

Bankia

Quarterly results presentation

2Q 2019

29 July 2019

Disclaimer

This document was originally prepared in Spanish. The English version published here is for information purposes only. In the event of any discrepancy between the English and the Spanish version, the Spanish version will prevail.

This document has been prepared by Bankia, S.A. (“Bankia”) and is presented exclusively for information purposes. It is not a prospectus and does not constitute an offer or recommendation to invest.

This document does not constitute a commitment to subscribe for, or an offer to finance, or an offer to sell, or a solicitation of offers to buy securities of Bankia, all of which are subject to internal approval by Bankia.

Bankia does not guarantee the accuracy or completeness of the information contained in this document. The information contained herein has been obtained from sources that Bankia considers reliable, but Bankia does not represent or warrant that the information is complete or accurate, in particular with respect to data provided by third parties. This document may contain abridged or unaudited information and recipients are invited to consult the public documents and information submitted by Bankia to the financial market supervisory authorities. All opinions and estimates are given as of the date stated in the document and so may be subject to change. The value of any investment may fluctuate as a result of changes in the market. The information in this document is not intended to predict future results and no guarantee is given in that respect.

This document includes, or may include, forward-looking information or statements. Such information or statements represent the opinion and expectations of Bankia regarding the development of its business and revenue generation, but such development may be substantially affected in the future by certain risks, uncertainties and other material factors that may cause the actual business development and revenue generation to differ substantially from our expectations. These factors include i) market conditions, macroeconomic factors, government and supervisory guidelines, ii) movements in national and international securities markets, exchange rates and interest rates and changes in market and operational risk, iii) the pressure of competition, iv) technological changes, v) legal and arbitration proceedings, and vi) changes in the financial situation or solvency of our customers, debtors and counterparties. Additional information about the risks that could affect Bankia’s financial position, may be consulted in the Registration Document approved and registered in the Official Register of the CNMV.

Distribution of this document in other jurisdictions may be prohibited, therefore recipients of this document or any persons who may eventually obtain a copy of it are responsible for being aware of and complying with said restrictions.

This document does not reveal all the risks or other material factors relating to investments in the securities/ transactions of Bankia. Before entering into any transaction, potential investors must ensure that they fully understand the terms of the securities/ transactions and the risks inherent in them. This document is not a prospectus for the securities described in it. Potential investors should only subscribe for securities of Bankia on the basis of the information published in the appropriate Bankia prospectus, not on the basis of the information contained in this document

1

2Q 2019 HIGHLIGHTS

2

2Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CLOSING REMARKS

APPENDIX

> **2Q 2019 Highlights**

1 COMMERCIAL ACTIVITY

Performing credit continues to grow supported by new lending growth in key segments

2 PROFITABILITY

Net interest income and fees boost “Core” Result (+9% in 2Q 2019)

3 ASSET QUALITY

NPAs reduced by €1bn in 1H 2019 leading to an NPL ratio of 5.7%

4 CAPITAL

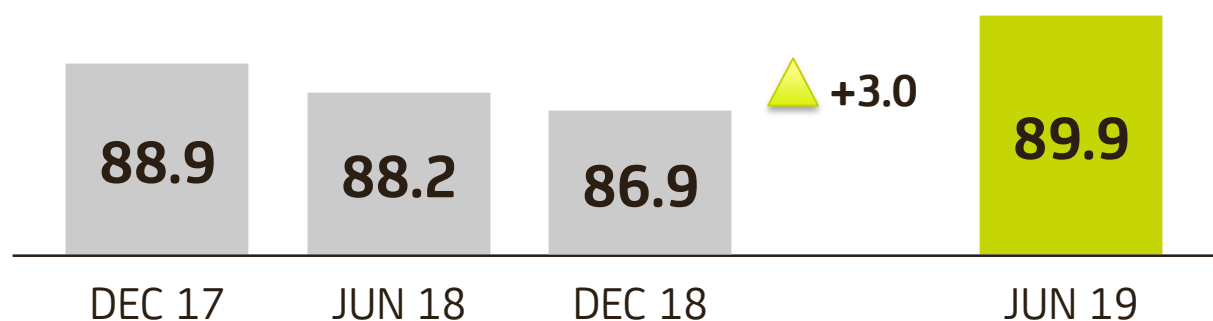
+52 bps of CET1 FL capital generation in 1H 2019 reaching 12.91%

> 2Q 2019 Highlights

Customers: Perception

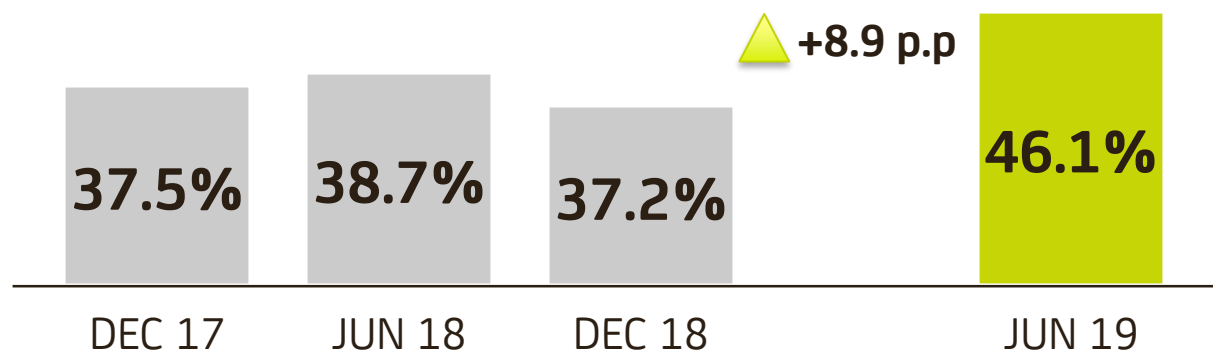
Strong progress of quality indicators

CUSTOMER SATISFACTION



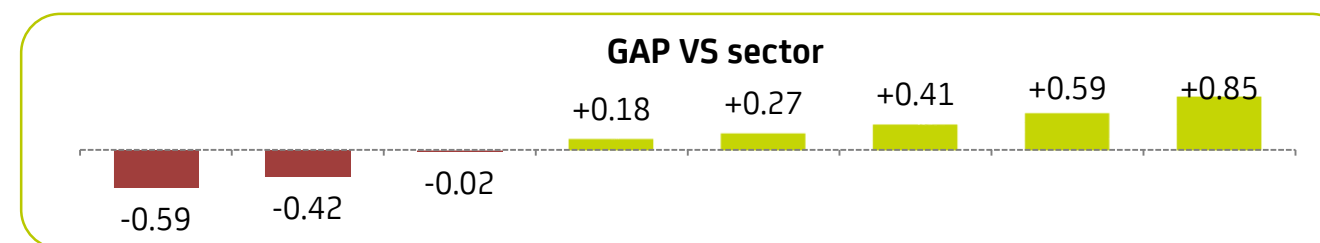
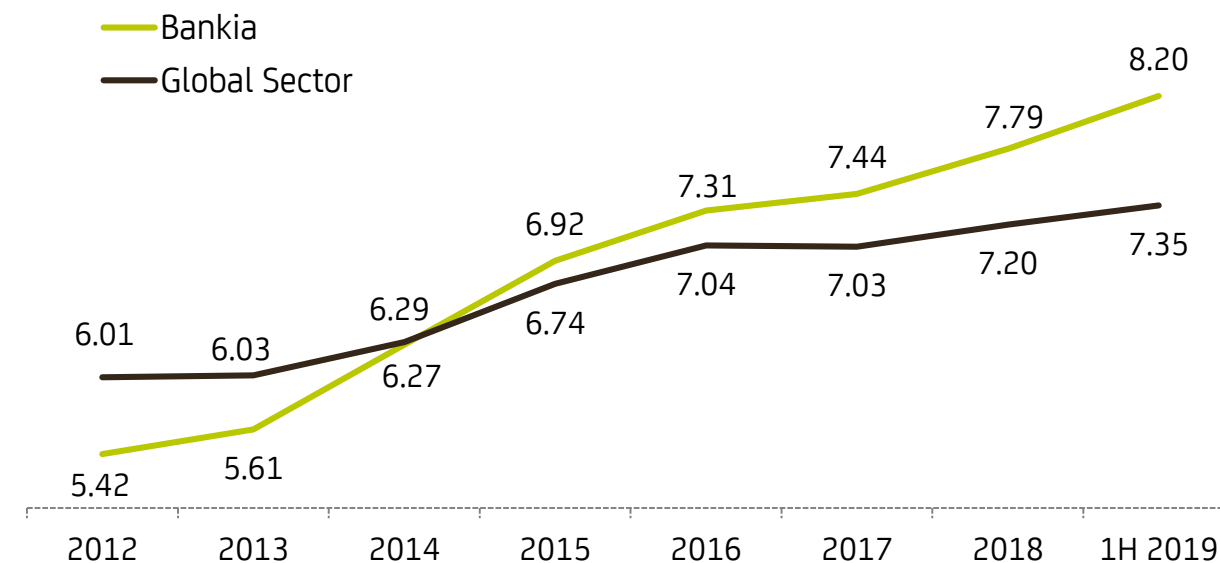
Source: Bankia

NPS BRANCHES



Source: Bankia

MYSTERY SHOPPING



Source: STIGA research on mystery shopping satisfaction

> 2Q 2019 Highlights

Customers: Digitalization

Customer digitalization advances at a good pace



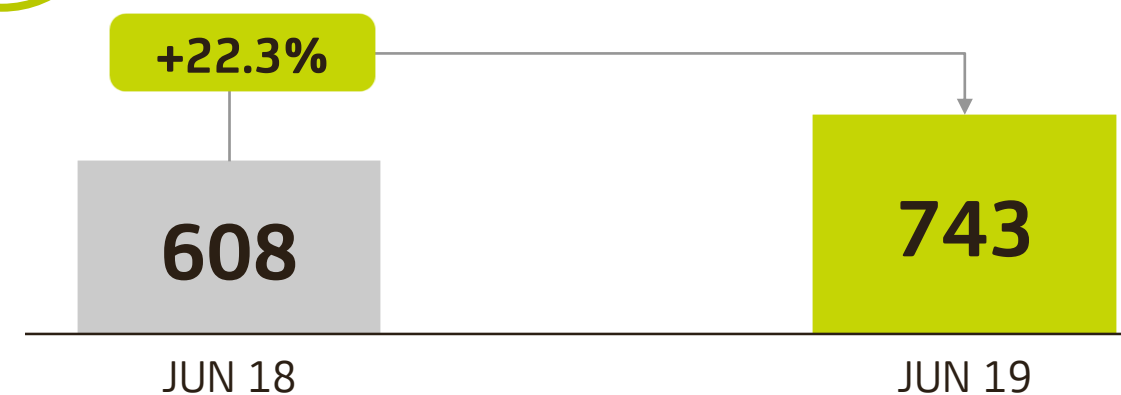
DIGITAL CUSTOMERS

(as % of total customers)



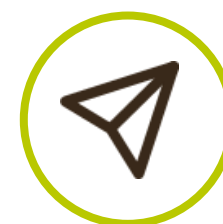
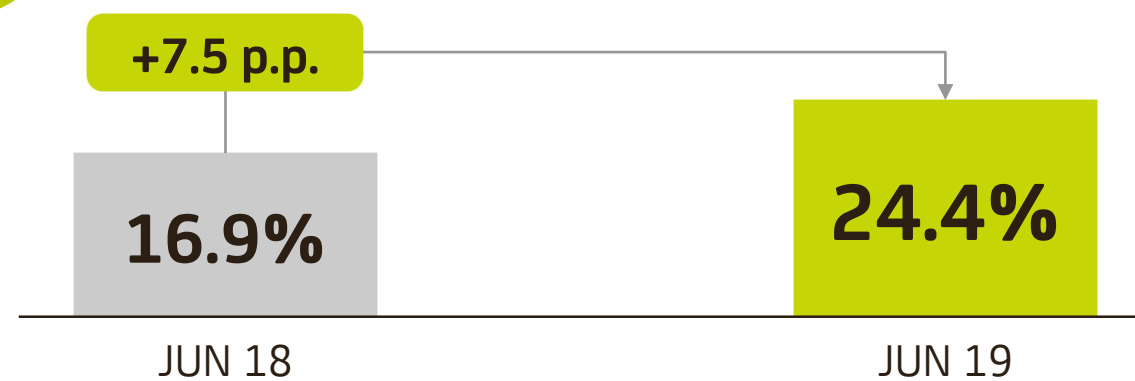
CONNECT WITH YOUR EXPERT

(thousand customers)



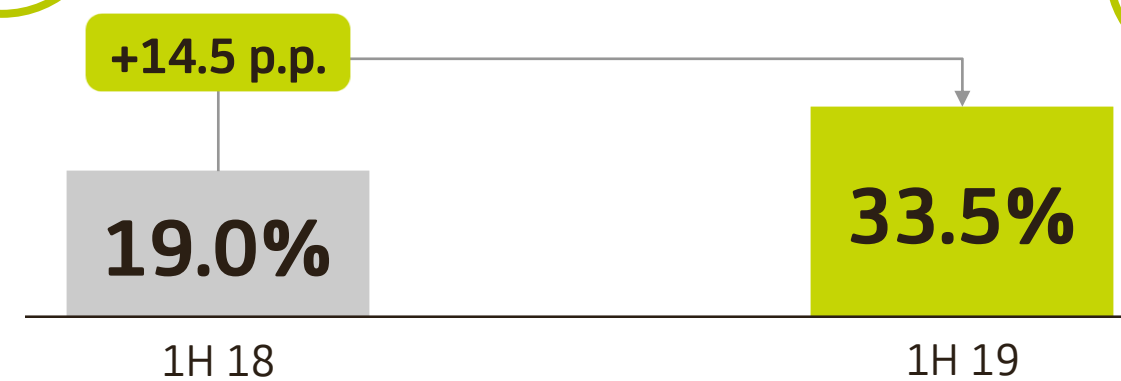
DIGITAL SALES

Digital sales as % of total Bankia sales



INSTANT TRANSFERS

Market share



> 2Q 2019 Highlights

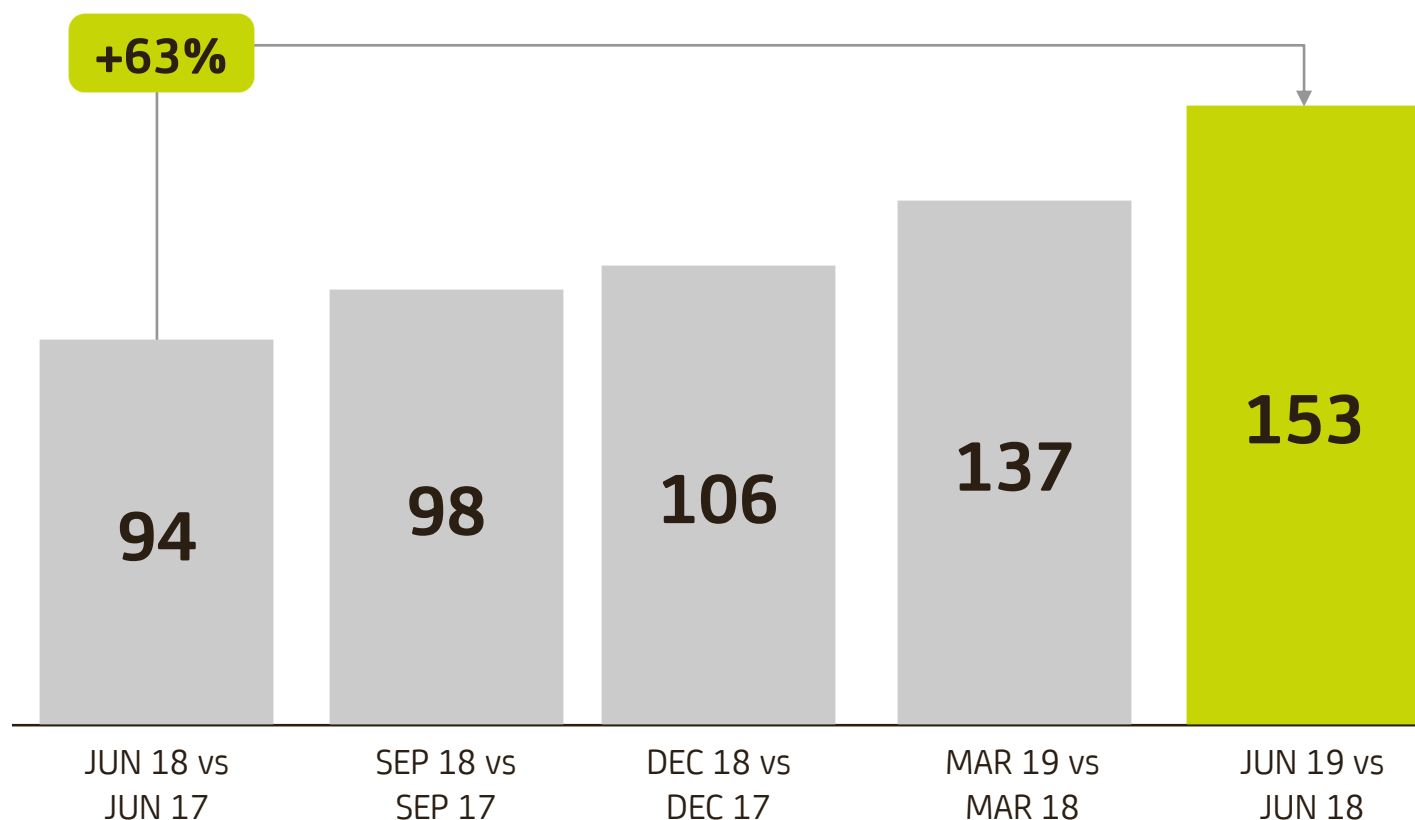
Customers: New customers

Boosting the number of new customers



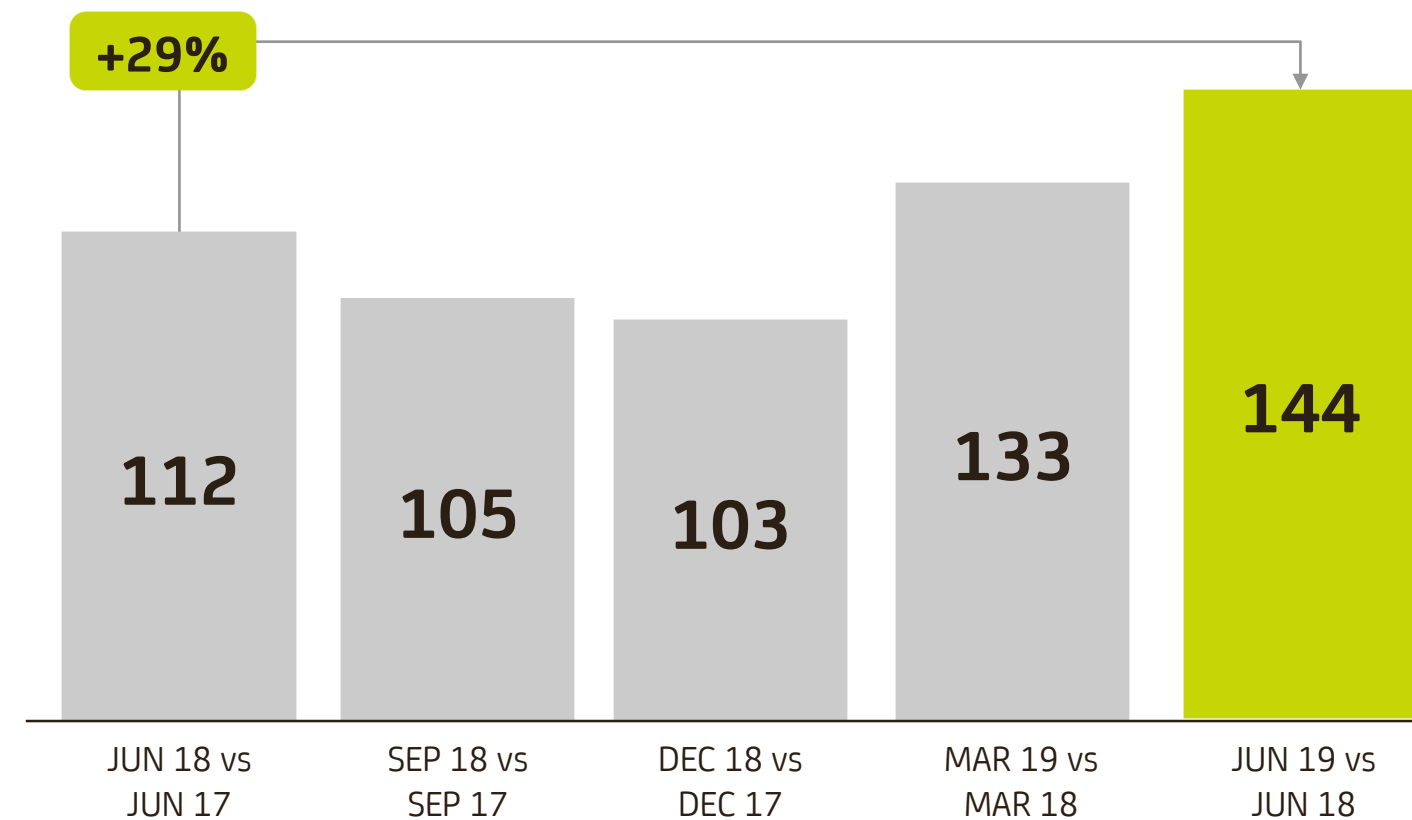
CUSTOMERS - NET GROWTH

Net growth 12 months (thousands)



DIRECT INCOME DEPOSITS

Net growth 12 months (thousands)



