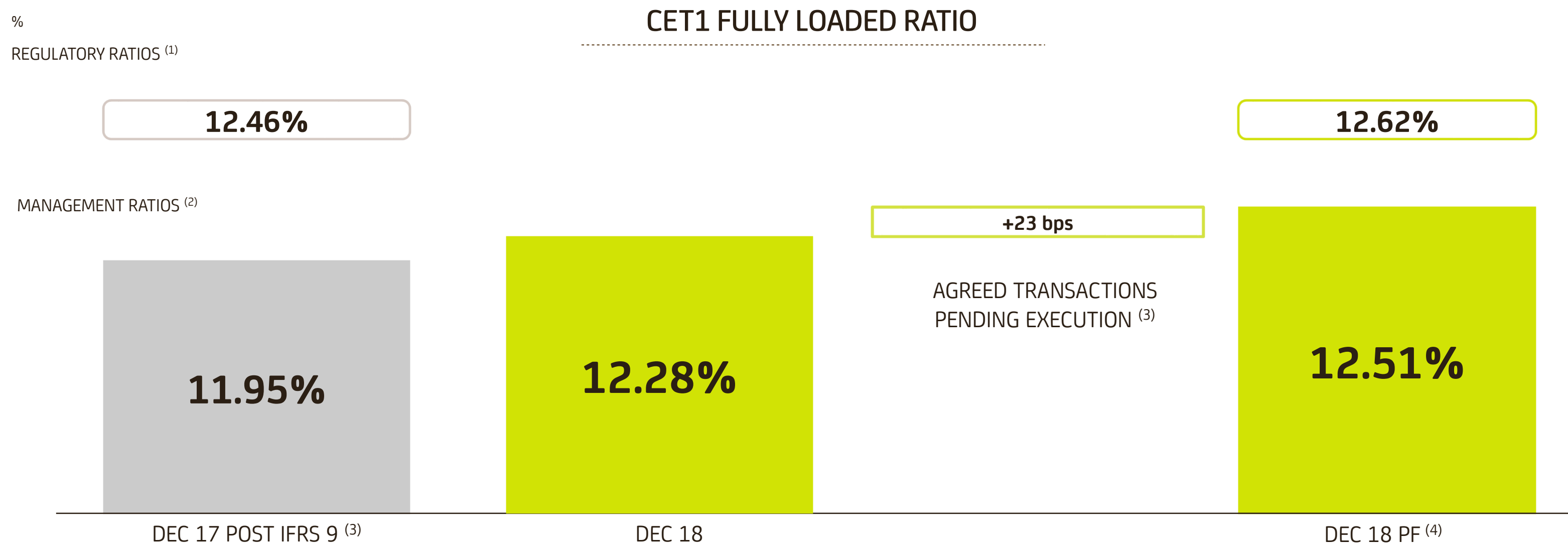


NOTE: Full series refer to Bankia + BMN perimeter
 (1) Pro-forma data post NPAs portfolio sale

> **2018 Highlights**

4 Capital

CET1 FL ratio increases to 12.51% (post agreed transactions)



The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend

(1) Ratios including unrealized gains on sovereign portfolio.

(2) Ratios not including unrealized gains on sovereign portfolio.

(3) The ratios at December 2017 are post-BMN merger and post-IFRS 9 total impact.

(4) Proforma: includes the impact from the sale to Mapfre of the stakes in insurance subsidiaries pending authorizations and the estimated impact from the reduction in RWAs derived from the sale of NPAs portfolios

> **2018 Highlights**

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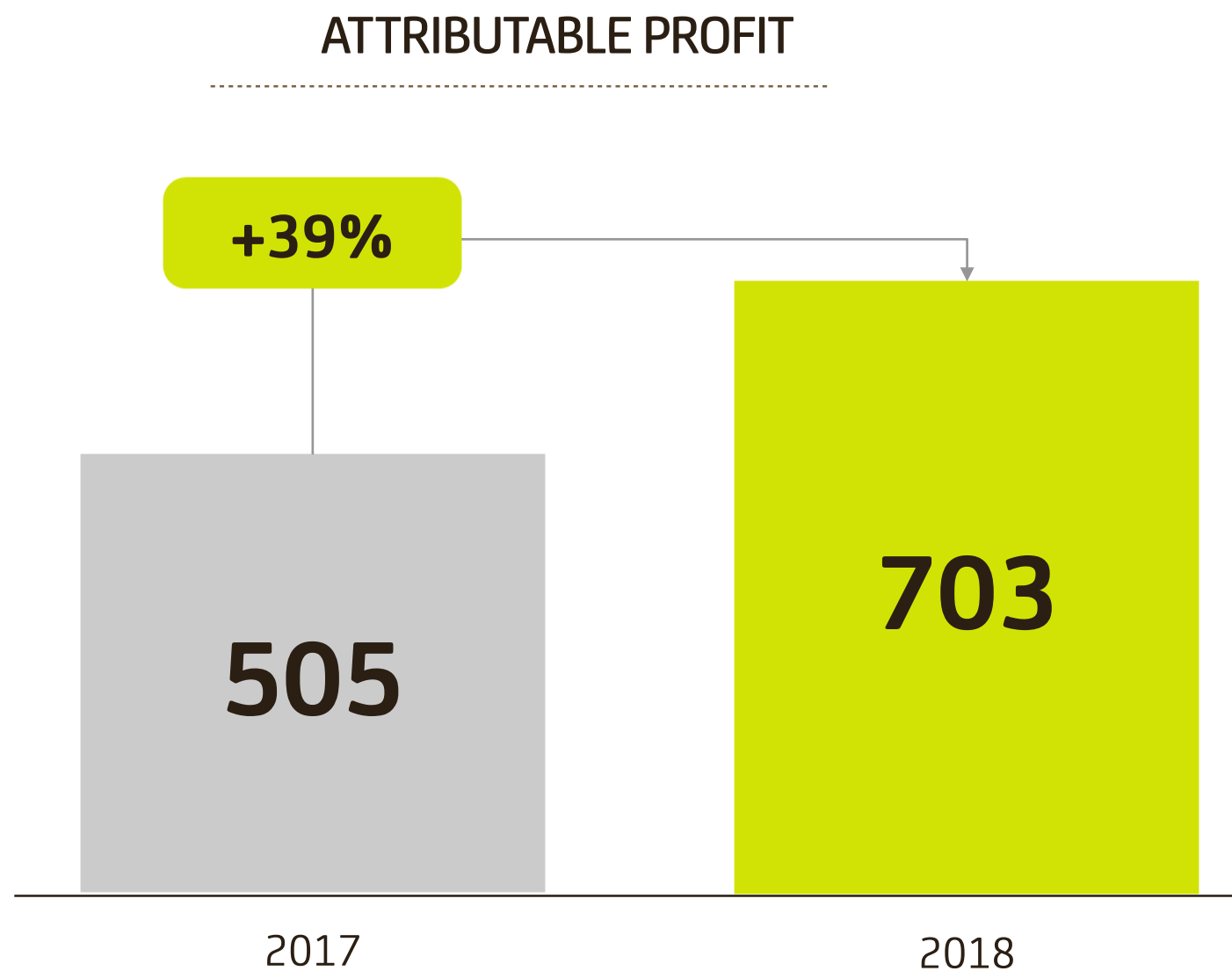
5

Results and Dividend

> **2018 Highlights**

5 Attributable profit for the year

Reported Profit of €703mn for the full year

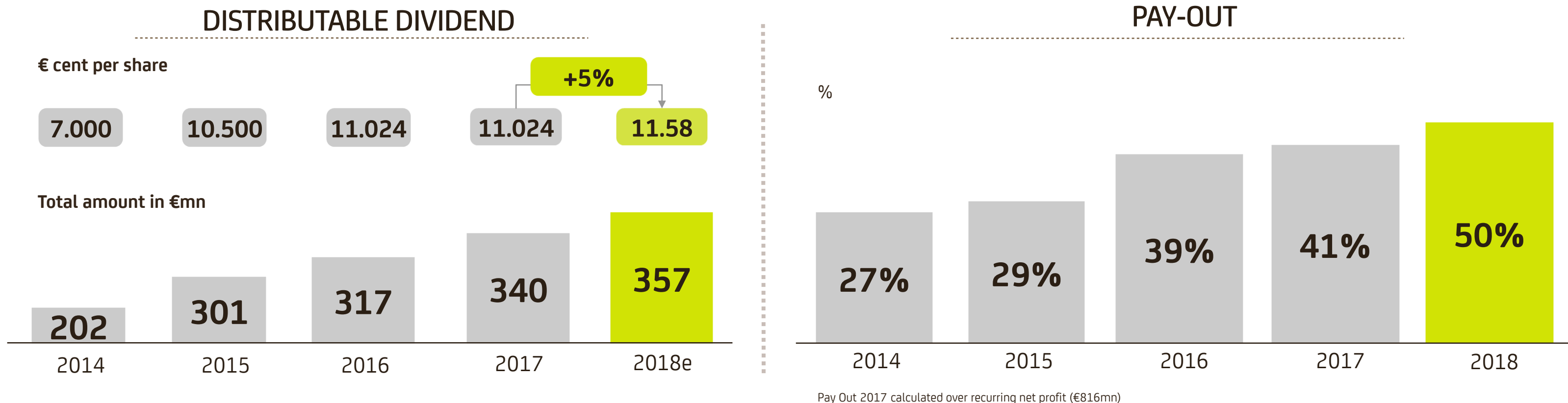


2018 Profit affected by extraordinary net provisions in €85mn due to the NPAs portfolio sales transaction

> **2018 Highlights**

5 Shareholder remuneration

5% dividend increase vs previous year



€1,517mn cumulative dividends since 2014

> **Conclusions**

BMN integration executed successfully and in record time ...

Accelerating commercial activity during the year

Making progress in the distribution model

Strengthening our balance sheet

Increasing DPS by 5%

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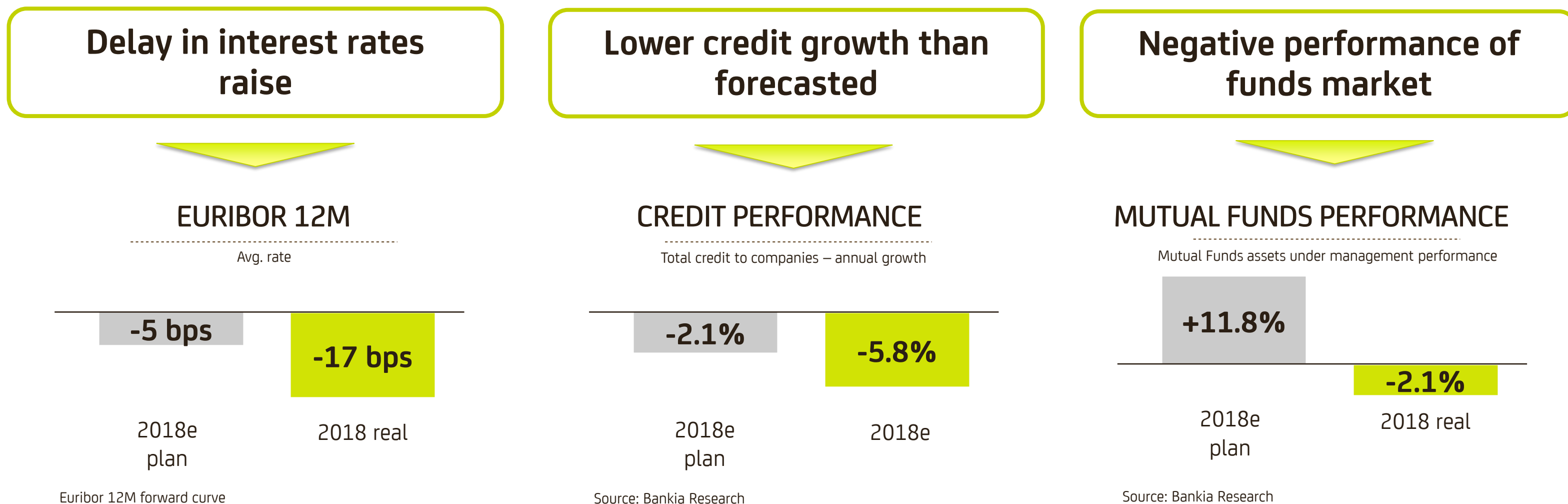
6

CONCLUSIONS

> Strategic Plan Follow-Up

Macro environment and Strategic Plan context

Macro performance more adverse than initially forecasted in the Strategic Plan...



