

Bankia

Quarterly results presentation

1Q 2019

29 April 2019

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1Q 2019 HIGHLIGHTS

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1Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> **1Q 2019 Highlights**

1

COMMERCIAL ACTIVITY

Performing credit increase

2

PROFITABILITY

“Core Business” increase

3

ASSET QUALITY

NPAs reduction by €0.5bn

4

CAPITAL

+22 bps of CET1 FL
capital generation

> **1Q 2019 Highlights**

Commercial Activity

After completing BMN integration the commercial activity continues its acceleration

Customers

- Perception
- Digitalization
- Number of customers

Credit

- Performing credit growth
- Consumer lending: +16%
- Companies: +6%

High Added Value Products

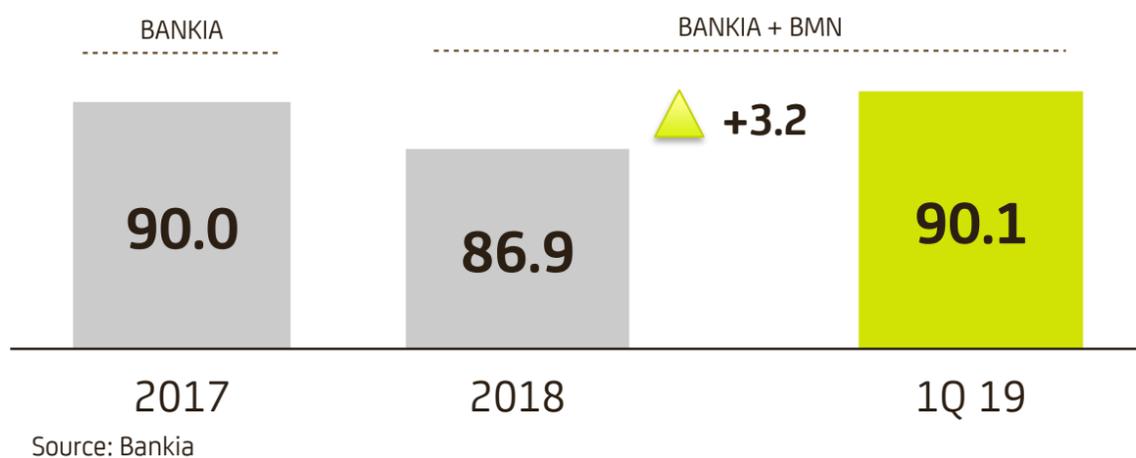
- Payment services
- Mutual Funds
- Insurance

> 1Q 2019 Highlights

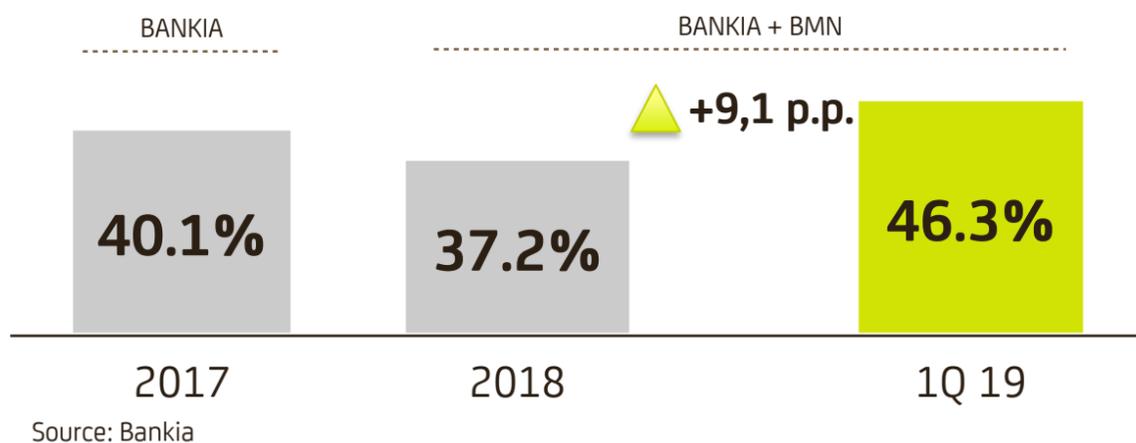
Customers: Perception

Record high customers satisfaction levels

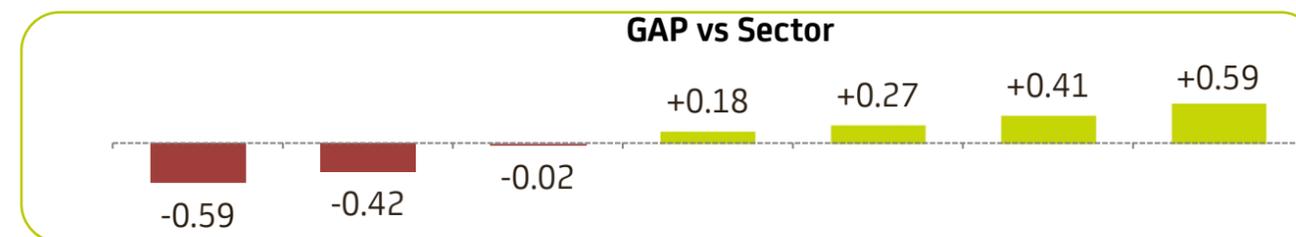
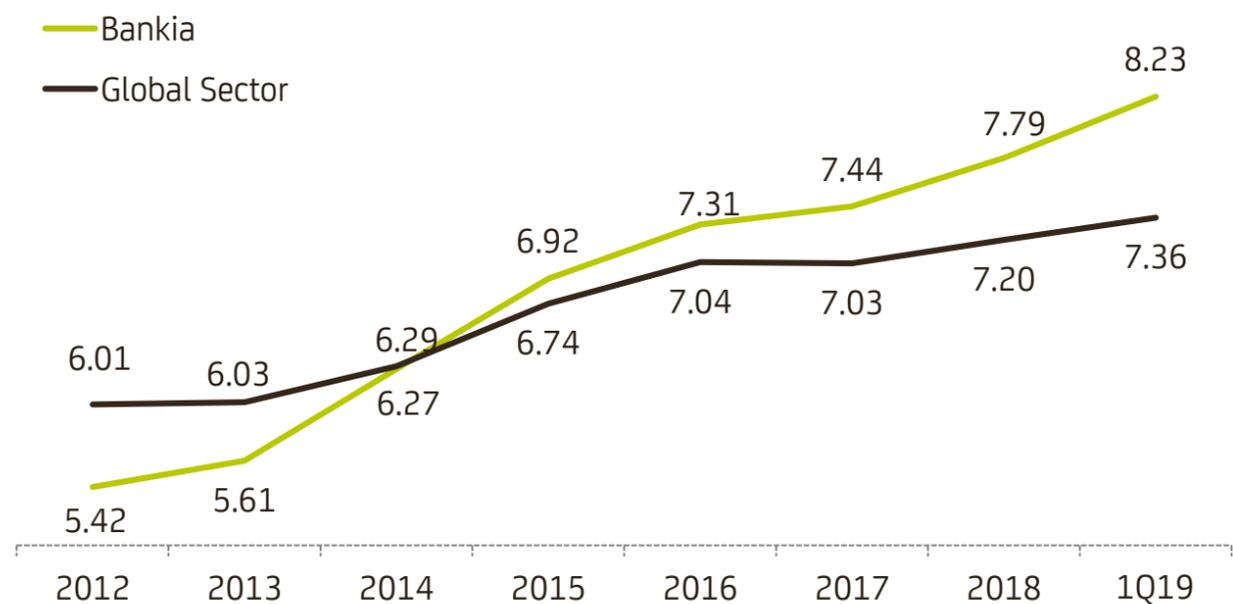
CUSTOMERS SATISFACTION



NPS BRANCHES



MYSTERY SHOPPING



RANKING #2 IN MYSTERY SHOPPING IN 1Q 2019

Source: STIGA Research on mystery shopping satisfaction

> 1Q 2019 Highlights

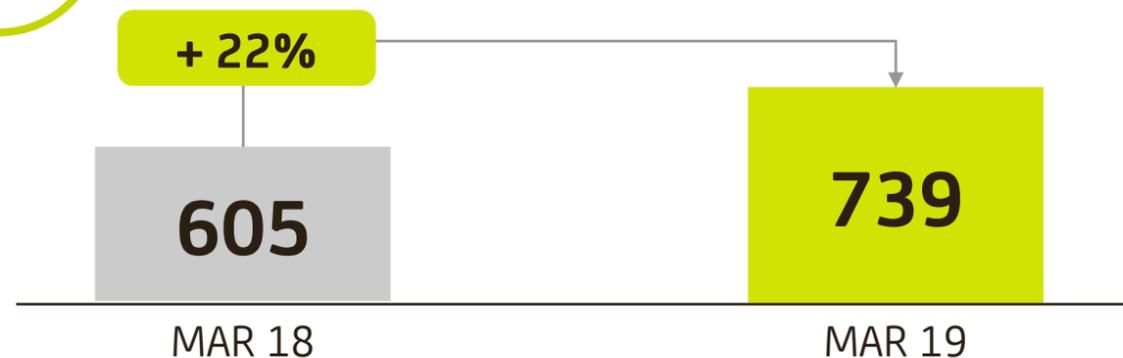
Customers: Digitalization

Digital indicators continue to progress at a good rate



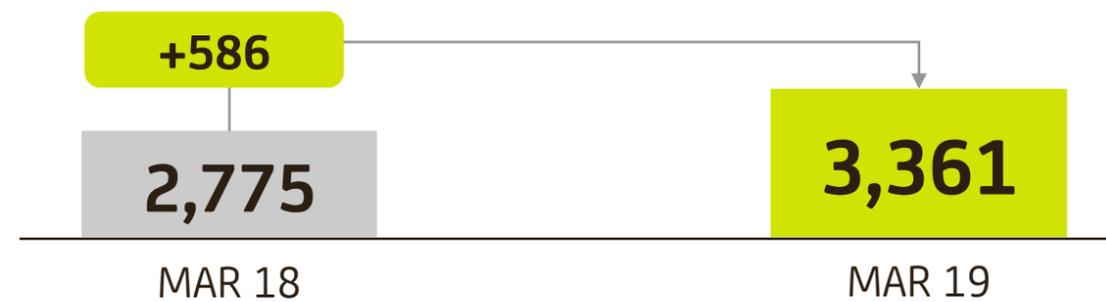
CONNECT WITH YOUR EXPERT

Variation y-o-y (Customers; thousands)



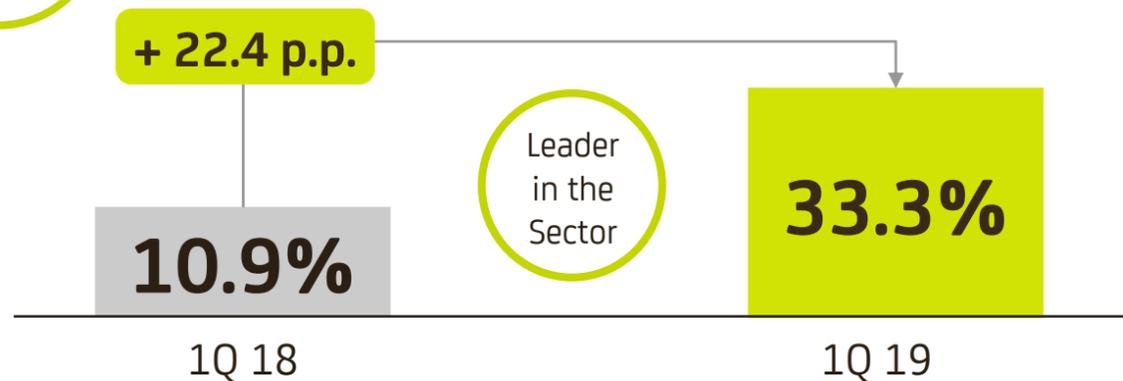
DIGITAL CUSTOMERS

(Thousands)



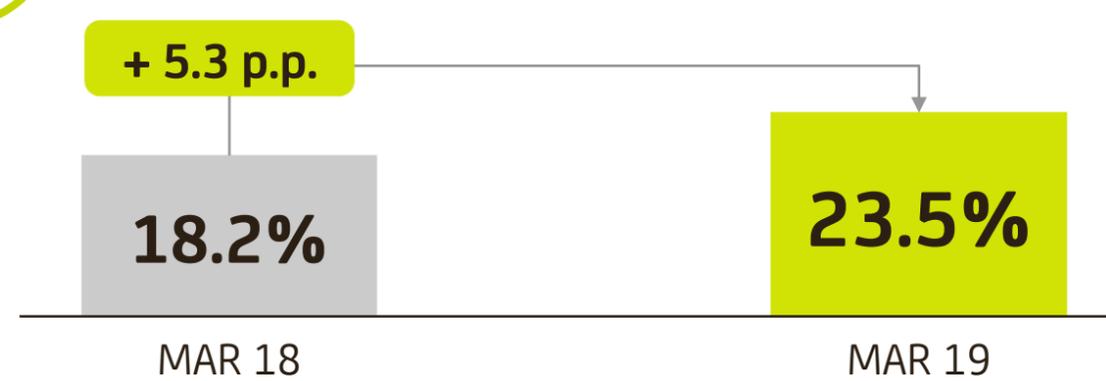
INSTANT TRANSFERS

Market share



DIGITAL SALES

Digital sales as % of total Bankia sales



Source: Iberpay

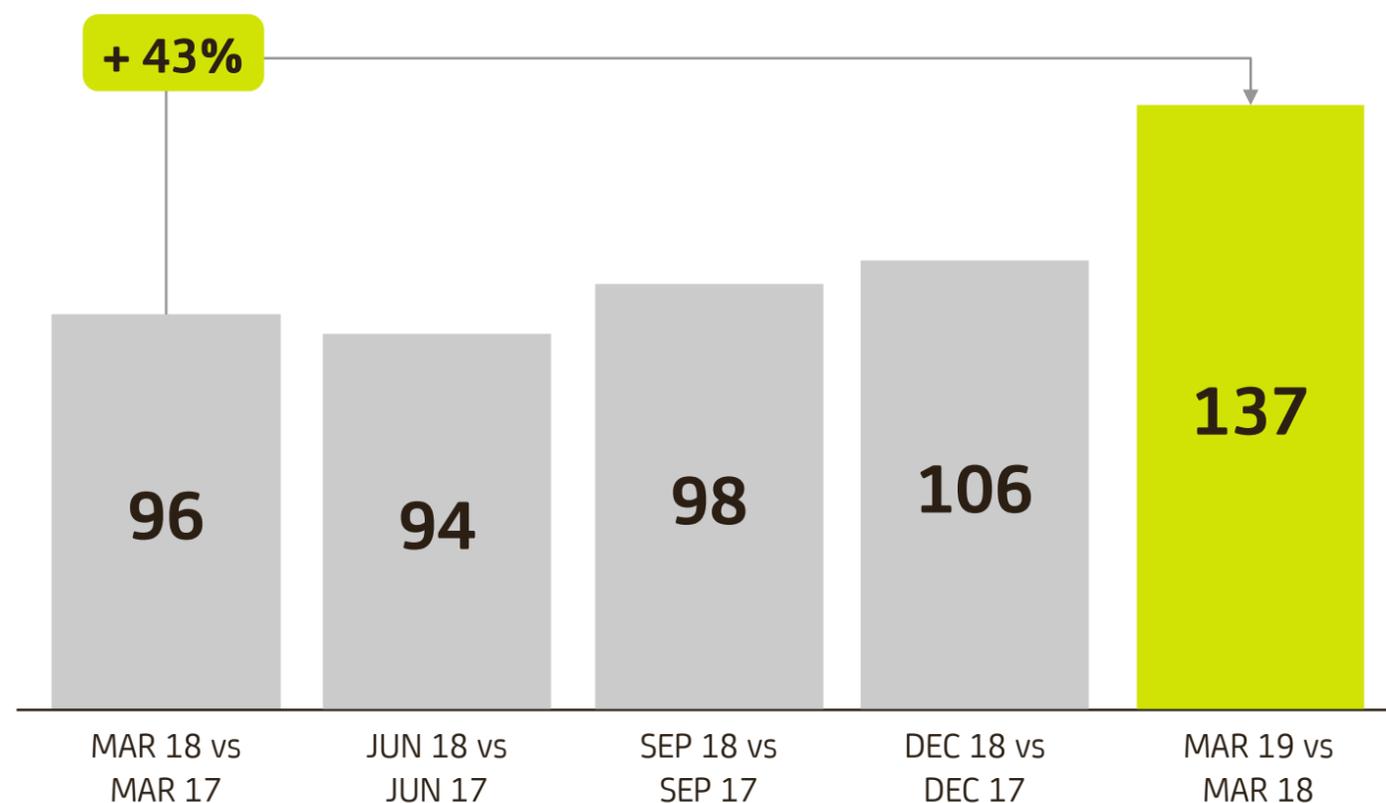
> 1Q 2019 Highlights

Customers: New customers

Increase in customer's base and loyalty

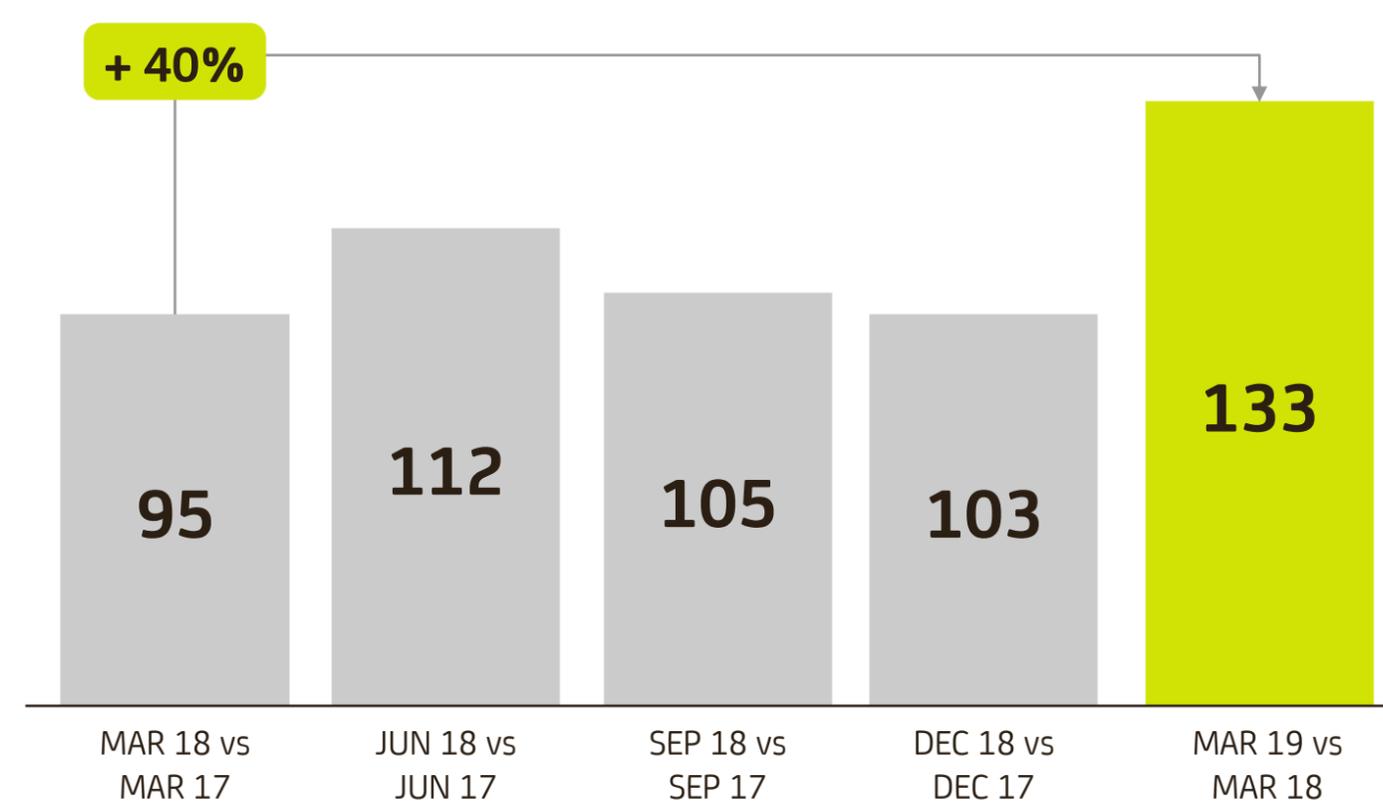
CUSTOMERS – NET GROWTH

Net growth 12M (thousands)



