

Bankia

Quarterly results presentation

3Q 2018

29 October 2018

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3Q 2018 HIGHLIGHTS

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3Q 2018 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> 3Q 2018 Highlights

1	Competitive positioning	Positive dynamics in new lending with a higher share of digital channels...	+4.7% mortgages <small>9M18 vs 9M17</small> +9.8% consumer lending <small>9M18 vs 9M17</small> + 3.0% companies <small>9M18 vs 9M17</small>
2	Profitability	...increasing profit favored by cost containment and cost of risk reduction ...	(2.9%) operating expenses <small>9M18 vs 9M17</small> 18 bps cost of risk <small>9M18</small> €744mn Attributable Profit <small>9M18</small>
3	Asset quality	...reducing Non-Performing Assets while maintaining coverage...	(€2.4bn) NPAs reduction <small>SEP18 vs DIC 17</small>
4	Capital generation	...increasing capital levels, with AT1 and T2 buckets already filled	+46 bps CET1 FL <small>SEP18 vs DIC 17</small> +148 bps Total Solvency FL <small>SEP18 vs DIC 17</small>

> 3Q 2018 Highlights

BMN integration

Progress made in the integration process

Restructuring

- Labor force restructuring to be completed by the end of November
- 100% of cost synergies will be captured in 2019

Reorganization of insurance business

- Repurchase of 50% equity stake in insurance companies (Caja Granada Vida and Caja Murcia Vida y Pensiones)
- Basis for an agreement with Mapfre for the distribution of life insurance products except in Balearic Islands (where Agreement with Caser remains)
- Basis for an agreement with Mapfre for the distribution of general insurance products nationwide
- Capital impact of -17 bps in 3Q, expected to be recovered in 4Q2018

> 3Q 2018 Highlights

BMN integration

The consolidation of our distribution model is starting to bear fruits

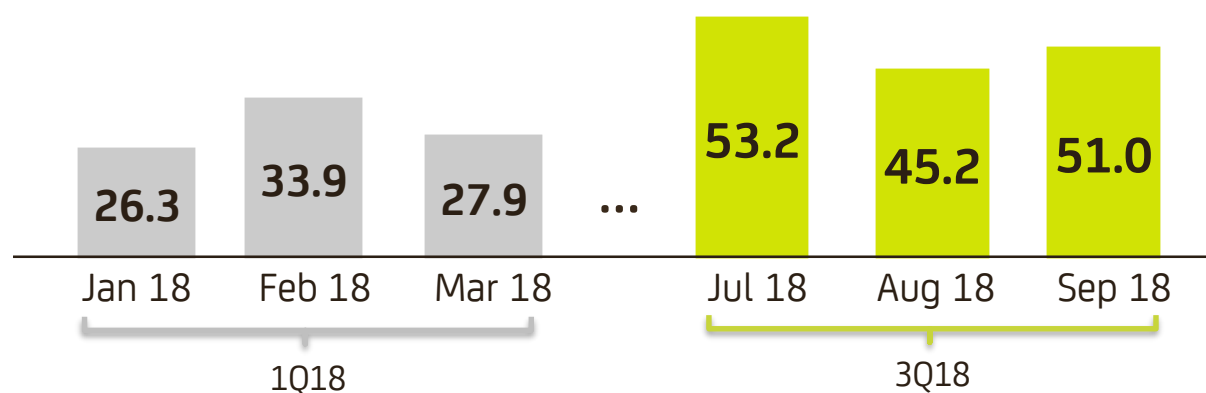
The unified commercial approach has a positive impact in the productivity of BMN's former network

+70% new consumer lending in BMN's former network (3Q18 vs 1Q18)

+57% gross new cards in BMN's former network (3Q18 vs 1Q18)

CONSUMER LENDING

New volumes (€mn) - BMN's former network



MARKET SHARE
NEW CONSUMER LENDING
SOURCE: BDE

5.50%

1Q 2018
BANKIA + BMN

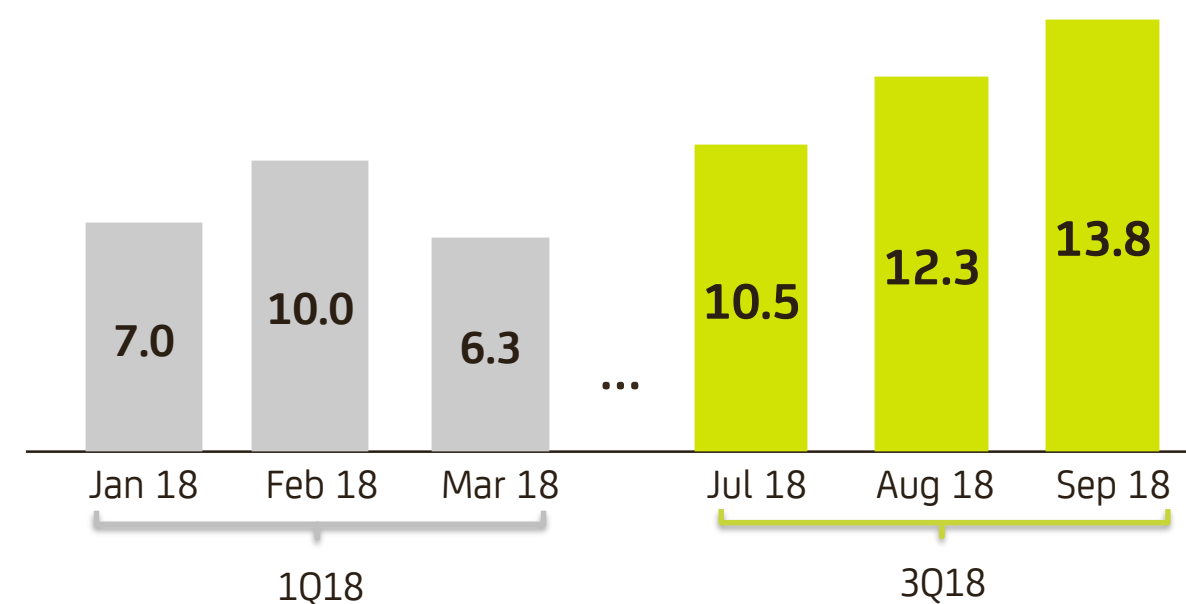
+ 91 bps

6.41%

JUL-AUG 2018
BANKIA + BMN

GROSS NEW CARDS

Thousands - BMN's former network



> 3Q 2018 Highlights

Commercial positioning | **Commercial activity**

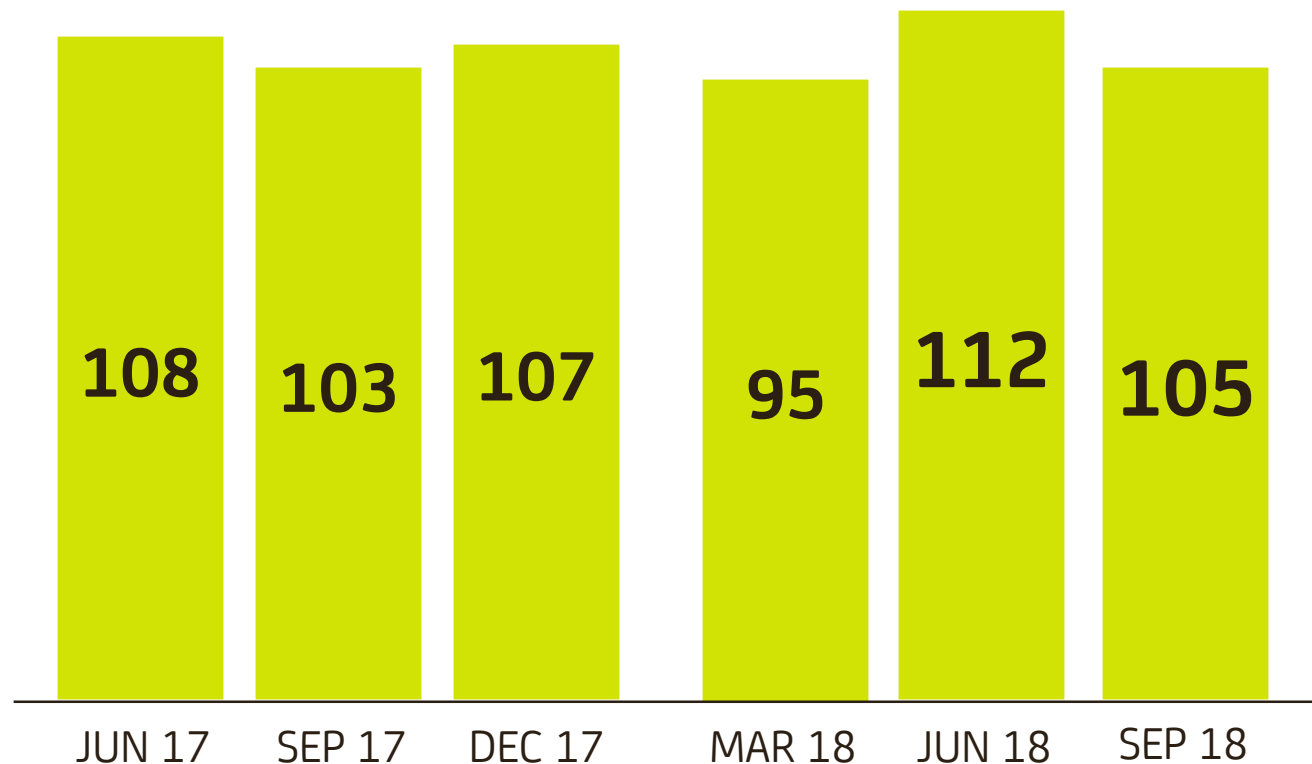
More customers and more loyal...

DIRECT INCOME DEPOSITS

Net variation 12M (thousands) – Bankia + BMN

Bankia

Bankia + BMN



...with increased use of our services



CARDS

Sales at retail businesses

+12.4%

9M 18 vs 9M 17

Sales at E-commerce

+27.0%

9M 18 vs 9M 17

Sales through Credit Cards - Market Share*

11.80 % JUN 18

+36 bps vs JUN 17



POINT OF SALE (POS) TERMINALS

Sales at POS Terminals

15.6%

9M 18 vs 9M 17

Sales at POS Terminals - Market Share*

12.54% JUN 18

+60 bps vs JUN 17

* Latest market share available

> 3Q 2018 Highlights

Commercial positioning | **Connect with your Expert**

Connect with your Expert: key service for our customers



Satisfied customers

- 660,000 customers (Target 2020: 1 million customers)
- 95% of customers approached join the service



Productive managers

- 611 managers
- Managing c. 9% of our customer base, producing 20% of new mortgages and 20% of new consumer lending
- 40% of mortgages granted through this service do not require Branch presence

> 3Q 2018 Highlights

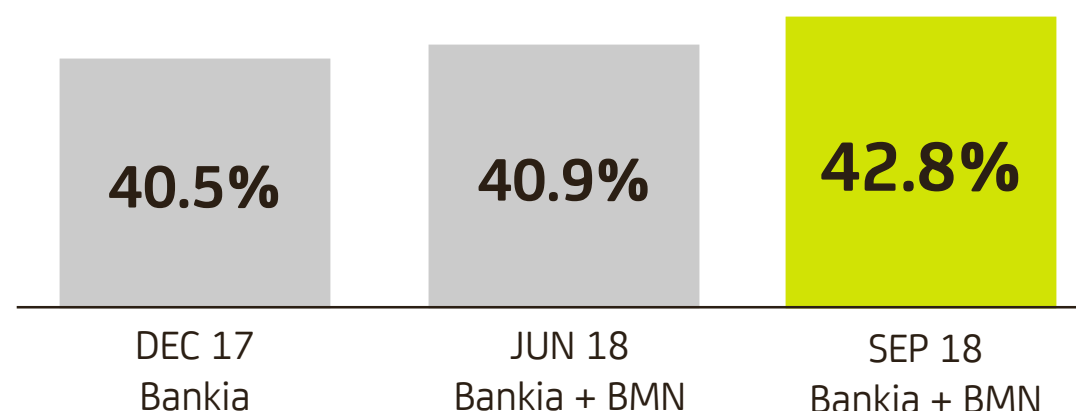
Commercial positioning | **Multichannel**

Continuous progress in digitalization

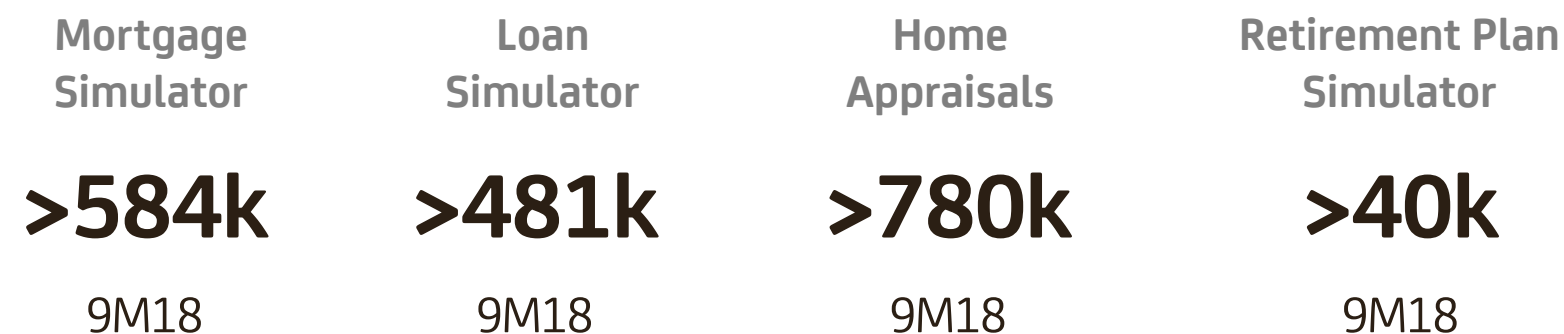


DIGITAL CUSTOMERS

Digital customers as % of total Bankia's customers

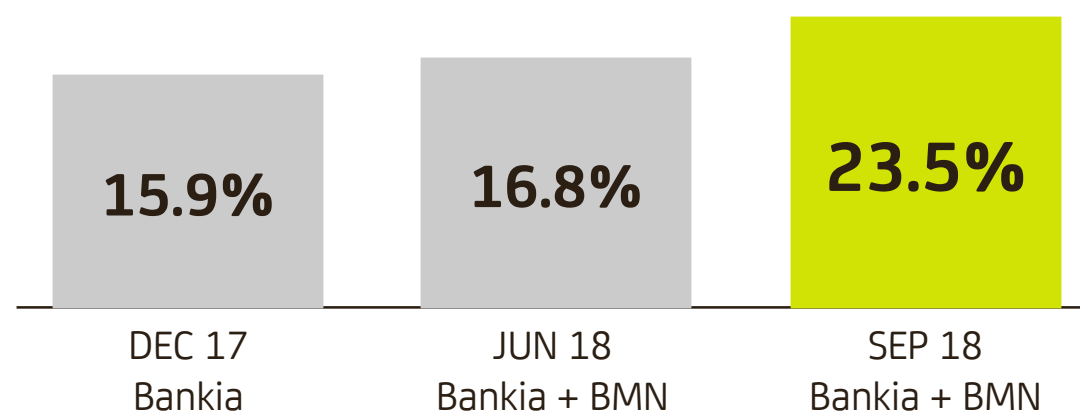


Intensive use of our digital tools...