Factors that influence interest margin and business volume

> Strategic Plan Follow-Up

Macro environment and Strategic Plan context

...but nevertheless we have accomplished our targets...

**Business
performance**

**Growth in credit to companies and consumer lending,
gaining market share**

Efficiency

Achieving in advance the synergies target – cost reduction

**NPAs
reduction**

**NPAs reduction above target, doubling the annual targeted
reduction**

and organic capital generation of 83 bps

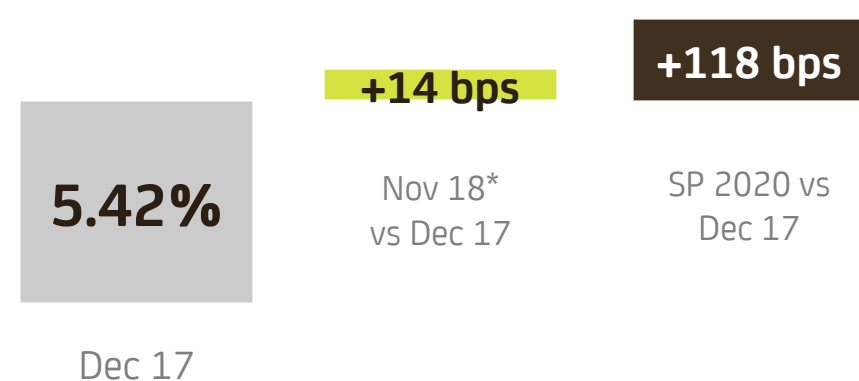
> Strategic Plan Follow-Up

Macro environment and Strategic Plan context

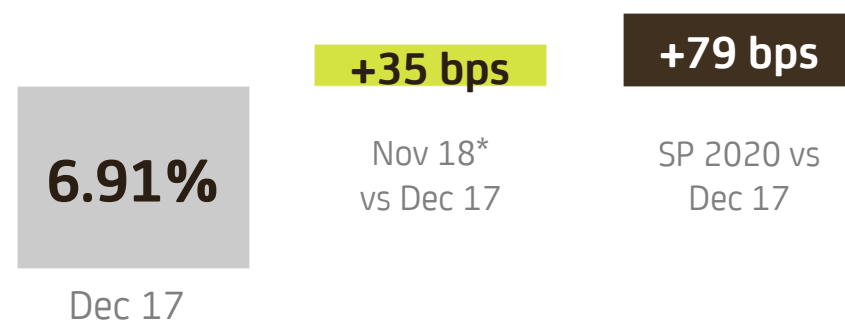
Business Performance

Positive performance in credit volumes and market share gains

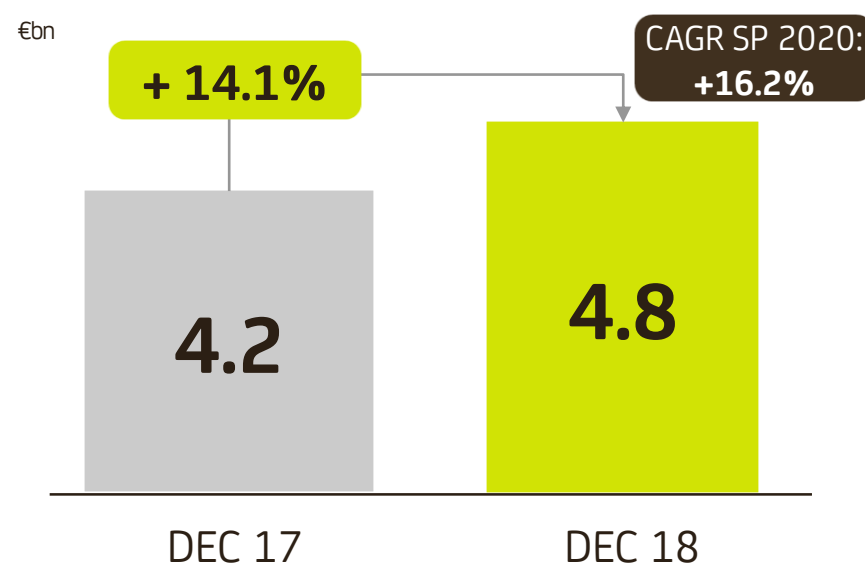
CONSUMER LENDING MKT. SHARE INCREASE



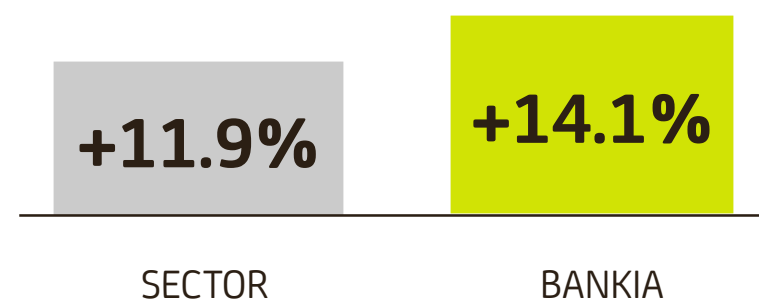
LENDING TO COMPANIES MKT. SHARE INCREASE



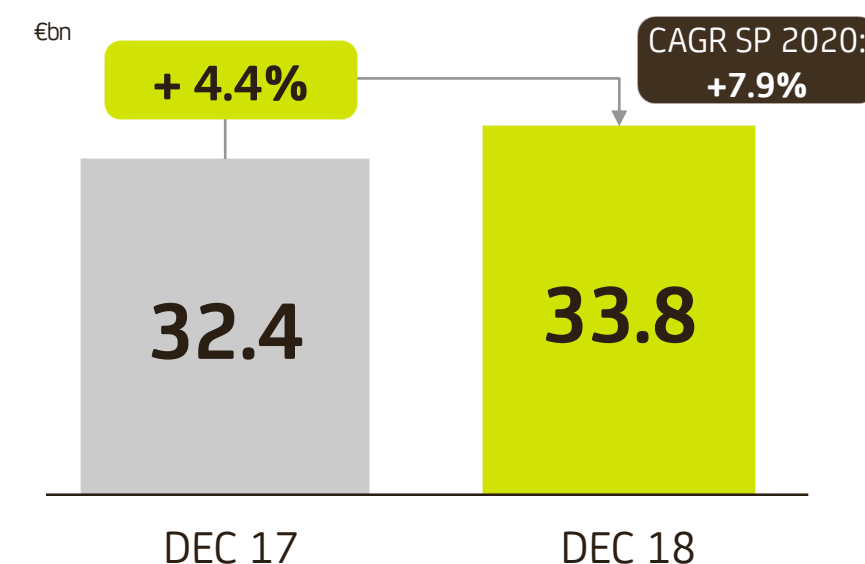
CONSUMER LENDING



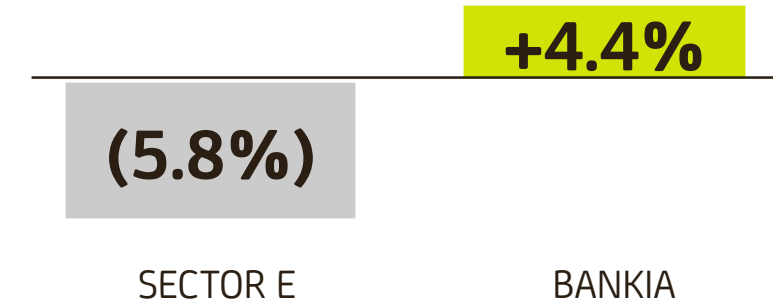
SECTOR GROWTH VS BANKIA 2018



COMPANIES + DEVELOPERS – EX NPL



SECTOR GROWTH VS BANKIA 2018



Consumer lending and Companies: Source BdE.
* Latest available market share

> Strategic Plan Follow-Up

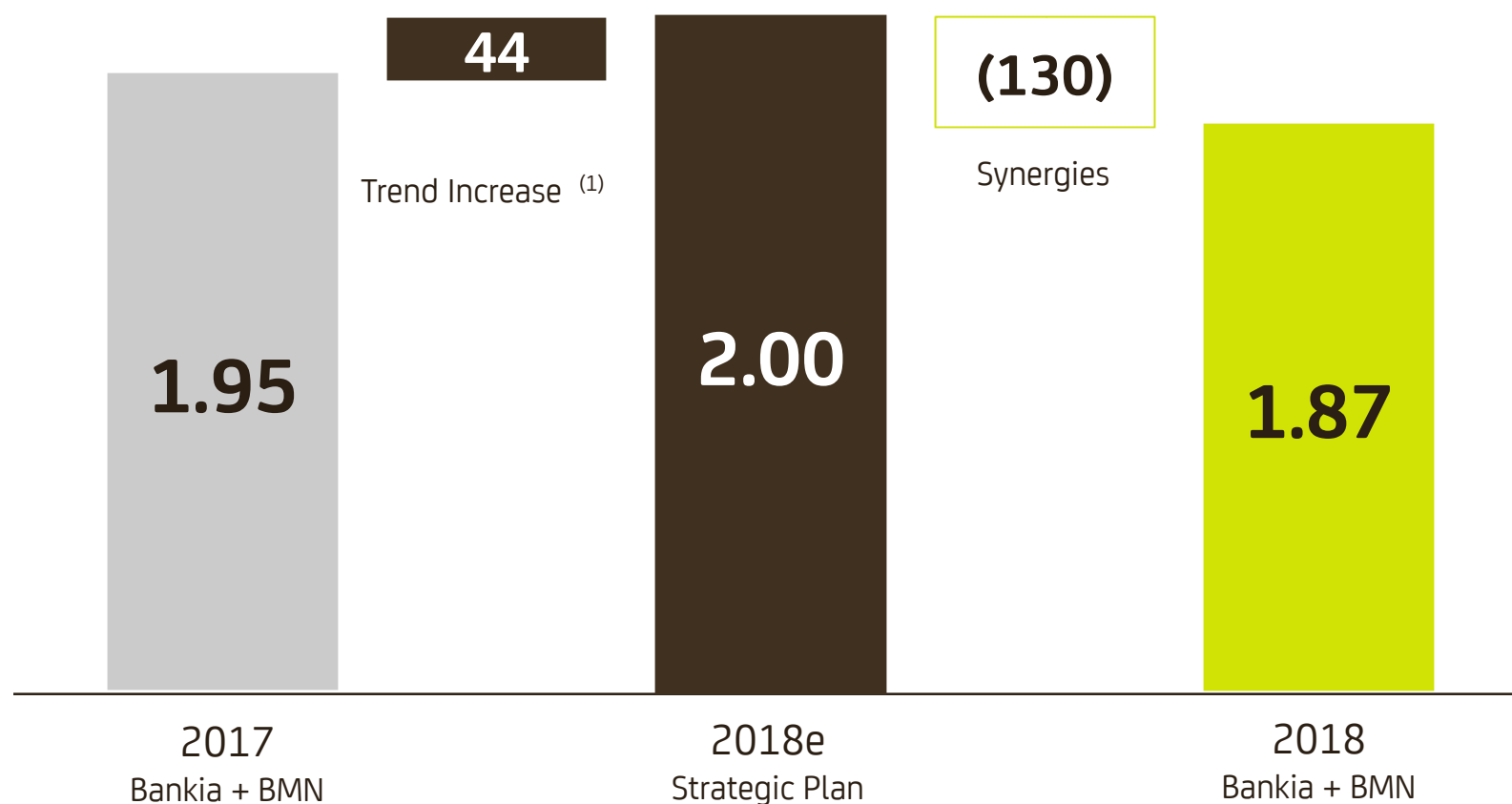
Macro environment and Strategic Plan context

