

Bankia

Quarterly results presentation

3Q 2019

28 October 2019

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ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

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CLOSING REMARKS

APPENDIX

> 3Q 2019 Highlights

In the new interest rate environment our Strategic Plan levers are even more relevant

1

Customer at the centre

2

Efficiency and cost control

3

Growth in high value segments

4

Reduction of non-performing assets

5

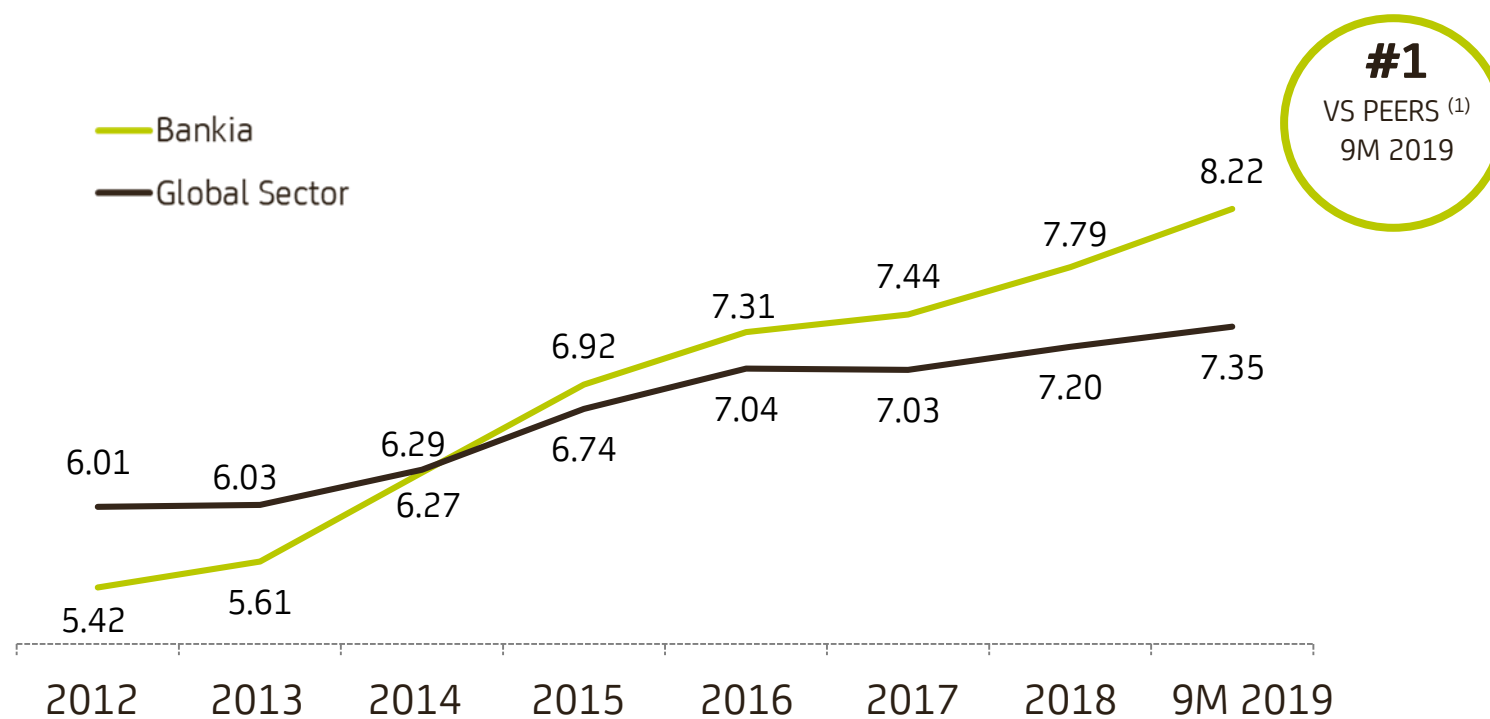
Organic capital generation

> 3Q 2019 Highlights

Customers: Quality

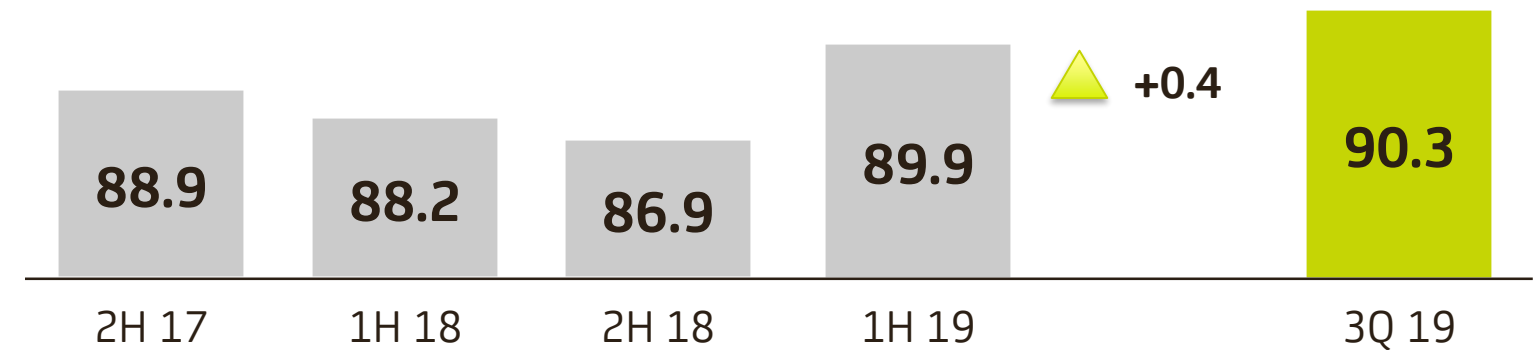
Quality indicators continue at maximum levels

MYSTERY SHOPPING



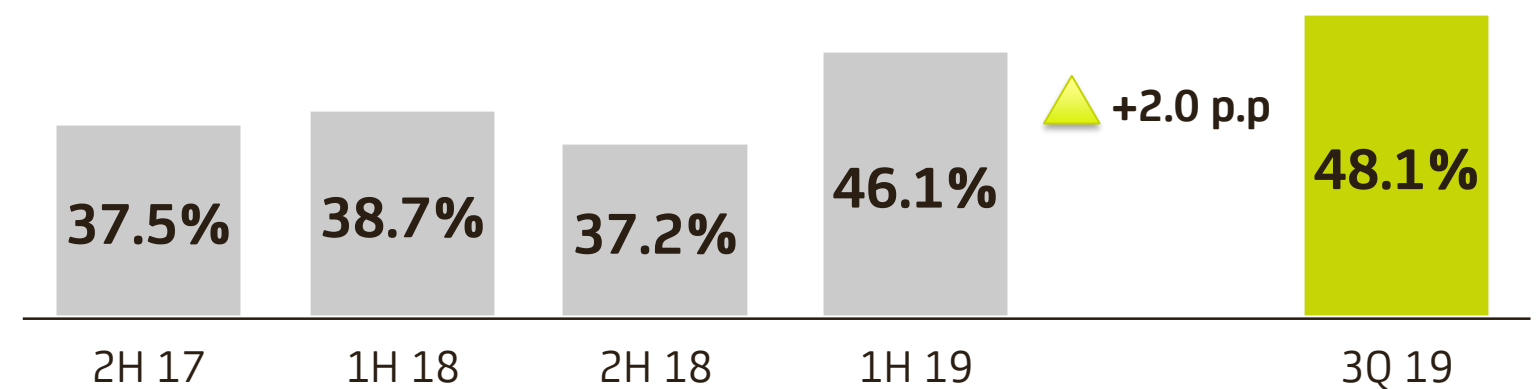
Source: STIGA research on mystery shopping satisfaction
⁽¹⁾ Peers Santander, BBVA, Caixabank, B. Sabadell y Bankinter

CUSTOMER SATISFACTION



Source: Bankia

NPS BRANCHES



Source: Bankia

> 3Q 2019 Highlights

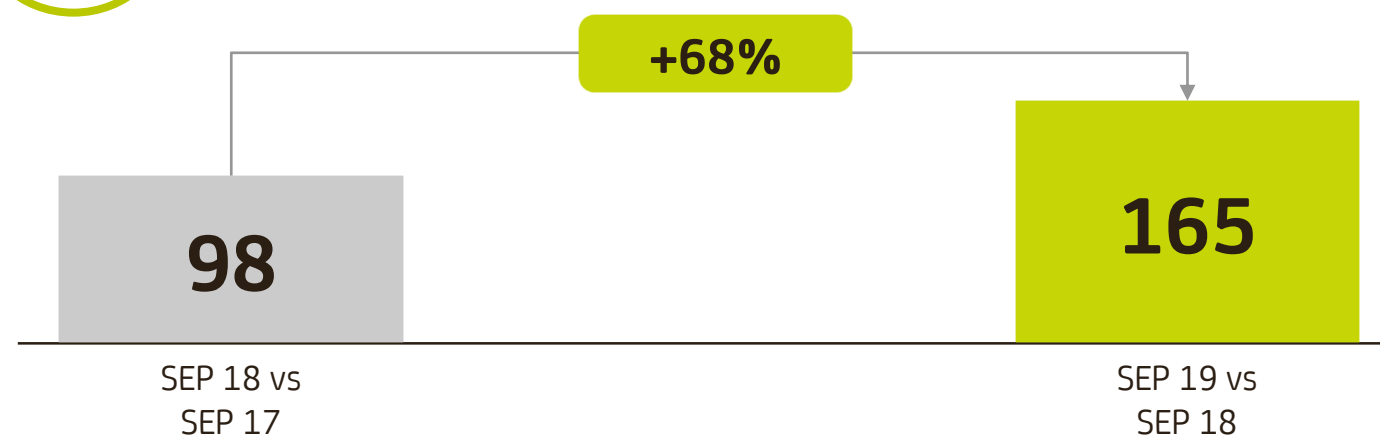
Customers and payment services

Increase of customers and its degree of loyalty



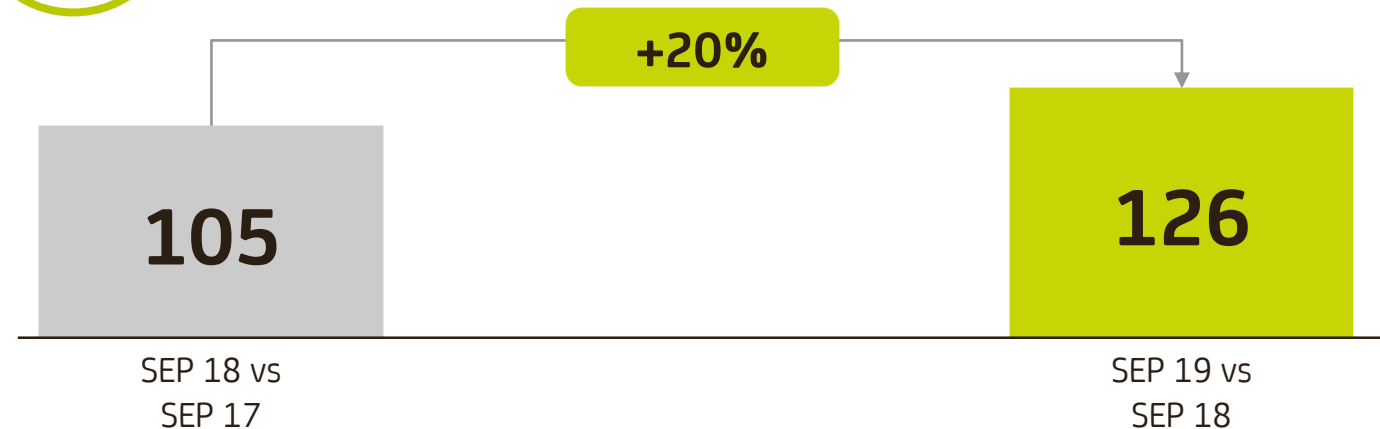
CUSTOMERS NET GROWTH

Net growth 12 months (thousands)



DIRECT INCOME DEPOSITS

Net growth 12 months (thousands)



CARDS

In-store turnover*

+14.6%

9M 19 vs 9M 18

E-commerce turnover*

+26.5%

9M 19 vs 9M 18



POS TERMINALS

POS terminals turnover

+13.3%

9M 19 vs 9M 18

POS terminals turnover market share**

12.4% MAR 19

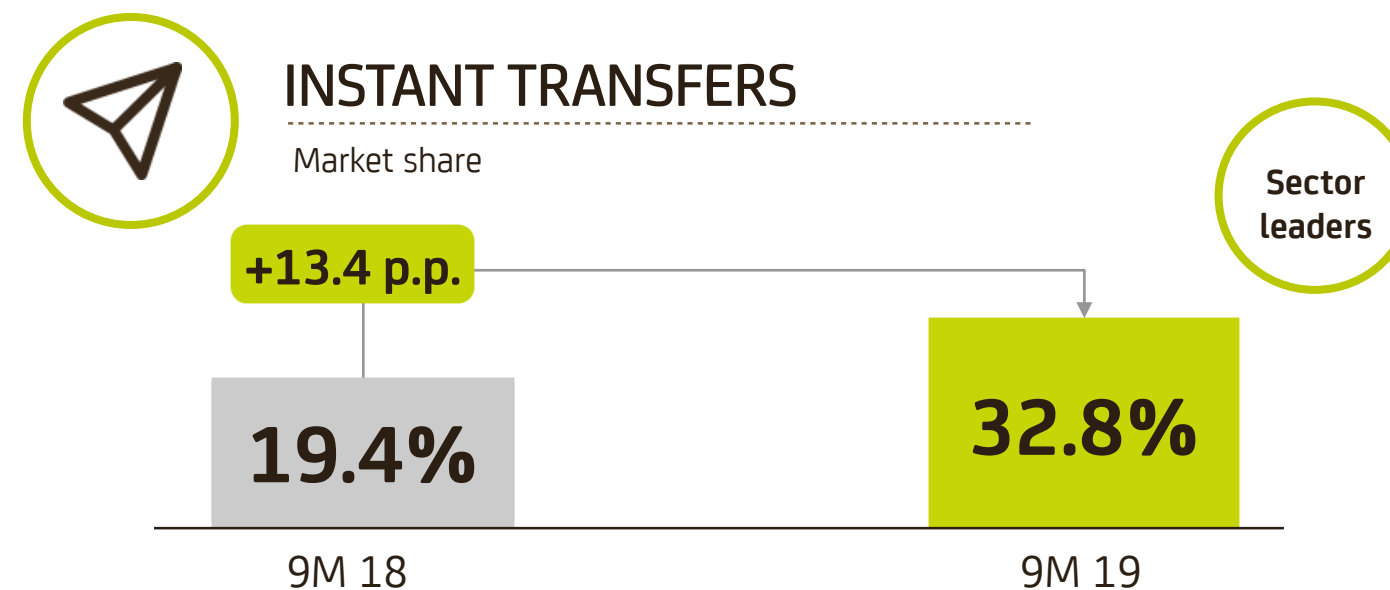
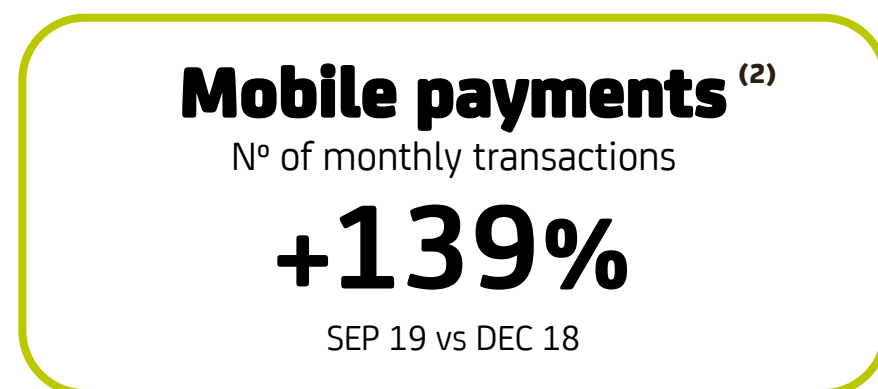
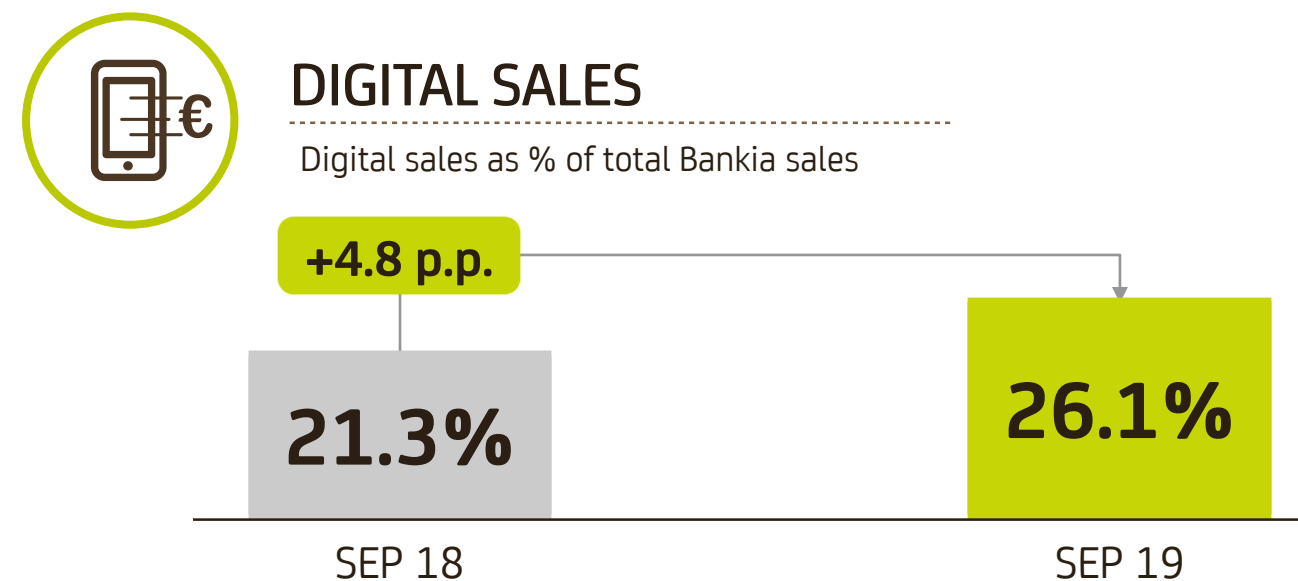
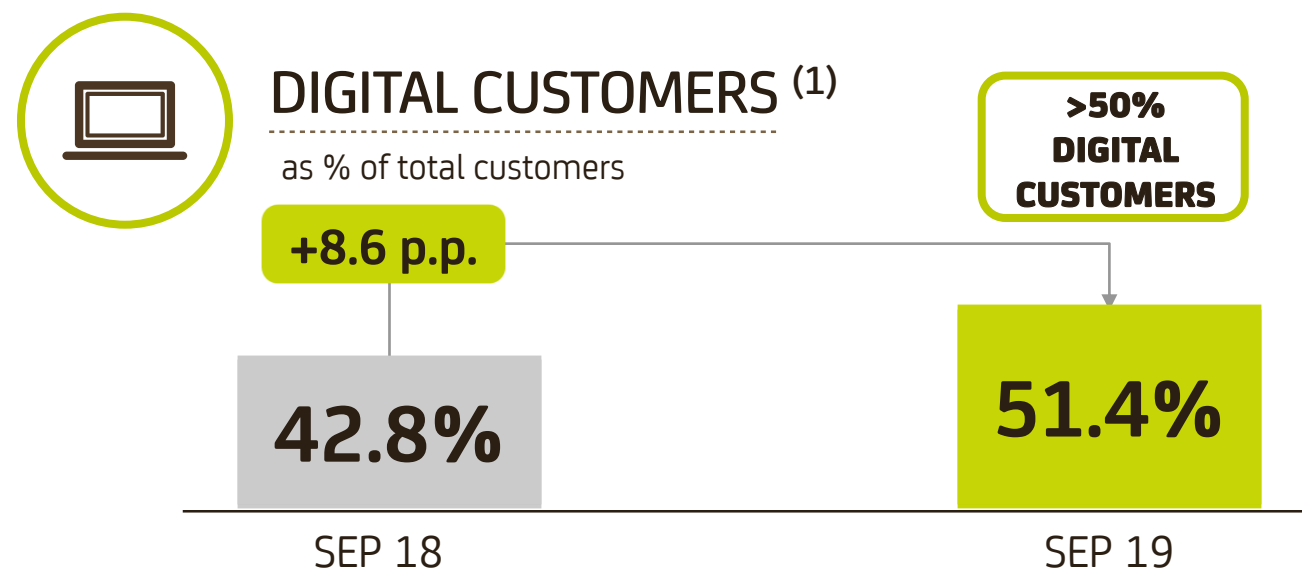
* Credit and debit cards accumulated variation YOY (%)