DIGITAL SALES

Digital sales as % of total Bankia's sales



...increased users in payment services and instant transfers



Instant transfers



3x
Users
Sep18 vs Sep 17

19.4%
Market share
Sep 18 Accumulated

12.3%
Transactions – Market Share
Sep18

8.9%
As % of Bankia's total
transfers Sep18

> 3Q 2018 Highlights

Commercial positioning | **Commercial activity**

New products and services for our customers



Pack negocios: Management tools and specialized products for SME's and self-employed customers



Cuenta On Nómina: 100% online, for direct income deposits (payrolls), no fees

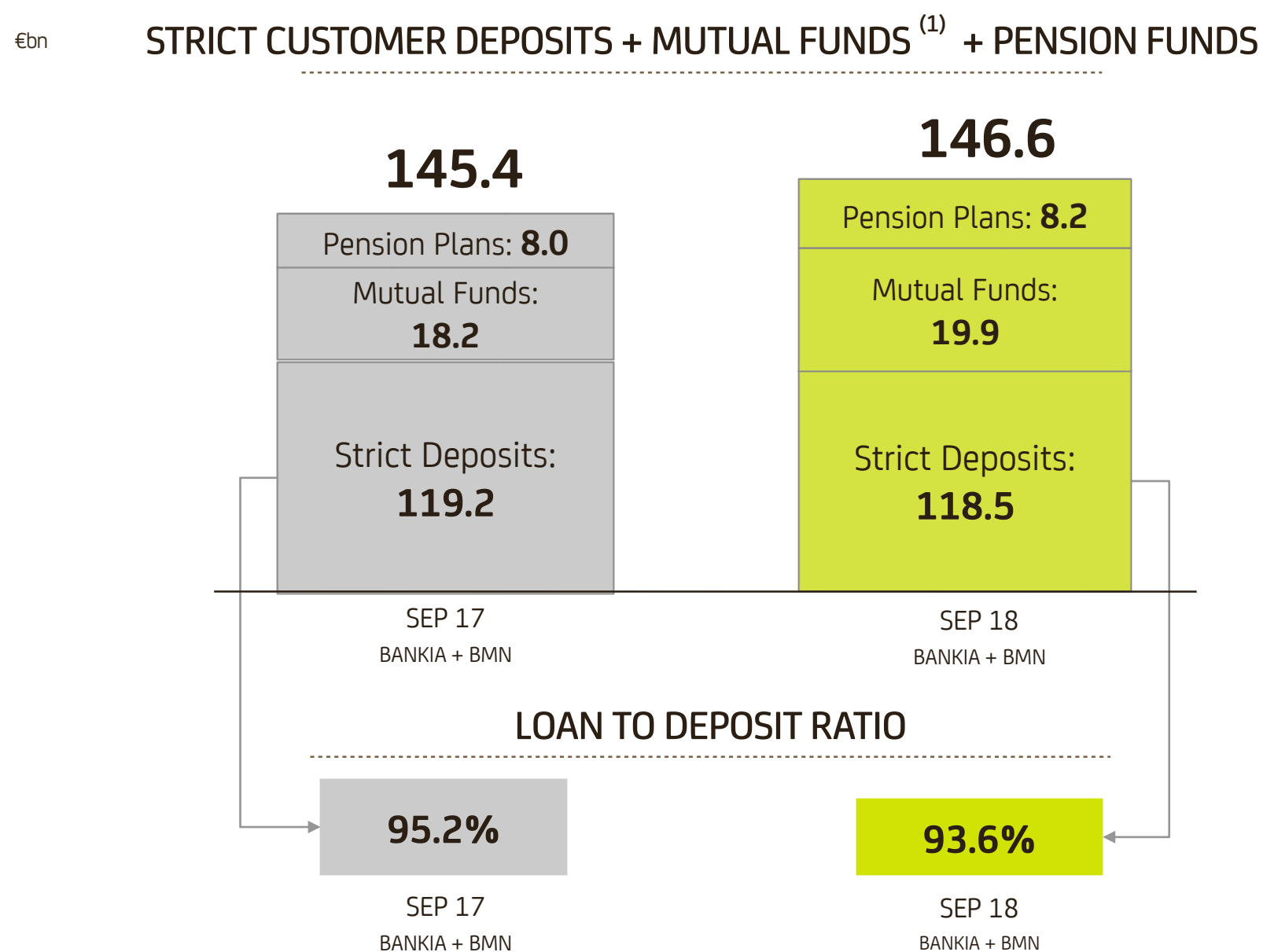


Anticipo nómina: Payroll advance, up to 3 months of customer's payroll (or pension), and up to 12 months repayment term

> 3Q 2018 Highlights

Commercial positioning | Customer funds and new production

Customers funds optimally managed according to balance sheet performance



MUTUAL FUNDS MARKET SHARE

Source: Inverco

6.24%

SEP 17
BANKIA + BMN

+16 bps

6.40%

SEP 18
BANKIA + BMN

Net inflows into Mutual Funds – Mkt. Share 9M18: 8.14%

(Source: Inverco)

DISINTER-MEDIATION RATIO MF / DEPOSITS + MF

10.71%

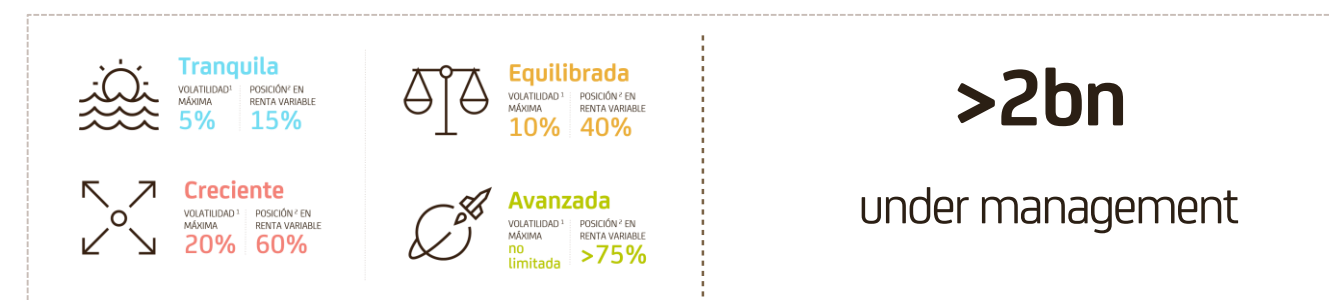
SEP 17
BANKIA + BMN

+ 129 bps

12.00%

SEP 18
BANKIA + BMN

Expert Management

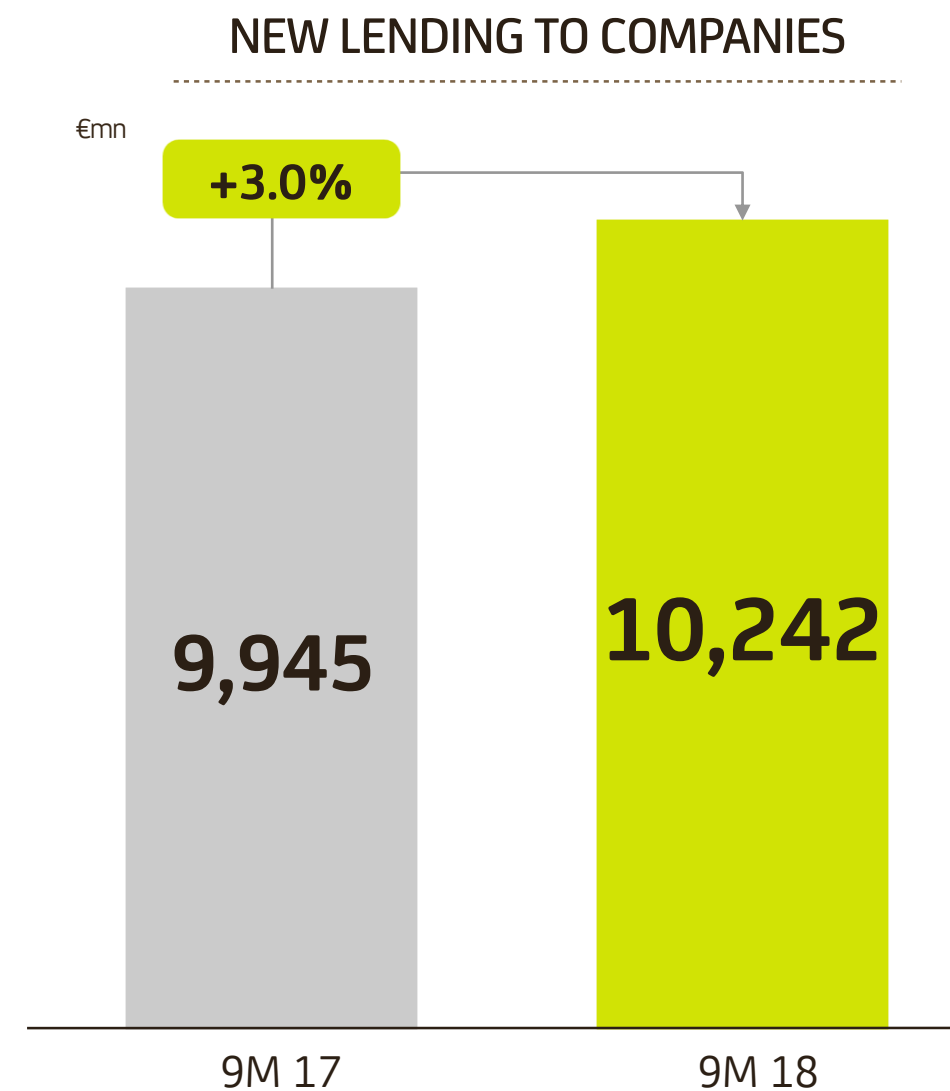
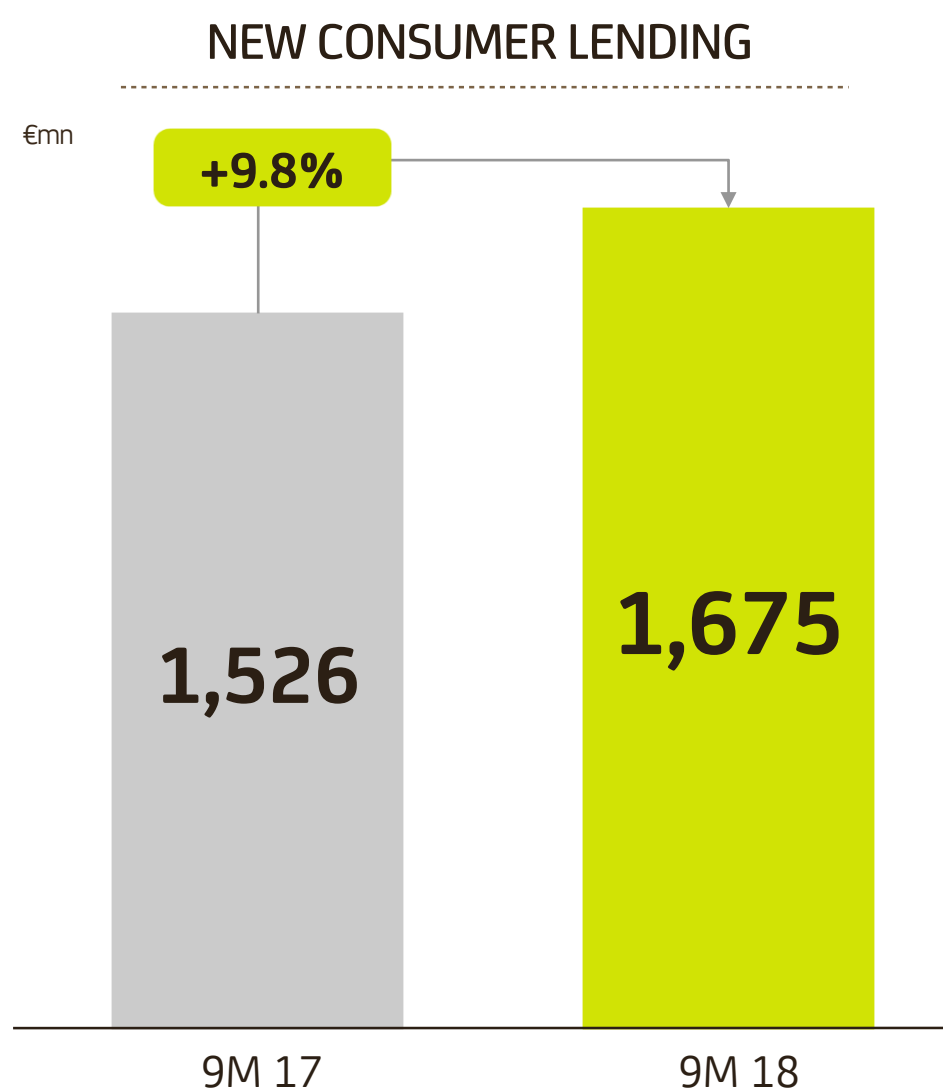
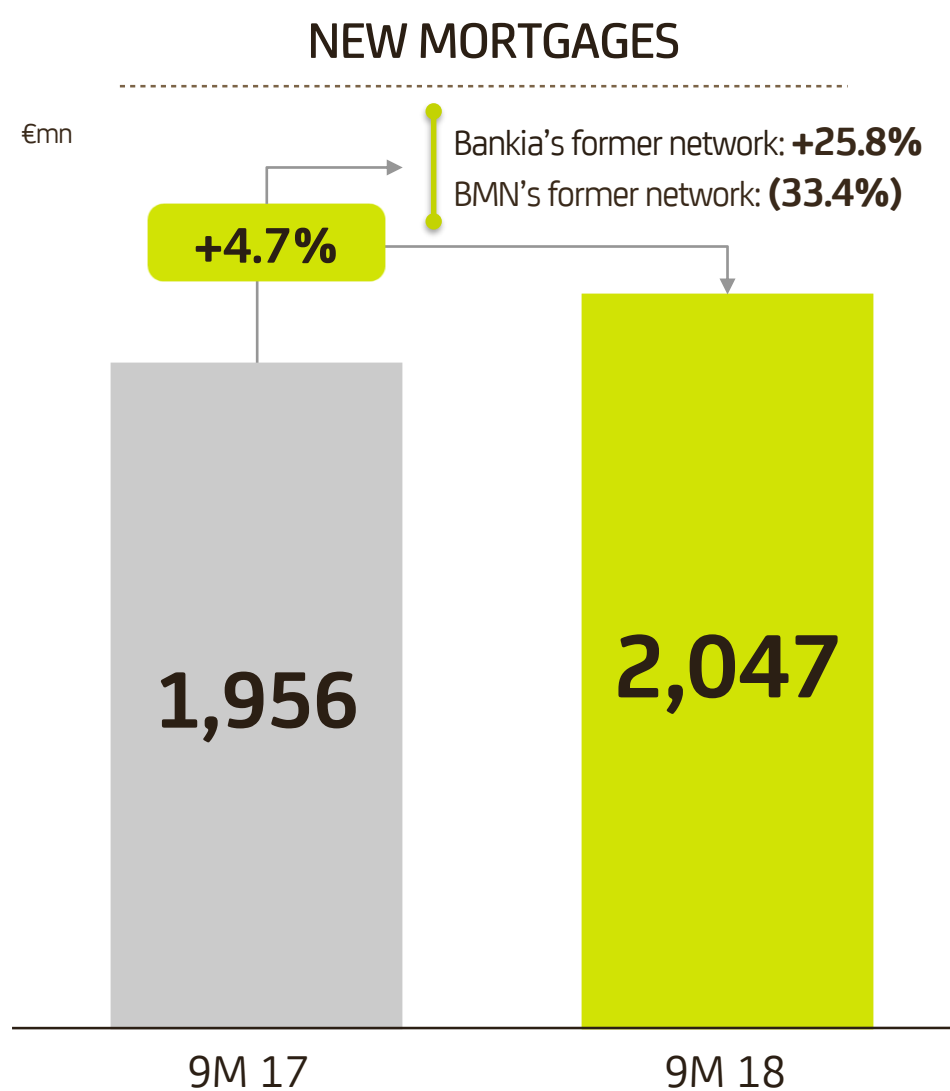