Efficiency

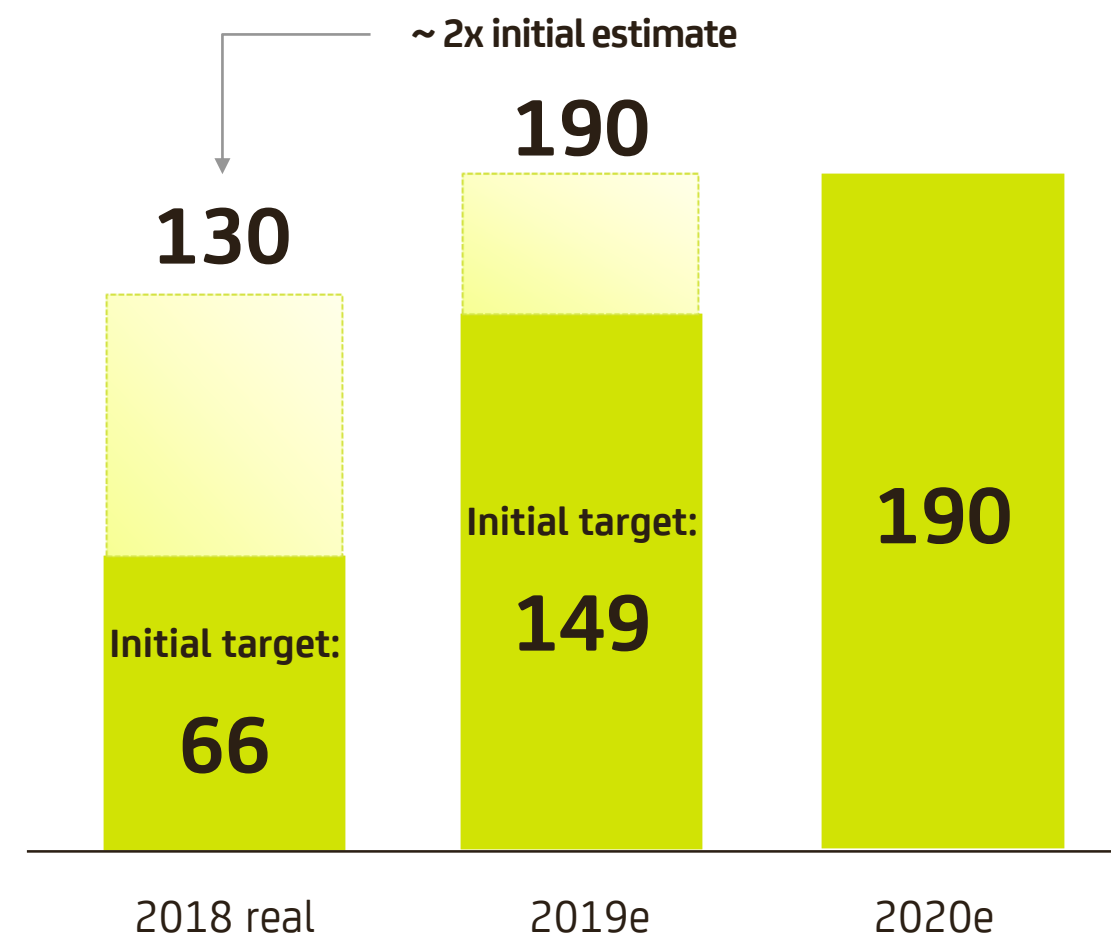
The successful integration allows for synergies to be captured in advance

€bn

OPERATING EXPENSES



SYNERGIES



(1) Labor agreement and other costs increase

> Strategic Plan Follow-Up

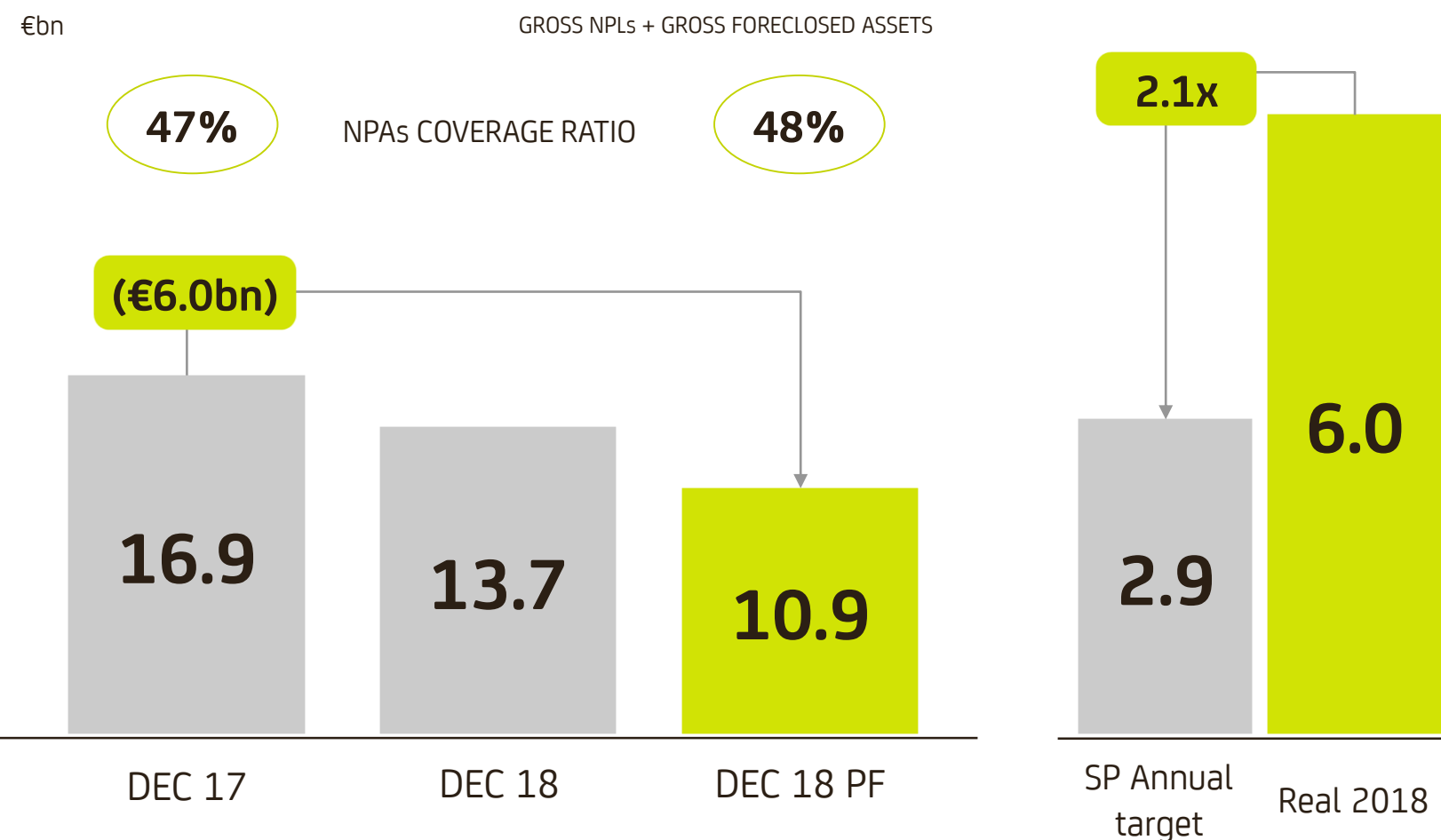
Macro environment and Strategic Plan context

NPAs reduction

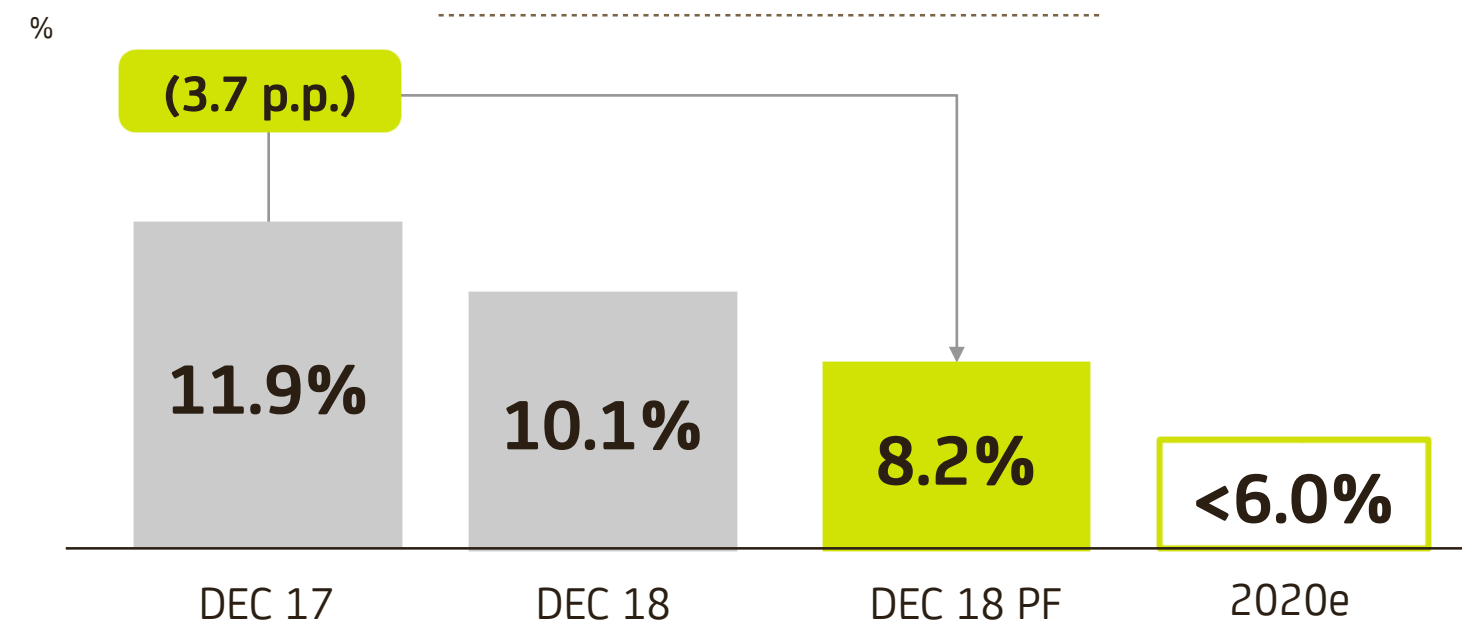
Gross NPAs down €6.0bn in the year, more than doubling the target

NON PERFORMING ASSETS PERFORMANCE

GROSS NPLs + GROSS FORECLOSED ASSETS



NPAs RATIO - GROSS



NPAs RATIO - NET



Dec 18 PF includes the impact for the sale of unproductive assets portfolio, expected to be executed during the first half of 2019

35% reduction of NPAs in one year

> **Strategic Plan Follow-Up**

Macro environment and Strategic Plan context

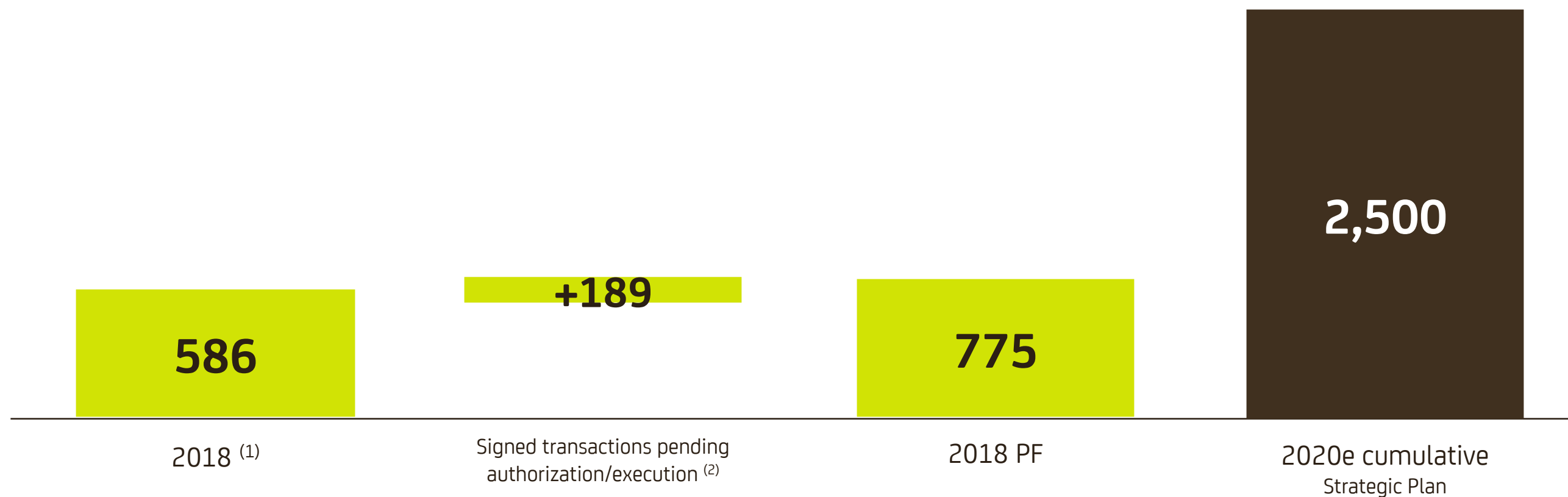
Capital

Generating c.€800mn of capital in 2018

€mn

CAPITAL GENERATION

CUMULATIVE CAPITAL (DIVIDENDS + EXCESS >12% CET1 FL)



