

Bankia

Annual results presentation 2017

› 29 January 2018

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2017 HIGHLIGHTS

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2017 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

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CONCLUSIONS

> **2017 Highlights**

END OF BANKIA'S **RESTRUCTURING PLAN...**

...**MAKING PROGRESS IN THE PRIVATIZATION PROCESS...**

...**HAVING COMPLETED THE MERGER WITH BMN...**

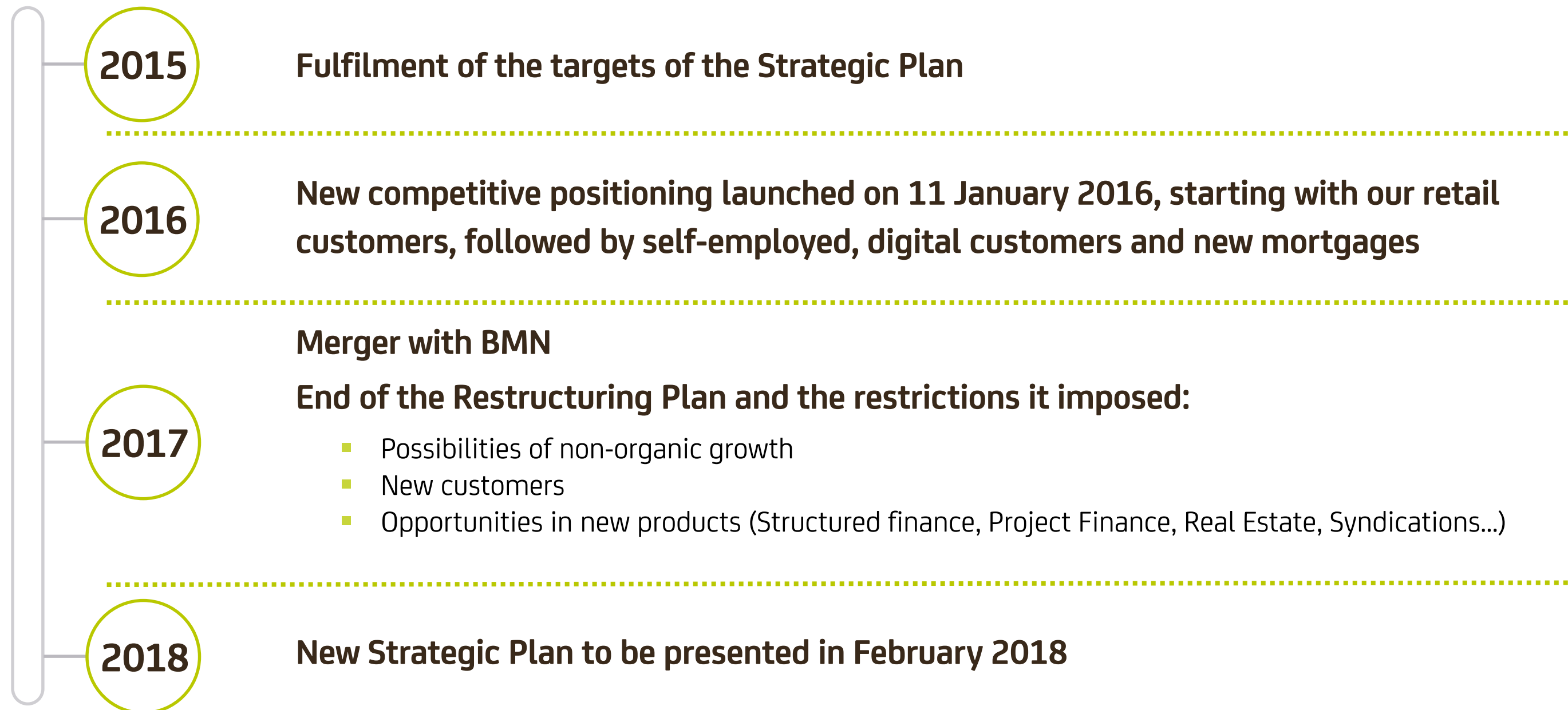


**SUPPORTED BY STRONG COMMERCIAL DYNAMICS AND SOLID
FUNDAMENTALS**

> 2017 Highlights

End of the Restructuring Plan

Restructuring Plan successfully completed



> 2017 Highlights

Sale of stake holding

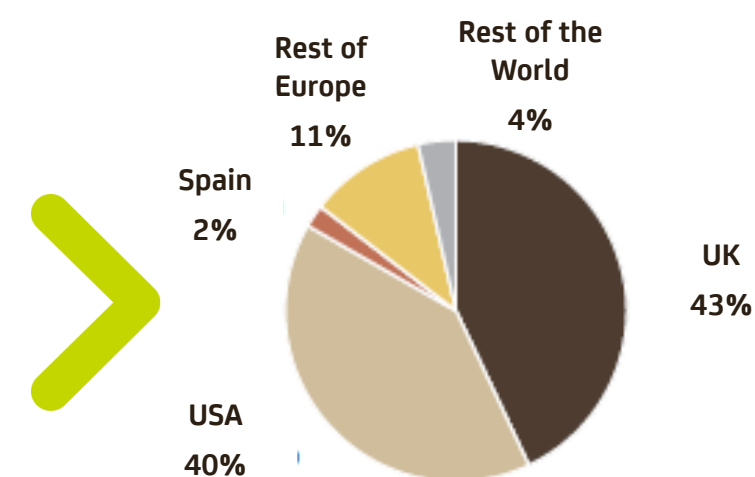
Privatization by the FROB of a 7% stake in Bankia

DETAILS AND STRUCTURE OF THE TRANSACTION

# shares sold	201,553,250
% stake in Bankia	7%
Price per share	€4.06
Total amount	€ 818.3mn
% discount o/ previous day's closing price	-2.71%
Demand	2.3x
% FROB post transaction (pre-exchange BMN)	60.63%

- Sale by the FROB of a 7% stake in Bankia for a total amount of €818mn
- Oversubscription of 2,3x
- The transaction follows the previous privatization of a 7.5% stake in 2014

98%
international
investors



> 2017 Highlights

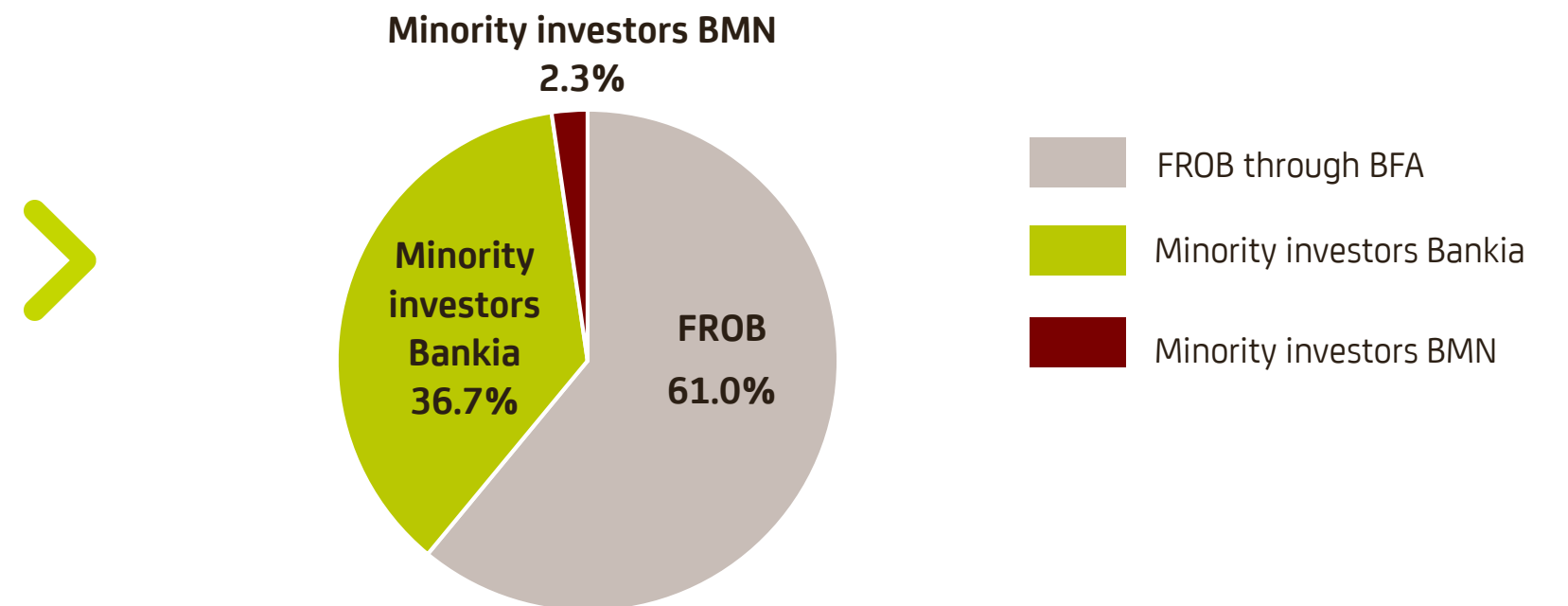
Merger with BMN

Merger process with BMN completed according to plan



- BMN's implied valuation: €825mn (P/BV: 0.4X)
- BMN shareholders received 6.7% of the new Bankia
- FROB holds a 61.0% stake in the resulting entity

Bankia shareholder base post-merger

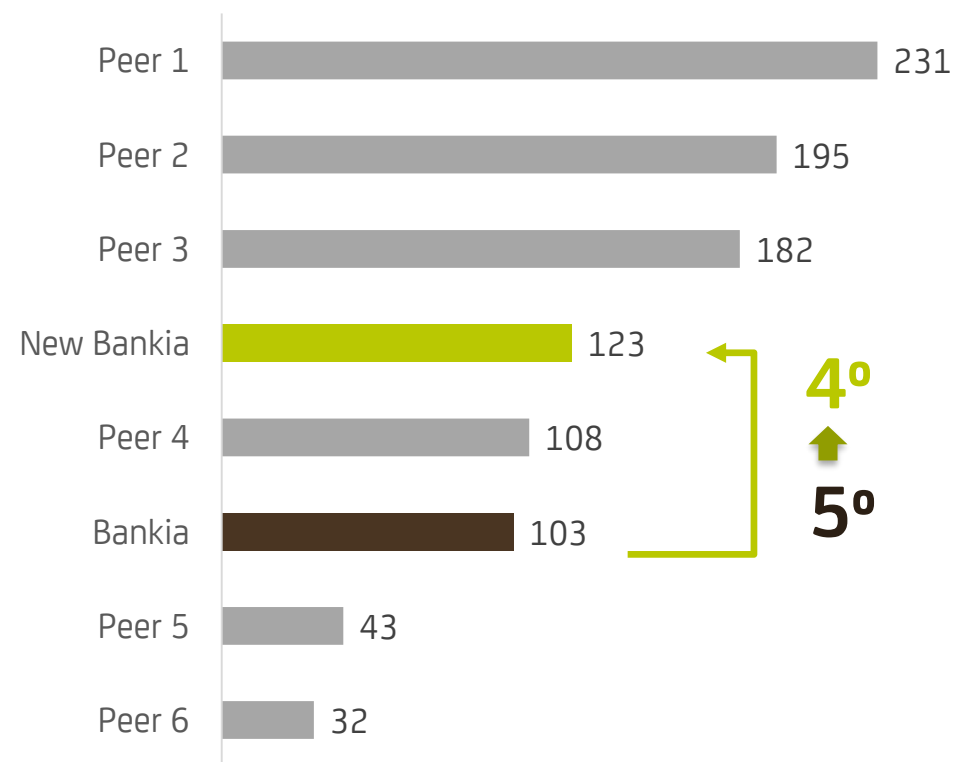


> 2017 Highlights

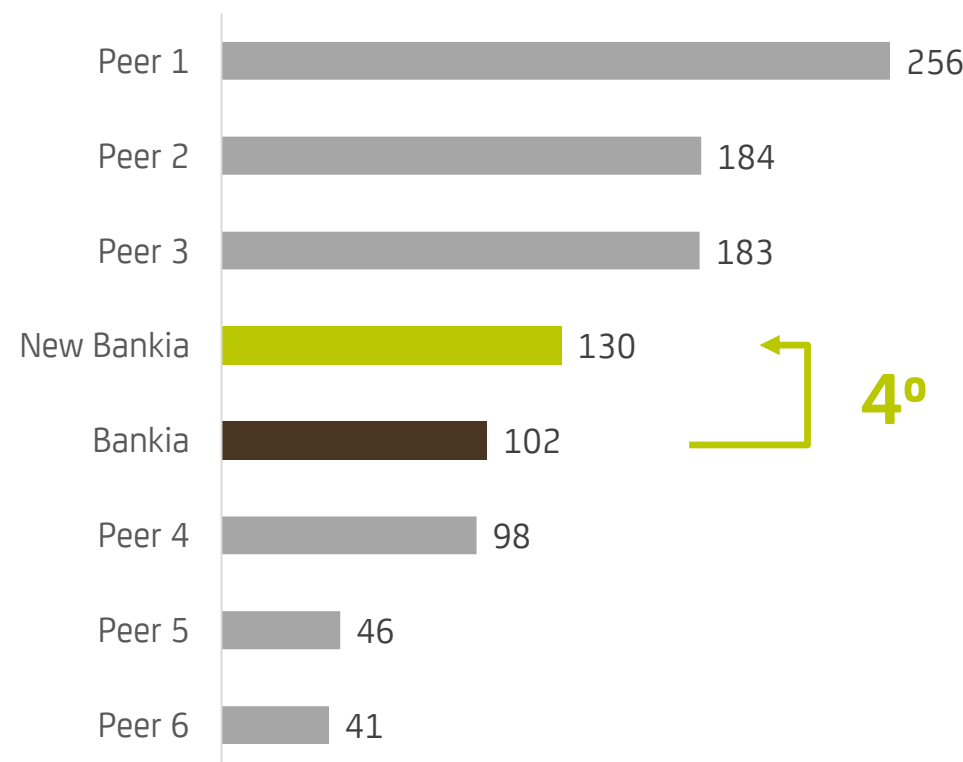
Merger with BMN

The transaction reinforces our position in the domestic market in the key magnitudes for the sector

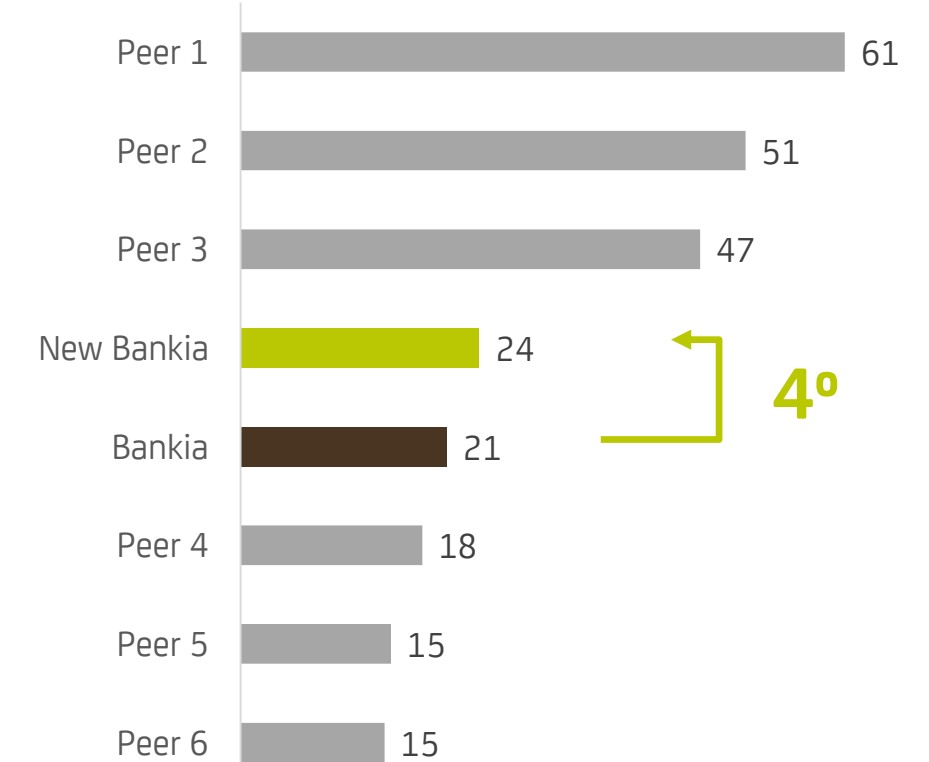
Net loans to customers ⁽¹⁾



Customers deposits ⁽²⁾



Mutual Funds + Pension Plans ⁽³⁾



Peers data as of Sep 17; Bankia and BMN data as of Dec 17

(1) Peers include: BBVA Spain, Caixabank, Ibercaja, Kutxabank, Sabadell y Santander Spain.

(2) Peers include: BBVA Spain, Caixabank, Kutxabank, Sabadell, Santander Spain y Unicaja.

(3) Peers include BBVA Spain, Caixabank, Ibercaja, Kutxabank, Sabadell y Santander Spain. Pension Plans data only include individual plans.

The resulting entity **consolidates the fourth position** in the Spanish financial sector

> 2017 Highlights

End of the Restructuring Plan...