DIRECT INCOME DEPOSITS

Net growth 12M (thousands)



> **1Q 2019 Highlights**

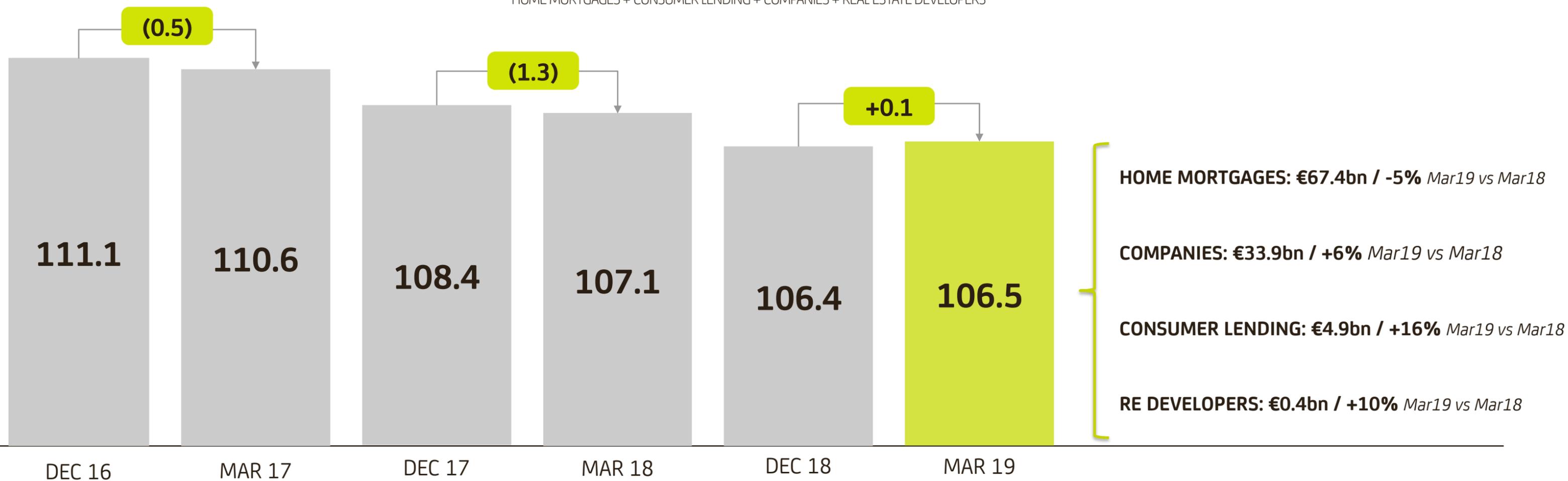
Credit stock

Change in trend in the performing credit stock

PERFORMING CREDIT STOCK PERFORMANCE

HOME MORTGAGES + CONSUMER LENDING + COMPANIES + REAL ESTATE DEVELOPERS

€bn



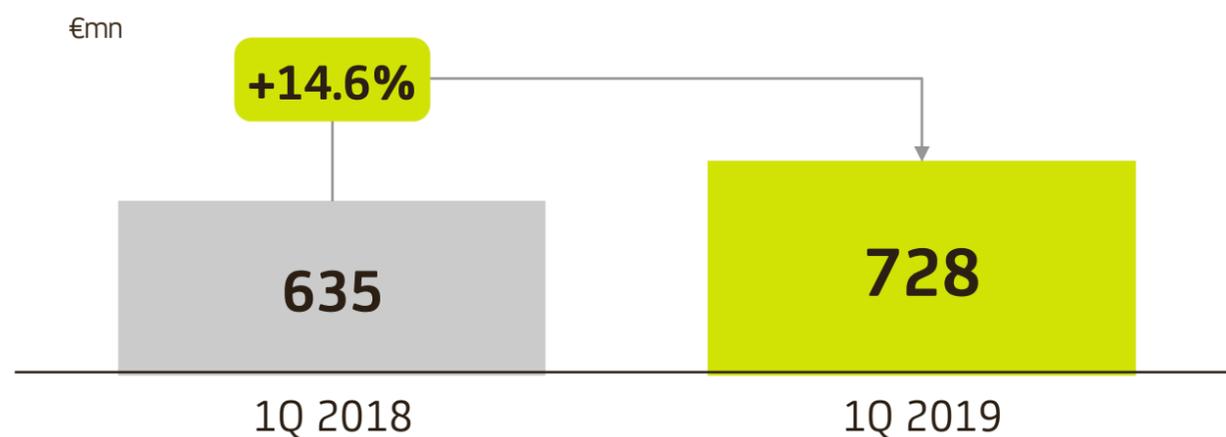
Historical series Bankia + BMN

> 1Q 2019 Highlights

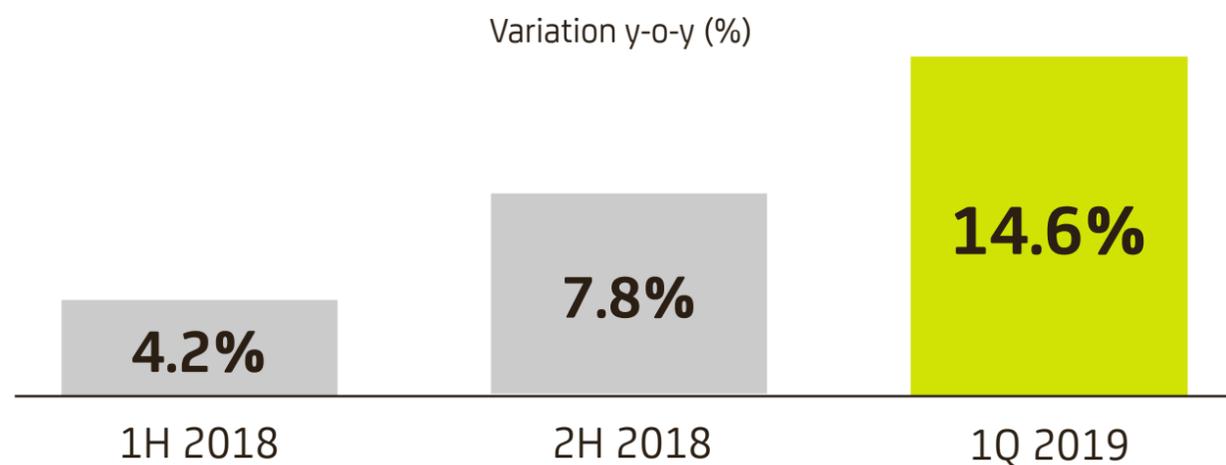
New credit: mortgages

Positive performance in home mortgage loans approval

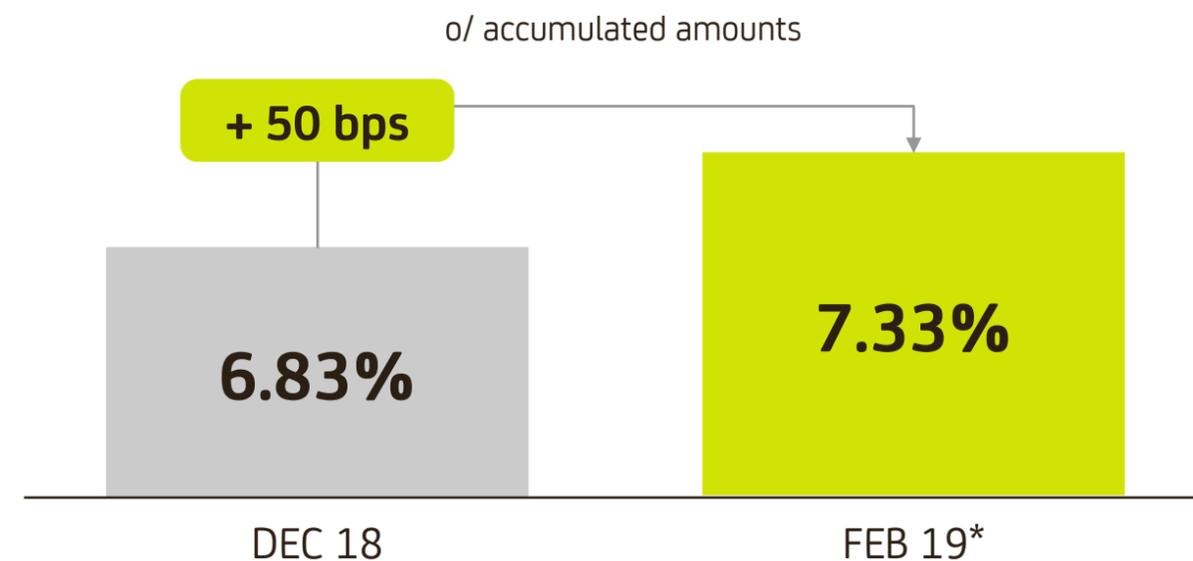
NEW MORTGAGES



NEW MORTGAGES



NEW MORTGAGES - MARKET SHARE



Source: BdE. * latest available market share

% FIXED RATE MORTGAGES: 54.3% 1Q19

% MORTGAGES TO NEW CUSTOMERS: 36.5% 1Q19

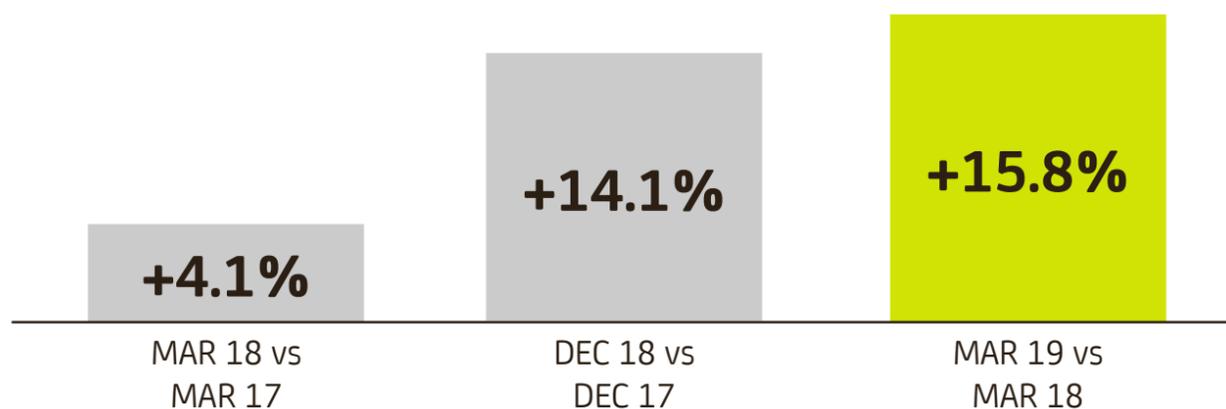
AVERAGE LTV: 65% MAR 19

> **1Q 2019 Highlights**

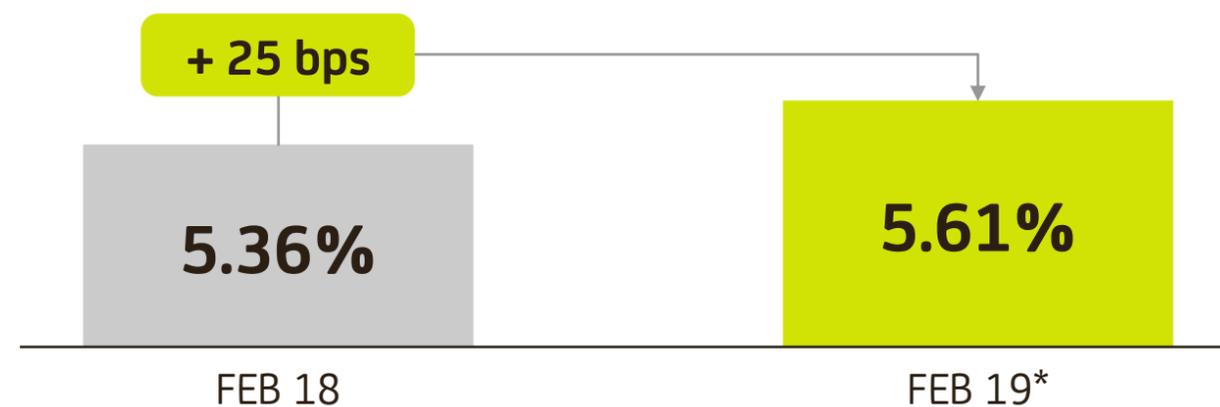
New credit: consumer lending

Marked increase in new consumer lending

CONSUMER LENDING – STOCK GROWTH

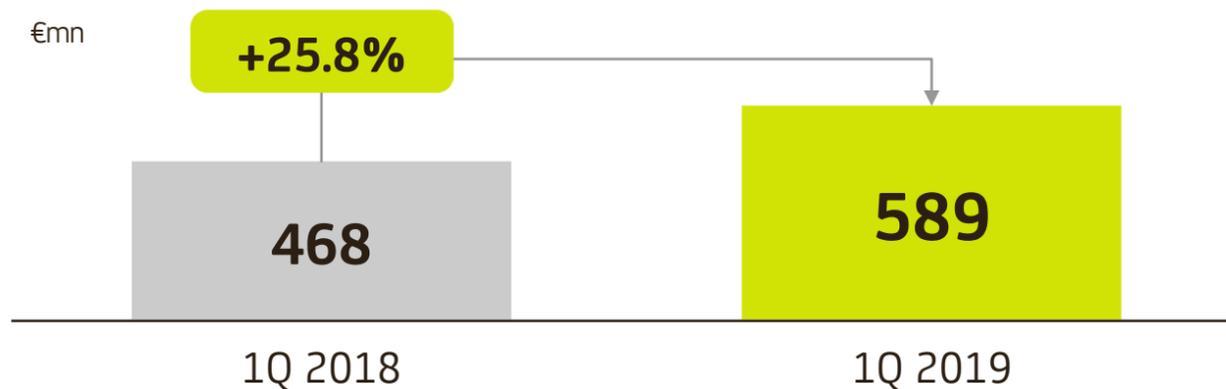


CONSUMER LENDING – STOCK MARKET SHARE

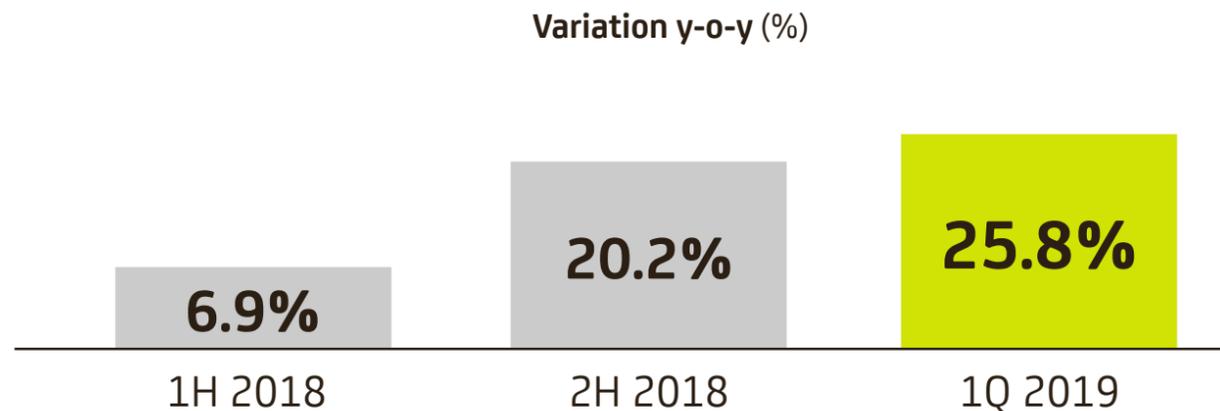


Source: BdE. * latest market share available

NEW CONSUMER LENDING



NEW CONSUMER LENDING

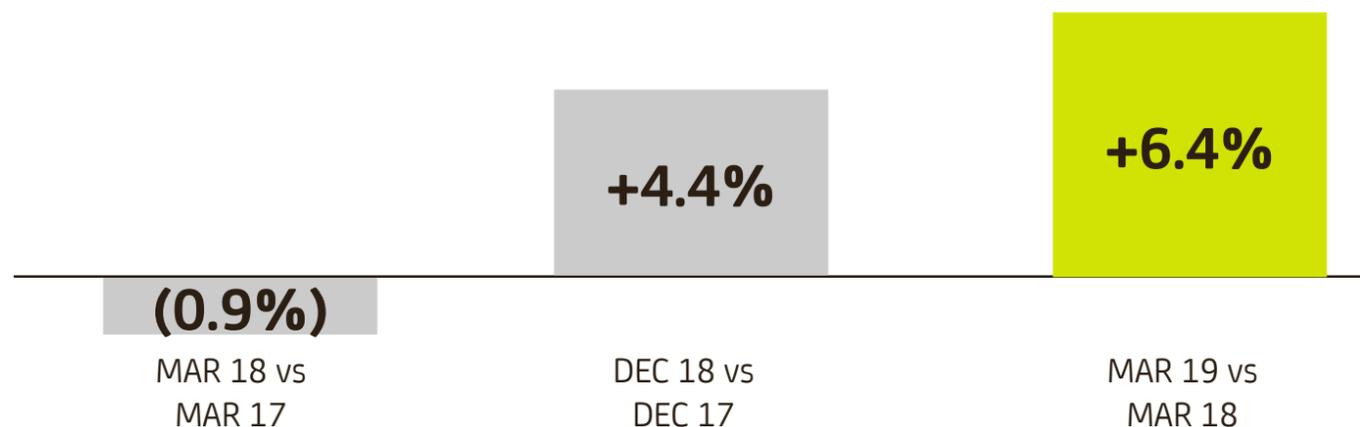


> 1Q 2019 Highlights

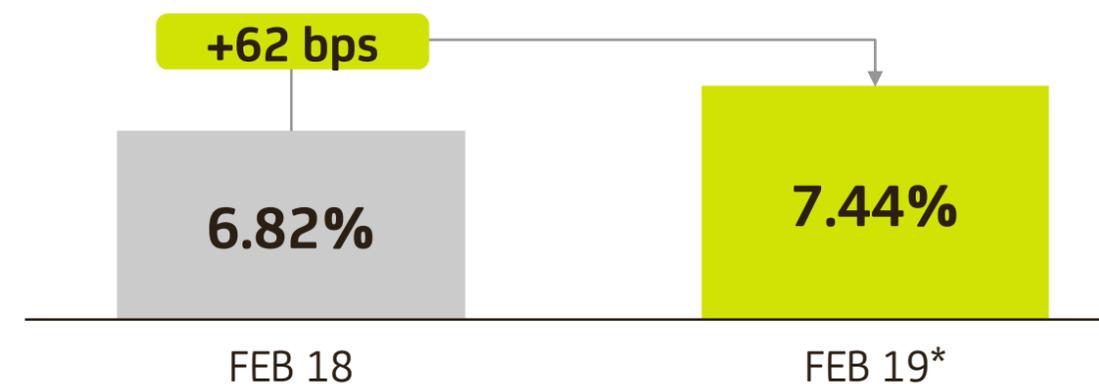
New credit: companies

Lending to companies continues growing

COMPANIES - PERFORMING CREDIT STOCK

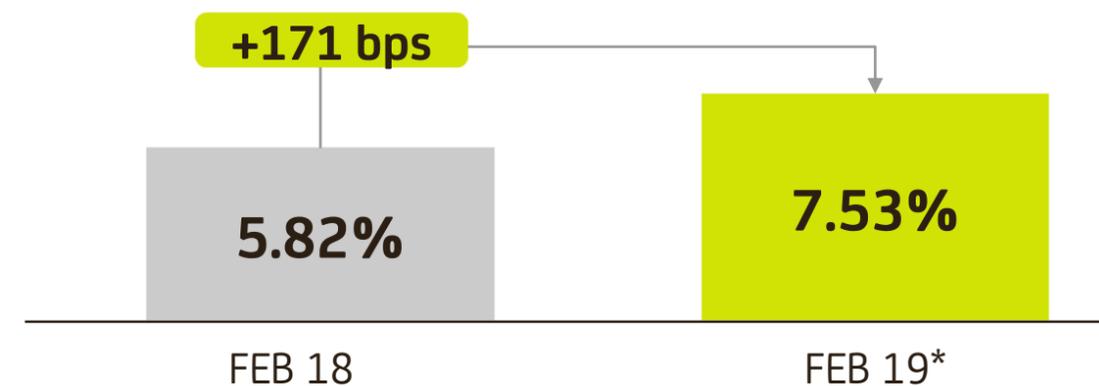


COMPANIES – CREDIT STOCK MKT. SHARE