(1) Dividend of €357mn + excess capital above 12% (28 bps) calculated without unrealised capital gains

(2) Includes the impact from the sale to Mapfre of the stakes in insurance subsidiaries pending authorizations and the estimated impact from the reduction in RWAs derived from the sale of NPAs portfolios

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> **2018 Results**

Income statement – Bankia Group and BMN: annual

€mn	2017 Bankia	2018	Diff %	2017 Bankia + BMN	2018	Diff %
Net interest income	1,943	2,049	5.5%	2,267	2,049	(9.6%)
Net fee and commission income	850	1,065	25.3%	1,030	1,065	3.4%
Net trading income	368	411	11.5%	433	411	(5.2%)
Other revenue	(134)	(157)	(17.0%)	(129)	(157)	17.8%
Gross income	3,027	3,368	11.3%	3,601	3,368	(6.5%)
Operating expenses	(1,550)	(1,870)	20.7%	(1,954)	(1,870)	(4.3%)
Pre-provision profit	1,477	1,498	1.4%	1,647	1,498	(9.1%)
Provisions for loans	(306)	(333)	9.1%			
Provisions for foreclosed assets	(142)	(104)	(26.8%)			
Taxes, minority interests and other items	(213)	(273)	28.2%			
Profit attributable to the Group without extraordinary	816	788	(3.4%)			
Extraordinary impacts ⁽¹⁾	(312)	(85)	(74.4%)			
Profit attributable to the Group with extraordinary	505	703	39.2%			

(1) Extraordinary impacts are related to restructuring costs of €312mn in 2017 and €85Mn in 2018 due to net extraordinary provisions associated with the impact from the sale of NPAs portfolios.

> **2018** Results

Income statement – Bankia Group and BMN: quarter

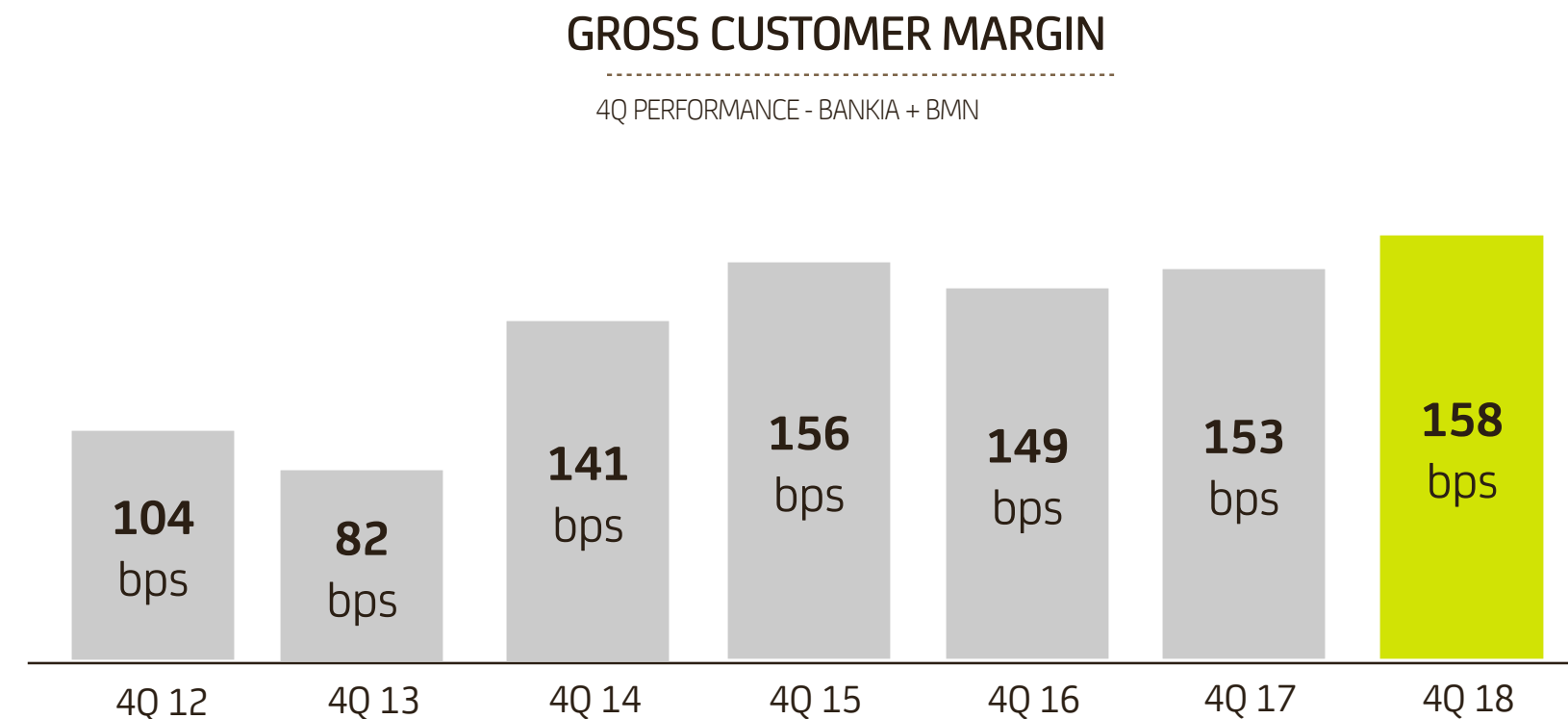
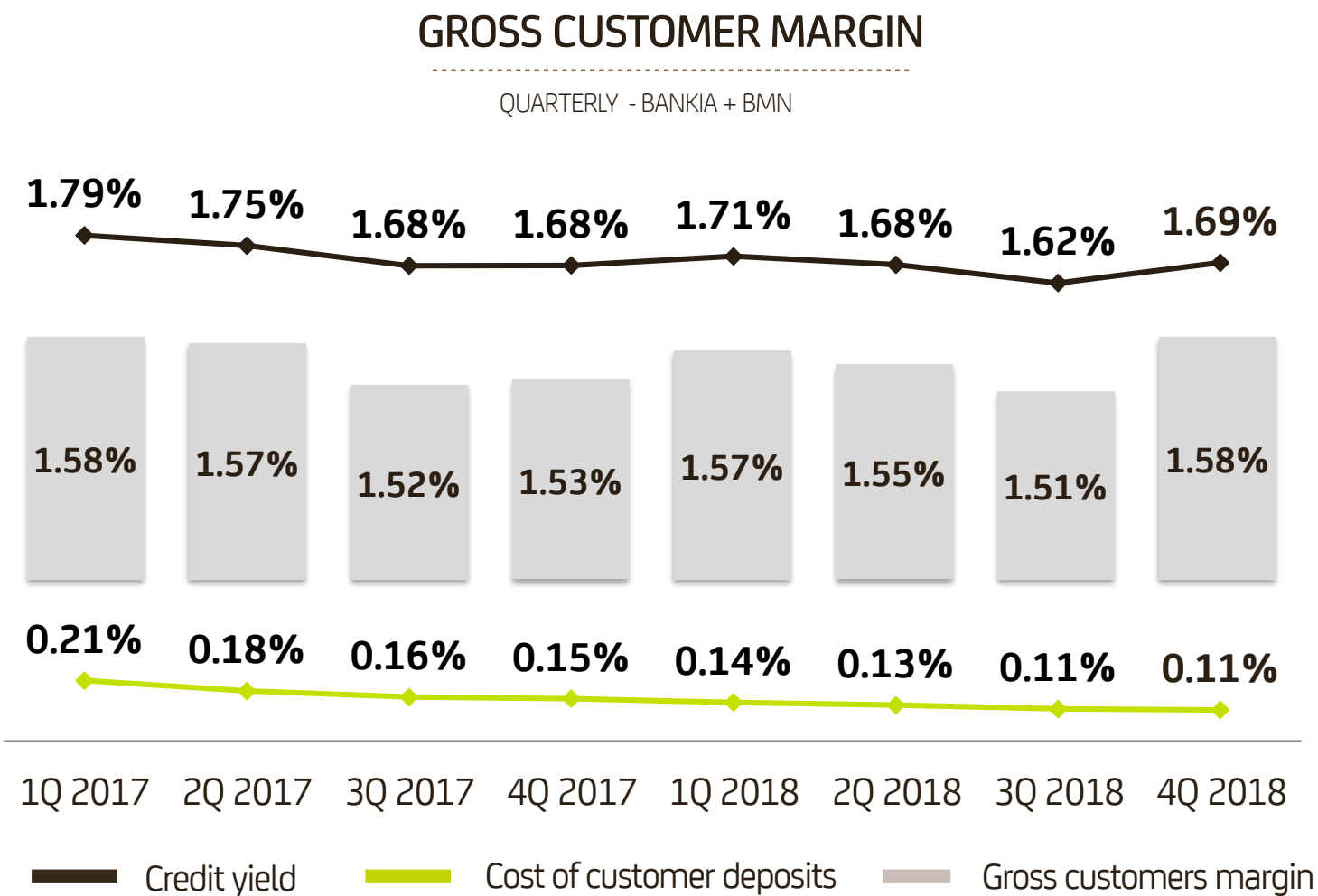
€mn	1Q 18	2Q 18	3Q 18	4Q 18	Diff % 4Q18 vs 3Q18
Net interest income	526	521	495	507	2,4%
Net fee and commission income	264	270	265	266	0,2%
Net trading income	139	152	90	30	(66,4%)
Other revenue	10	(40)	15	(141)	-
Gross income	939	903	865	662	(23,5%)
Operating expenses	(485)	(459)	(458)	(468)	2,3%
Pre-provision profit	453	444	407	194	(52,4%)
Provisions for loans	(107)	(73)	(76)	(77)	2,3%
Provisions for foreclosed assets	(27)	(23)	(29)	(26)	(10,3%)
Taxes, minority interests and other items	(89)	(64)	(73)	(46)	(37,0%)
Profit attributable to the Group without extraordinary	229	285	229	45	(80,3%)
Extraordinary impacts ⁽¹⁾	-	-	-	(85)	-
Profit attributable to the Group with extraordinary	229	285	229	(40)	-

(1) Extraordinary impacts are related to €85Mn due to net extraordinary provisions associated with the sale of NPAs portfolios in 4Q18.