(1) Series of mutual funds including international funds managed by third parties

> **3Q 2018 Highlights**

Commercial positioning | **New lending**

Positive trend in new lending continues

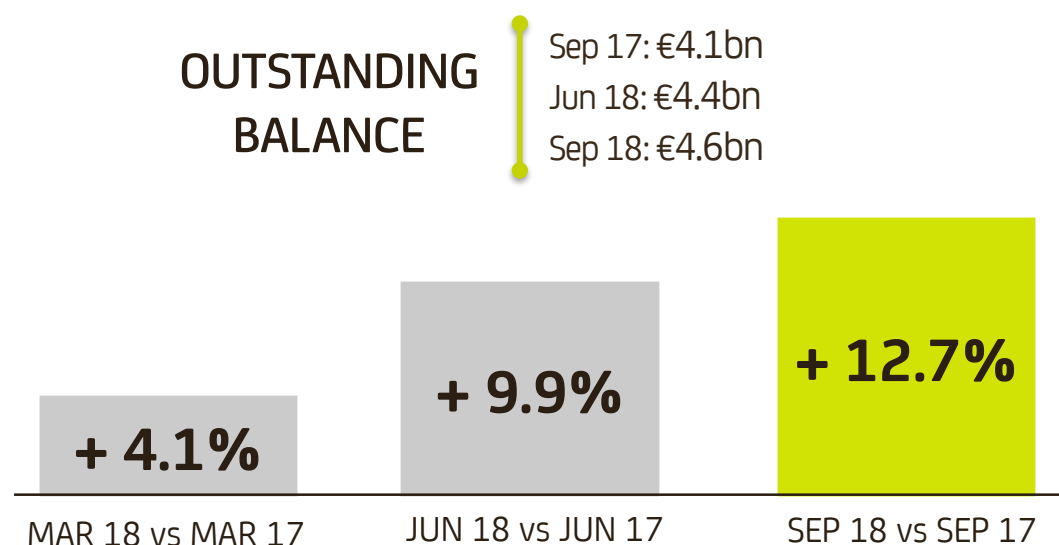


> 3Q 2018 Highlights

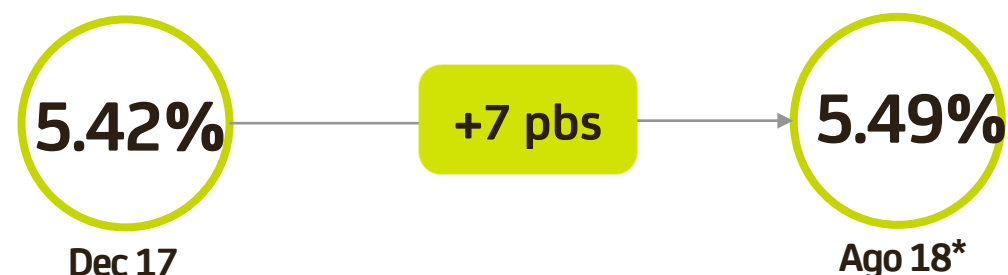
Commercial positioning | Credit stock

Accelerated credit stock growth in consumer lending and companies

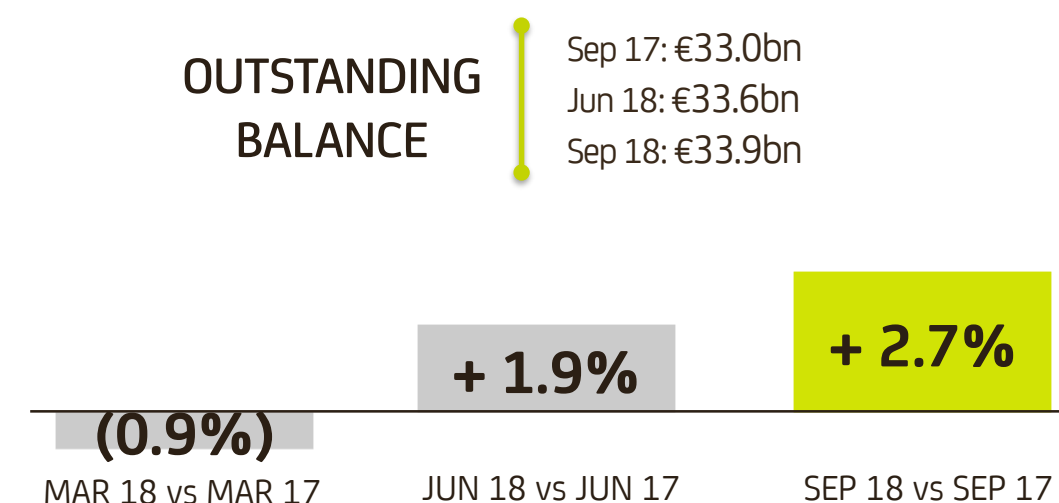
CONSUMER LENDING GROSS CREDIT STOCK



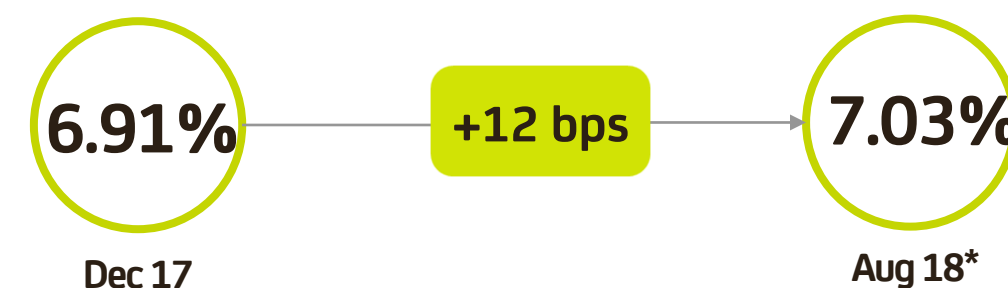
CONSUMER LENDING OUTSTANDING BALANCE MARKET SHARE



COMPANIES GROSS CREDIT STOCK (EX NPLs)



COMPANIES OSR MARKET SHARE



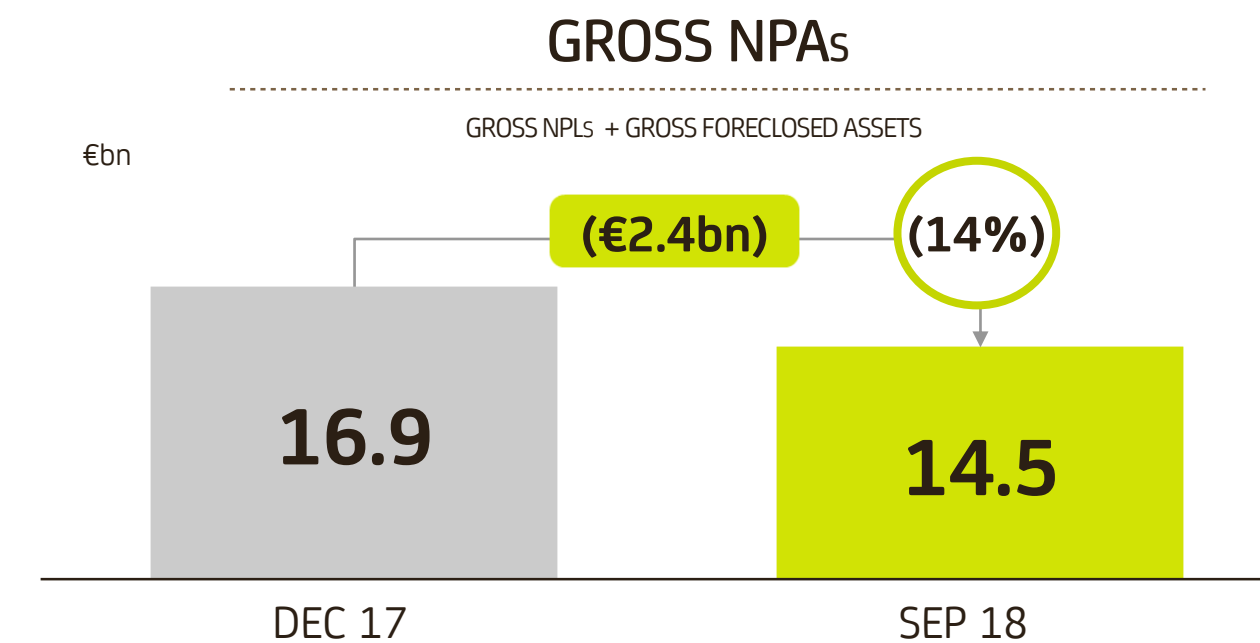
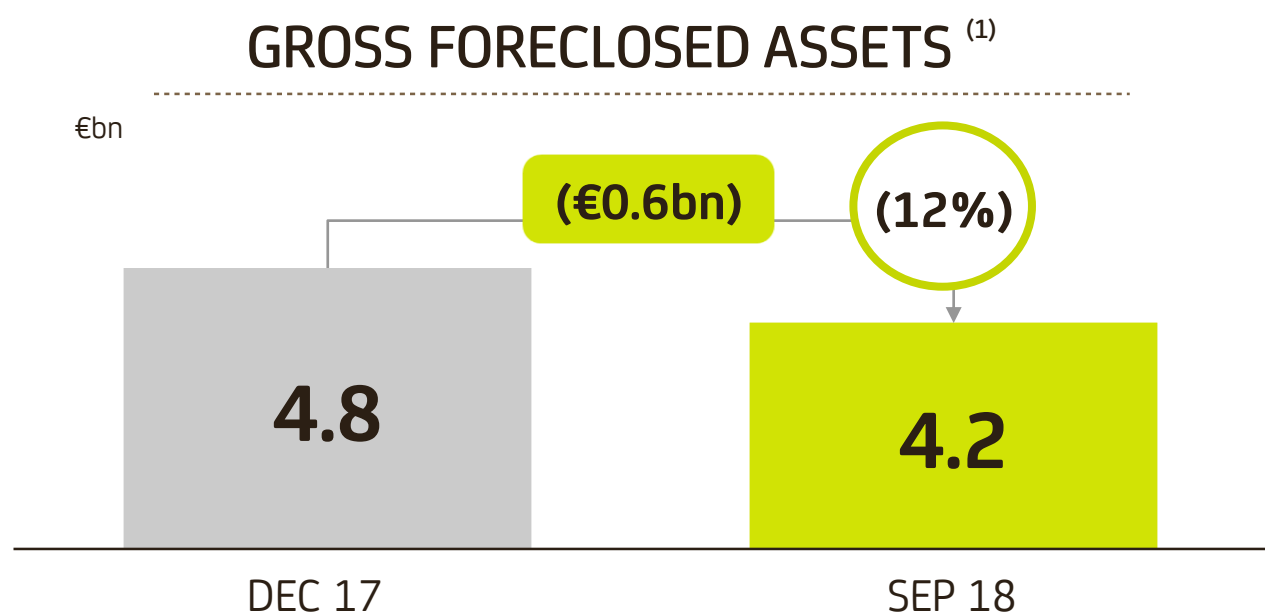
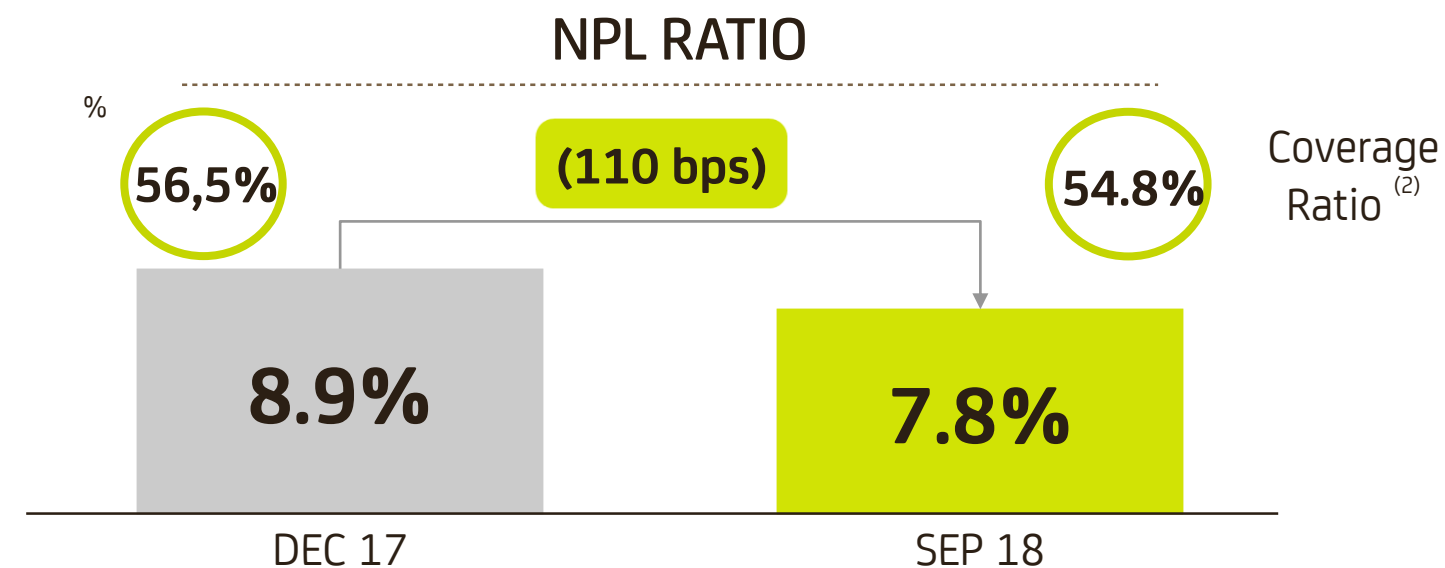
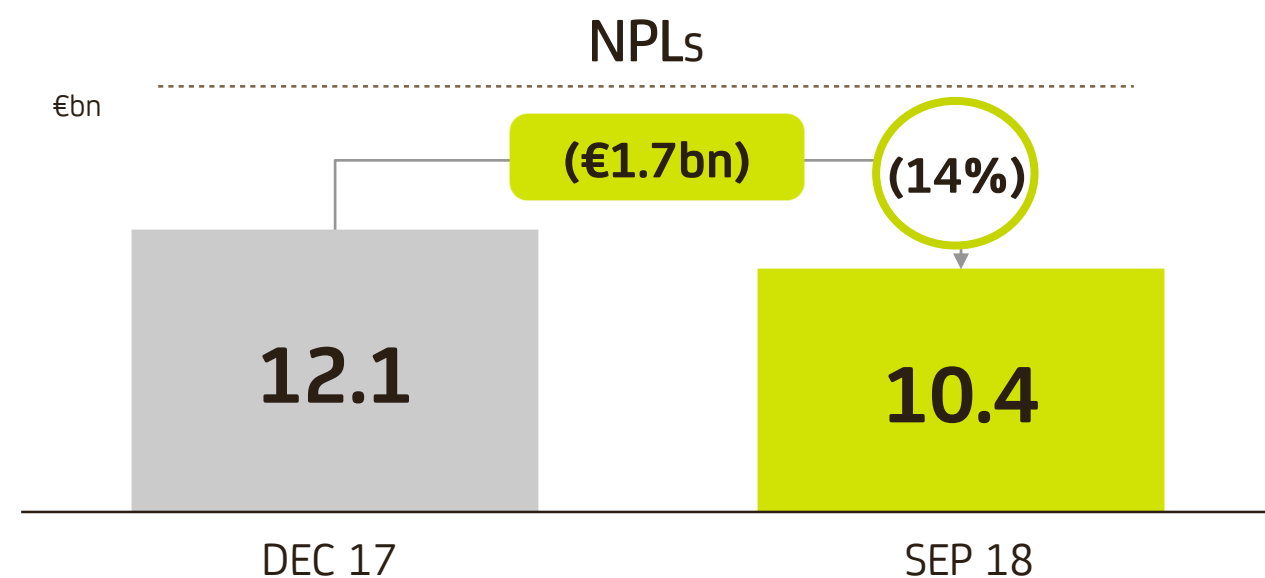
35% of new consumer lending through digital channels