Source: BdE. * latest market share available

COMPANIES – NEW CREDIT MKT. SHARE



Source: BdE. * latest market share available

COMEX
Million euros
+15.3%
1Q 2019 vs 1Q 2018

DISCOUNT AND FACTORING
Million euros
+17.8%
1Q 2019 vs 1Q 2018

REVERSE FACTORING
Million euros
+16.4%
1Q 2019 vs 1Q 2018

> 1Q 2019 Highlights

Products

Growth in value products

CARDS
TURNOVER
MARKET SHARE *

11.7%
DEC 17

+47 bps

12.2%
DEC 18

Source: BdE. * Latest market share available

POINT OF SALE
TERMINALS TURNOVER
MARKET SHARE *

12.1%
DEC 17

+38 bps

12.5%
DEC 18

Source: BdE. * Latest market share available

MUTUAL FUNDS
MARKET SHARE

6.42%
MAR 18

+21 bps

6.63%
MAR 19

Source: Inverco

INSURANCE
PREMIUMS
NEW PRODUCTION

+42%
Total insurance premiums
New production
1Q 2019 vs 1Q 2018

IN-STORE
CARDS TURNOVER

+14.1%
MAR 19 VS MAR 18

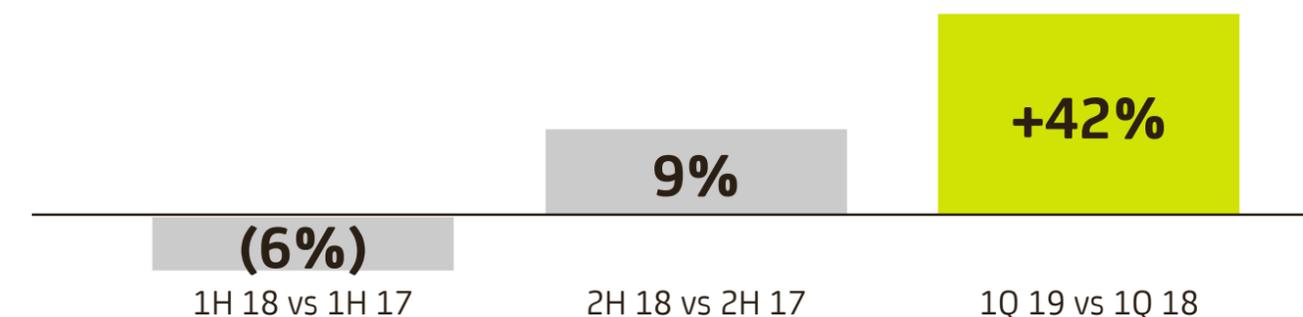
POINT OF SALE
TERMINALS TURNOVER

+13.0%
MAR 19 VS MAR 18

NET NEW MUTUAL
FUNDS MARKET SHARE⁽¹⁾

16%
in 1Q 2019

#2
RANKING SECTOR
1Q 2019



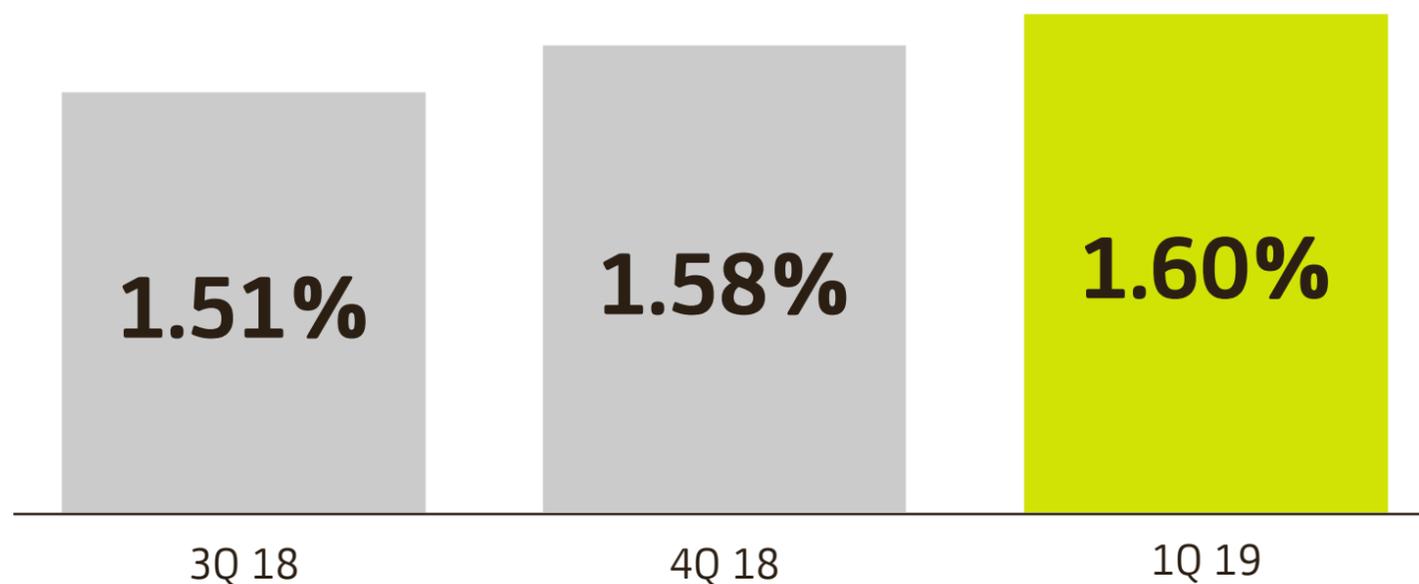
> **1Q 2019 Highlights**

Profitability

Improvement in customers margin and core result

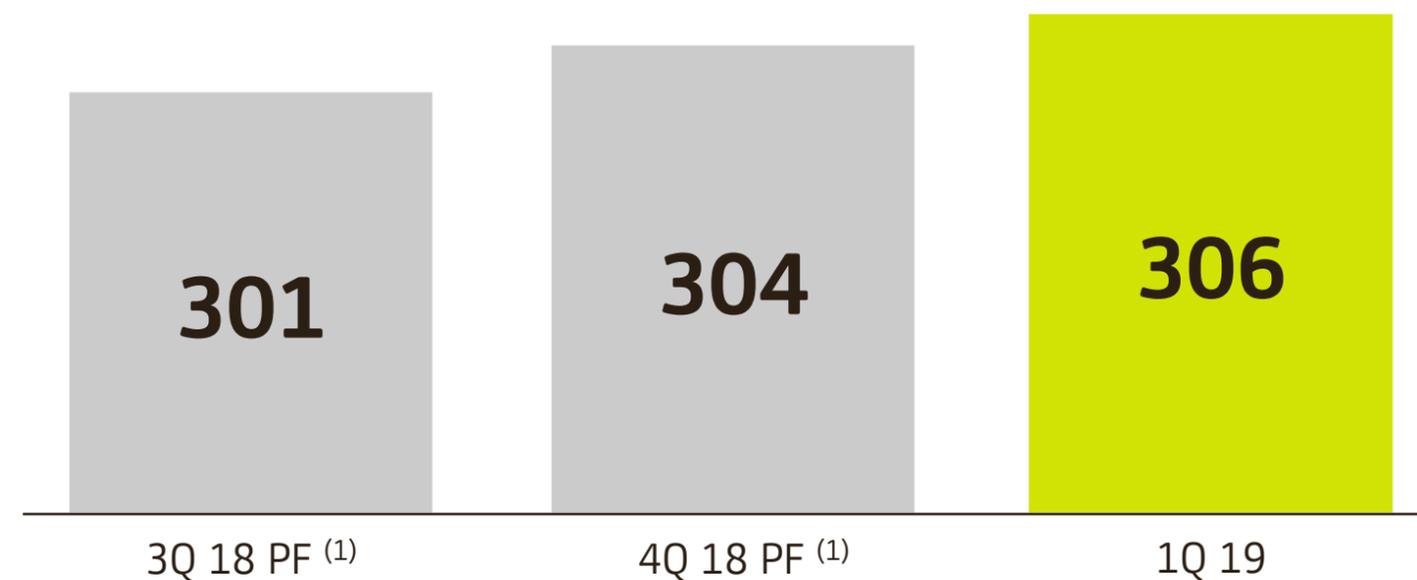
GROSS CUSTOMERS MARGIN

%



“CORE” RESULT (2)

€mn



Attributable Profit: €205mn 1Q19

ROE: 6.6% 1Q19

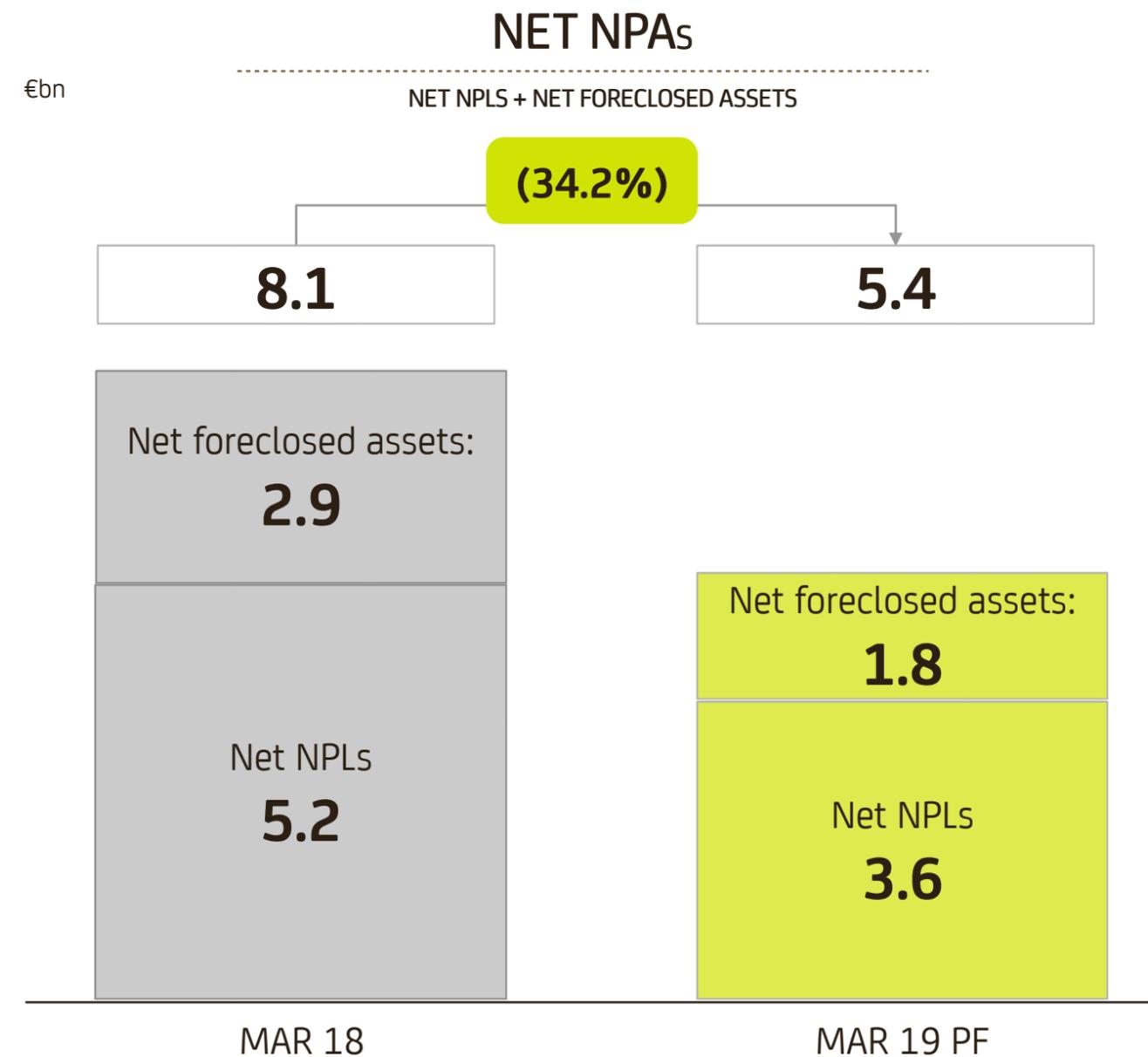
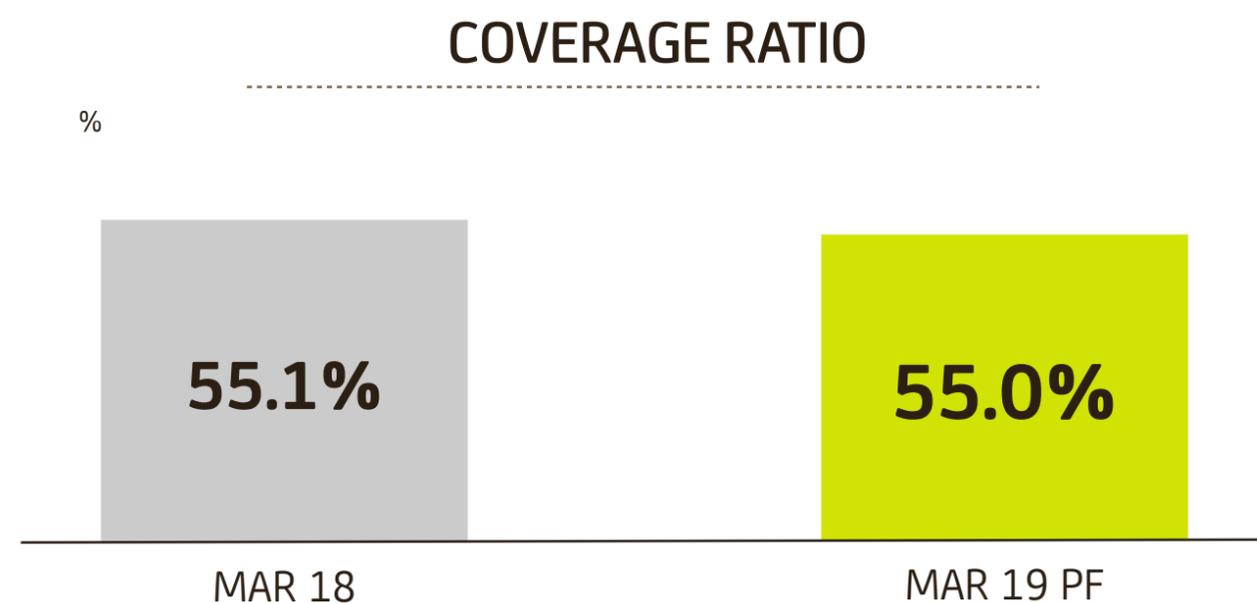
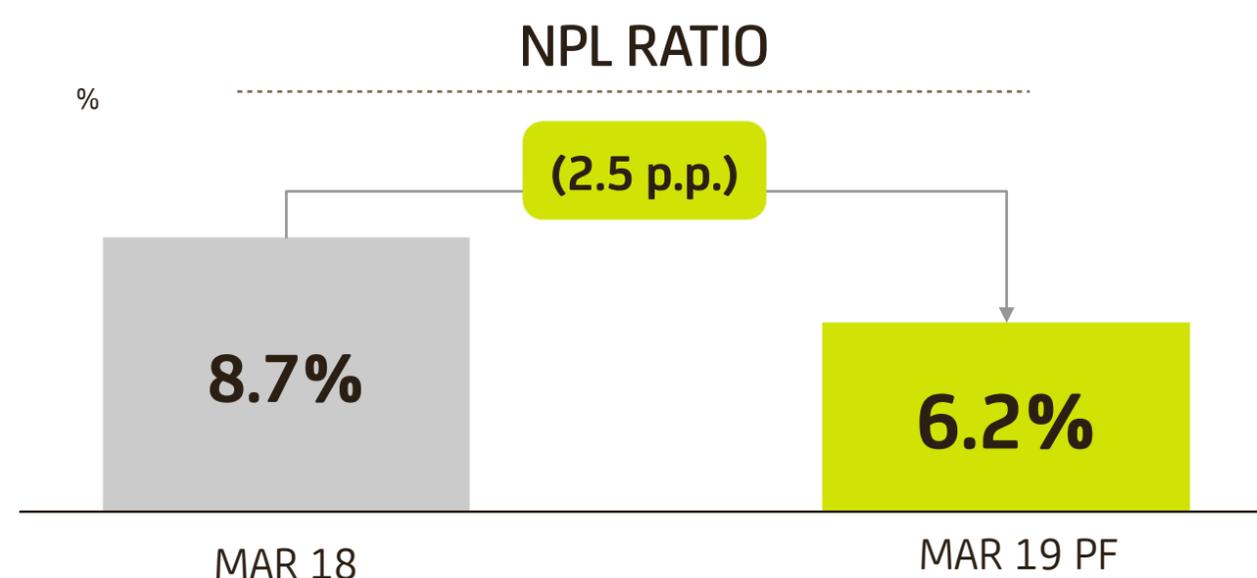
(1) 2018 proforma including IFRS 16 estimated impact in order to make it comparable with 1Q19.