> **2018 Results**

Net interest income

Gross customer margin increases to 158 bps



▶ 4Q18 gross margin reaches its maximum level in the last years

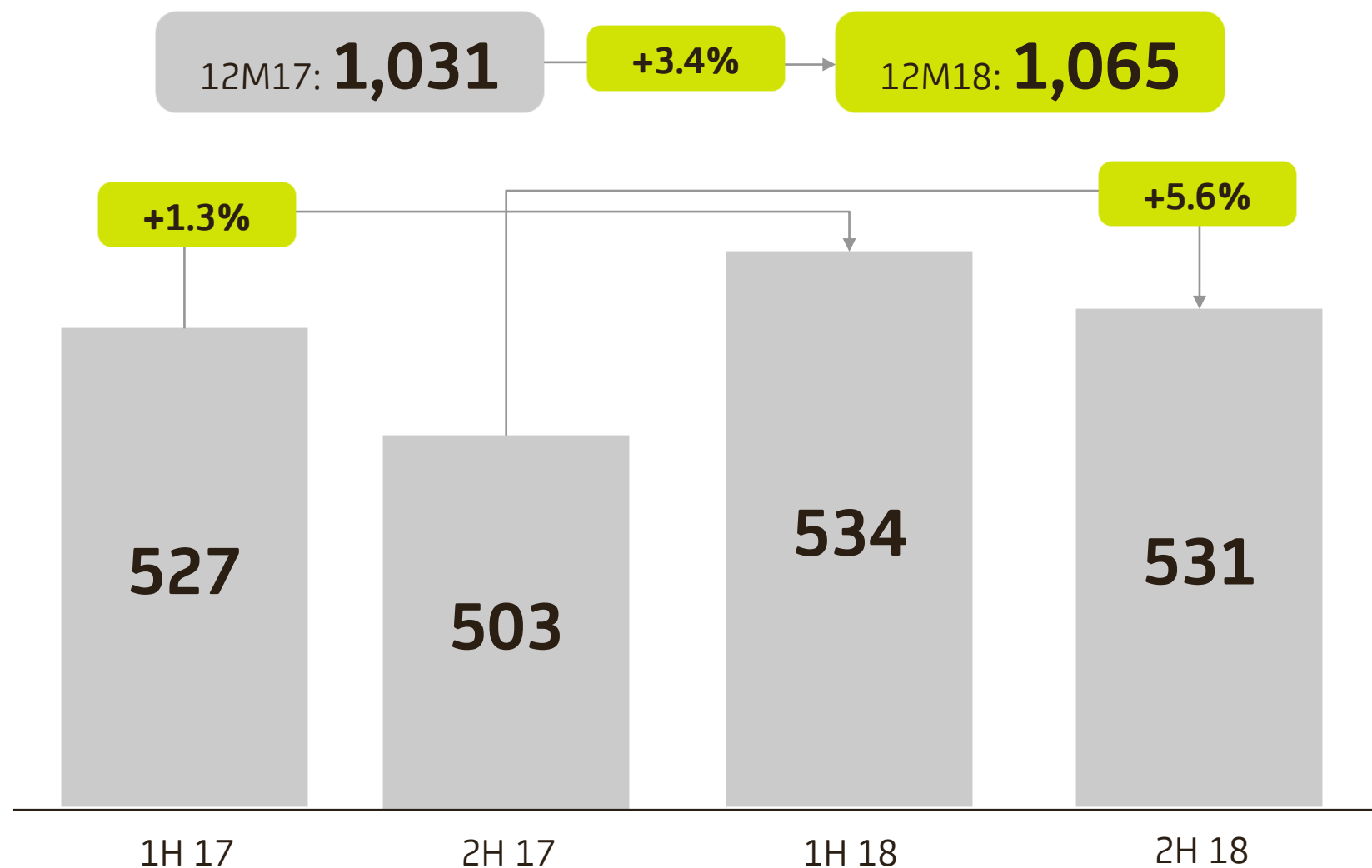
> **2018** Results

Fee and commission income

Fees and commissions grow 3.4% in the full year

€mn

NET FEE AND COMMISSION INCOME PERFORMANCE BANKIA + BMN



MUTUAL FUNDS
Gross fees
+9.2%
2018 vs 2017

PENSION PLANS
Gross fees
+8.1%
2018 vs 2017

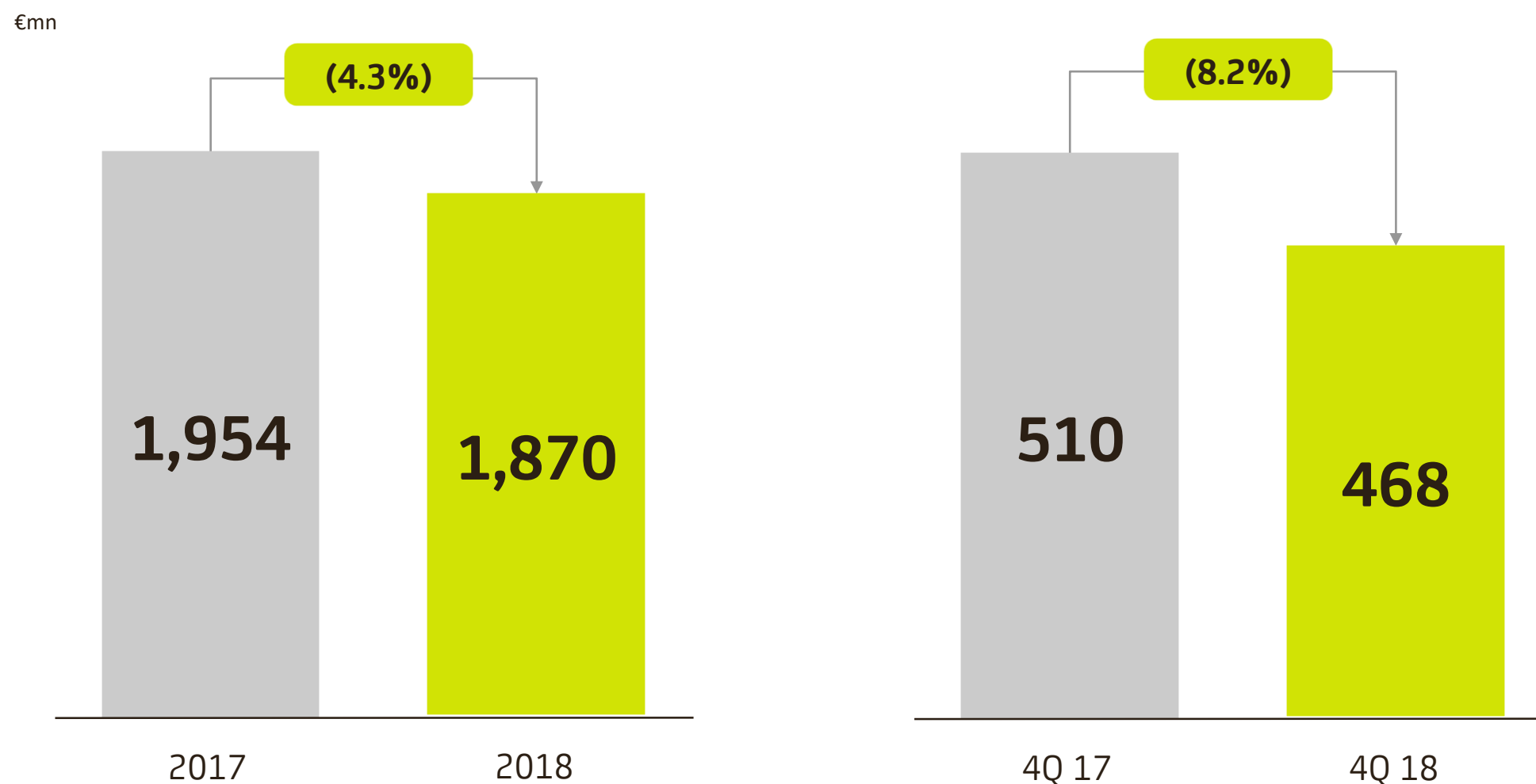
PAYMENT SERVICES
Gross fees – Credit cards, POS Terminals, ATMs...
+12.2%
2018 vs 2017

> **2018** Results

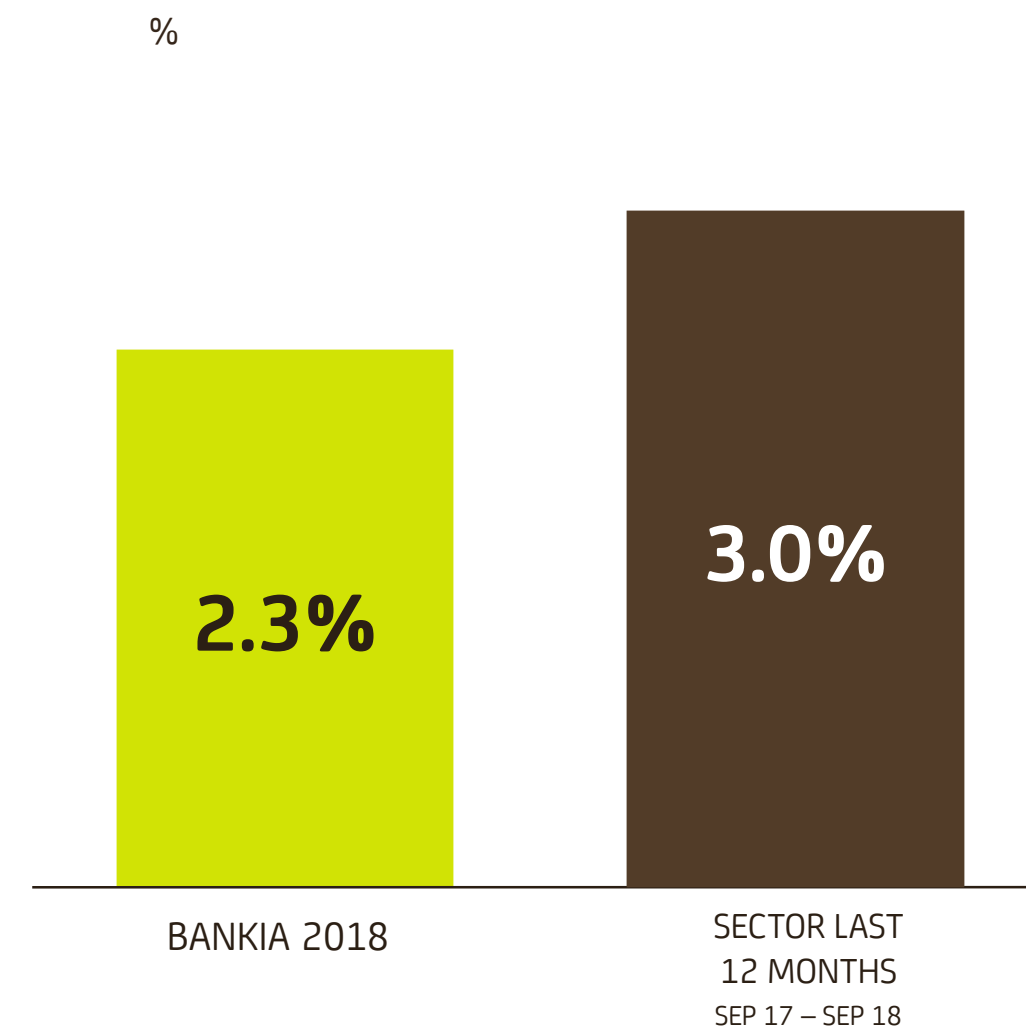
Operating expenses

The rapid capture of synergies has an impact in the reduction of operating expenses

OPERATING EXPENSES PERFORMANCE BANKIA + BMN



OPEX o/ RWAs



Sector includes: BBVA España, Caixabank, Sabadell, Bankinter and Santander España. (BBVA España and Santander España include real estate business).