** Source: BoS: last available market share

> 3Q 2019 Highlights

Digitalization

Customer digitalization continues to advance



Source: Iberpay

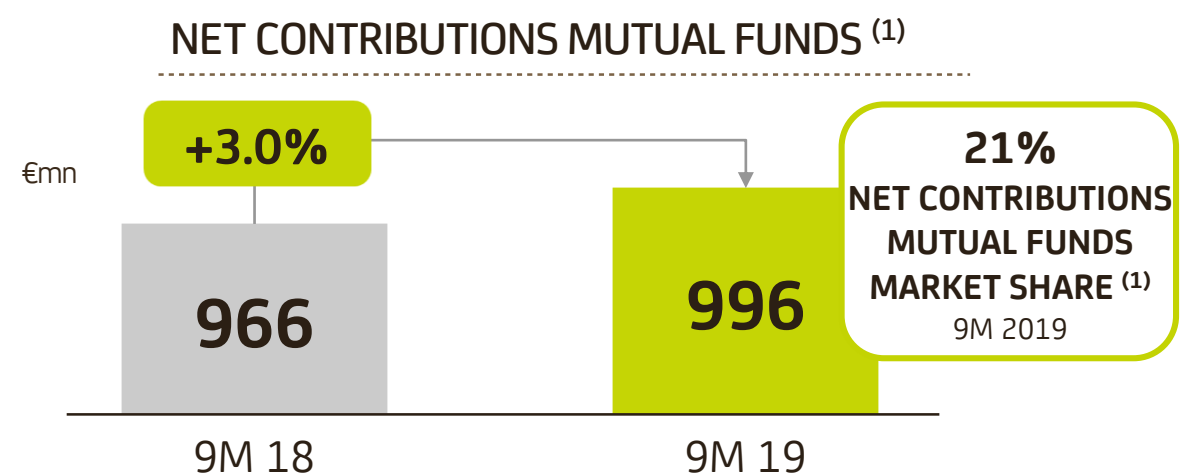
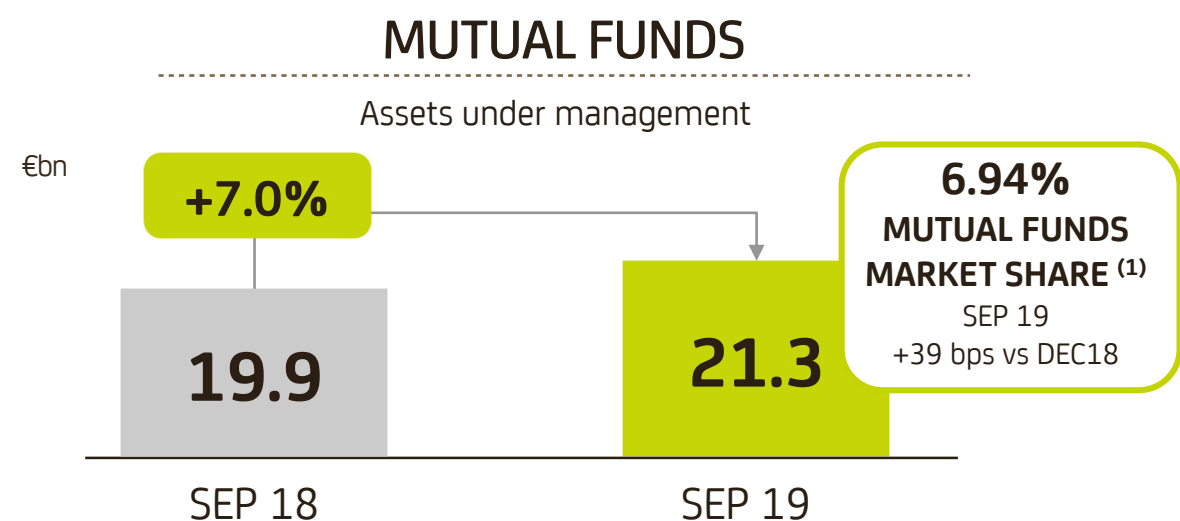
⁽¹⁾ Active customer aged over 18 who in the last 12 months has connected at least once to a digital channel (App, Bankia Online or Bankia Online-Companies). The denominator for the percentage is the number of customers aged over 18.

⁽²⁾ Purchases made with mobiles via Apple Pay, Samsung Pay, Google Pay and Bankia Wallet

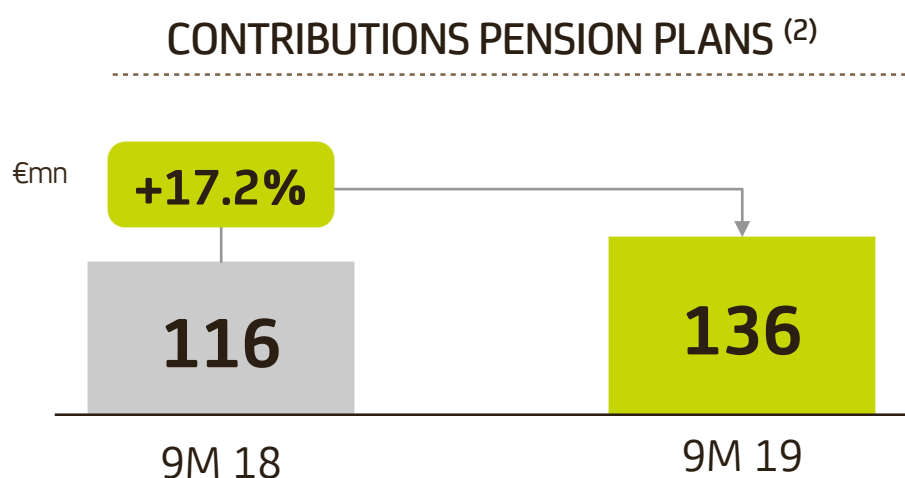
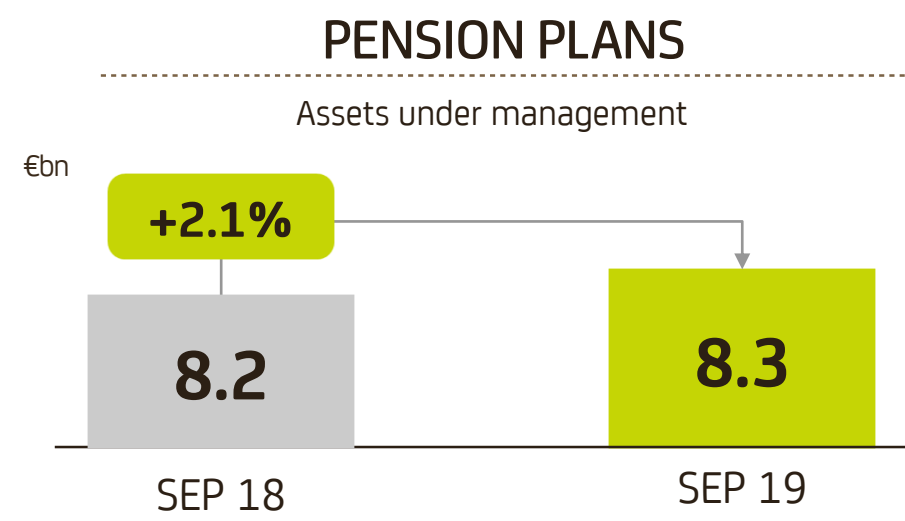
> 3Q 2019 Highlights

High value products

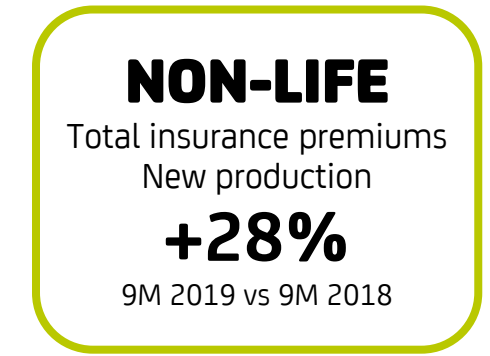
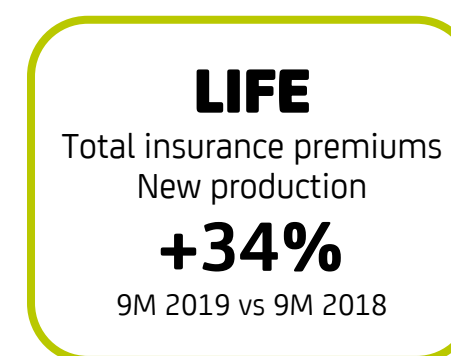
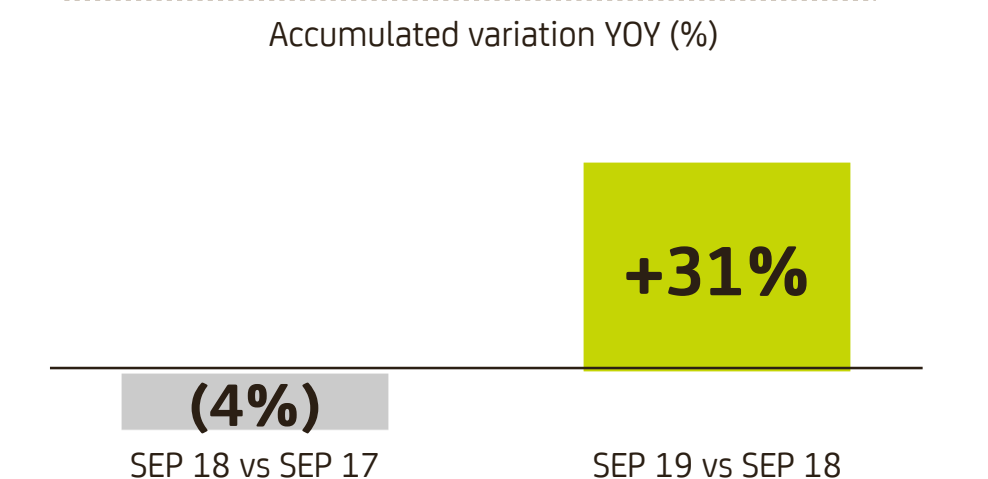
Leadership in net contributions to mutual funds maintained in 2019



SECTOR RANKING NET CONTRIBUTIONS TO MUTUAL FUNDS ⁽¹⁾ **#1** 9M 19



INSURANCE PREMIUMS - NEW PRODUCTION



(1) Source: Inverco. Market share calculated as a percentage of net new positive contributions, considering that the performance of the sector as a whole has been negative in the period

(2) Bankia Pensions. Gross contributions to individual pension plans

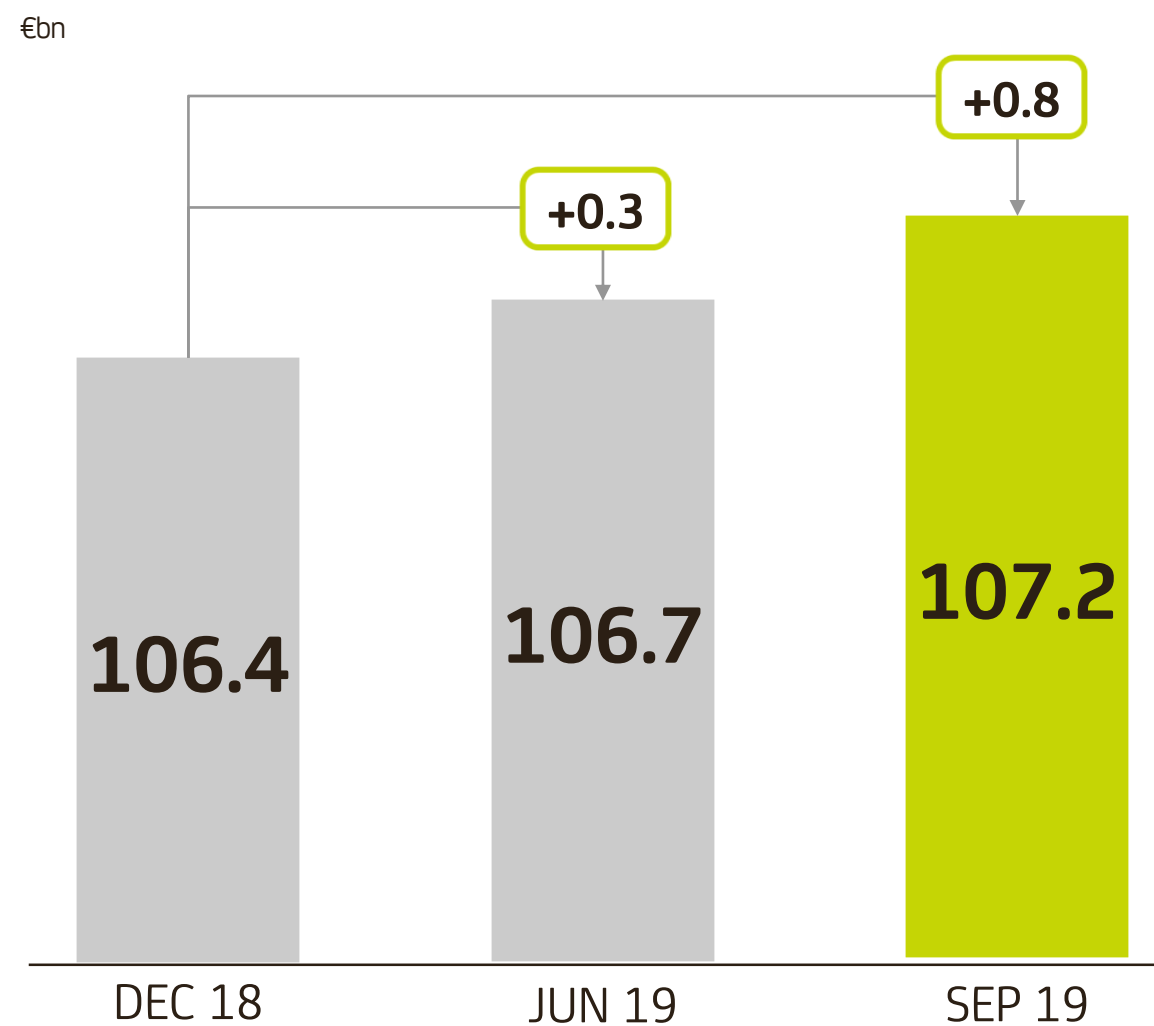
> 3Q 2019 Highlights

Credit stock

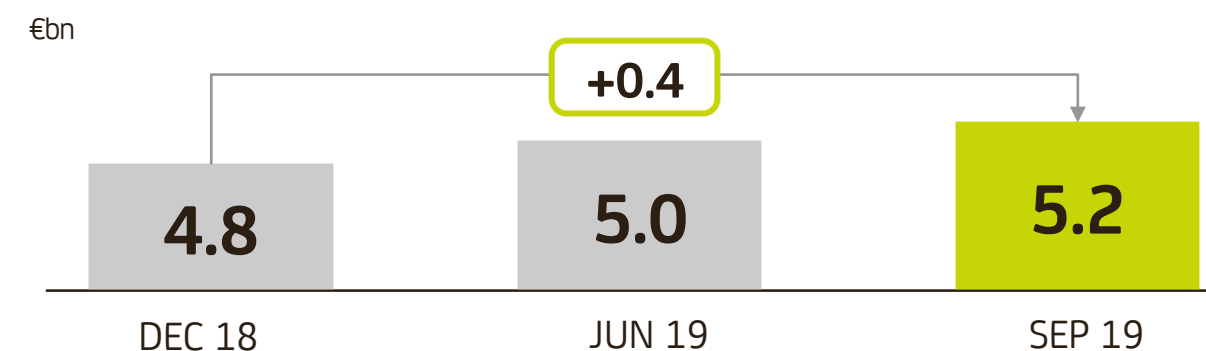
Trend change of performing credit stock confirmed

PERFORMING CREDIT STOCK

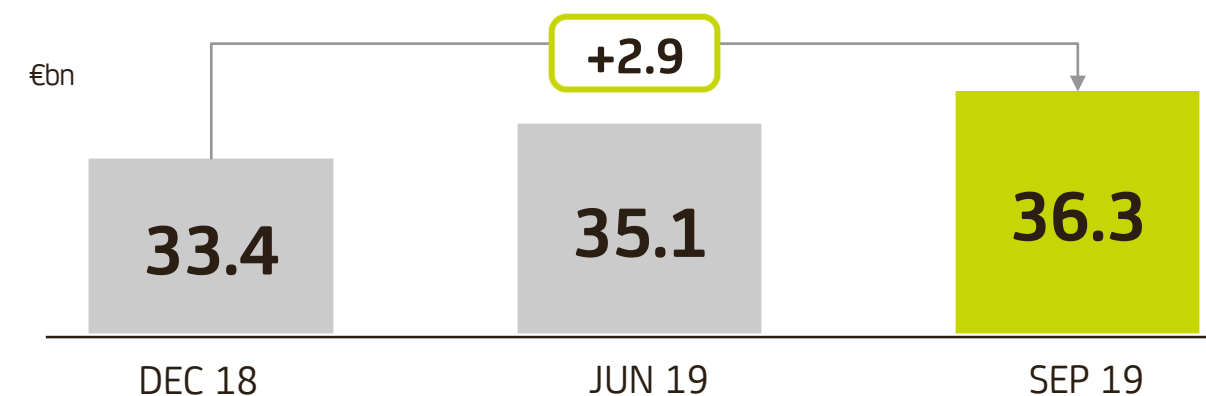
HOME MORTGAGES + CONSUMER LENDING + COMPANIES + REAL ESTATE DEVELOPERS



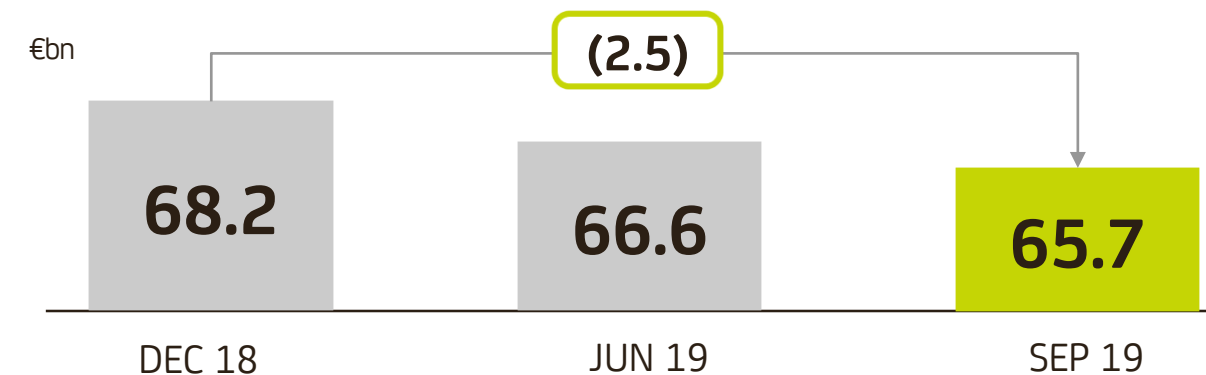
CONSUMER LENDING STOCK



COMPANIES STOCK (1)