(2) Core Result: NII + Net fee and commission income – Operating expenses

> **1Q 2019 Highlights**

Asset quality

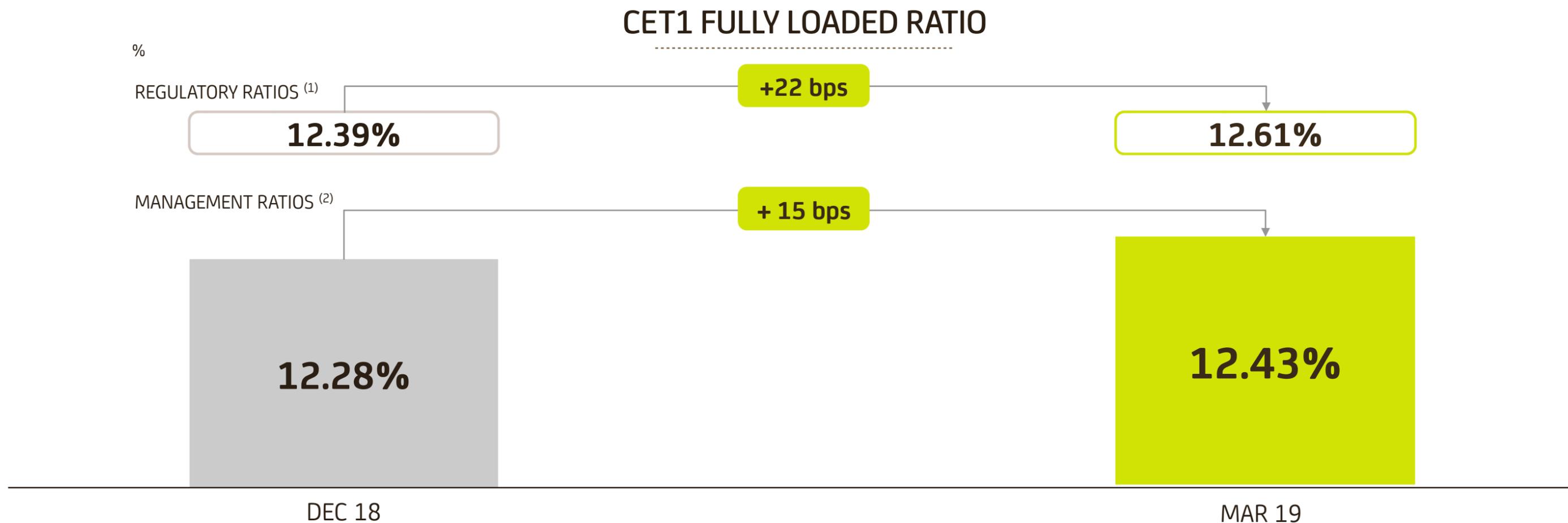
NPL ratio down to 6.2%



> **1Q 2019 Highlights**

Capital generation

CET1 FL capital generation of 22 bps in the quarter



Approved the 0.50% capital reduction with no impact in capital ratios

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

(1) Ratios including unrealized sovereign capital gains.

(2) Ratios not including unrealized sovereign capital gains.

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> 1Q 2019 Results

Income statement – Bankia Group proforma IFRS 16

IMPACTS IN 2018
 - €11mn: lower NII
 + €7mn: lower Operating Expenses
Net Impact in PAT: - €3mn

€mn	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	Diff % 1Q19 vs 1Q18
Net interest income	524	518	492	504	502	(4.2%)
Net fee and commission income	264	270	265	266	260	(1.2%)
Net trading income	139	152	90	30	37	(73.3%)
Other revenue	10	(40)	15	(141)	14	43.4%
Gross income	936	900	862	659	813	(13.1%)
Operating expenses	(484)	(457)	(456)	(466)	(456)	(5.6%)
Core Result ⁽¹⁾	304	331	301	304	306	0.7%
Pre-provision profit	452	443	406	193	357	(21.1%)
Provisions for loans	(107)	(73)	(76)	(77)	(69)	(36.0%)
Provisions for foreclosed assets	(27)	(23)	(29)	(26)	(31)	+15.8%
Taxes, minority interests and other items	(89)	(63)	(73)	(46)	(52)	(40.7%)
Profit attributable to the Group without extra ordinaries	229	284	228	44	205	(10.5%)
Extraordinary impact ⁽²⁾	-	-	-	(85)	-	-
Profit attributable to the Group with extra ordinaries	229	284	228	(41)	205	(10.5%)

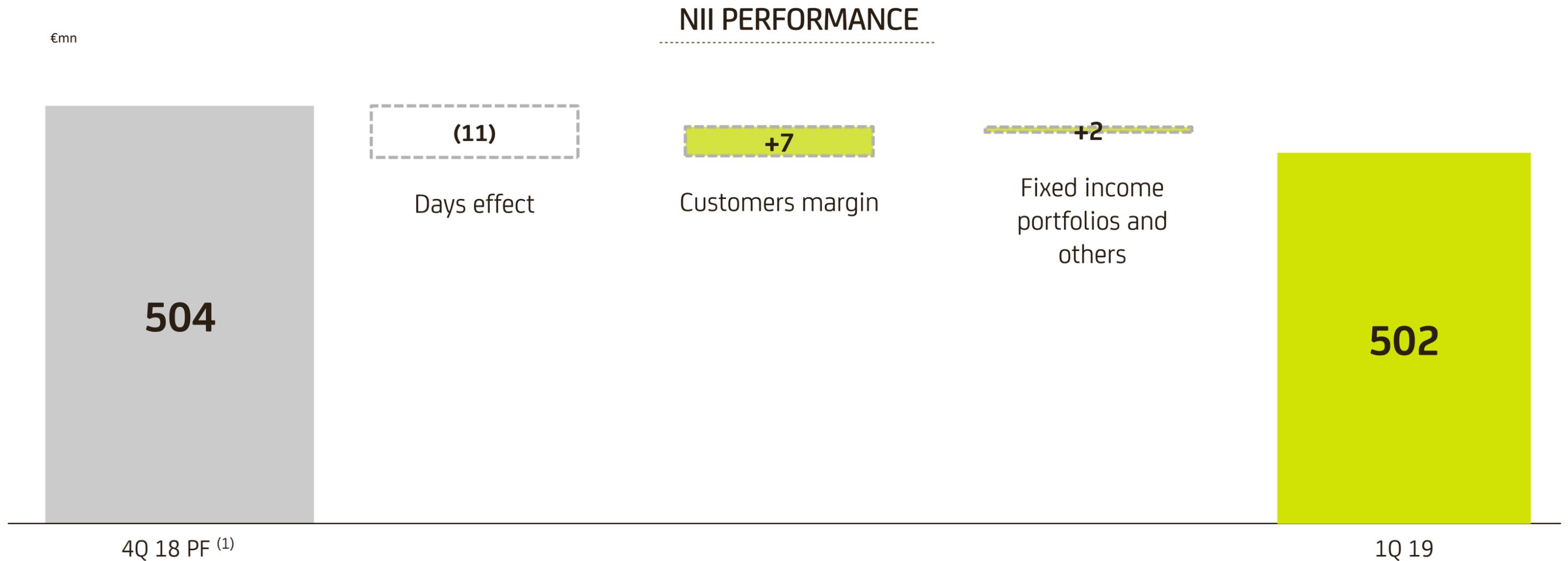
(1) Core Result: NII + Net fee and commission income – Operating expenses

(2) Extraordinary impacts are related to €85Mn of net extraordinary provisions associated with the impact from the sale of NPAs portfolios in 4Q18.
 2018 proforma series including IFRS 16 estimated impacts in order to obtain a like for like basis comparison with 1Q19

> 1Q 2019 Results

Net interest income

Reduction in interest margin due to lower contribution from fixed income portfolios due to days effect



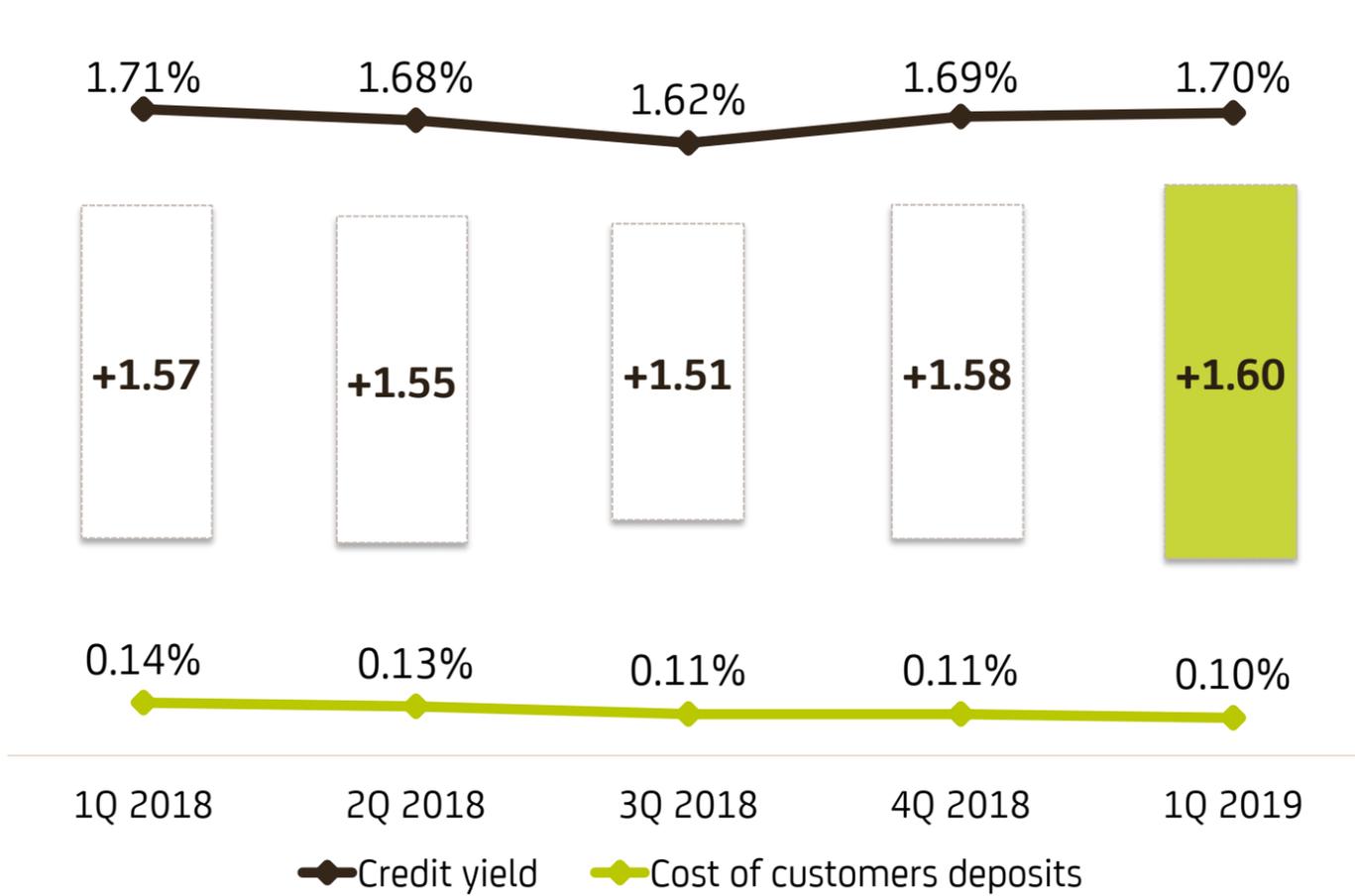
(1) 4Q 18 proforma including IFRS 16 estimated impact in order to make it comparable with 1Q19 (€2.7mn)

> **1Q 2019 Results**

Net interest income

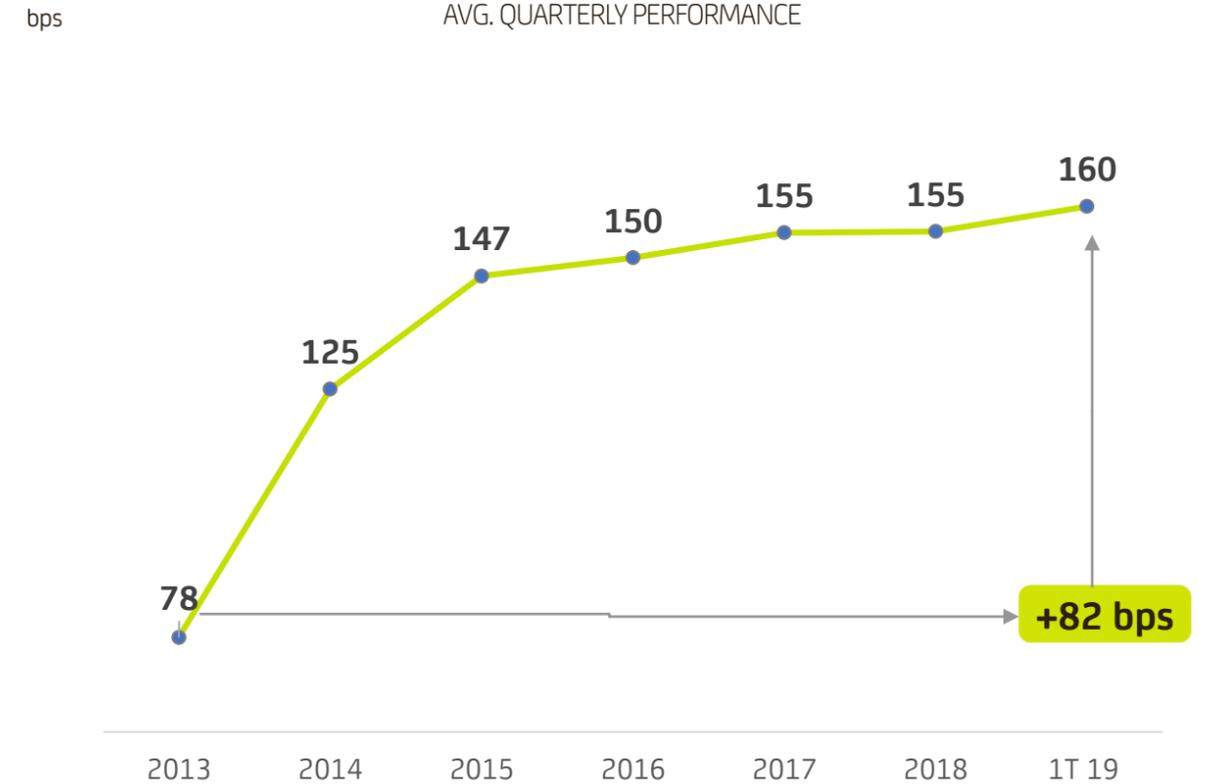
Gross customers margin reaches highest level