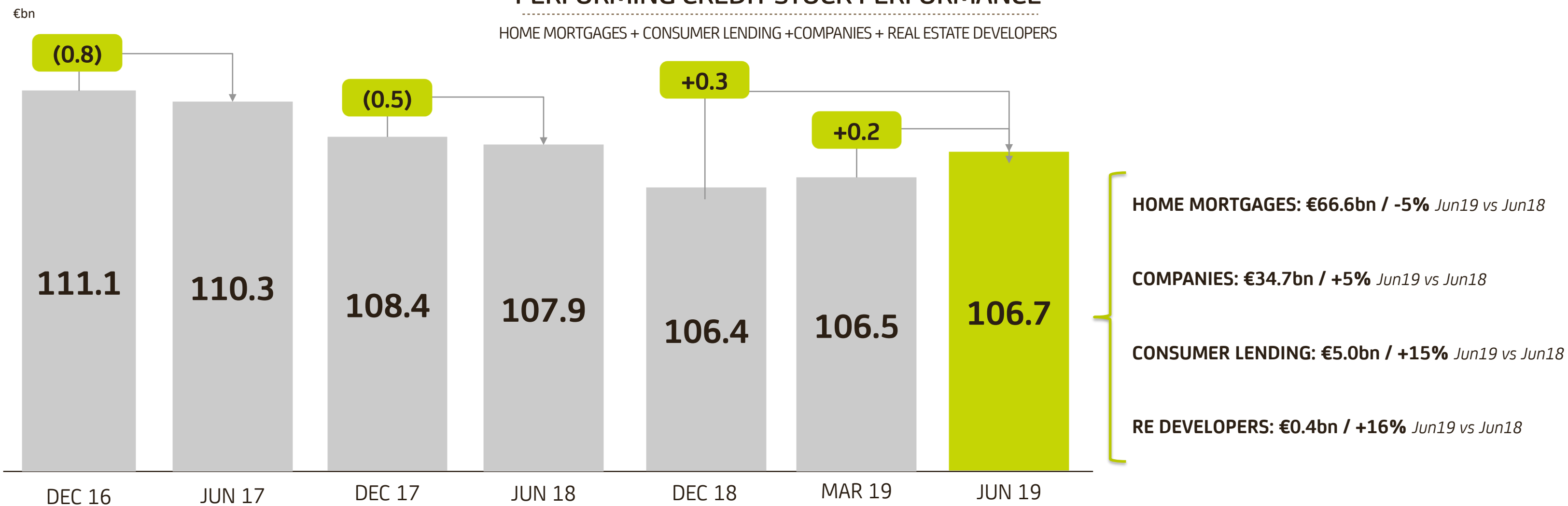
> **2Q 2019 Highlights**

Credit stock

Trend change of performing credit stock is confirmed

PERFORMING CREDIT STOCK PERFORMANCE

HOME MORTGAGES + CONSUMER LENDING + COMPANIES + REAL ESTATE DEVELOPERS

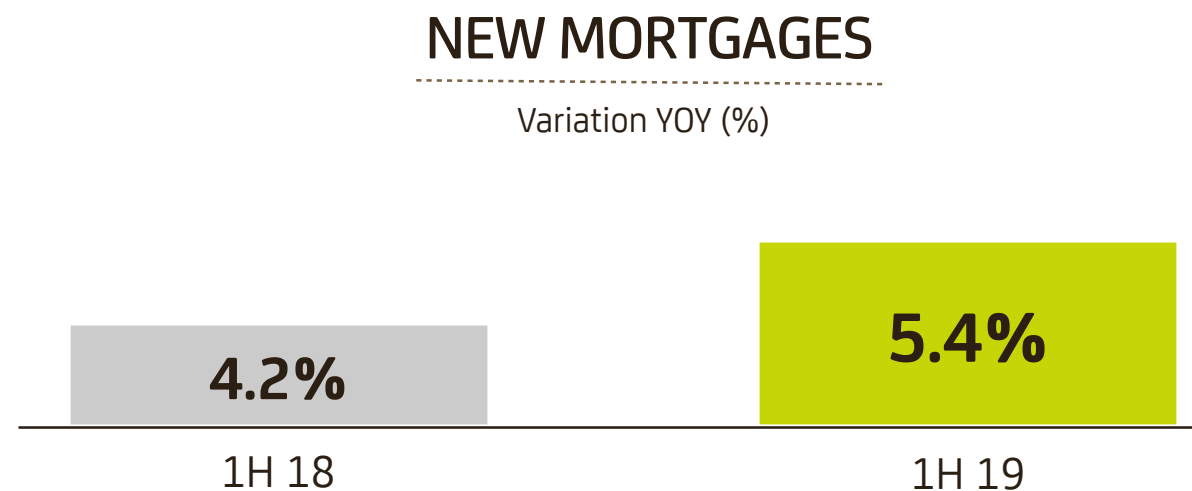
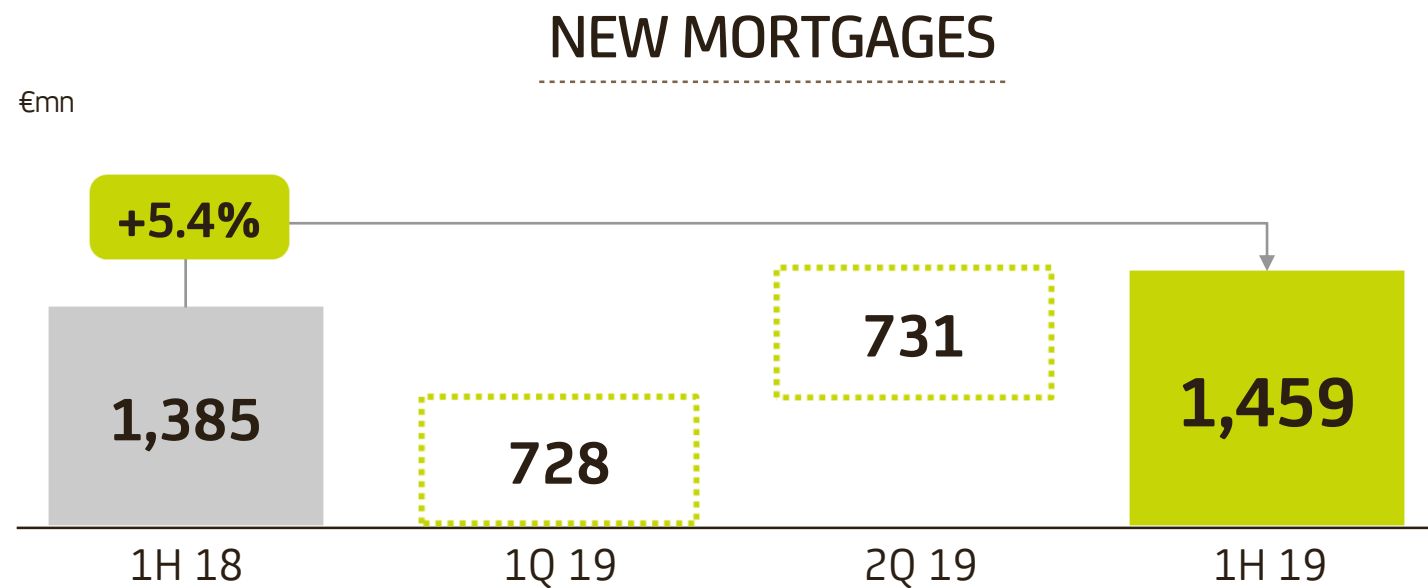


Bankia + BMN historical series

> 2Q 2019 Highlights

New credit: mortgages

Growth in mortgage lending



NEW MORTGAGES MARKET SHARE

Source: BdE. * Last available market share



FIXED RATE MORTGAGES

as % of new mortgages

58%

1H 2019

MORTGAGES TO NEW CUSTOMERS

as % of new mortgages

34%

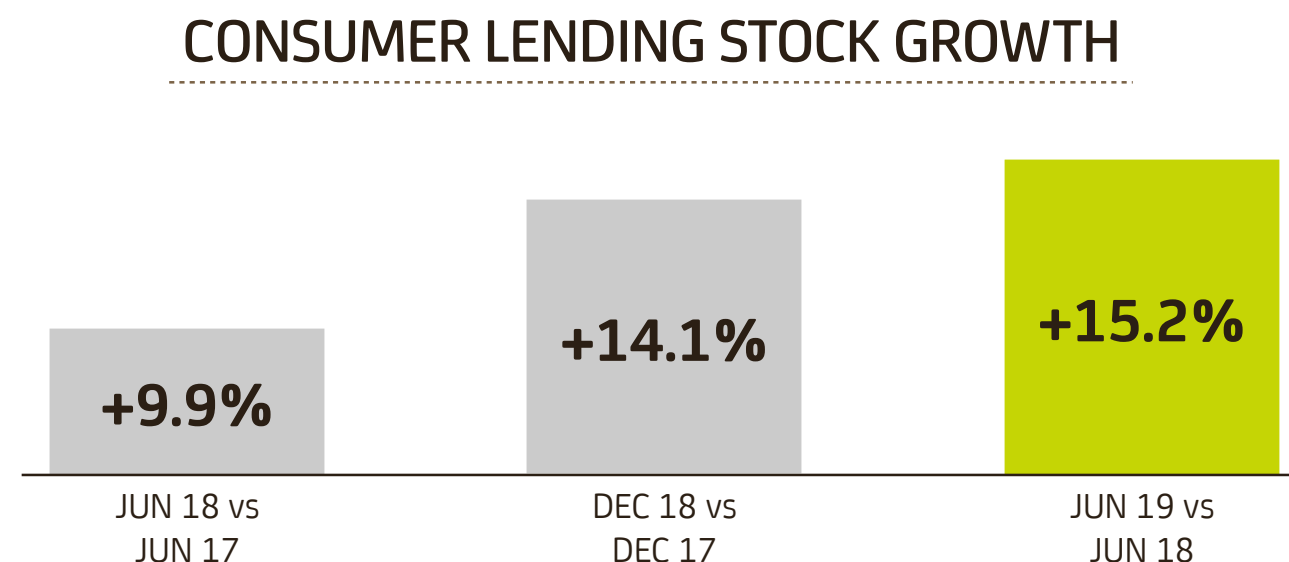
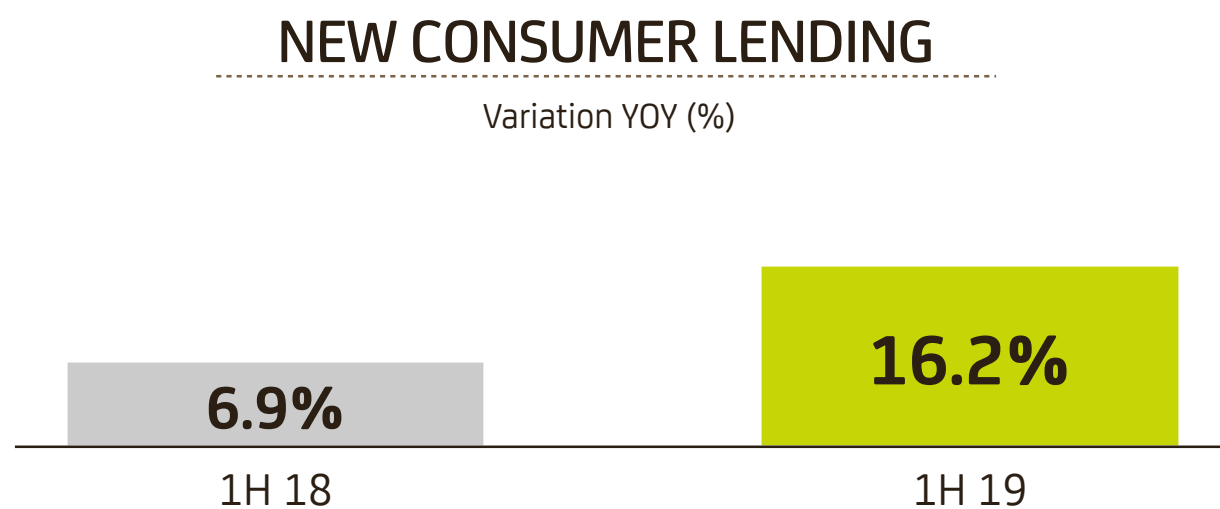
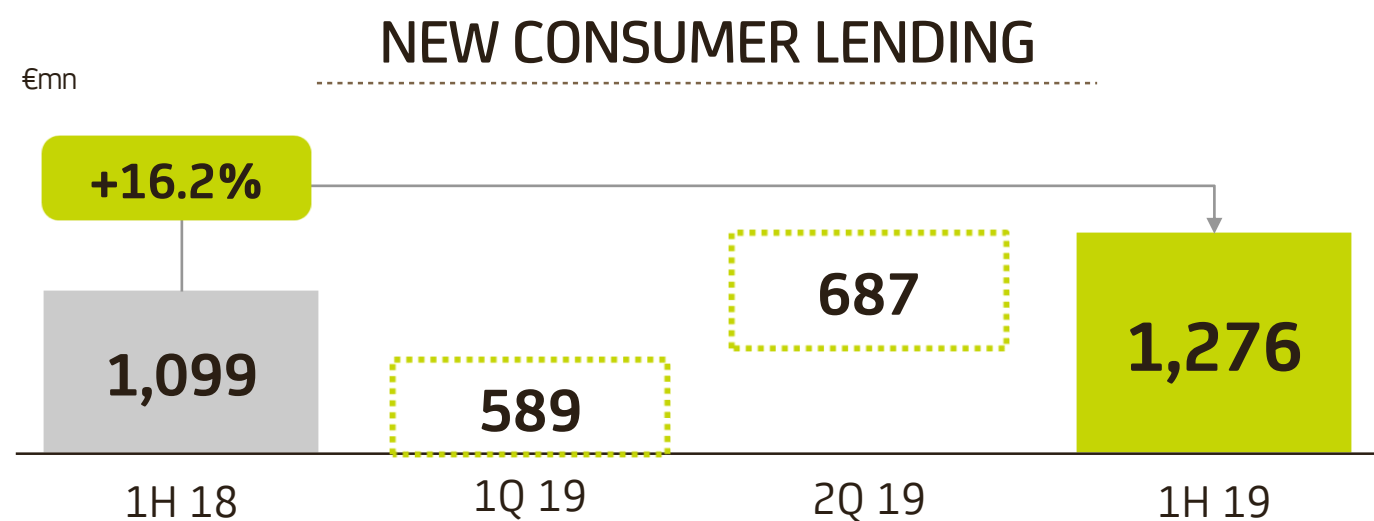
1H 2019

LTV average of new mortgages: 65% 1H 2019

2Q 2019 Highlights

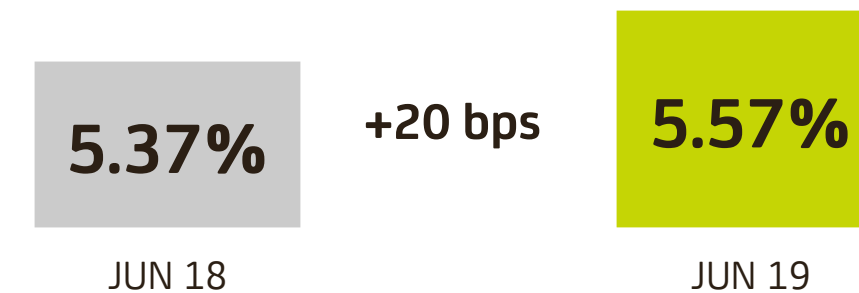
New credit: consumer lending

Consumer lending progresses at a good a pace



CONSUMER LENDING STOCK MARKET SHARE

Source: BdE.

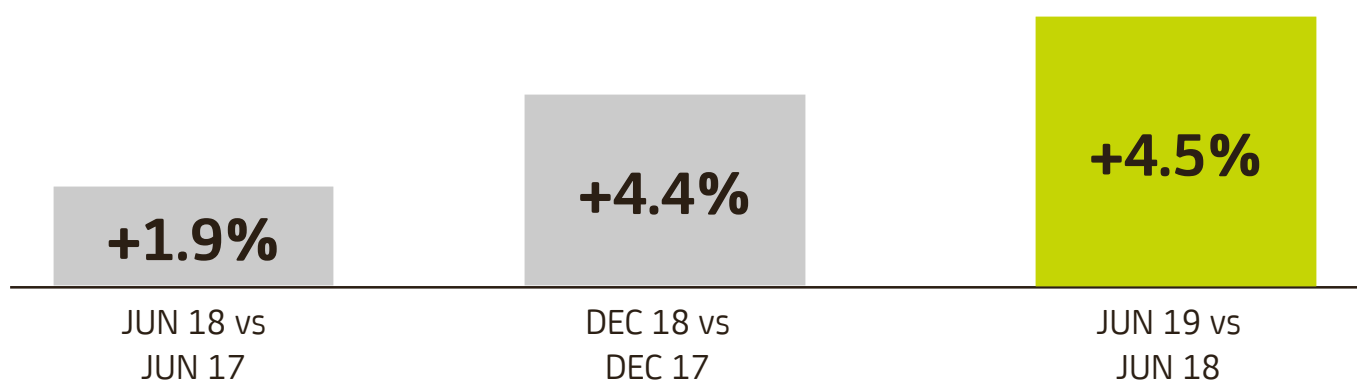


> **2Q 2019 Highlights**

Credit stock: companies

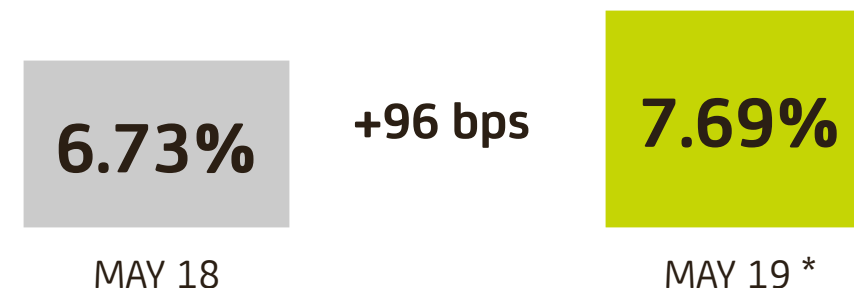
Market share gain in companies financing continues

COMPANIES - PERFORMING CREDIT STOCK



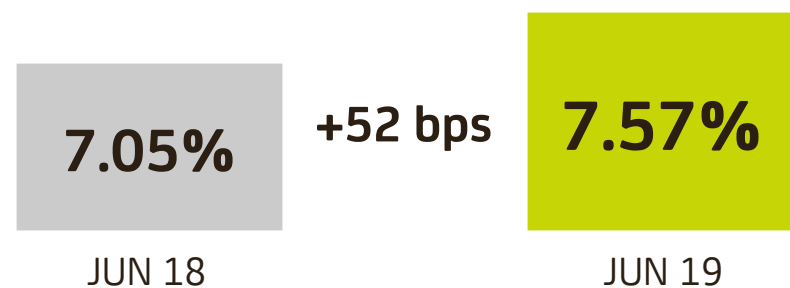
COMPANIES - NEW CREDIT MARKET SHARE

Source: BdE. * Last available market share



COMPANIES - STOCK MARKET SHARE

Source: BdE



COMEX Disbursements
+8.9%

1H 2019 vs 1H 2018

DISCOUNT & FACTORING Disbursements
+18.8%

1H 2019 vs 1H 2018

REVERSE FACTORING Disbursements
+12.2%

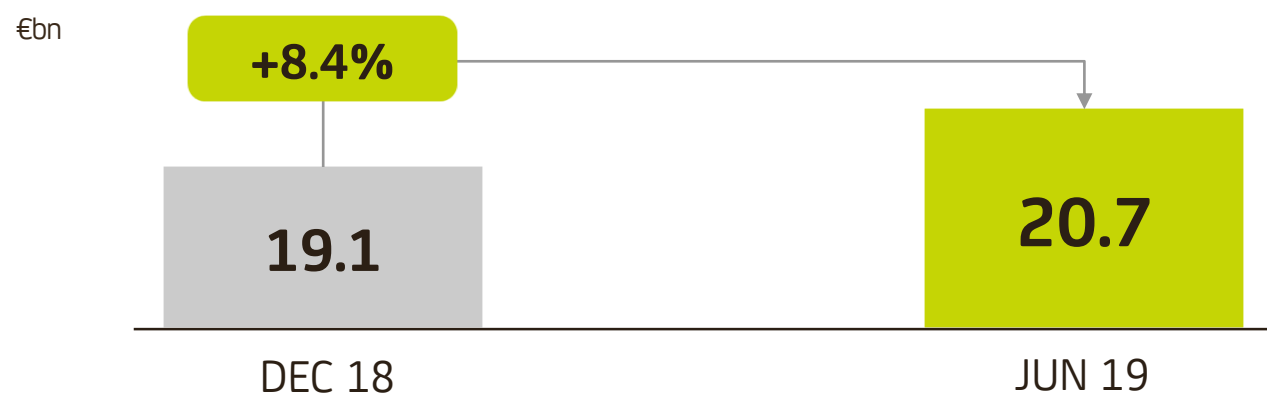
1H 2019 vs 1H 2018

> 2Q 2019 Highlights

Products: Mutual funds

Leader in net contributions to mutual funds in 1H 2019

MUTUAL FUNDS



MUTUAL FUNDS
MARKET SHARE

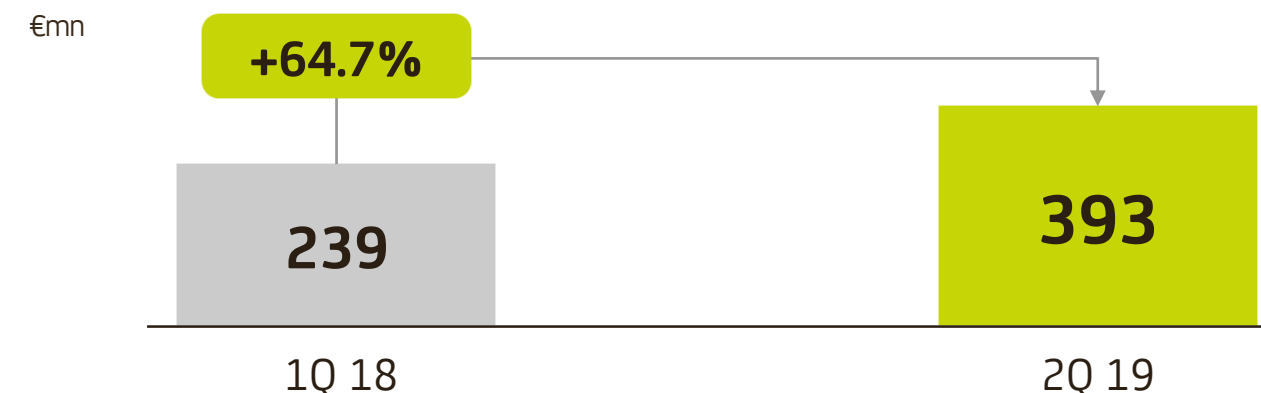
6.55%
DEC 18

+24 bps

6.79%
JUN 19

Source: Inverco

NET CONTRIBUTIONS MUTUAL FUNDS



Source: Inverco

NET CONTRIBUTIONS TO
MUTUAL FUNDS
MARKET SHARE ⁽¹⁾

Source: Inverco

19%
1H 2019

#1
SECTOR
RANKING
1H 2019

> 2Q 2019 Highlights

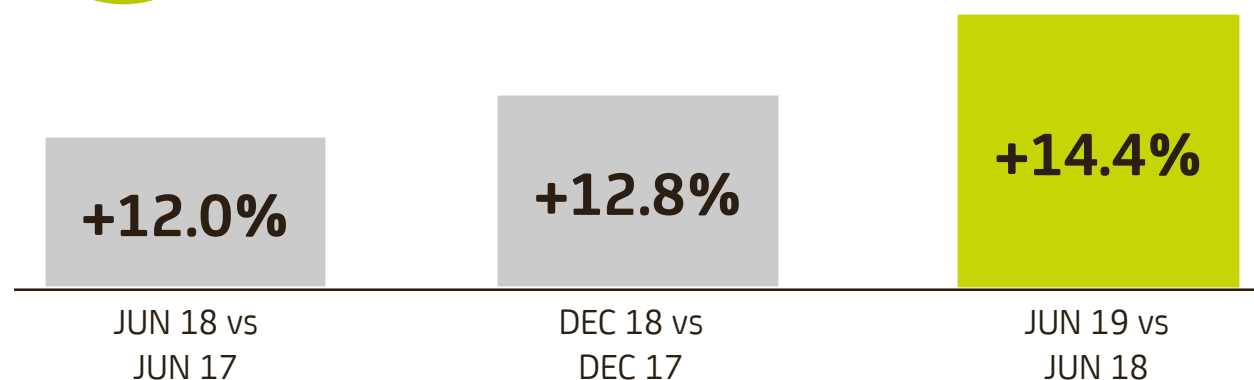
Products: Payment services and insurance