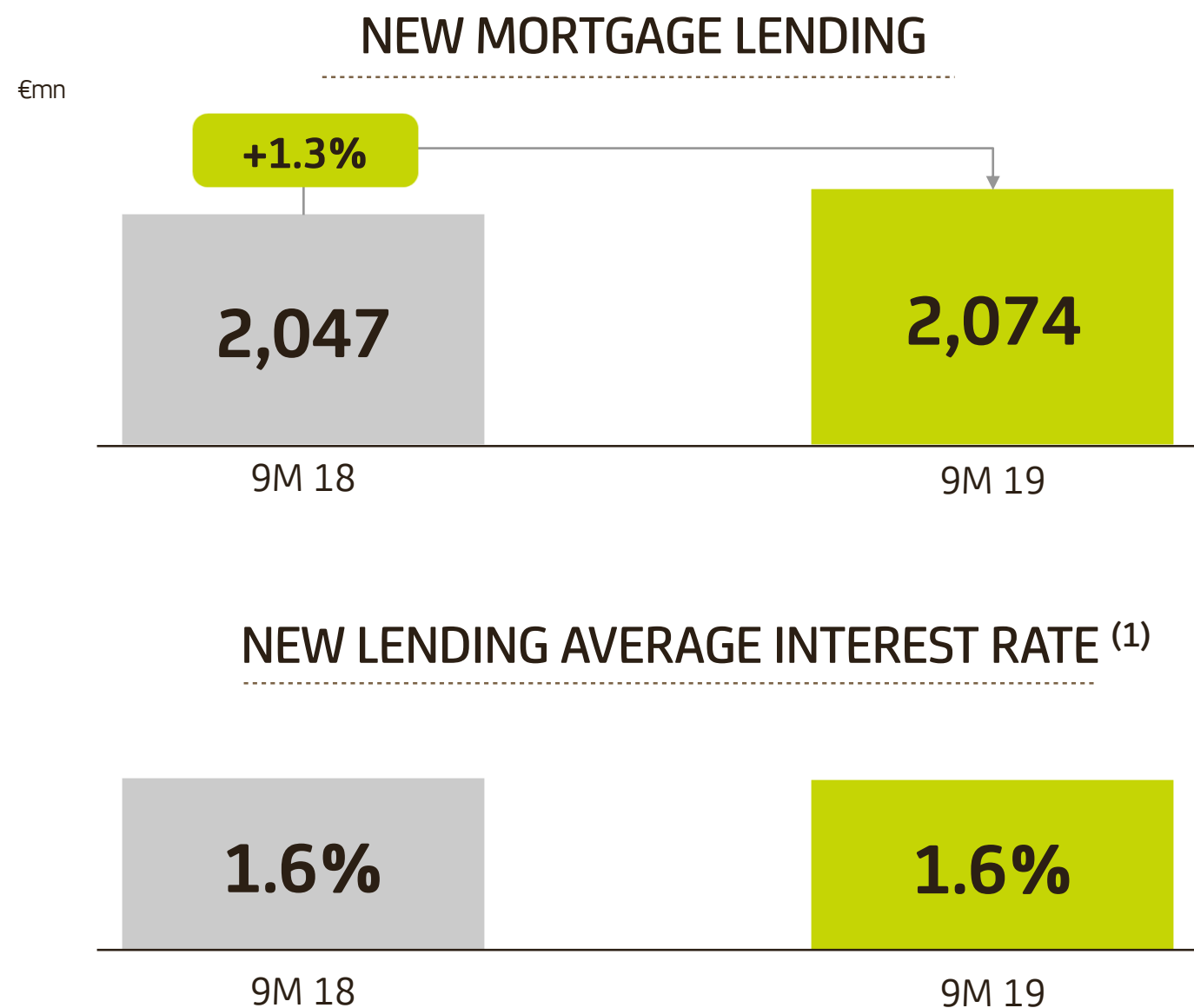
HOME MORTGAGES STOCK



> **3Q 2019 Highlights**

New credit: mortgages

New mortgage lending performance



FIXED RATE MORTGAGES
% of new mortgages amount
48%
9M 2019

MORTGAGES TO NEW CUSTOMERS
% of new mortgages
34%
9M 2019

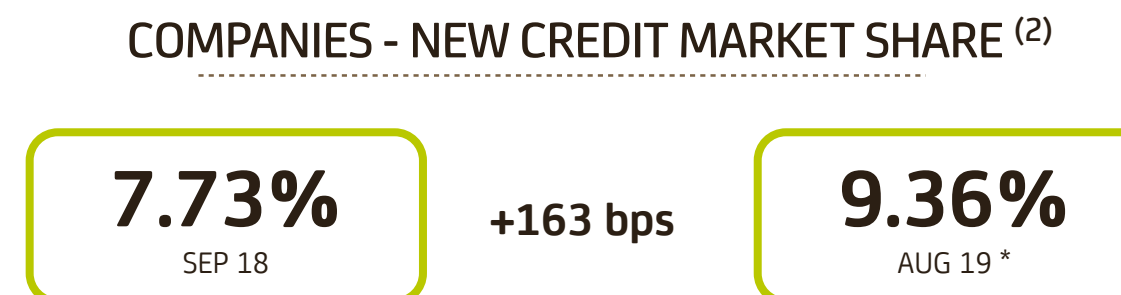
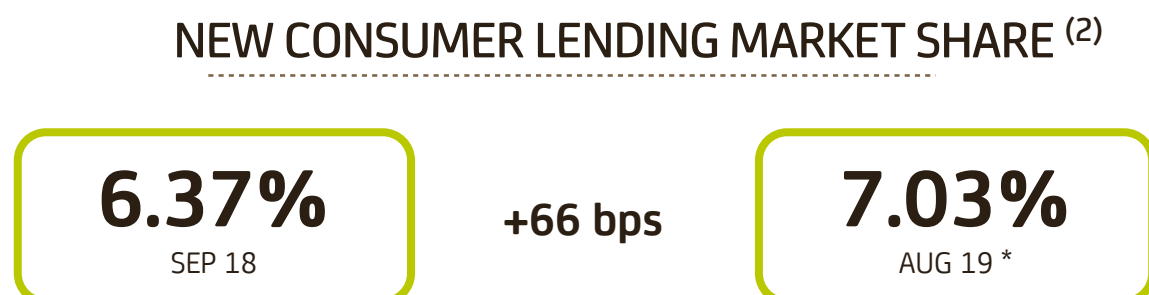
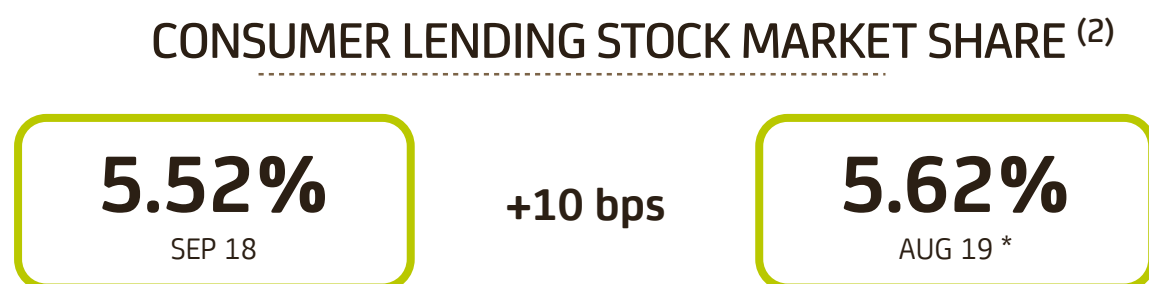
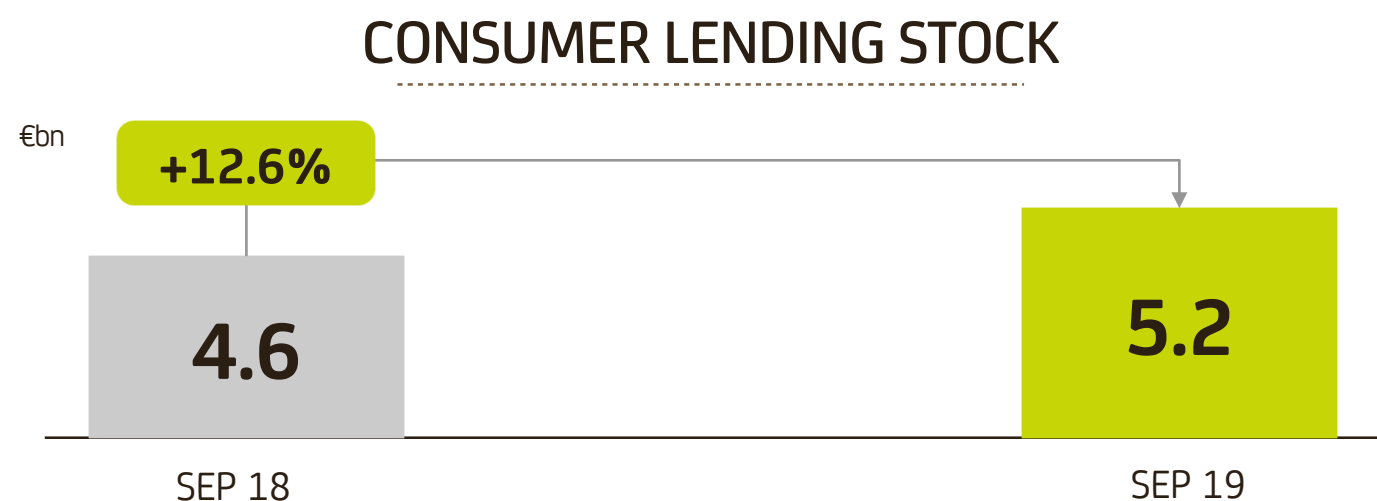
Average LTV of new mortgages:

65% 9M 2019

> 3Q 2019 Highlights

Credit stock

Growth of performing credit stock in strategic segments



(1) Includes performing credit stock of the real estate segment

(2) Source: BoS. Accumulated new lending market share: non-renegotiated home mortgages; renegotiated companies and real estate developers (* last available market share)

> 3Q 2019 Highlights

Credit

Promoting profitable credit growth and sustainable finance

SYNDICATED LOANS

Significant increase in syndicated loans

NUMBER OF TRANSACTIONS

Source: Dealogic

76 Bankia
159 total sector
9M 2019

#2

SECTOR RANKING
9M 2019

AMOUNT LOANED

Source: Dealogic

€3bn Bankia
€43 bn total sector
9M 2019

#3

SECTOR RANKING
9M 2019

CONSUMER LENDING JOINT VENTURE

Authorization to operate in Spain obtained



Commercial activity to begin at the end of the year

RESPONSIBLE BANKING

Bankia creates a Sustainable Business and Financing Division

Bankia reinforces its commitment to sustainable finance and to the environmental impact of its activity

Bankia, together with 130 banks, signs the Principles for Responsible Banking of the United Nations

Under the Principles for Responsible Banking, Bankia aims to align its business with the objectives of the Paris Agreement on climate change and the Sustainable Development Goals (SDGs).

Bankia joins the European Dow Jones Sustainability Index



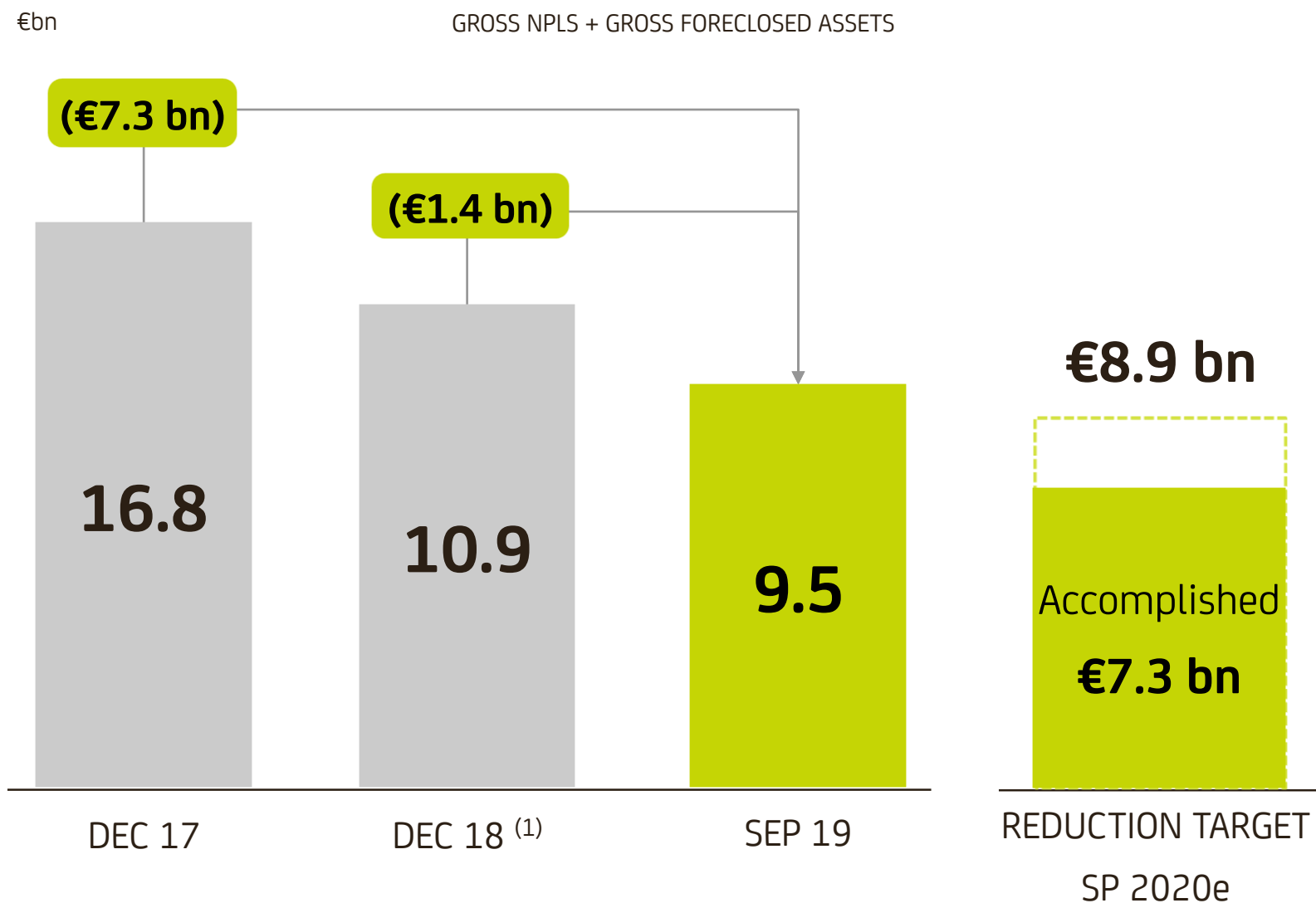
> 3Q 2019 Highlights

Asset quality

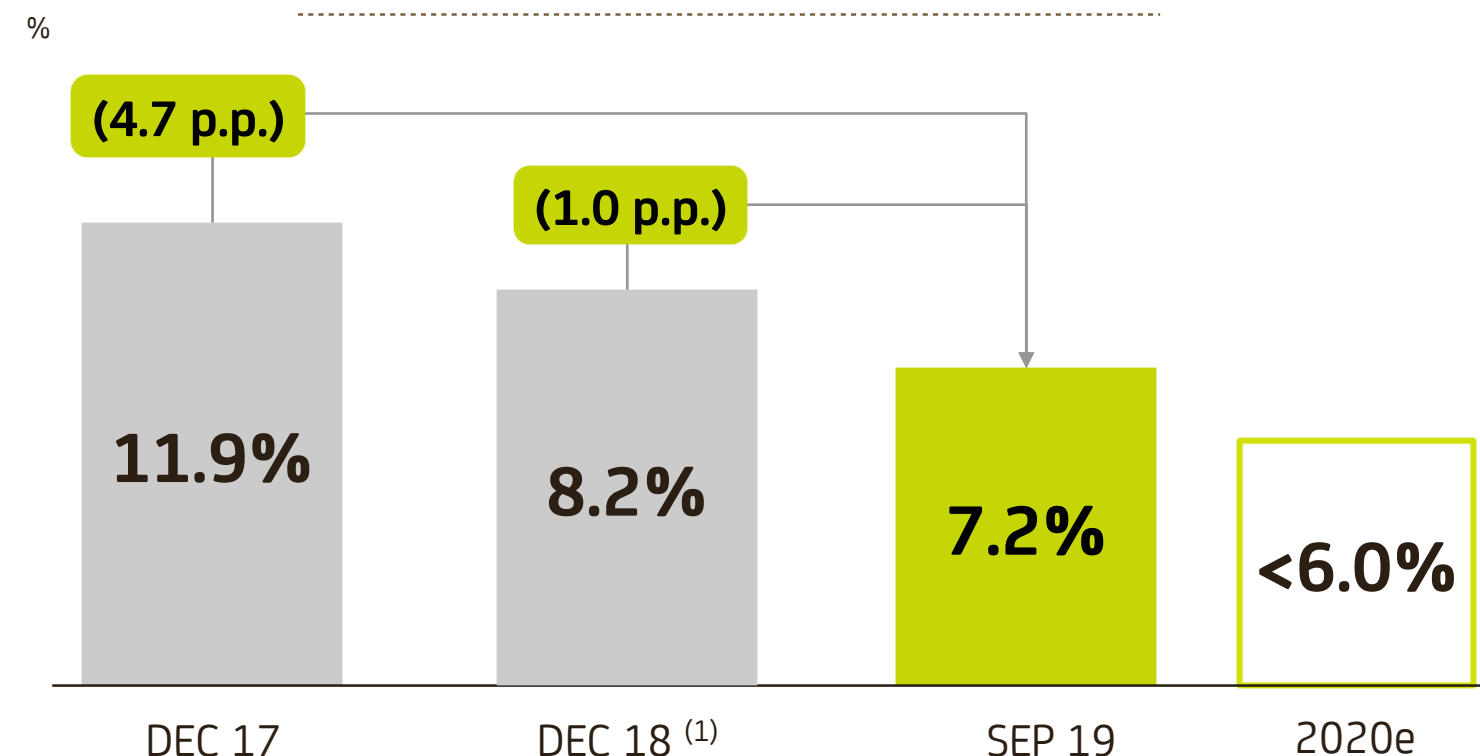
€7.3bn reduction of NPAs under Strategic Plan