* Source: BdE. Latest market share available. OSR excludes public sector and financial institutions.

> **3Q 2018 Highlights**

Asset quality | **Key metrics**

NPL ratio down 110 bps in the first 9 months



(1) For the purpose of calculating the NPAs, foreclosed assets exclude the Social Housing Pool and leased assets with a return on NBV above 3% (€0.4bn)
 (2) Coverage ratio including the provisions for IFRS 9. If the IFRS 9 provisions were excluded, the ratio would be 50.8%

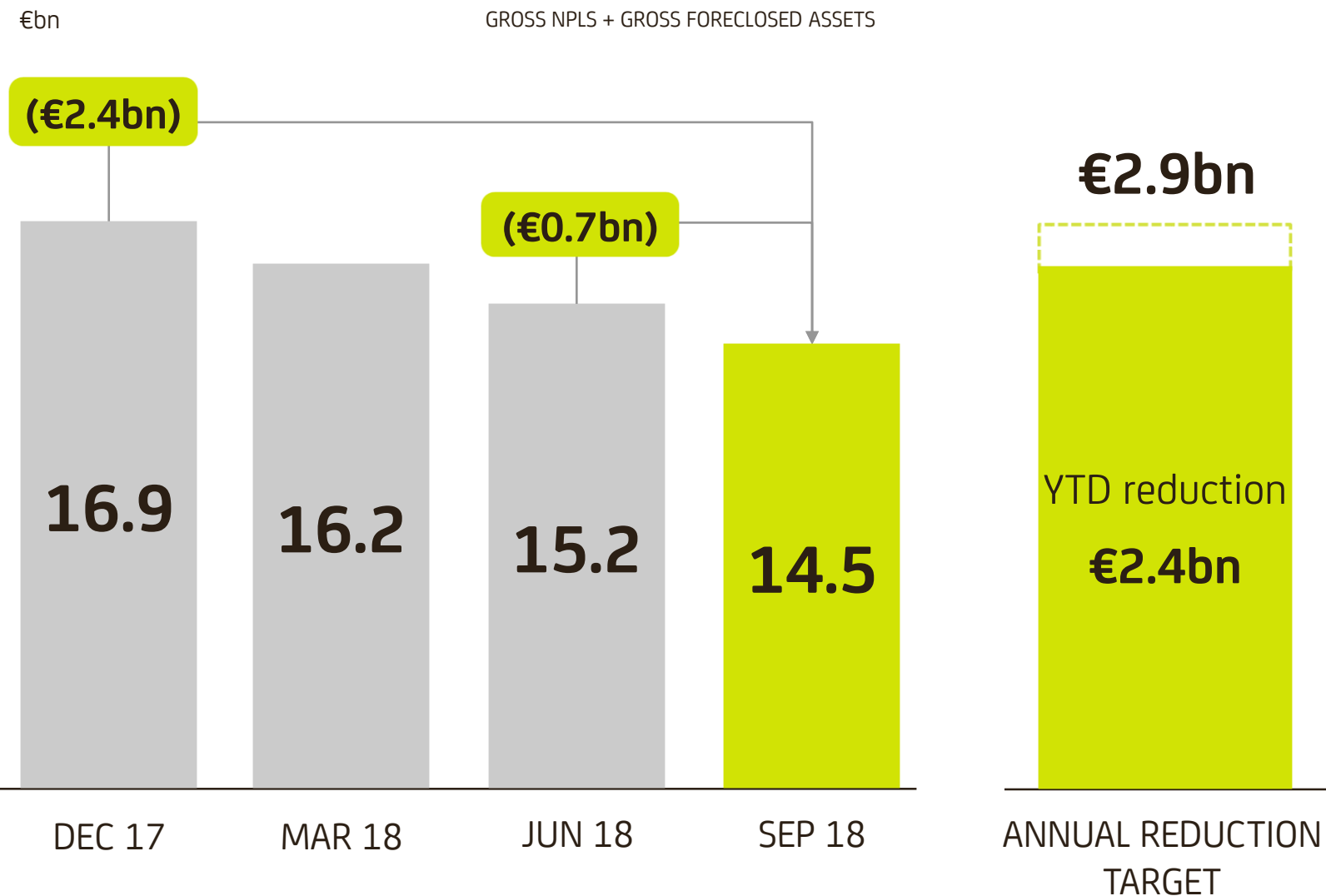
> 3Q 2018 Highlights

Asset quality | NPAs reduction

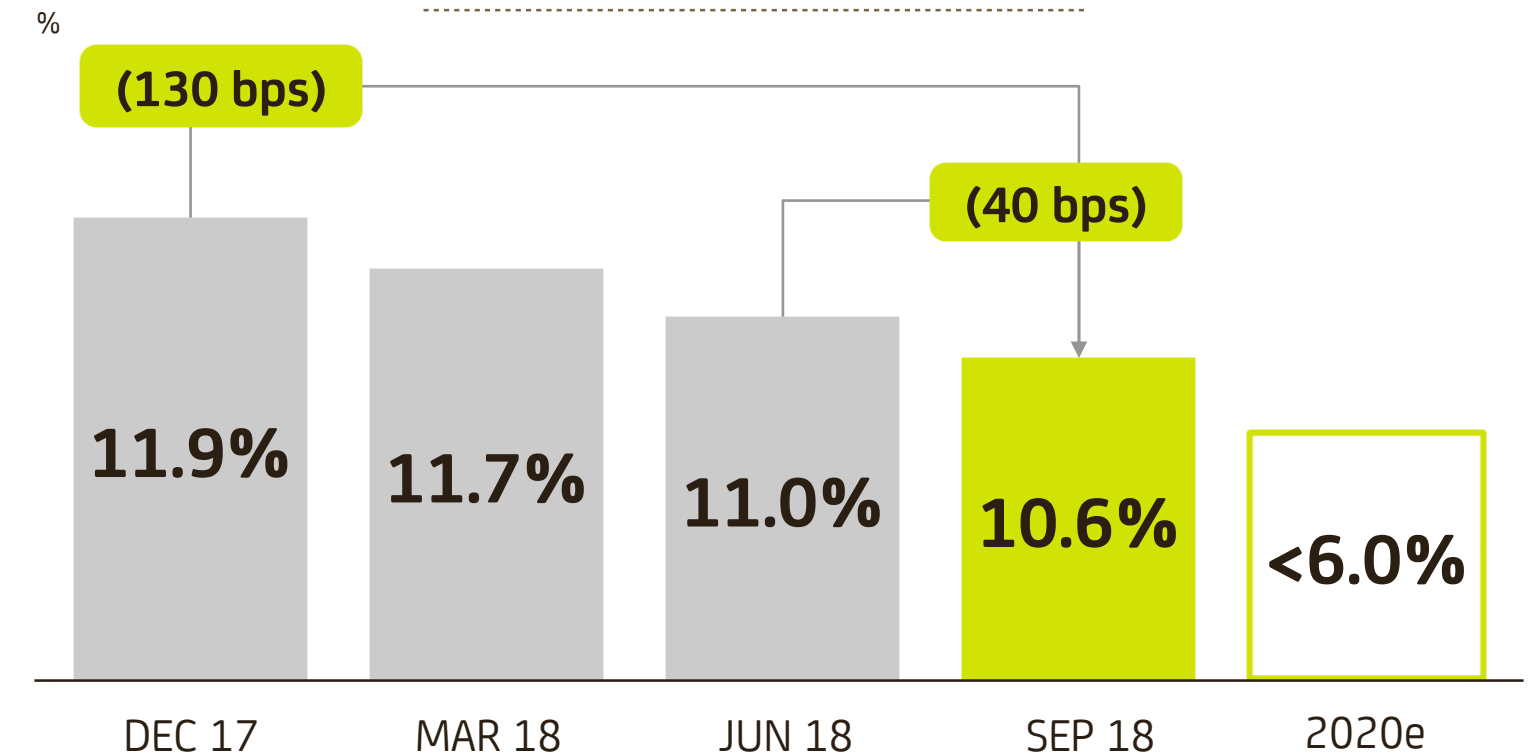
€2.4bn NPAs reduction during the first 9 months

