

Bankia

Annual results presentation

2019

28 January 2020

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2019 HIGHLIGHTS

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2019 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

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CLOSING REMARKS

APPENDIX

> 2019 Highlights

In the second year of our Strategic Plan we have demonstrated important advances in each of its key pillars...

1

Commercial activity boosted

Income from high value products increases

2

Efficiency and cost control

Larger than expected synergies from the merger with BMN

3

Accelerated reduction of NPAs

€2.5 bn reduction of NPAs in the year

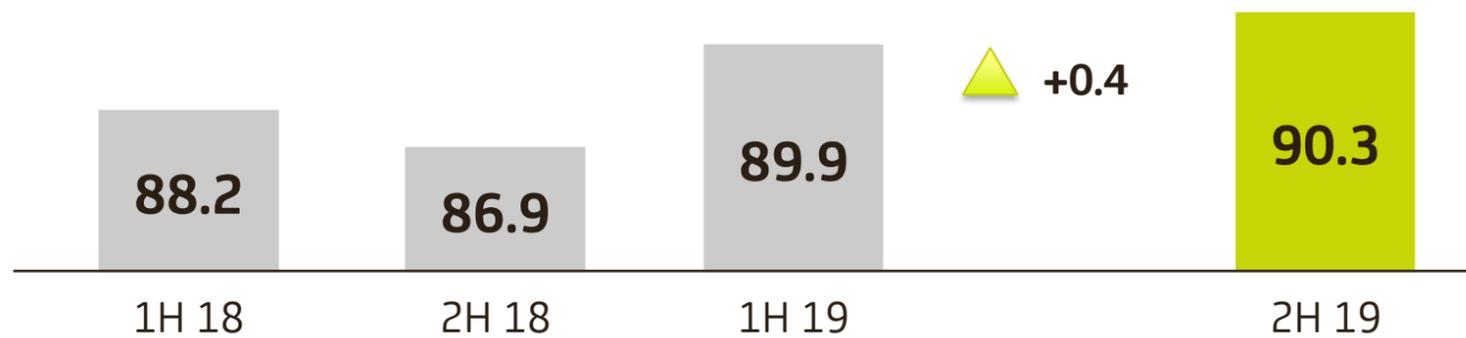
...allowing us, while maintaining the dividend, to increase our CET 1 FL ratio by 63 bps to 13.02%

> 2019 Highlights

Customers: Quality

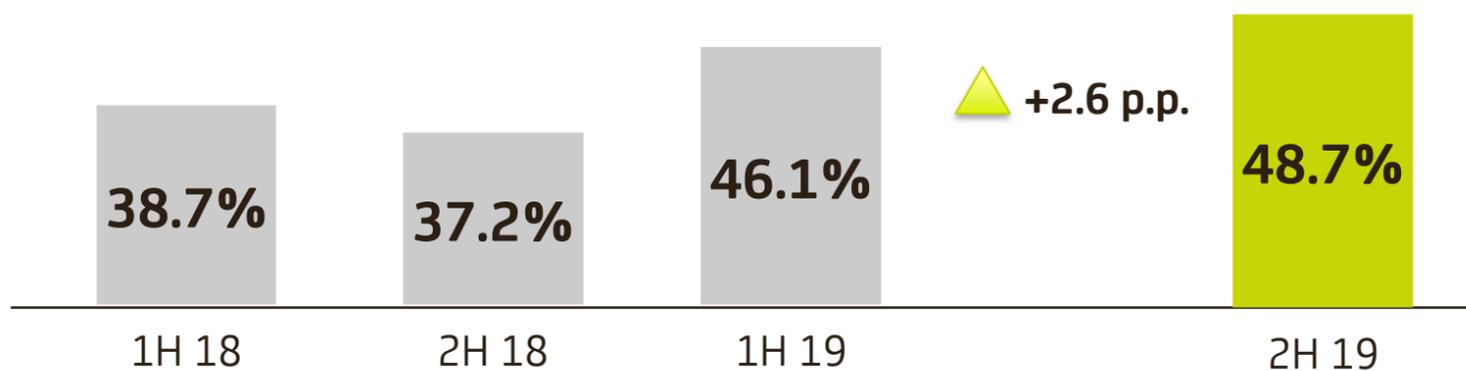
Quality indicators continue to increase and stand at maximum levels