NON-PERFORMING ASSETS

GROSS NPLS + GROSS FORECLOSED ASSETS



NPA RATIO GROSS



NPA RATIO NET

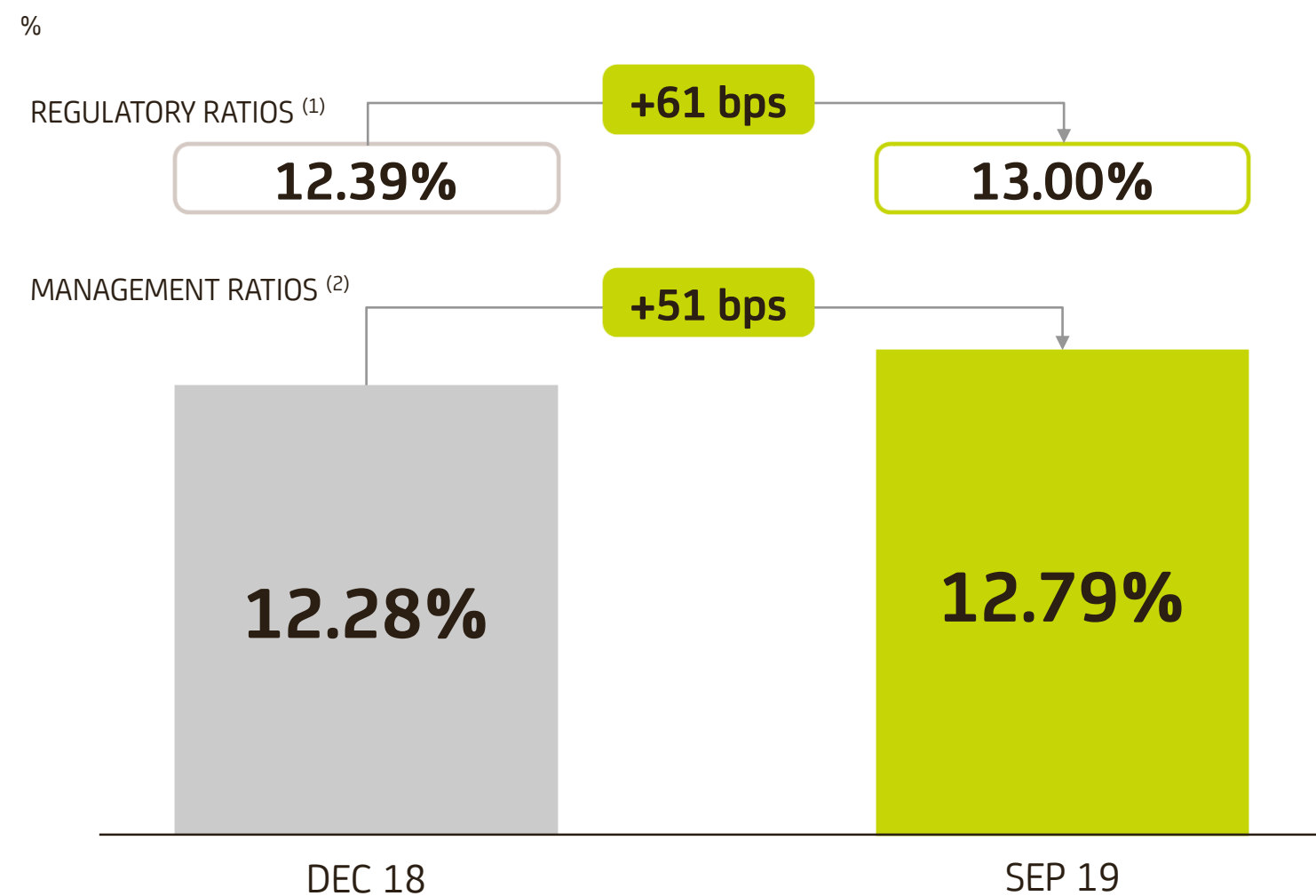


> **3Q 2019 Highlights**

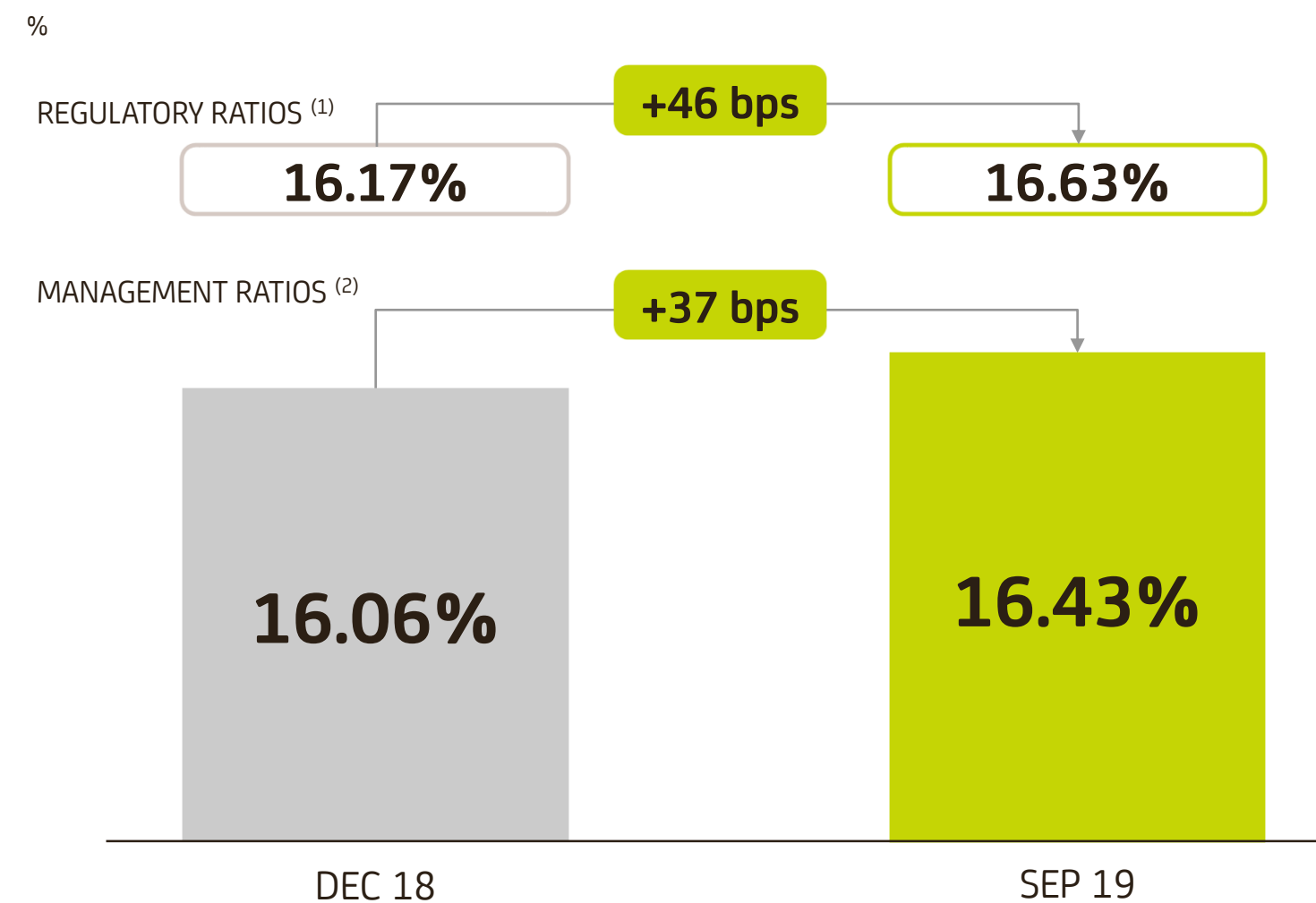
Capital generation

Capital generation of 61 bps of CET1 FL in the year

CET1 FULLY LOADED



TOTAL SOLVENCY FULLY LOADED



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

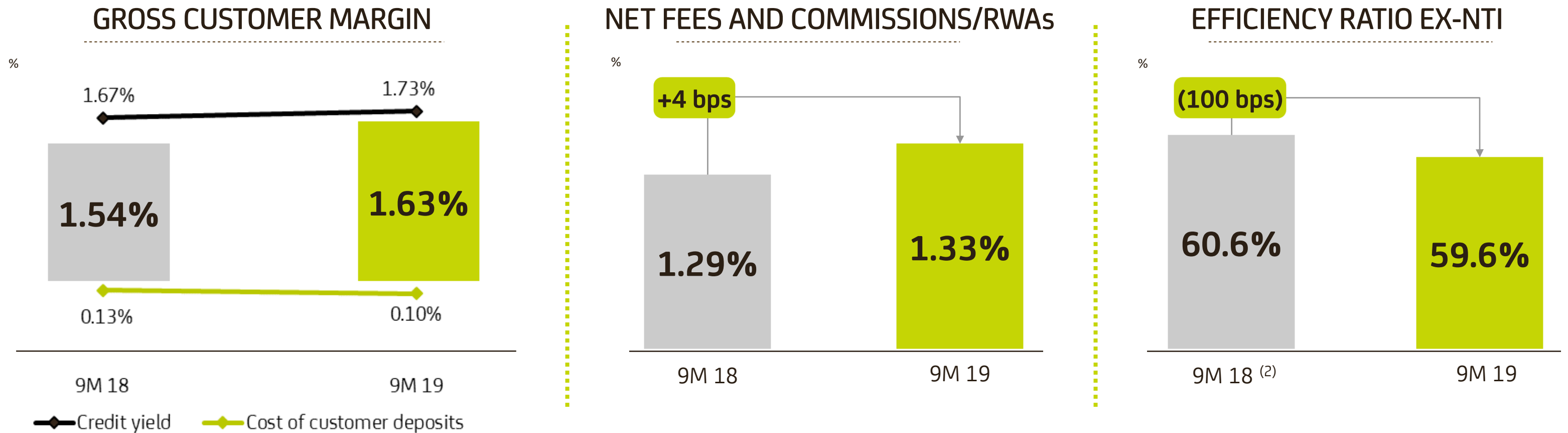
(1) Ratios include unrealized capital gains on fair value sovereign portfolio

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

> 3Q 2019 Highlights

“Core” Result

“Core” Result ⁽¹⁾ increases to €946mn year to date



Attributable profit: €575mn 9M 19

(1) “Core” Result: NII + net fee and commission income - operating expenses
 (2) 2018 proforma includes estimated impact of IFRS 16 so as to be comparable with 2019

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> 3Q 2019 Results

Income statement - Bankia Group proforma IFRS 16 ⁽¹⁾

€mn	9M 18 ⁽¹⁾	9M 19	Diff %
Net interest income	1,534	1,520	(0.9%)
Net fee and commission income	799	796	(0.4%)
Net trading income	381	236	(37.9%)
Other income	(16)	(6)	(61.6%)
Gross income	2,698	2,546	(5.6%)
Operating expenses	(1,397)	(1,370)	(1.9%)
“Core” Result ⁽²⁾	936	946	1.0%
Pre-provision profit	1,301	1,176	(9.6%)
Financial and non-financial asset provisions	(251)	(288)	14.4%
Other provisions and other results	(84)	(96)	16.1%
Profit before tax	966	792	(18.0%)
Taxes, minority interests and other items	(224)	(217)	(3.7%)
Profit attributable to the Group	742	575	(22.4%)

⁽¹⁾ 2018 proforma series includes estimated impact of IFRS 16 so as to be comparable with 2019. 2018 impact: -€11mn net interest margin and -€7mn operating expenses; aggregated impact in PAT: -€3mn

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

> 3Q 2019 Results

Income statement - Bankia Group

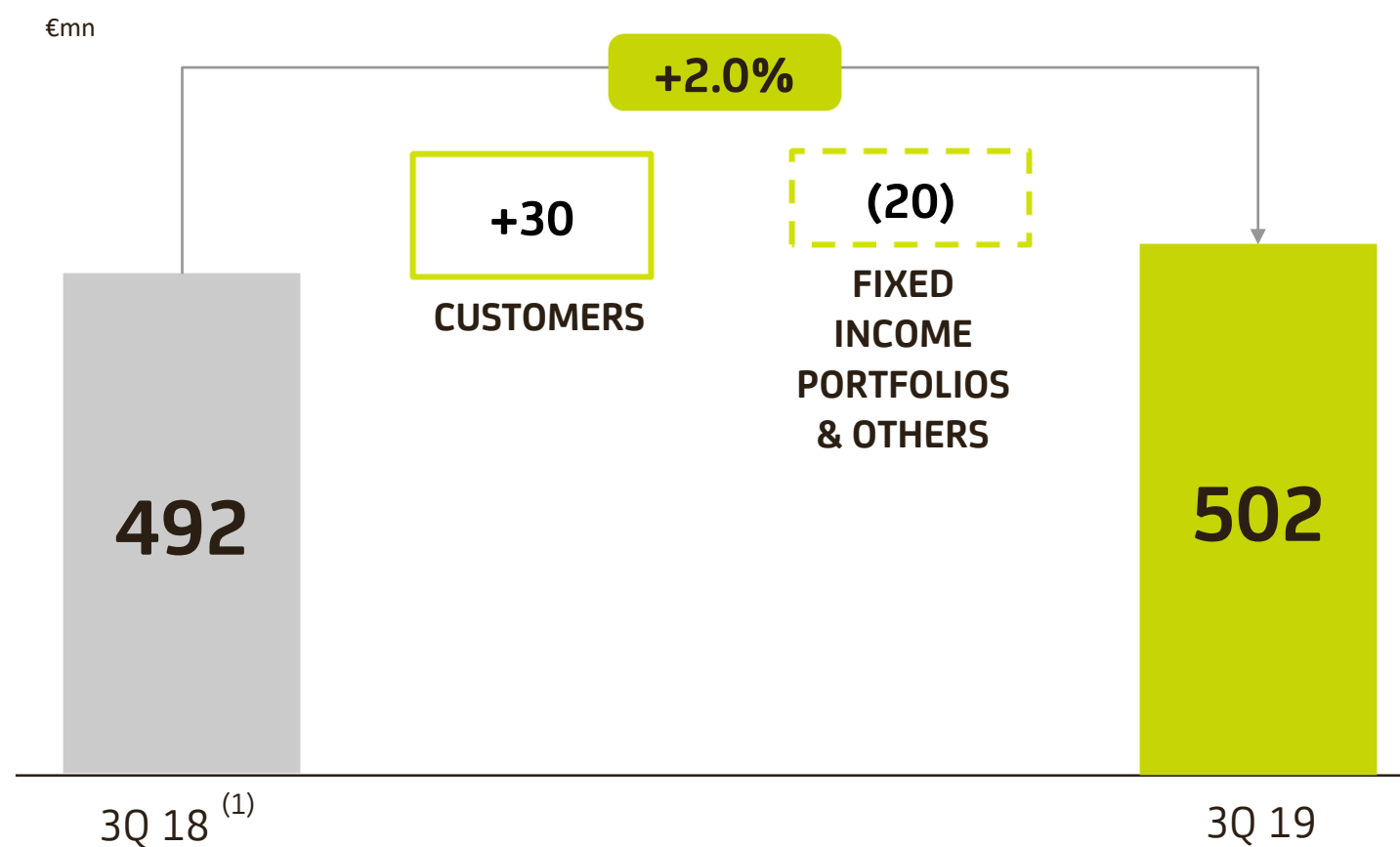
€mn	1Q 19	2Q 19	3Q 19	Diff % 3Q 19 vs 2Q 19
Net interest income	502	516	502	(2.7%)
Net fee and commission income	260	273	263	(3.6%)
Net trading income	37	102	97	(5.6%)
Other income	14	(33)	13	-
Gross income	813	858	875	2.0%
Operating expenses	(456)	(456)	(458)	0.5%
“Core” Result ⁽¹⁾	306	333	307	(7.9%)
Pre-provision profit	357	402	417	3.8%
Financial and non-financial asset provisions	(59)	(92)	(137)	48.7%
Other provisions and other results	(29)	(39)	(28)	(25.6%)
Profit before tax	269	271	252	(7.2%)
Taxes, minority interests and other items	(64)	(76)	(76)	(0.9%)
Profit attributable to the Group	205	195	176	(9.7%)