B

With strong commercial dynamics

- ✓ Gaining market share in Consumer finance, Mutual Funds or Pension Plans
- ✓ Improvement in the customers evaluation of Bankia

B

With a significant improvement in the level of non-productive assets

- ✓ Reduction of €11bn (-49%) in non-productive assets (NPAs) since 2013
- ✓ Fulfilling our commitments to divest legacy assets and equity investments

B

With a proven capacity to generate capital organically

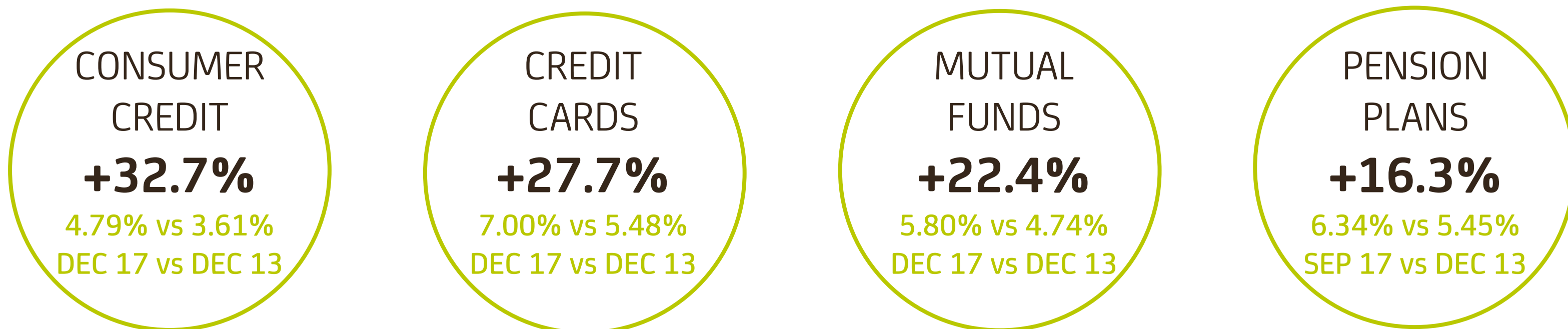
- ✓ 635bps of CET1 Fully Loaded capital generated since 2013
- ✓ €1,160mn of accumulated dividends

...and the beginning of a new stage

> 2017 Highlights

End of the Restructuring Plan | Commercial performance

Transformation of our business driven by the launch of the new positioning



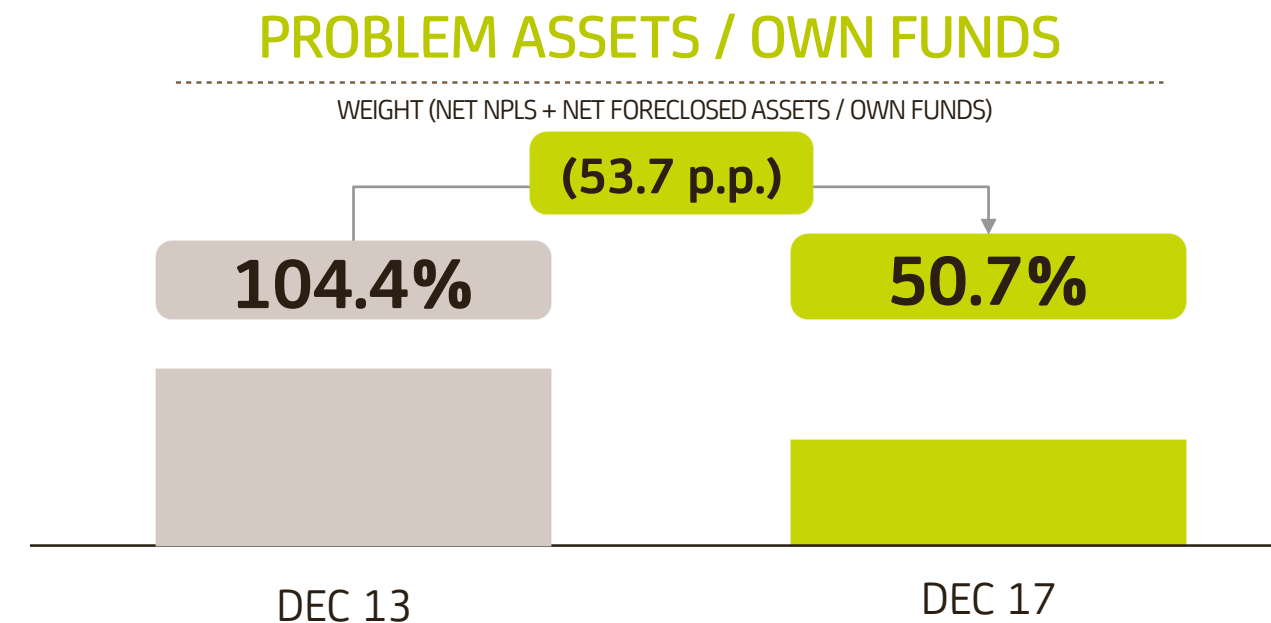
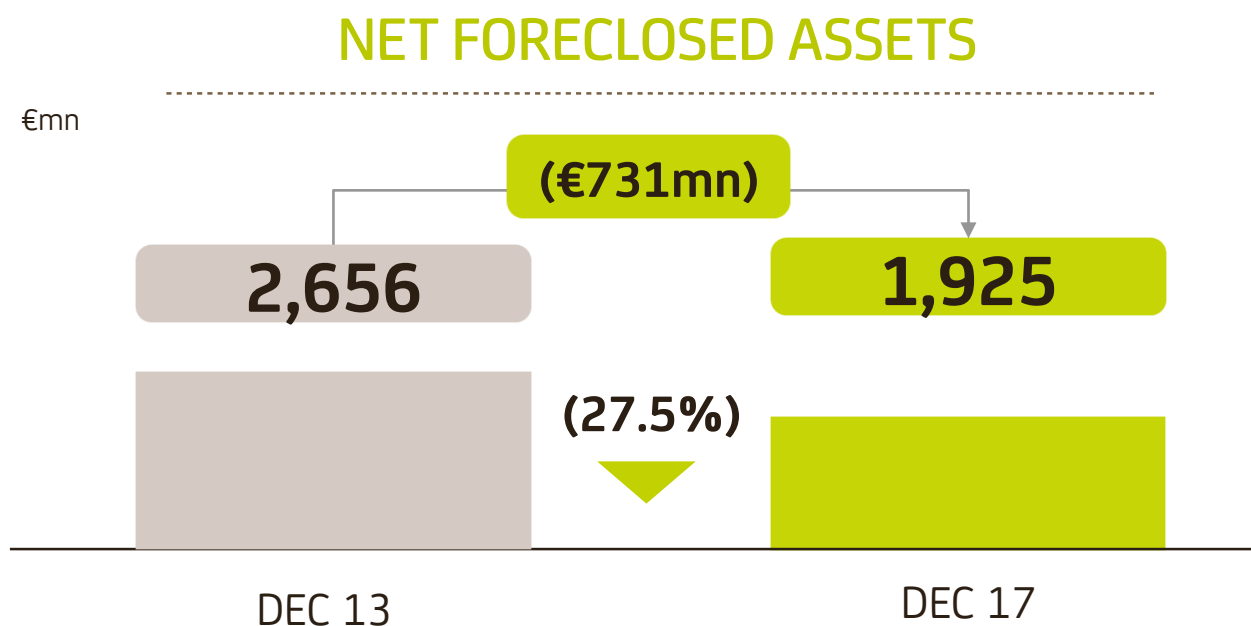
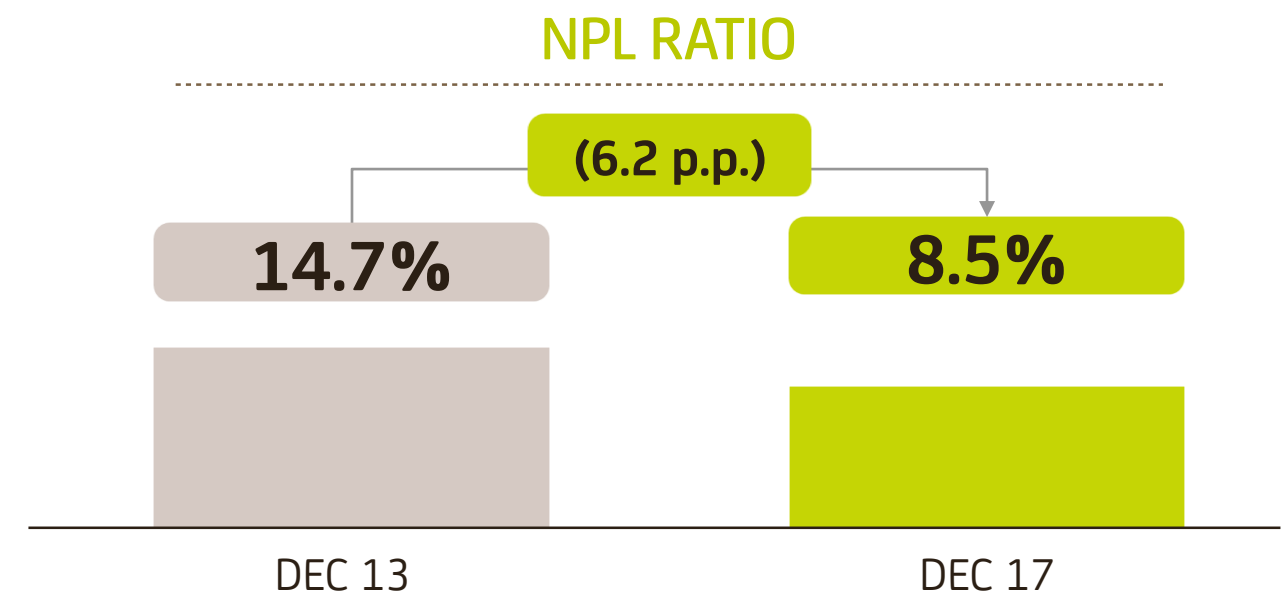
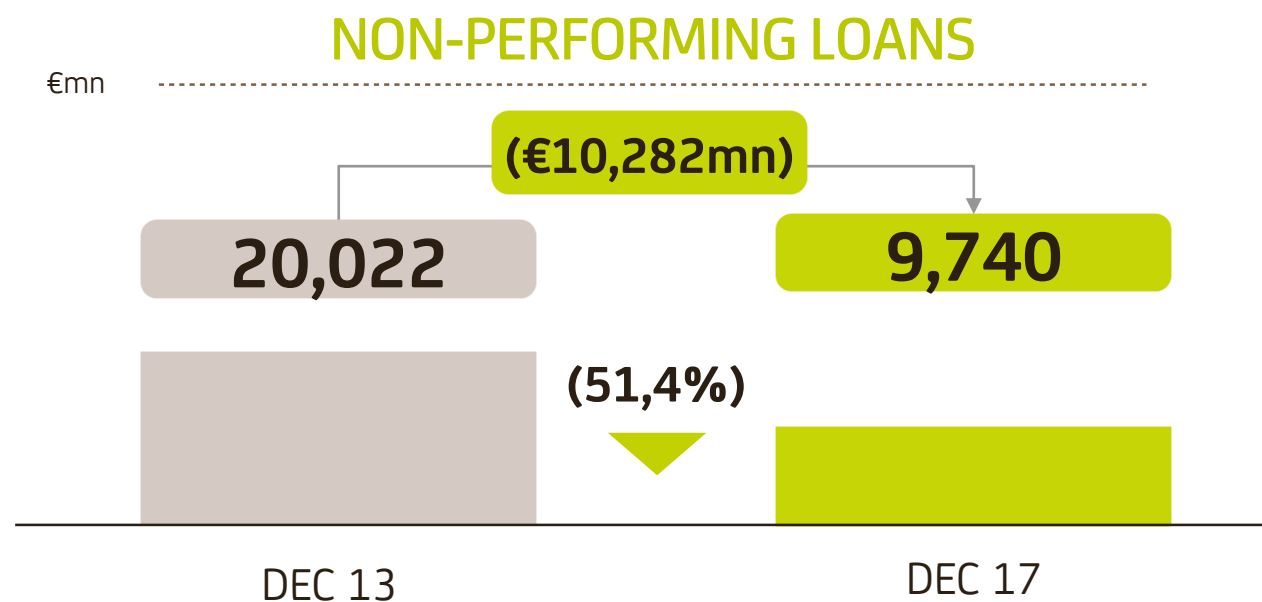
Significant increase in our market shares in key products

Latest market shares available. Source: BoS / Inverco

> 2017 Highlights

End of the Restructuring Plan | Asset quality performance

Significant reduction of problem assets since the start of the Restructuring Plan



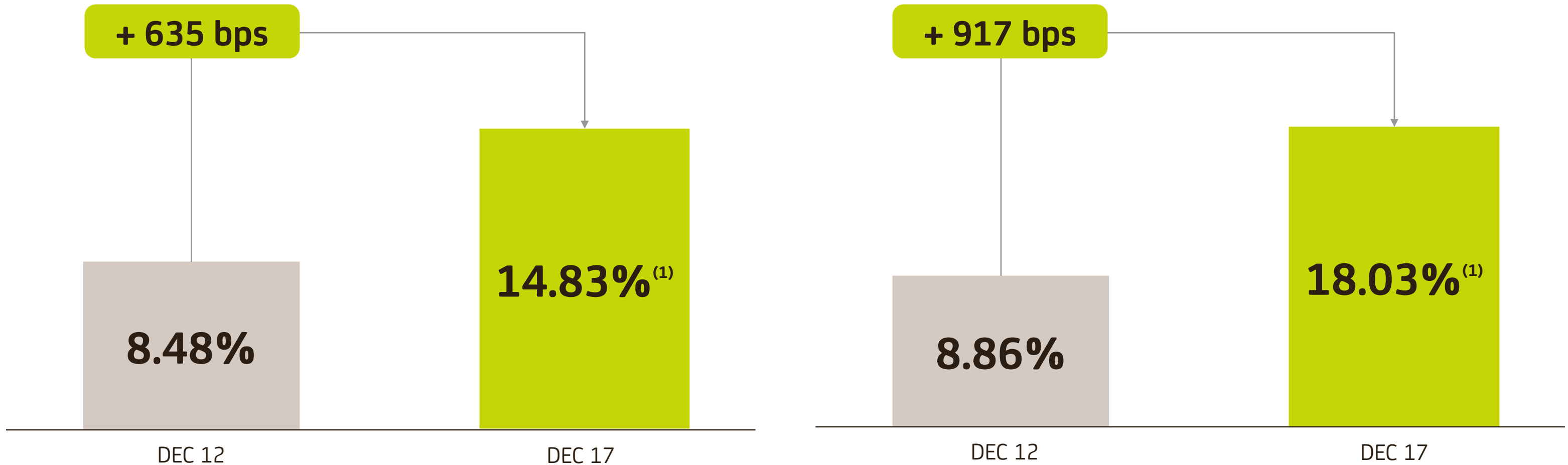
> **2017 Highlights**

End of the Restructuring Plan | Capital generation

More than doubling Total Solvency since the start of the Restructuring Plan

CET1 FULLY LOADED RATIO

TOTAL SOLVENCY FULLY LOADED RATIO



Solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend.

Ratios do not include unrealized gains on the AFS sovereign portfolio.

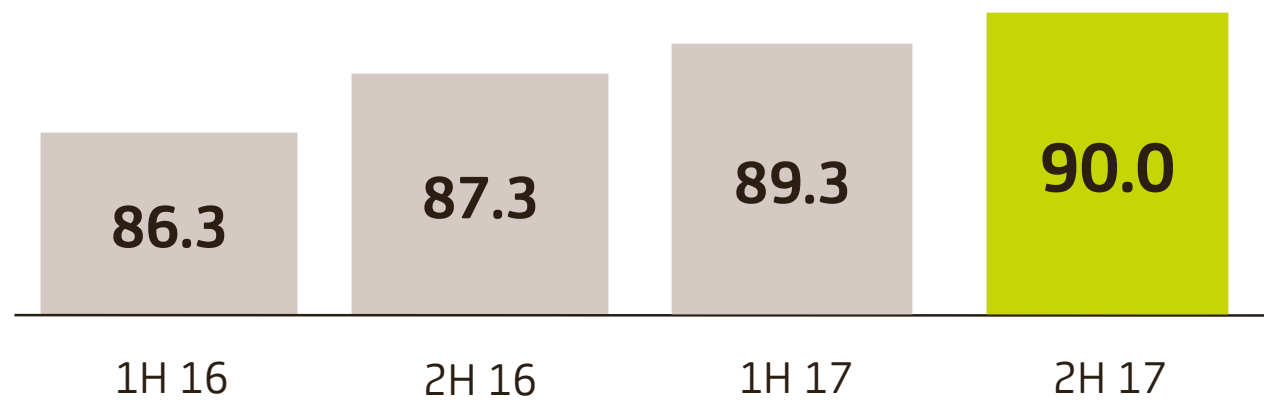
(1) Capital ratios not taking into account the impact of the merger with BMN, integration costs and IFRS 9

> 2017 Highlights

Commercial positioning | Customer satisfaction

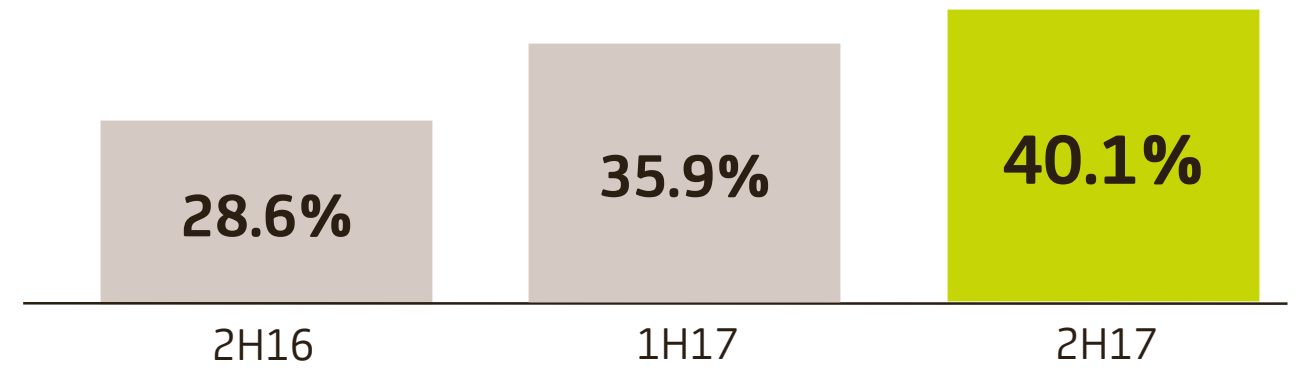
Customer satisfaction levels at record high levels

CUSTOMER SATISFACTION INDEX

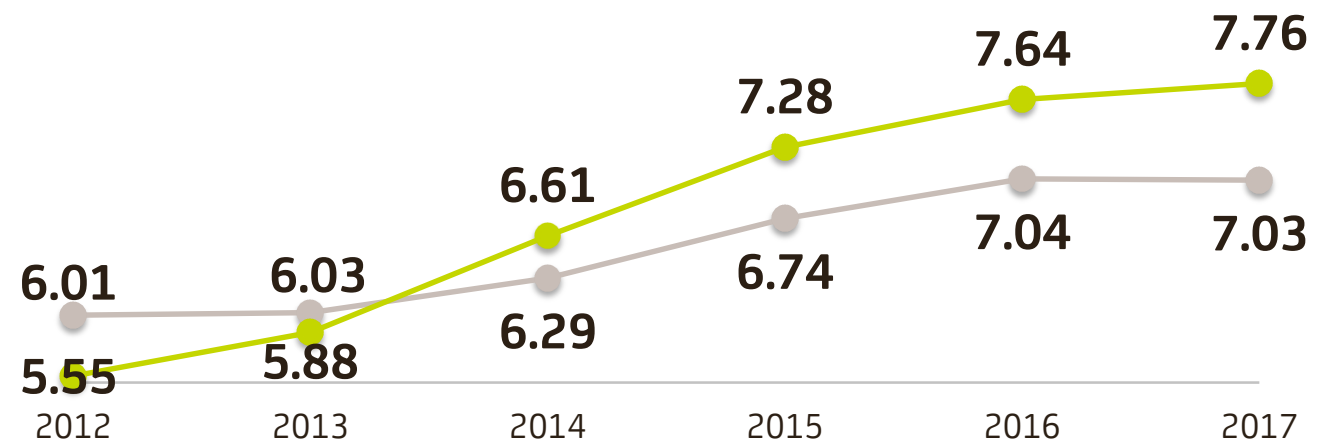


Source: Bankia

NET PROMOTER SCORE - BRANCHES



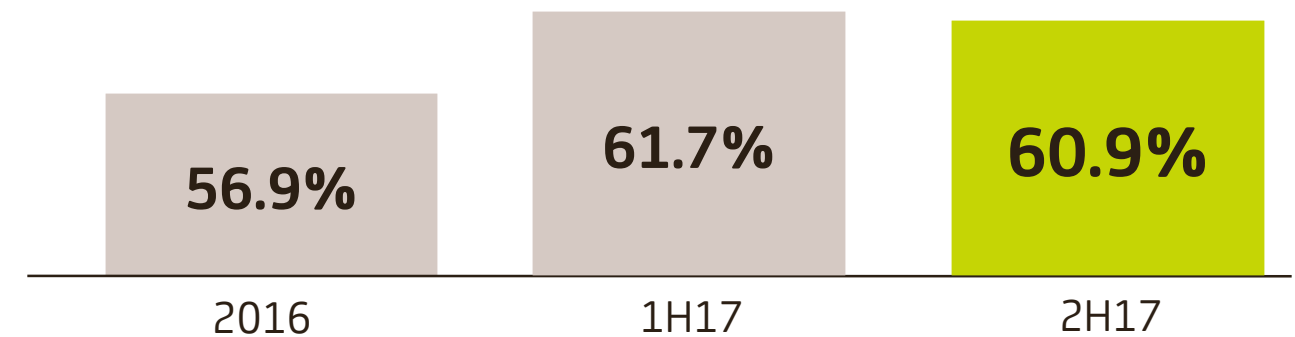
MYSTERY SHOPPING | BANKIA VS. SECTOR



Source: STIGA research on mystery shopping satisfaction

■ Sector ■ Bankia

NET PROMOTER SCORE – CONNECT WITH YOUR EXPERT



Source: Bankia

NPS: net promoter score, measuring customers' willingness to recommend, calculated as % promoter-customers minus % detractor-customers. On a scale of 0 to 10, promoters give a score of 9 or 10, while detractors give a score between 0 and 6.