CUSTOMER SATISFACTION



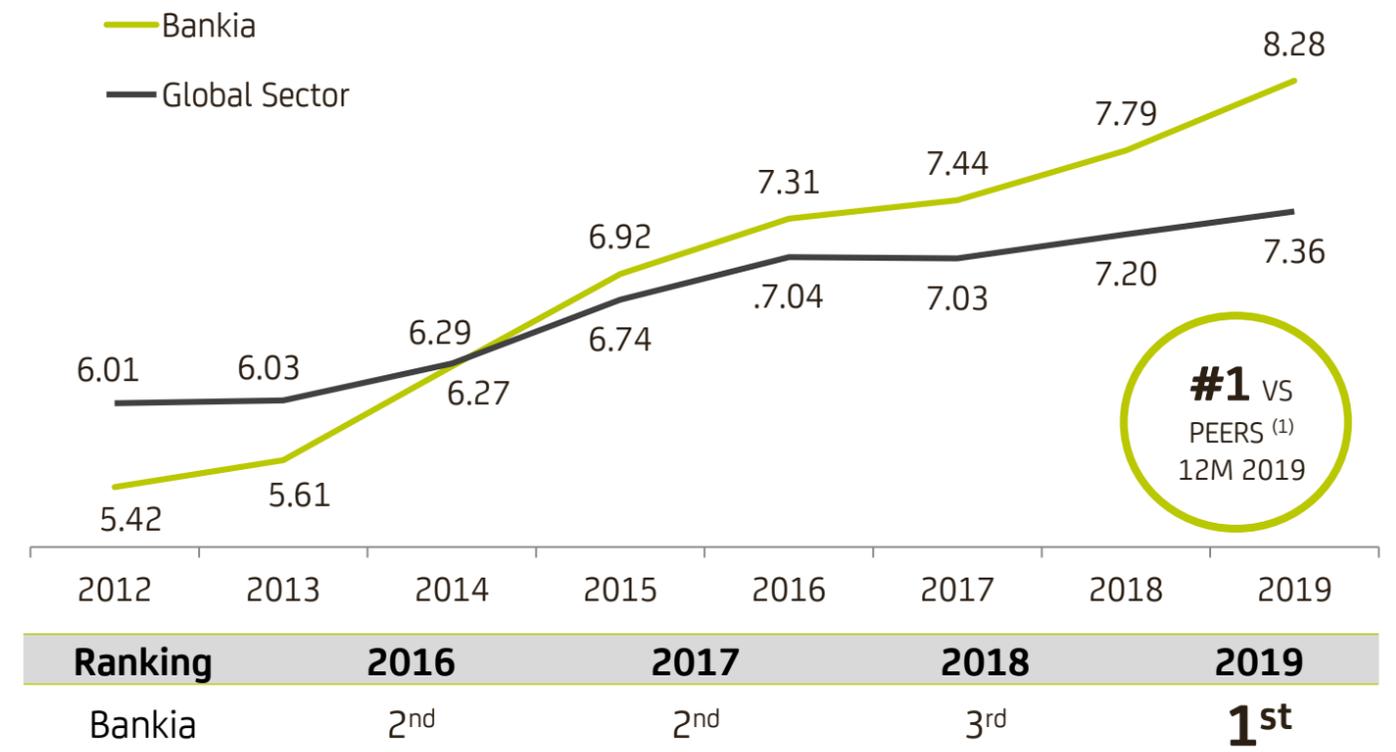
Source: Bankia

NPS BRANCHES (1)



Source: Bankia

MYSTERY SHOPPING



Source: STIGA research on mystery shopping satisfaction

(1) Peers: Santander, BBVA, Caixabank, B. Sabadell & Bankinter

The customer is at the center of our strategy

> 2019 Highlights

Customer and digitalization

More customers and more digital



CUSTOMERS NET GROWTH

Net growth

243,000

DEC 19 vs DEC 17



DIRECT INCOME DEPOSITS

Net growth

190,000

DEC 19 vs DEC 17



DIGITAL CUSTOMERS ⁽¹⁾

% of total customers

40.5%

DEC 17

+12.8 p.p.