NON PERFORMING ASSETS

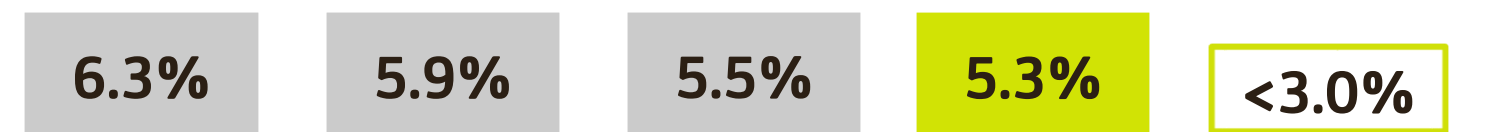
GROSS NPLS + GROSS FORECLOSED ASSETS



GROSS NPA RATIO



NET NPA RATIO

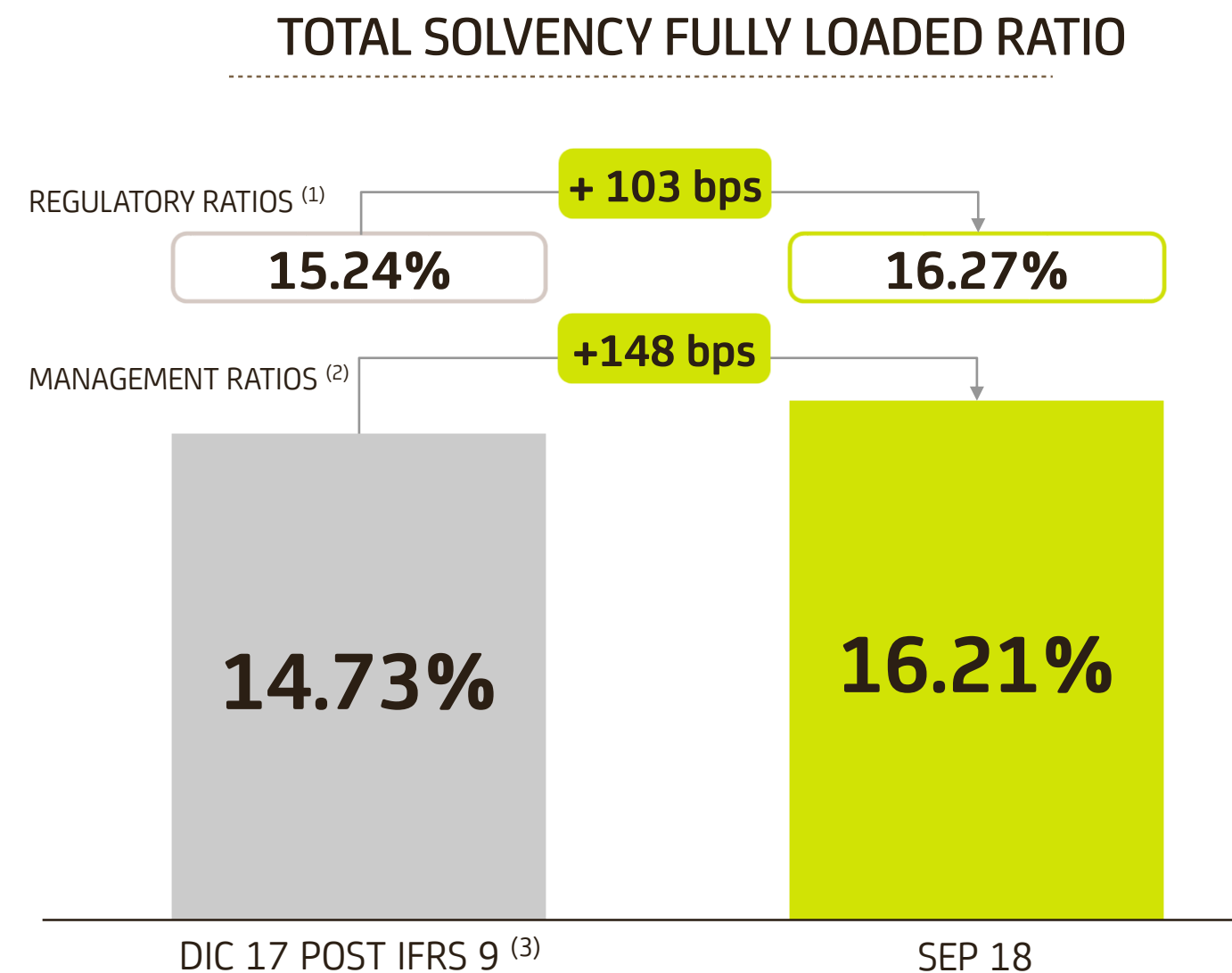
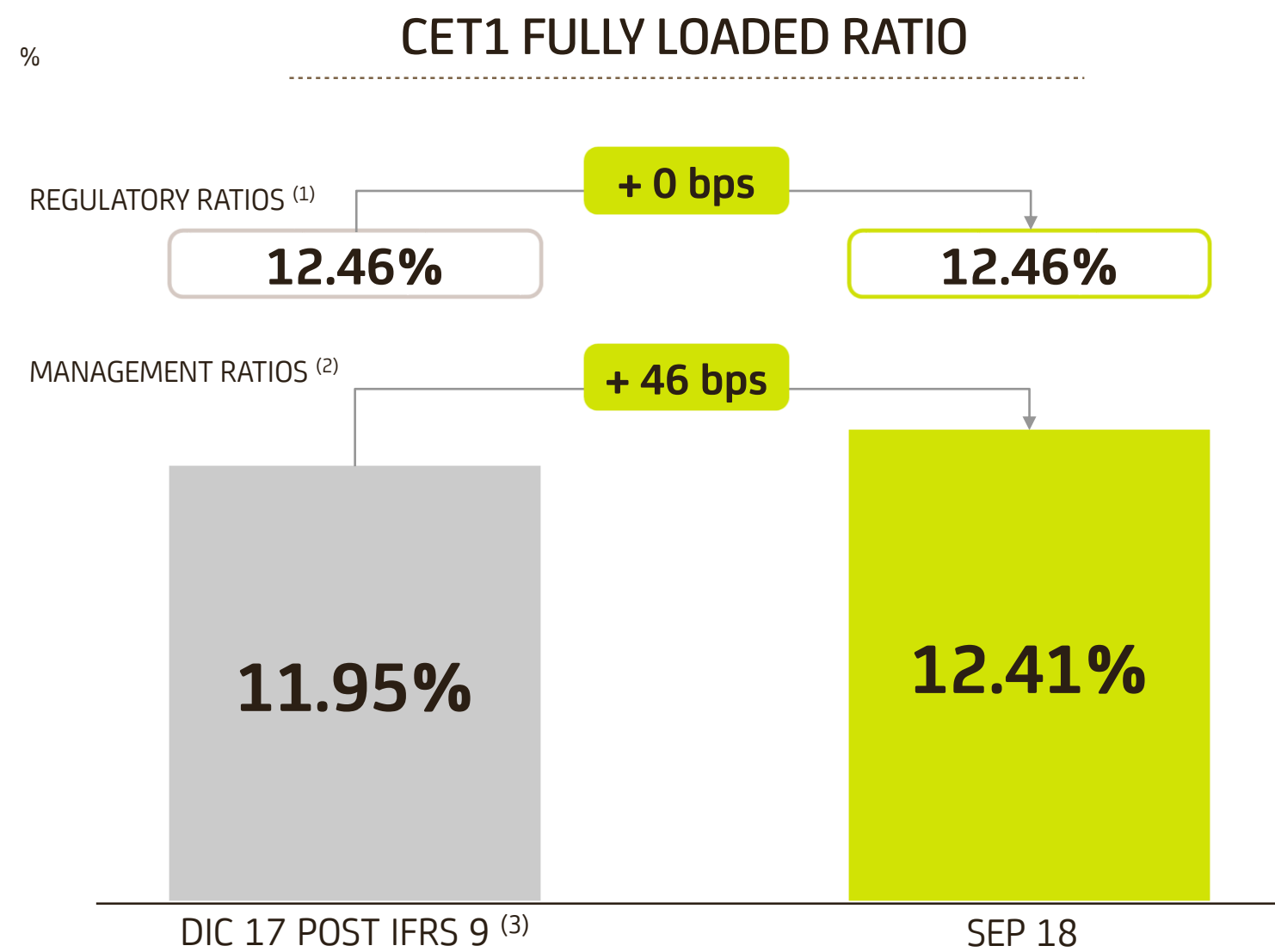


NOTE: For the purpose of calculating the NPAs, foreclosed assets exclude the Social Housing Pool and leased assets with a return on NBV above 3% (€0.4bn)

> 3Q 2018 Highlights

Capital generation | Capital levels

46 bps of CET1 capital generated during the first 9 months



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.

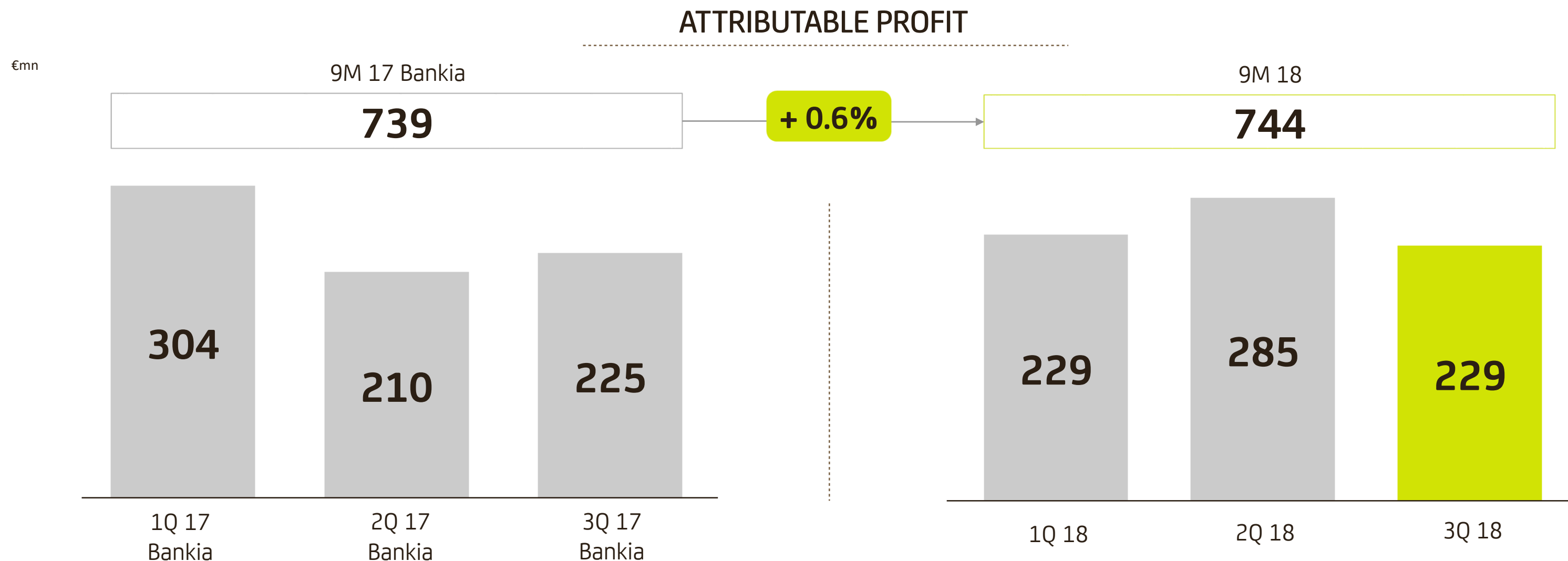
(2) Ratios not including unrealized gains on sovereign portfolio.

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

> 3Q 2018 Highlights

Profitability | Profit performance

Attributable profit increases in the first 9 months



ROE 9M18: 7.9%

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> 3Q 2018 Results

Income statement – Bankia Group and BMN : 9M accumulated

€mn	9M 17 Bankia	9M 18	Diff %	9M 17 Bankia + BMN	9M 18	Diff %
Net interest income	1,467	1,542	5.1%	1,713	1,542	(10.0%)
Net fee and commission income	636	799	25.8%	775	799	3.1%
Net trading income	314	381	21.4%	365	381	4.4%
Other revenue	(17)	(16)	5.9%	10	(16)	--
Gross income	2,398	2,706	12.8%	2,863	2,706	(5.5%)
Operating expenses	(1,151)	(1,402)	(21.8%)	(1,444)	(1,402)	(2.9%)
Pre-provision profit	1,247	1,304	4.5%	1,419	1,304	(8.1%)
Provisions for loans	(256)	(256)	--			
Provisions for foreclosed assets	(79)	(78)	(0.5%)			
Taxes, minority interests and other items	(174)	(226)	29.9%			
Profit attributable to the Group	739	744	0.6%			

> 3Q 2018 Results

Income statement – Bankia Group and BMN : Quarterly

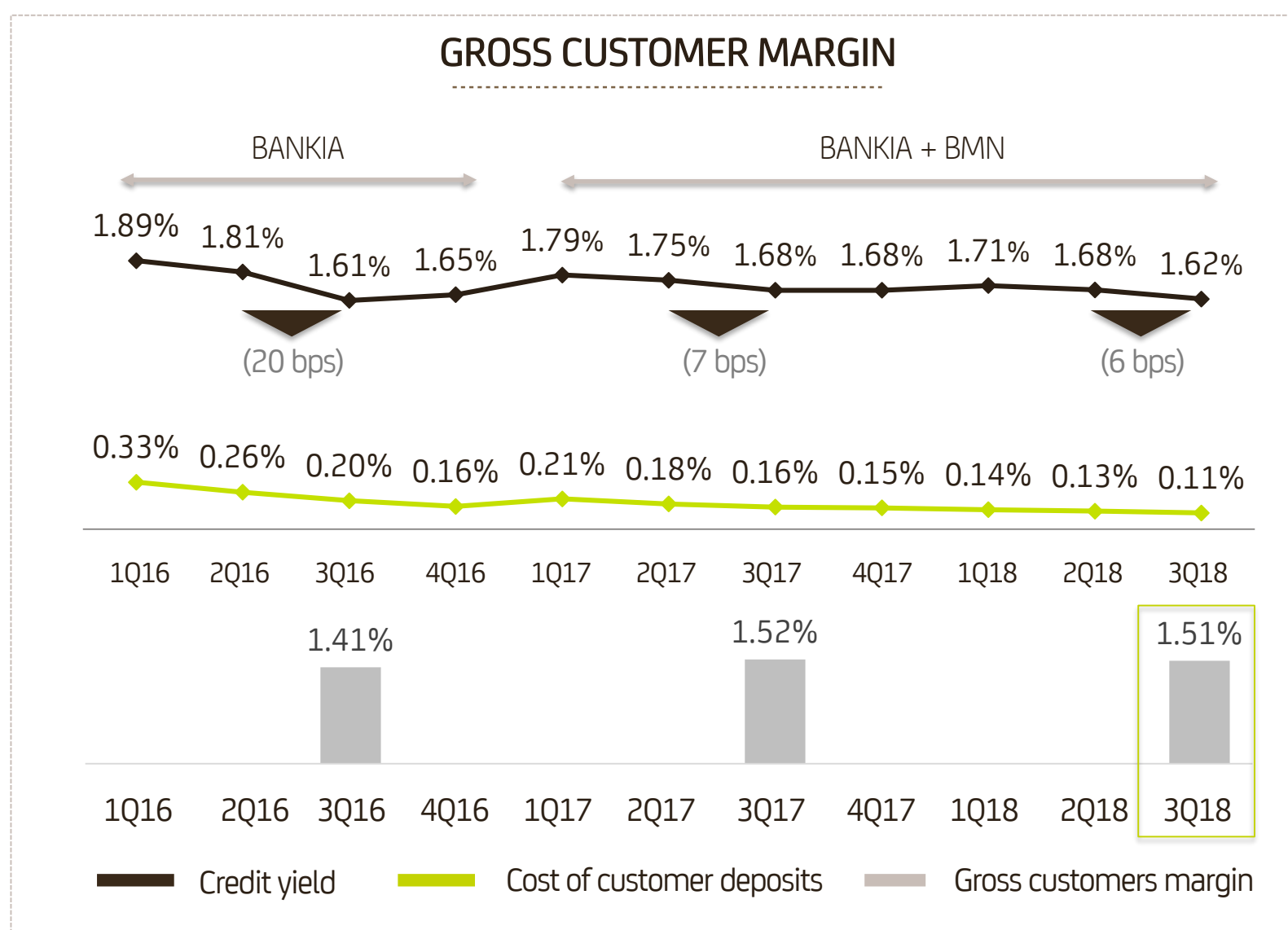
€mn

	1Q 18	2Q 18	3Q 18	Diff % 3Q18 vs 2Q18
Net interest income	526	521	495	(5.0%)
Net fee and commission income	264	270	265	(1.8%)
Net trading income	139	152	90	(41.2%)
Other revenue	10	(40)	15	--
Gross income	939	903	865	(4.2%)
Operating expenses	(485)	(459)	(458)	(0.3%)
Pre-provision profit	453	444	407	(8.3%)
Provisions for loans	(107)	(73)	(76)	4.0%
Provisions for foreclosed assets	(27)	(23)	(29)	26.9%
Taxes, minority interests and other items	(89)	(64)	(73)	14.1%
Profit attributable to the Group	229	285	229	(19.7%)