> 2017 Highlights

Commercial positioning | Commercial activity

Strong commercial momentum thanks to the new positioning



NEW CUSTOMERS

Net new customers

+158,000

Dec 17 vs Dec 16



DIRECT INCOME DEPOSITS

+107,000

Dec 17 vs Dec 16



CARDS

Net new credit cards

+210,000

Dec 17 vs Dec 16



STOCK OF POINT OF SALE TERMINALS

Customers with POS terminals

+14.9%

Dec 17 vs Dec 16



CARDS TURNOVER

In retail outlets

+12.8%

2017 vs 2016



POINT OF SALE TERMINAL TURNOVER

Total turnover

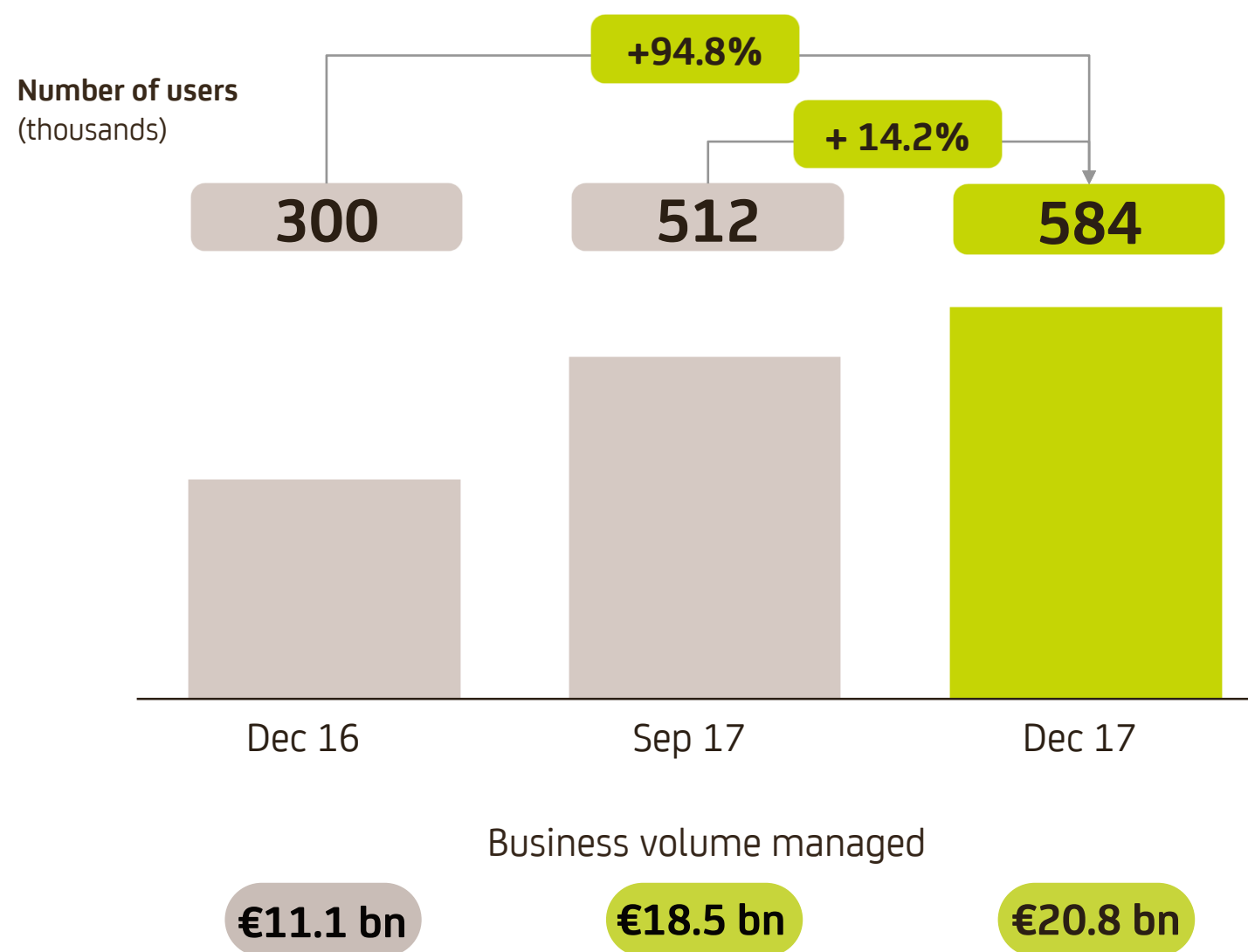
+22.4%

2017 vs 2016

> 2017 Highlights

Commercial positioning | Multichannel distribution

Number of Connect with your Expert customers approximately doubled in twelve months



MULTICHANNEL CUSTOMERS

Multichannel customers as % of total customers
40.5% vs. 37.6% in Dec 16



MOBILE BANKING CUSTOMERS

Mobile banking customers as % of total customers
20.6% vs. 17.0% in Dec 16



DIGITAL SALES

Digital sales as % of Bankia's total sales
13.4% vs. 10.4% in Dec 16



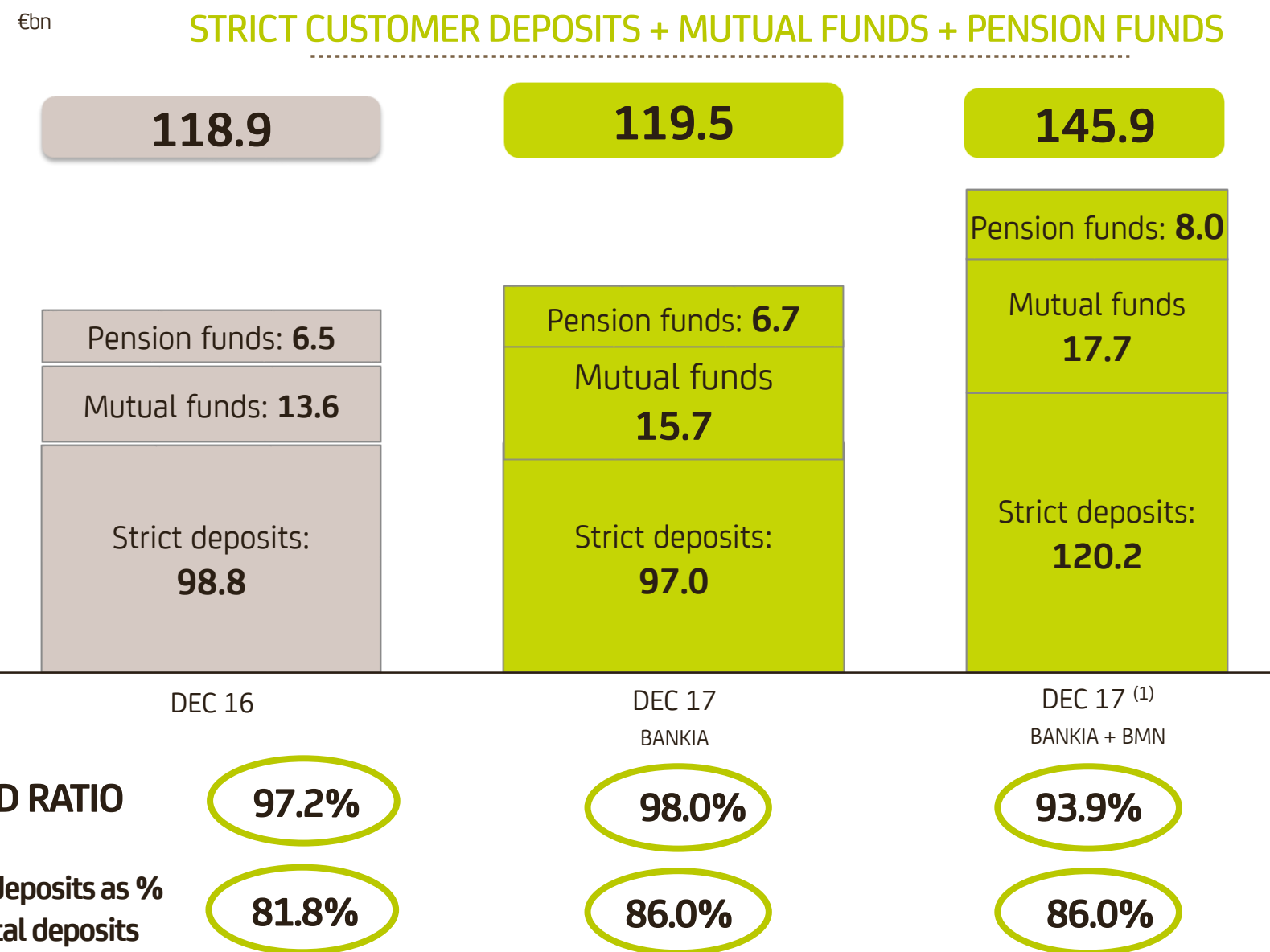
NEW "CUENTA ON" ACCOUNTS

"Cuenta On" accounts opened in the year
230,000

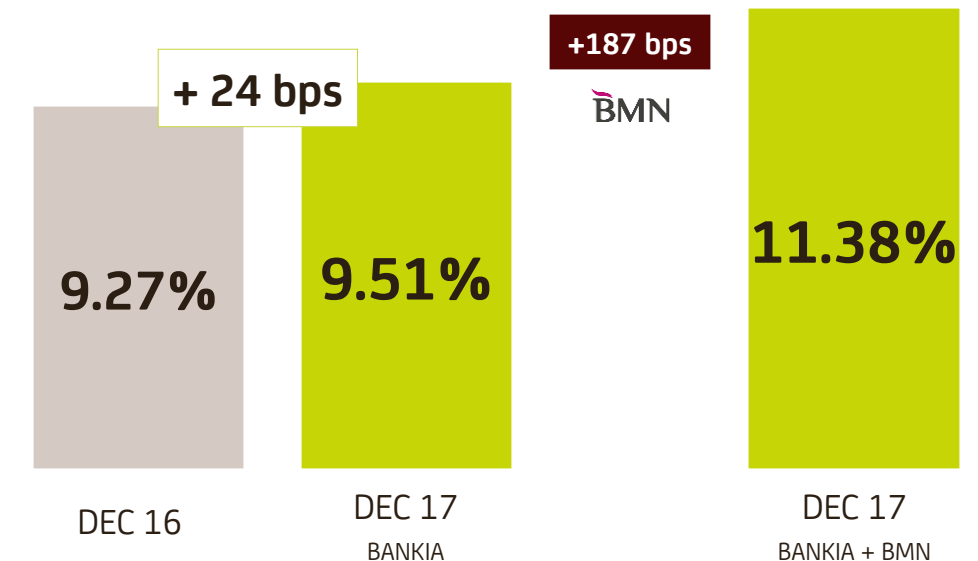
> 2017 Highlights

Commercial positioning | Customer funds and new production

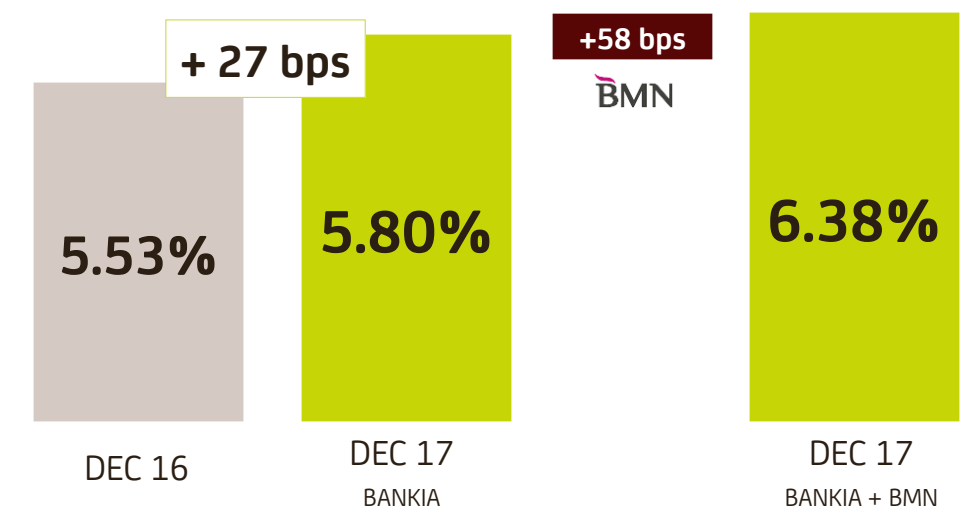
More than €2.0 bn in mutual fund new investments during the year



HOUSEHOLD DEPOSITS MKT SHARE
Source: BoS



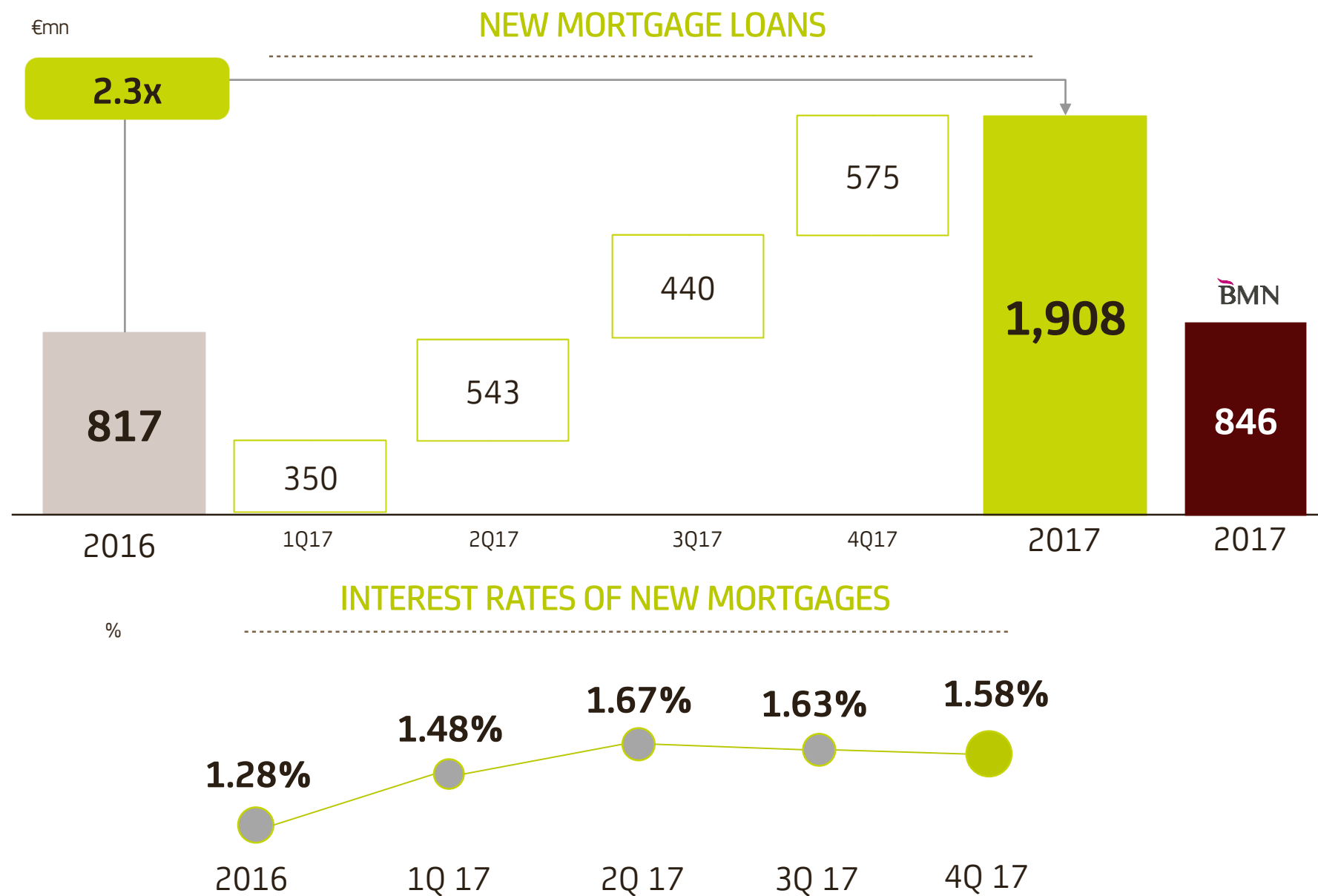
MUTUAL FUNDS MKT SHARE
Source: Inverco



> 2017 Highlights

Commercial positioning | Credit performance and new lending: mortgages

New mortgage originations show significant growth in the year



2.3x new mortgages

46% of new mortgages in 4Q17 are fixed-rate

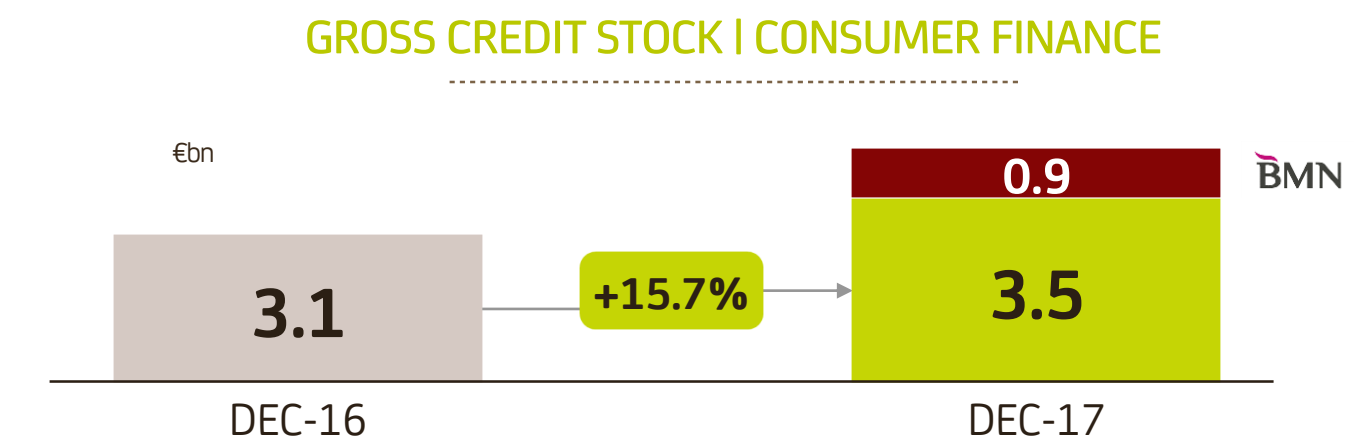
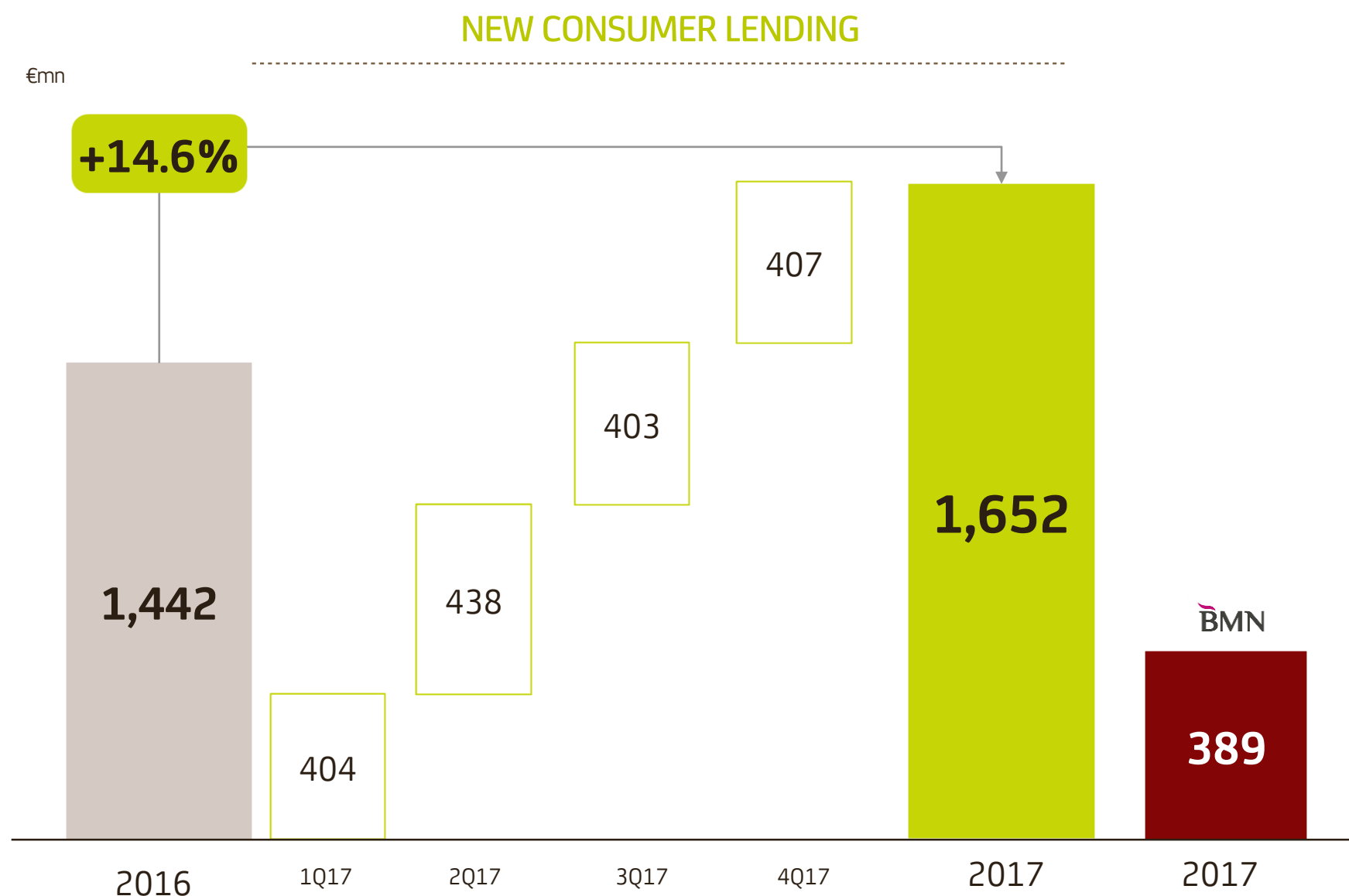
LTV of 65% in new mortgages