Positive dynamics in high value products



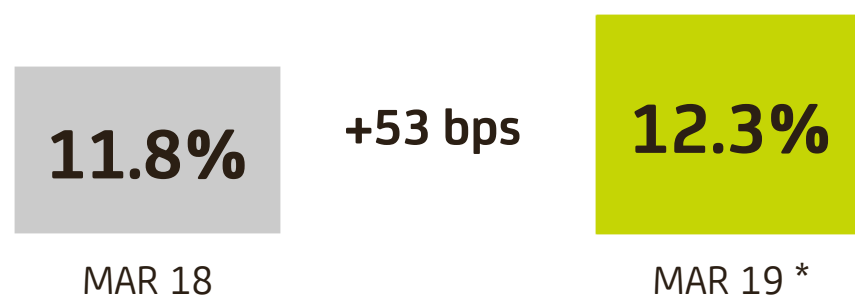
CARDS TURNOVER

In-store credit and debit cards variation YOY (%)



CARDS TURNOVER MARKET SHARE

Source: BdE. * Last available market share

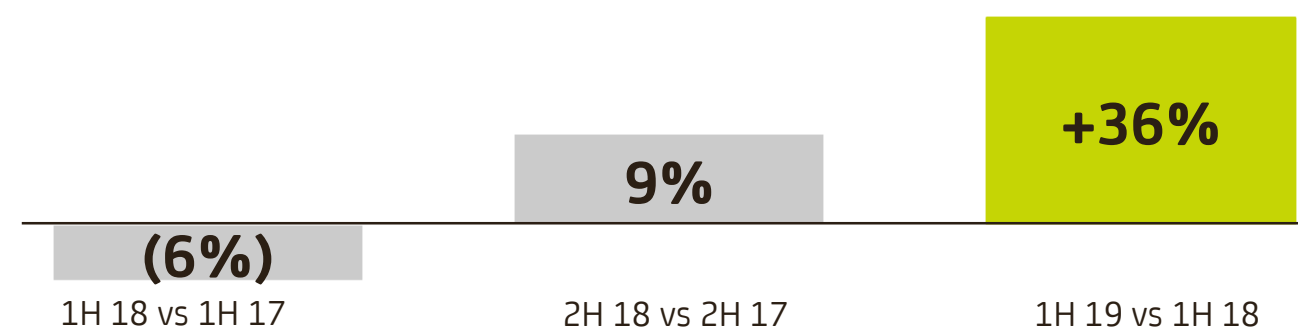


345,000 gross new credit cards in 1H 2019



INSURANCE PREMIUMS - NEW PRODUCTION

Variation YOY (%)



LIFE

Total insurance premiums
New production

+35%

1H 2019 vs 1H 2018

NON-LIFE

Total insurance premiums
New production

+38%

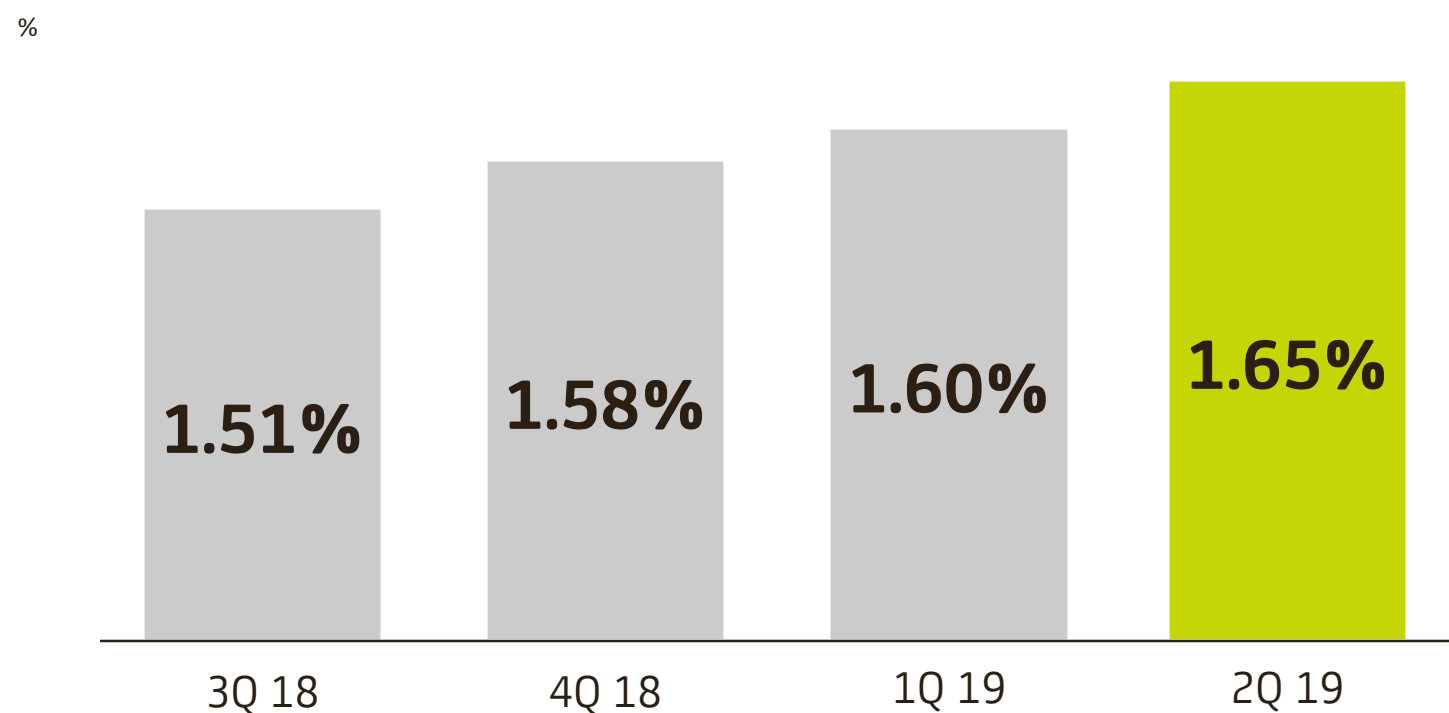
1H 2019 vs 1H 2018

> **2Q 2019 Highlights**

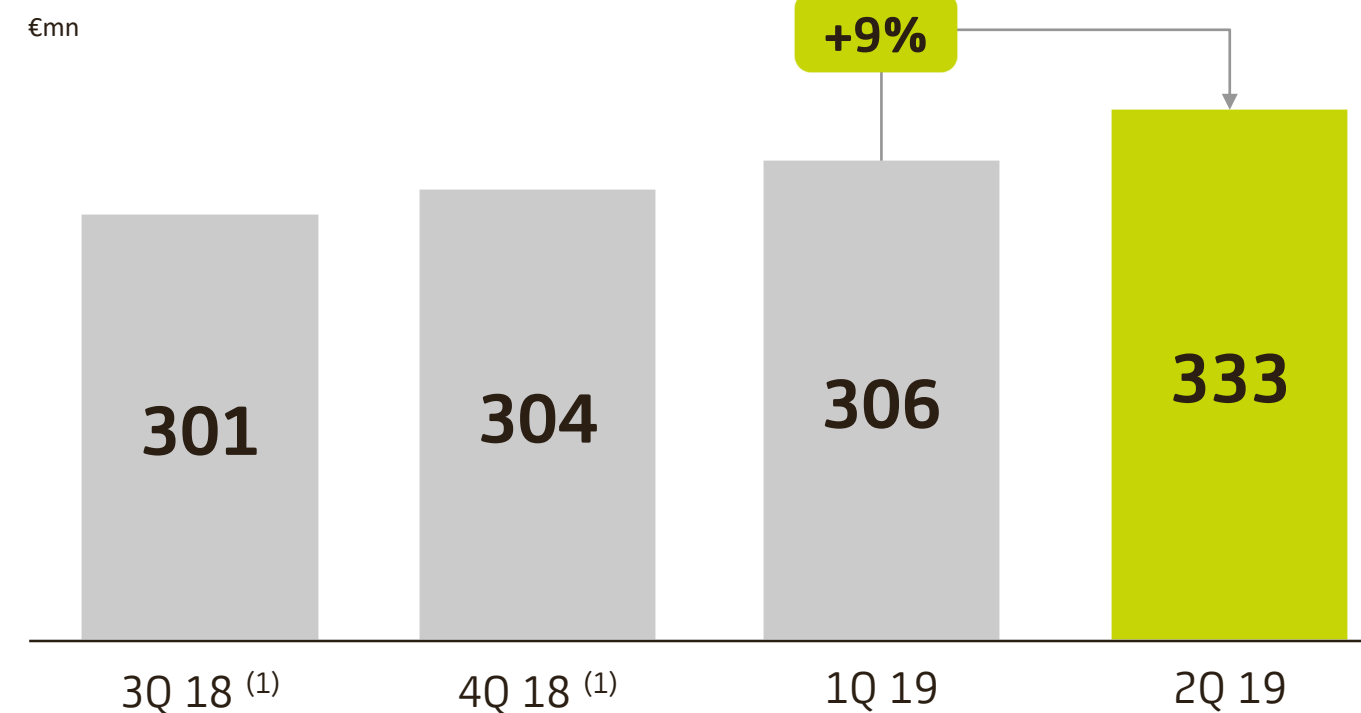
Profitability

Upward trend of gross customer margin and “Core” result

GROSS CUSTOMER MARGIN



“CORE” RESULT ⁽²⁾



Attributable Profit: €400mn ^{1H 19}

ROE: 6.3% ^{1H 19}

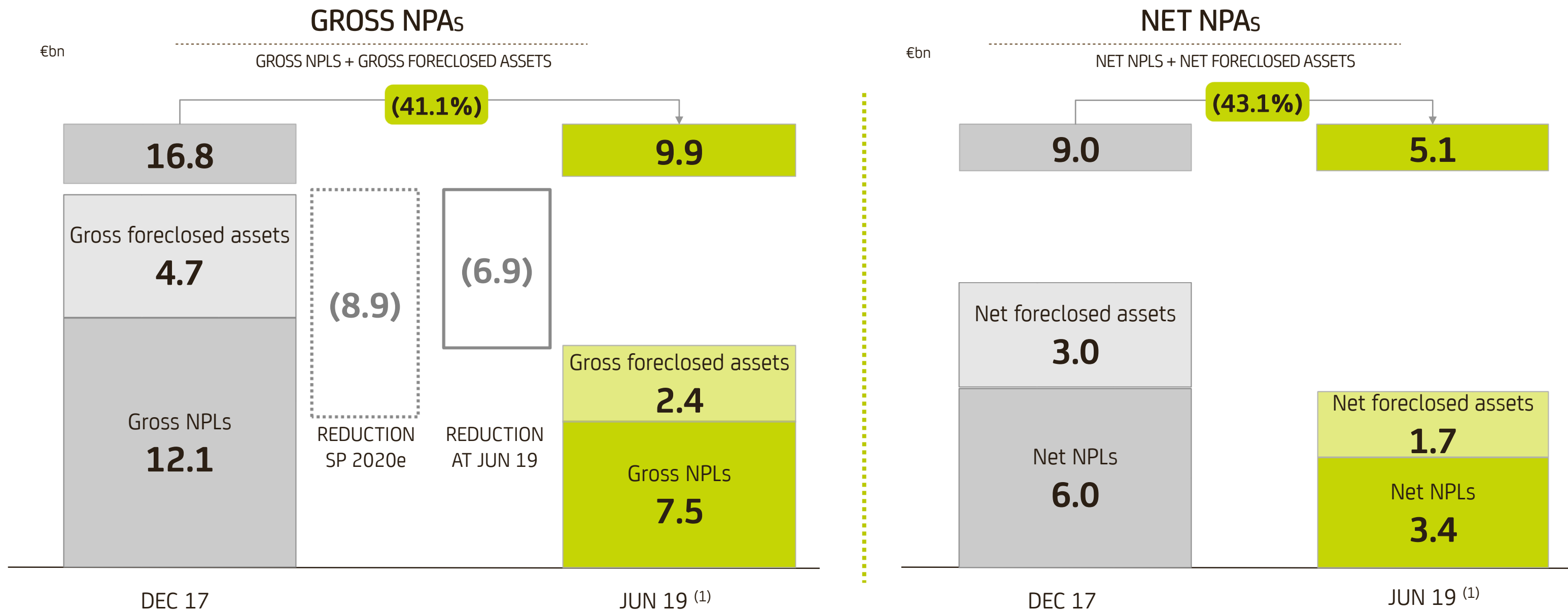
⁽¹⁾ 2018 proforma includes estimated impact of IFRS 16 so as to be comparable with 2019

⁽²⁾ “Core” Result: NII + net fee and commission income - operating expenses

> 2Q 2019 Highlights

Asset quality

Significant reduction of NPAs in the last 18 months

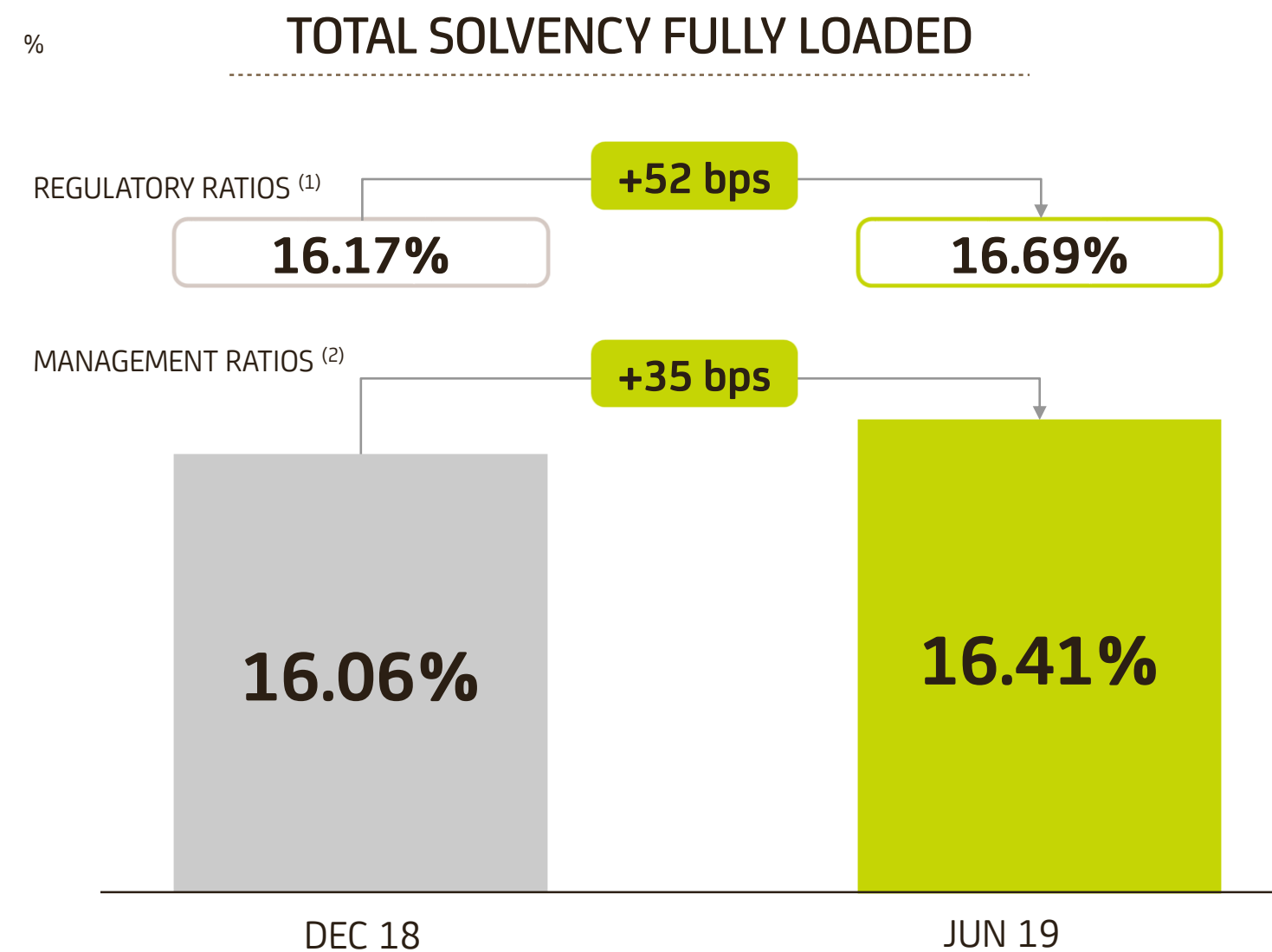
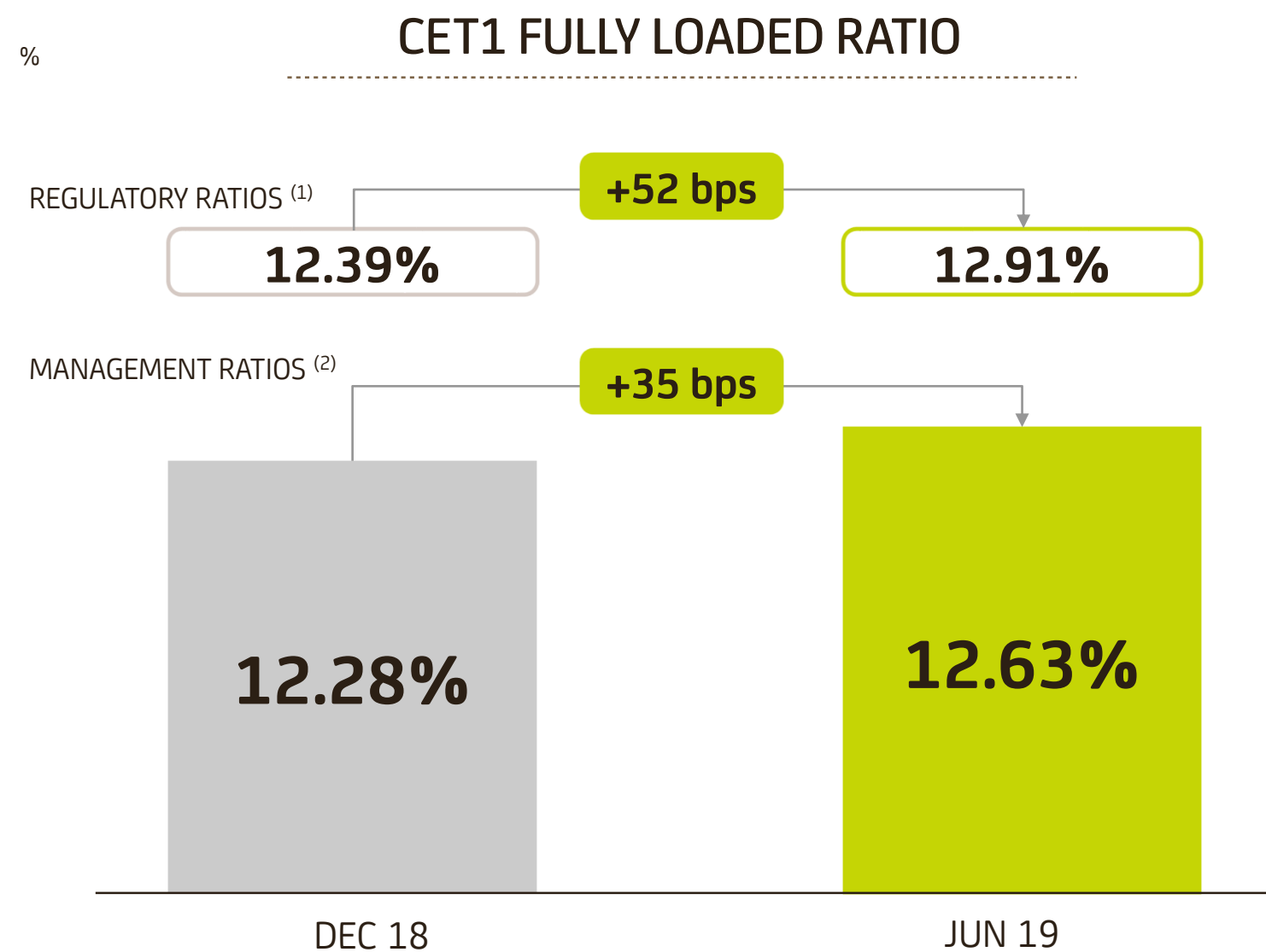