> 3Q 2018 Results

Net interest income

Gross income affected by third quarter seasonality



- ▶ Credit yield affected by third quarter seasonality showing a lower contribution of income from NPLs management
- ▶ Gross customer margin remains stable vs. 3Q17
- ▶ Frontbook new lending stable in 3Q18: 2.7%

> **3Q 2018 Results**

Net interest income

Continued active portfolio management

FIXED INCOME PORTFOLIO (ALCO)

€bn	Sep. 17 POST IFRS 9	Jun 18	Sep18
Fair Value - Unhedged portfolio	13.3	10.0	7.3
Other ALCO portfolio	16.6	18.5	18.9
Fair Value - Hedged portfolio	6.5	5.4	5.8
At amortized cost portfolio	10.1	13.1	13.1
ALCO fixed income portfolio	30.3	28.5	26.2

EXECUTED PORTFOLIO SALES

Nominal balance
€8,5bn
9M18

NET TRADING INCOME

€346mn
9M18

WEIGHT OF UNHEDGED FAIR VALUE PORTFOLIO

As a % of total ALCO
27.8% as of SEP 18
vs 45,2% as of DEC 17

PORTFOLIOS – FINANCIAL IMPACTS

▶ **NTI: + €346mn** in 9M18
NII: - €45mn estimated for full year 2018
Ratio **NTI / NII = 7.7x**

PORTFOLIOS – IMPACTS IN SOLVENCY

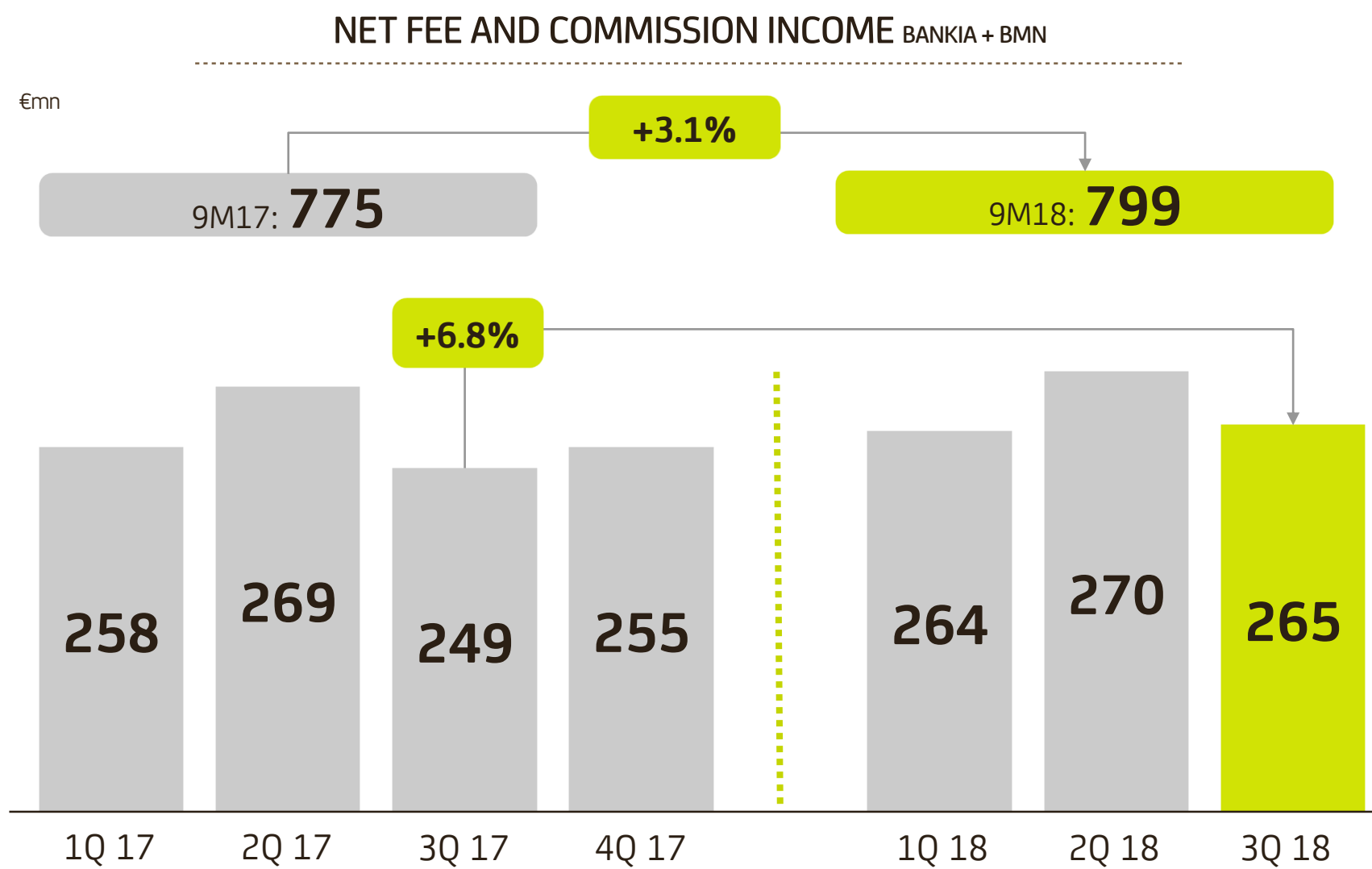
▶ **Sales** have **prevented incurring unrealized losses**, avoiding a negative capital impact

▶ **47% volume decline of FV unhedged portfolios** vs. Sep17 - reducing sensitivity to interest rates movements

> 3Q 2018 Results

Fee and commission income

Accumulated fees increase 3.1%



MUTUAL FUNDS

Gross Fees

+13.6% 9M18 vs 9M17



PENSION PLANS

Gross Fees

+8.5% 9M18 vs 9M17



PAYMENT SERVICES

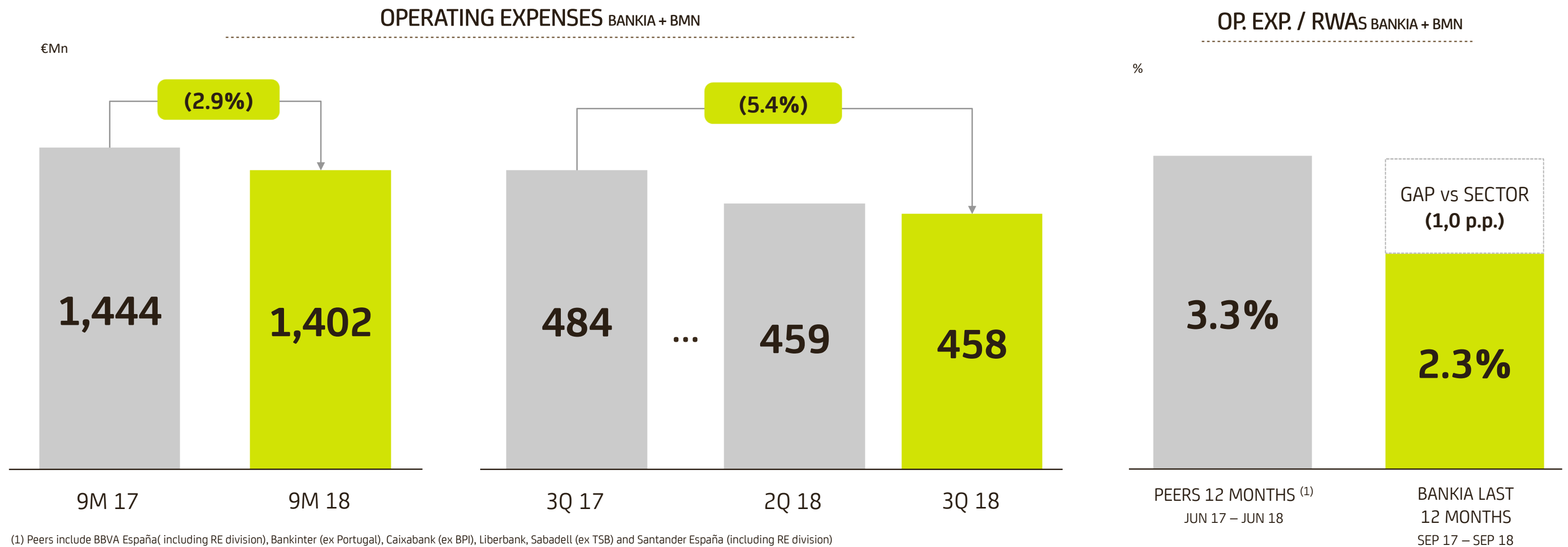
Gross Fees – Credit cards, POS terminals, ATMs...

+13.1% 9M18 vs 9M17

> 3Q 2018 Results

Operating expenses

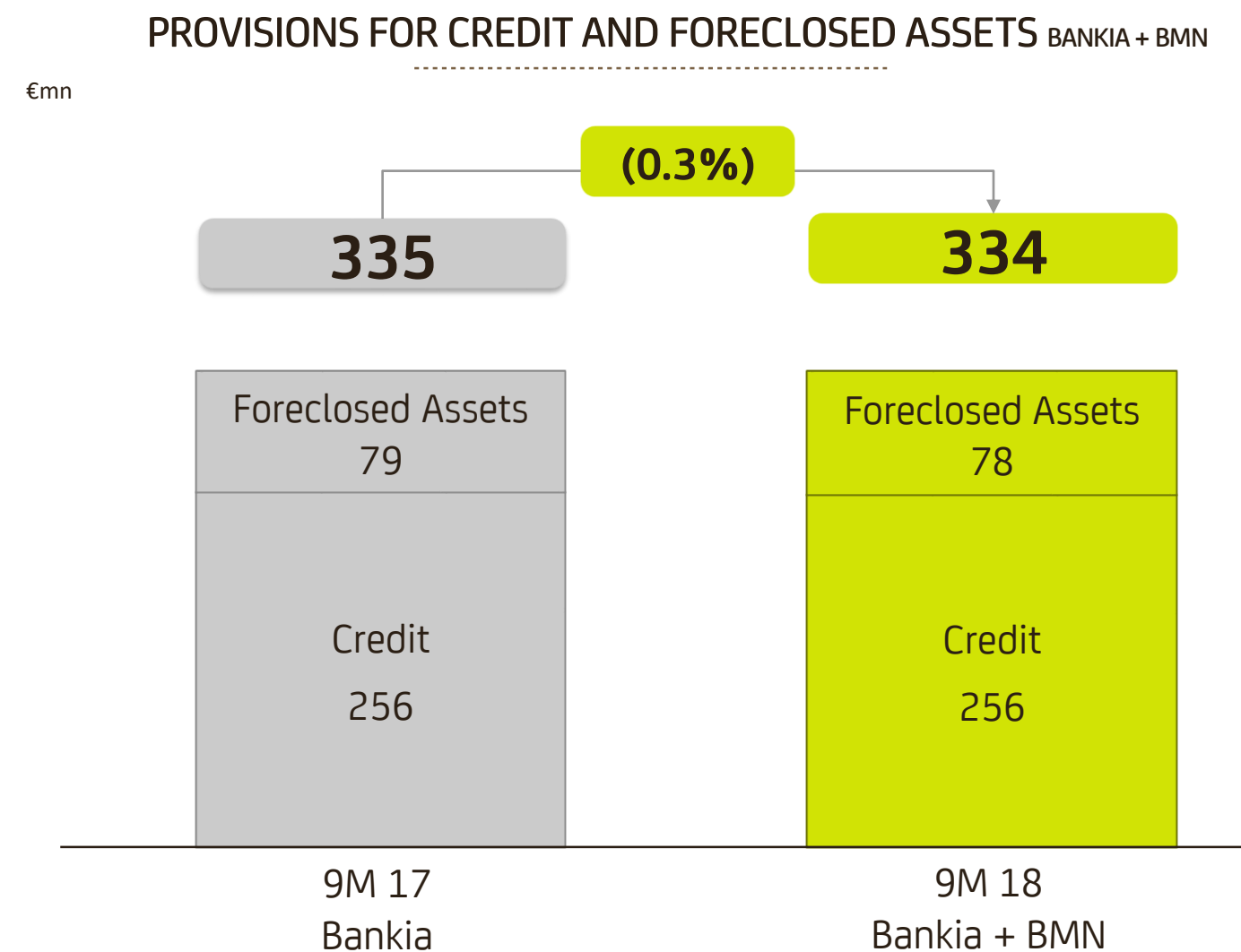
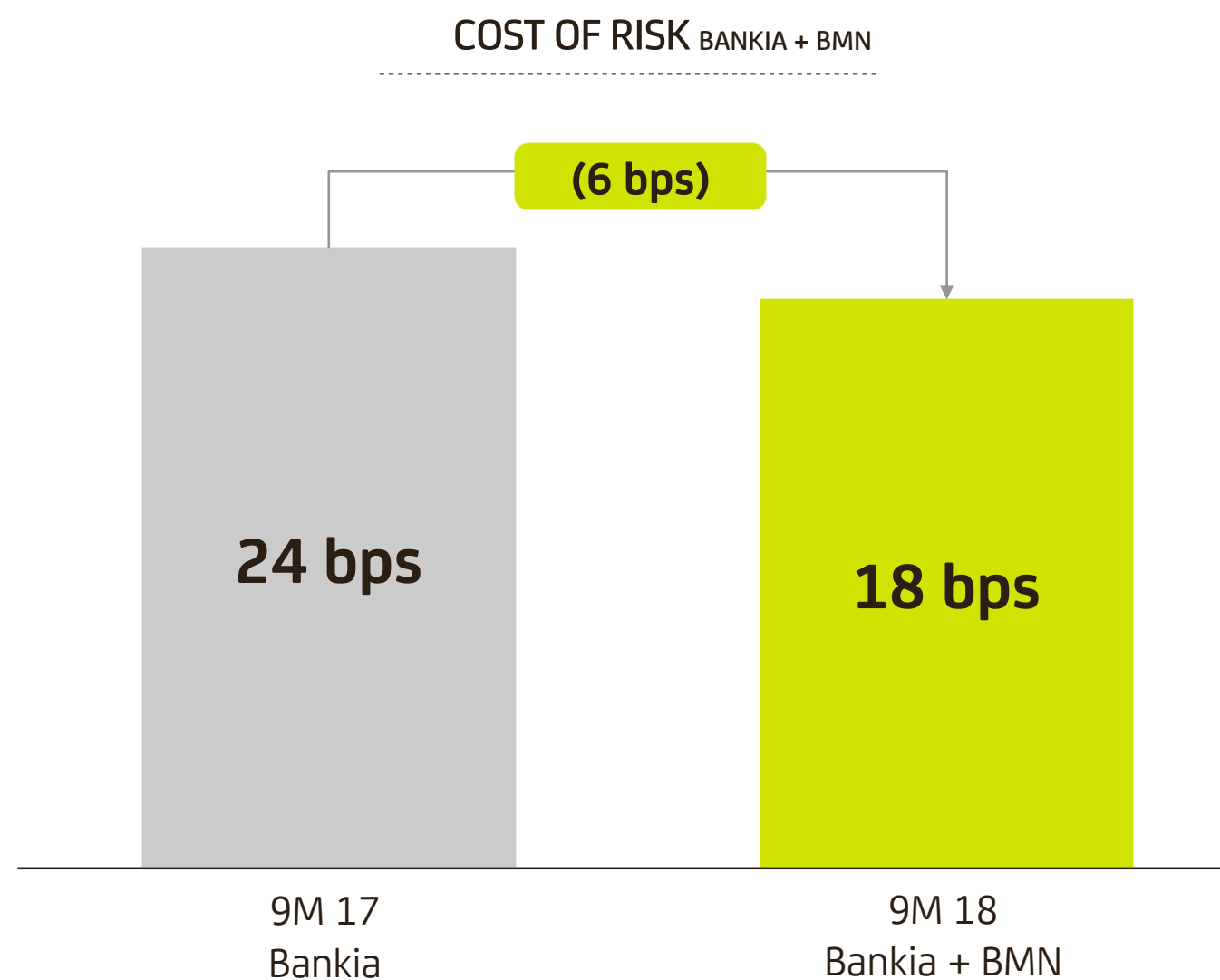
Costs are down 5.4% compared with 3Q17