40% of new mortgages are for new customers

> 2017 Highlights

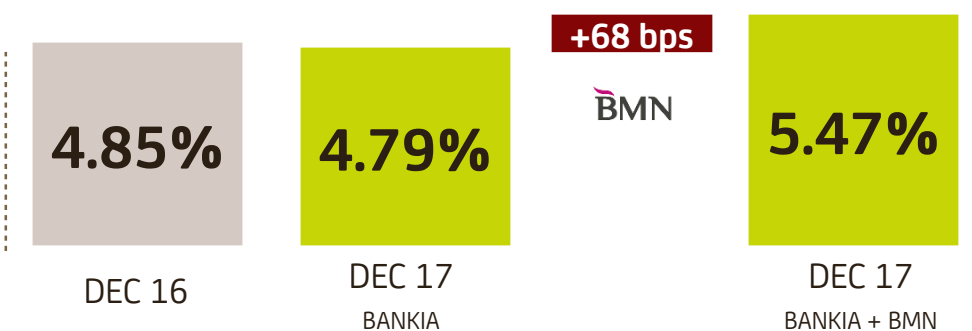
Commercial positioning | Credit performance and new lending: consumer finance

New lending to the consumer finance segment up 14.6% compared to last year



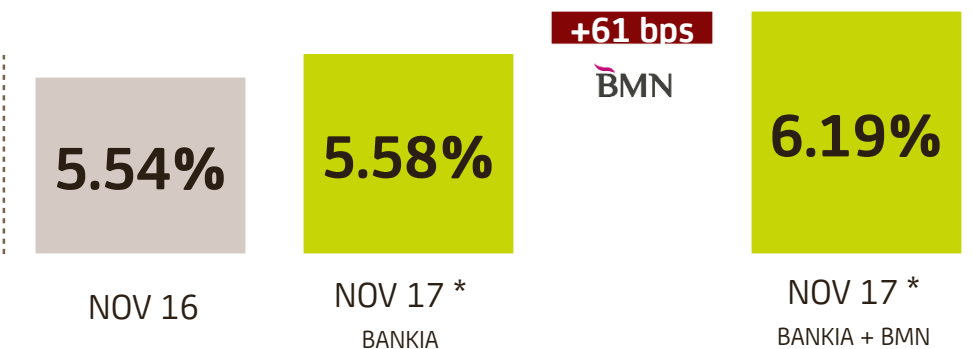
CONSUMER FIN. MKT SHARE – OUTST. BALANCE

Source: BoS



CONSUMER FINANCE SHARE – NEW LENDING

Source: BoS

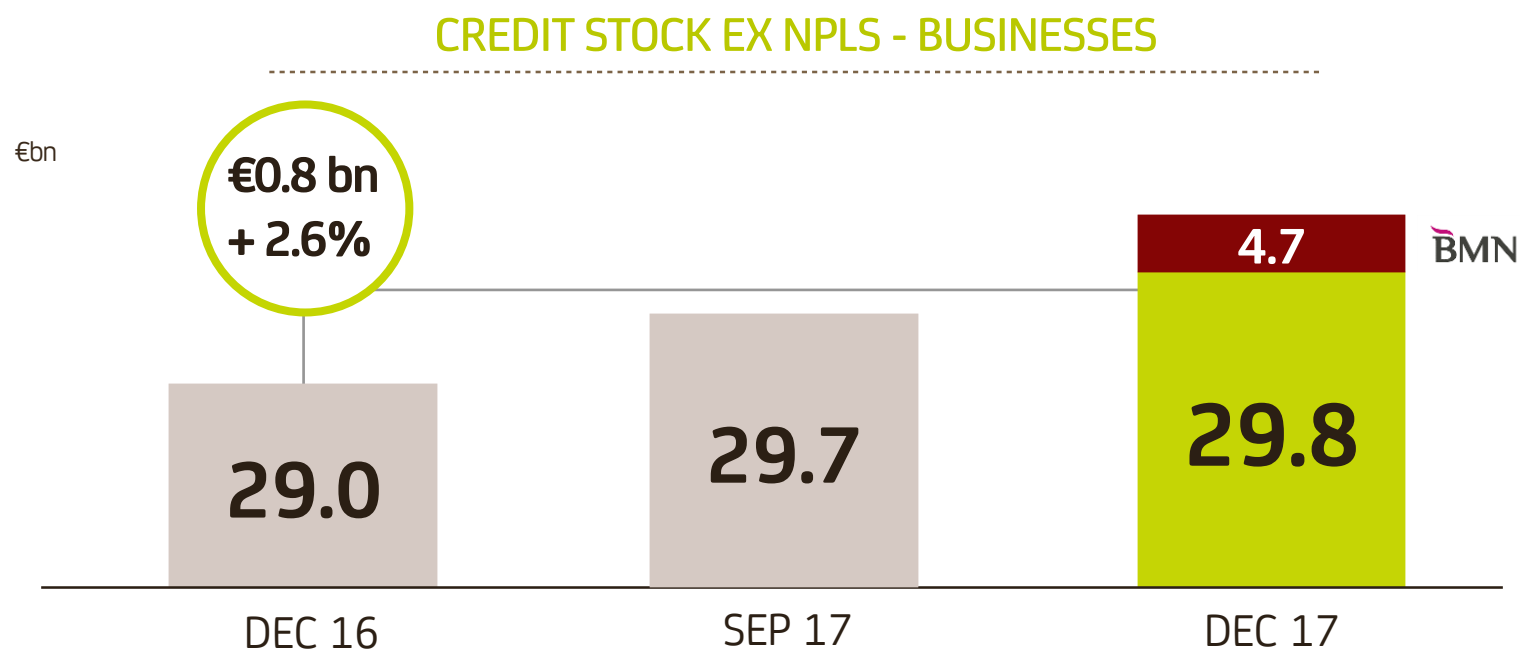


* Latest data available

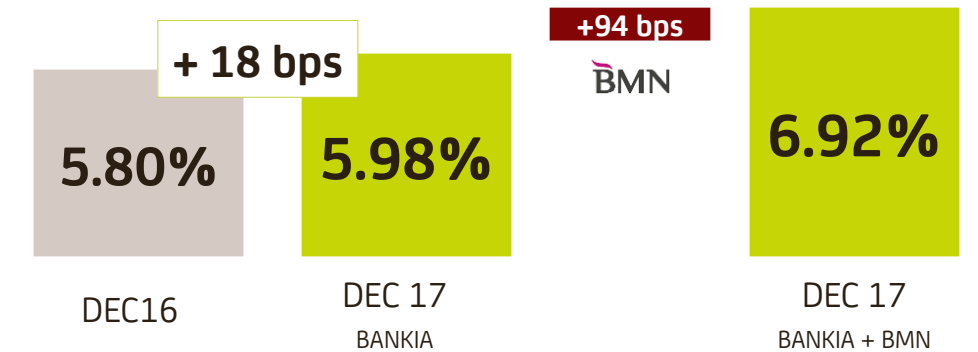
> 2017 Highlights

Commercial positioning | Credit performance and new lending: businesses

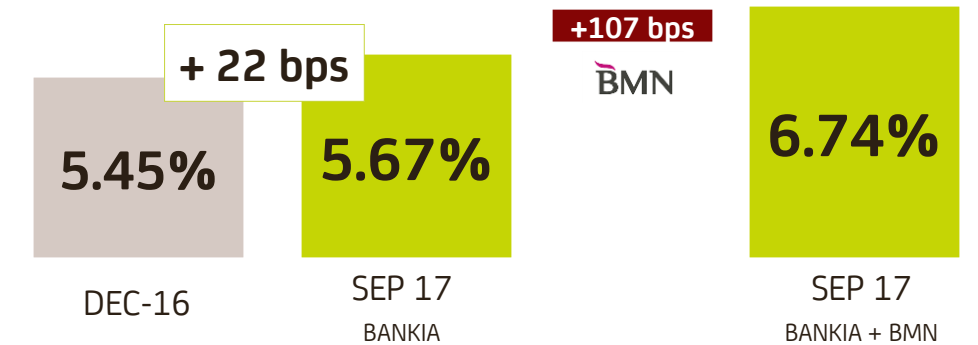
Stock of businesses loans (excl. NPLs) up €0.8 bn in 2017



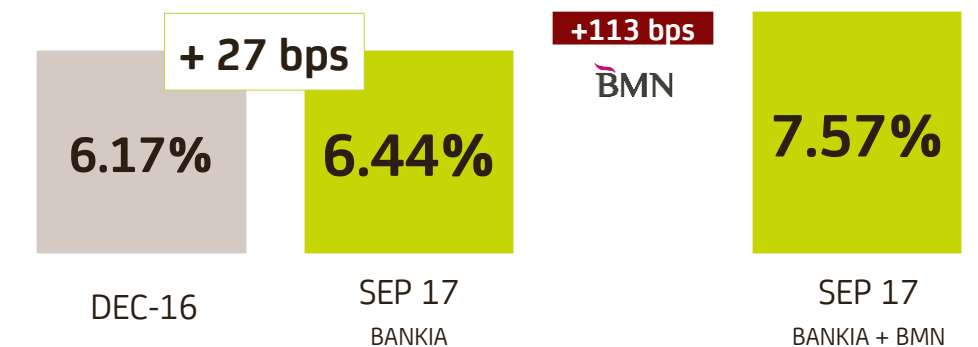
BUSINESSES MKT SHARE "OSR"



BUSINESSES MKT SHARE EX NPLS



BUSINESSES MKT SHARE EX NPLS AND EX R.E. DEVELOPERS



* Latest available data. Source: BdE

> 2017 Highlights

Profitability and efficiency | Bankia Group income statement

€mn	Bankia			Bankia + BMN ⁽¹⁾	
	2016	2017	Diff. %	2017	Diff % vs. 2016
Net interest income	2,148	1,943	-9.6%	1,968	-8.4%
Fee and commission income	824	850	+3.2%	864	+4.9%
Other revenue	194	234	+20.0%	232	+19.2%
Gross income	3,166	3,027	-4.4%	3,064	-3.2%
Operating expenses	(1,548)	(1,550)	+0.1%	(1,581)	+2.2%
Pre-provision profit	1,619	1,477	-8.8%	1,483	-8.4%
Provisioning for credit and foreclosed assets	(494)	(448)	-9.4%	(451)	-8.7%
Taxes, minority interests and other items	(320)	(213)	-33.3%	(216)	-32.6%
Recurring attributable profit	804	816	+1.4%	816	+1.5%
Integration costs ⁽²⁾	-	-	-	(312)	-
Reported attributable profit	804	816	+1.4%	505	-37.3%

(1) Reported income statement, which includes BMN's contribution to the results for month of December

(2) Integration costs after the merger with BMN

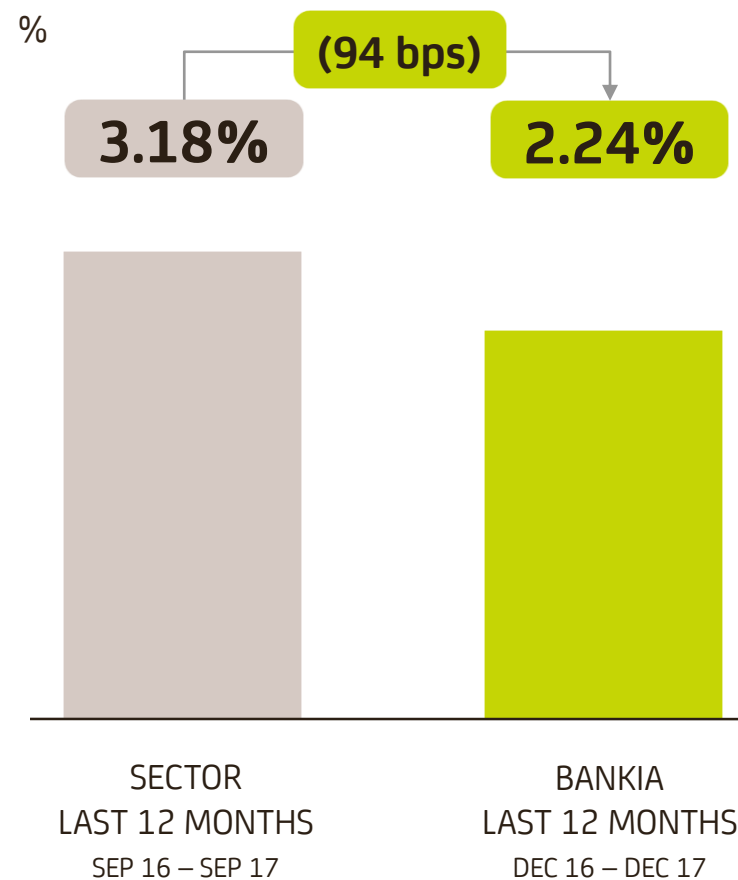
> 2017 Highlights

Profitability and efficiency | Value generation levers

We continue to maintain the competitive advantages that allow us to increase profitability

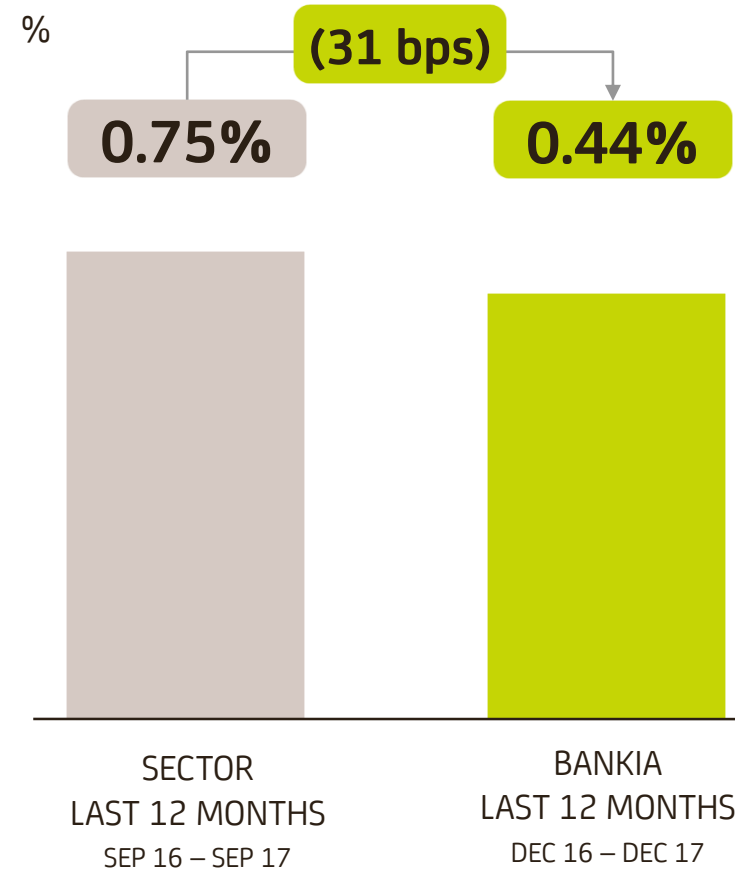
OPERATING EXPENSES

AS % OF RWAs



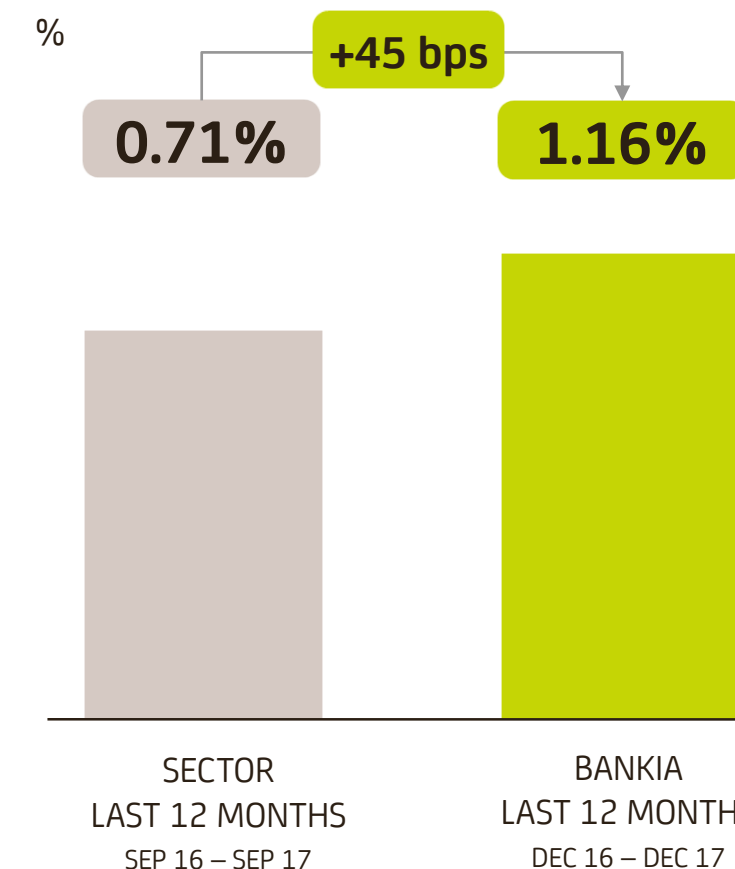
LOAN LOSS PROVISIONS

AS % OF RWAs



RORWA

RORWA: return on risk weighted assets (net profit as a percentage of risk weighted assets)