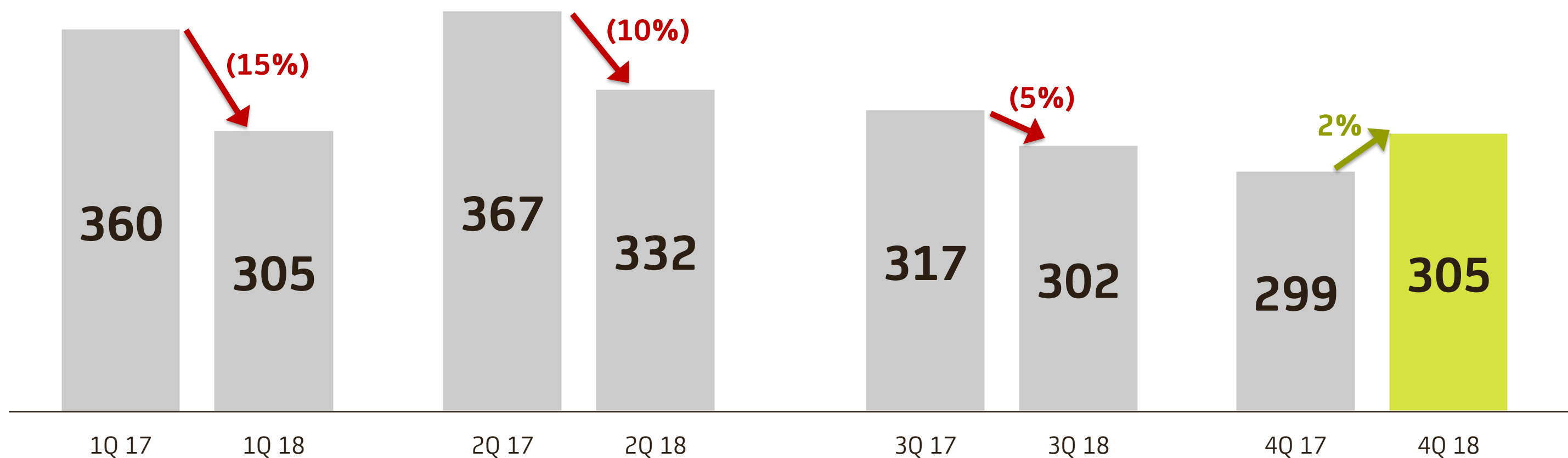
> **2018** Results

Core result

Good quarterly performance of “core” result

NII + FEES AND COMMISSIONS – OPEX

€mn

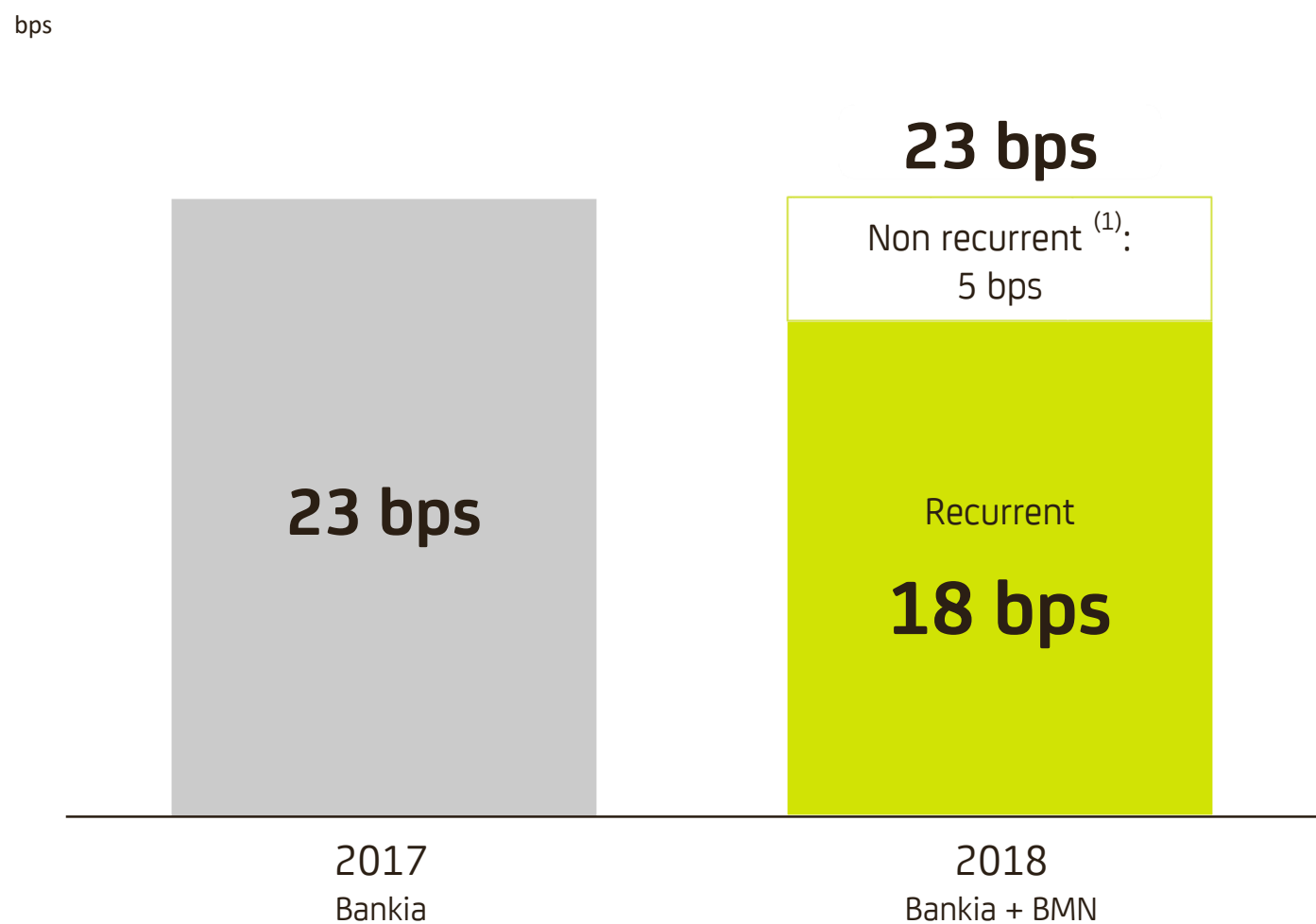


> **2018** Results

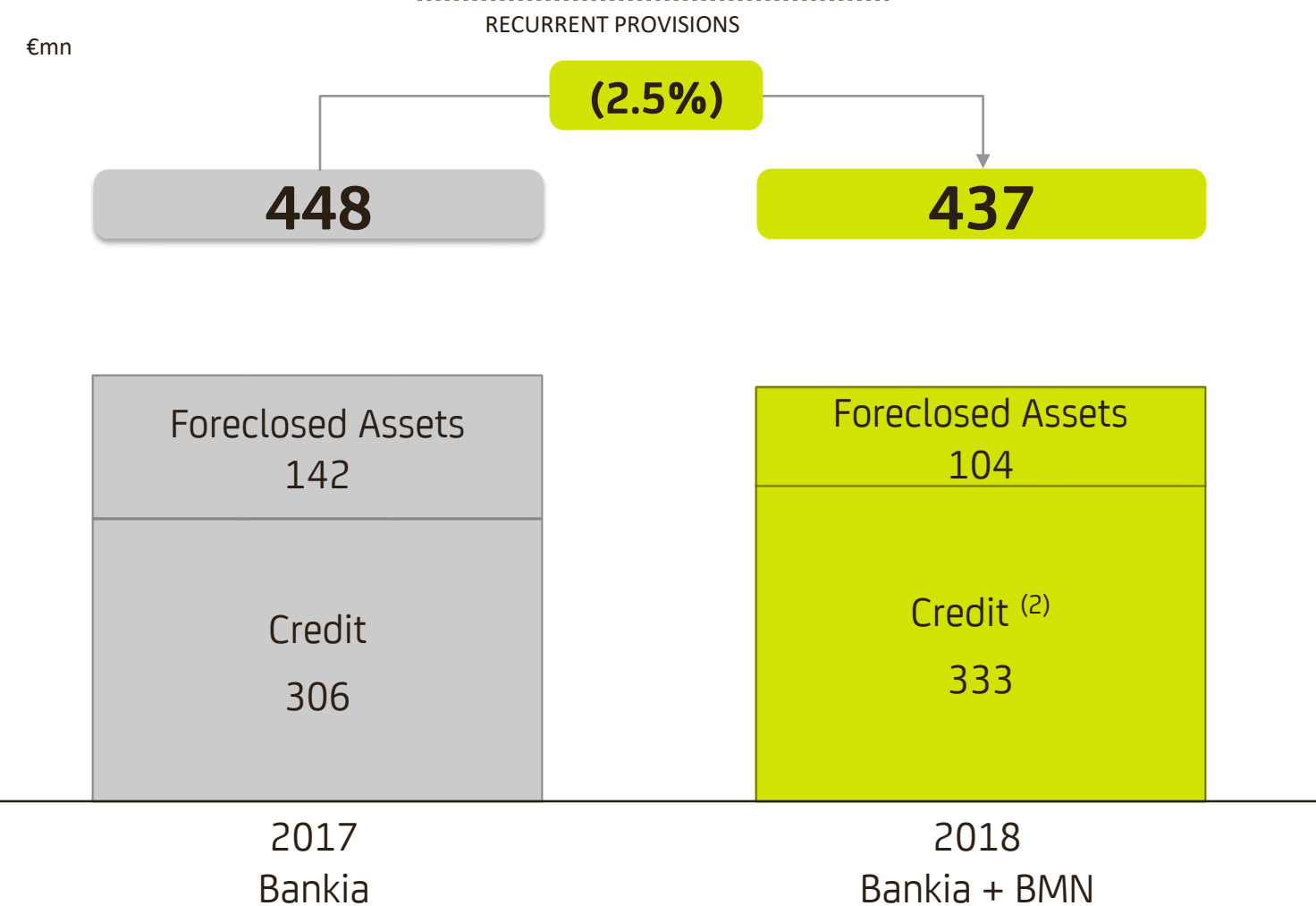
Cost of risk

Continued reduction of cost of risk

COST OF RISK BANKIA + BMN



PROVISIONS FOR CREDIT AND FORECLOSED ASSETS BANKIA + BMN



(1) Non recurrent cost of risk is related to extraordinary provisions (€65mn) due to the NPAs portfolios sale transaction.

(2) Provisions for credit exclude €65mn corresponding to extraordinary gross provisions due to the portfolios sale transaction.

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LIQUIDITY AND SOLVENCY

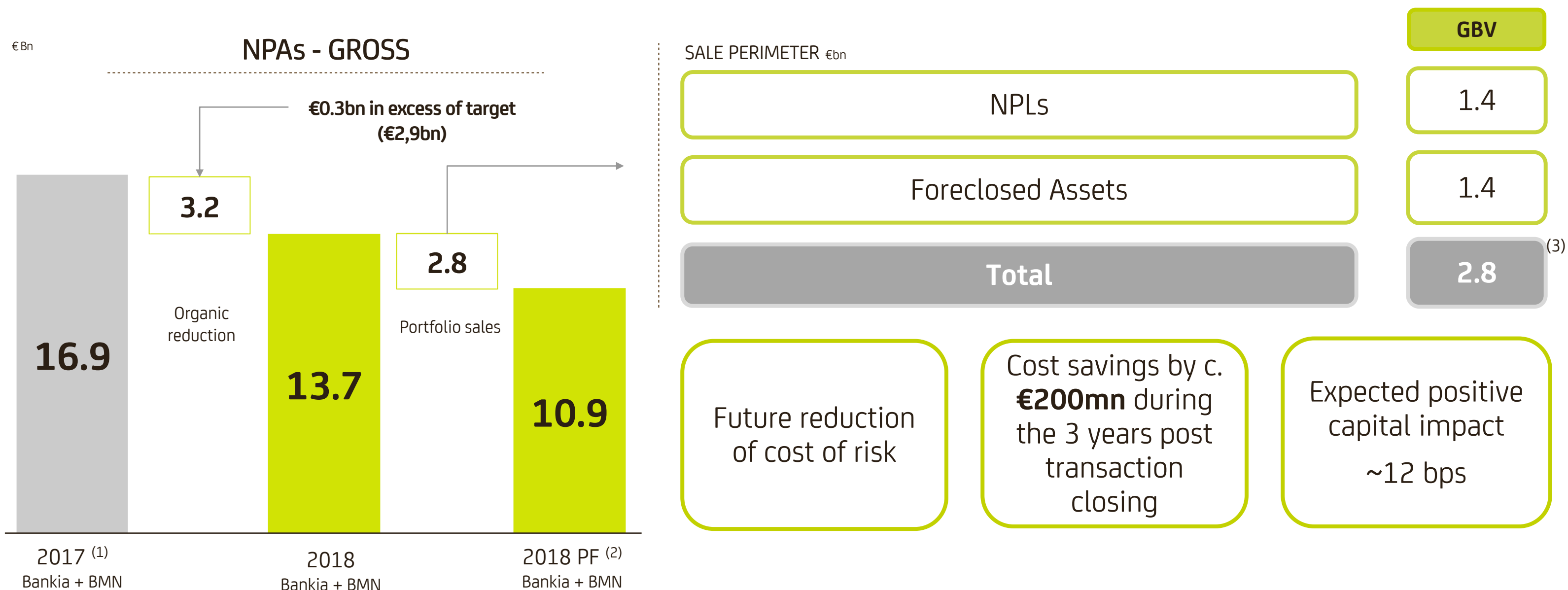
6

CONCLUSIONS

> Asset quality and risk management

NPAs Performance

35% annual reduction of NPAs (gross) in the year



(1) Bankia + BMN data

(2) Pro-forma data post NPAs portfolios sale transaction, expected to be closed during the first half of 2019