53.3%

DEC 19

STRATEGIC PLAN
65%
2020E



DIGITAL SALES

% of total sales

15.9%

DEC 17

+20.1 p.p.

36.0%

DEC 19

STRATEGIC PLAN
35%
2020E

> 2019 Highlights

Digital transformation progress

Assessment of our Digital Channels

APP



Bankia Online



Bankia Online Empresas



AQMATRIX TOP 5 4Q 19

APP #2⁽¹⁾

1	Peer 1	AA
2	Peer 2	AB
2	BANKIA	AB
2	Peer 3	AB
3	Peer 4	BA

Bankia Online #2

1	Peer 1	AAA
2	BANKIA	AA
3	Peer 2	BA
4	Peer 3	BA
5	Peer 4	BB

Bankia Online Empresas #2

1	Peer 1	AAA
2	BANKIA	AB
3	Peer 2	BB
4	Peer 3	BC
5	Peer 4	BC

⁽¹⁾ Same qualification

Peers: Caixa, Santander, BBVA, Sabadell, Bankinter, Abanca, Kutxabank

Key Milestones

B Bankia Gestión Experta Online

 Bankia Online Autónomos

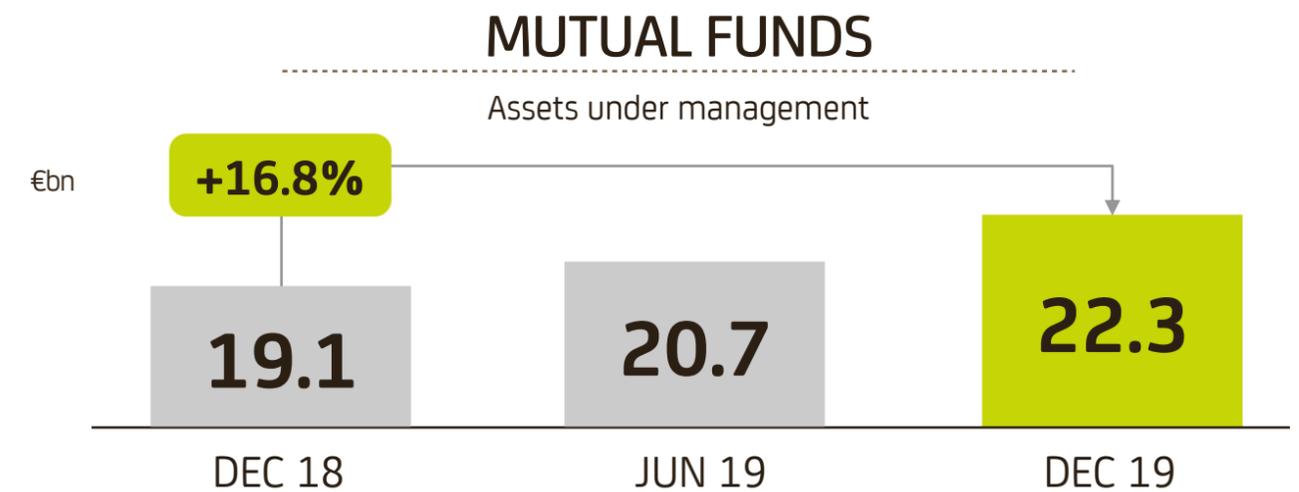
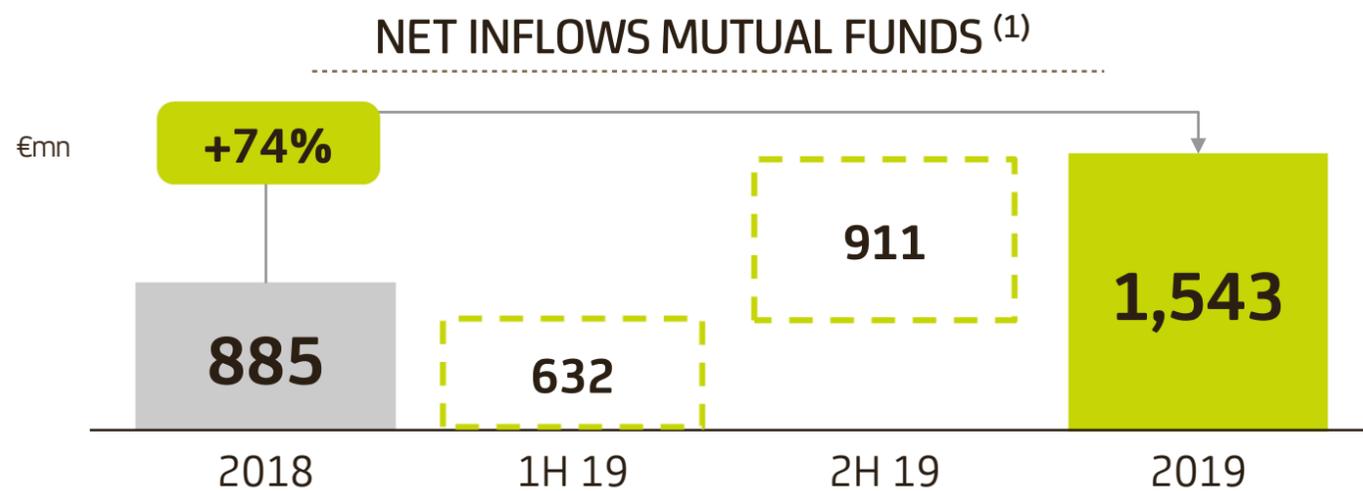
 Hipoteca ON