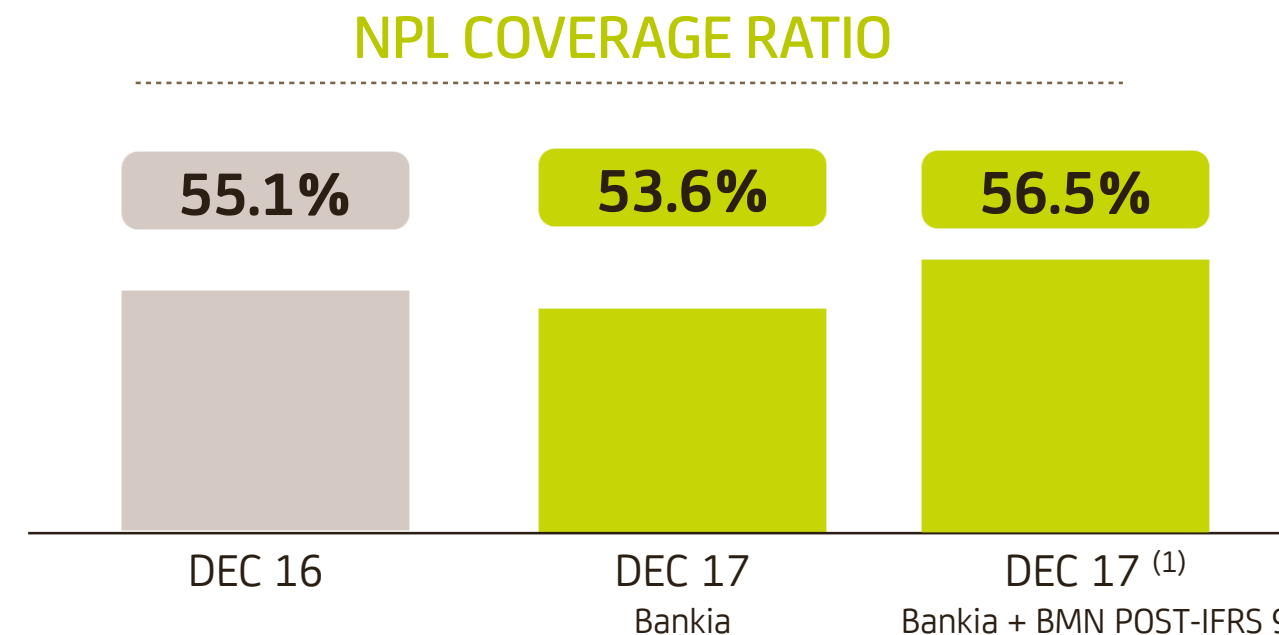
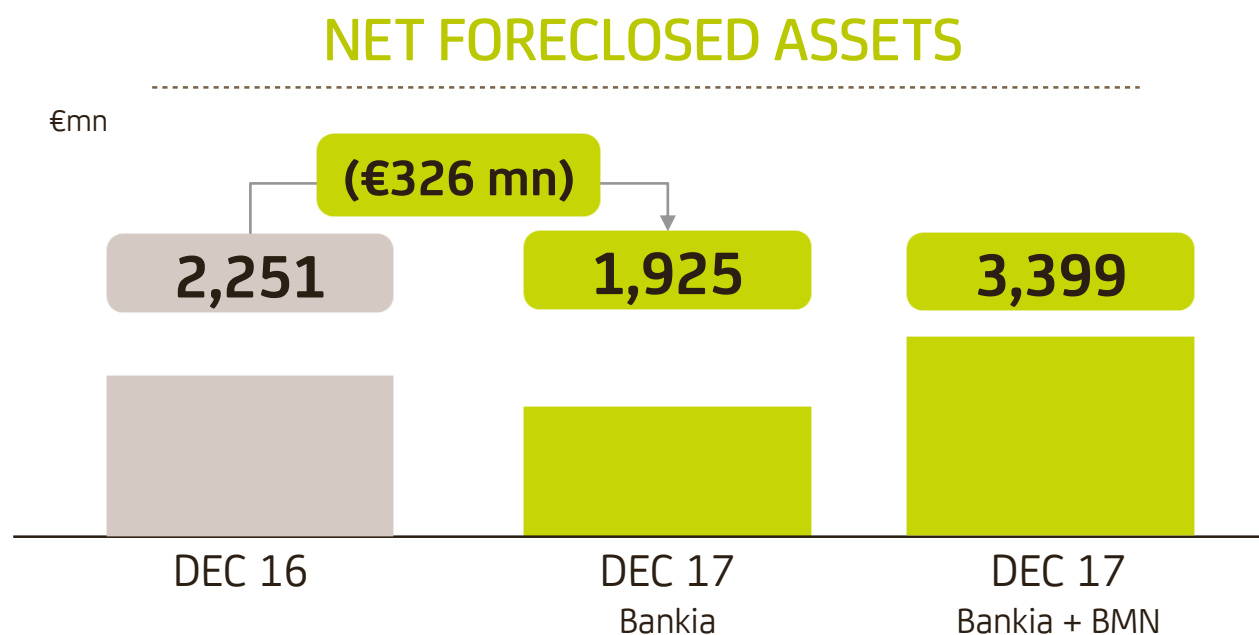
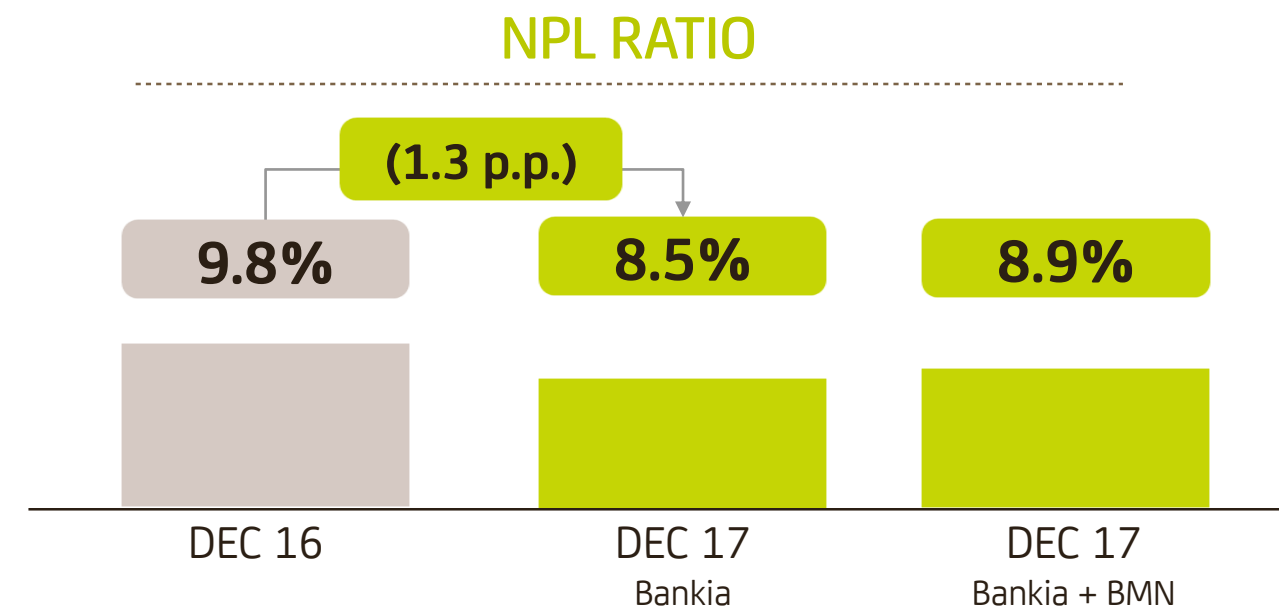
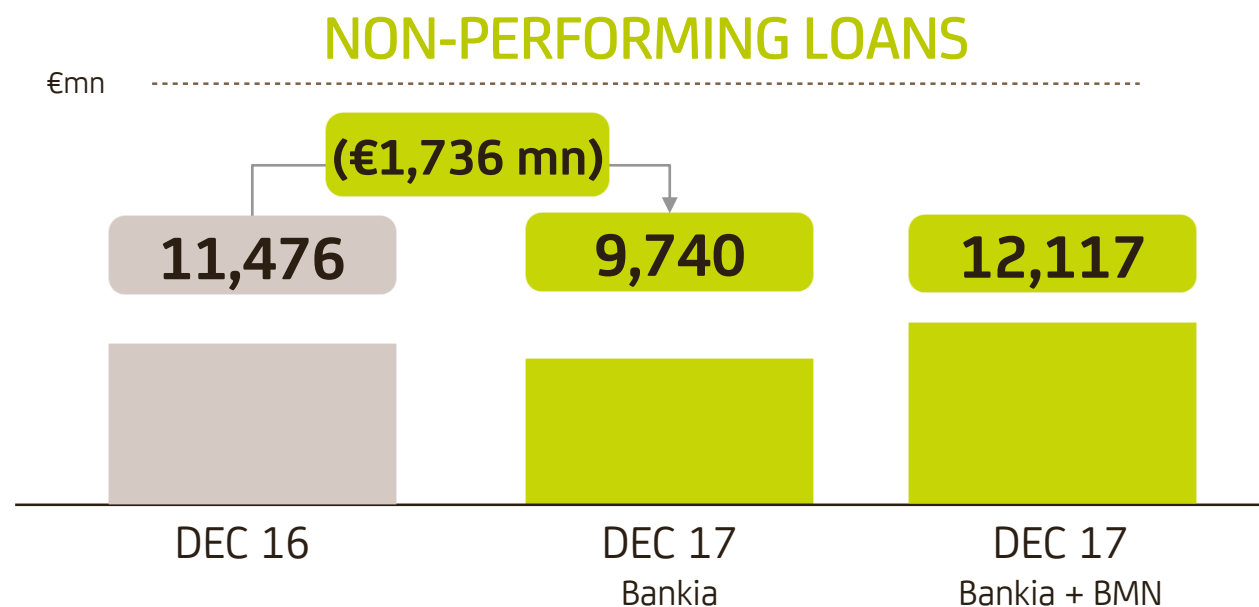


Sector includes: BBVA Spain, Caixabank, Sabadell, Bankinter and Santander Spain. BBVA Spain and Santander Spain include real estate business.

> 2017 Highlights

Asset quality | Main metrics

Significant reduction in non-performing loans and the NPL ratio, not including BMN's contribution



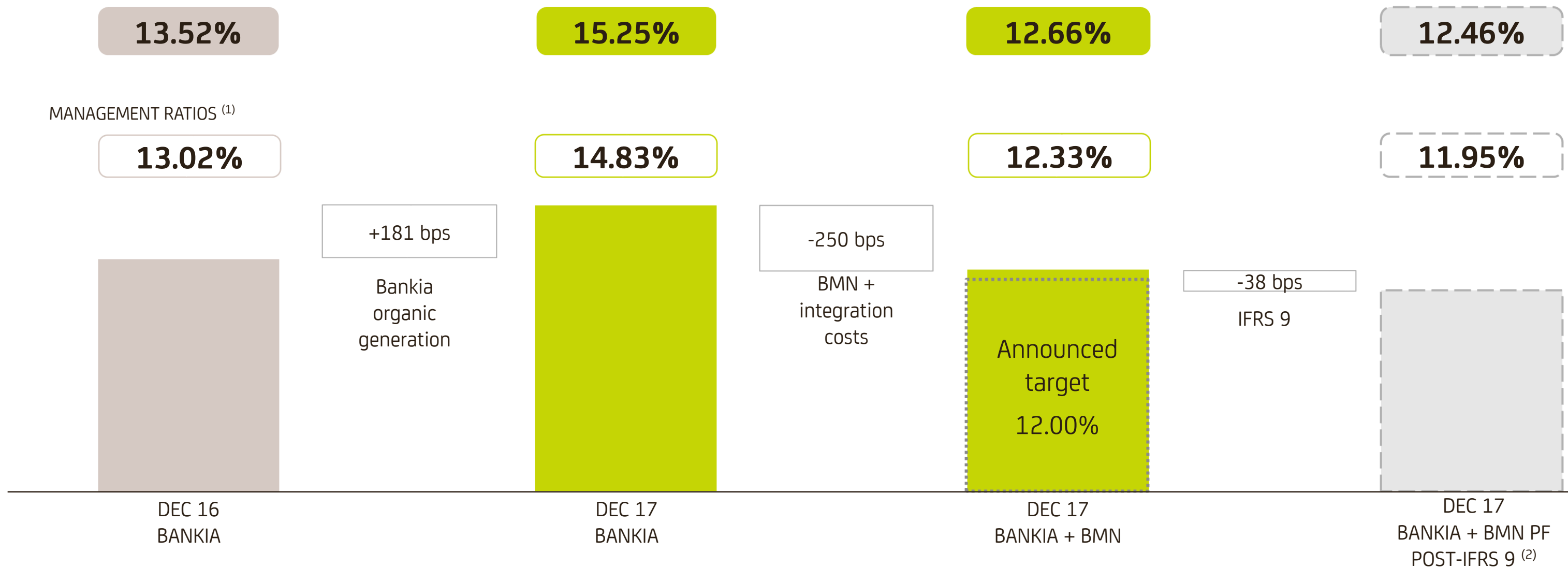
(1) Coverage ratio including provisions for IFRS 9. If provisions for IFRS9 were excluded coverage would stand at 50.8%

> 2017 Highlights

Capital generation | Capital levels

Capital levels above target level after merger with BMN

CET1 FULLY LOADED RATIO



Solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend.

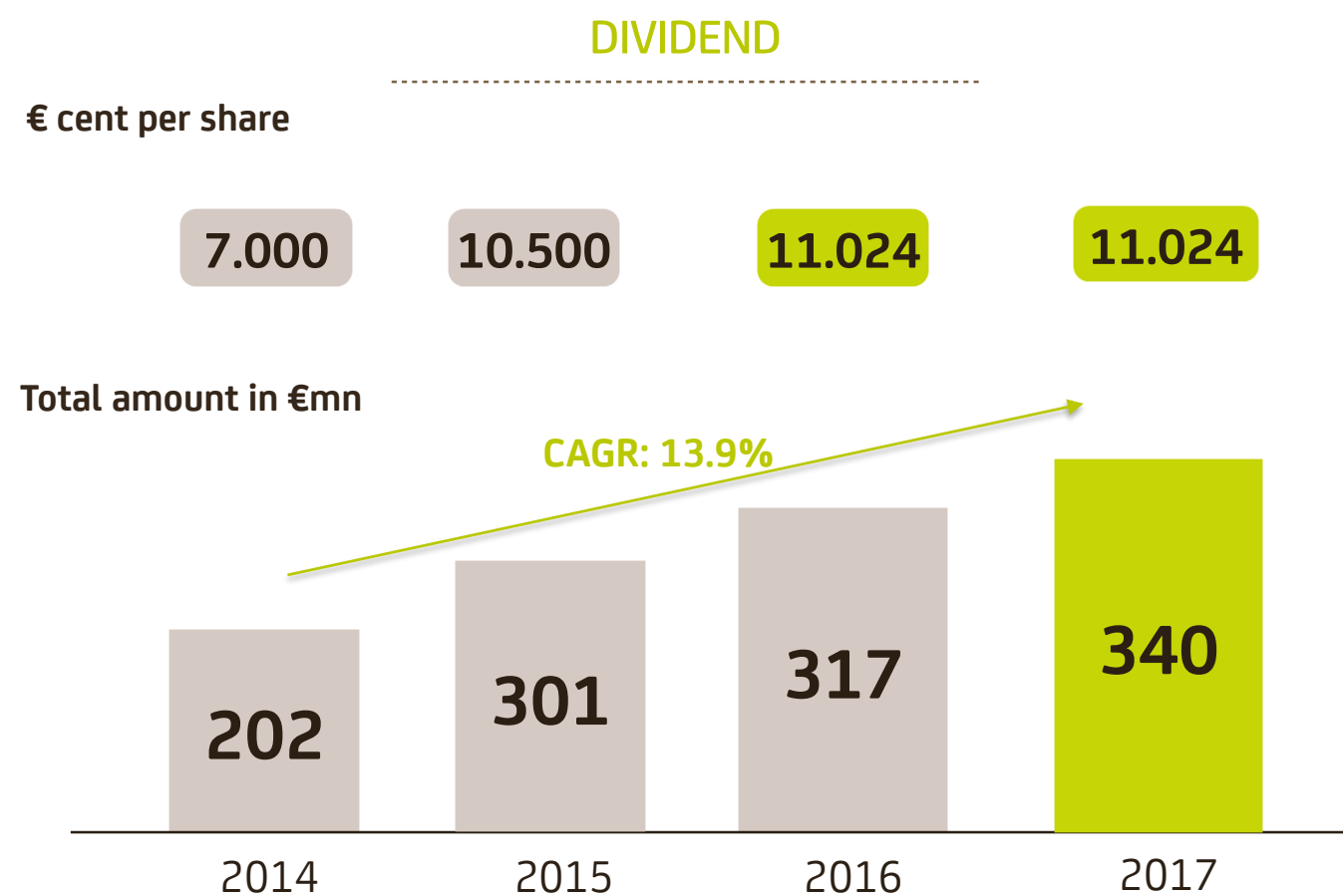
(1) Ratios do not include unrealized gains on the AFS sovereign portfolio.

(2) Include: credit provisions and portfolio reclassification.