GROSS CUSTOMERS MARGIN



Gross Customers Margin

GROSS CUSTOMERS MARGIN

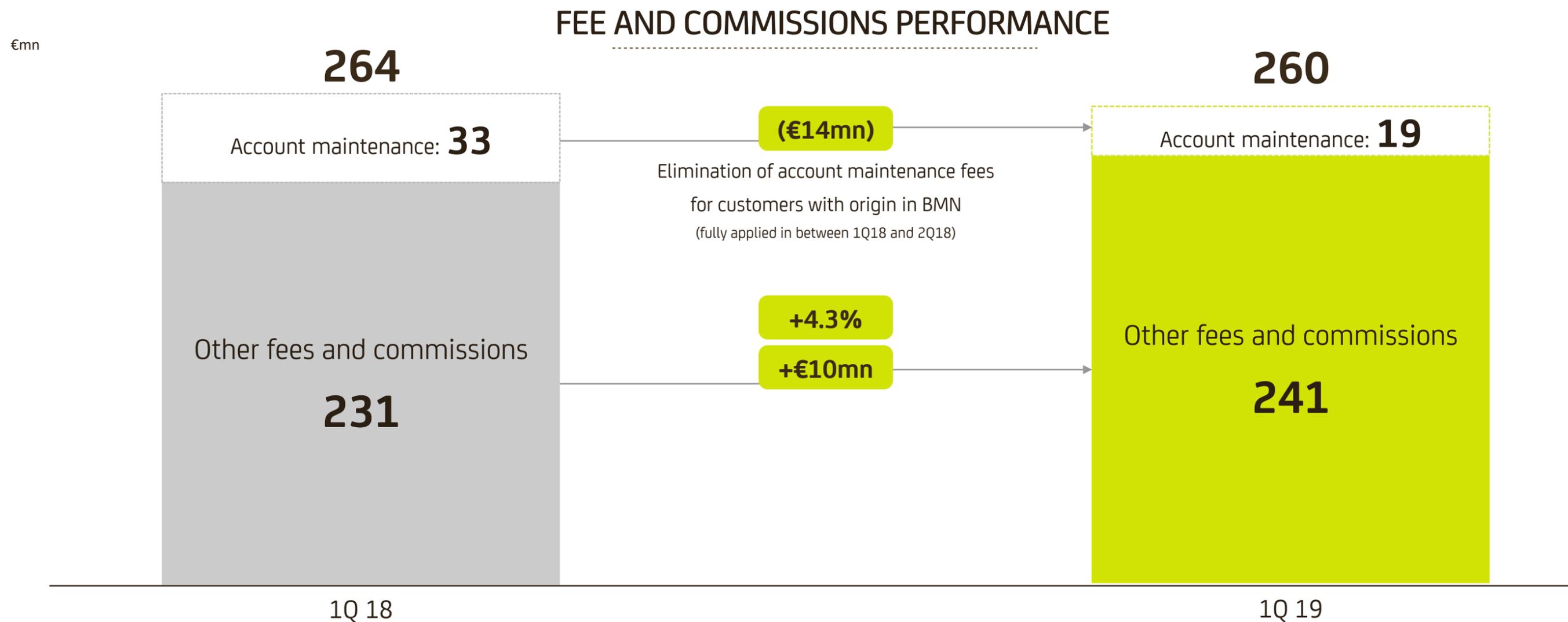


1Q19 gross margin reaches record high levels in last years

> **1Q 2019 Results**

Fee and commission income

Good organic performance of fees and commissions

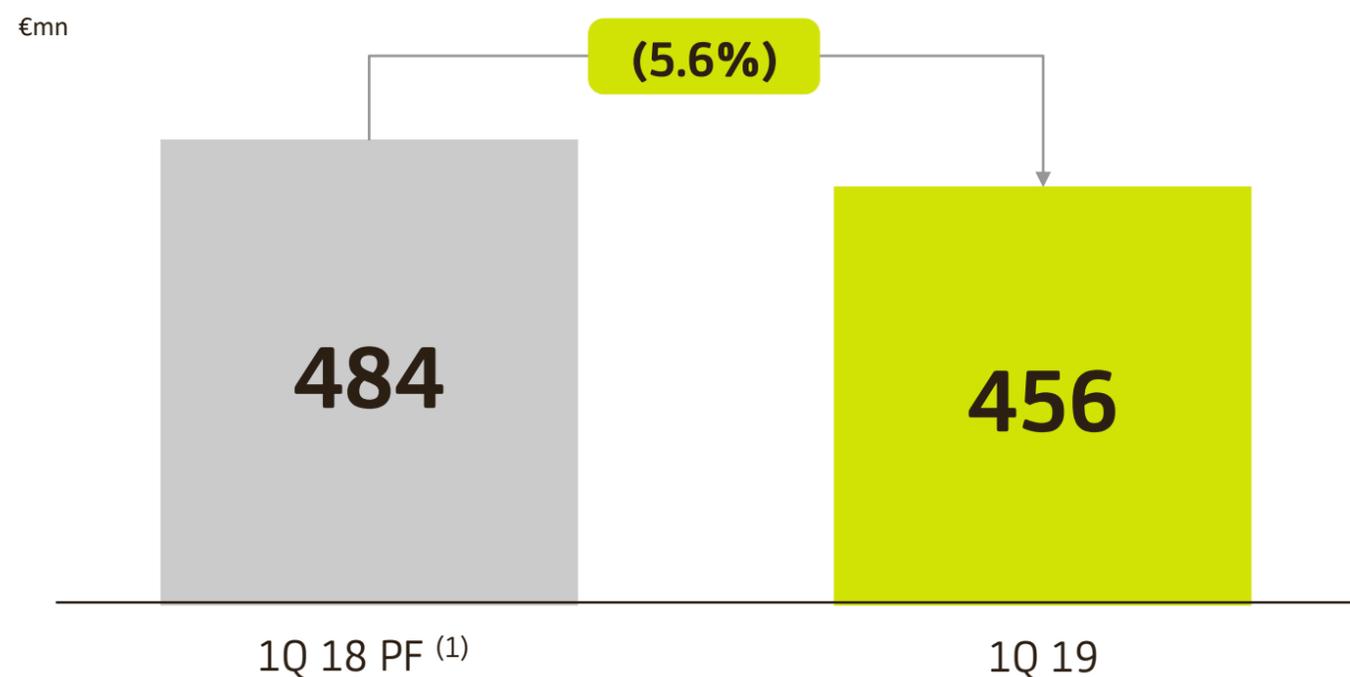


> 1Q 2019 Results

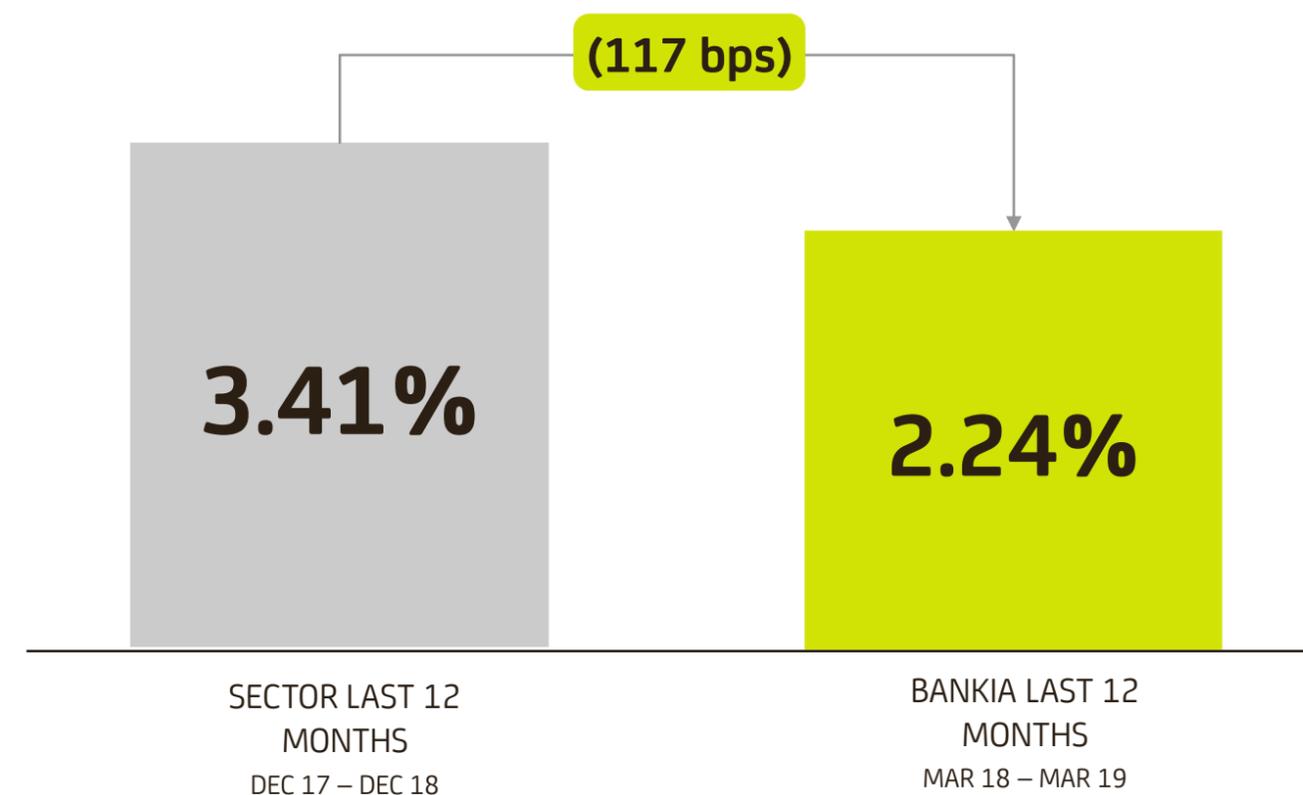
Operating expenses

The reduction in operating expenses reflects the integration synergies

OPERATING EXPENSES PERFORMANCE



OPEX o/ RWAs



(1) 1Q 18 proforma including IFRS 16 estimated impact in order to make it comparable with 1Q19 (€1.7mn)

> **1Q 2019 Results**

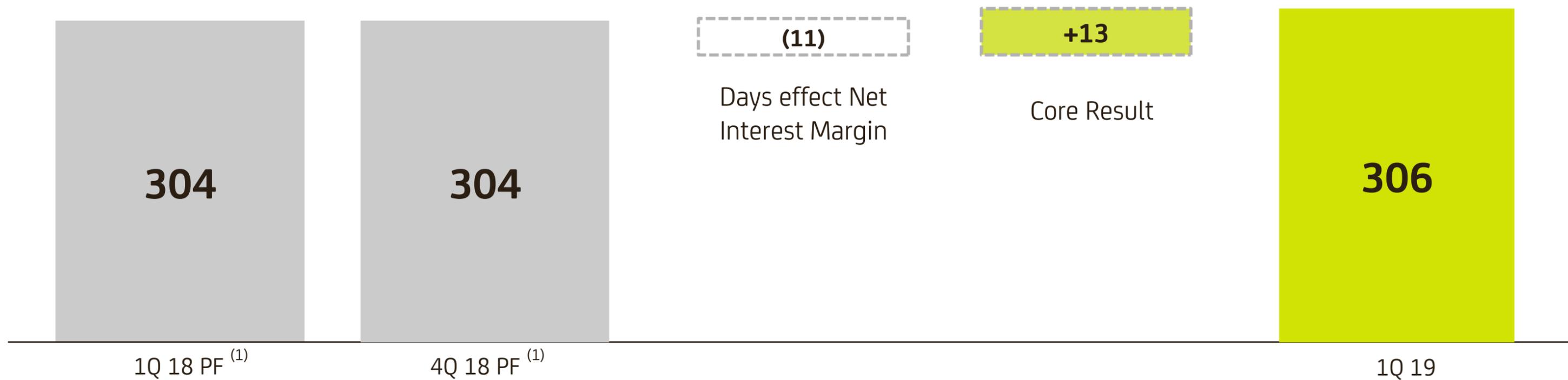
Core result

“Core” result improves vs first quarter previous year

CORE RESULT PERFORMANCE

NII + FEES & COMMISSIONS – OPERATING EXPENSES

€mn



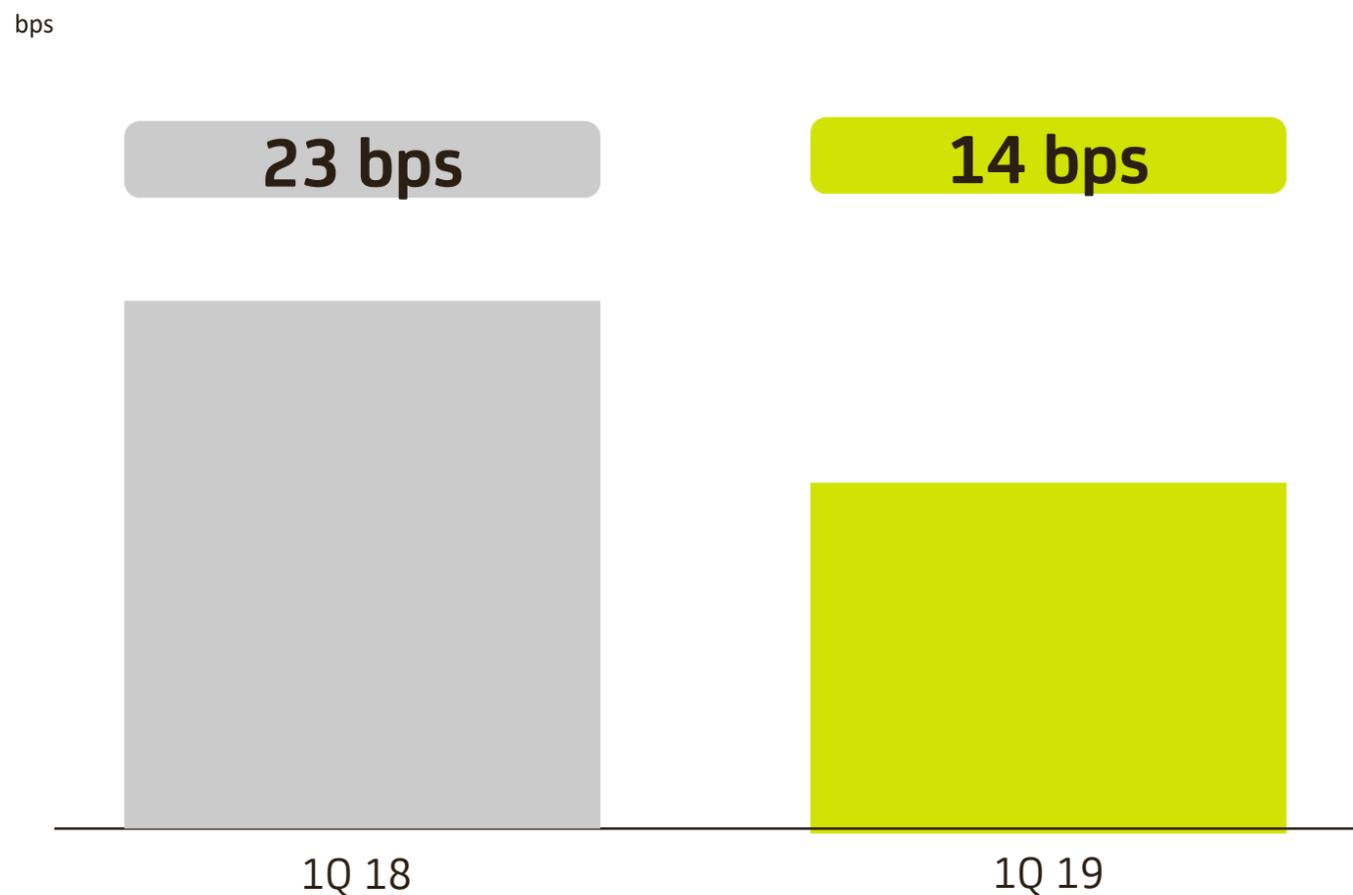
(1) 1Q 18 and 4Q 18 proforma including IFRS 16 estimated impact in order to make it comparable with 1Q19 (€1mn)