(3) From cut-off date until 31 Dec 18 there have been ordinary foreclosed assets sales

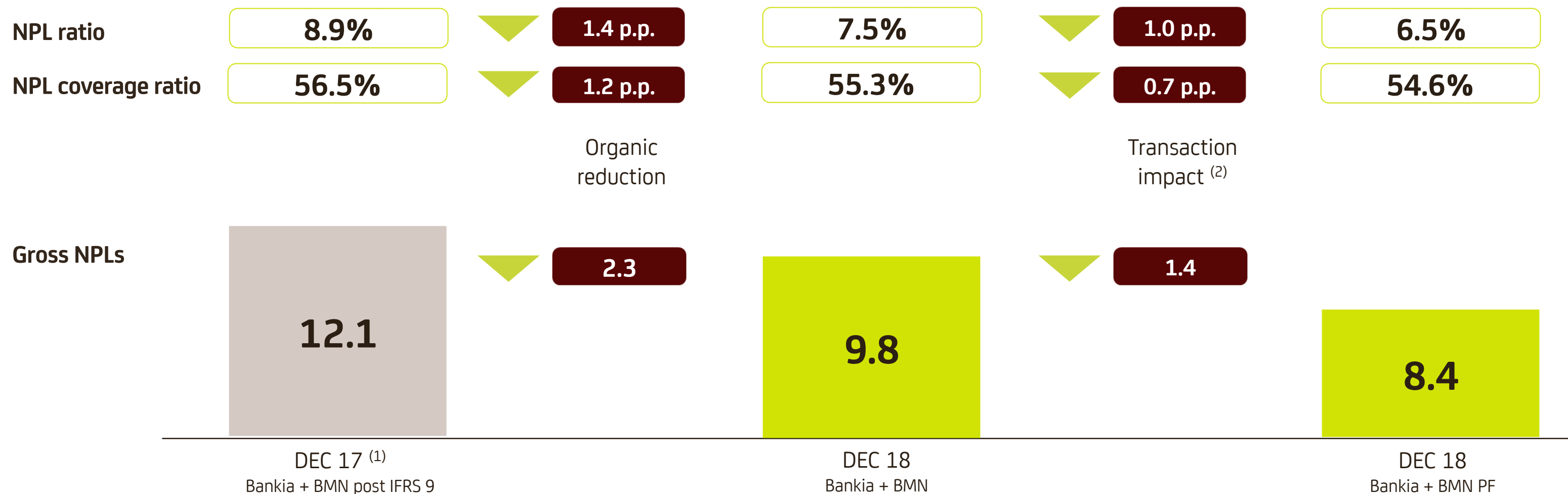
> Asset quality and risk management

Asset quality

The NPAs sale transaction allows us to reduce NPL ratio to 6.5%

€bn

NPLs, NPL RATIO AND NPL COVERAGE



(1) Coverage ratio including IFRS 9 provisions. If excluded the coverage ratio would have stood at 50,8%

(2) Execution expected during the first half of 2019

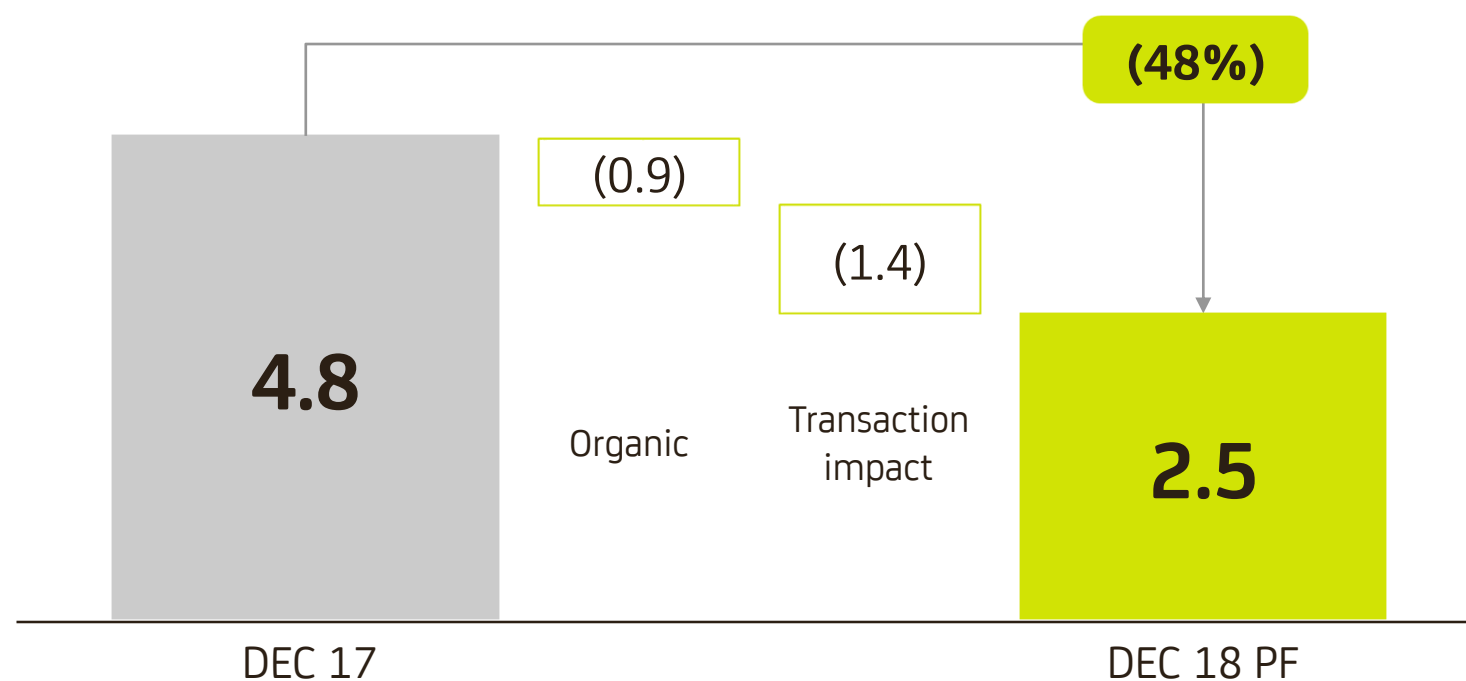
> Asset quality and **risk management**

Foreclosed assets

Meaningful reduction of foreclosed assets

FORECLOSED ASSETS PERFORMANCE

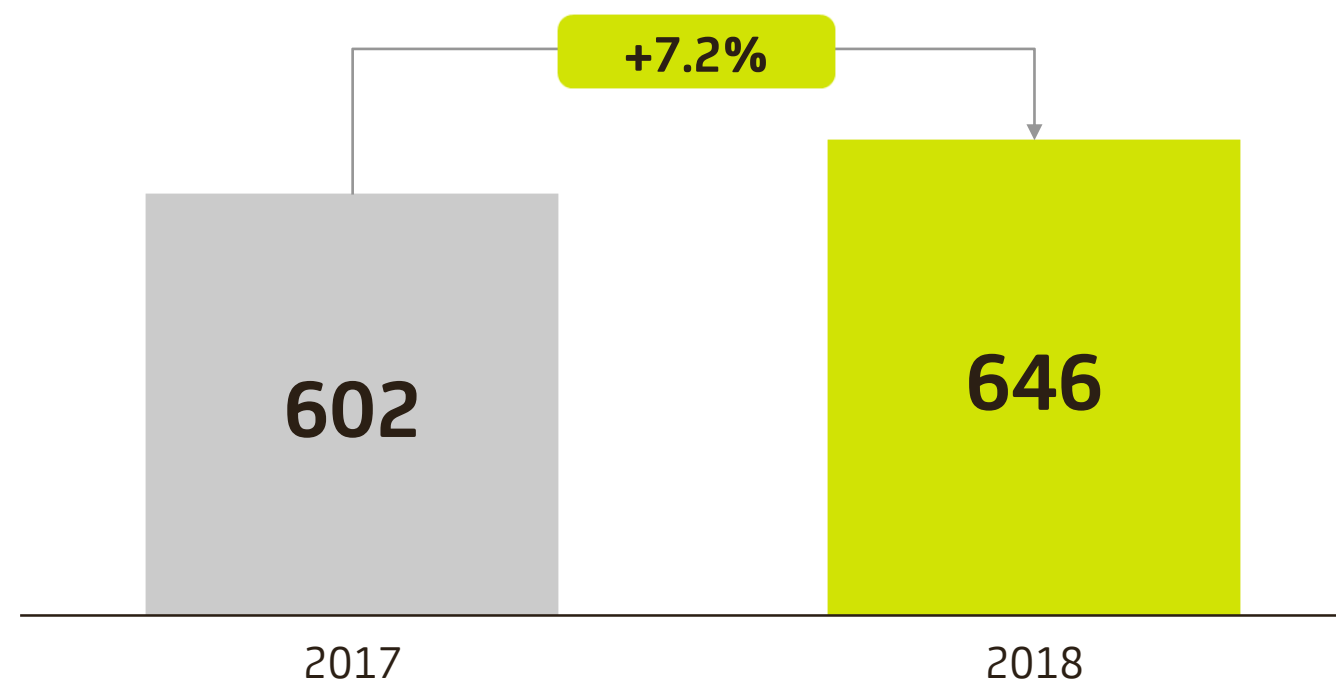
Gross amounts €bn



Foreclosed assets are reduced almost by half in one year

FORECLOSED ASSETS ORGANIC SALES

Sales amount €mn



Organic sales represent 24% of stock at year-end 2017 (~ 13,300 units)

Does not include foreclosed assets sold in the non-productive assets sale transaction

1

2018 HIGHLIGHTS

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STRATEGIC PLAN FOLLOW-UP

3

2018 RESULTS

4

ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

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CONCLUSIONS

> **Liquidity** and solvency

Liquidity

Liquidity metrics and Ratings

> LTD Ratio
Dec 2018

91.2%

> LCR
Dec 2018

163%

> ECB (100% TLTRO)
Dec 2018

€13.9bn

> Liquid assets
o/maturities
Dec 2018

1.3x

AVAILABLE LIQUID ASSETS

% HQLA o/ Total

€31.9bn

Non HQLA: 1%

**HQLA
99%**

DEC 18

RATING

Dec 17

Dec 18

**S&P Global
Ratings**

BBB-
Positive outlook



BBB
Stable outlook

FitchRatings

BBB-
Stable outlook



BBB-
Positive outlook



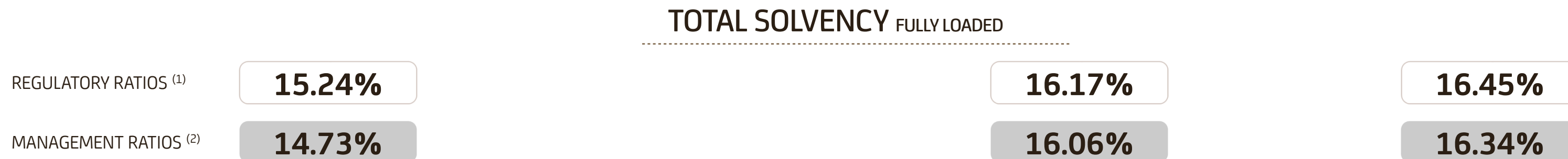
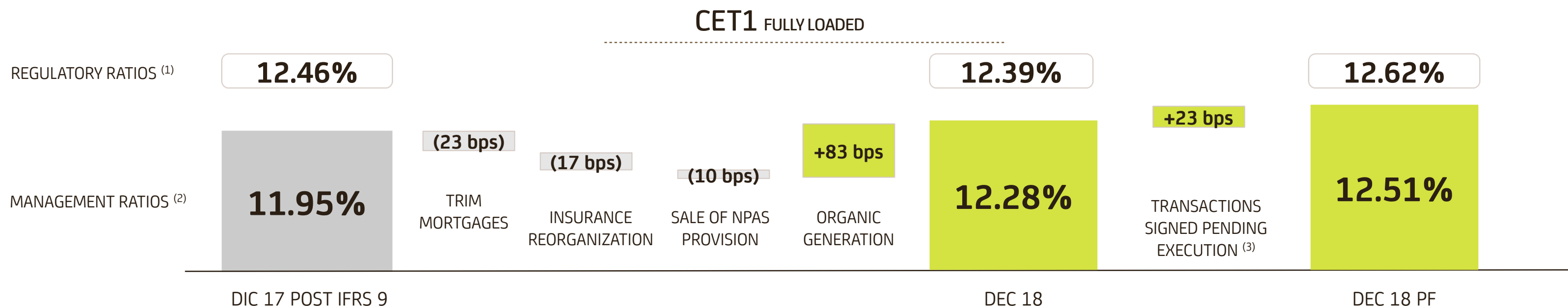
BBB (high)
Stable Outlook

BBB (high)
Stable Outlook

> Liquidity and **solvency**

Solvency ratios – Fully loaded performance

83 bps of organic capital generated in the year



Leverage Ratio Fully Loaded: 5.52% Dec 18

The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend

(1) Ratios including unrealized gains on sovereign portfolio.