 Property Valuation Tool

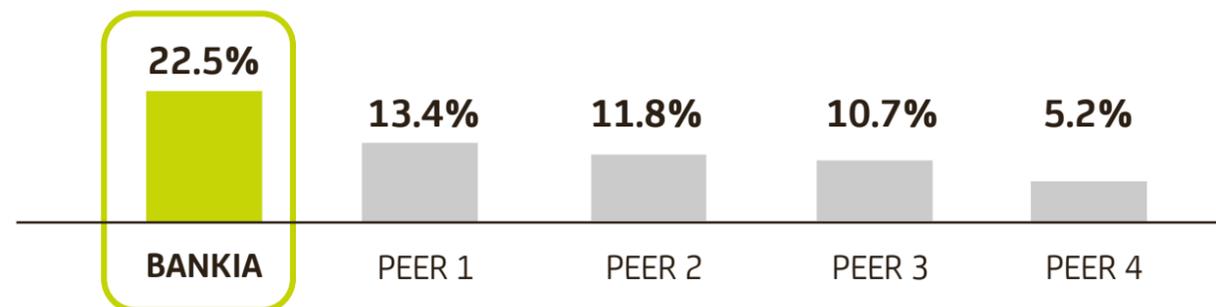
> 2019 Highlights

High value products

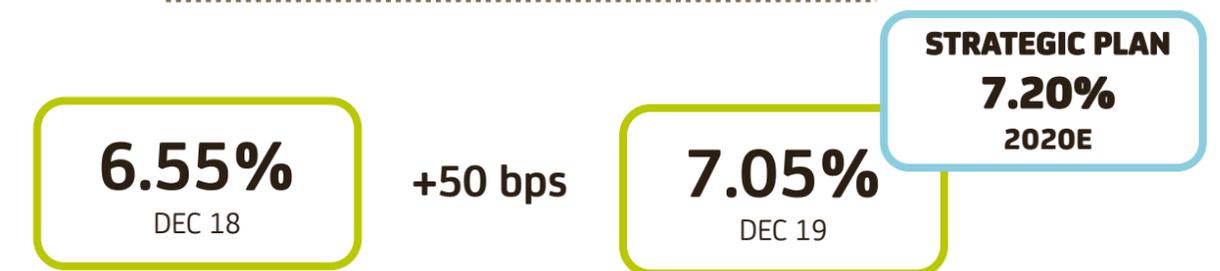
Lead position in net inflows to mutual funds during the year