⁽¹⁾ Proforma data after the non-performing asset portfolio sales (including the impact of Green which closed in July 2019 and Fire which is expected to close during 2019)

> **2Q 2019 Highlights**

Capital generation

52 bps of CET1 FL capital generation in 1H 2019



The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the 2018 expected dividend payout (50.8%)

(1) Ratios include unrealized capital gains on fair value sovereign portfolio

(2) Ratios exclude unrealized capital gains on fair value sovereign portfolio

1

2Q 2019 HIGHLIGHTS

2

2Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CLOSING REMARKS

APPENDIX

> 2Q 2019 Results

Income statement - Bankia Group proforma IFRS 16 ⁽¹⁾

	1H 18	1H 19	Diff % 1H 19 vs 1H 18
€mn Net interest income	1,042	1,018	(2.3%)
Net fee and commission income	534	533	(0.1%)
Net trading income	291	140	(52.0%)
Other revenue	(31)	(19)	(34.3%)
Gross income	1,836	1,671	(9.0%)
Operating expenses	(941)	(912)	(3.0%)
“Core” Result ⁽²⁾	635	639	0.6%
Pre-provision profit	895	759	(15.2%)
Loan loss provisions	(176)	(151)	(14.3%)
Foreclosed asset provisions	(50)	(72)	46.1%
Other provisions and other results	10	4	(54.9%)
Profit before tax	679	540	(20.5%)
Taxes, minority interests and other items	(166)	(140)	(16.0%)
Profit attributable to the Group	513	400	(22.1%)

> 2Q 2019 Results

Income statement - Bankia Group

€mn	1Q 19	2Q 19	Diff % 2Q 19 vs 1Q 19
Net interest income	502	516	2.9%
Net fee and commission income	260	273	4.8%
Net trading income	37	102	-
Other revenue	14	(34)	-
Gross income	813	858	5.4%
Operating expenses	(456)	(456)	(0.1%)
“Core” Result ⁽²⁾	306	333	9.0%
Pre-provision profit	357	402	12.5%
Loan loss provisions	(59)	(92)	56.6%
Foreclosed asset provisions	(31)	(41)	32.6%
Other provisions and other results	2	2	1.3%
Profit before tax	269	271	0.8%
Taxes, minority interests and other items	(64)	(76)	17.8%
Profit attributable to the Group	205	195	(4.9%)

⁽¹⁾ “Core” Result: NII + net fee and commission income - operating expenses

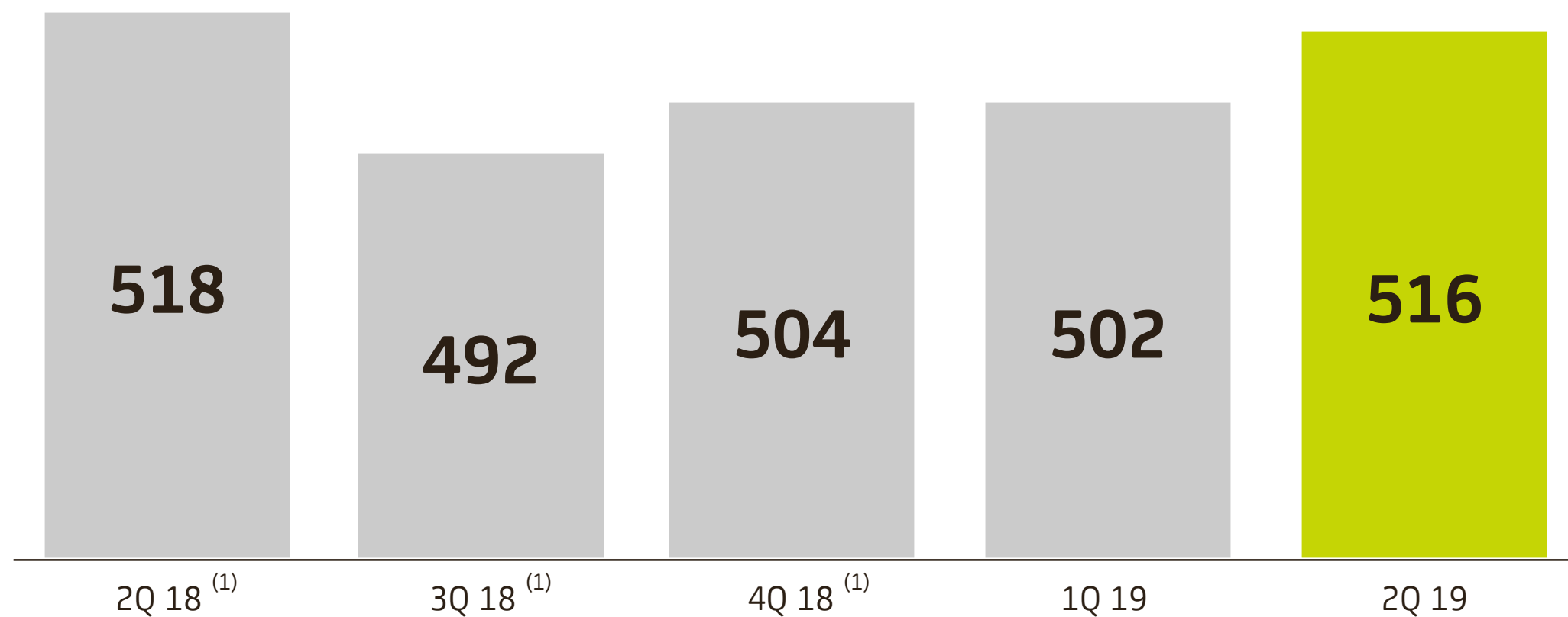
> **2Q 2019 Results**

Net interest income

Trend change of net interest margin

NET INTEREST MARGIN PERFORMANCE

€mn



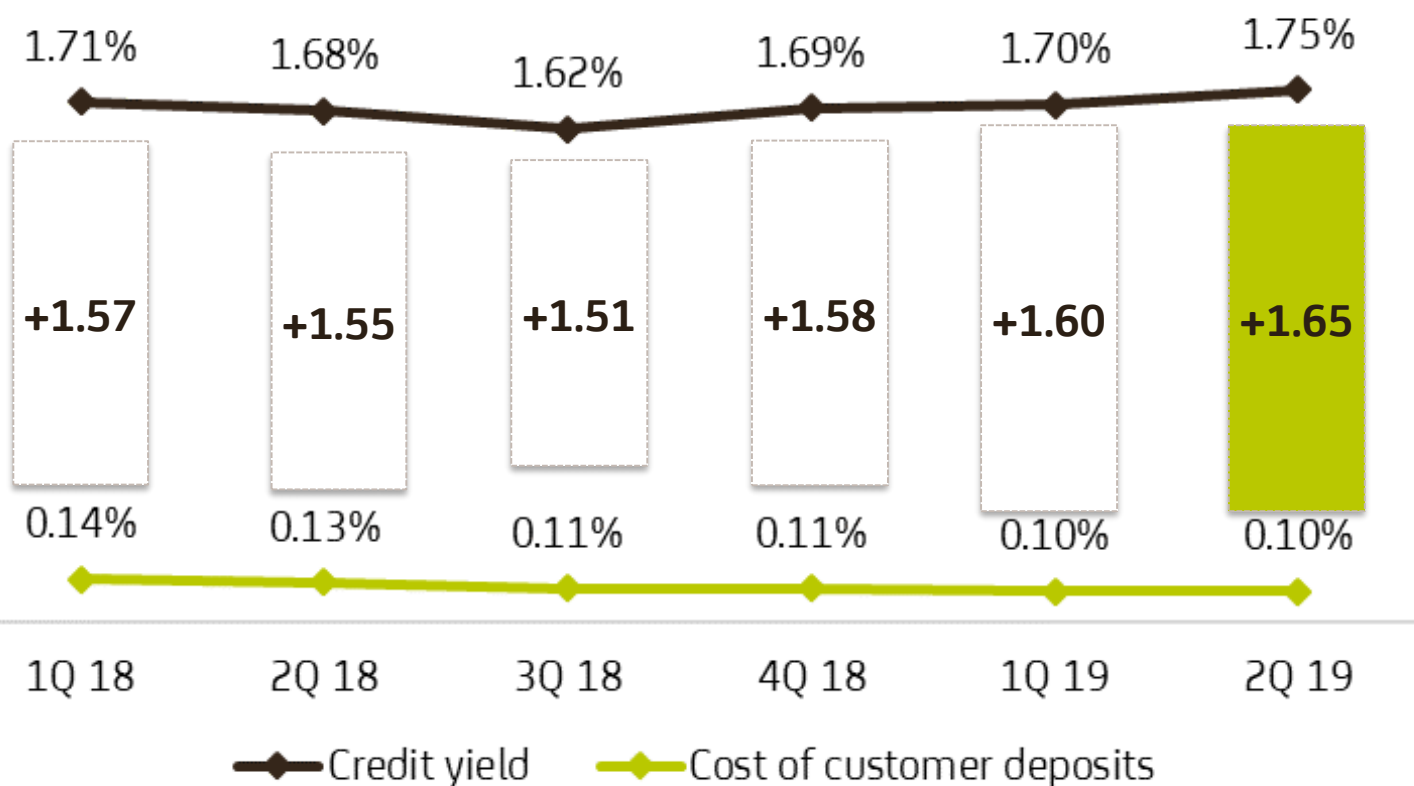
⁽¹⁾ 2018 proforma data includes estimated impact of IFRS 16 so as to be comparable with 2019

> **2Q 2019 Results**

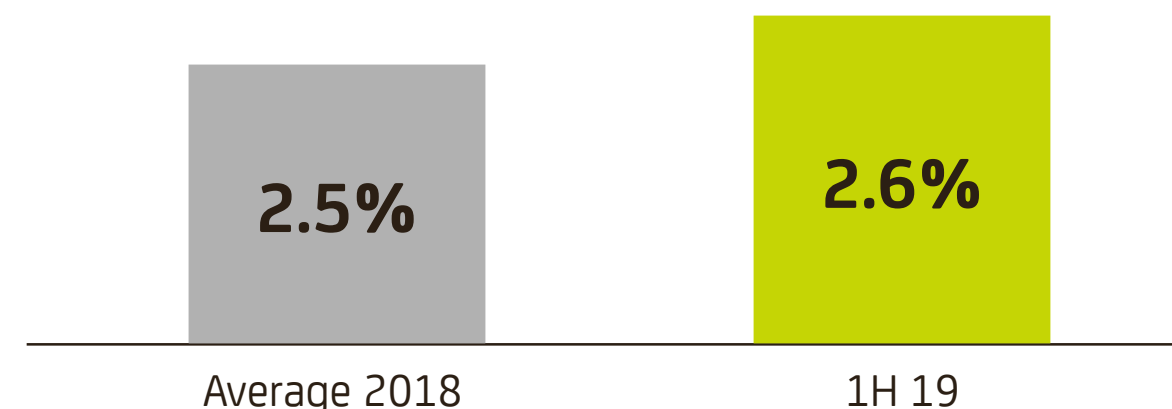
Net interest income

Credit yield improvement supports the gross customer margin

GROSS CUSTOMER MARGIN



NEW LENDING INTEREST RATE ⁽¹⁾



(1) Average interest rate. Front book excludes public sector

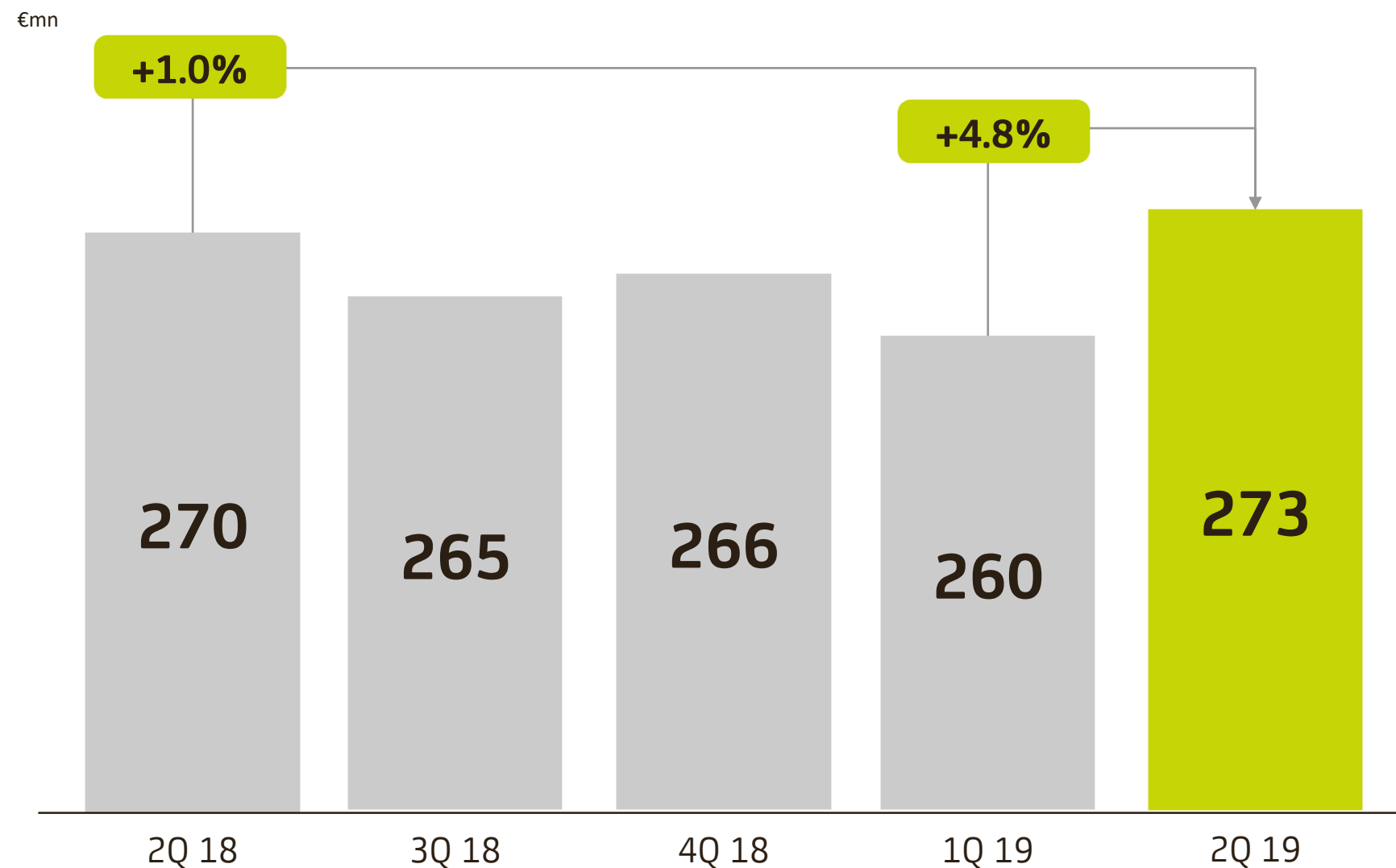
New lending rate above the back book rate

> **2Q 2019 Results**

Fees and commissions

Positive increase in fees from payment services and assets under management

NET FEES AND COMMISSIONS



ASSETS UNDER MANAGEMENT

Gross fees from mutual funds, pensions and insurance

+6.6% 2Q19 vs 2Q18



PAYMENT SERVICES

Gross fees from credit cards, POS Terminals, ATMs...

+12.3% 2Q19 vs 2Q18

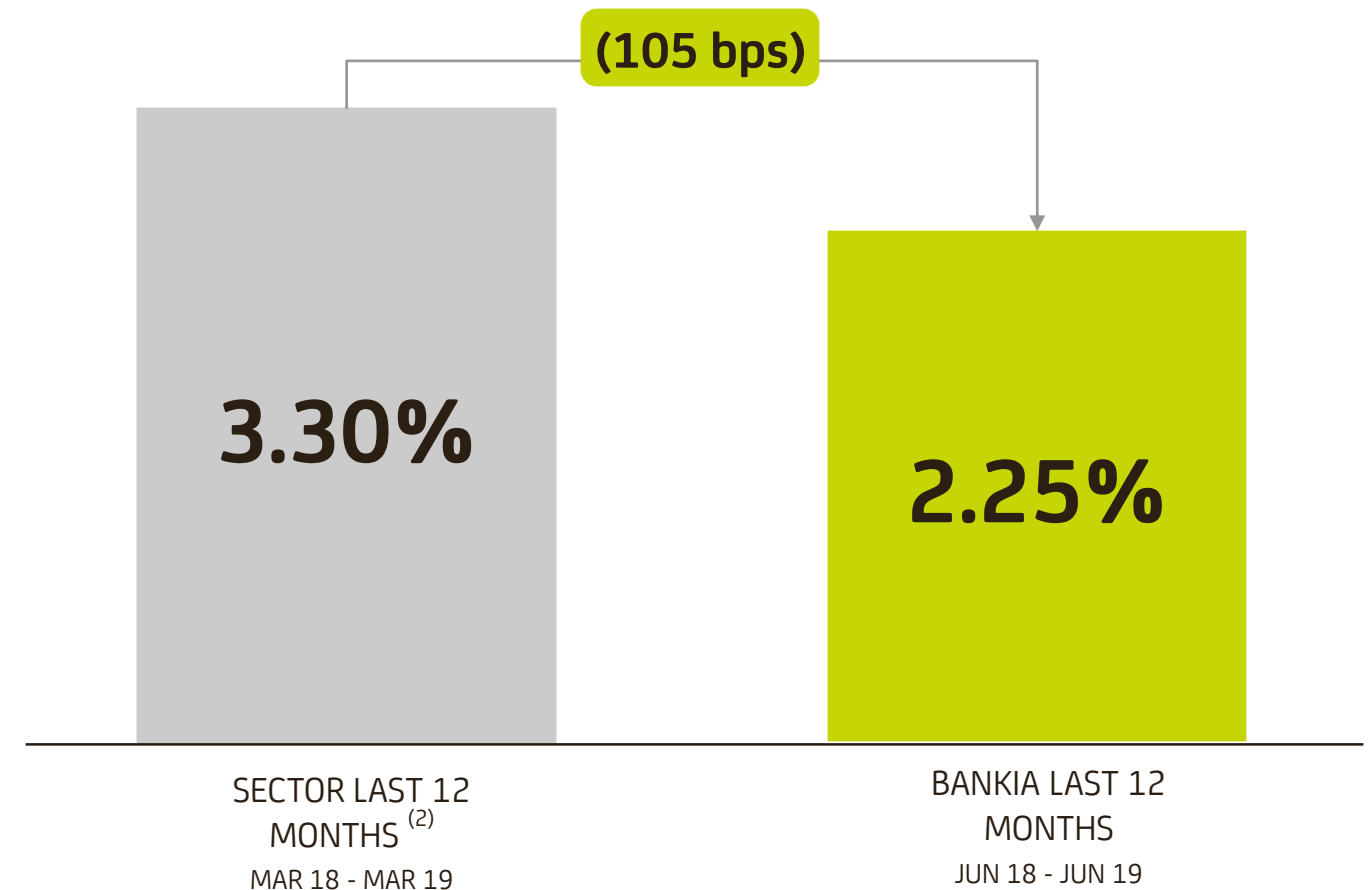
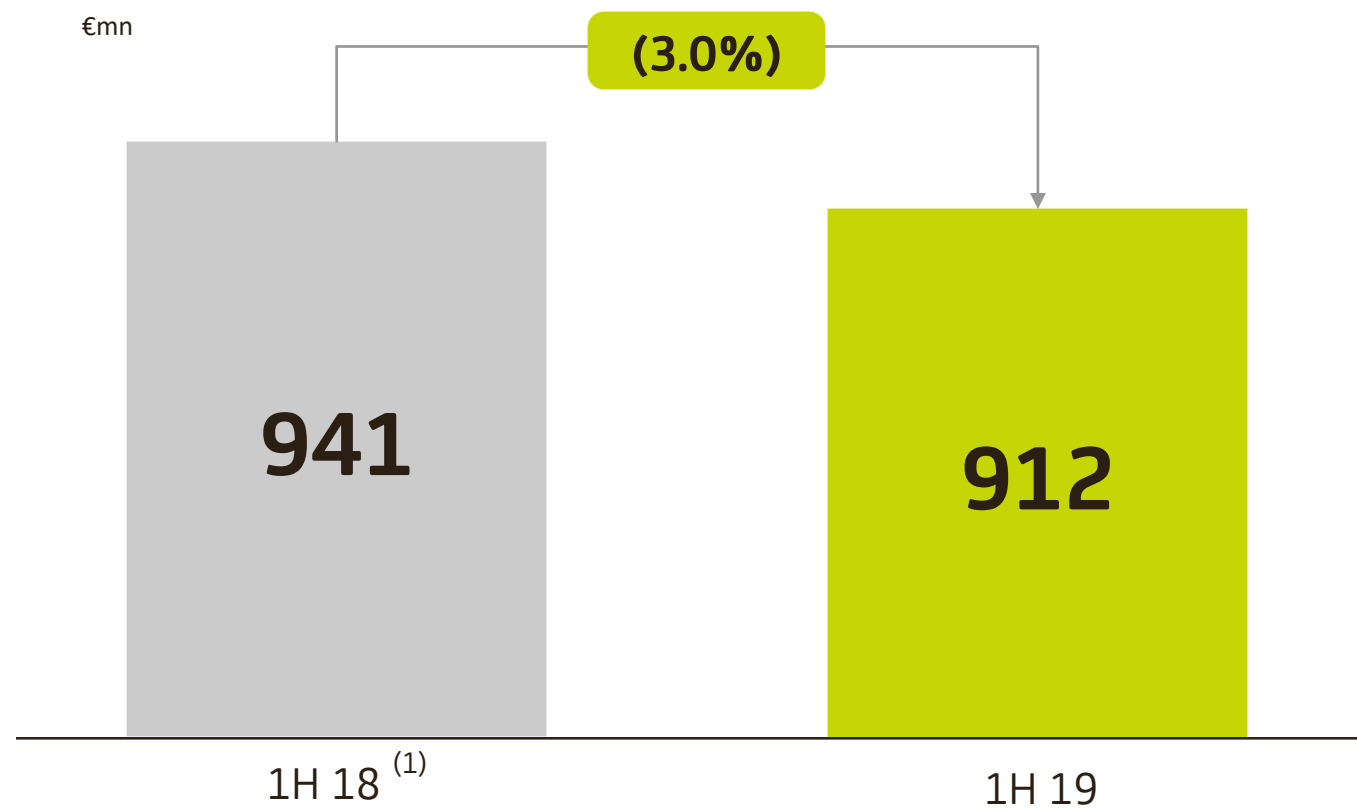
> **2Q 2019 Results**