(2) Ratios not including unrealized gains on sovereign portfolio.

(3) Includes the impact from the sale to Mapfre of the stakes in insurance subsidiaries pending authorizations and the estimated impact from the reduction in RWAs derived from the sale of NPAs portfolios

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2018 HIGHLIGHTS

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ASSET QUALITY AND RISK MANAGEMENT

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CONCLUSIONS

> Conclusions

THE RAPID INTEGRATION OF BMN HAS ALLOWED US

to accelerate the commercial activity: increase in volumes and market shares,

to speed up the capture of synergies, doubling the estimated amount for the year,

and to reduce by 35% the Group's NPAs stock, well above the targets

MAINTAINING OUR CAPITAL GENERATION TARGET

> Annex I

Alternative Performance Measures

Glossary (1 / 2)

In addition to the financial information prepared in accordance with generally accepted accounting principles (IFRS), the Bankia Group uses certain alternative performance measures (“APMs”) that are normally used in the banking sector as indicators for monitoring the management of the Group’s assets and liabilities and its financial and economic position. In compliance with the ESMA guidelines on transparency and investor protection in the European Union, published in October 2015, the following tables give details of all the APMs used in this document, including their definition and a reconciliation with the balance sheet and income statement line items used in their calculation.

Performance measure	Definition
Liquid Assets	Sum of HQLA and the undrawn amount on the ECB facility
ALCO	Asset – Liability Committee
RWAs	Risk Weighted Assets
AT 1	Additional Tier 1
Cost of Risk (%)	Measures the ratio of loan loss provisions to total amount of loans and advances to customers and contingent liabilities
Commercial Gap	Difference between Strict net loans and advances to customers, and the sum of Strict customer deposits and retail commercial paper and ICO/EIB deposits
Operating Expenses / RWAs	Operating Expenses divided by Risk Weighted Assets
HQLA	High Quality Liquid Assets
IFRS	International Financial Reporting Standards
LCR (%)	Liquidity Coverage Ratio
LTD (%)	Loan to Deposit Ratio

> **Annex I**Glossary**Glossary (2 / 2)**

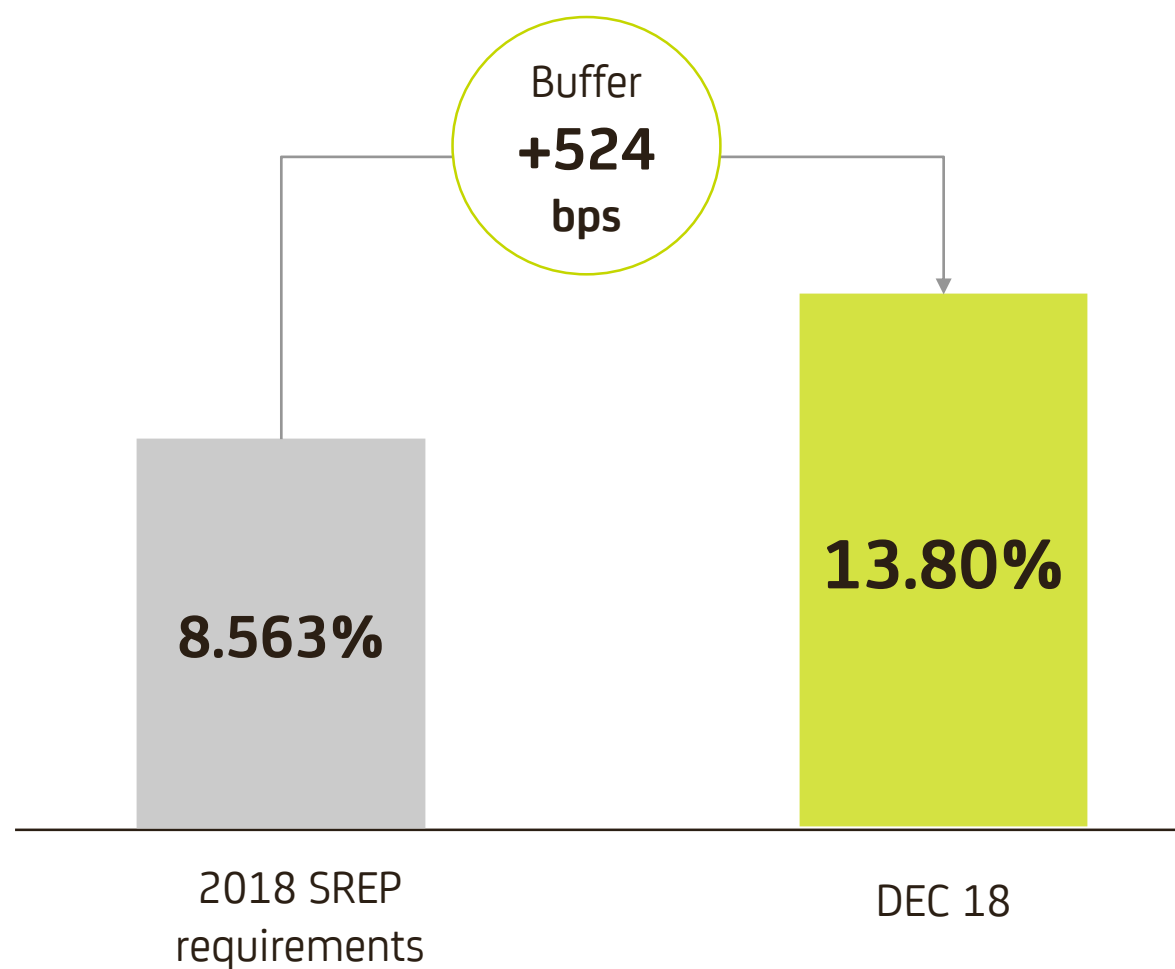
Performance measure	Definition
Gross customers margin	Difference between average yield on credit to customers and average cost of customer's deposits
Net pre-provision profit	Gross margin minus administrative expenses and depreciation and amortization
Gross NPAs	Gross Non Performing Assets. Sum of gross NPLs and gross foreclosed assets
Foreclosed Assets coverage since foreclosure	Provisions for foreclosed assets since foreclosure divided by gross foreclosed assets
Foreclosed Assets coverage since origination	Provisions made since the origination of the loans that turned into foreclosed assets divided by gross foreclosed assets
Disintermediation Ratio	Mutual funds divided by the sum mutual funds plus strict customers deposits
ROE (%)	Return on Equity
NTI	Net trading income. Sum of the gains or losses obtained from management of portfolios of financial assets and liabilities and accounting hedges.
SNP	Senior Non Preferred
SREP	Supervisory Review and Evaluation Process
NPL coverage ratio	Measures the degree to which the impairment of non-performing assets is covered, for accounting purposes, by loan loss provisions.
NPL ratio	Ratio of non-performing loans to total loans and advances to customers and contingent liabilities
NPL	Gross book amount (before provisions) of non-performing loans and advances to customers and contingent liabilities

> **Annex II**

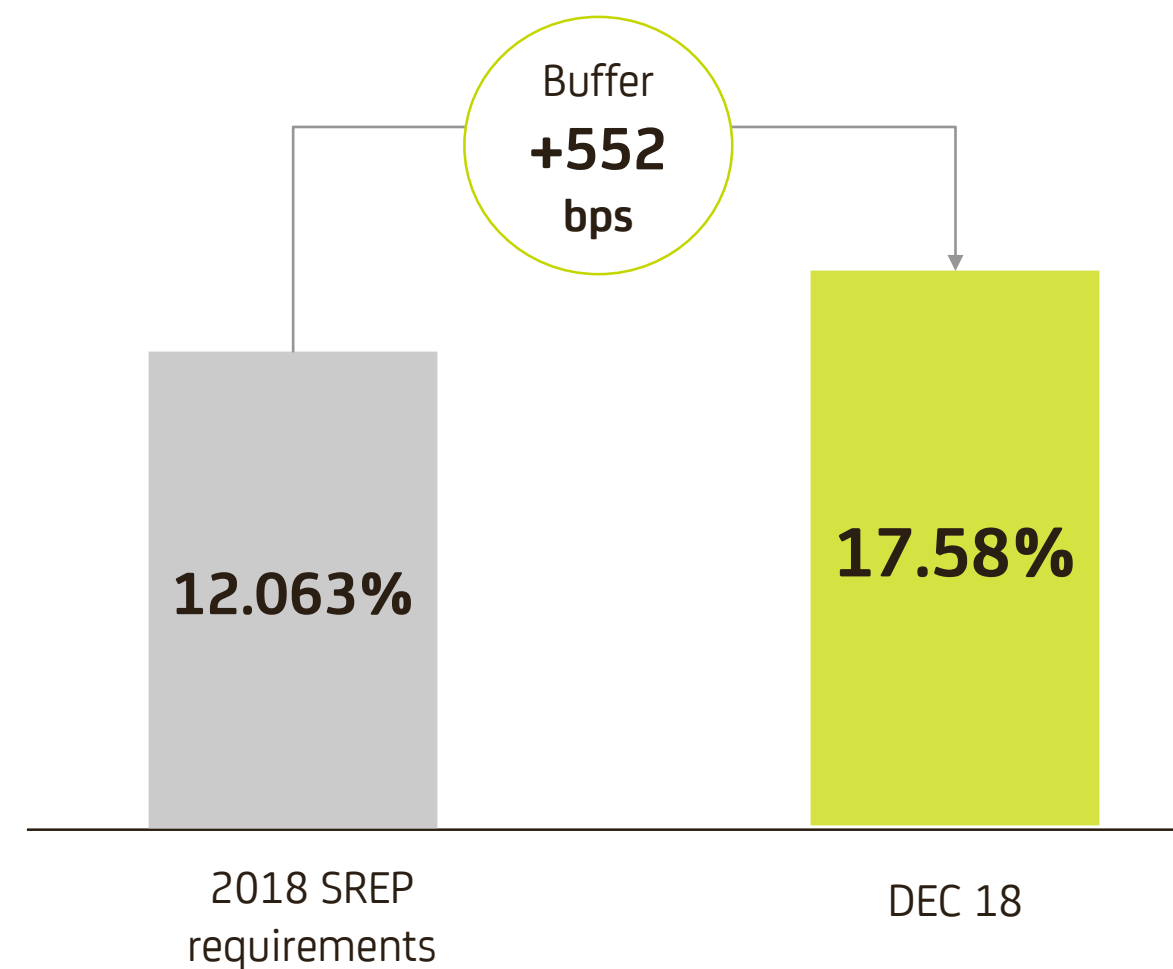
Solvency ratios – Phase In

Large buffers vs. SREP requirements

CET1 PHASE IN RATIO



TOTAL SOLVENCY PHASE IN RATIO



The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend
Dec 18 includes IFRS9 full implementation and TRIM on mortgages

Bankia

LET'S KEEP WORKING

Bankia Comunicación

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