> 3Q 2019 Results

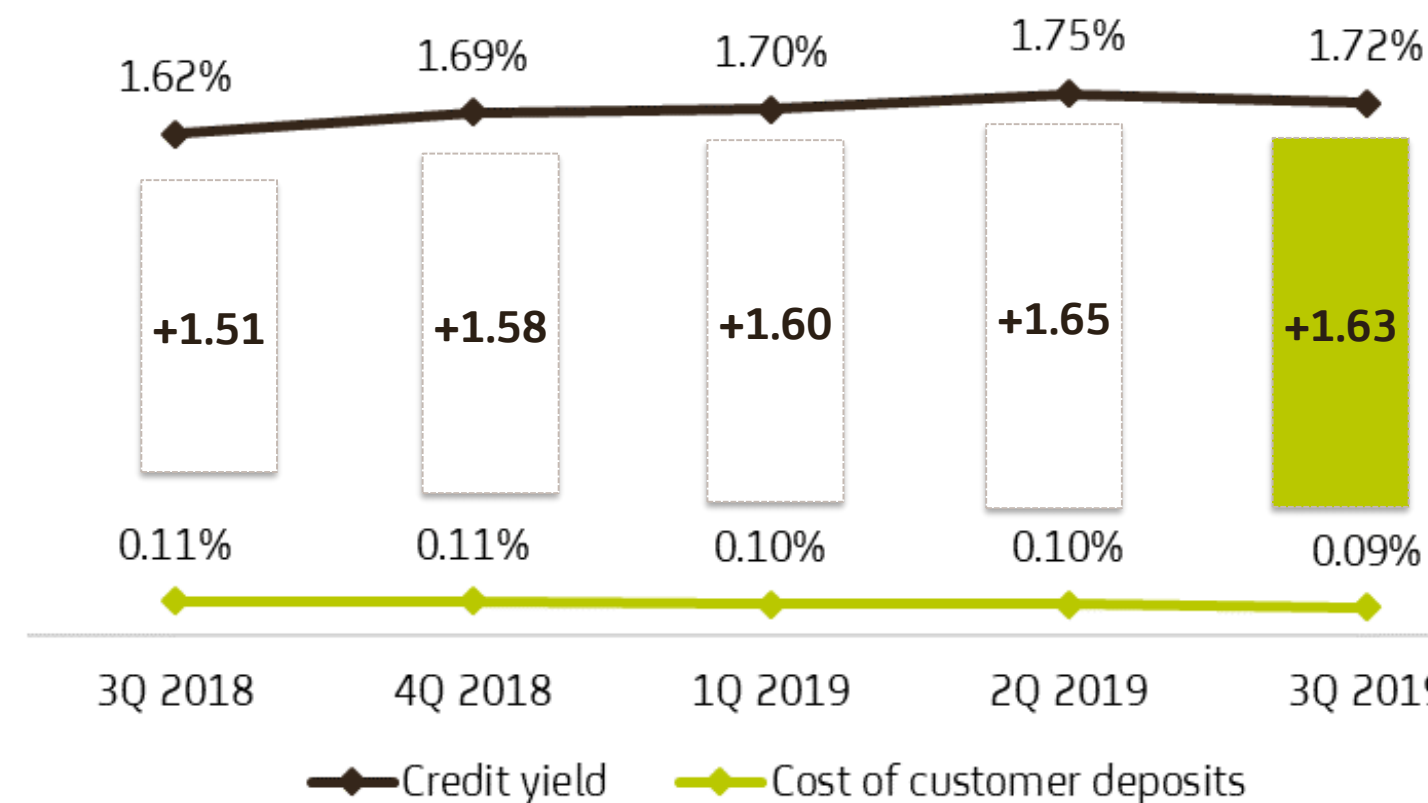
Net interest income

Stability of net interest income

NET INTEREST INCOME PERFORMANCE



GROSS CUSTOMER MARGIN

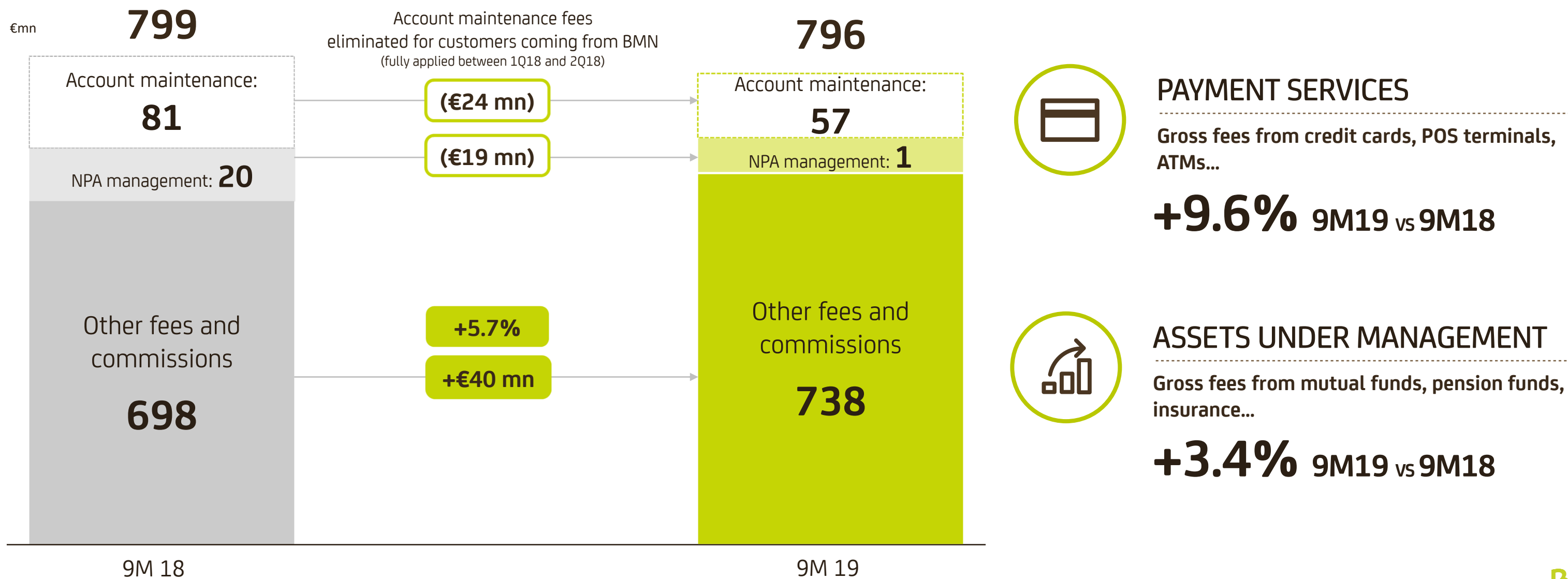


> 3Q 2019 Results

Net fees and commissions

Good organic performance of net fees and commissions

NET FEES AND COMMISSIONS

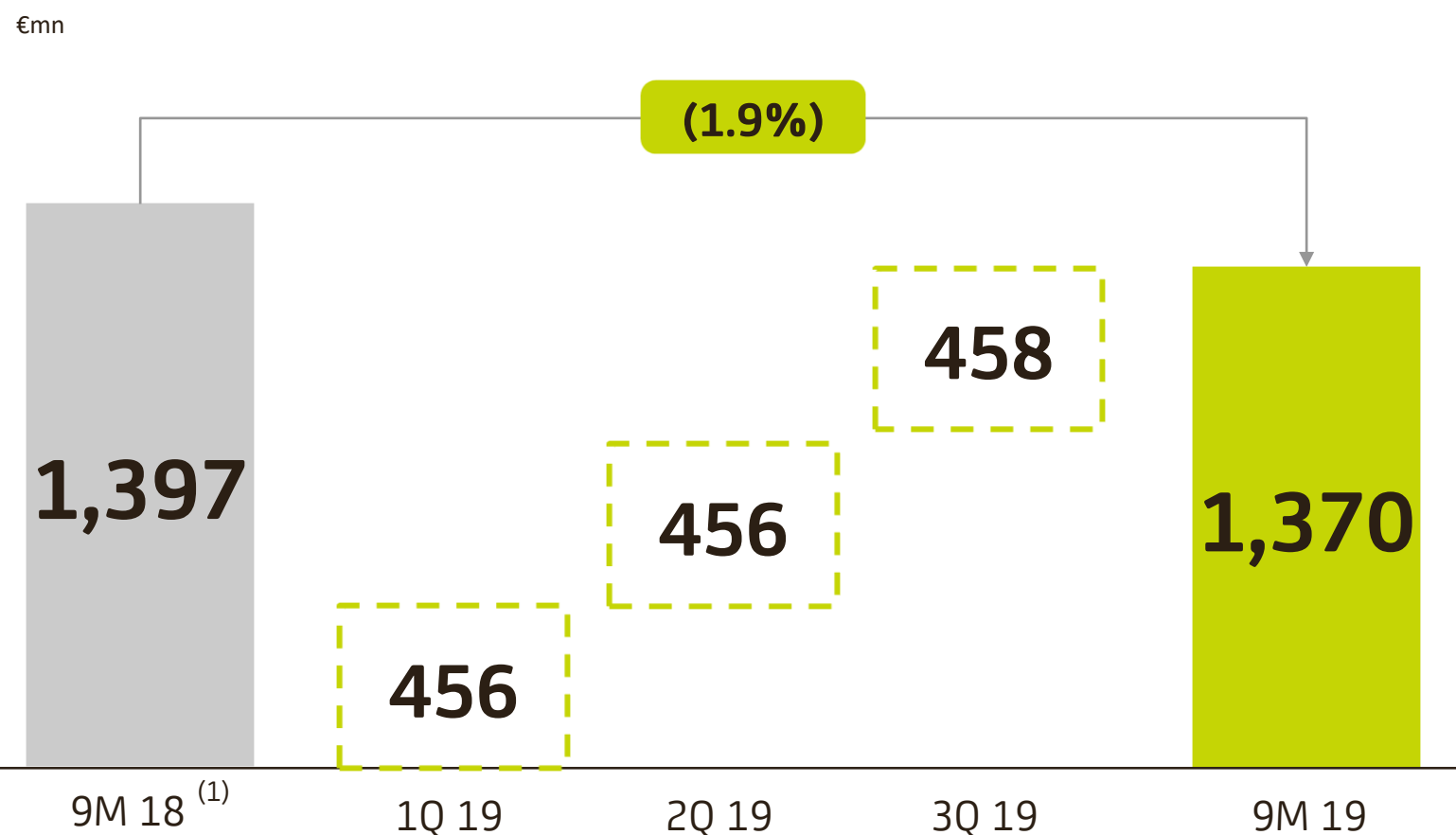


> **3Q 2019 Results**

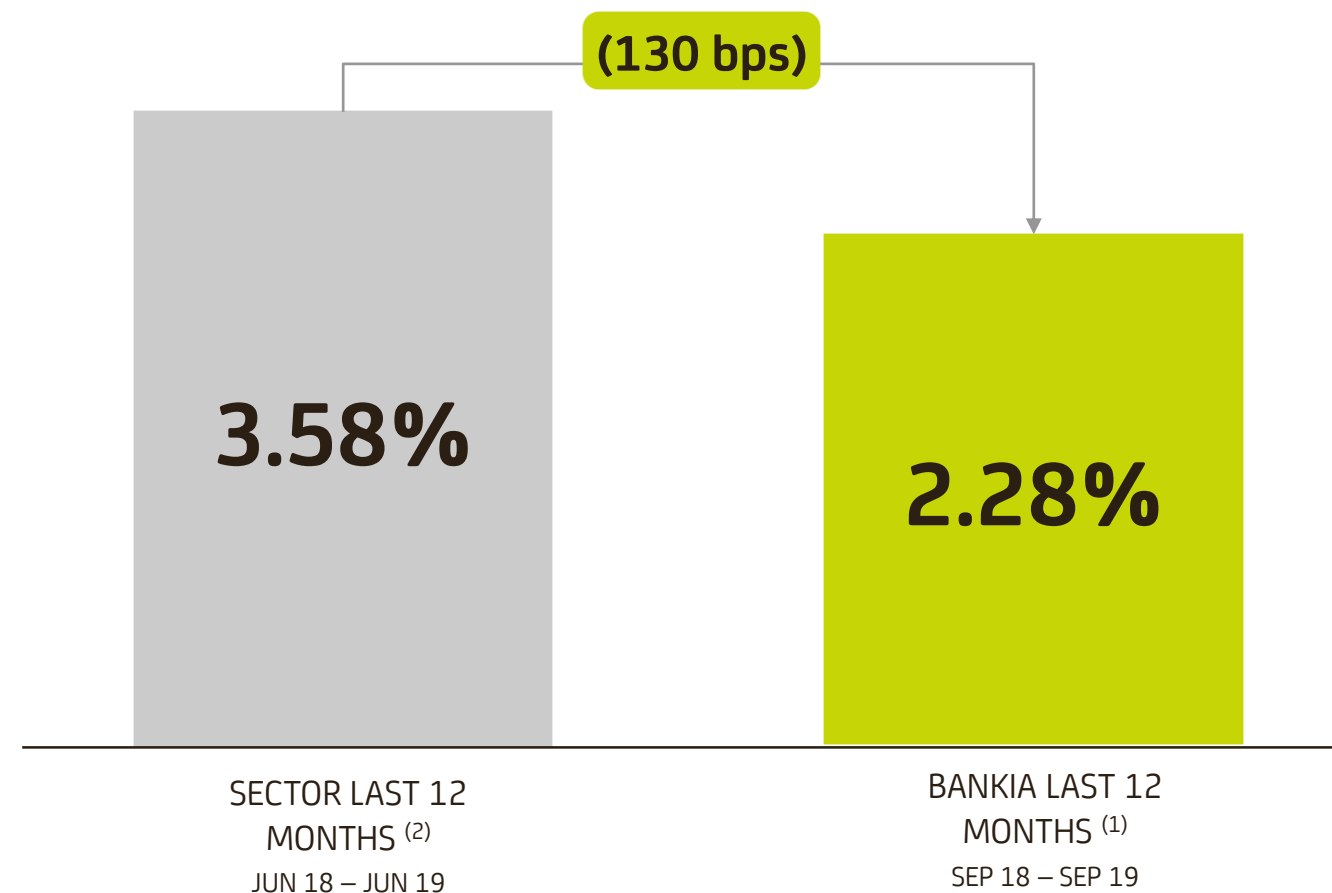
Operating expenses

Cost control as a key management lever

OPERATING EXPENSES



OPERATING EXPENSES/RWA_s



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

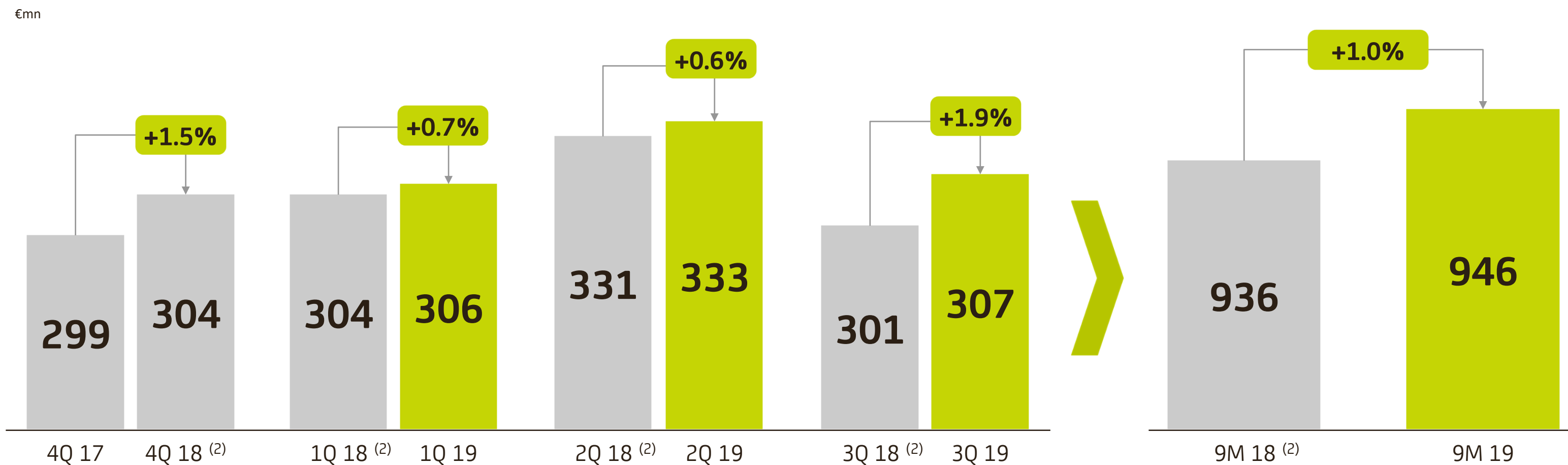
⁽²⁾ Sector data includes peers: Santander, BBVA, Caixabank, B. Sabadell and Bankinter

> **3Q 2019 Results**

“Core” Result

Positive performance of “Core” Result ⁽¹⁾

“CORE” RESULT ⁽¹⁾ PERFORMANCE



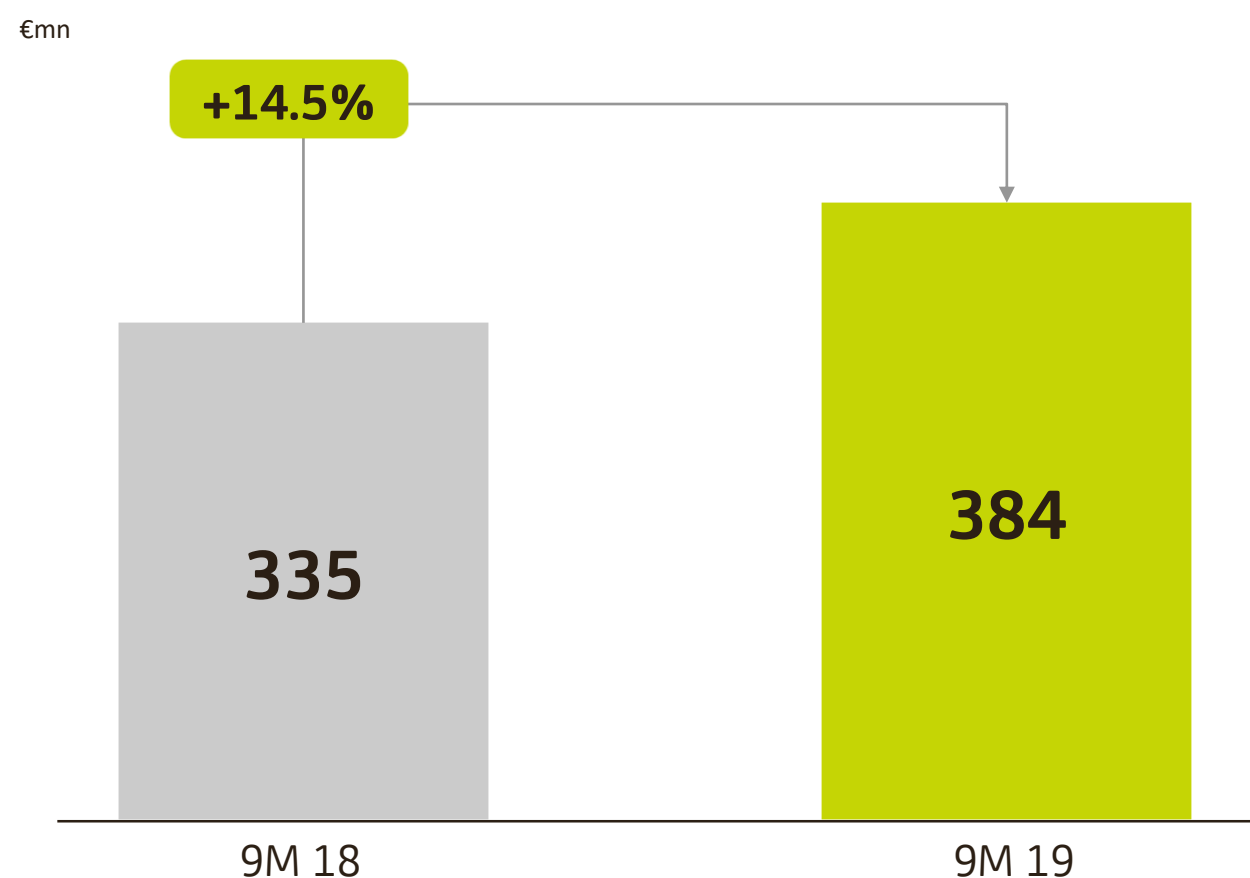
⁽¹⁾ “Core” Result: NII + net fee and commission income - operating expenses
⁽²⁾ 2018 proforma includes estimated impact of IFRS 16 so as to be comparable with 2019

> **3Q 2019 Results**

Cost of Risk

Cost of risk affected by accelerated reduction of NPLs

PROVISIONS & OTHERS



	1Q 19	2Q 19	3Q 19
PRE-PROVISION PROFIT	357	402	417
FINANCIAL AND NON-FINANCIAL PROVISIONS	(59)	(92)	(137)
OTHER PROVISIONS AND OTHERS	(29)	(39)	(28)
TOTAL PROVISIONS AND OTHERS	(88)	(131)	(165)
PROFIT BEFORE TAX	269	271	252