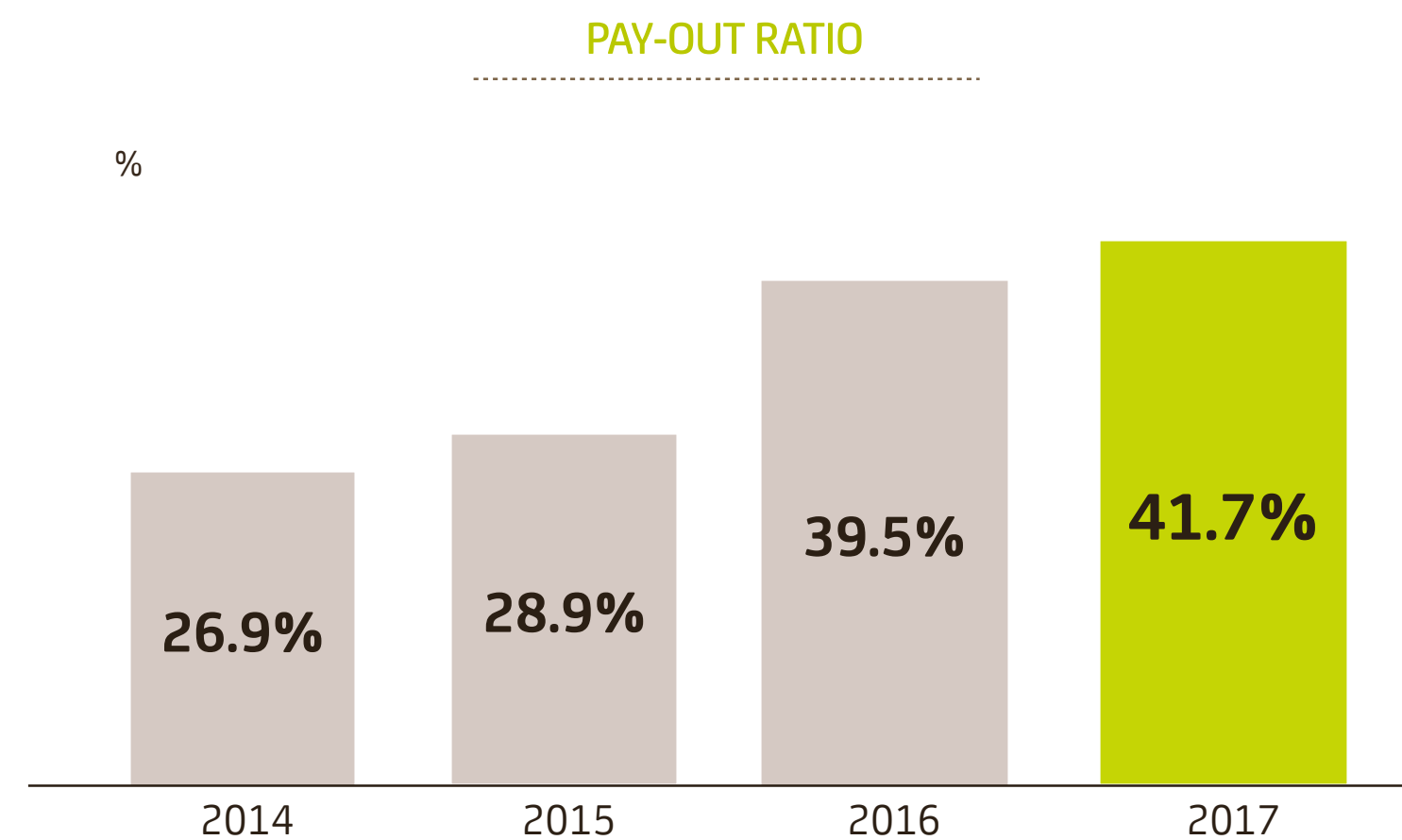
> 2017 Highlights

Dividend distribution

We have maintained the same dividend per share as last year



Dividends per share in 2014, 2015 and 2016 taking the effect of the reverse split into account






Pay-out ratio for 2017 calculated based on recurring profit (€816mn)

> **€1,160mn of accumulated dividends** since 2014

> 2017 Highlights

BMN merger completed meeting the announced objectives...

	Transaction announcement	December 2017	
Efficient use of capital	Dividend per share: 11.024 cents	Dividend per share: 11.024 cents	
Without affecting asset quality	Coverage ratio: 55%	Coverage ratio: 56.5%	
Maintaining a comfortable capital level	CET1 FL: 12%	CET1 FL: 12.3%	

... and with a 16% EPS growth target in 2020

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> 2017 Results

Income statement – Bankia Group

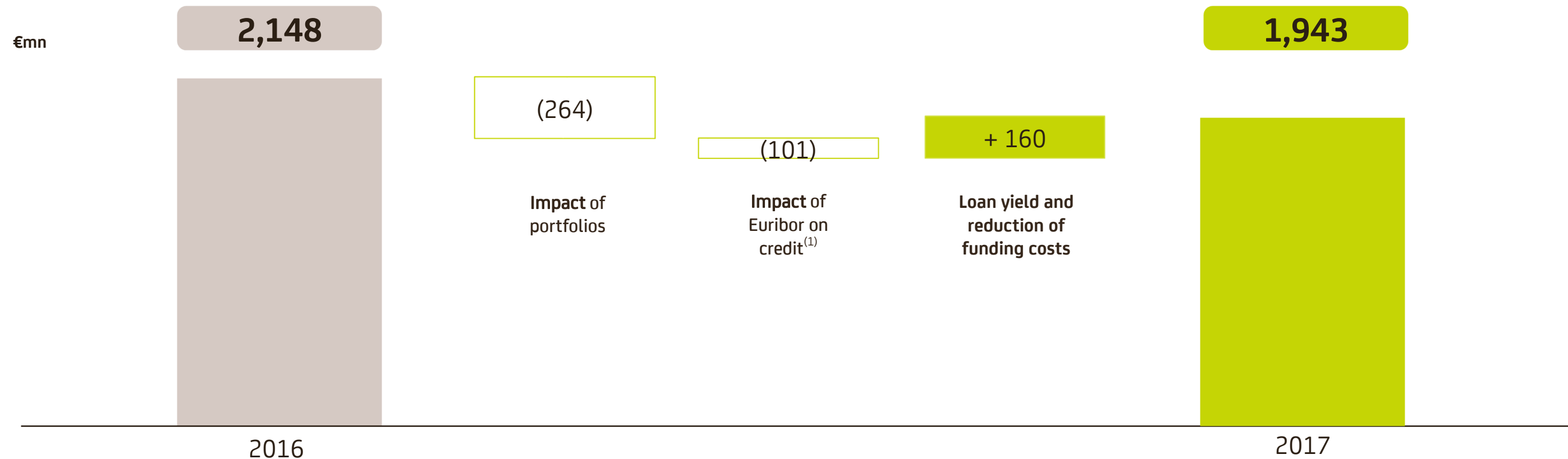
€mn	1Q17	2Q17	3Q17	4Q17	Diff % 4Q vs 3Q	2016	2017	Diff. %
Net interest income	504	491	472	476	0.9%	2,148	1,943	(9.6%)
Fee and commission income	207	218	210	214	1.9%	824	850	3.2%
Trading income	161	101	51	55	6.0%	241	368	52.6%
Other revenue	14	(48)	17	(117)	--	(47)	(134)	--
Gross income	886	762	751	628	(16.3%)	3,166	3,027	(4.4%)
Operating expenses	(386)	(378)	(387)	(399)	3.0%	(1,548)	(1,550)	0.1%
Pre-provision profit	500	384	364	230	(36.9%)	1,619	1,477	(8.8%)
Provisions for loans	(108)	(73)	(75)	(50)	(33.6%)	(226)	(306)	35.2%
Provisions for foreclosed assets	(39)	(18)	(21)	(63)	--	(268)	(142)	(47.0%)
Taxes, minority interests and other items	(49)	(82)	(42)	(40)	(6.0%)	(321)	(213)	(33.6%)
Profit attributable to the Group	304	210	225	77	(66.0%)	804	816	1.4%

Bankia Group data without the effect of consolidation of BMN

> **2017 Results**

Net interest income

ANNUAL PERFORMANCE



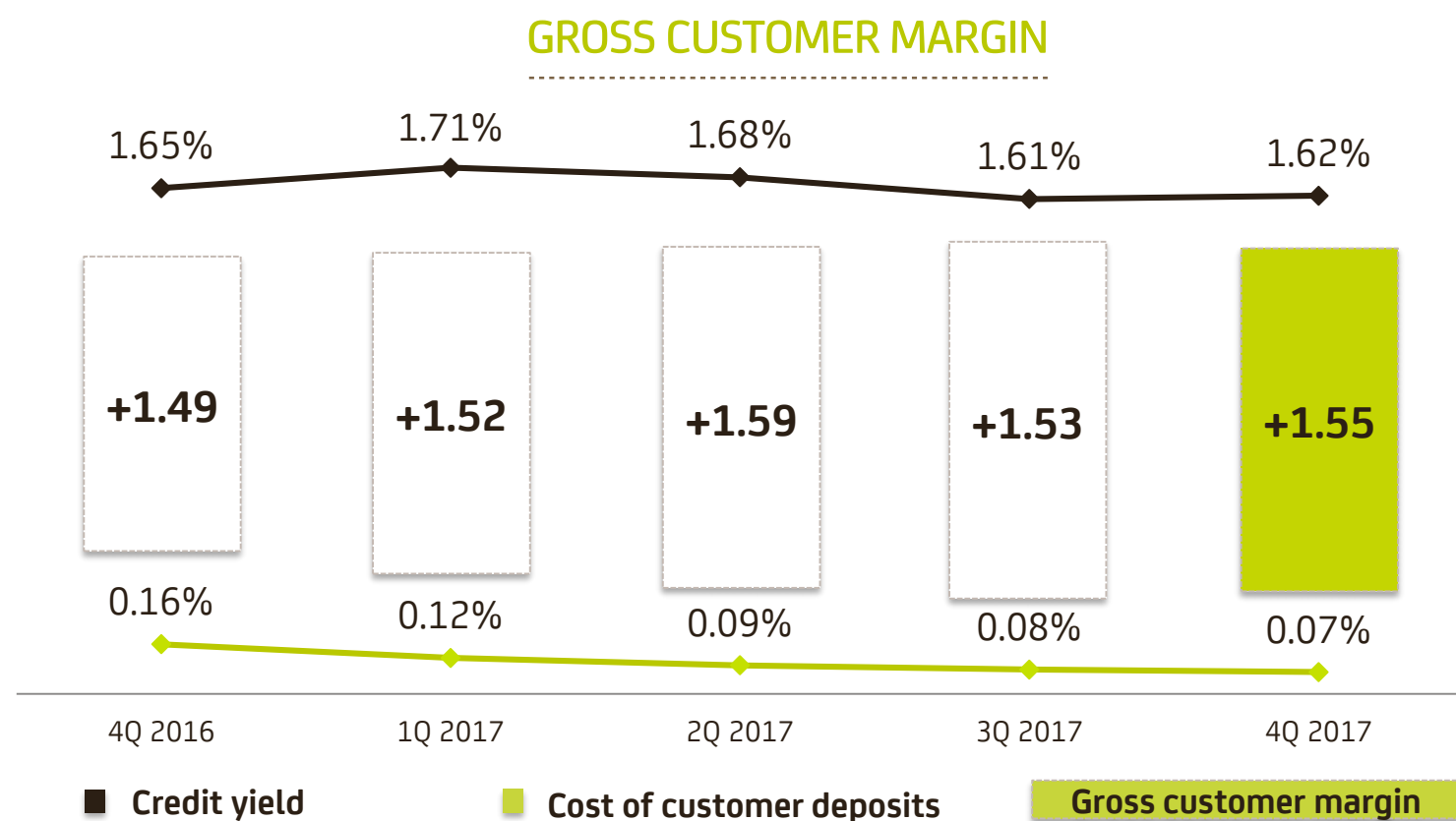
(1) Includes estimated impact on the yield curve in mortgages, businesses and public sector.

> **The euribor effect and the return from the bond portfolio continue to adversely affect net interest income**

> **2017** Results

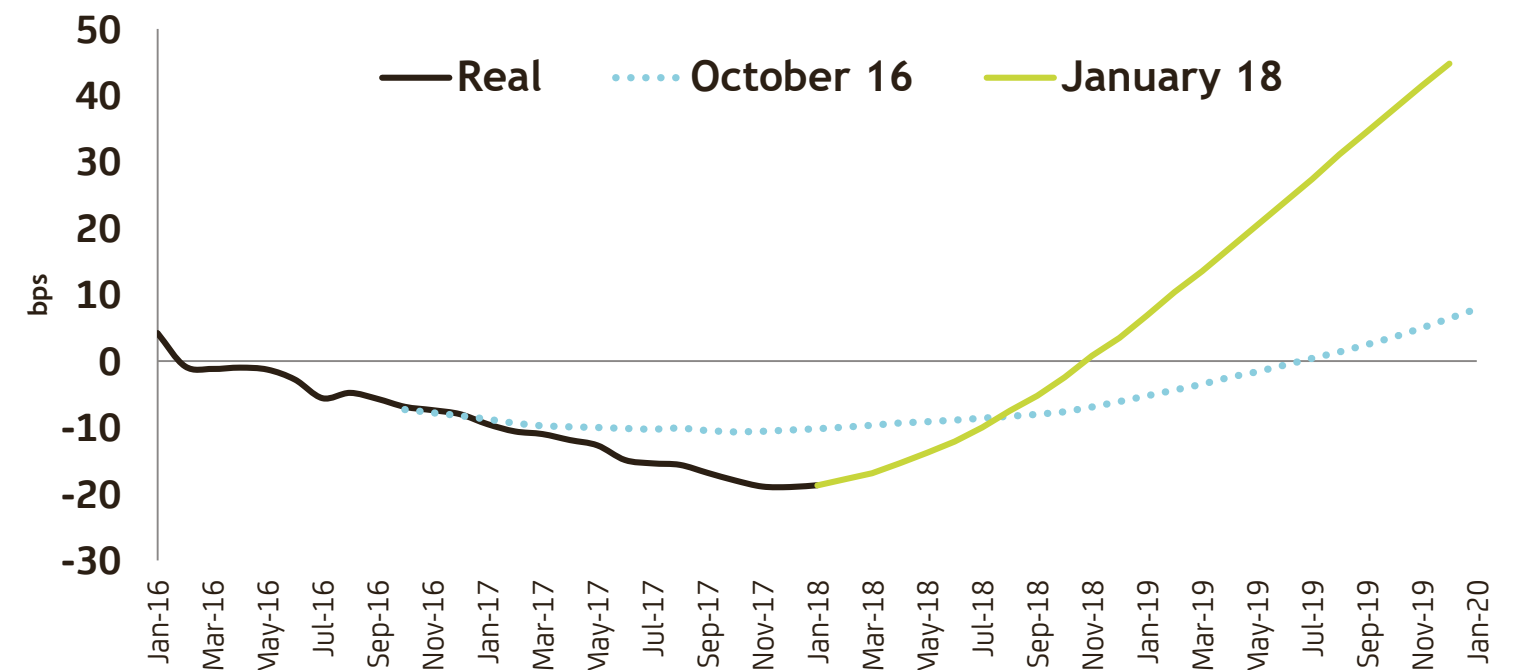
Net interest income

Slight upturn in customer margin, with the euribor performing worse than expected



The average interest rate on new loans is 2.6%

12-MONTH EURIBOR



Source: Implied rates curve as of reference date

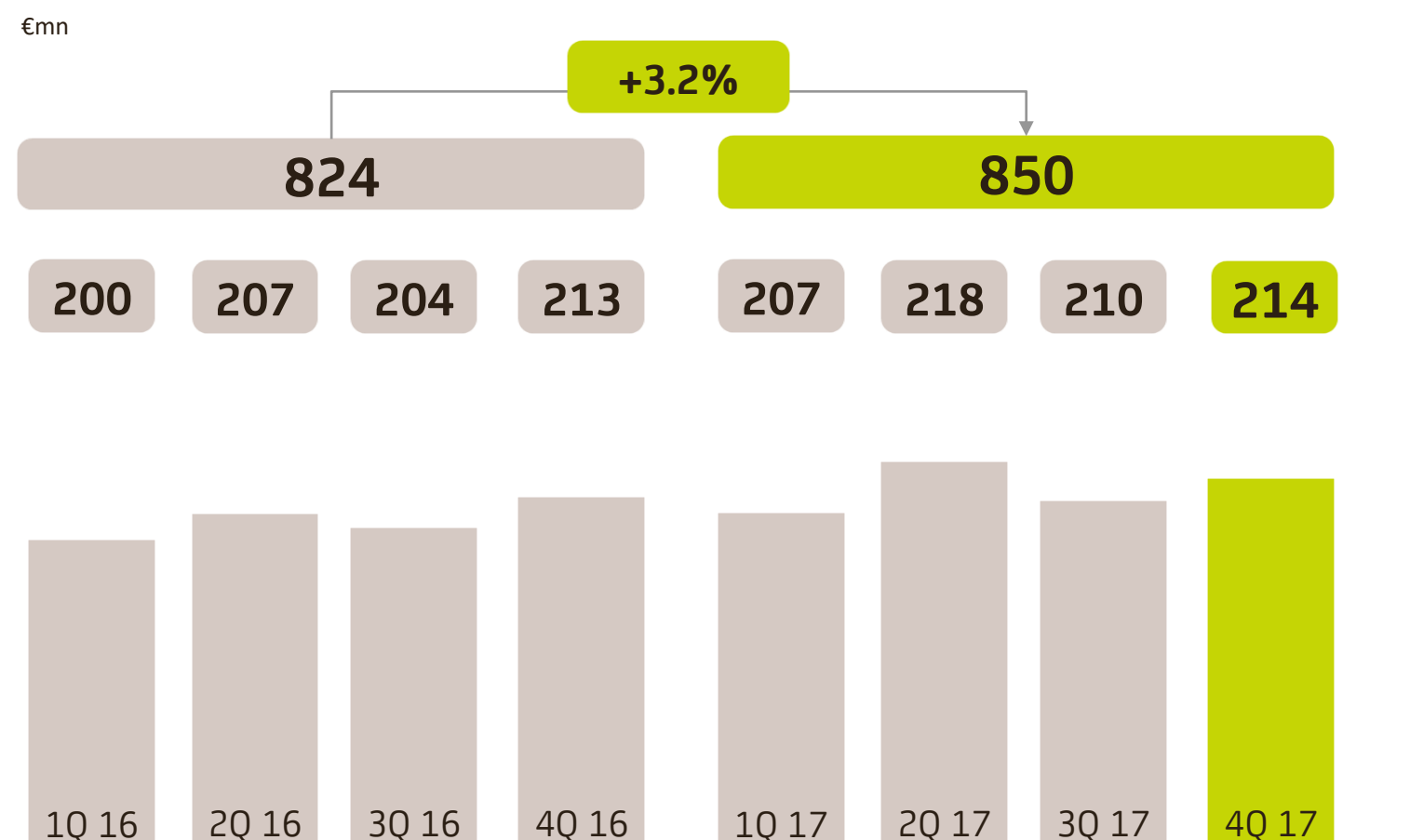
The interest rate on the back book of deposits in Bankia is 0.18% and the front book rate is 0.05%

> 2017 Results

Fees and commissions

Positive performance of fee and commission income, backed by the push of the new positioning

FEE AND COMMISSION PERFORMANCE



BREAKDOWN OF FEES AND COMMISSIONS

€mn

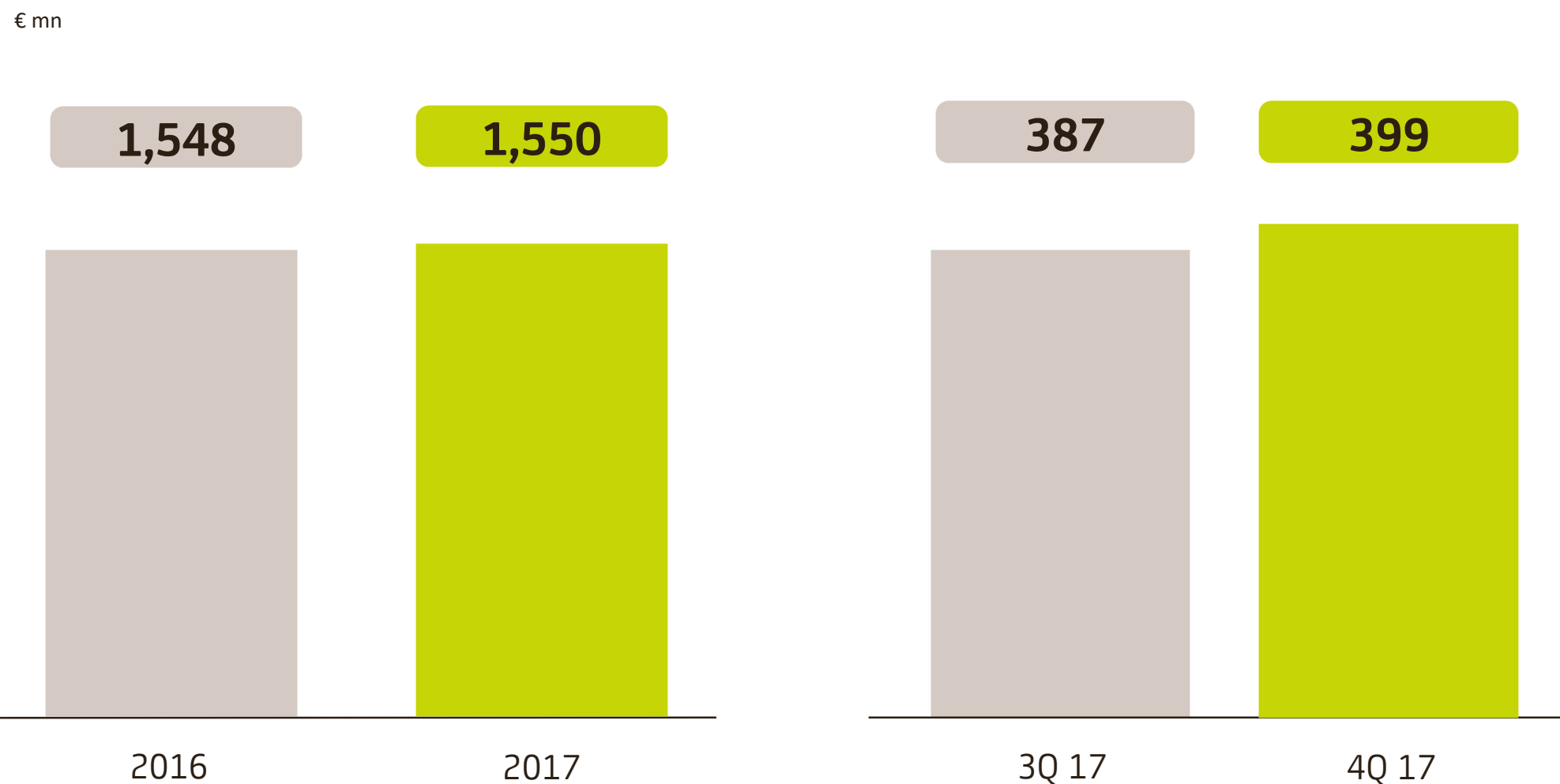
	2016	2017	Diff %
Assets under management	334	353	+5.6%
Payment services	229	241	+5.3%
Origination	145	158	+9.0%
Management of NPLs, write-offs and other	139	130	(6.3%)
Administration	54	46	(14.9%)
Fee and commission income	901	928	+3.0%
Fee and commission expense	(77)	(78)	(0.9%)
NET FEE AND COMMISSION INCOME	824	850	+3.2%
NET FEE AND COMMISSION INCOME AS % OF RWAs	1.07%	1.22%	+0.15 p.p.