> **1Q 2019 Results**

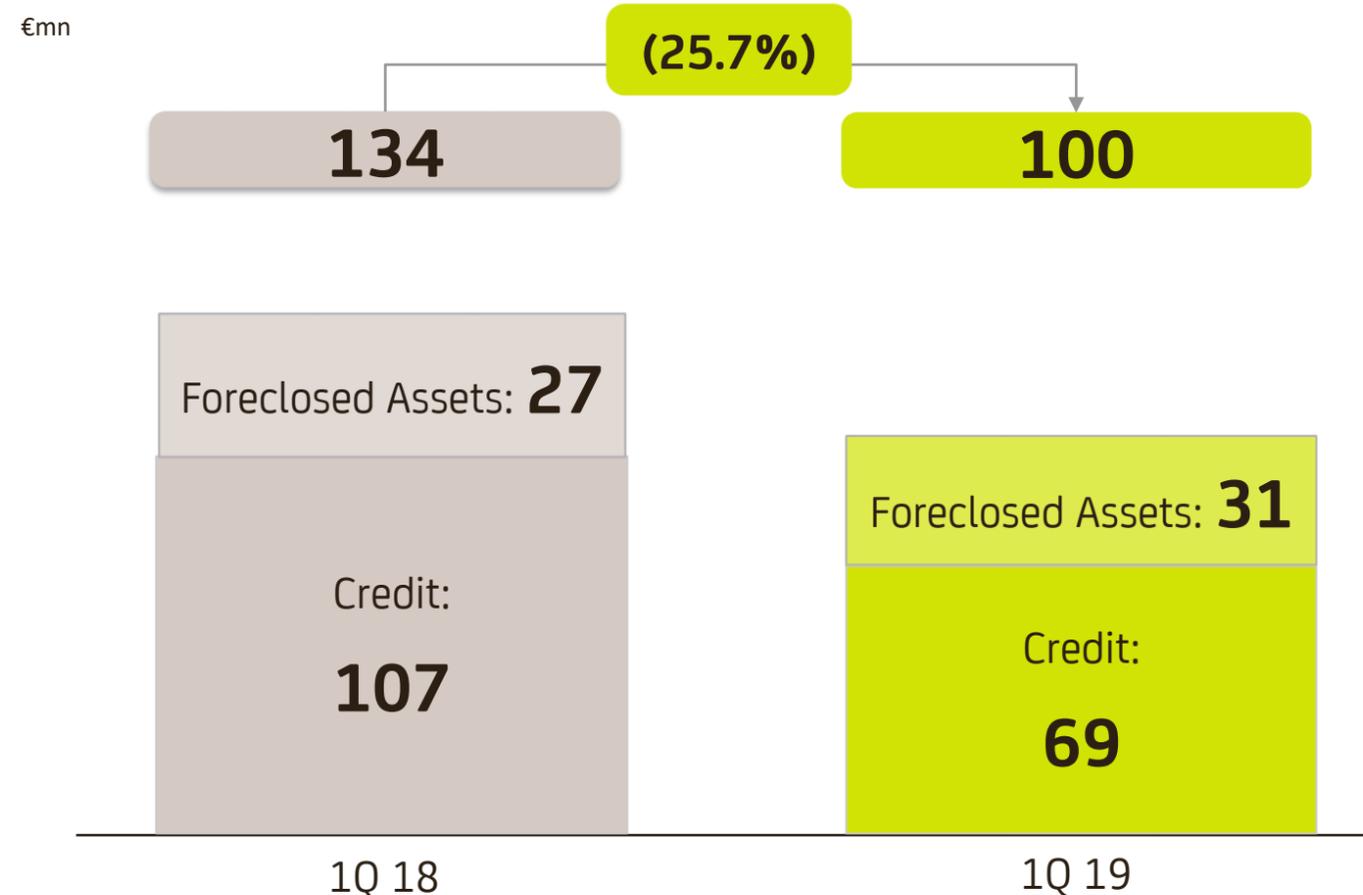
Cost of risk

Good performance of cost of risk and provisioning

COST OF RISK



PROVISIONS FOR CREDIT AND FORECLOSED ASSETS

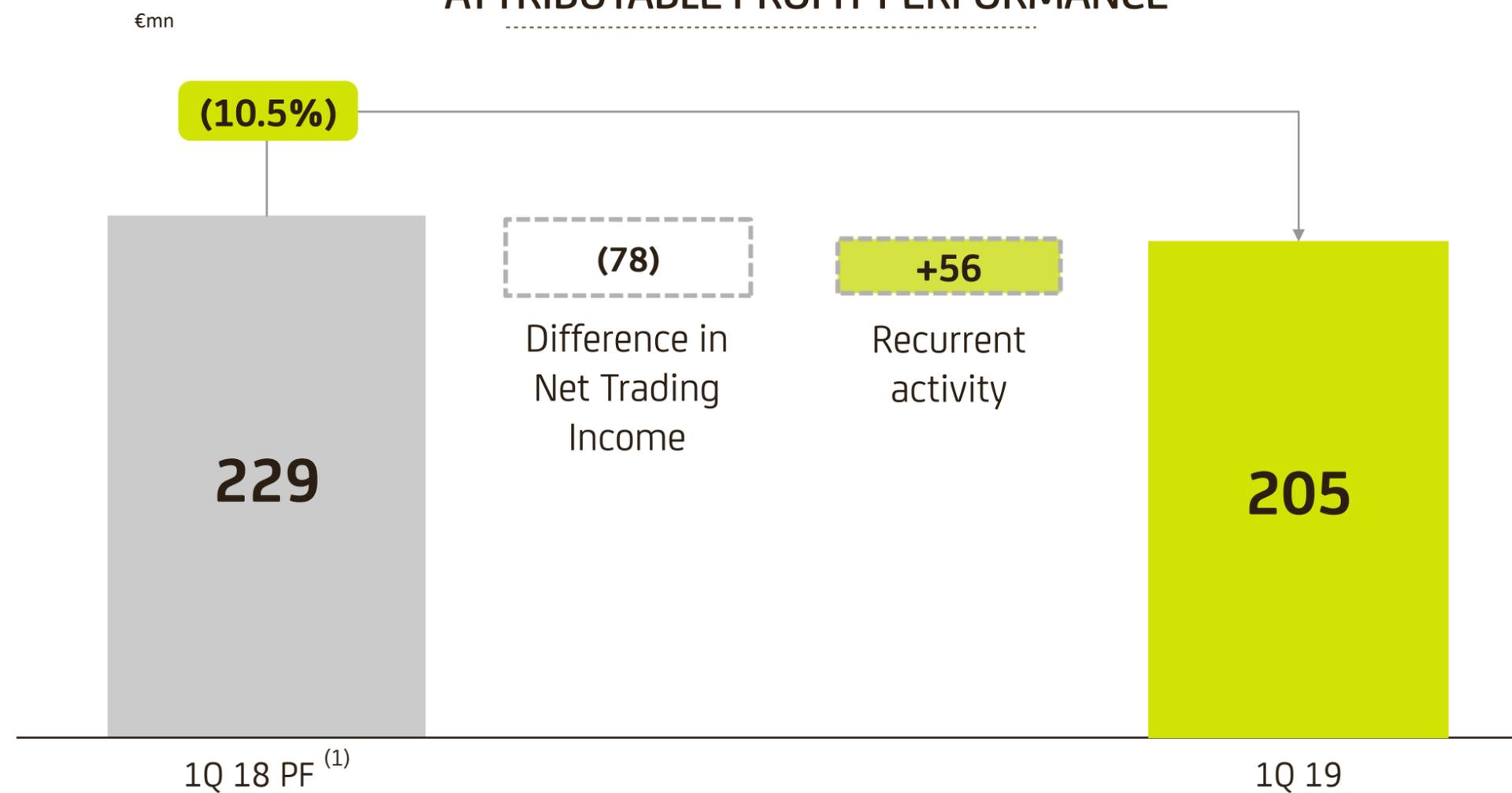


> **1Q 2019 Results**

Attributable profit

Profit of €205mn in the first quarter of 2019

ATTRIBUTABLE PROFIT PERFORMANCE



ROE
6.6%
MAR 19

RORWA
1.01%
MAR 19

(1) 4Q 18 proforma including IFRS 16 estimated impact in order to make it comparable with 1Q19.

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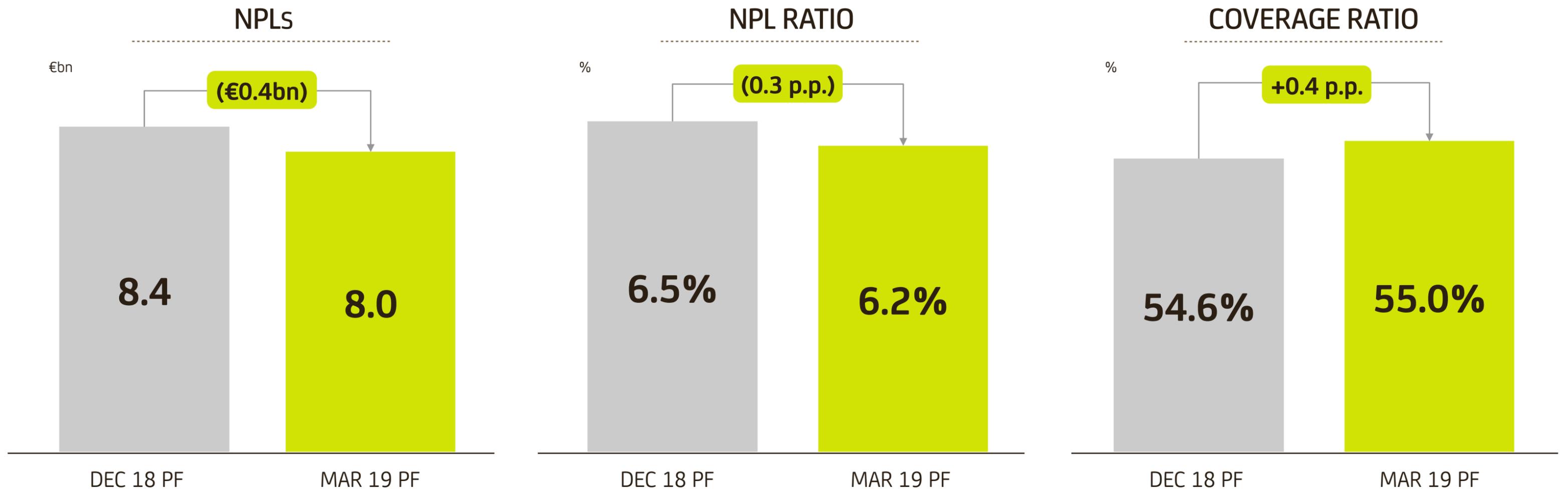
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CONCLUSIONS

> **Asset quality and risk management**

Credit quality

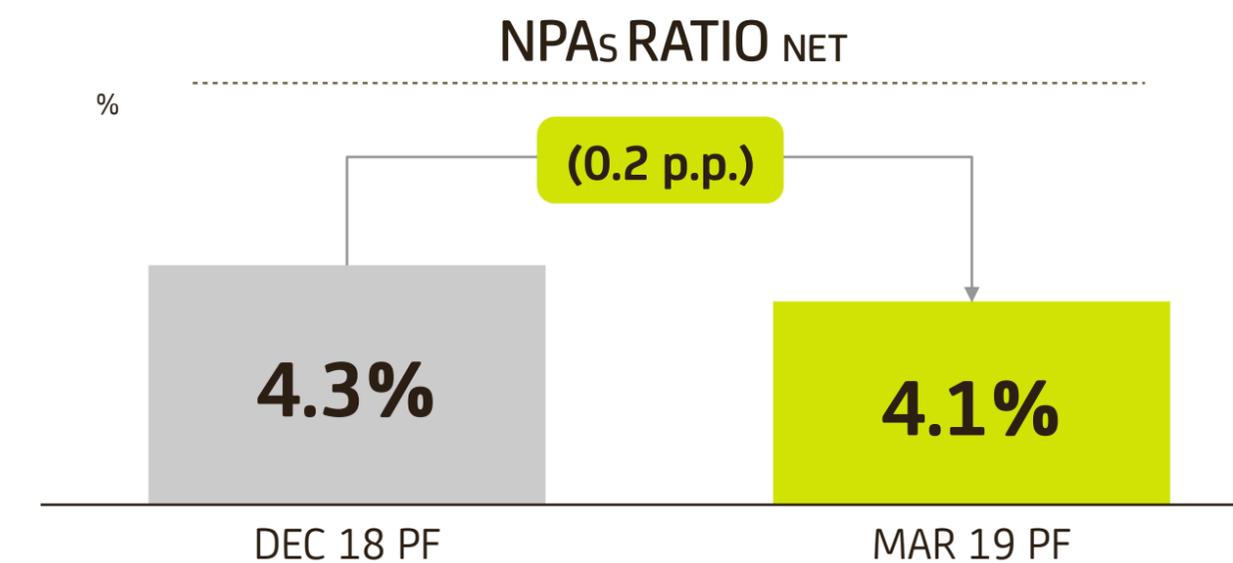
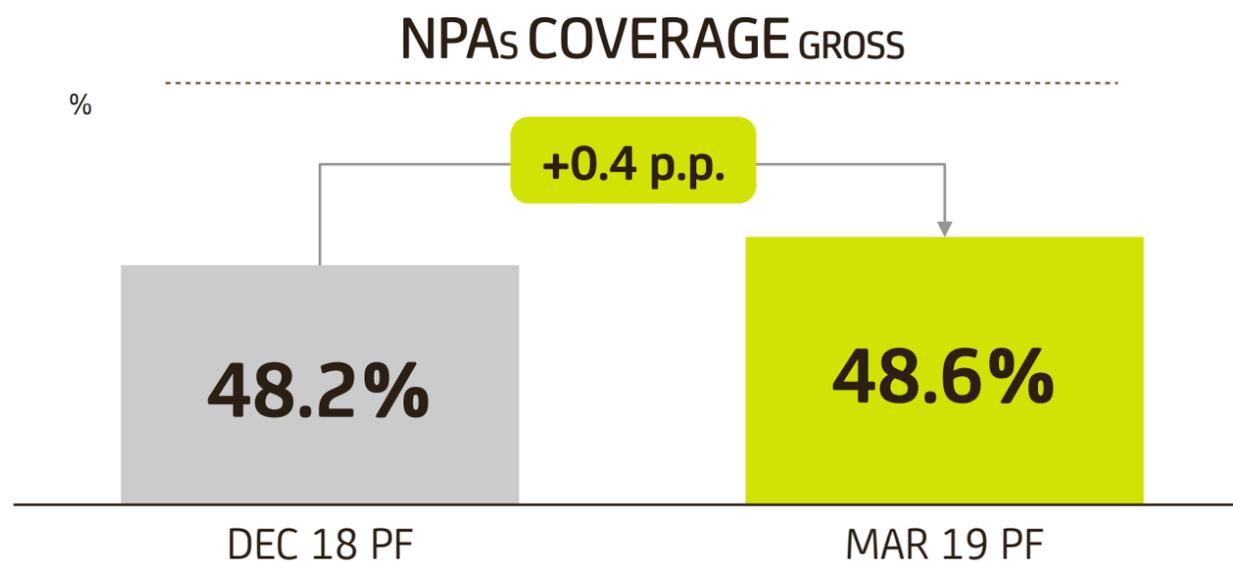
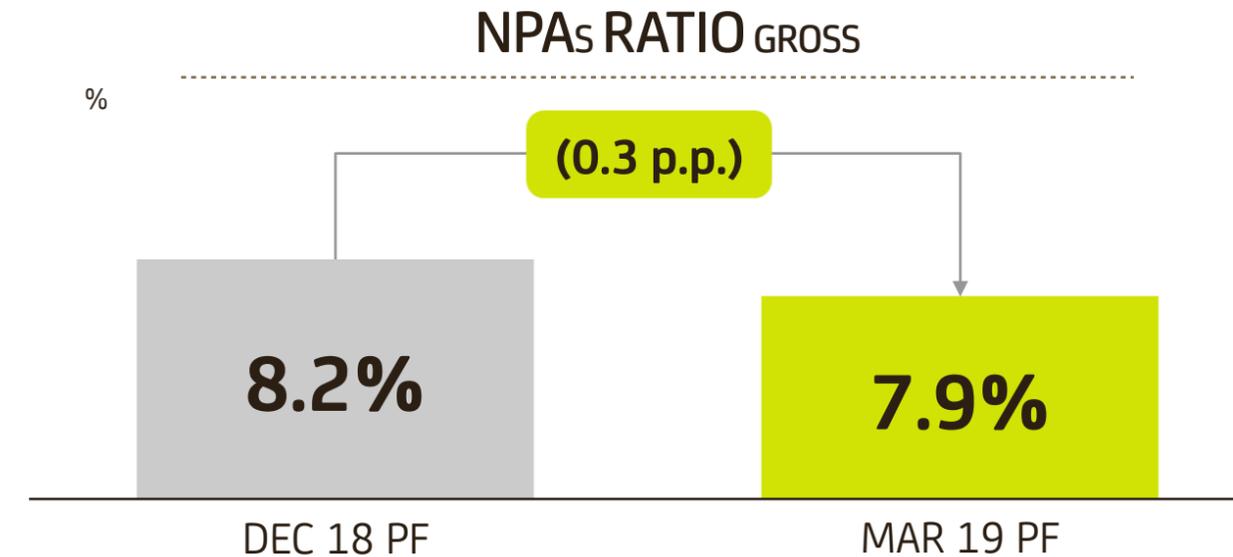
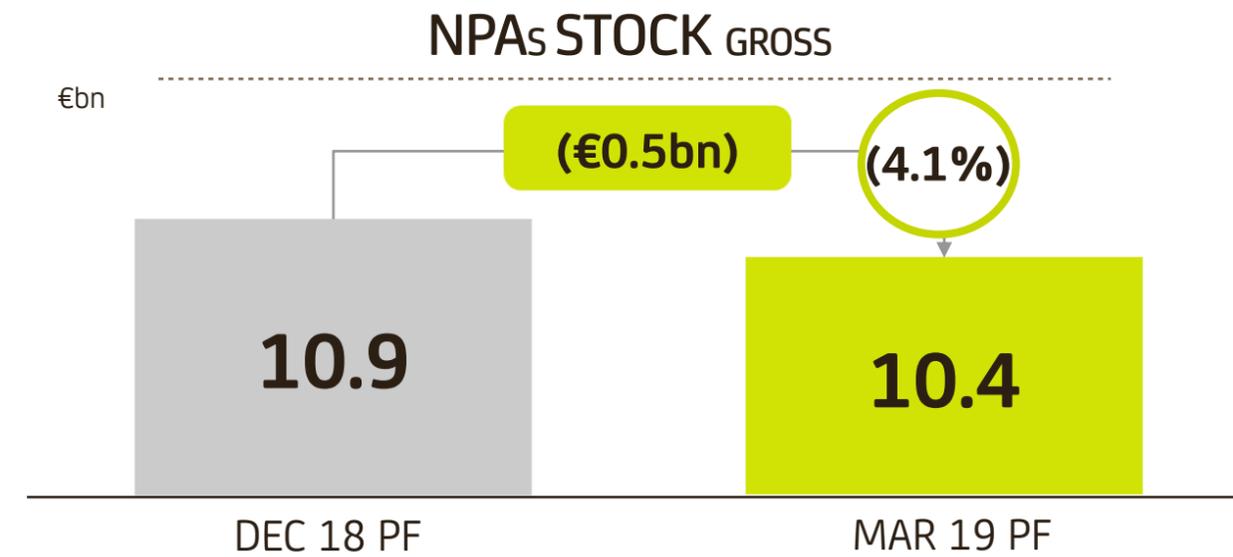
Good evolution of main asset quality metrics in the quarter



> **Asset quality and risk management**

Credit quality

NPAs reduction in line with targets



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CONCLUSIONS

> **Liquidity** and solvency

Liquidity

New issuances in the quarter strengthen liquidity and capital

SUBORDINATED DEBT TIER 2		SENIOR PREFERRED DEBT	
AMOUNT	€1,000mn	AMOUNT	€500mn
CUPON	3.75%	CUPON	0.875%
OVERSUBSCRIPTION	2.2x	OVERSUBSCRIPTION	12x
% INTERNATIONAL INVESTORS	83%	% INTERNATIONAL INVESTORS	76%

Early amortization of the previous Tier 2 issuance announced to occur in May.