Cost of Risk: 21 bps 9M 19

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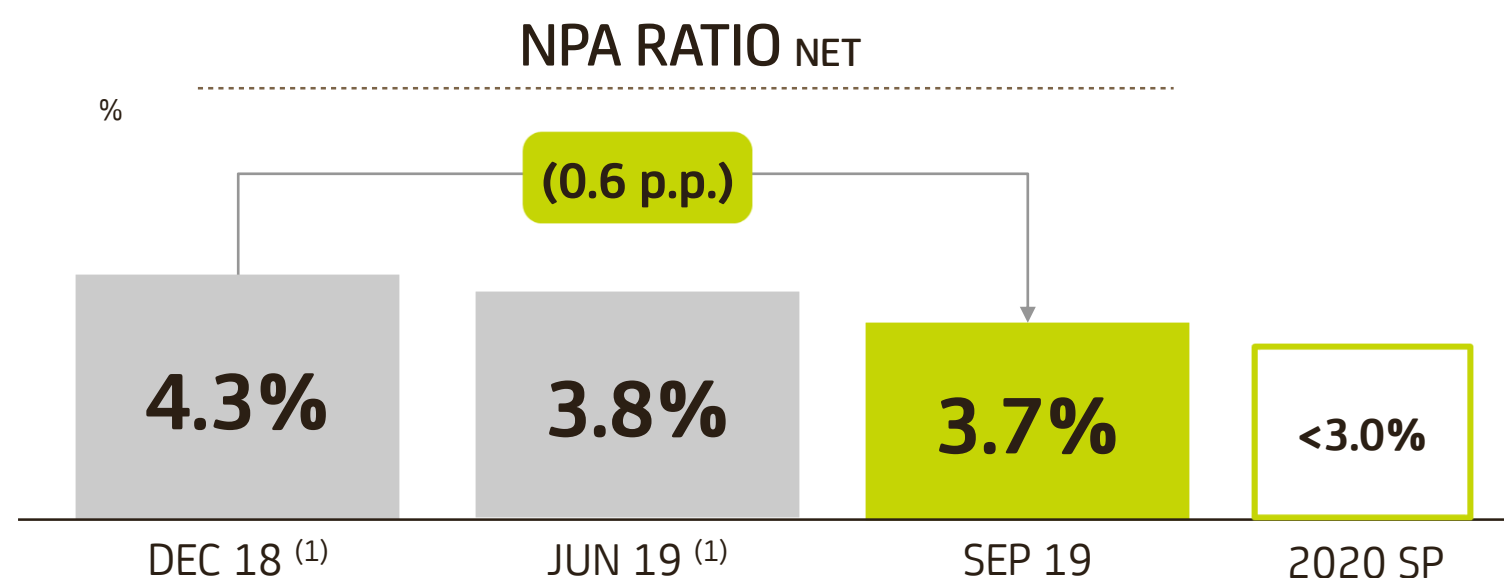
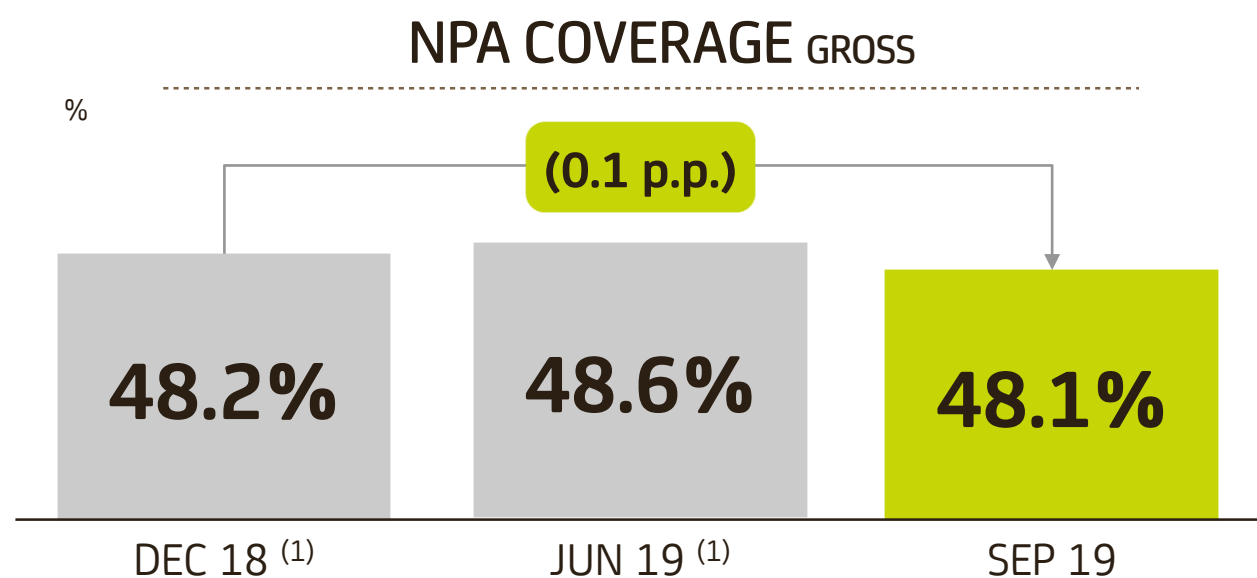
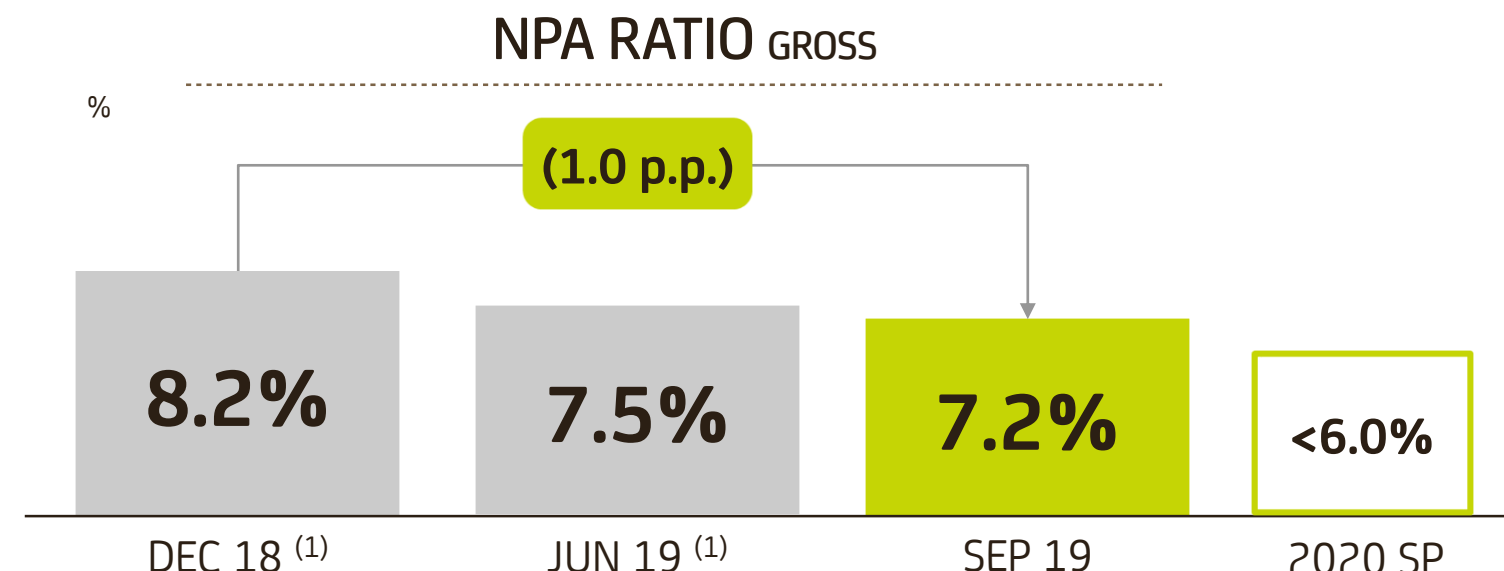
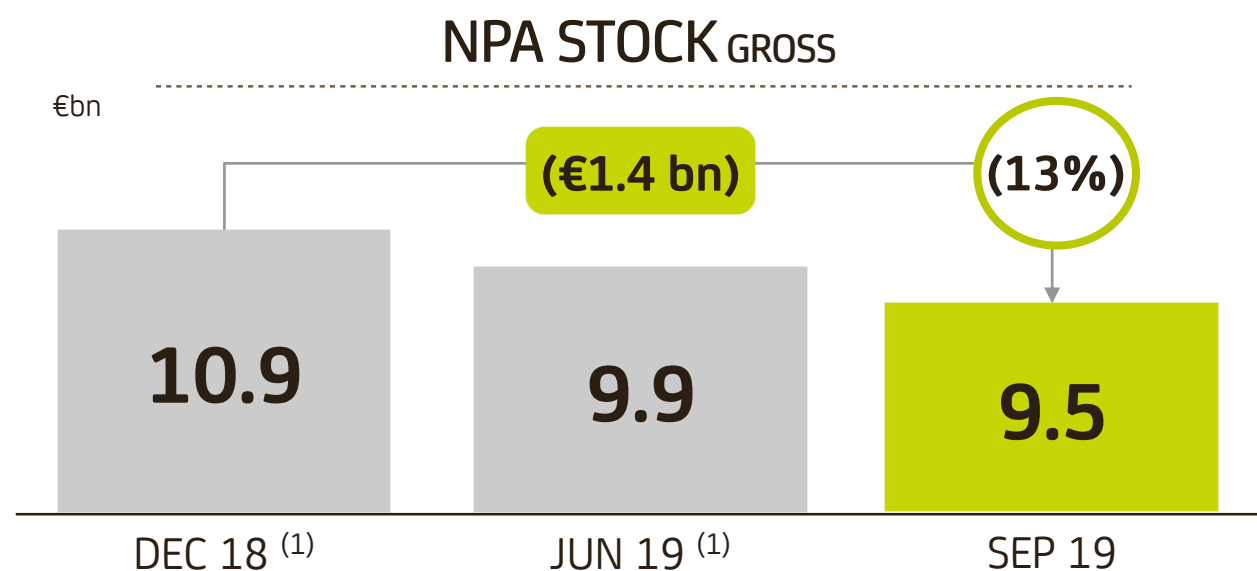
CLOSING REMARKS

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> **Asset quality and risk management**

Credit quality

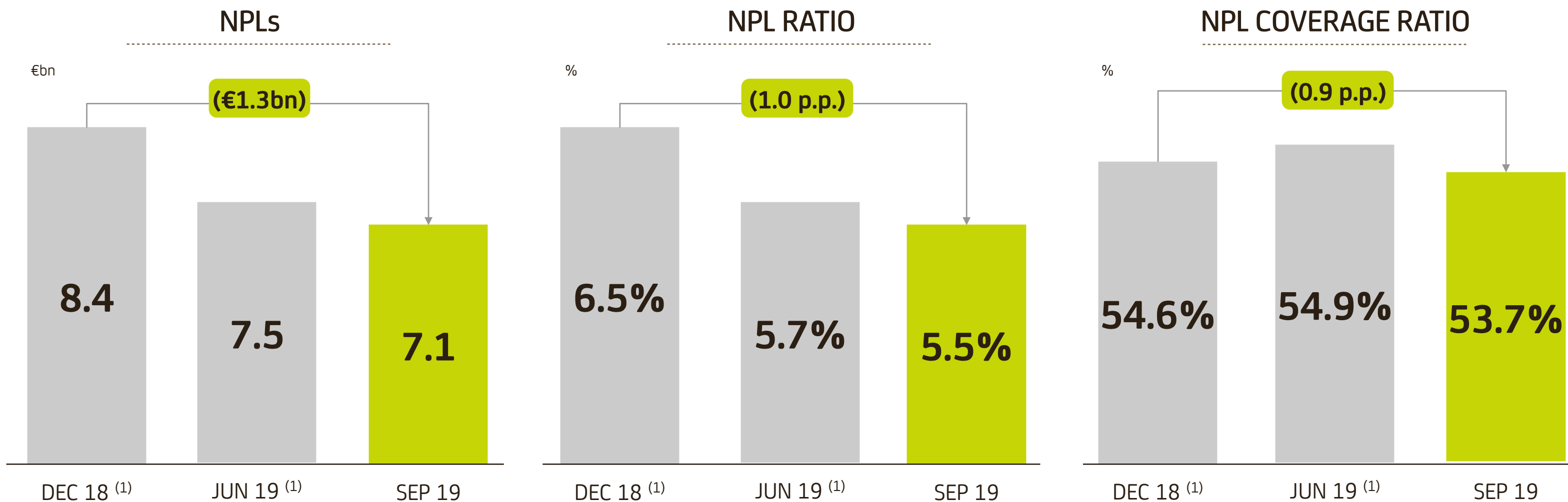
NPA reduction of €1.4 bn year to date



> **Asset quality and risk management**

Credit quality

Good progress of key asset quality metrics continues



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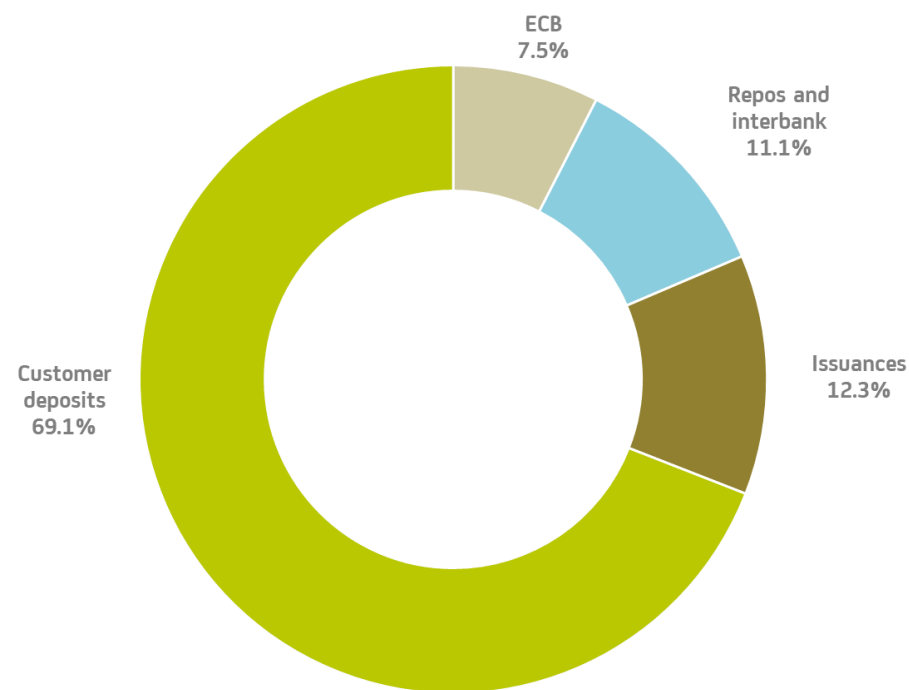
APPENDIX

> **Liquidity** and solvency

Liquidity

Short and medium term wholesale issuances will be MREL driven

FUNDING STRUCTURE



LOAN TO DEPOSIT RATIO

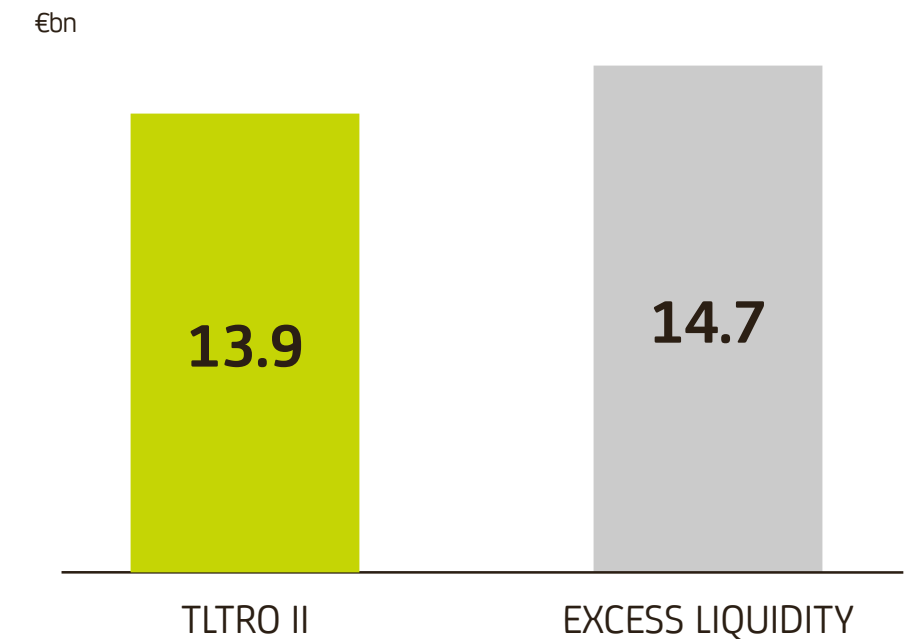


DISINTERMEDIATION RATIO



⁽¹⁾ Source BoS. Mutual Funds/Customer deposits + Mutual Funds (* last available)