Operating expenses

Cost containment as a key management lever

OPERATING EXPENSES PERFORMANCE

OPERATING EXPENSES / RWAs



⁽¹⁾ 2018 proforma data includes estimated impact of IFRS 16 so as to be comparable with 2019

⁽²⁾ Sector data includes peers: Santander, BBVA, Caixabank, B. Sabadell and Bankinter

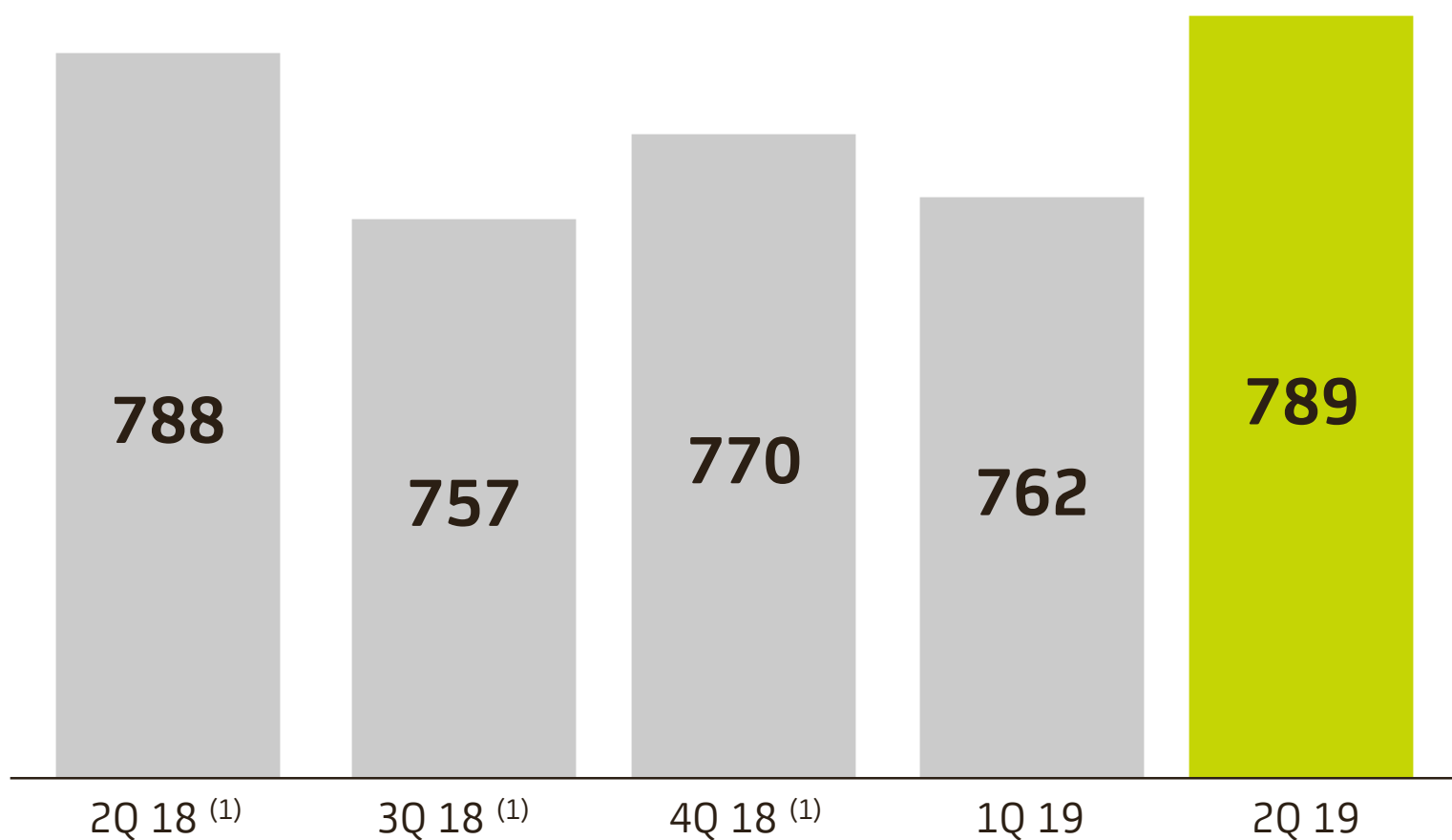
> **2Q 2019 Results**

“Core” Result

“Core” result increases up to €333mn

NII + FEES AND COMMISSIONS

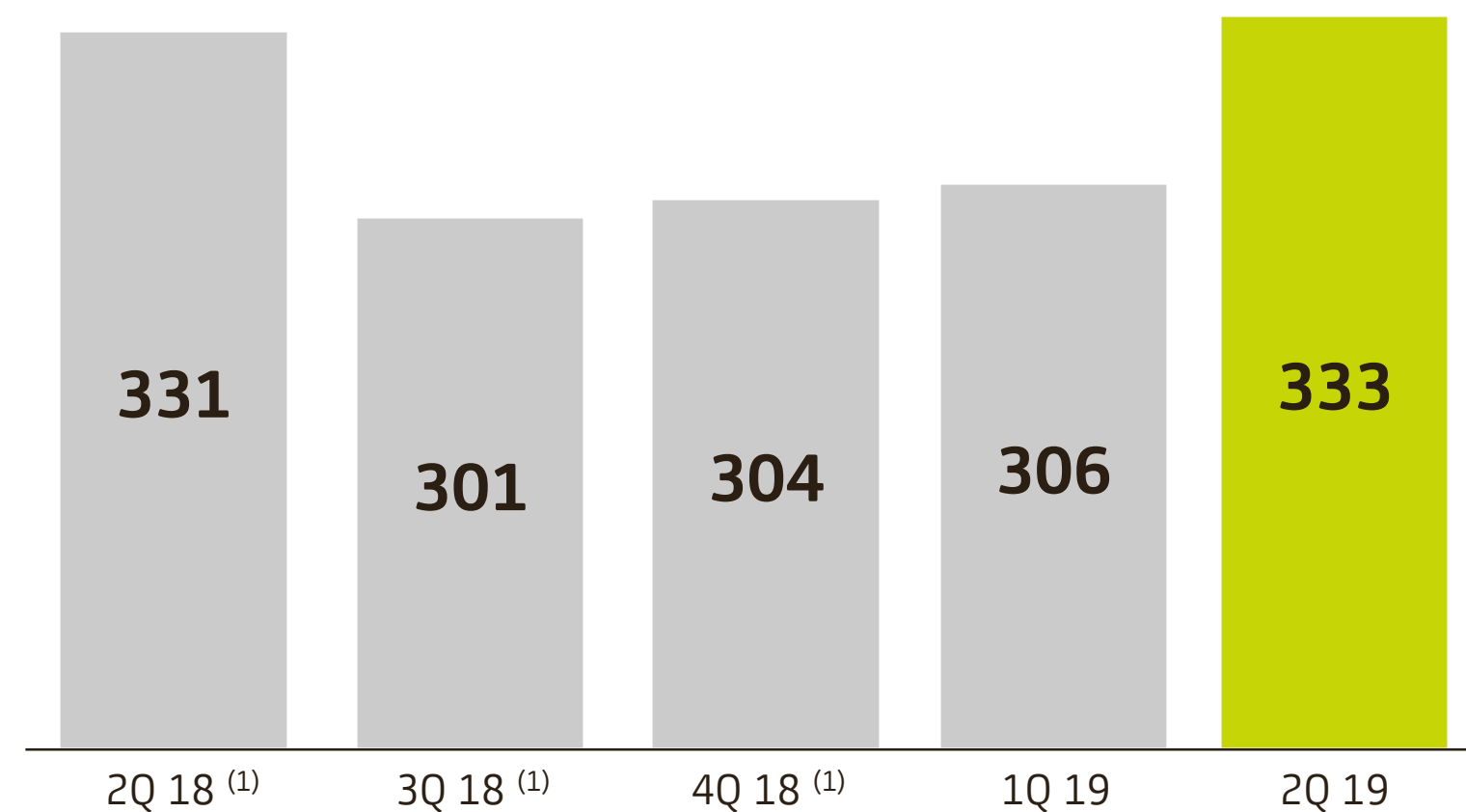
€mn



“CORE” RESULT

NII + FEES AND COMMISSIONS - OPERATING EXPENSES

€mn

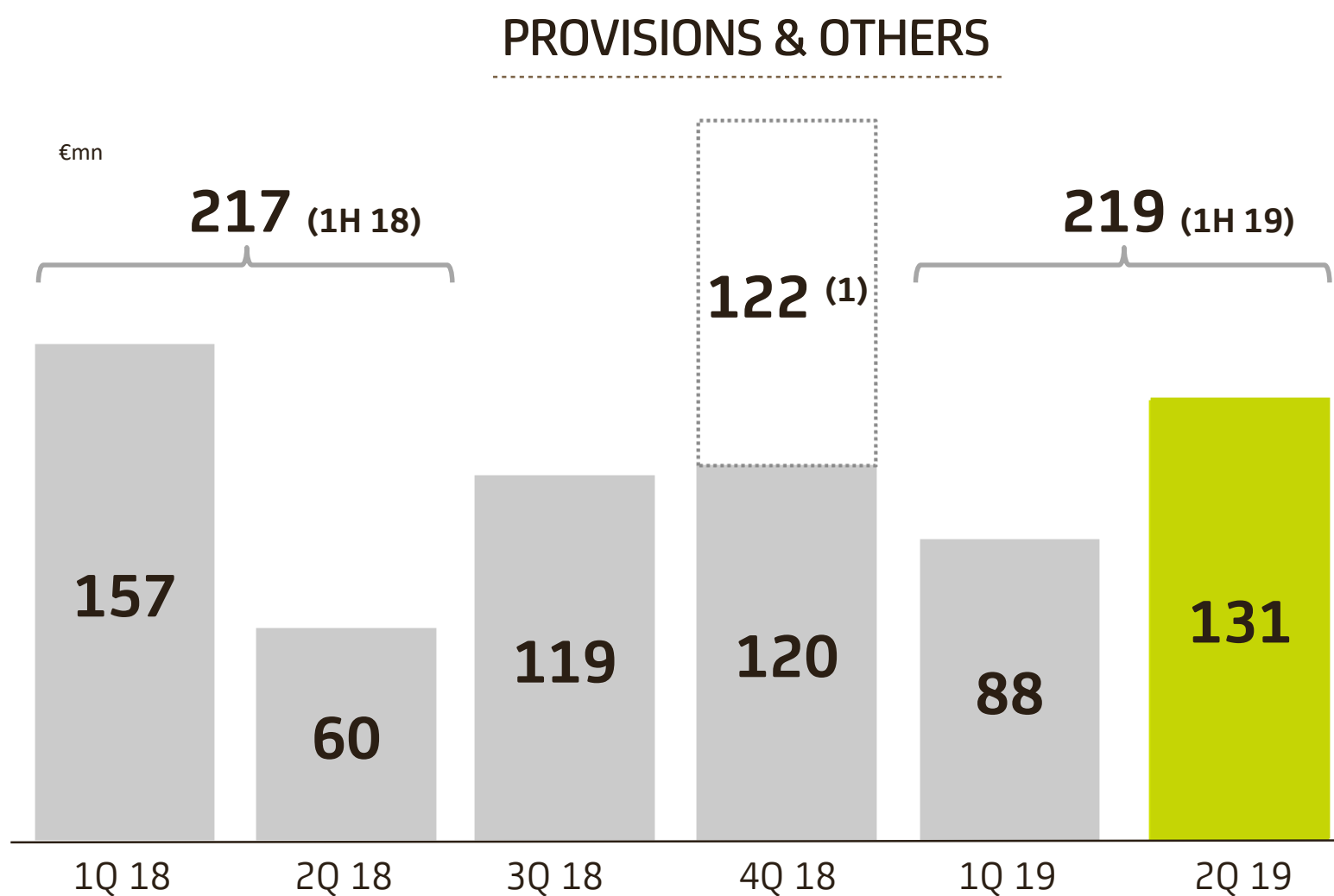


⁽¹⁾ 2018 proforma data includes estimated impact of IFRS 16 so as to be comparable with 2019

> 2Q 2019 Results

Cost of Risk

Provisioning in line with first half 2018



	1Q 19	2Q 19
PRE-PROVISION PROFIT	357	402
LOAN LOSS PROVISIONS ⁽²⁾	(59)	(92)
FORECLOSED ASSET PROVISIONS	(31)	(41)
OTHER PROVISIONS & OTHERS ⁽³⁾	2	2
TOTAL PROVISIONS & OTHERS	(88)	(131)
PROFIT BEFORE TAX	269	271

⁽¹⁾ Extraordinary provisions for non-performing asset sales and others

⁽²⁾ Financial and non-financial asset provisions

⁽³⁾ Other provisions and other results

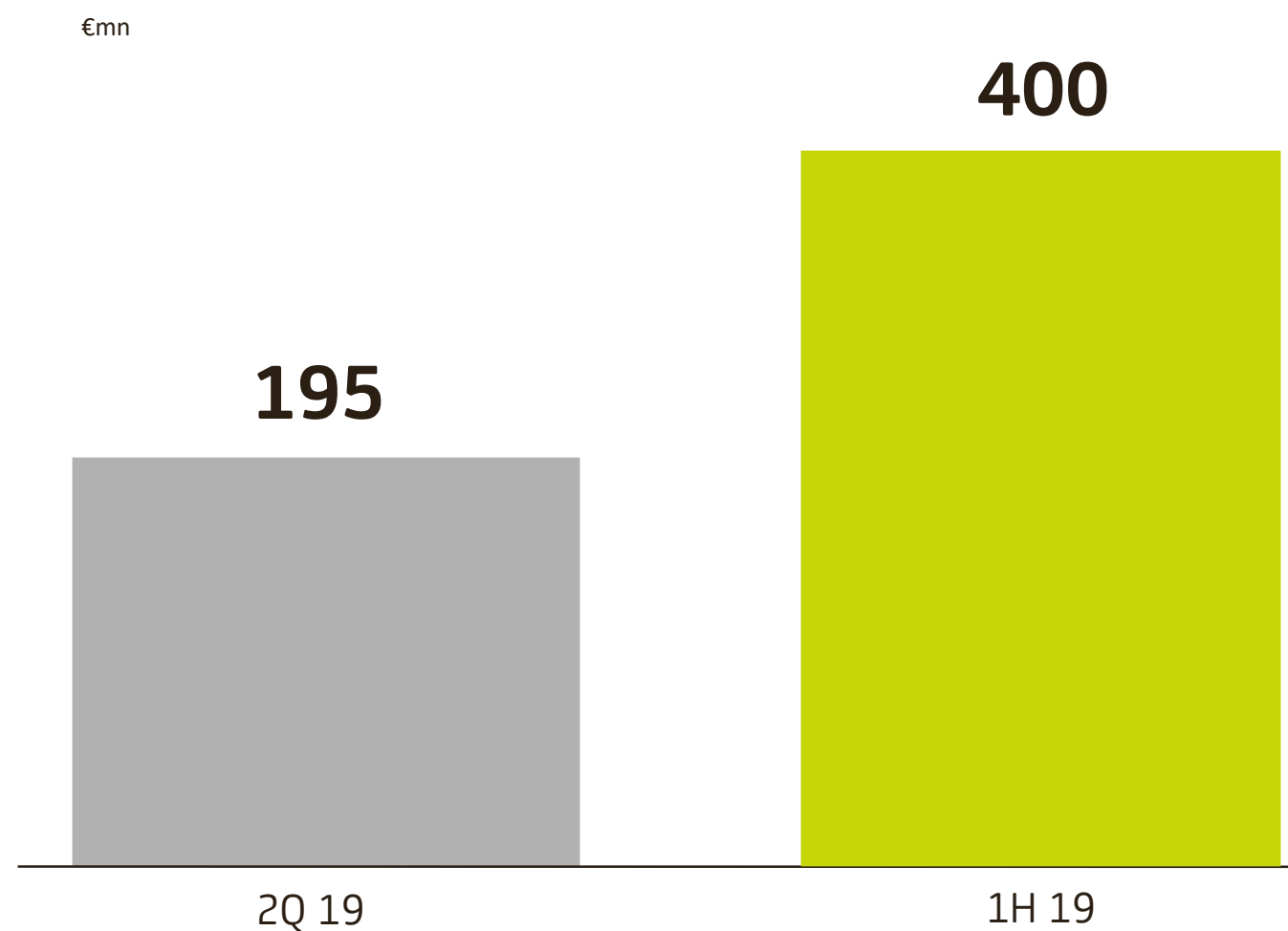
Cost of Risk: 17 bps 1H 19

> 2Q 2019 Results

Attributable profit

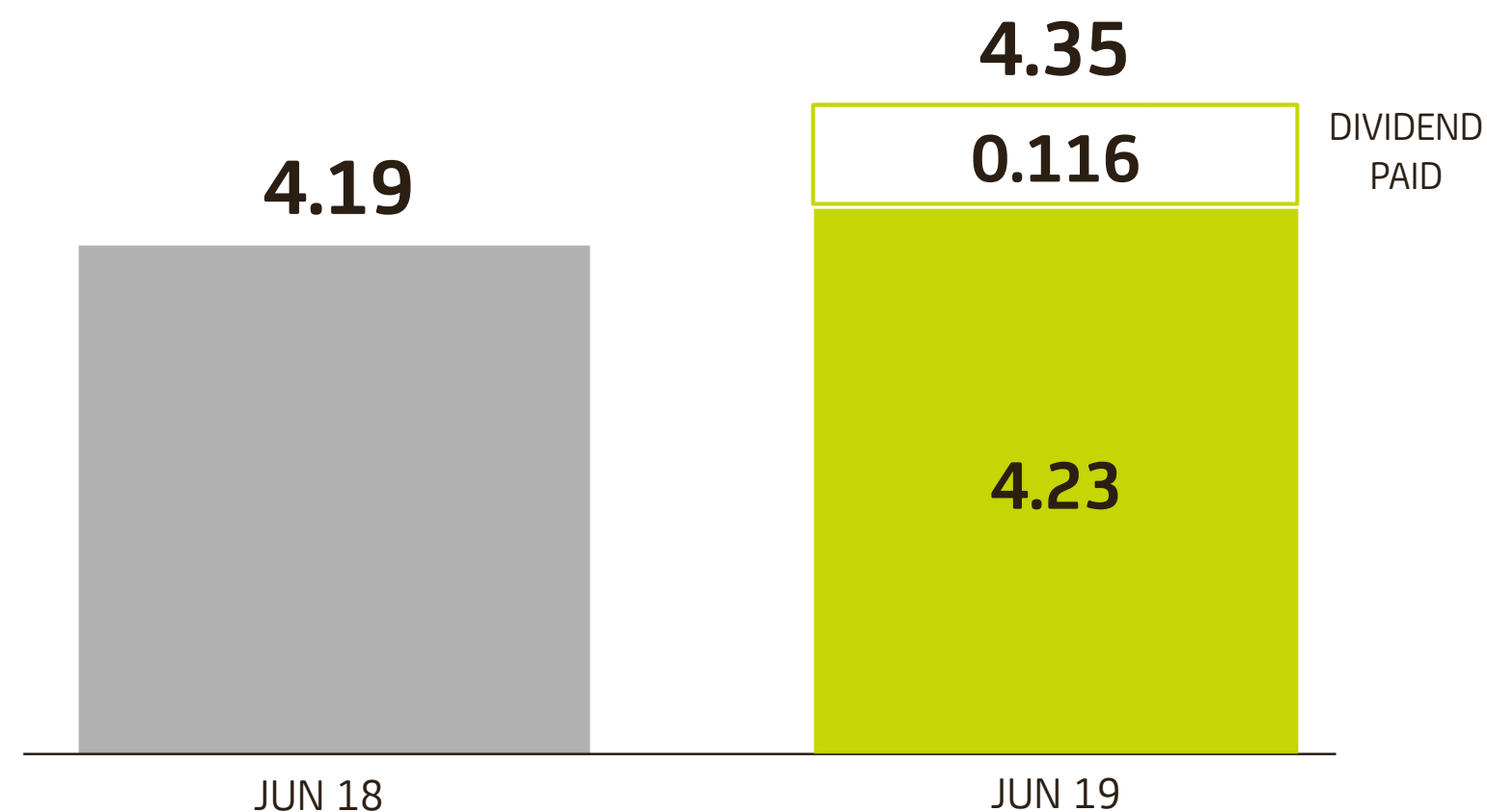
Accumulated attributable profit of €400mn