MARKET SHARE NET INFLOWS MUTUAL FUNDS: SECTOR RANKING ⁽¹⁾ #1 2019



MUTUAL FUNDS - MARKET SHARE *



* Source: Inverco

> 2019 Highlights

High value products

Positive dynamics in other high value products

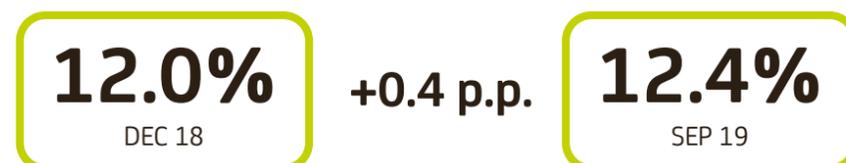


CARDS TURNOVER

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



CARDS TURNOVER - MARKET SHARE *

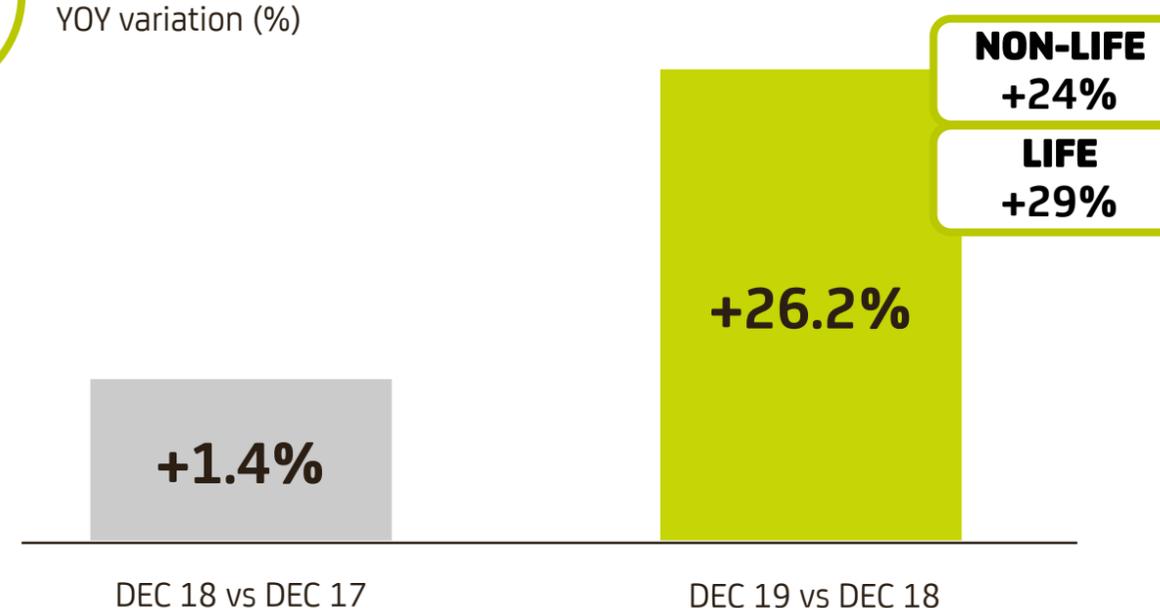


CARDS STOCK - MARKET SHARE *



INSURANCE PREMIUMS - NEW PRODUCTION

YOY variation (%)