TLTRO

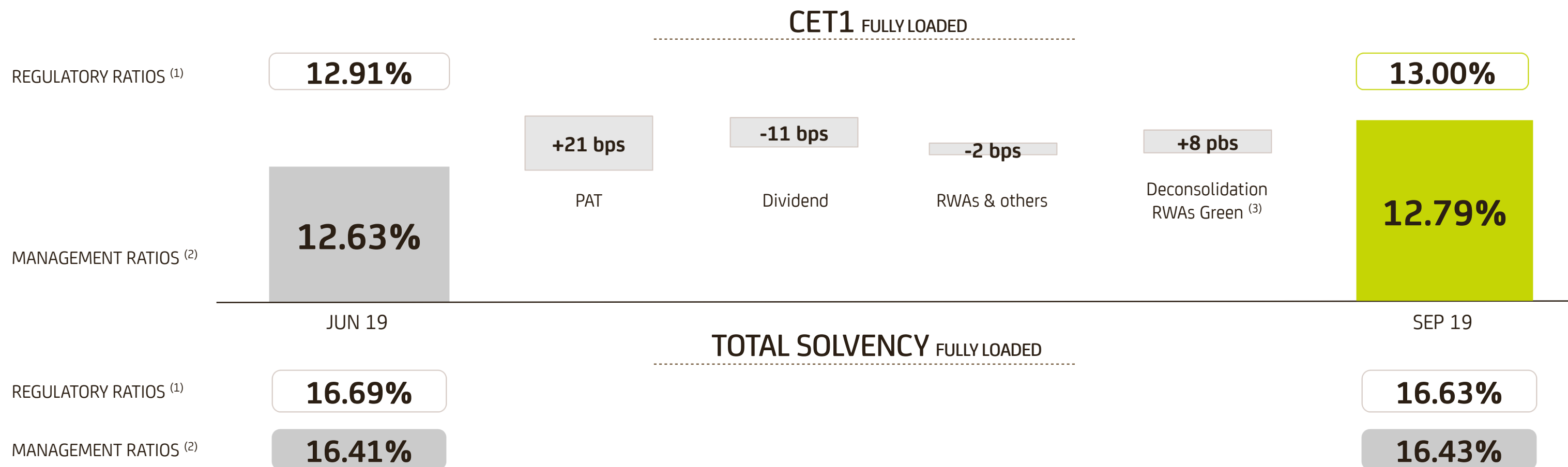


Annual financial savings from “tiering” estimated at €37mn in 2020

> Liquidity and **solvency**

Solvency ratios - Fully Loaded performance

CET1 Fully Loaded ratio stands at 13.00% at quarter end



LEVERAGE RATIO FL ⁽¹⁾: 5.6% Sep 19

MREL RATIO ⁽¹⁾: 20.7% Sep 19

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

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

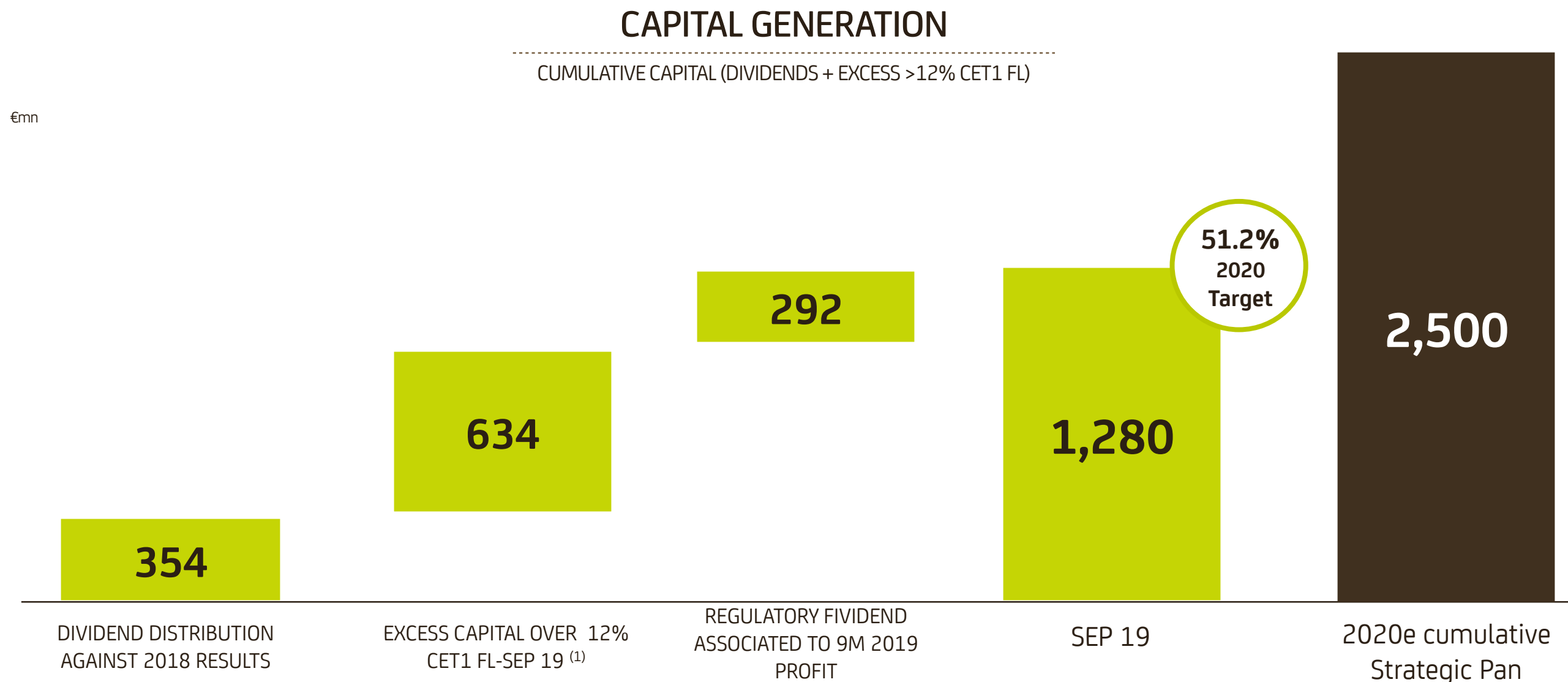
(2) Ratios exclude unrealized capital gains on fair value sovereign portfolio

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

> Liquidity and **solvency**

Solvency ratios – Strategic Plan context

Excess capital accumulated under Strategic Plan reaches €1,280mn



⁽¹⁾ Excess capital over 12% (79bps) calculated excluding unrealized gains on fair value sovereign portfolio

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> Closing remarks

> Performing credit stock continues to grow in the quarter

> The stability of the core business and cost control lead to an increase in “Core” Result

> NPA reduction of €1.4bn year to date

> 61 bps of CET1 Fully Loaded capital generation year to date

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Income statement – Bankia Group

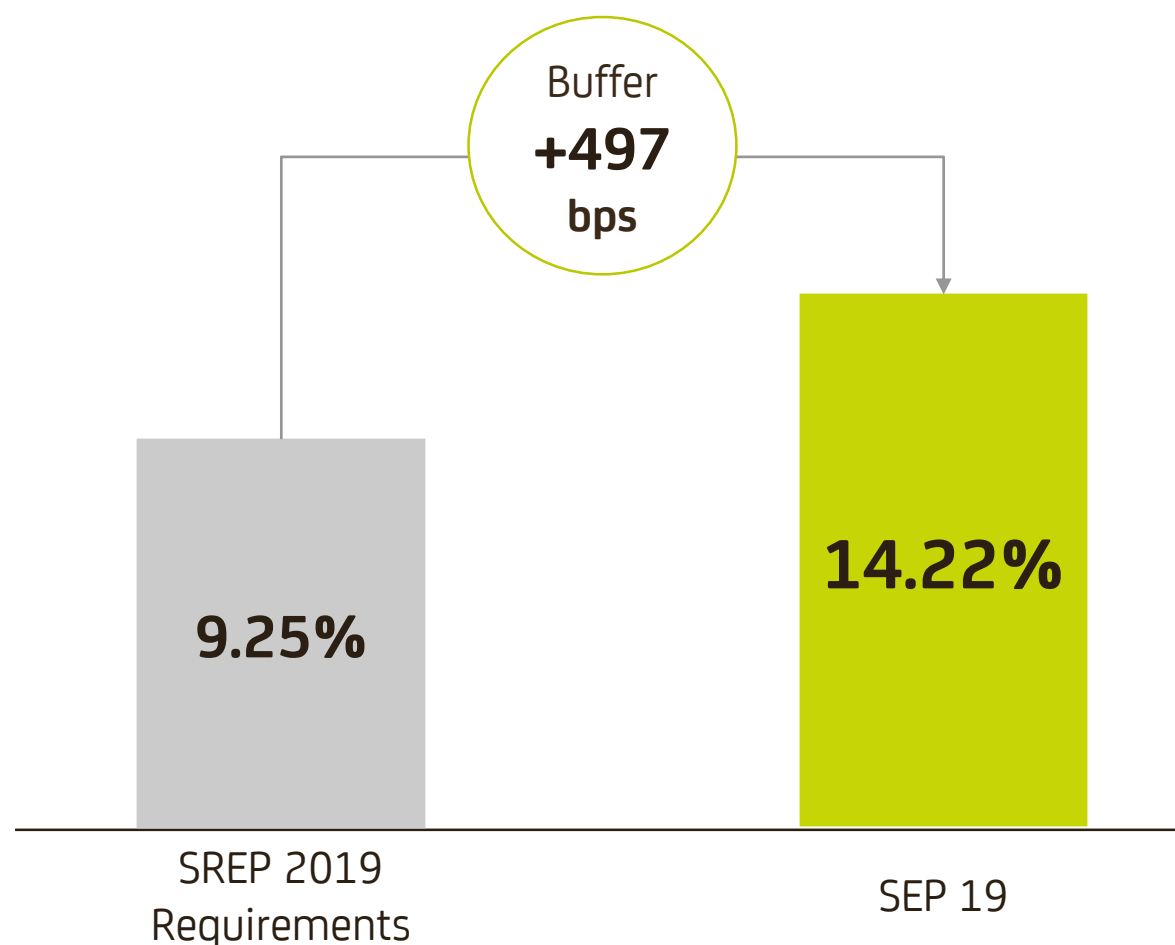
€mn	2018 income statement pre IFRS 16				IFRS 16		
	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19
Net interest income	526	521	495	507	502	516	502
Net fee and commission income	264	270	265	266	260	273	263
Net trading income	139	152	90	30	37	102	97
Other income	10	(40)	15	(141)	14	(33)	13
Gross income	939	903	865	662	813	858	875
Operating expenses	(486)	(459)	(458)	(468)	(456)	(456)	(458)
“Core” Result ⁽¹⁾	305	332	302	305	306	333	307
Pre-provision profit	453	444	407	194	357	402	417
Financial and non-financial asset provisions	(120)	(56)	(76)	(100)	(59)	(92)	(137)
Taxes, minority interests, other provisions and other items	(104)	(103)	(102)	(49)	(93)	(115)	(104)
Profit attributable to the Group without extraordinaries	229	285	229	45	205	195	176
Extraordinary impact ⁽²⁾	-	-	-	(85)	-	-	-
Profit attributable to the Group with extraordinaries	229	285	229	(40)	205	195	176

> **Appendix**

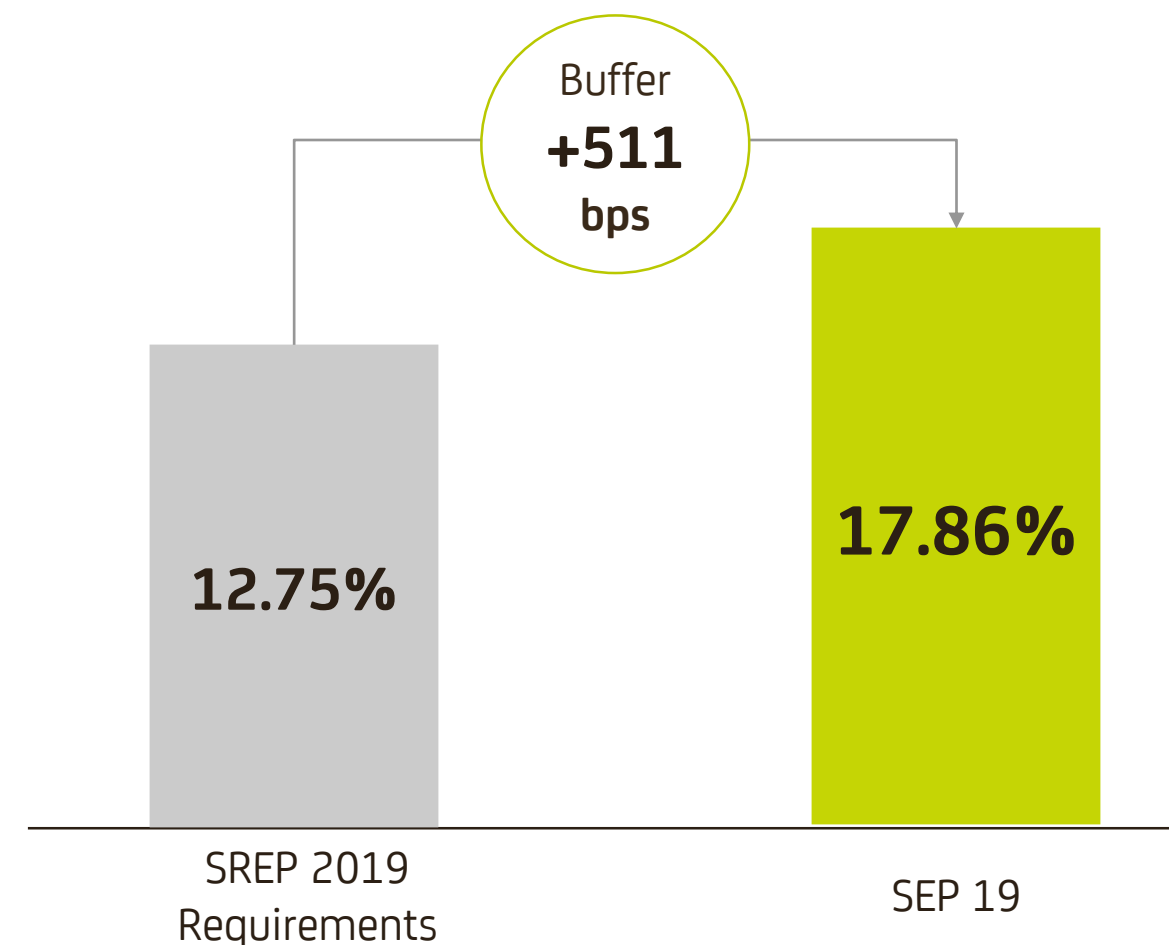
Solvency ratios – Capital buffers

Ample 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 pay-out (50.8%).

> Appendix

The share

	SEP 19	DEC 18	SEP 18
Shareholders & trading			
Shareholders (#)	178,374	184,643	186,034
Average number of shares (mn)	3,070	3,085	3,085
Share price			
End of quarter (€)	1.73	2.56	3.38
Market cap. (€mn)	5,318	7,898	10,418
Multiples			
EPS (€)	0.25	0.23	0.32
Book value (€mn)	13,391	13,189	13,248
Book value per share (€)	4.36	4.28	4.29
Tangible book value per share (€mn)	13,017	12,892	12,961
Tangible book value (€)	4.24	4.18	4.20
P/BV (Price end of quarter/Book value) (x)	0.40	0.60	0.79
P/TBV (Price end of quarter/Tangible book value) (x)	0.41	0.61	0.80
P/E (Price end of quarter/EPS) (x)	6.91	11.23	10.48

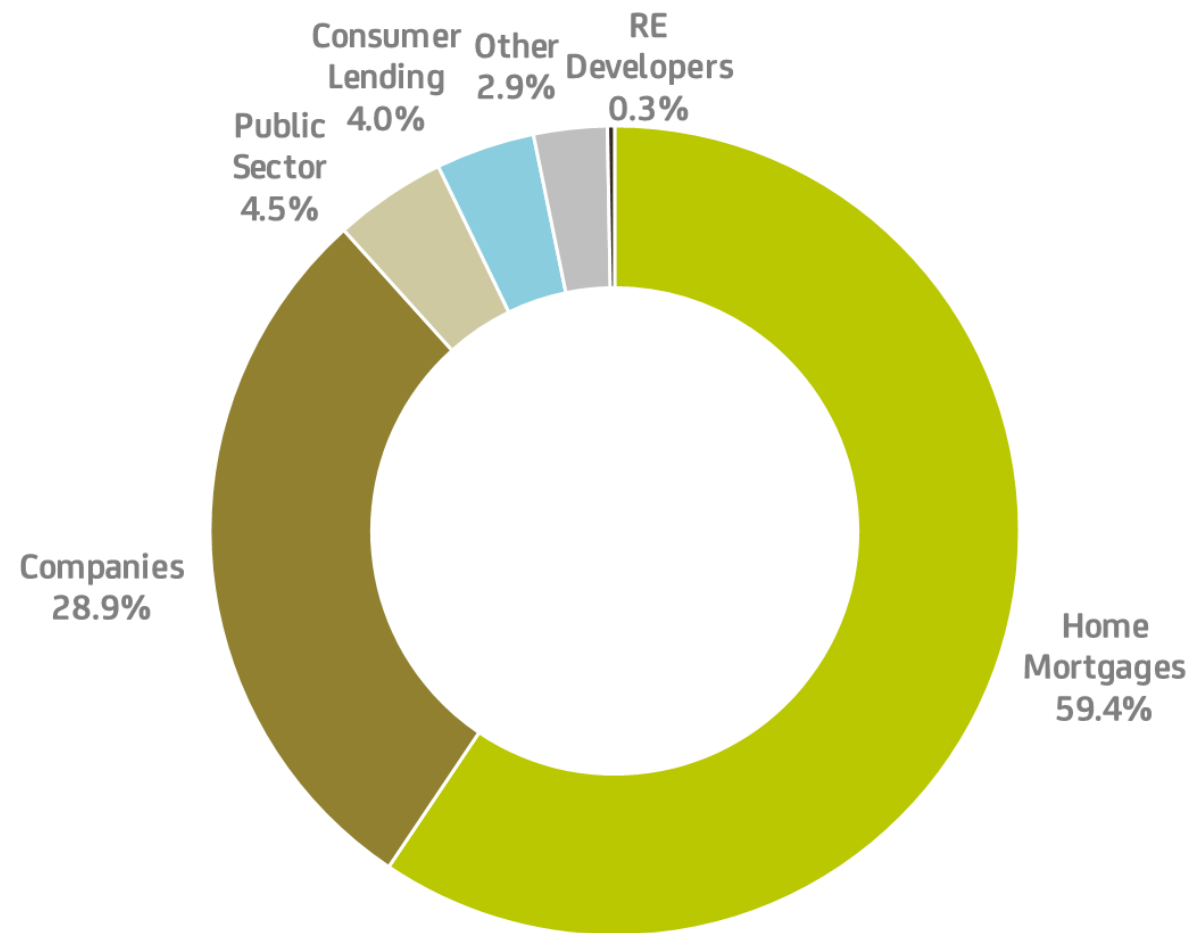
> **Appendix**

Performing credit breakdown

GROSS PERFORMING CREDIT

SEPTEMBER 2018

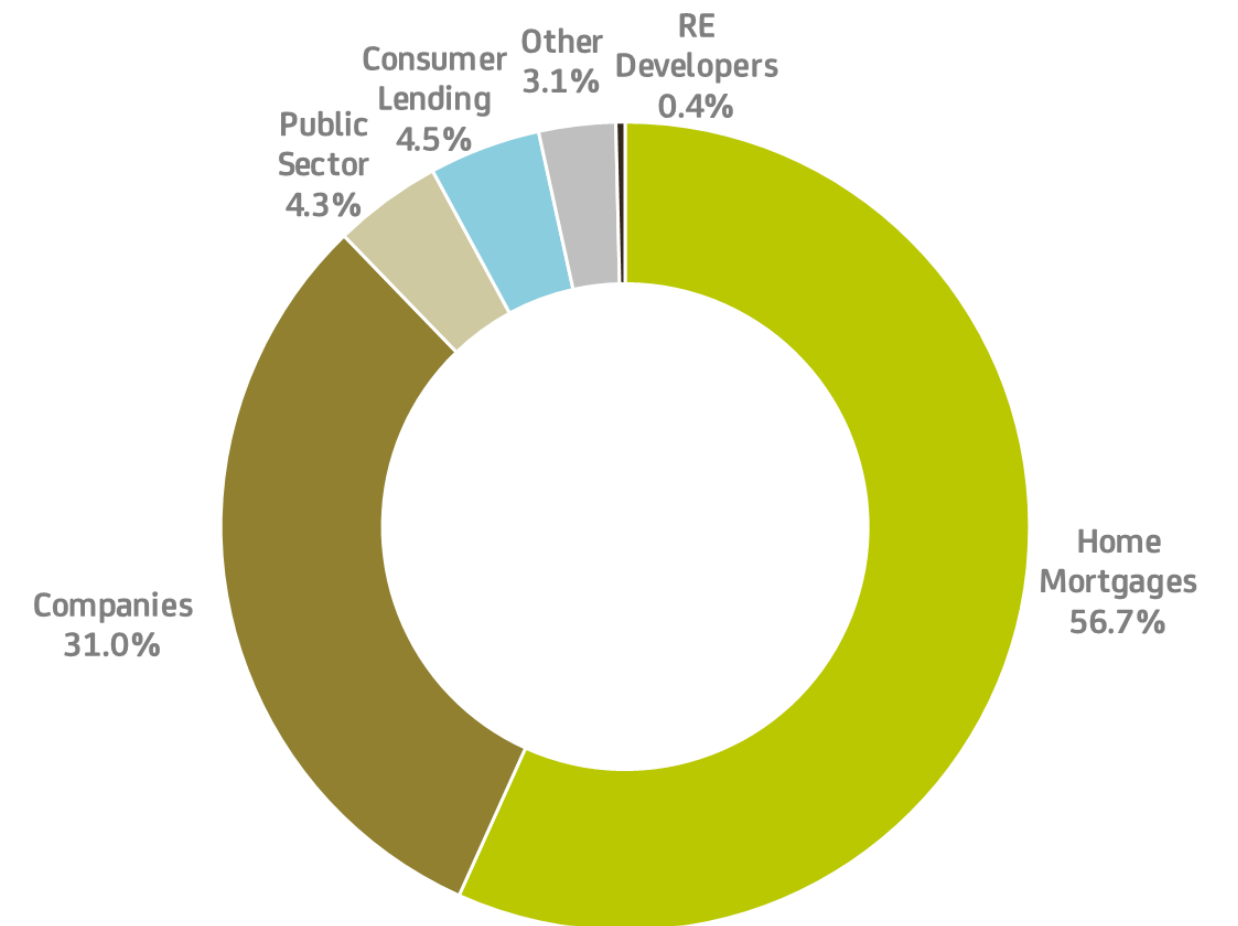
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GROSS PERFORMING CREDIT