ATTRIBUTABLE PROFIT



TANGIBLE BOOK VALUE PER SHARE

EUROS PER SHARE



1

2Q 2019 HIGHLIGHTS

2

2Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

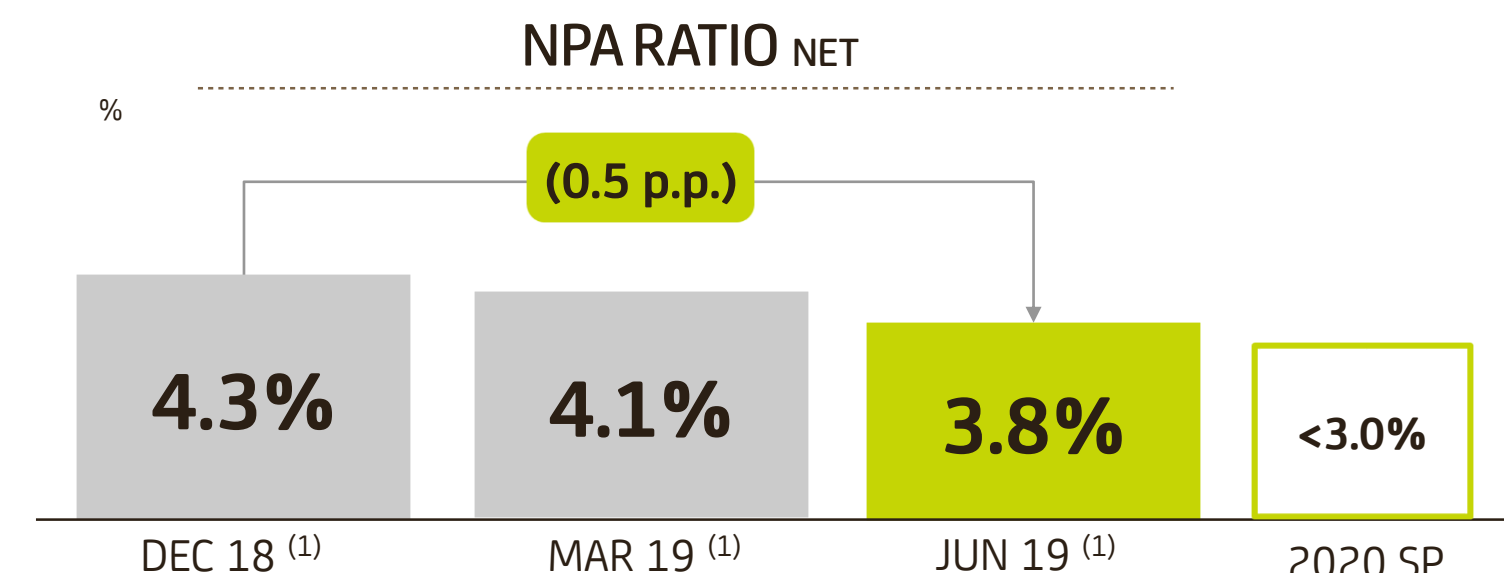
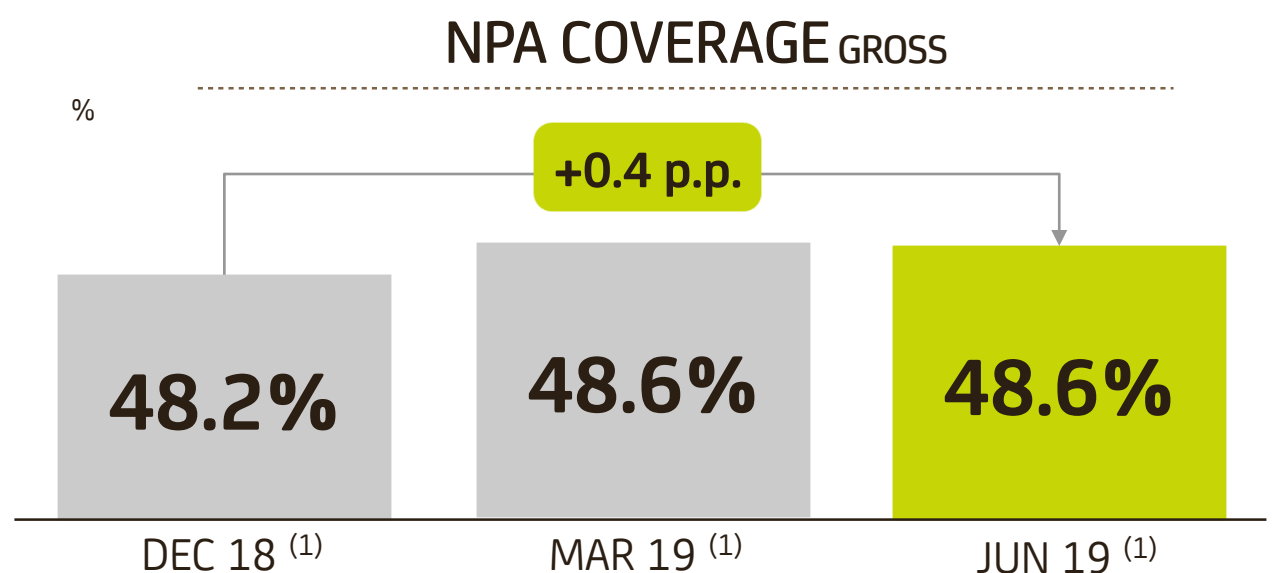
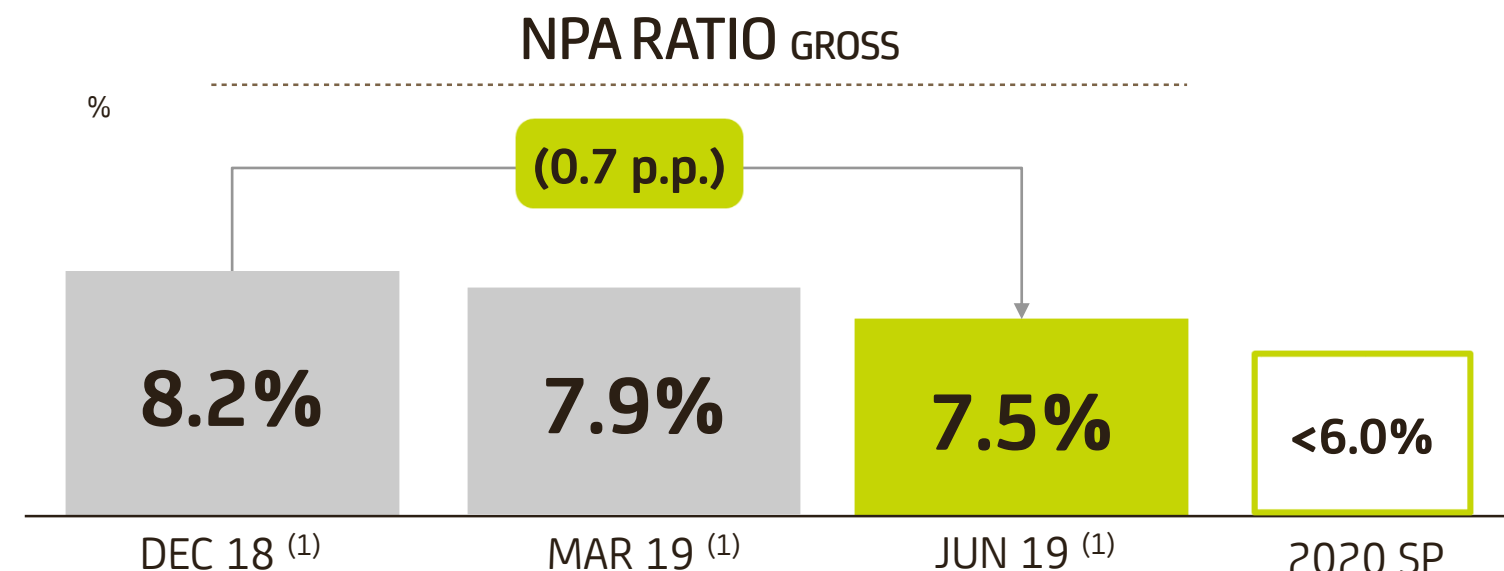
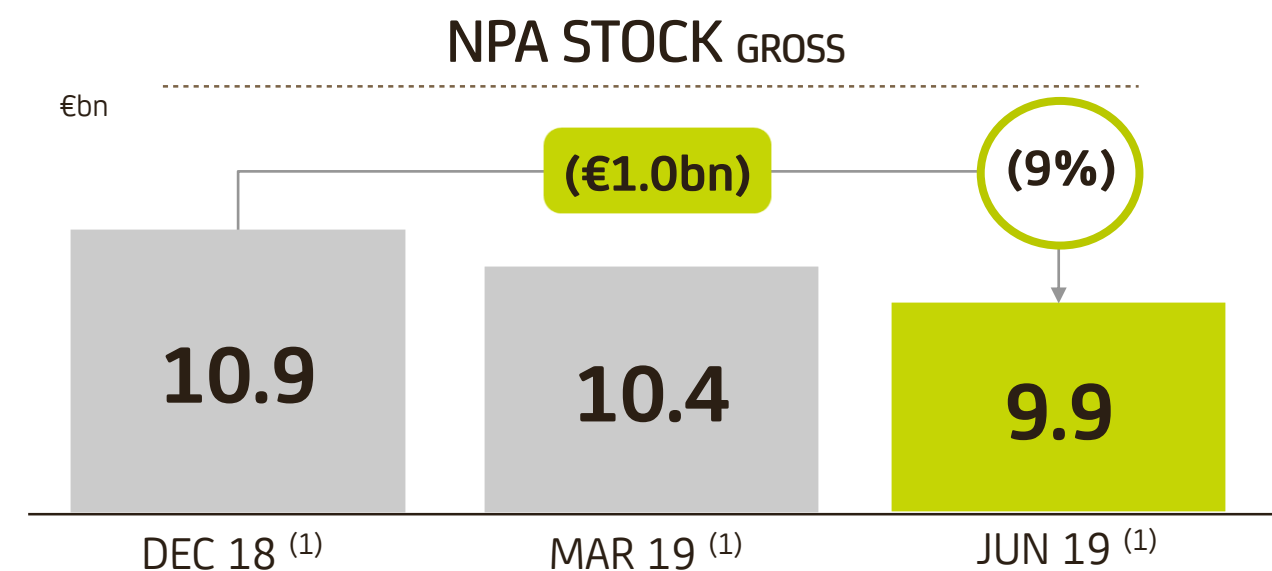
CLOSING REMARKS

APPENDIX

> **Asset quality and risk management**

Credit quality

NPA reduction of €1bn in first half 2019

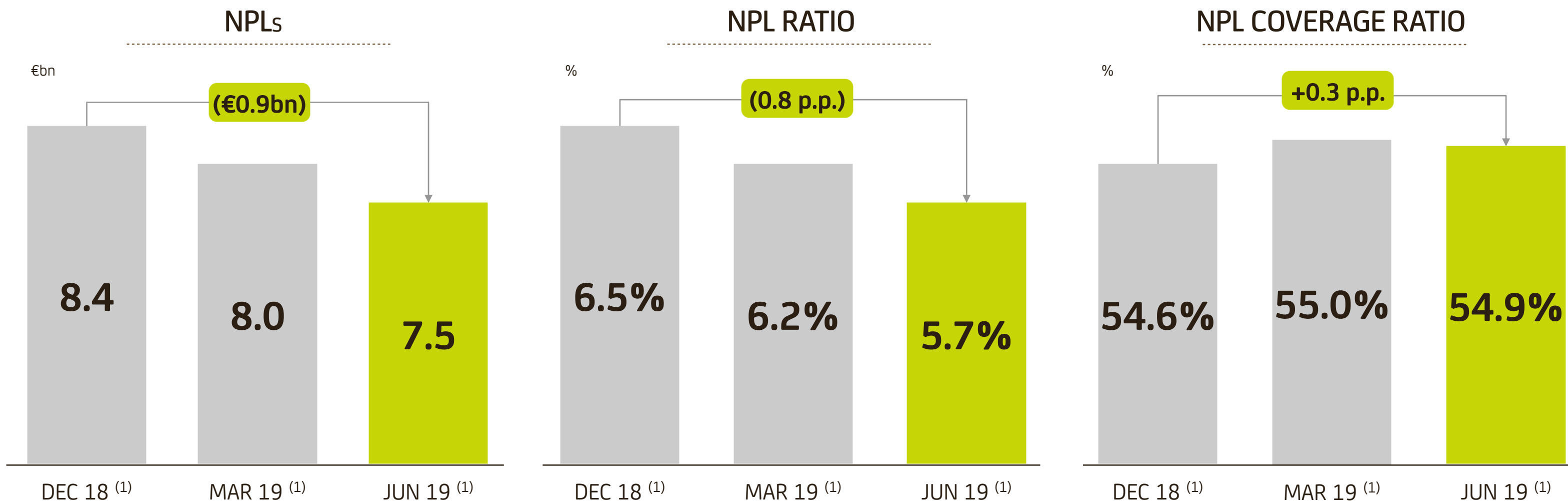


⁽¹⁾ Proforma data after the non-performing asset portfolio sales (including the impact of Green which closed in July 2019 and Fire which is expected to close during 2019)

> **Asset quality and risk management**

Credit quality

Good progress in key asset quality metrics in the half year



⁽¹⁾ Proforma data after the non-performing asset portfolio sales (including the impact of Green which closed in July 2019 and Fire which is expected to close during 2019)

1

2Q 2019 HIGHLIGHTS

2

2Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CLOSING REMARKS

APPENDIX

> **Liquidity** and solvency

Liquidity

New issuances in the quarter strengthen liquidity and capital

SENIOR NON PREFERRED DEBT		SENIOR PREFERRED DEBT ⁽¹⁾	
AMOUNT	€500mn	AMOUNT	€750mn
CUPON	1.00%	CUPON	0.75%
TERM	5 years	TERM	7 years
% INTERNATIONAL INVESTORS	84%	% INTERNATIONAL INVESTORS	66%

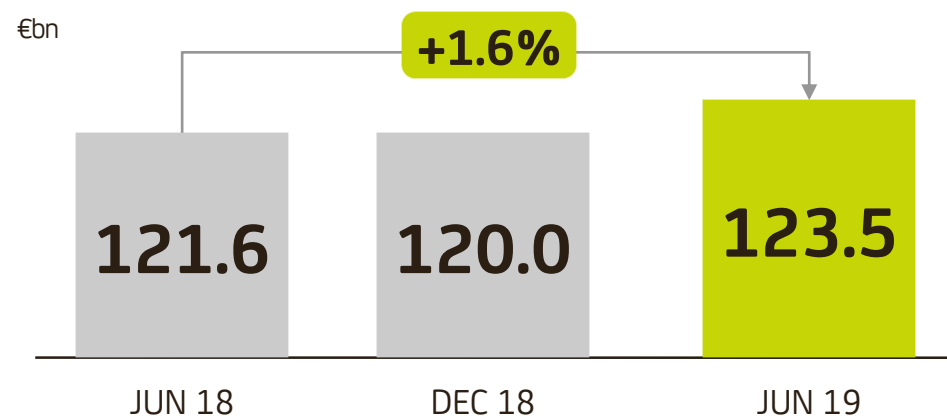
Increase of €1,250mn eligible instruments in 2Q 2019 to comply with MREL requirements

> **Liquidity** and solvency

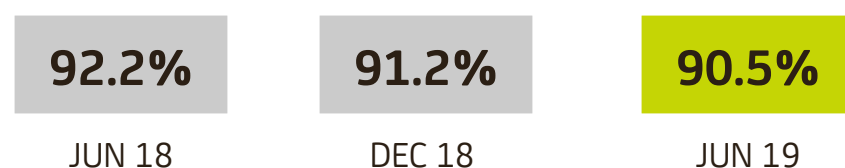
Liquidity and Rating

Liquidity metrics and ratings

STRICT CUSTOMER DEPOSITS



LOAN TO DEPOSIT RATIO

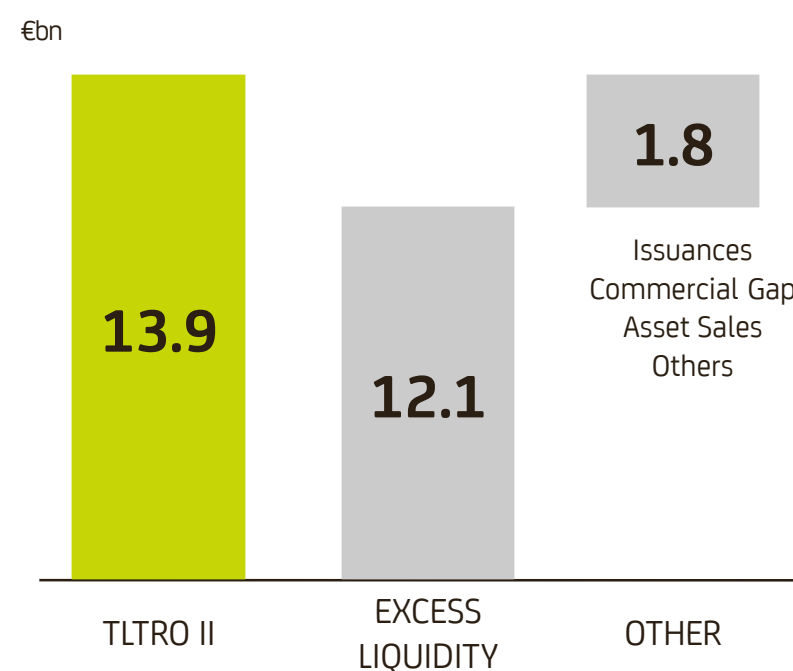


86%

Retail deposits / total deposits

LIQUIDITY

> LCR Jun 2019 **185%**



RATING

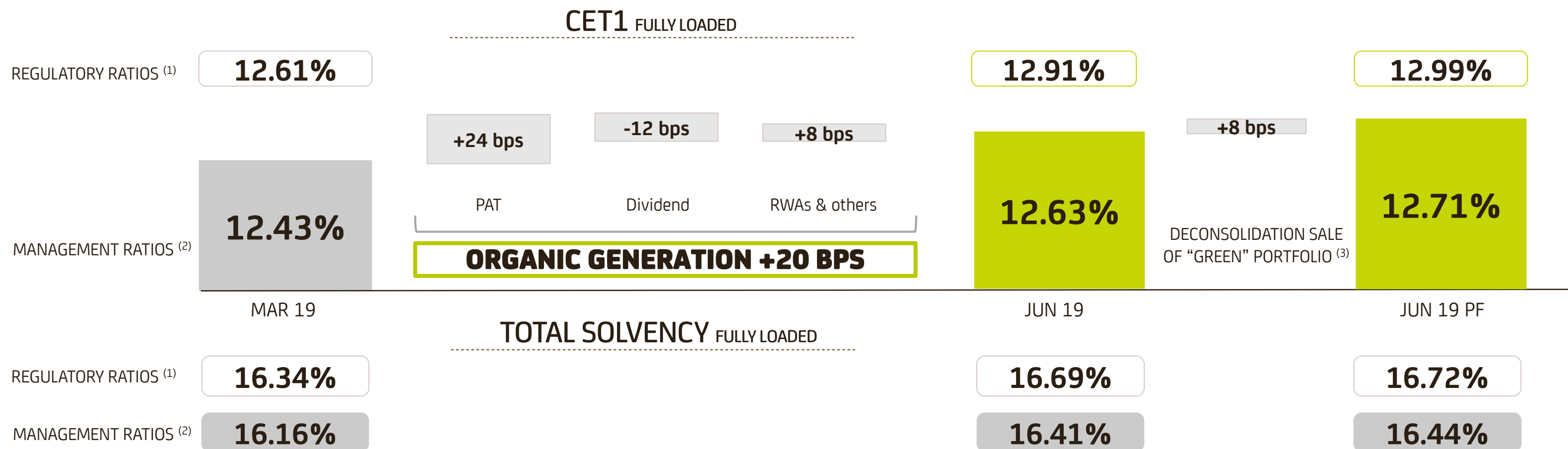
Agency	Dec 18	Jun 19
S&P Global Ratings	BBB Stable outlook	BBB Stable outlook
Fitch Ratings	BBB- Stable outlook	BBB Stable outlook
DBRS	BBB (high) Stable outlook	BBB (high) Positive outlook

Rating upgrade by Fitch Ratings and outlook improvement by DBRS

➤ Liquidity y **solvency**

Solvency ratio - Fully Loaded performance

CET 1 Fully Loaded ratio stands at 12.91% at 2Q 2019



LEVERAGE RATIO FL (1) : 5.6% Jun 19

MREL RATIO ⁽¹⁾⁽⁴⁾ : 20.7% Jul 19

The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the 2018 expected dividend payout (50.8%).