BANK ASSURANCE - MARKET SHARE (TOTAL RISK) **



** Source: ICEA

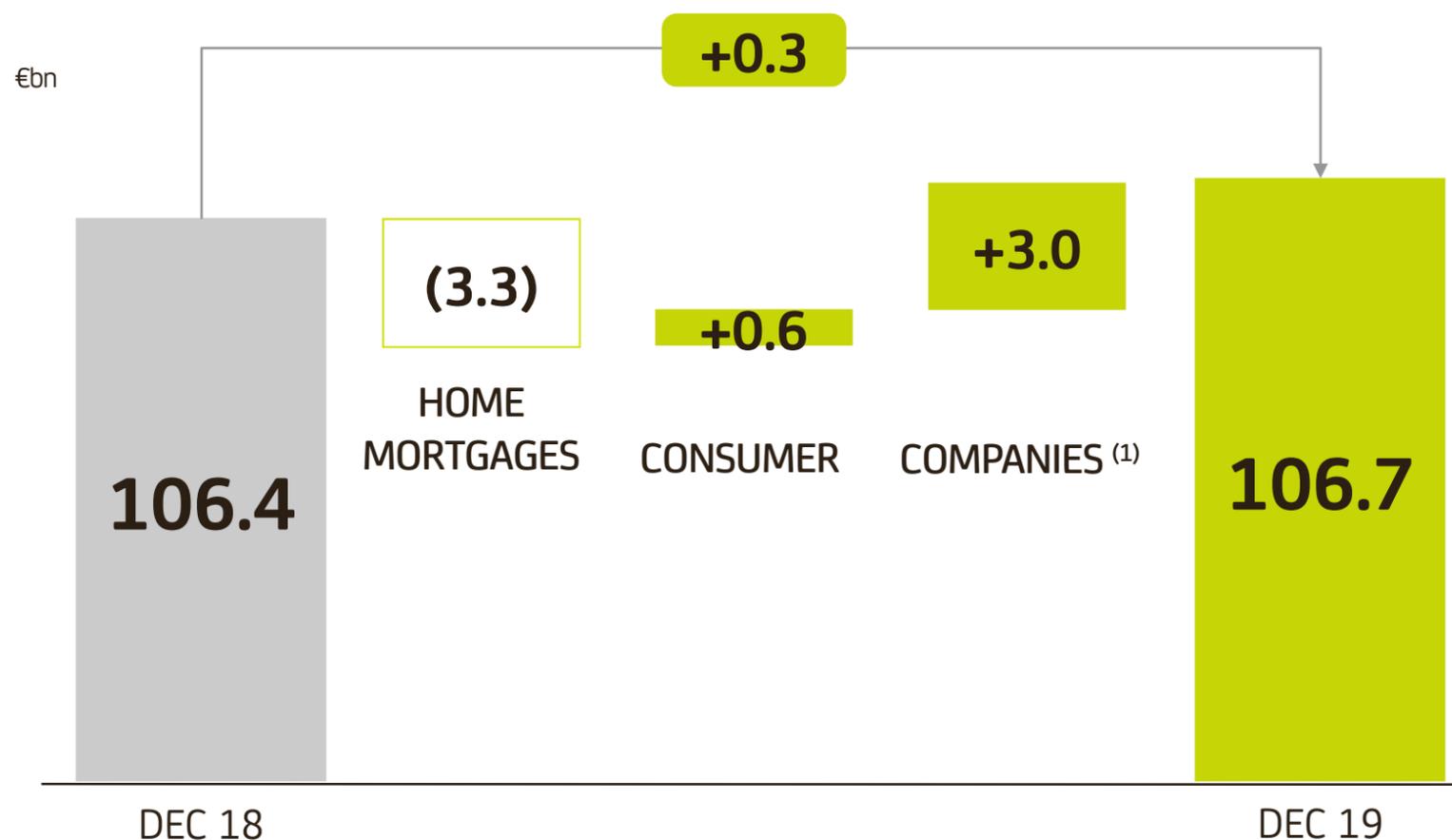
> 2019 Highlights

Credit stock

Performing credit stock increases improving our mix

PERFORMING CREDIT STOCK

HOME MORTGAGES + CONSUMER + COMPANIES + DEVELOPERS