> **3Q 2018 Results**

Cost of risk

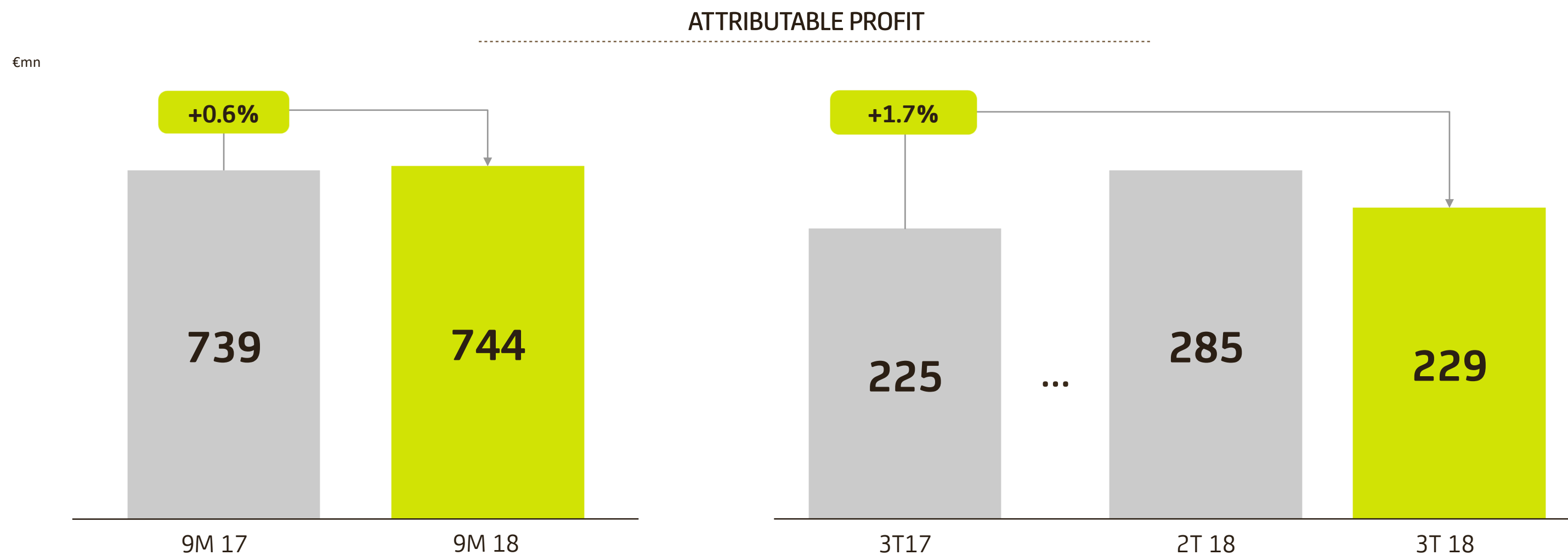
Accumulated cost of risk stands at 18 bps



> 3Q 2018 Results

Attributable profit

Accumulated profit above same period last year



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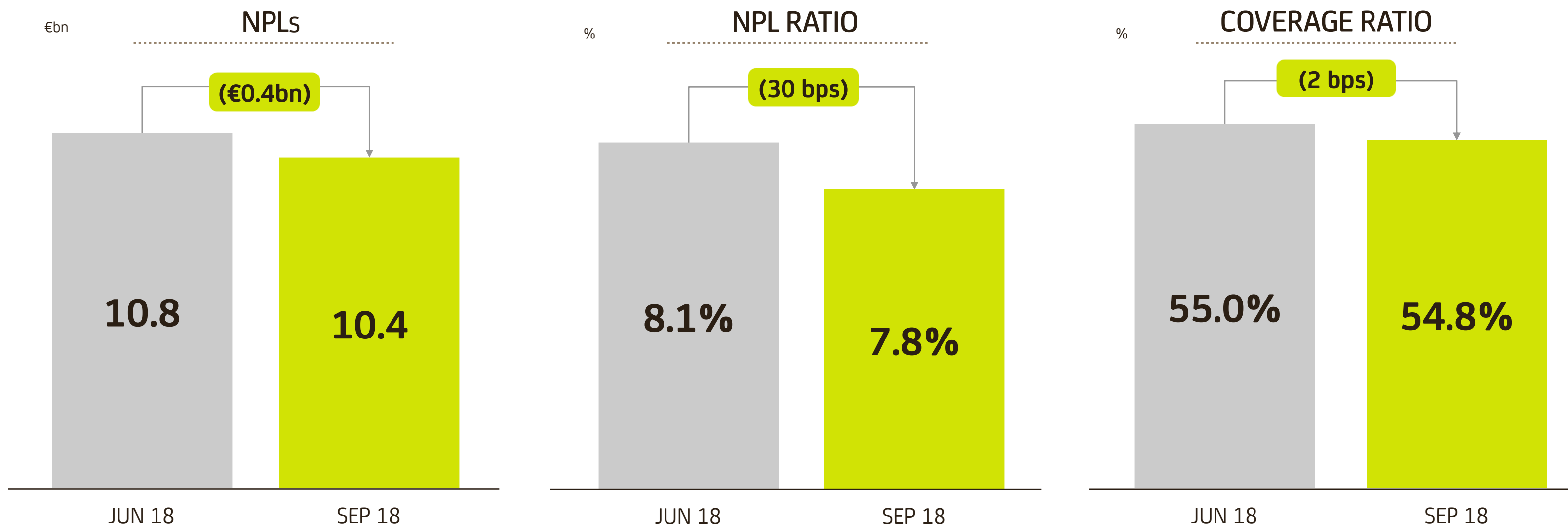
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CONCLUSIONS

> Asset quality and risk management

Credit quality

NPLs down €0.4bn in the third quarter



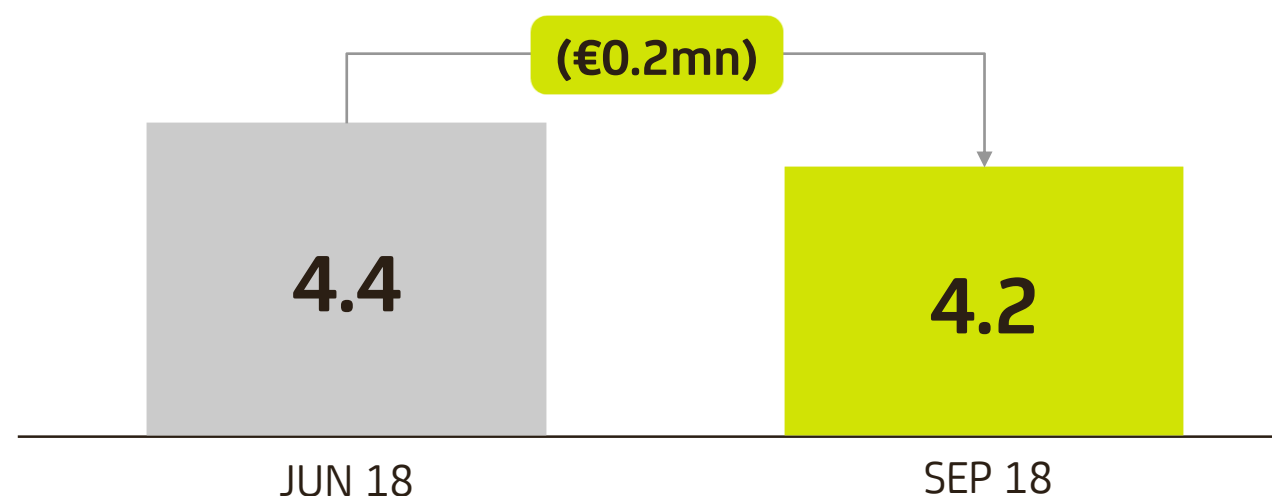
> **Asset quality and risk management**

Credit quality

The outstanding balance of foreclosed assets continues to fall supported by sales

FORECLOSED ASSETS

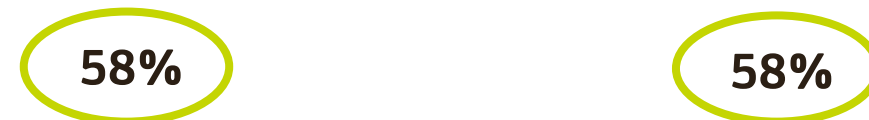
Gross amounts €bn



Coverage ratio since foreclosure

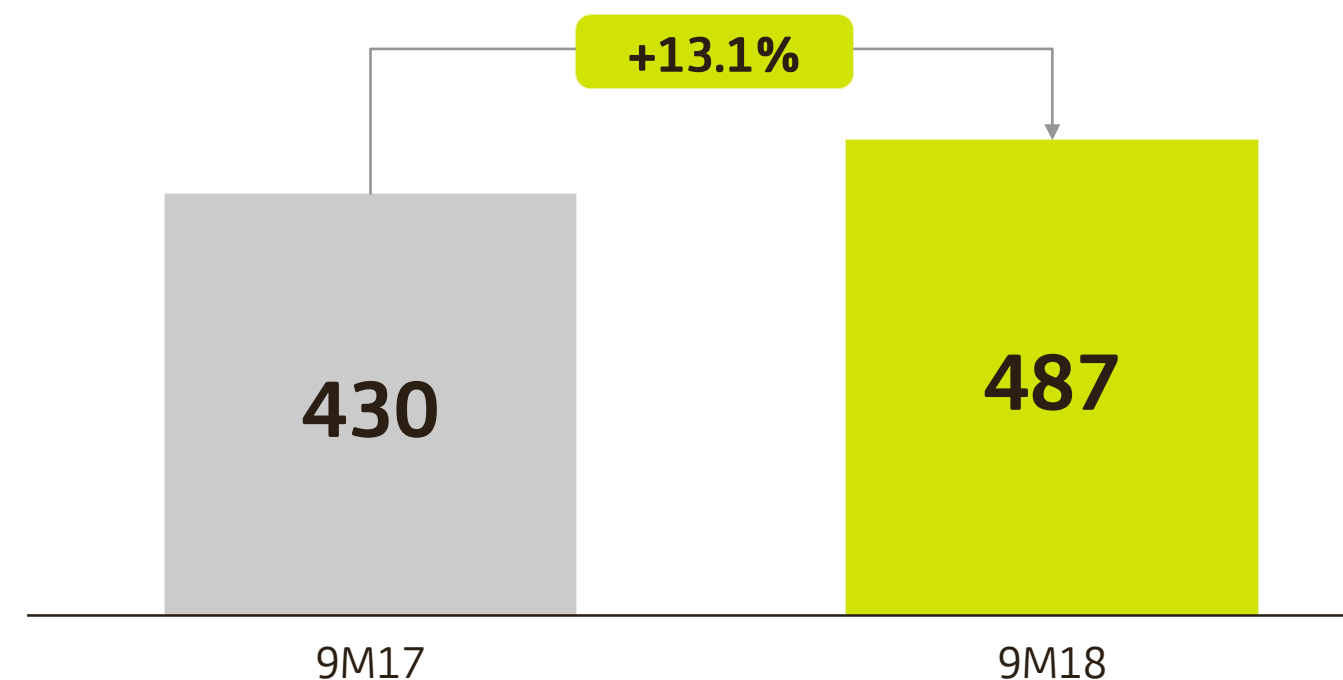


Coverage ratio since origination



FORECLOSED ASSET SALES

€mn



47% growth in units sold
 (10,700 9M18 VS 7,300 9M17). **20% initial stock**

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CONCLUSIONS

> **Liquidity** and solvency

Liquidity and ratings

Liquidity metrics and ratings

> LTD Ratio
Sep 2018

93.6%

> LCR
Sep 2018

157%

> Commercial
GAP
Sep 2018

(€1.6bn)