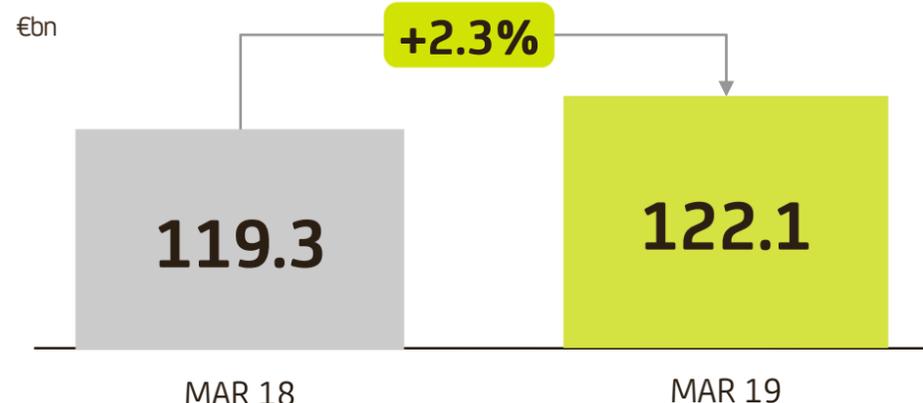
Net increase of €500mn in eligible instruments to comply with MREL requirements

> **Liquidity** and solvency

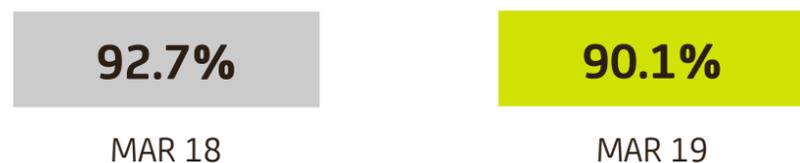
Liquidity and Rating

Liquidity metrics and Ratings

STRICT CUSTOMERS DEPOSITS



LOANS TO DEPOSITS RATIO



86%

Retail Deposits o/ Total Deposits

> LCR
Mar 2019 **191%**

> NSFR
Mar 2019 **122.9%**

> ECB (100% TLTRO)
Mar 2019 **13.9bn**

RATING

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

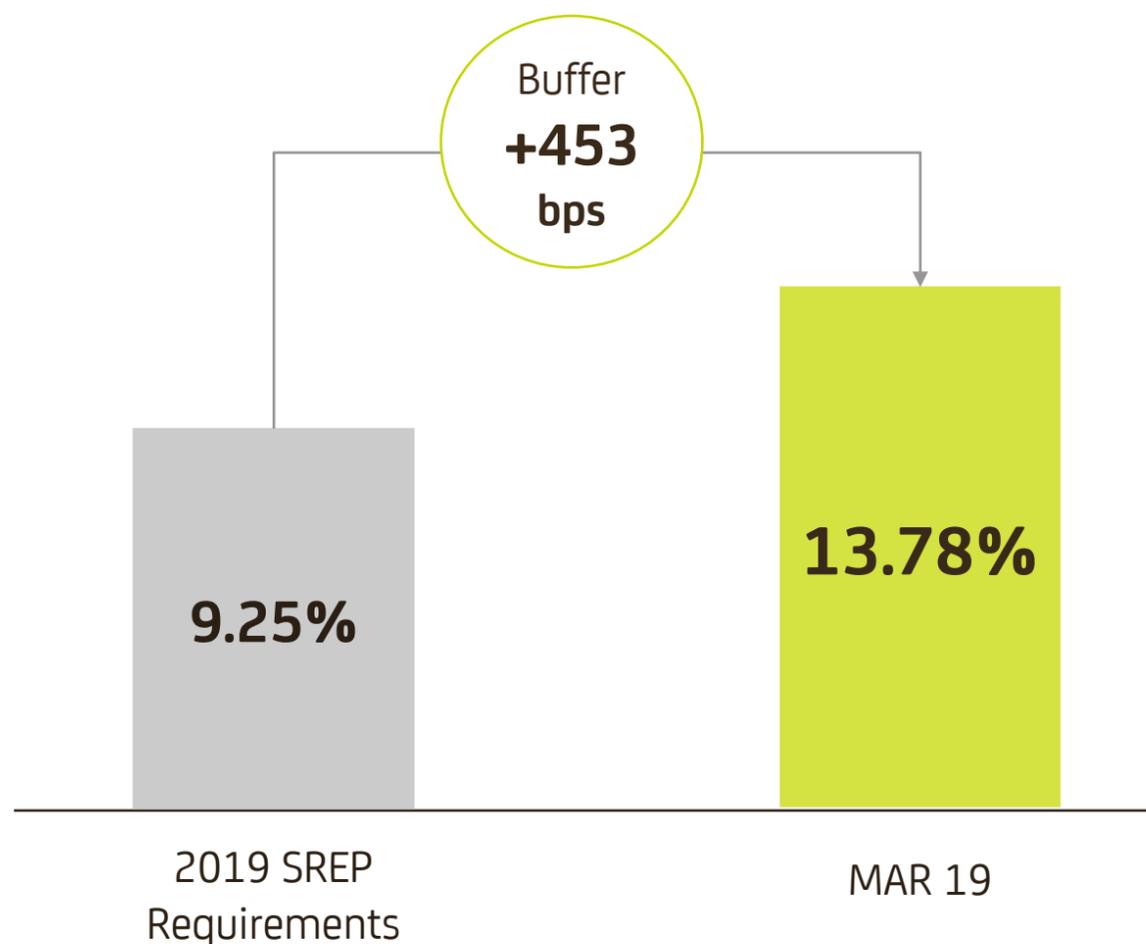
Rating upgrade by Fitch Ratings

> Liquidity and **solvency**

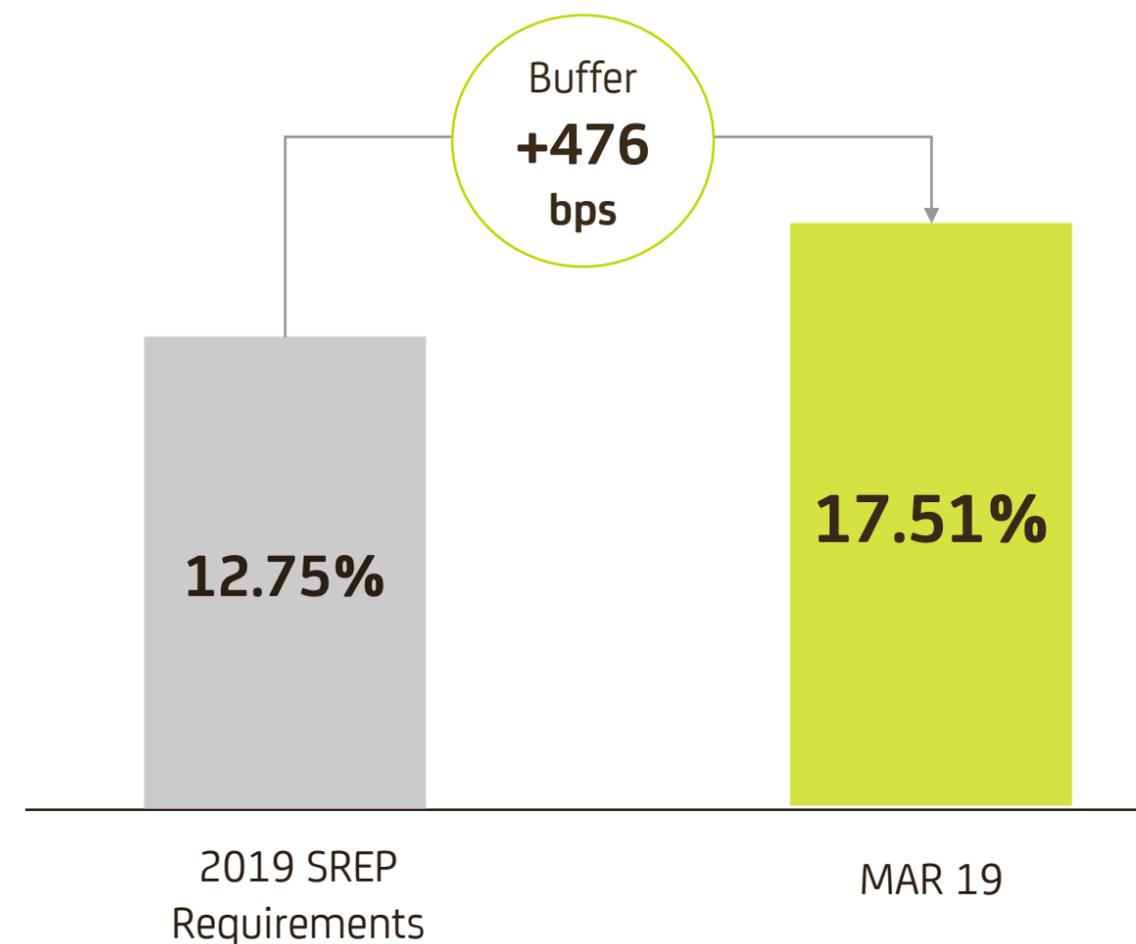
Solvency ratios – Capital buffers

Ample buffers vs. SREP requirements

CET1 PHASE IN RATIO



TOTAL SOLVENCY PHASE IN RATIO

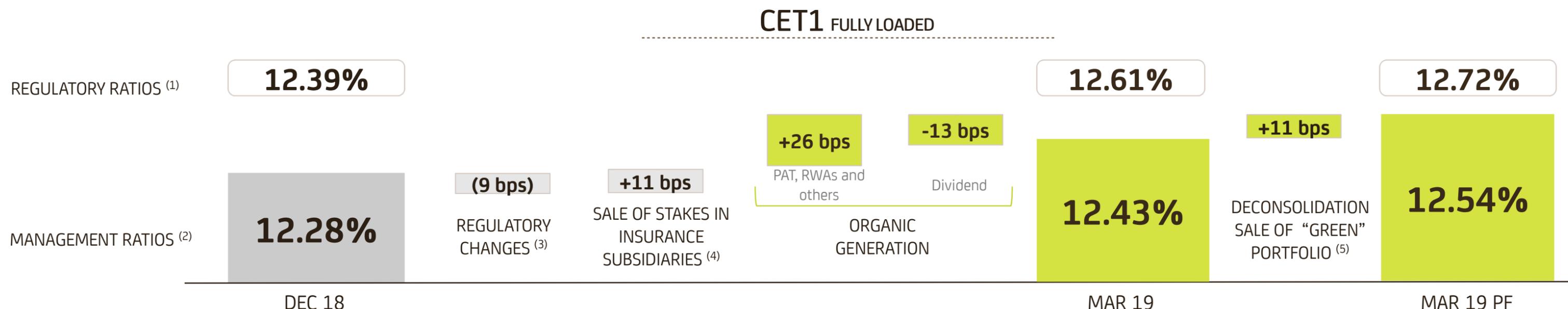


The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend. The total solvency ratio includes the early amortization of the €1,000mn Tier 2 issuance which will be executed in May 2019.

> Liquidity and **solvency**

Solvency ratios – Fully loaded performance

CET 1 FL ratio stands at 12.61% in 1Q19



LEVERAGE RATIO FL ⁽¹⁾: 5.6% Mar 19

RATIO MREL ⁽¹⁾: 18.9% Mar 19

The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend. The total solvency ratio includes the early amortization of the €1,000mn Tier 2 issuance which will be executed in May 2019.

(1) Ratios including unrealized gains on sovereign portfolio.

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

(3) Includes the impact of IFRS 16 entering into force with regards to financial leasings, together with the impact on RWAs due to the change in accounting standards regarding financing of real estate associated with standard portfolio.

(4) Includes the impact from the sale to Mapfre of the stakes in insurance subsidiaries once all necessary approvals have been obtained

(5) Includes estimated impact from reduction in RWAs associated to the sale NPAs portfolios.

1

1Q 2019 HIGHLIGHTS

2

1Q 2019 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> Conclusions

We begin 2019 with significant progress in the key metrics of the Strategic Plan

> The performing credit stock grows in the quarter.

> The good performance of our commercial activity translates into an increase in “Core Result”.

> Reduction of non-performing assets by €0.5bn in the quarter.

> Generation of 22 bps of CET 1 FL capital in the quarter.

> **Annex**

Income statement – Bankia Group

€mn	Income Statement 2018 pre IFRS 16				IFRS 16	Diff % 1Q19 vs 1Q18
	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	
Net interest income	526	521	495	507	502	(4.7%)
Net fee and commission income	264	270	265	266	260	(1.2%)
Net trading income	139	152	90	30	37	(73.3%)
Other revenue	10	(40)	15	(141)	14	43.4%
Gross income	939	903	865	662	813	(13.3%)
Operating expenses	(485)	(459)	(458)	(468)	(456)	(6.0%)
Core Result ⁽¹⁾	305	332	302	305	306	0.3%
Pre-provision profit	453	444	407	194	357	(21.2%)
Provisions for loans	(107)	(73)	(76)	(77)	(69)	(36.0%)
Provisions for foreclosed assets	(27)	(23)	(29)	(26)	(31)	+15.8%
Taxes, minority interests and other items	(89)	(64)	(73)	(46)	(52)	(41.7%)
Profit attributable to the Group without extra ordinaries	229	285	229	45	205	(10.8%)
Extraordinary impact ⁽²⁾	-	-	-	(85)	-	-
Profit attributable to the Group with extra ordinaries	229	285	229	(40)	205	(10.8%)

(1) Core Result: NII + Net fee and commission income – Operating expenses

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

> **Annex**

The share

	Mar-18	Dec-18	Mar-19
Shareholders & Trading			
Shareholders (#)	192,141	184,643	183,472
Average number of shares (# M)	3,085	3,085	3,085
Share price			
End of quarter (€)	3.64	2.56	2.31
Market Cap. (€M)	11,226	7,898	7,126
Multiples			
EPS (€)	0.30	0.23	0.27
Book Value (€M) ⁽¹⁾	13,516	13,189	13,441
Book Value per share (€M) ⁽¹⁾	4.38	4.28	4.36
Tangible Book Value (€M) ⁽¹⁾	13,263	12,892	13,119
Tangible Book Value per share (€M) ⁽¹⁾	4.30	4.18	4.25
P/BV (Price end of quarter/Book Value) (x)	0.83	0.60	0.53
P/TBV (Price end of quarter/Tangible Book Value) (x)	0.85	0.61	0.54
P/E (Price end of quarter/EPS) (x)	12.06	11.23	8.58

(1) 2018 dividend paid in April 2019 is not deducted in Book Value at end of quarter (March 2019)