(1) Ratios include unrealized capital gains on fair value sovereign portfolio

(2) Ratios exclude unrealized capital gains on fair value sovereign portfolio

(3) Includes the estimated impact of the reduction of RWAs associated with the sale of NPA portfolios

(4) Includes €750mn senior preferred debt issued on 2 July 2019

> Liquidity y **solvency**

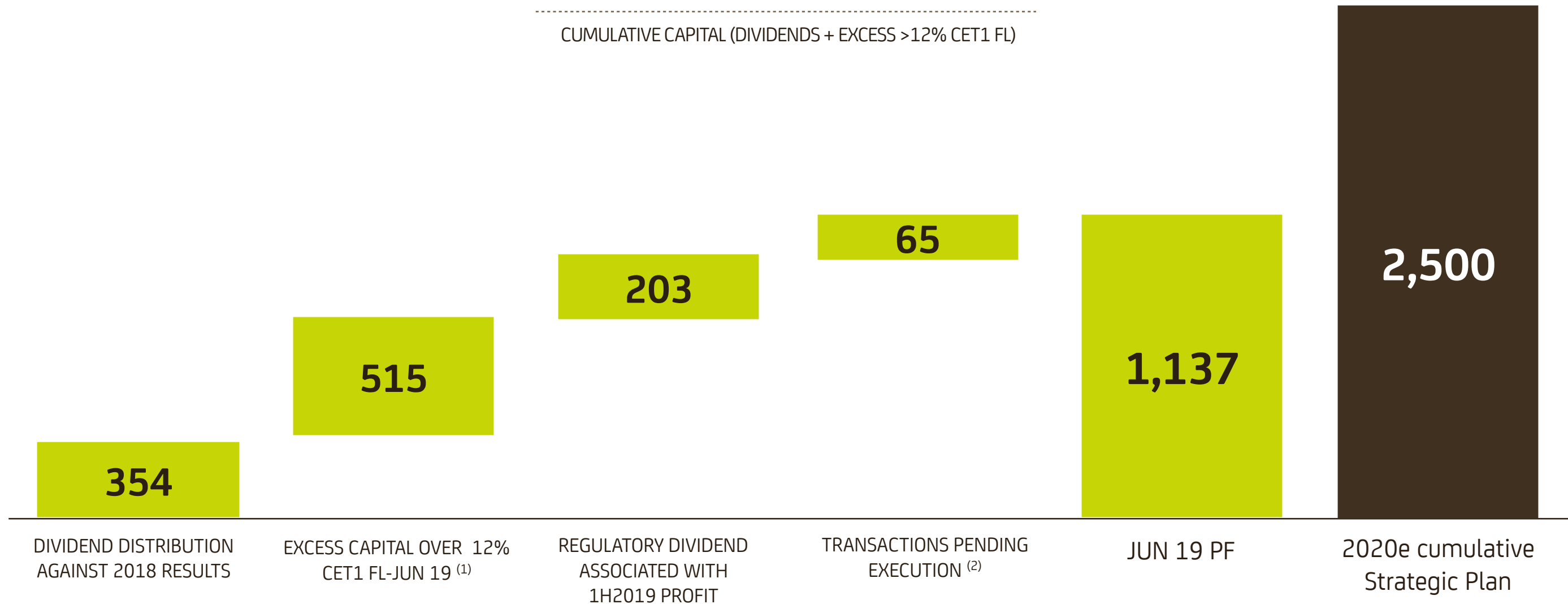
Solvency ratios - Strategic Plan context

More than €1,130mn of excess capital accumulated in 18 months in a negative interest rate environment

€mn

CAPITAL GENERATION

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



⁽¹⁾ Excess capital over 12% (63bps) calculated excluding unrealized gains on fair value sovereign portfolio

⁽²⁾ Includes the estimated impact from the RWA reduction associated with the sale of NPA portfolios

1

2Q 2019 HIGHLIGHTS

2

2Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CLOSING REMARKS

APPENDIX

> Closing remarks

1 **BMN integration**

TARGET: Cost synergies of €190mn in 3 years



€190mn cost synergies achieved in 2019e

Accelerating the target of the Strategic Plan by one year

2 **Commercial activity**

Increase in performing credit stock in strategic segments and in high value products, is reflected in market shares

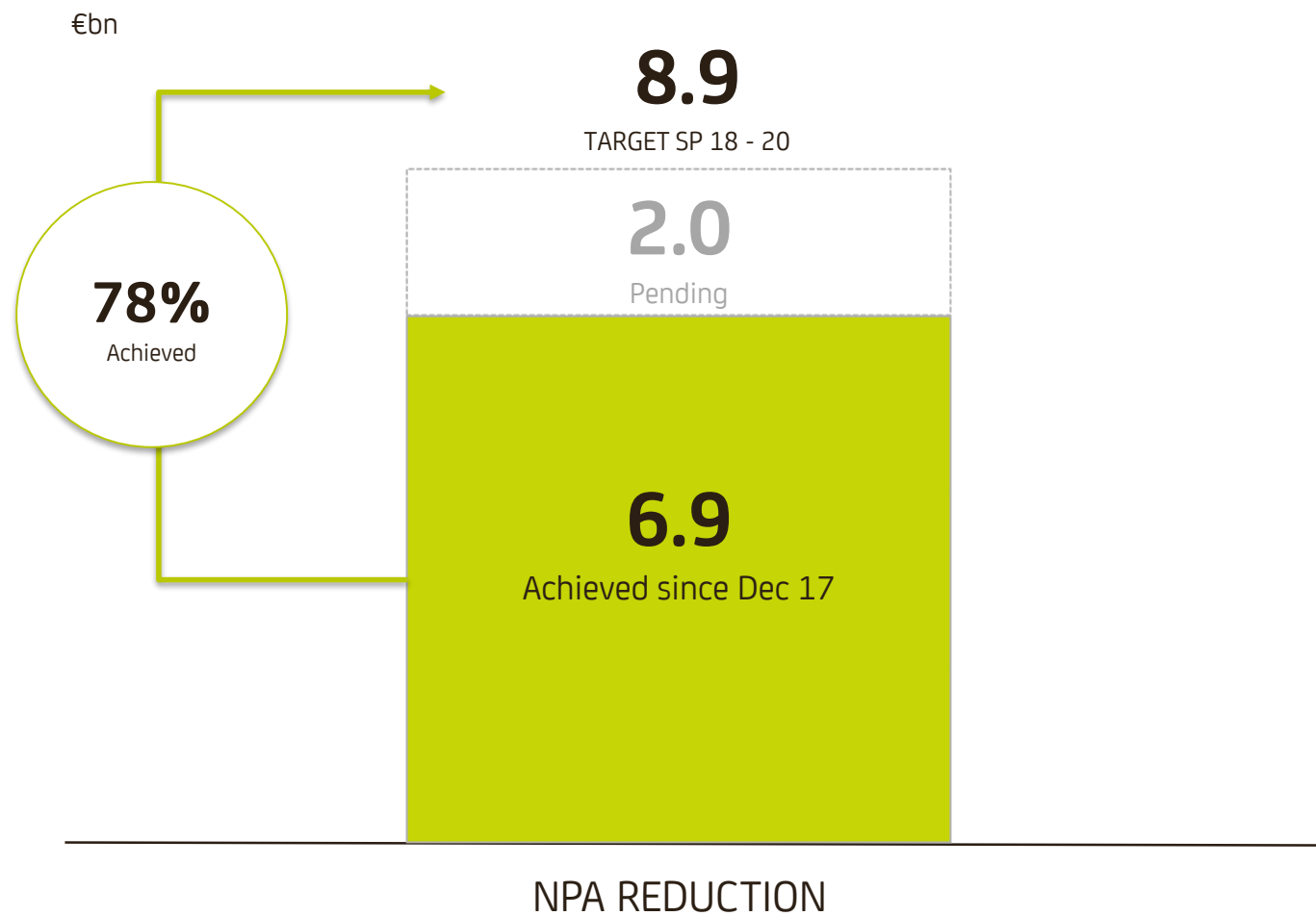
	DEC 17		JUN 19		DEC 20 SP
CONSUMER LENDING STOCK	5.5%	+10 bps	5.6%	+100 bps	6.6%
COMPANIES STOCK	6.9%	+70 bps	7.6%	+10 bps	7.7%
MUTUAL FUNDS STOCK	6.4%	+40 bps	6.8%	+40 bps	7.2%

Source: BdE

> Closing remarks

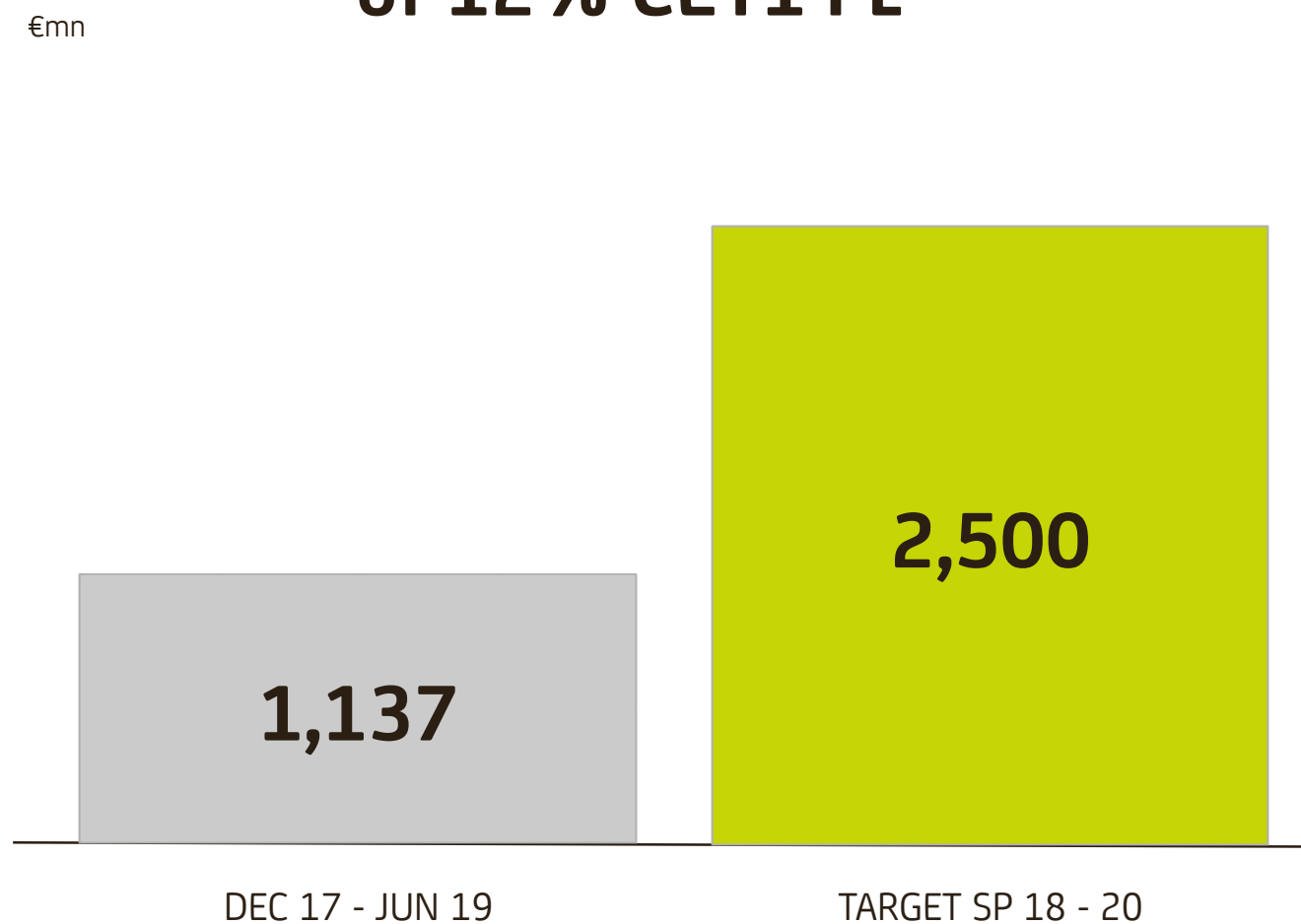
3 **Asset quality**

Accelerating the reduction of NPAs with respect to the Strategic Plan target



4 **Capital generation**

Generating dividends and excess capital above the target of 12% CET1 FL



1

2Q 2019 HIGHLIGHTS

2

2Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CLOSING REMARKS

APPENDIX

> **Appendix**

Income statement - Bankia Group

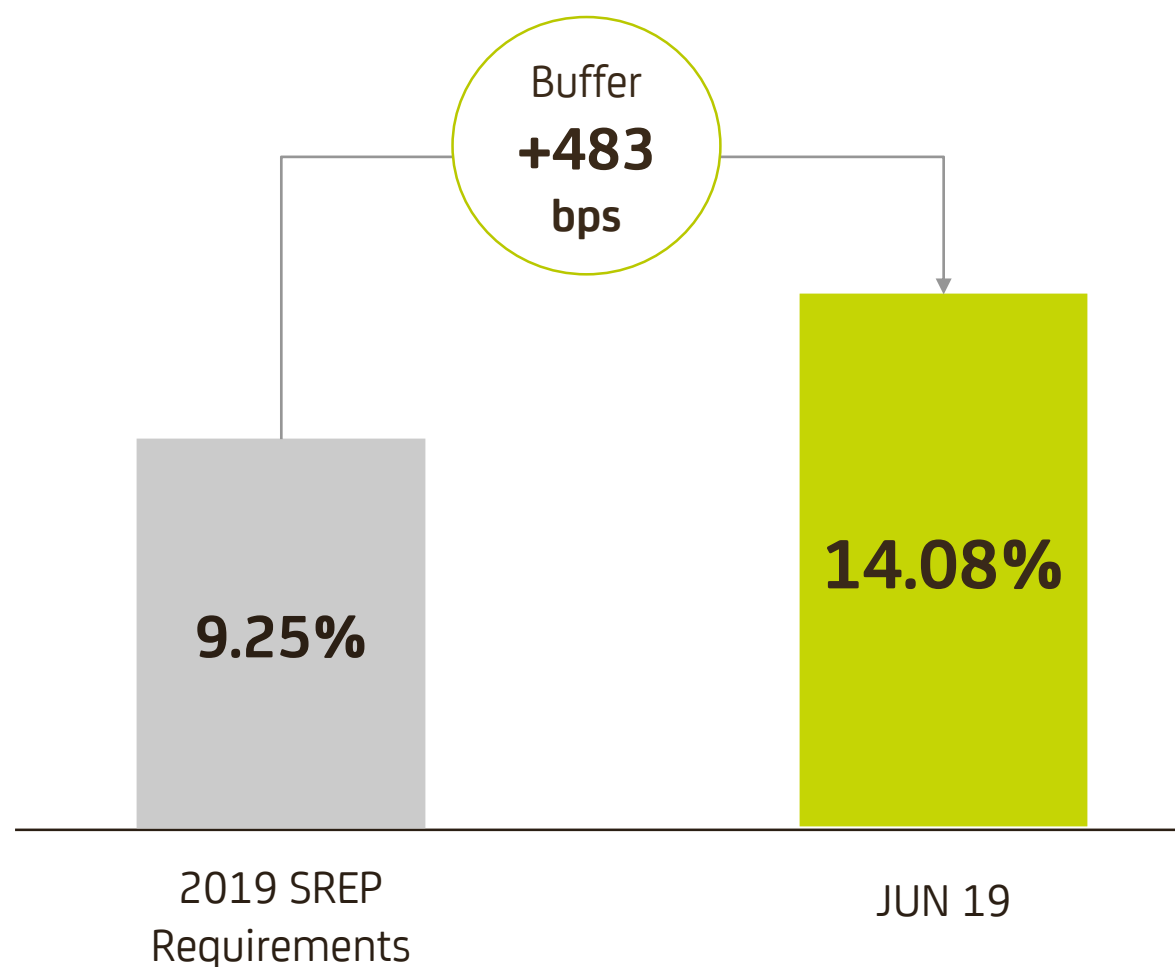
€mn	2018 income statement pre IFRS 16				IFRS 16	
	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19
Net interest income	526	521	495	507	502	516
Net fee and commission income	264	270	265	266	260	273
Net trading income	139	152	90	30	37	102
Other revenue	10	(40)	15	(141)	14	(33)
Gross income	939	903	865	662	813	858
Operating expenses	(485)	(459)	(458)	(468)	(456)	(456)
“Core” Result ⁽¹⁾	305	332	302	305	306	333
Pre-provision profit	453	444	407	194	357	402
Loan loss provisions	(120)	(56)	(76)	(100)	(59)	(92)
Foreclosed asset provisions	(27)	(23)	(29)	(26)	(31)	(41)
Taxes, minority interests and other items	(77)	(80)	(73)	(23)	(62)	(74)
Profit attributable to the Group without extraordinaries	229	285	229	45	205	195
Extraordinary impact ⁽²⁾	-	-	-	(85)	-	-
Profit attributable to the Group with extraordinaries	229	285	229	(40)	205	195

> **Appendix**

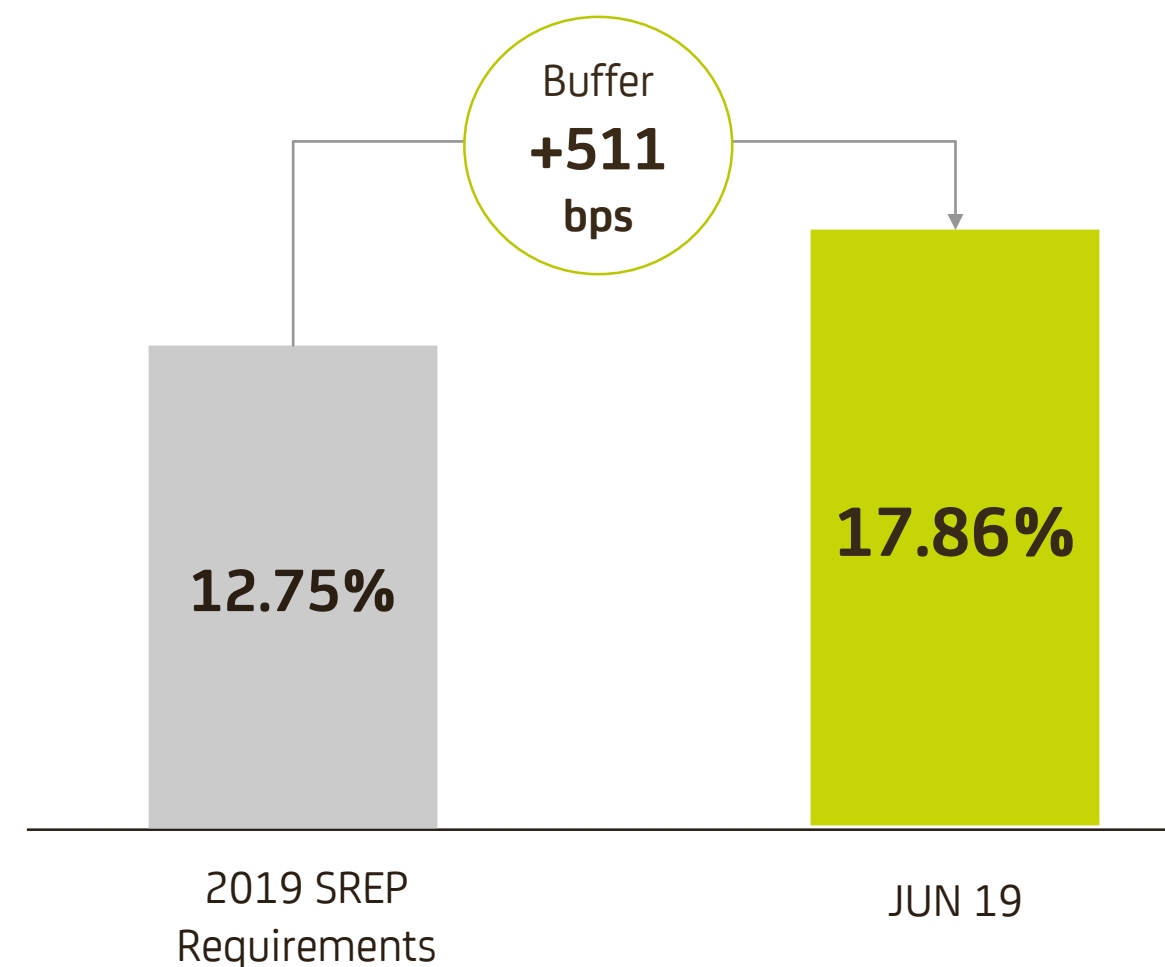
Solvency ratios - Capital buffers

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 2018 expected dividend payout (50.8%)

> Appendix

The share

	JUN 19	DEC 18	JUN 18
Shareholders & trading			
Shareholders (#)	180,724	184,643	189,897
Average number of shares (mn)	3,070	3,085	3,085
Share price			
End of quarter (€)	2.08	2.56	3.21
Market cap. (€mn)	6,378	7,898	9,893
Multiples			
EPS (€)	0.26	0.23	0.34
Book value (€mn)	13,341	13,189	13,209
Book value per share (€)	4.35	4.28	4.28
Tangible book value per share (€mn)	12,987	12,892	12,931
Tangible book value (€)	4.23	4.18	4.19
P/BV (Price end of quarter/Book value) (x)	0.48	0.60	0.75
P/TBV (Price end of quarter/Tangible book value) (x)	0.49	0.61	0.77
P/E (Price end of quarter/EPS) (x)	7.92	11.23	9.53