> Liquid Assets
/maturities
Sep 2018

1.4x

AVAILABLE LIQUID ASSETS

HQLA as % of total

€29.2 Bn

Non HQLA: 4.2%

**HQLA
95.8%**

SEP 18

**S&P Global
Ratings**

Senior

BBB
Stable Outlook

SNP

BBB-
Stable Outlook

FitchRatings

BBB-
Positive Outlook

BBB-
Positive Outlook



BBB (high)
Stable Outlook

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> **Liquidity and solvency**

AT1 issuance

Successful second AT1 issuance

TRANSACTION DETAILS

Volume (€mn)

€500mn

Oversubscription

>5x

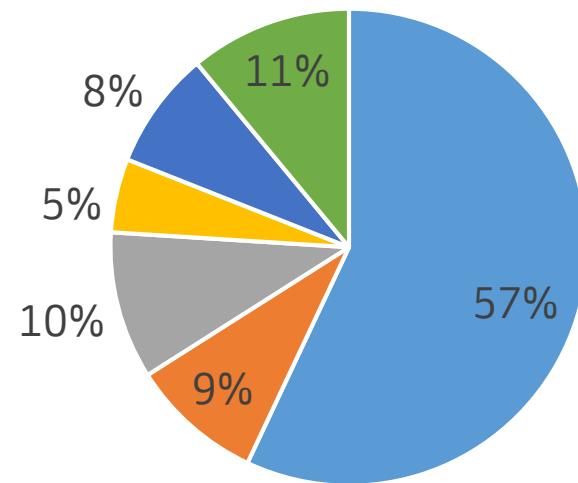
Cupon

6.375%

Impact on capital

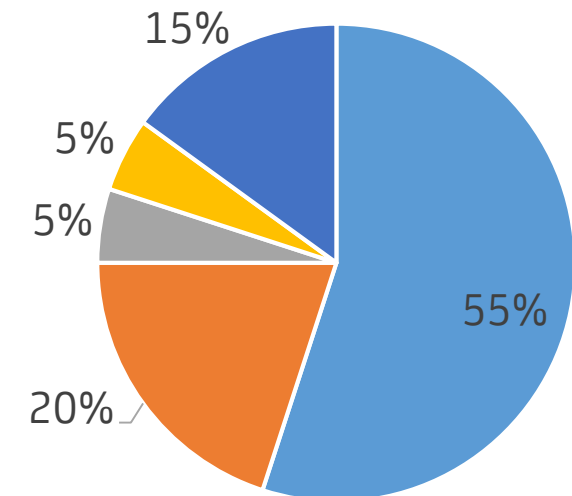
+ 60 bps in Total Solvency
(BISIII FL)

GEOGRAPHIC DISTRIBUTION



- UK
- GERMANY
- FRANCE
- ITALY
- SWITZERLAND
- OTHERS

INVESTOR PROFILE



- ASSET MANAGERS
- BANKS
- HEDGE FUNDS
- INSURANCE CO.
- OTHERS

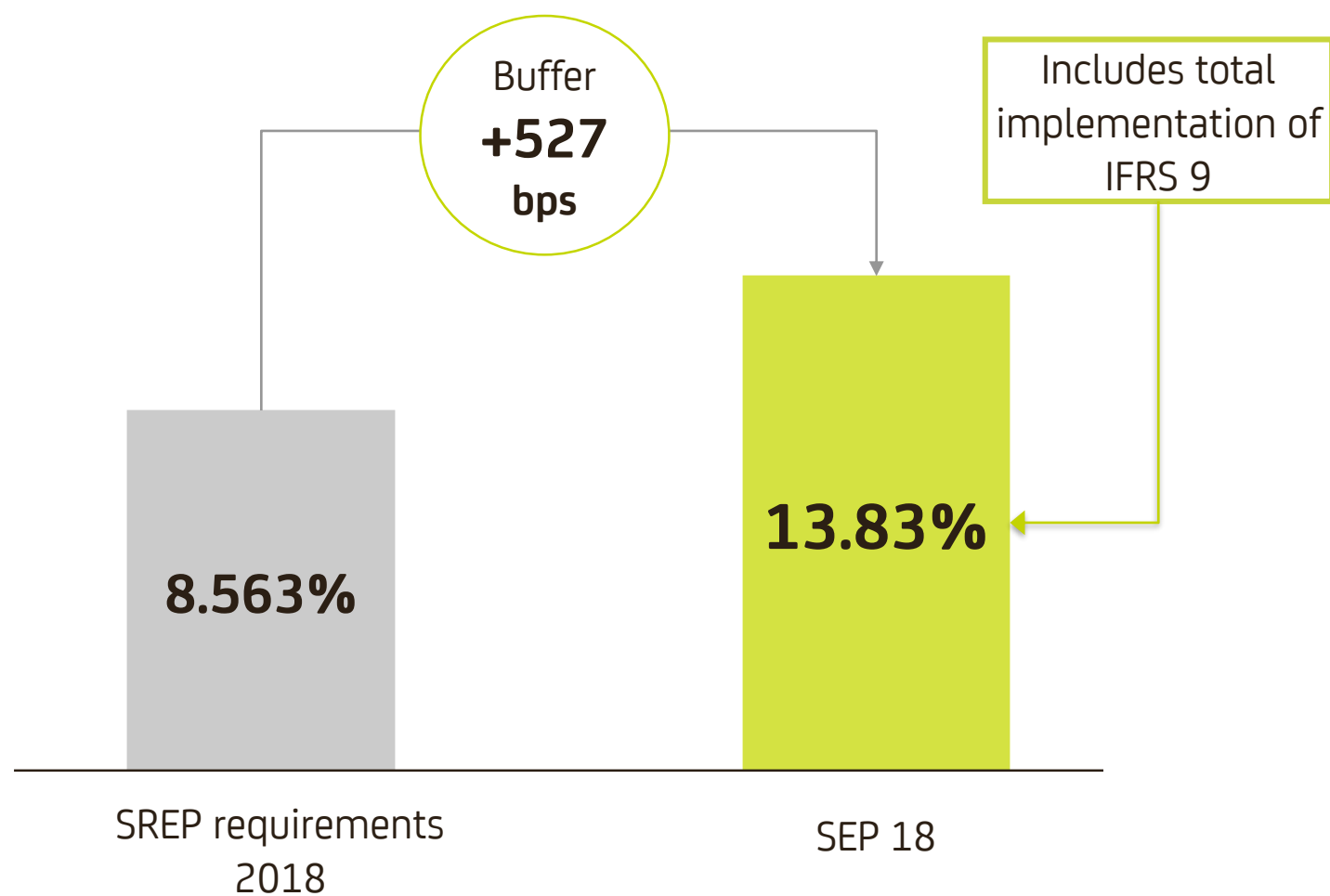
The issuance allows us to fill AT1 and Tier 2 buckets

> Liquidity and **solvency**

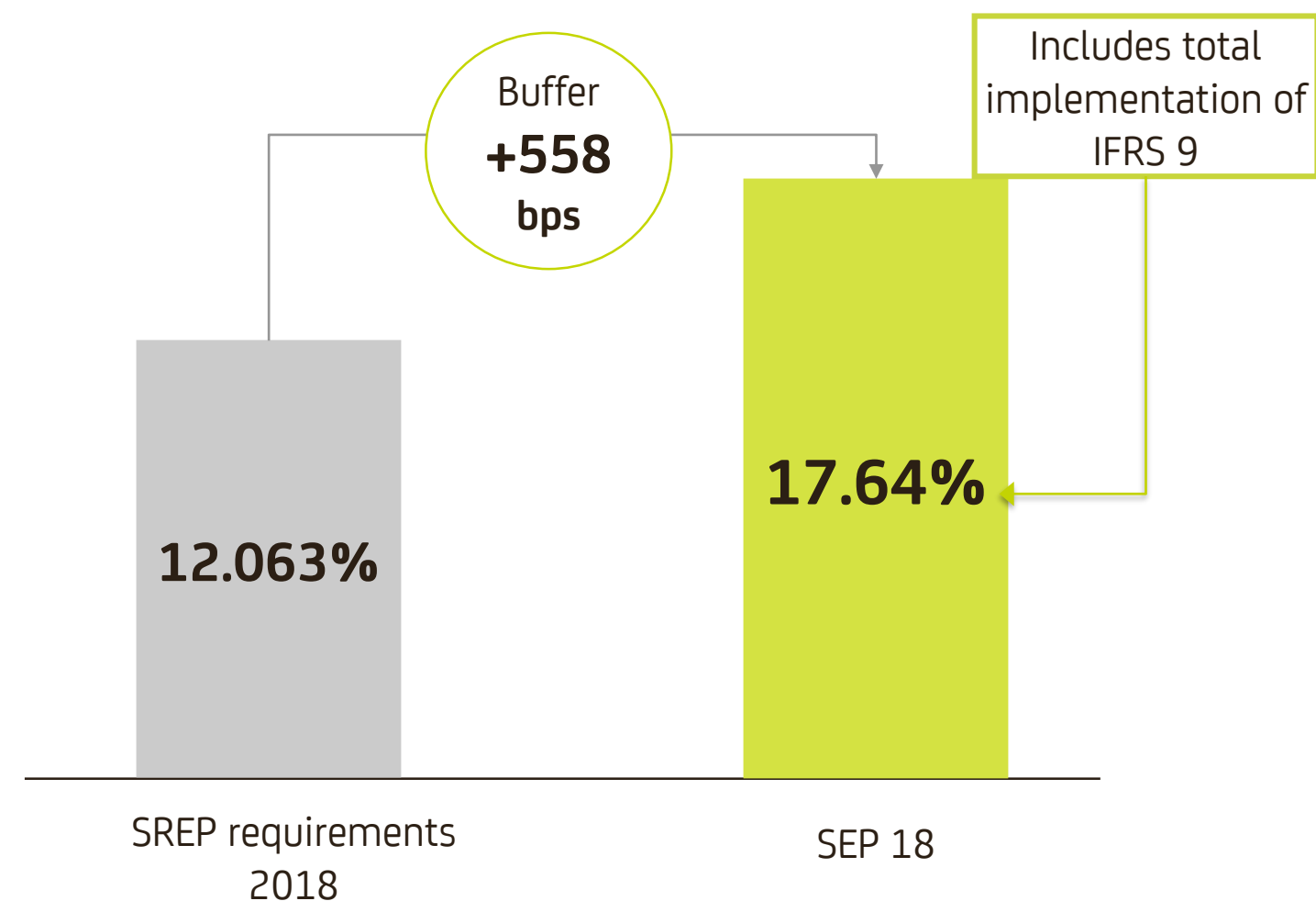
Solvency ratios – Phase In

Ample capital buffers above minimum regulatory requirements

CET1 PHASE IN RATIO



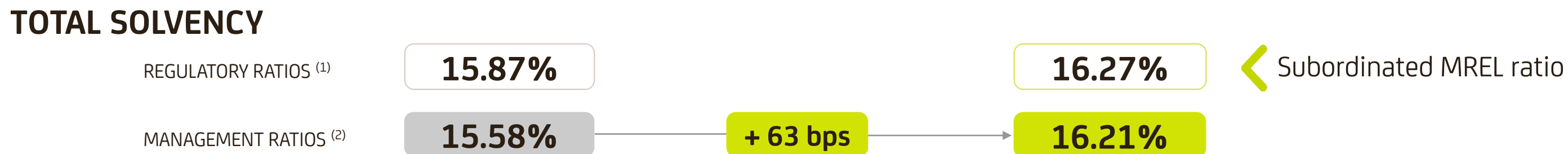
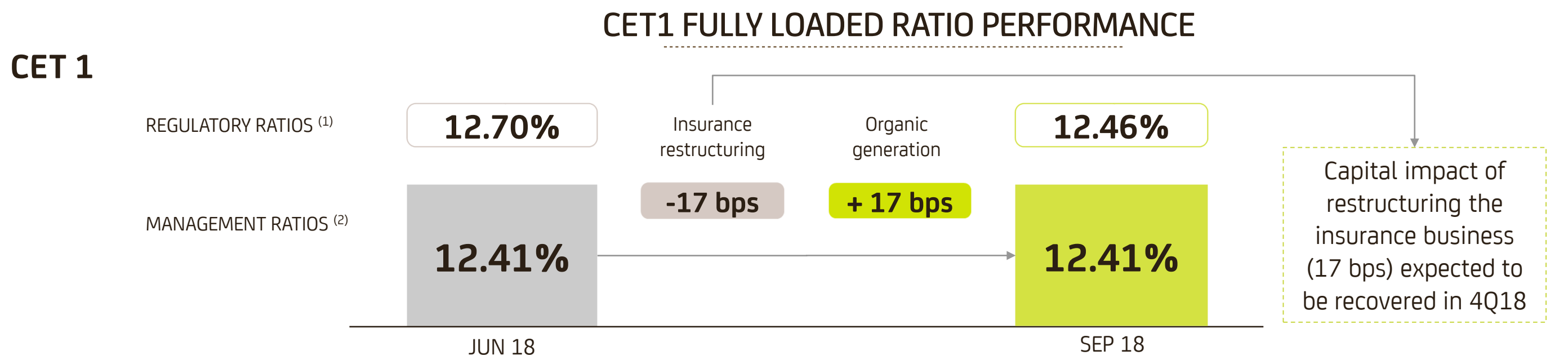
TOTAL SOLVENCY PHASE IN RATIO



> Liquidity and **solvency**

Solvency ratios – Fully Loaded performance

Organic capital generation of 17 bps in the quarter



Leverage Ratio Fully Loaded: 5.6% Sep 18

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

(1) Ratios including unrealised gains on sovereign portfolio. IFRS 9 total impact already included.

(2) Ratios not including unrealised gains on sovereign portfolio. IFRS 9 total impact already included.

1

3Q 2018 HIGHLIGHTS

2

3Q 2018 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> Conclusions

> Growth in costumers and direct income deposits and we continue gaining market share in key segments (Companies, Consumer Lending, Mutual Funds...)

> The capture of synergies and cost of risk containment are key for profit generation

> Maintaining the accelerated pace NPAs reduction, already down 14% from the start of the year (-€2.4bn)

> The issuance of €500mn of Additional Tier 1 reinforces the Total Solvency ratio (16.21% Fully Loaded) and allows to accumulate MREL instruments

> **Annex**

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**

Alternative Performance Measures

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

Bankia

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