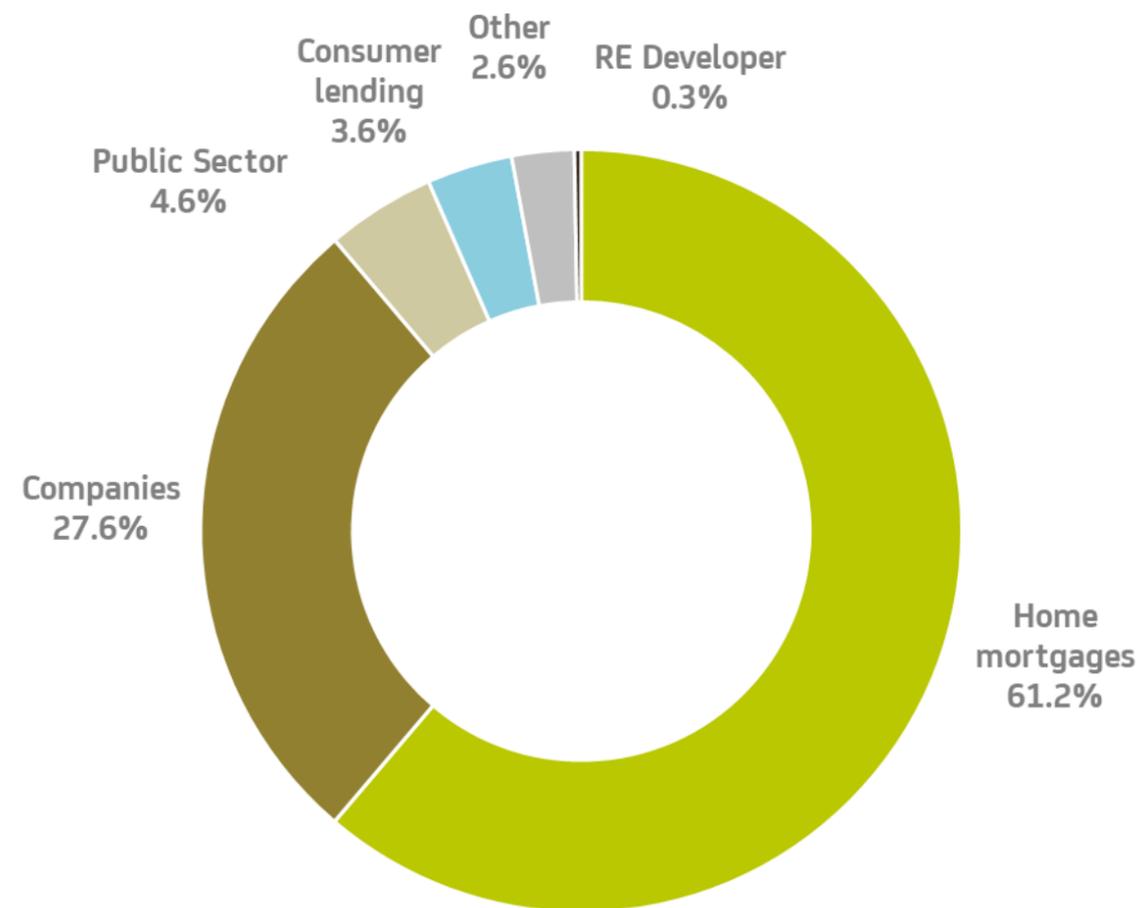
> **Annex**

Performing credit breakdown

GROSS PERFORMING CREDIT

MARCH 2018

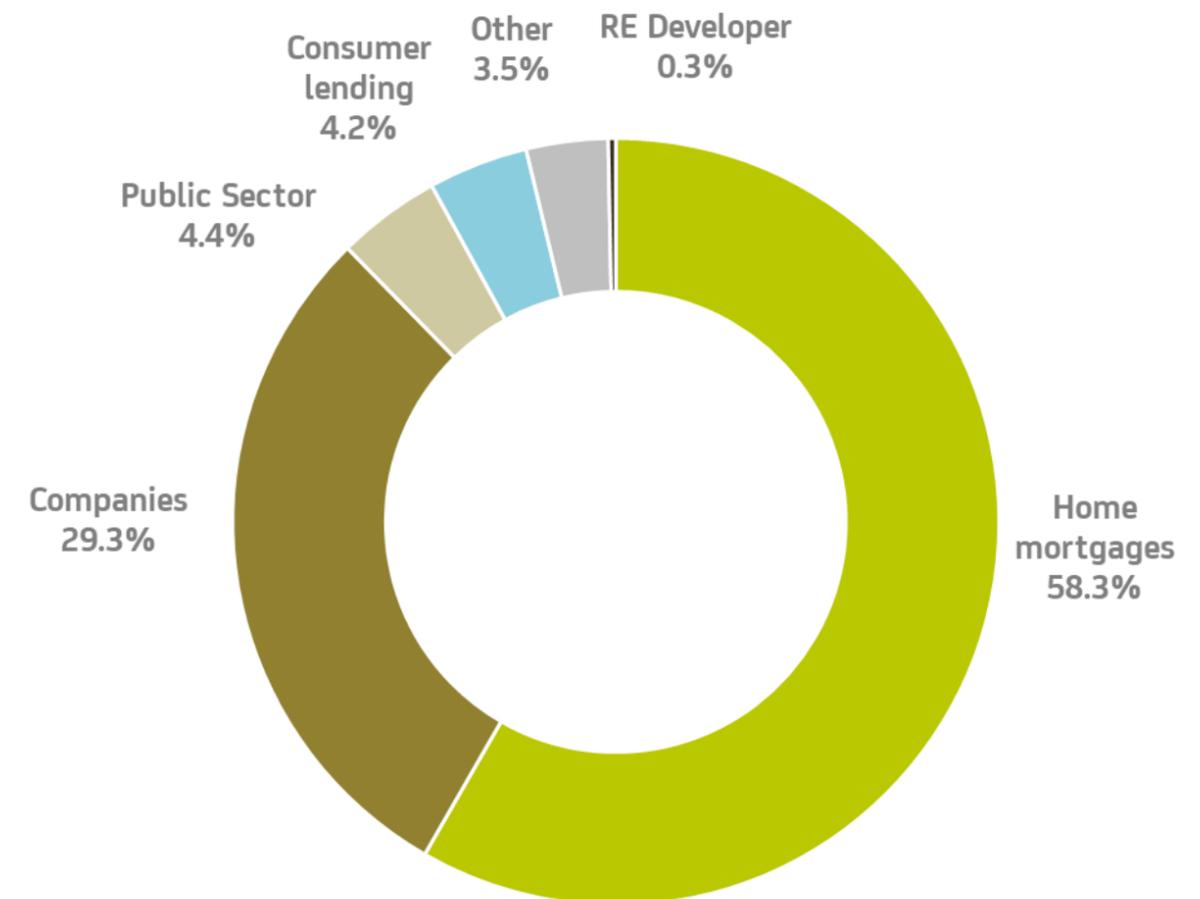
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GROSS PERFORMING CREDIT

MARCH 2019

%



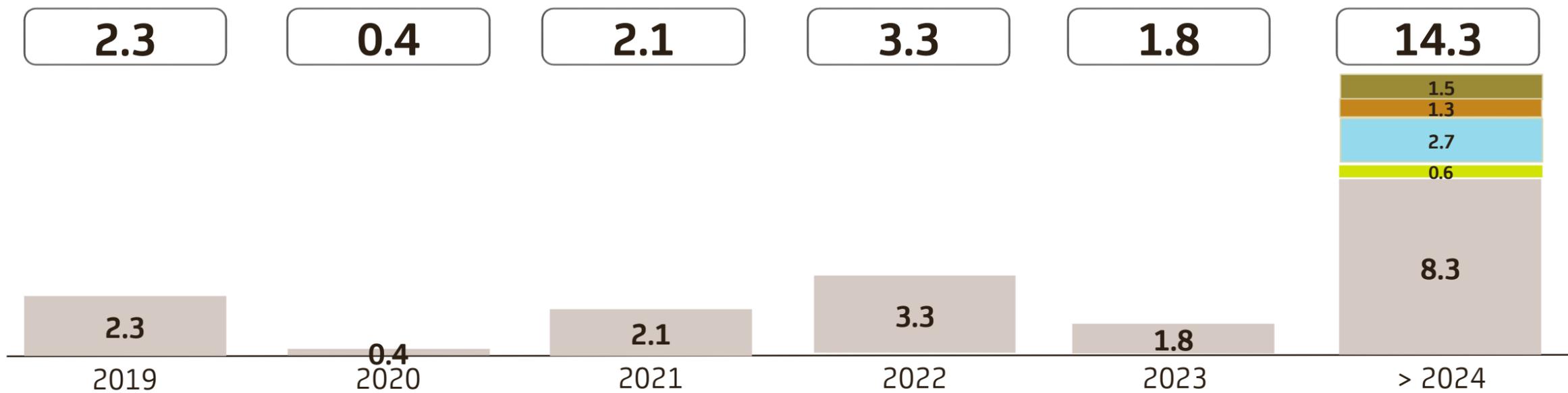
> **Annex**

Debt maturities and breakdown

Debt maturities and breakdown

€bn

Debt maturities



MREL ratio 1Q19
18.9%

€mn

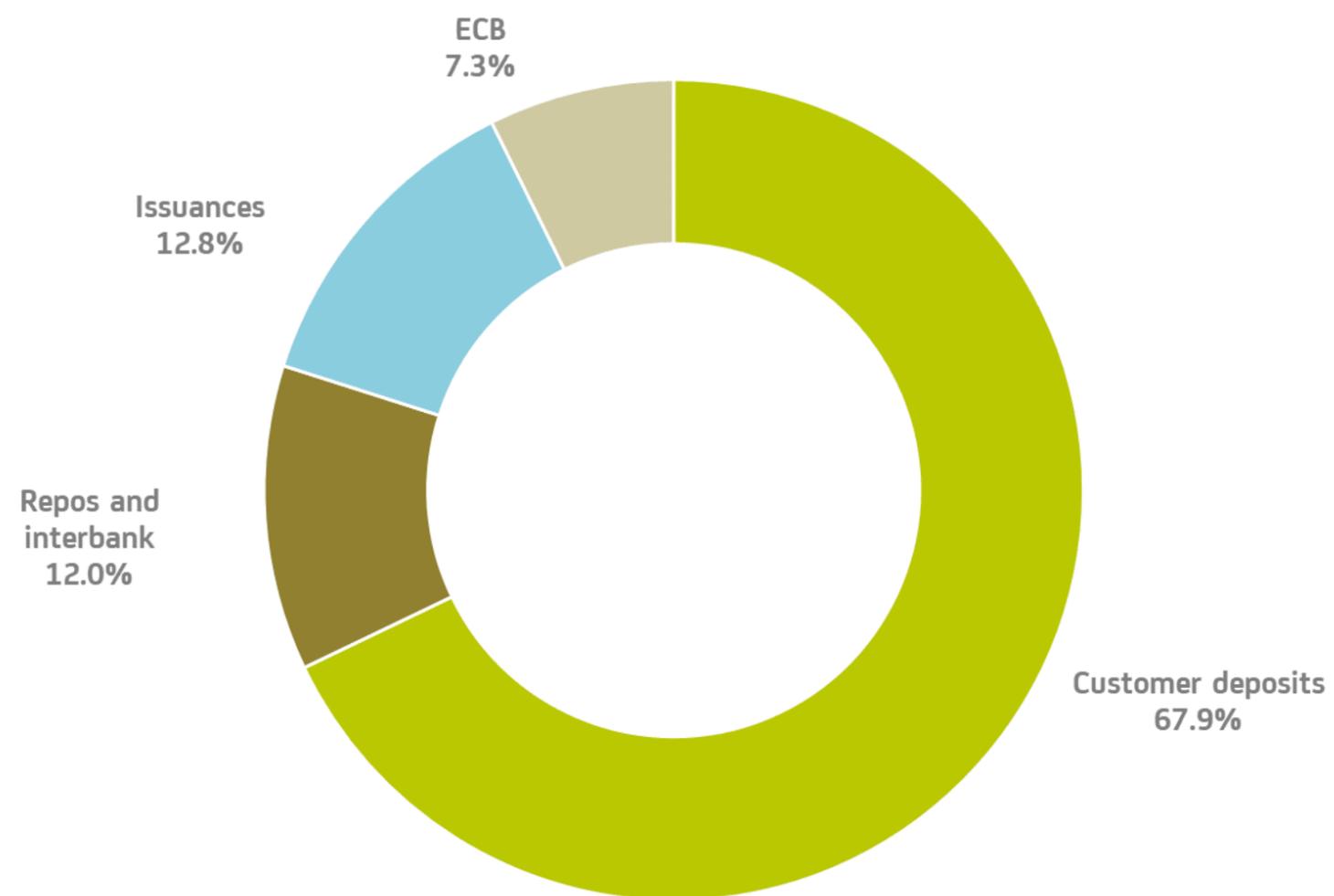
	2019	2020	2021	2022	2023	> 2024	
	2,268	418	2,025	3,235	1,825	8,295	Covered bonds
			35	30		570	Senior debt
						2,675	Tier 2
						1,250	AT1
						1,522	Securitizations
TOTAL	2,268	418	2,060	3,265	1,825	14,312	TOTAL

> **Annex**

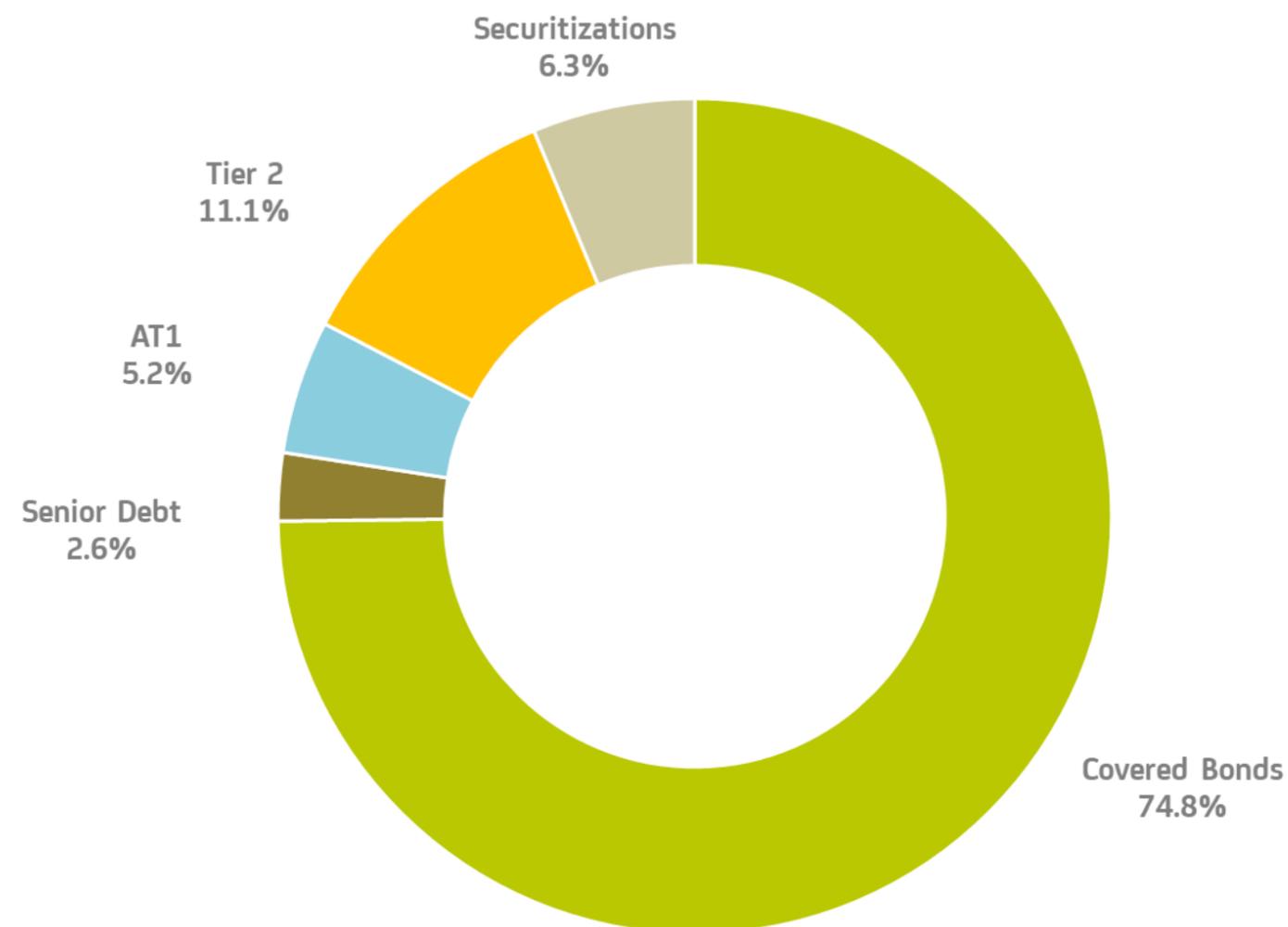
Funding structure

Funding structure

Funding structure



Wholesale market breakdown



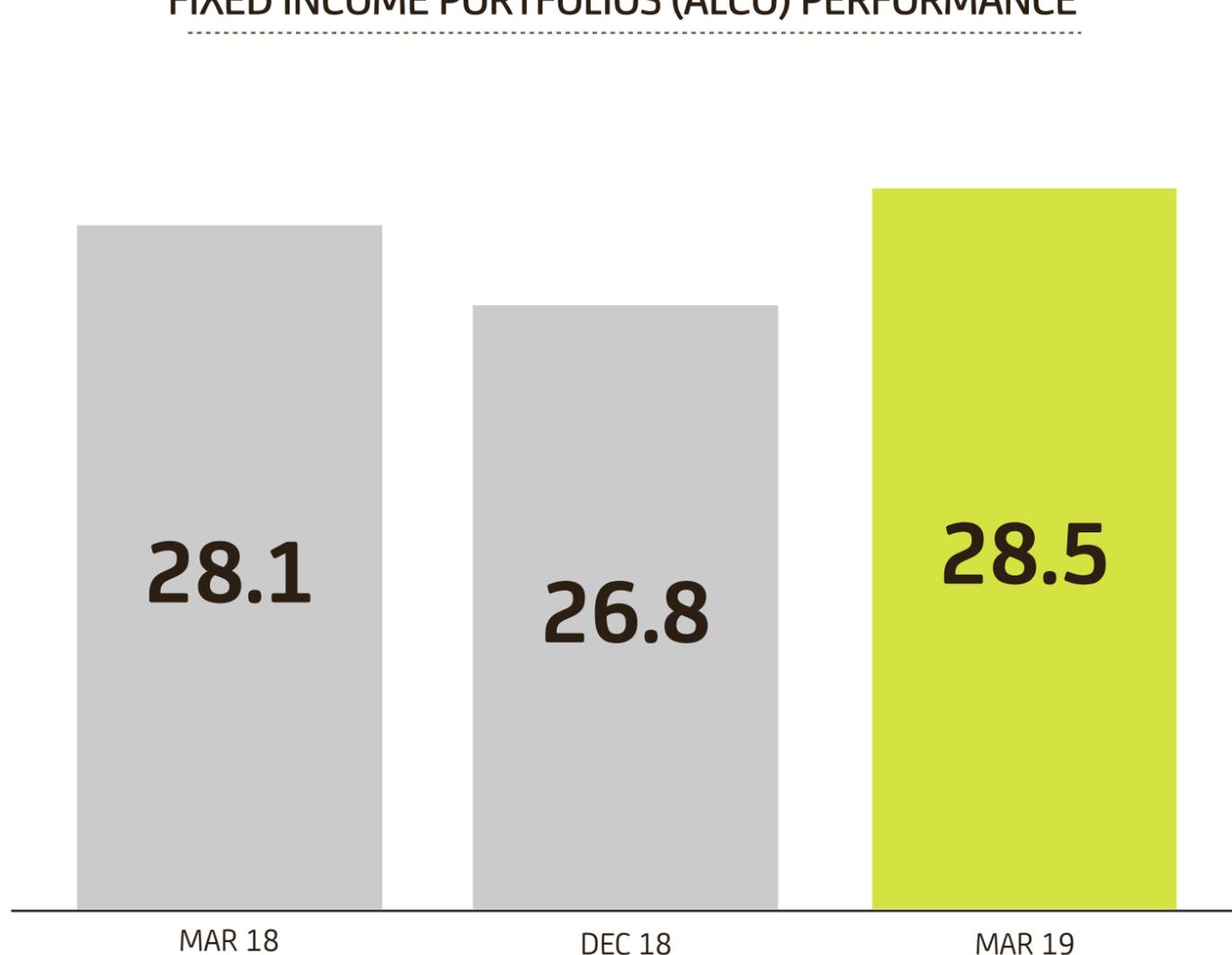
> **Annex**

Portfolio breakdown

€28.5bn ALCO portfolio as of March 2019

€bn

FIXED INCOME PORTFOLIOS (ALCO) PERFORMANCE



	Mar 18	Dec 18	Mar 19
ALCO Fixed Income Portfolio (€bn)	28.1	26.8	28.5
Non hedged fair value portfolio	11.4	8.3	6.3
Hedged fair value portfolio	4.4	5.4	7.8
At amortised cost	12.3	13.1	14.4
Avg. duration non hedged FV (years)	2.4	3.6	3.6

The average duration of the non hedged fair value portfolios stands at **3.6 years**

> **Annex**

Alternative Performance Measures

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
Cost of Risk (%)	Measures the ratio of loan loss provisions to total amount of loans and advances to customers and contingent liabilities
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
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.
RORWA	Return on risk weighted assets
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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