> **2017** Results

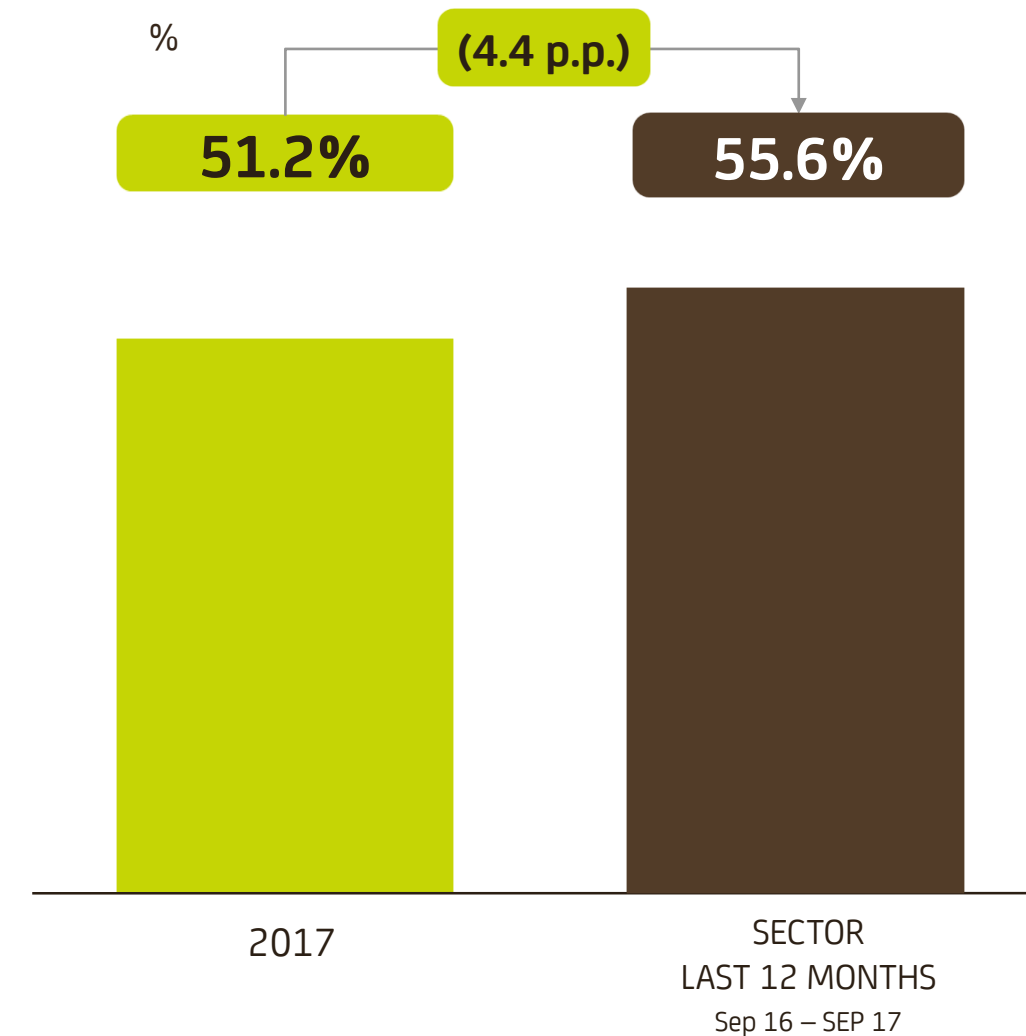
Operating expenses

Expenses remain stable over the year

OPERATING EXPENSE PERFORMANCE



EFFICIENCY RATIO



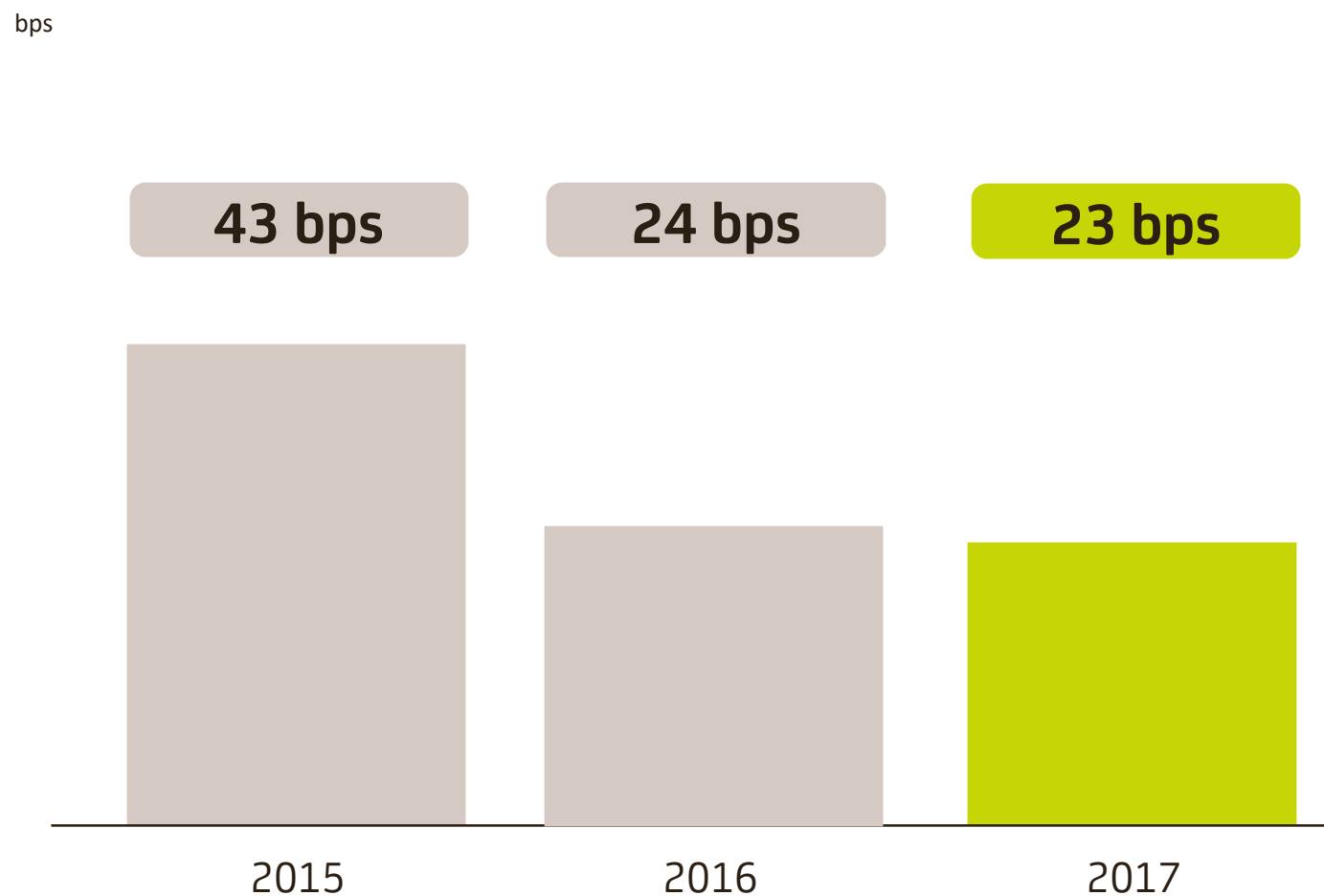
Sector includes: BBVA Spain, Caixabank, Sabadell, Bankinter and Santander Spain. BBVA Spain and Santander Spain include real estate business.

> **2017** Results

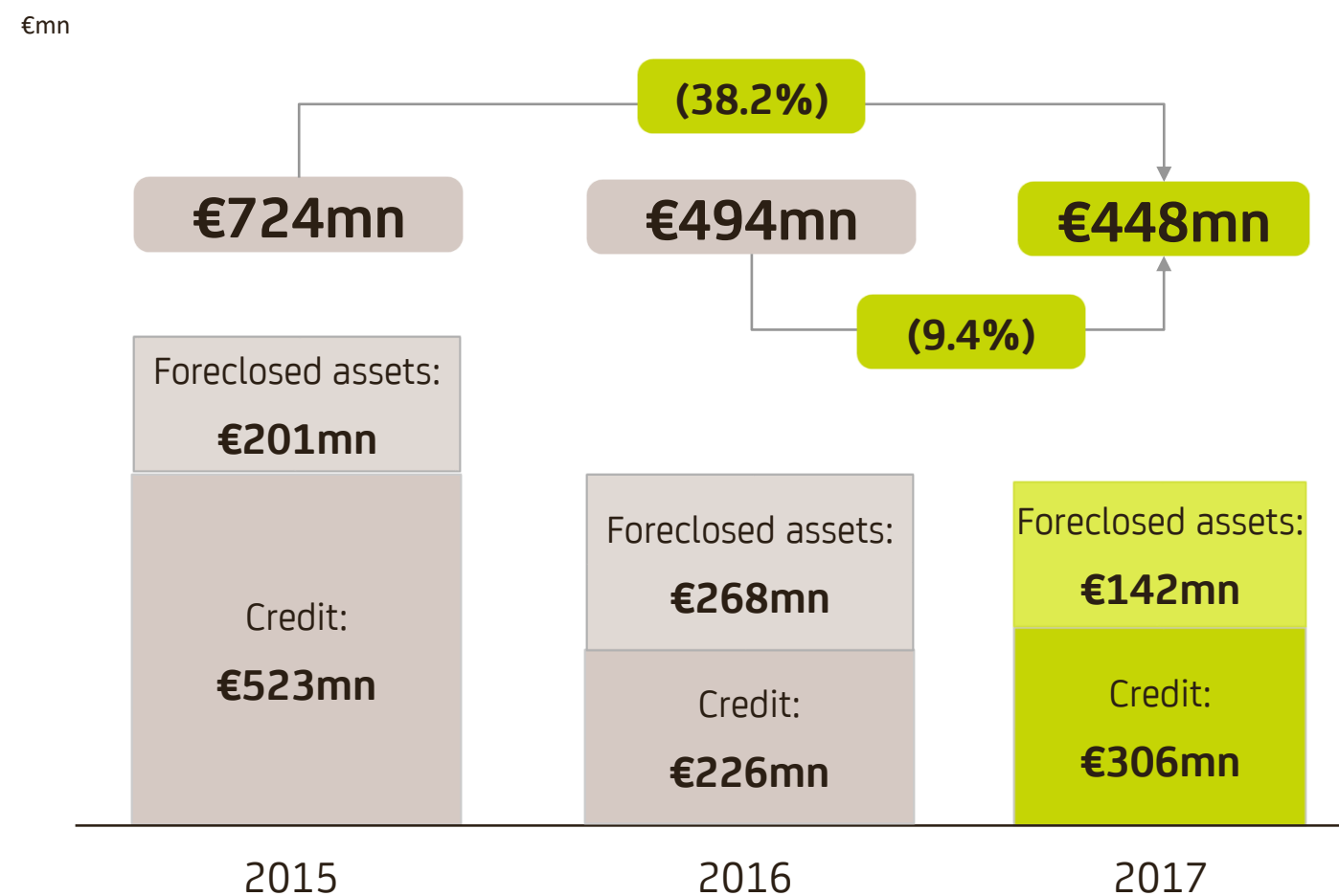
Cost of risk

Provisions for credit and foreclosed assets are down 9.4% compared to the previous year

COST OF RISK



PROVISIONING FOR CREDIT AND FORECLOSED ASSETS

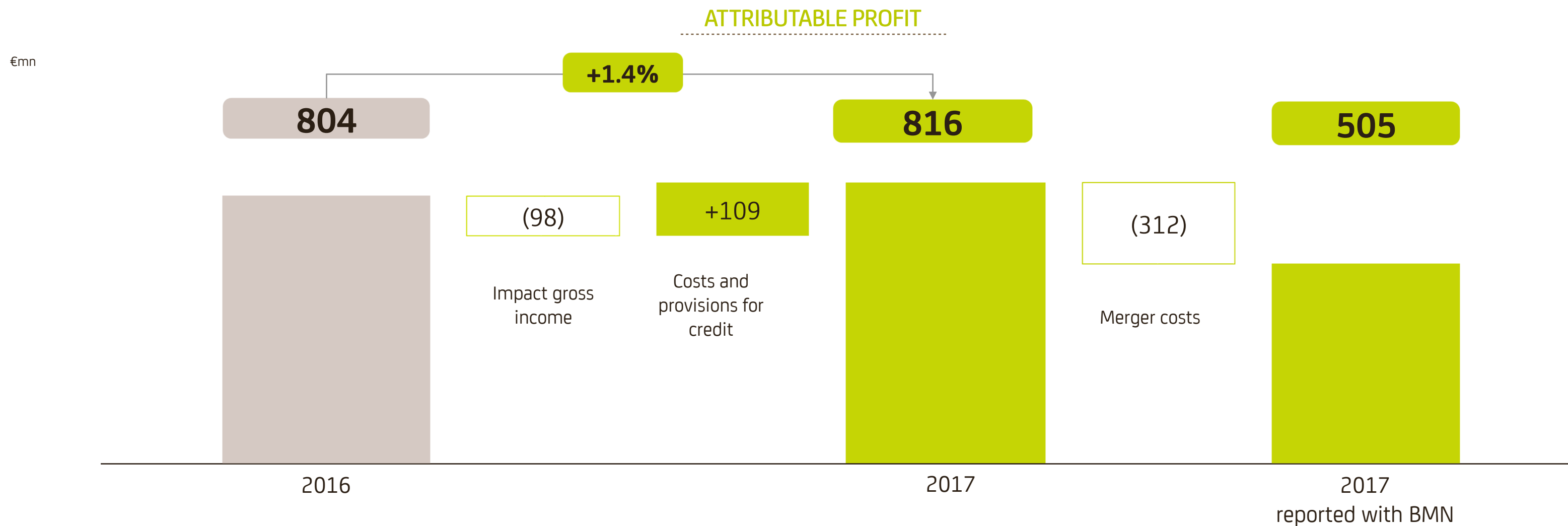


Cost of risk 2017: 23 bps

> **2017** Results

Attributable profit

We have maintained the levels of attributable profit compared to the previous year



The costs and the provisions offset the upper part of the income statement

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2017 HIGHLIGHTS

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2017 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