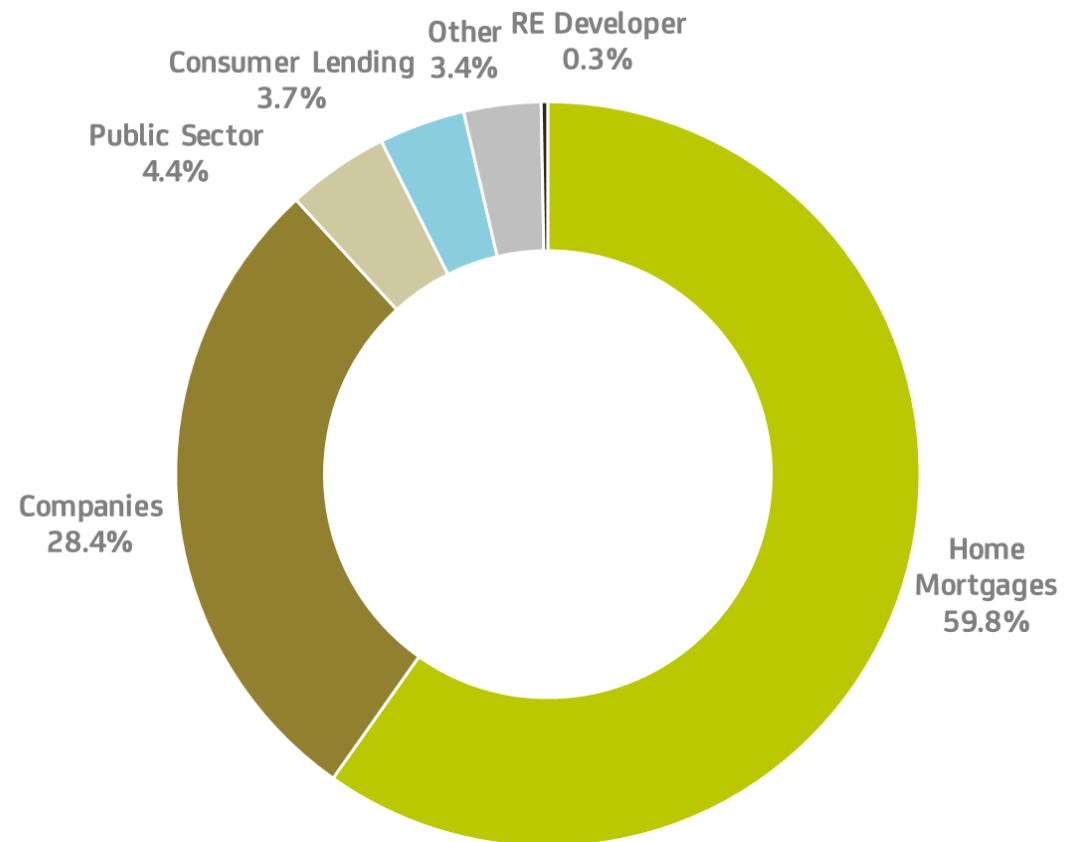
> Appendix

Performing credit breakdown

GROSS PERFORMING CREDIT

JUNE 2018

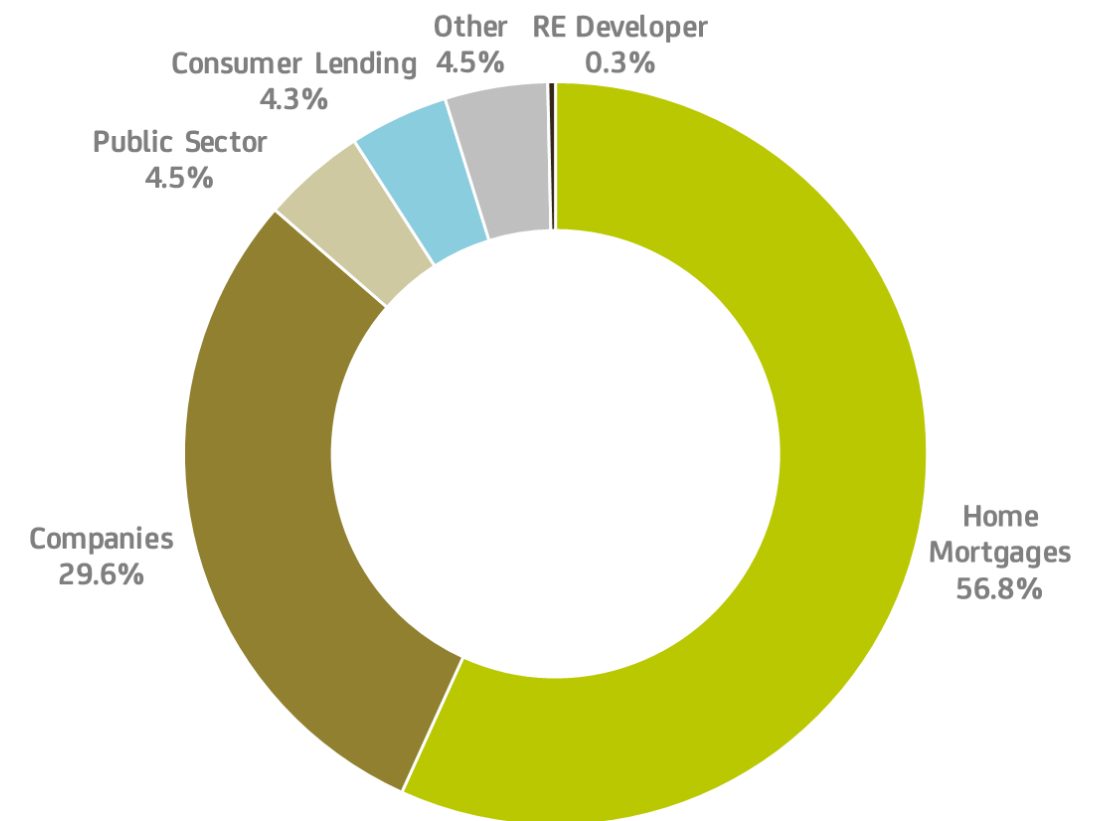
%



GROSS PERFORMING CREDIT

JUNE 2019

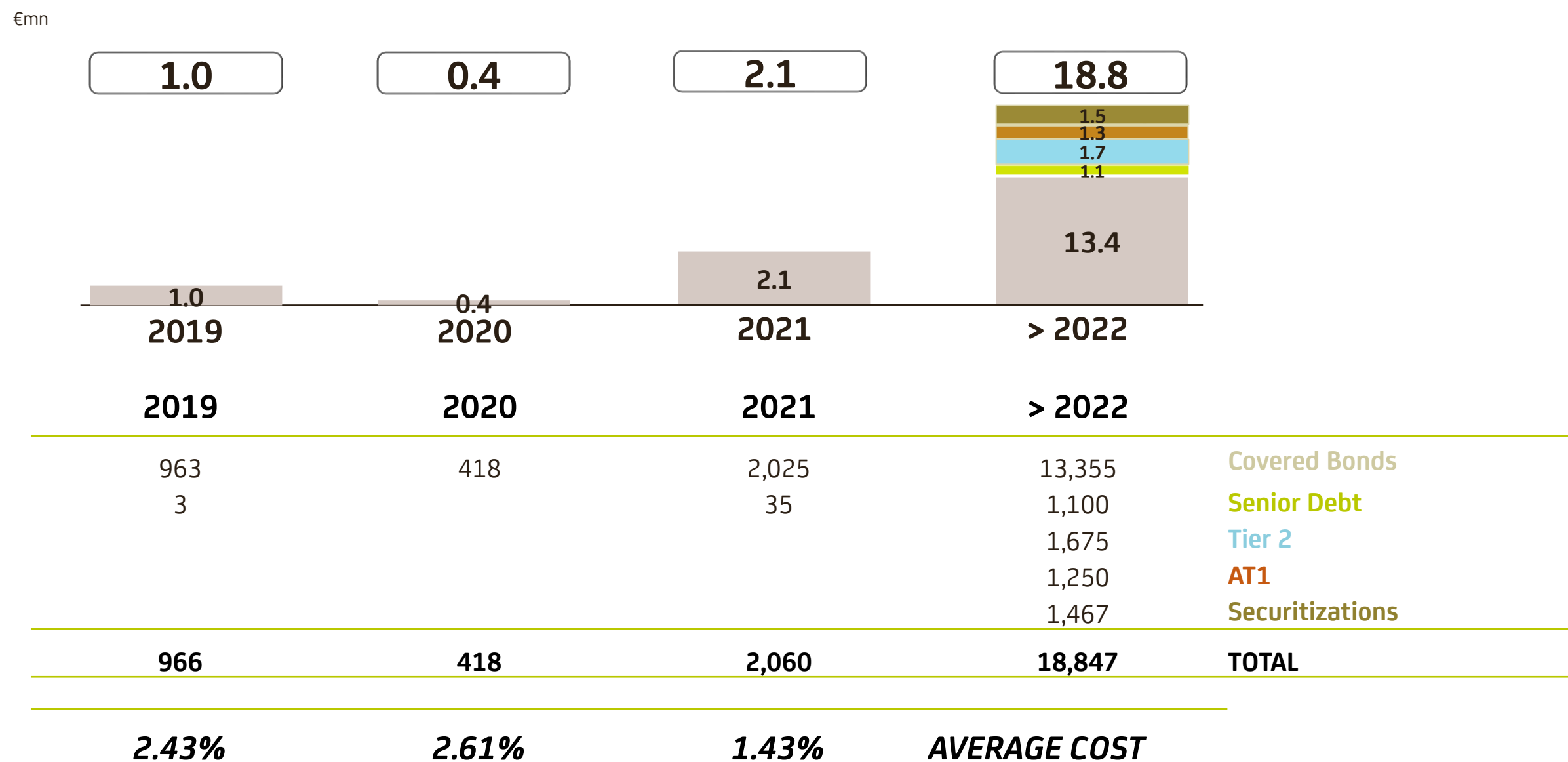
%



> **Appendix**

Debt maturities and breakdown

Debt maturities and breakdown

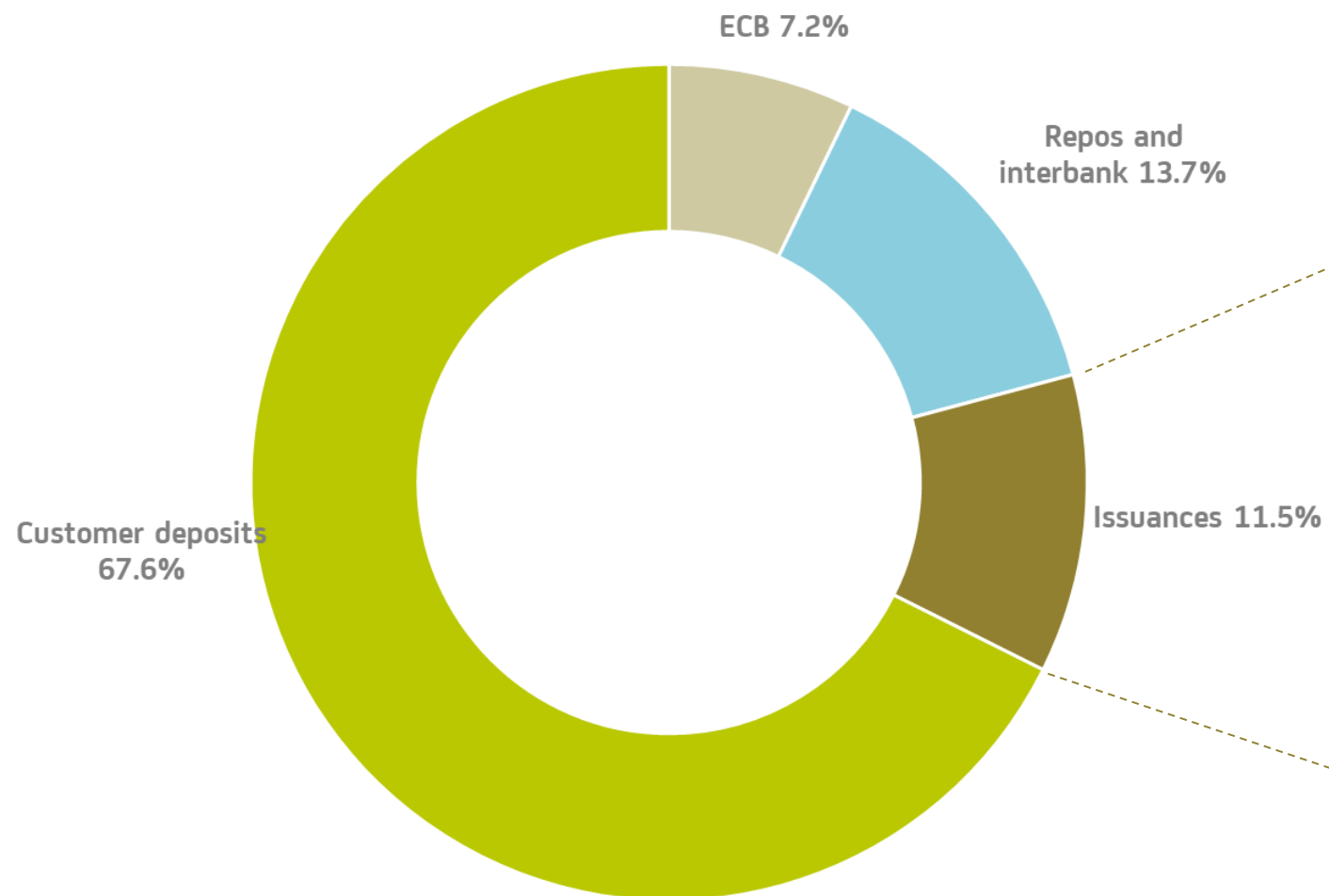


> **Appendix**

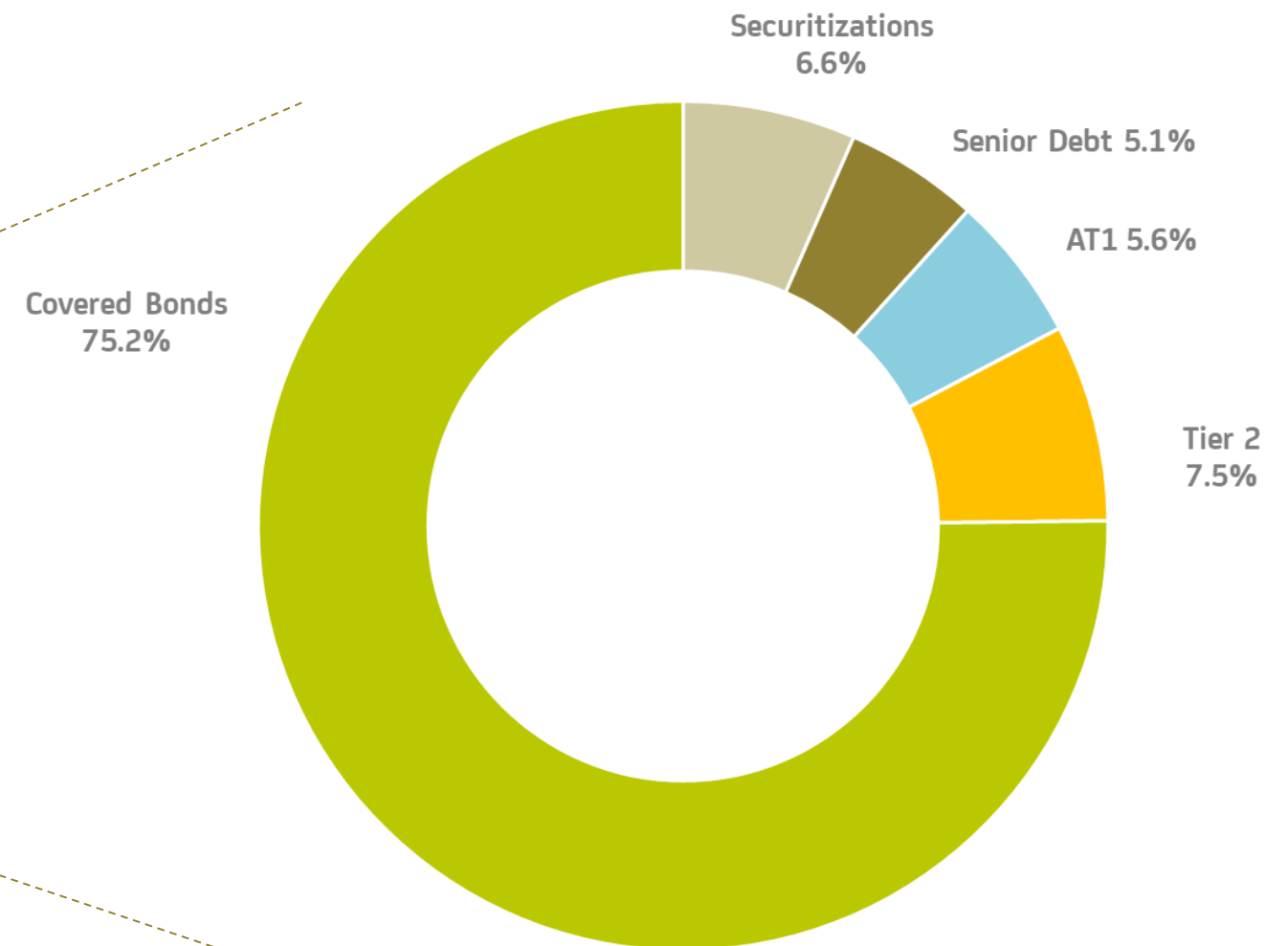
Funding structure

Funding structure

Funding structure



Wholesale market breakdown



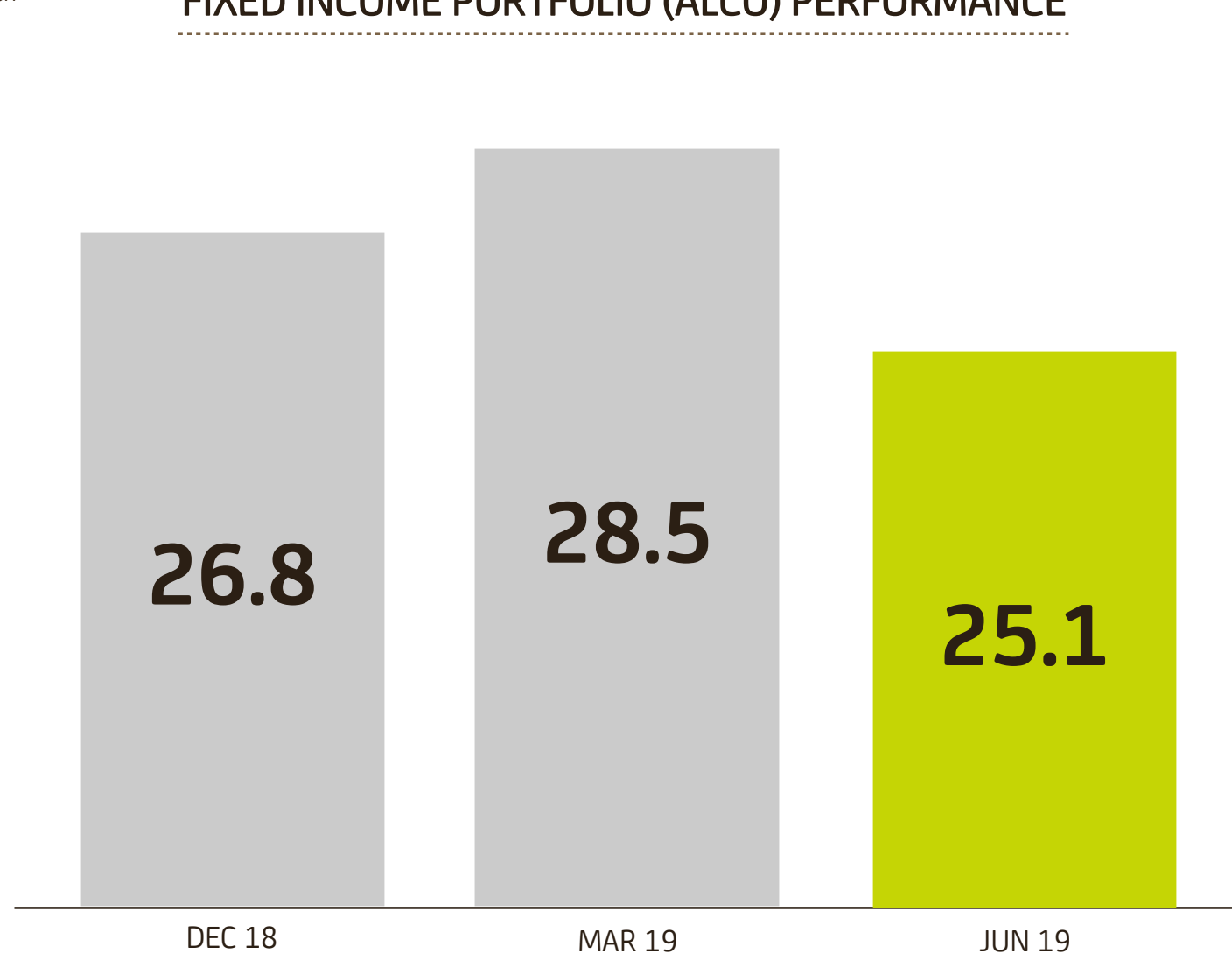
> **Appendix**

Portfolio breakdown

€25.1bn ALCO portfolio as of June 2019

€bn

FIXED INCOME PORTFOLIO (ALCO) PERFORMANCE



	DEC 18	MAR 19	JUN 19
ALCO Fixed Income Portfolio (€bn)	26.8	28.5	25.1
Non-hedged fair value portfolio	8.3	6.3	4.0
Hedged fair value portfolio	5.4	7.8	7.8
At amortized cost	13.1	14.4	13.3
FV avg. duration IRS adjusted			1.37
ALCO portfolio avg. duration IRS adjusted			3.40

> Appendix

Alternative Performance Measures (APR)

Glossary

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
RWAs	Risk Weighted Assets
Digital Customer	Active customer aged over 18 who in the last 12 months has connected at least once via an online channel (App, Bankia Online or Bankia Online-Companies). The denominator for the percentage is the number of customers aged over 18
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
IFRS	International Financial Reporting Standards
LCR (%)	Liquidity Coverage Ratio
LTD (%)	Loan to Deposit Ratio
Net pre-provision profit	Gross income minus administrative expenses minus depreciation and amortization
NPAs	Non Performing Assets
NPL coverage ratio	Measures the degree to which the impairment of non-performing assets is covered, for accounting purposes, by loan loss provisions.
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.
SREP	Supervisory Review and Evaluation Process
NPL ratio	Non-performing loans and advances to customers and contingent risks divided by total loans and advances to customers and contingent liabilities
TLTRO	Targeted Long Term Refinancing Operations

Bankia

Investor Relations

ir@bankia.com

Bankia Comunicación

bankiacomunicacion@bankia.com