SEPTEMBER 2019

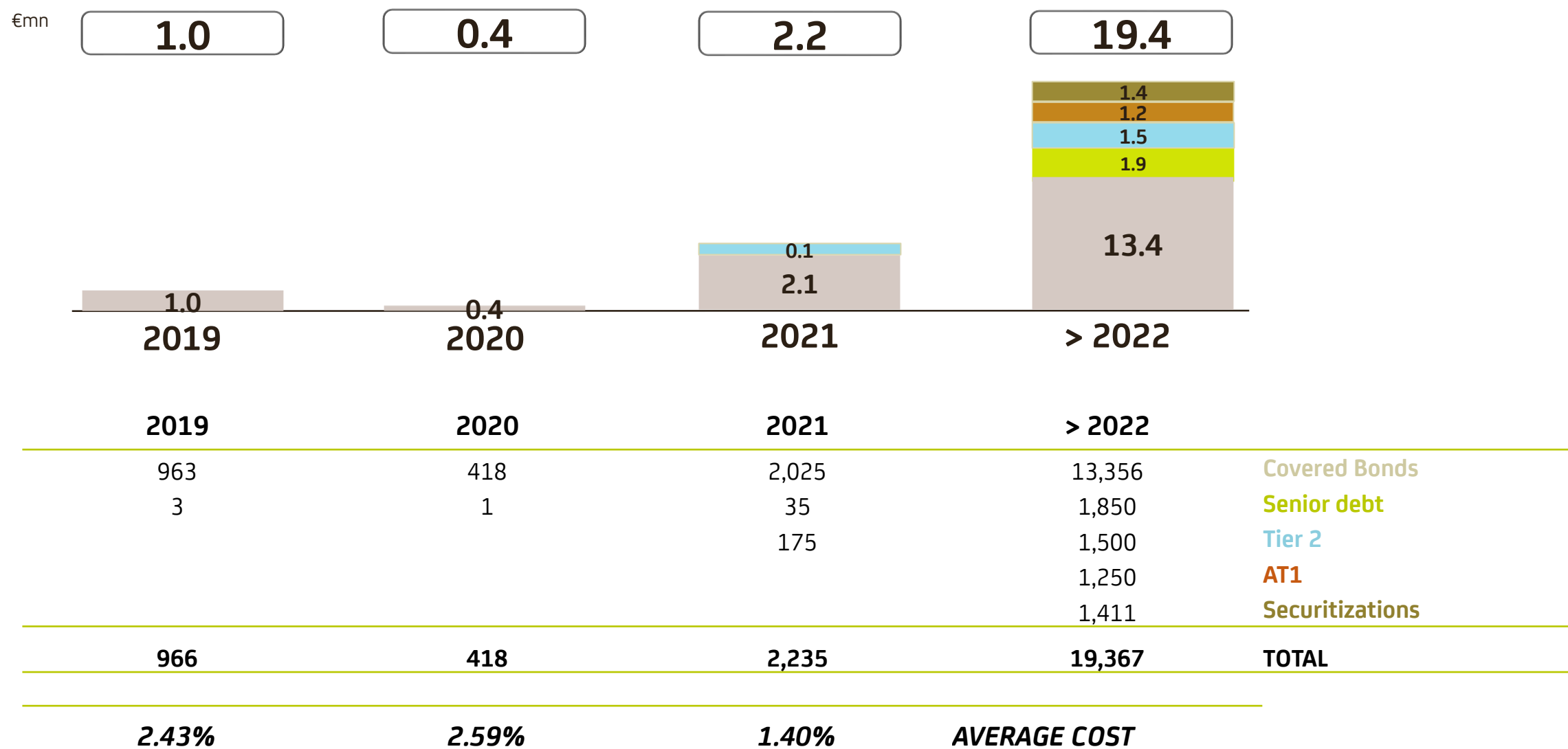
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> **Appendix**

Debt maturities and breakdown

Debt maturities and breakdown



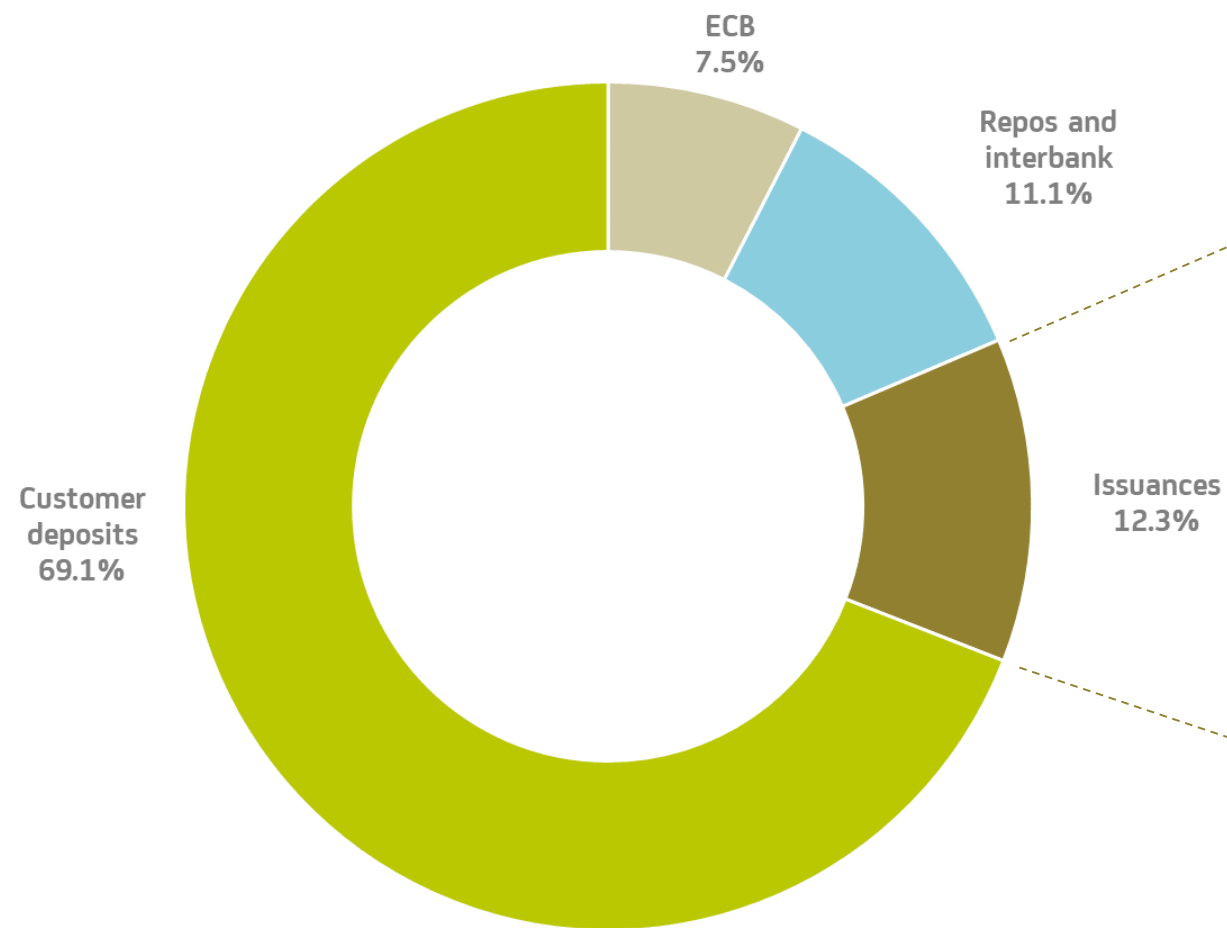
> **Appendix**

Funding structure

Funding structure

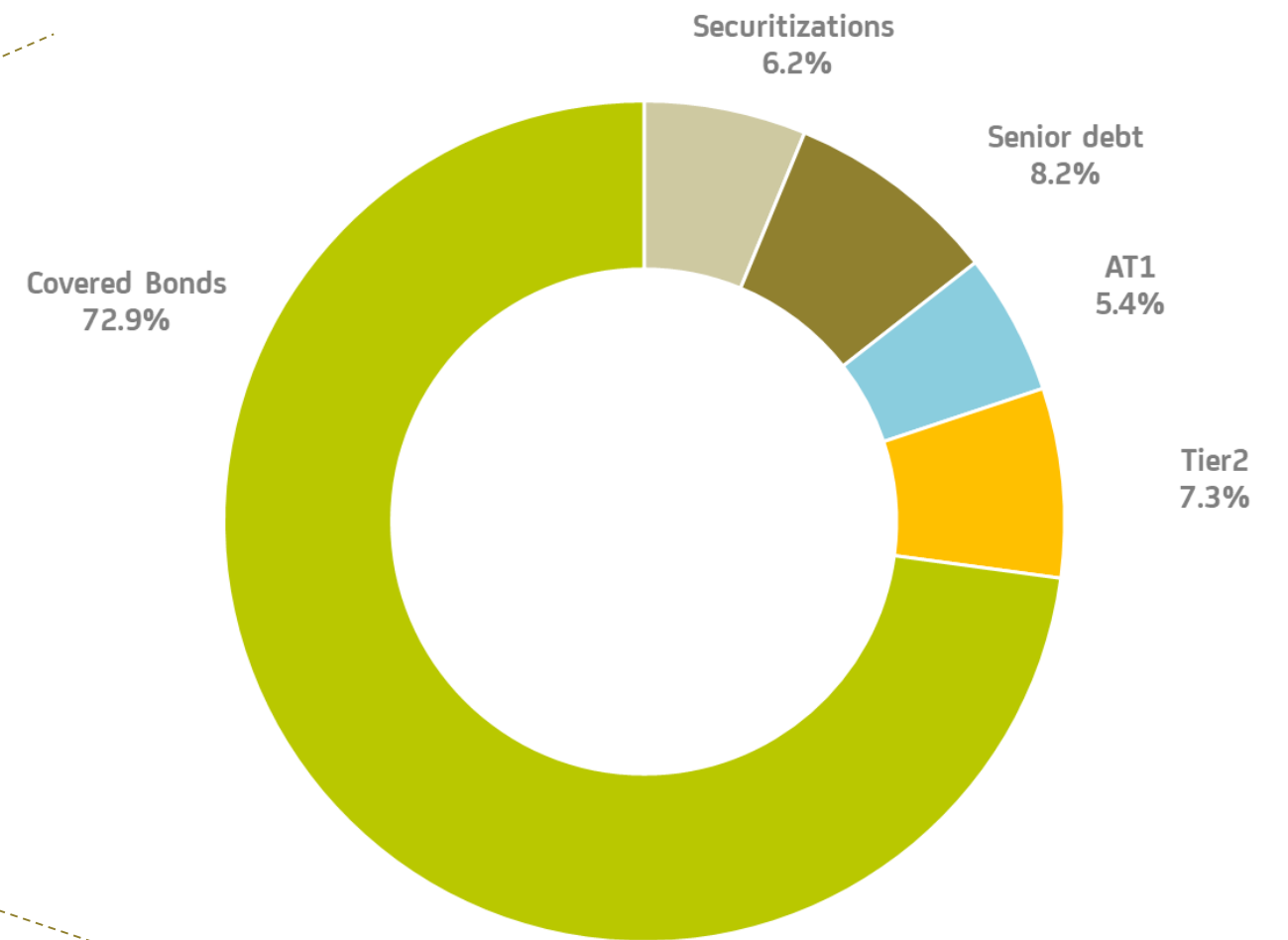
Funding structure

SEPTEMBER 2018



Wholesale market breakdown

SEPTEMBER 2019

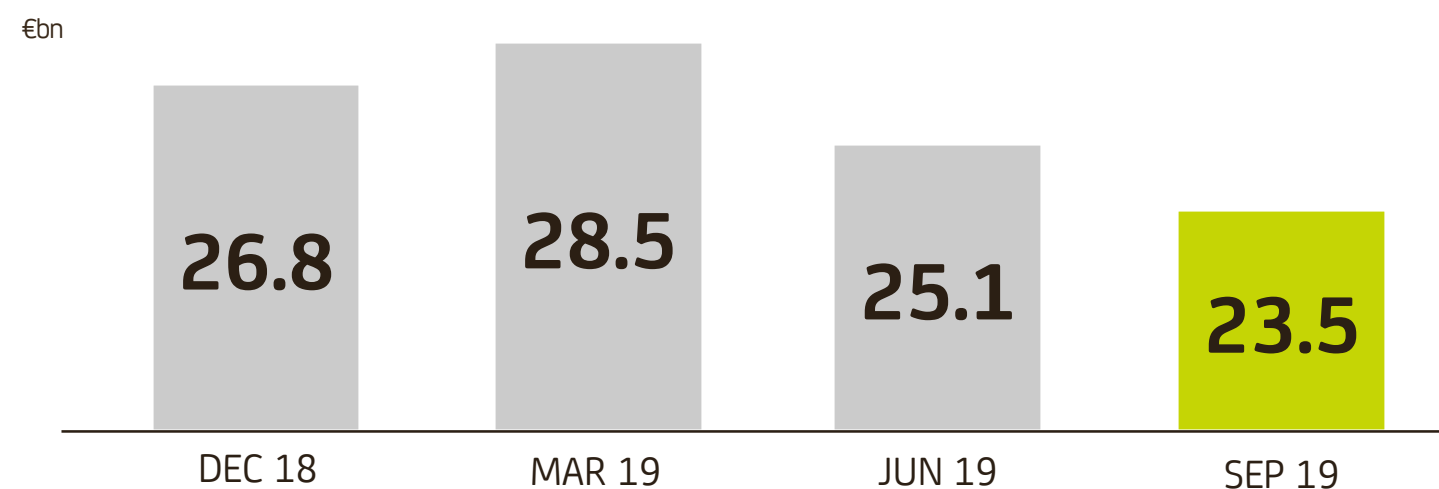


> **Appendix**

Portfolio breakdown

€23.5bn ALCO portfolio as of September 2019

FIXED INCOME PORTFOLIO (ALCO) PERFORMANCE

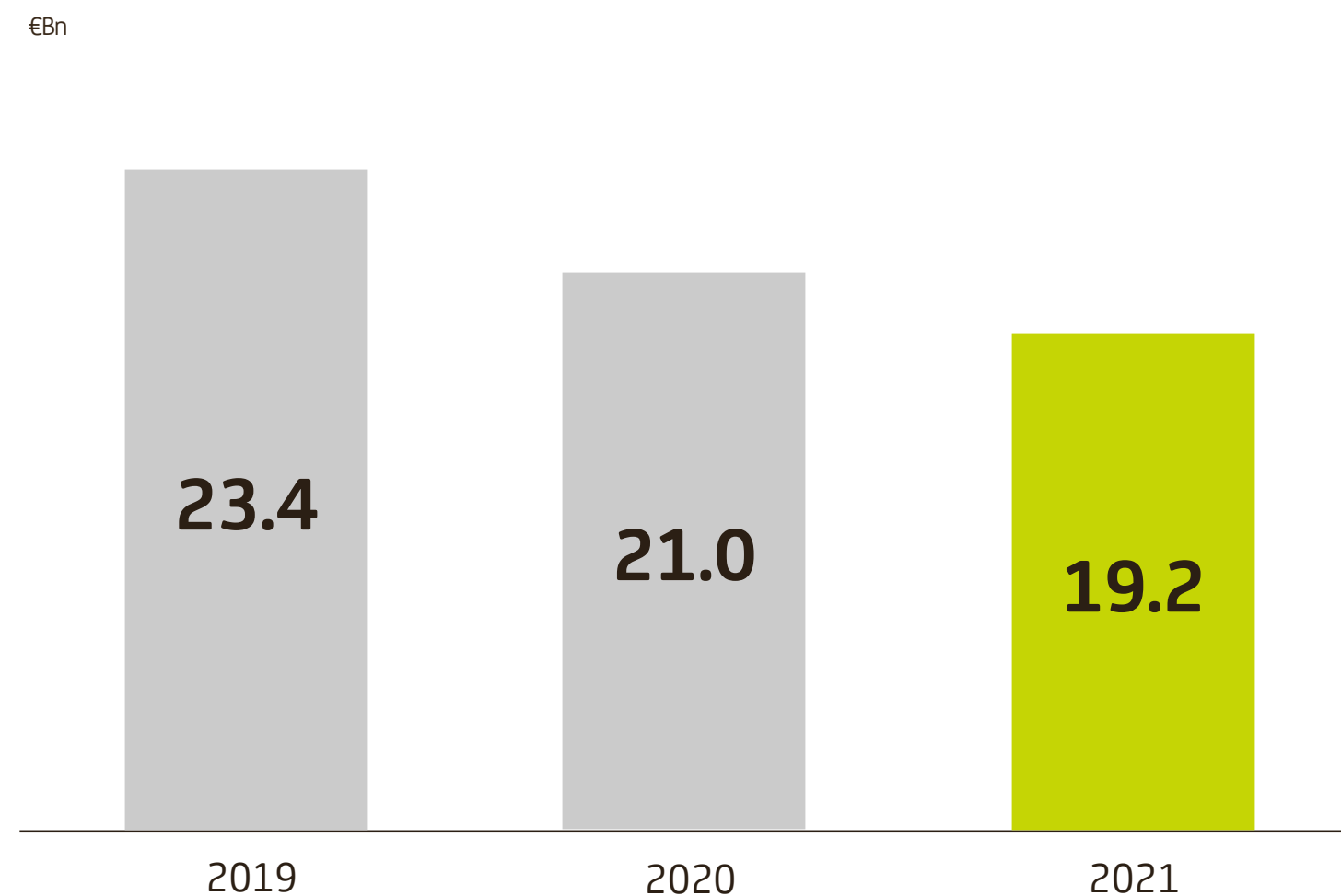


	DEC 18	MAR 19	JUN 19	SEP 19
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ALCO fixed income portfolio (€Bn)	26.8	28.5	25.1	23.5
Non-hedged fair value portfolio	8.3	6.3	4.0	2.4
Hedged fair value portfolio	5.4	7.8	7.8	7.7
At amortised cost	13.1	14.4	13.3	13.4

FV average duration IRS adjusted	0.49
ALCO portfolio average duration IRS adjusted	3.08

ALCO PORTFOLIO PERFORMANCE



> **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 to a digital 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
Operating Expenses / RWAs	Operating Expenses divided by Risk Weighted Assets
IFRS	International Financial Reporting Standards
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.
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

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THAT SIMPLE

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