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CONCLUSIONS

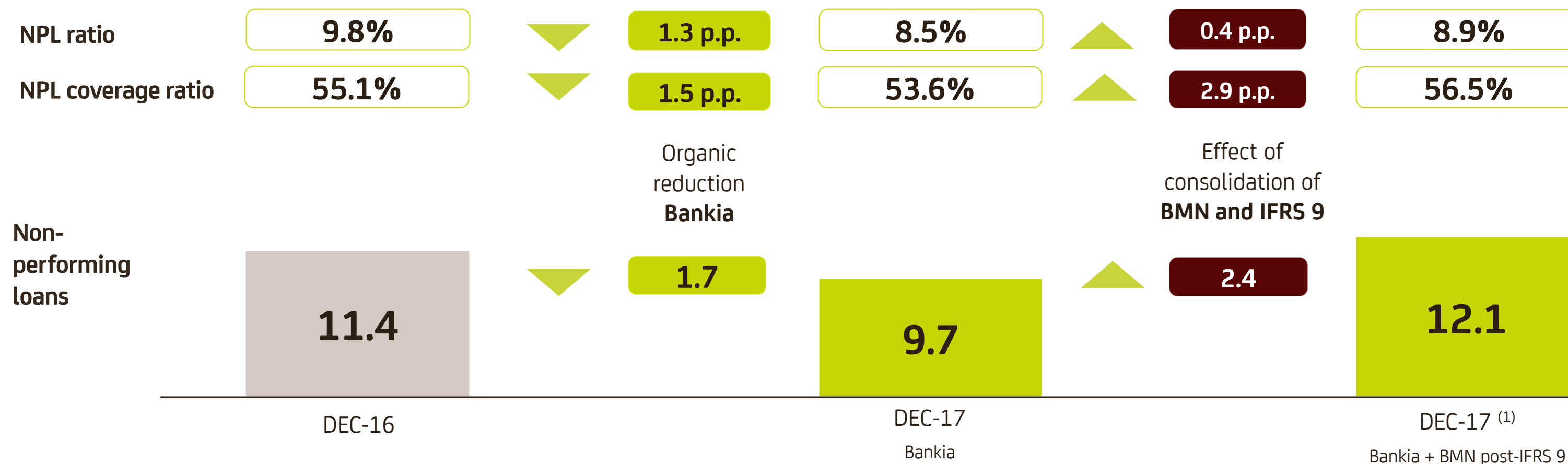
> Asset quality and **risk management**

Credit quality

NPL coverage at 56.5% after the merger with BMN

€bn

NPLS, NPL RATIO AND NPL COVERAGE



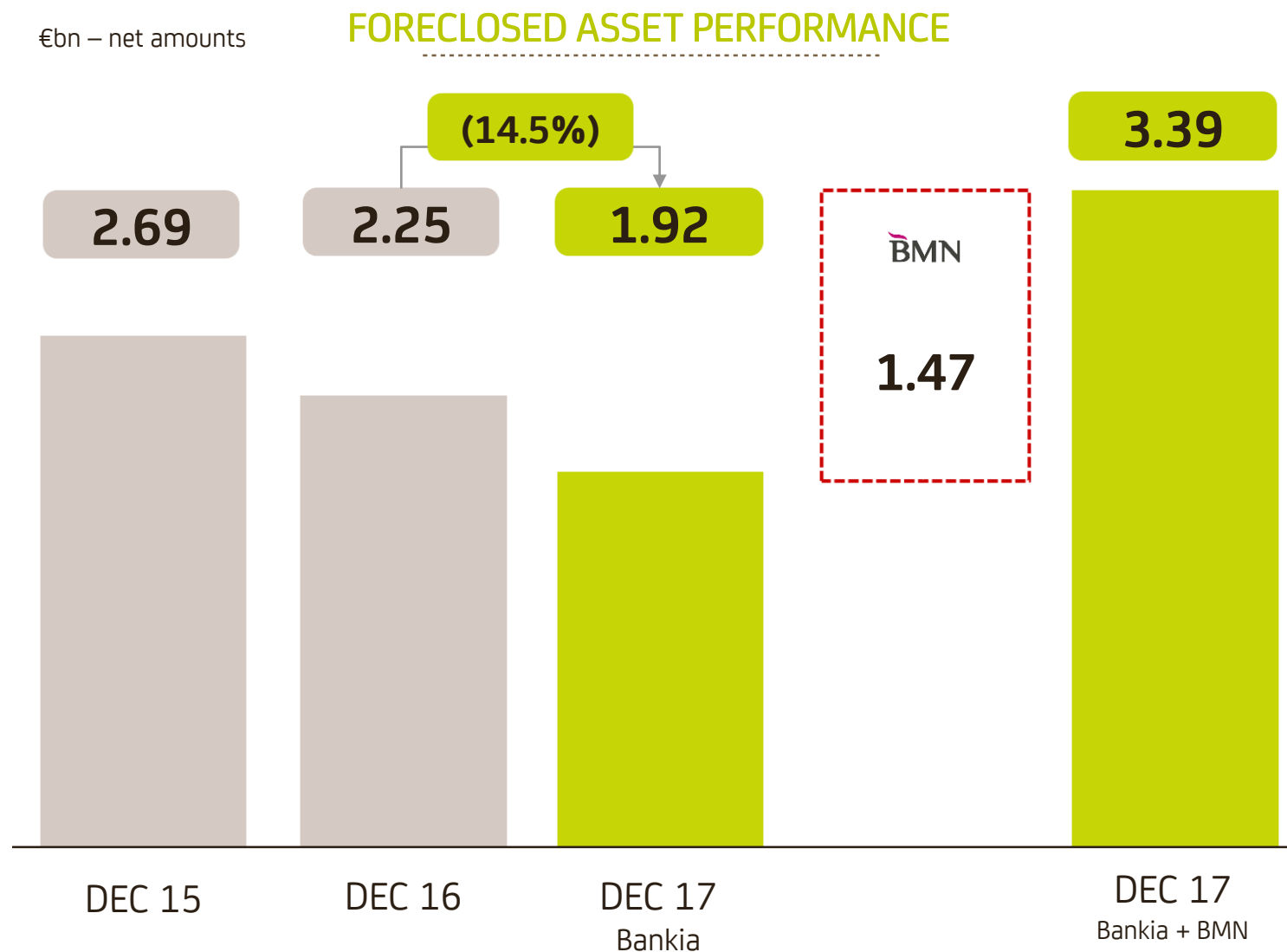
(1) Coverage ratio including provisions for IFRS 9. If provisions for IFRS9 were excluded coverage would stand at 50.8%

> Without the consolidation of BMN, non-performing loans in Bankia are down €1.7bn year-on-year, bringing the NPL ratio down to 8.5%

> Asset quality and **risk management**

Foreclosed assets

Stock of foreclosed assets reduces 14.5% year-on-year in organic terms in Bankia



- > Sales of foreclosed assets totaling €457mn in 2017.
- > Assets sold during the year represent 20.2% of the total stock of foreclosed assets at the start of the year.
- > 73% of total foreclosed assets consist of completed homes. (vs. 53% sector average)

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> **Liquidity** and solvency

Liquidity

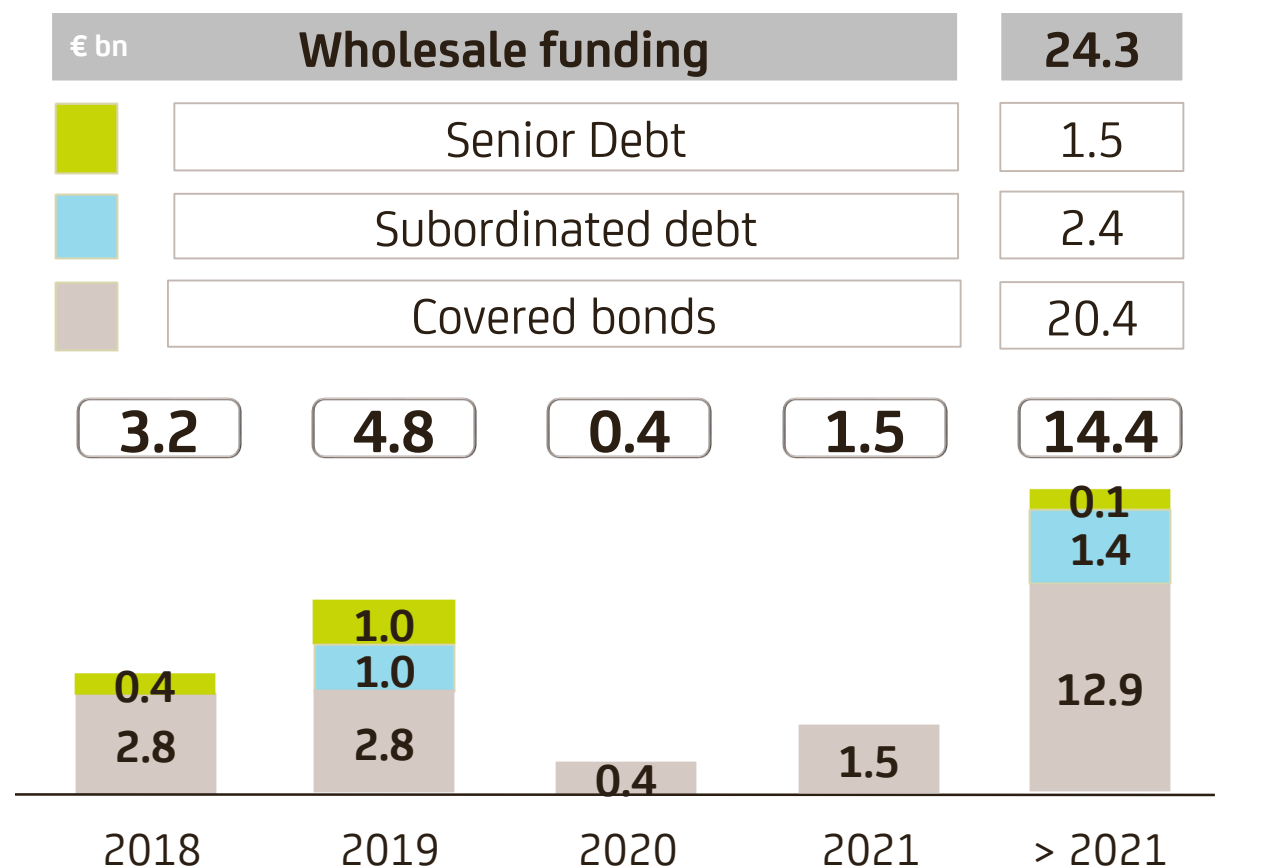
Liquidity metrics performance Bankia BMN

LTD ratio
93.9%
Dec 2017

Commercial gap
(€0.5bn)
Dec 2017

Liquid assets
€31.4bn
Dec 2017

SCHEDULE OF TOTAL MATURITIES DEC 17



Rating performance

Bankia
Dec 16

Bankia BMN
Dec 17

S&P Global
Ratings

BB+
Positive outlook

BBB-
Positive outlook

FitchRatings

BBB-
Stable outlook

BBB-
Stable outlook



BBB (HIGH)
Stable outlook

BBB (HIGH)
Stable outlook



> **Liquidity** and solvency

Issues

Year of intense activity in the markets

ISSUANCES COMPLETED

SUBORDINATED DEBT (TIER 2)

Volume (€mn)

€500mn

Oversubscribed (# times)

>10x

Coupon

3.375%

Impact on capital

+ 66 bps at Total Capital level (Basel III FL)

CONVERTIBLE BONDS (AT1)

Volume (€mn)

€750mn

Oversubscribed (# times)

3.3x

Coupon

6.00%

Impact on capital

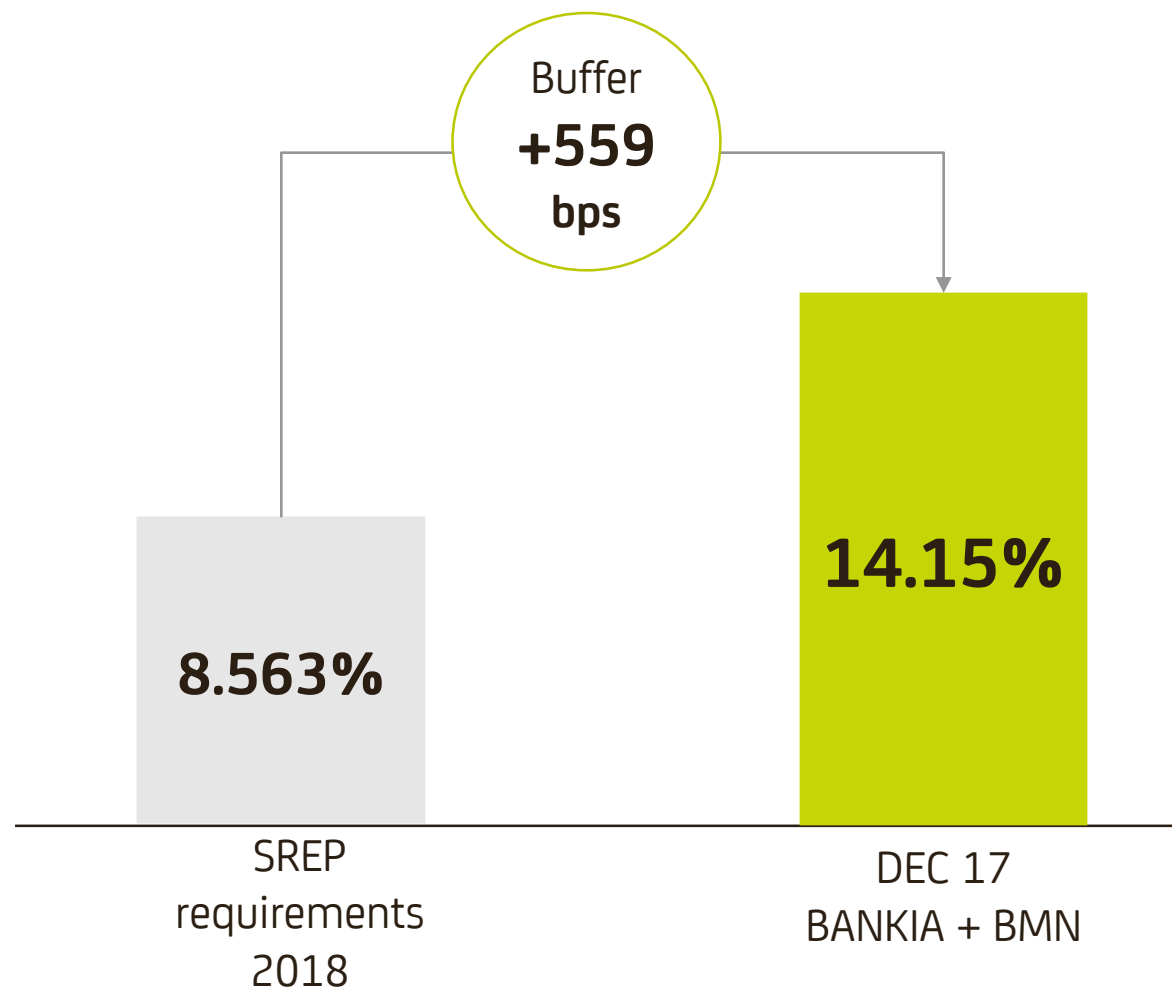
+ 100 bps at Total Capital level (Basel III FL)

> Liquidity and **solvency**

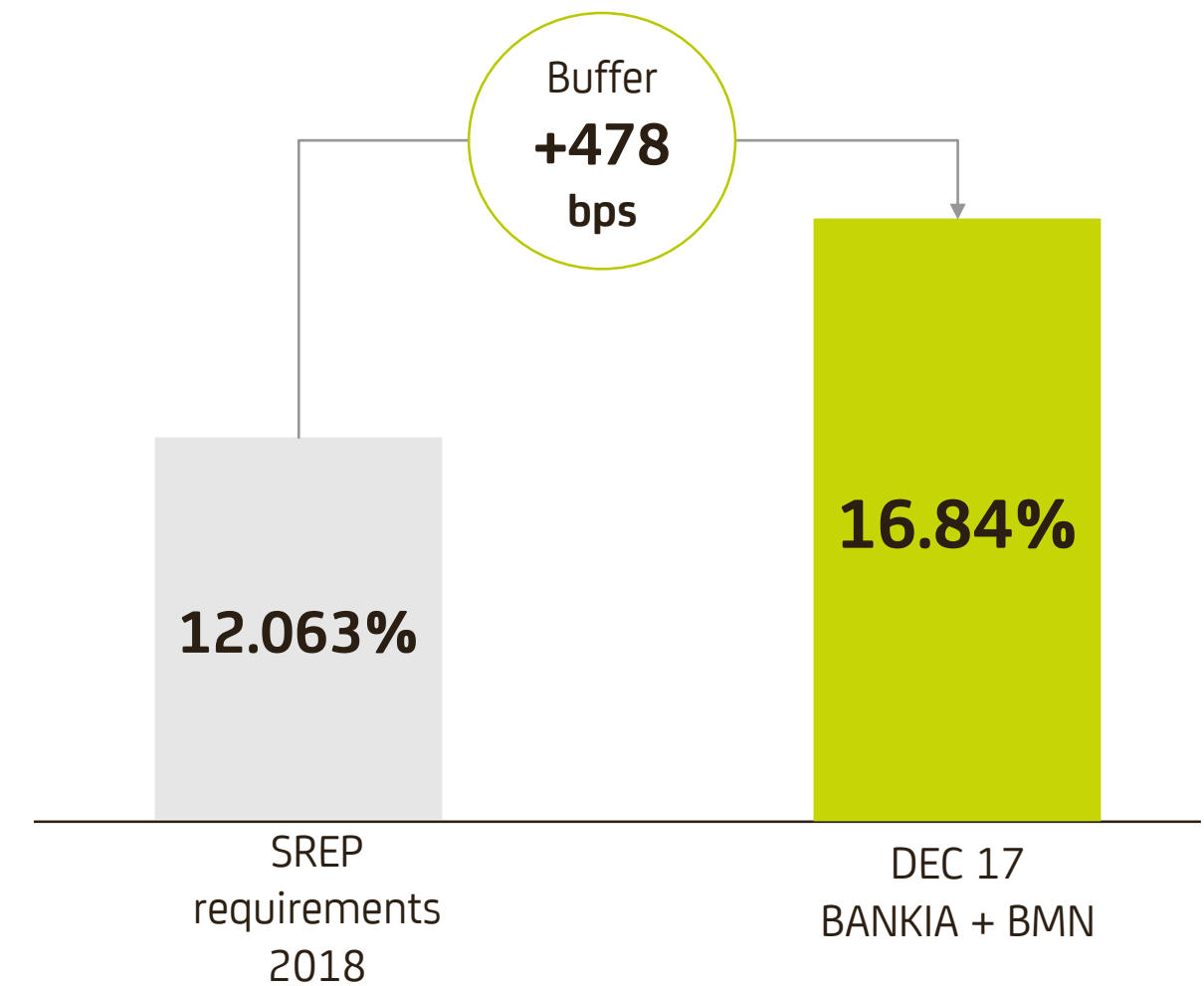
Capital ratios – Phased In

Ample capital buffers above the regulatory minimum

CET1 PHASED IN RATIO



TOTAL SOLVENCY PHASED IN RATIO



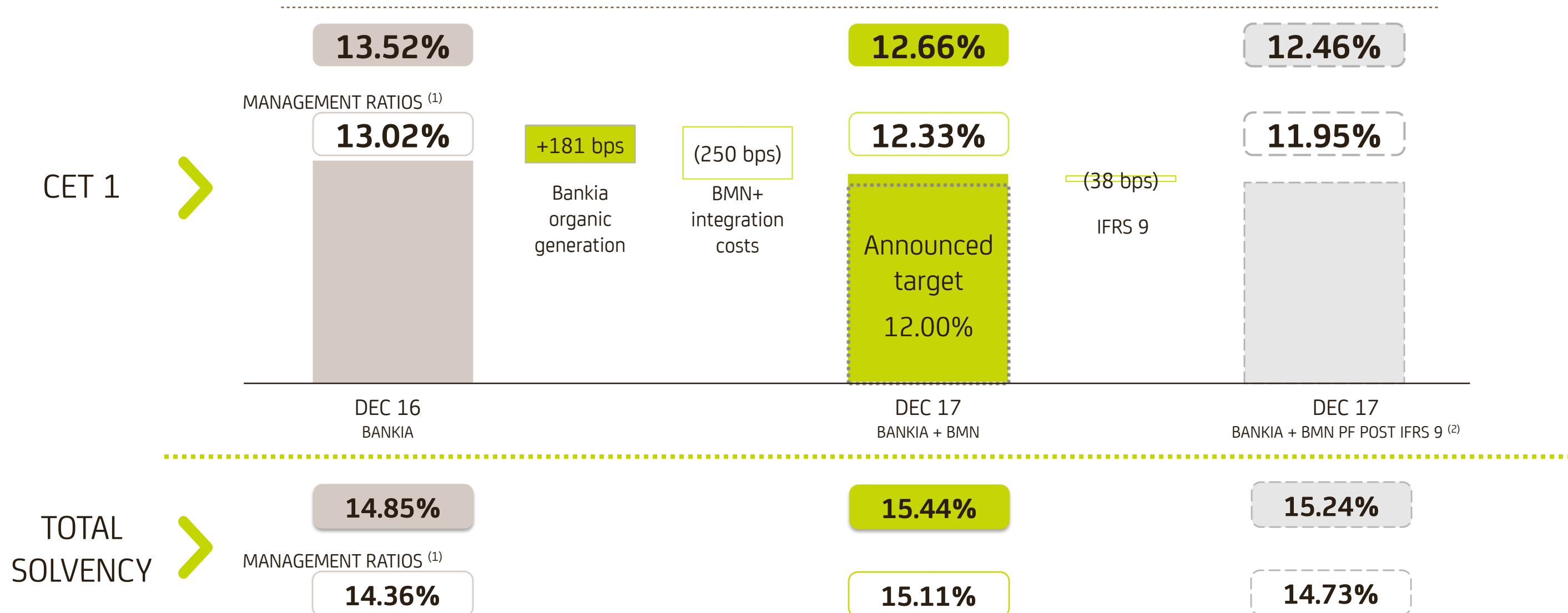
The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend.

> Liquidity and **solvency**

Capital ratios – Fully Loaded ratio performance

CET 1 FL ratio above announced target of 12%

CET1 FULLY LOADED RATIO PERFORMANCE



Solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend.

(1) Ratios do not include unrealized gains on the AFS sovereign portfolio.

(2) Include: credit provisions and portfolio reclassification.

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> Conclusions

WE HAVE COMPLETED THE RESTRUCTURING PLAN...

With a new commercial positioning which has allowed us to increase our market shares and to improve the quality and the evaluation of our service...

...maintaining the advantage in efficiency and cost of risk...

...undertaking the merger with BMN without the need to access the market and maintaining the dividend

...WELL POSITIONED TO TACKLE THE 2018-2020 STRATEGIC PLAN

Bankia
LET'S KEEP WORKING

Bankia Comunicación

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