PERFORMING CREDIT STOCK MIX

HOME MORTGAGES + CONSUMER + COMPANIES + DEVELOPERS

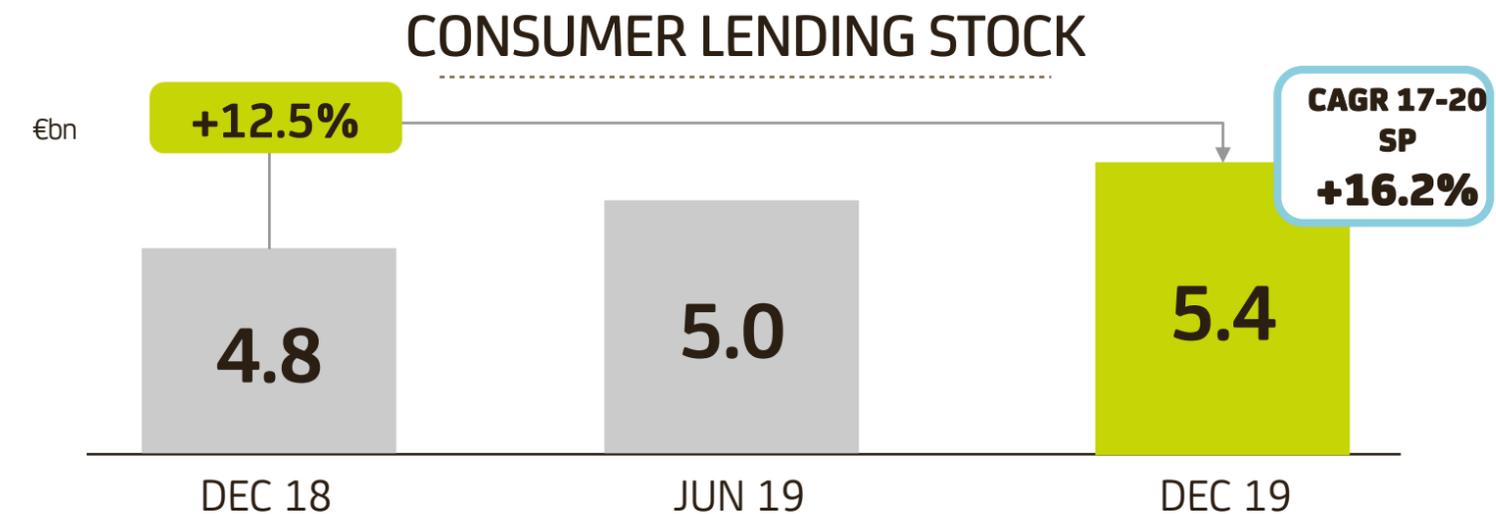
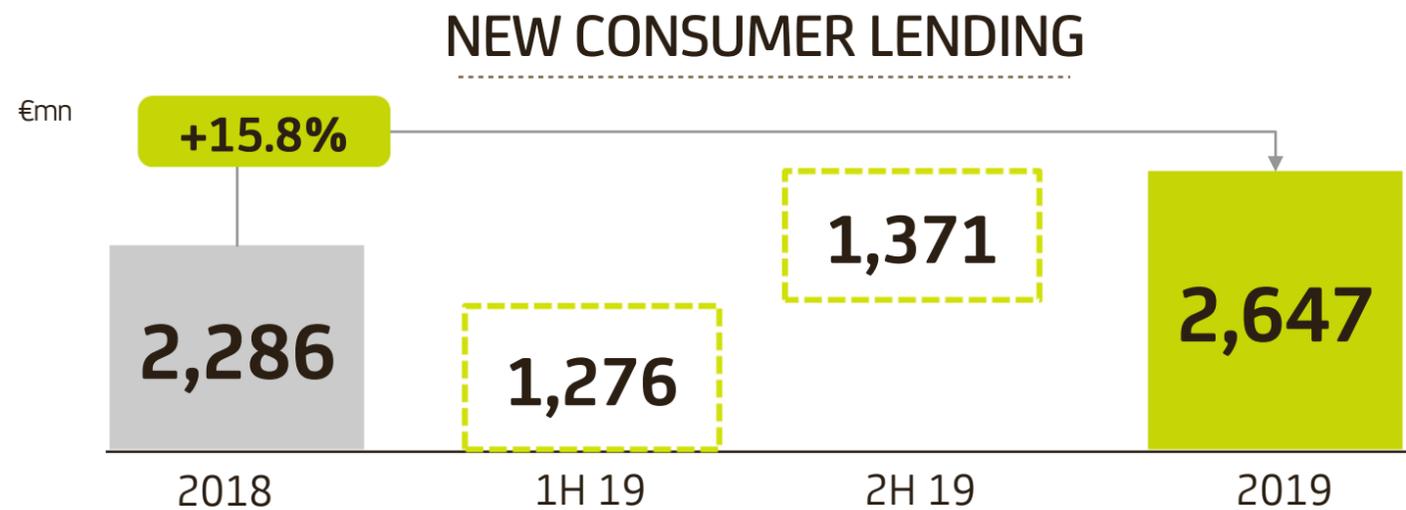
	2017	2019	2020 SP
Home mortgages	66%	61%	58%
Consumer	4%	5%	5%
Companies & Developers	30%	34%	37%

Note: 2017 includes BMN

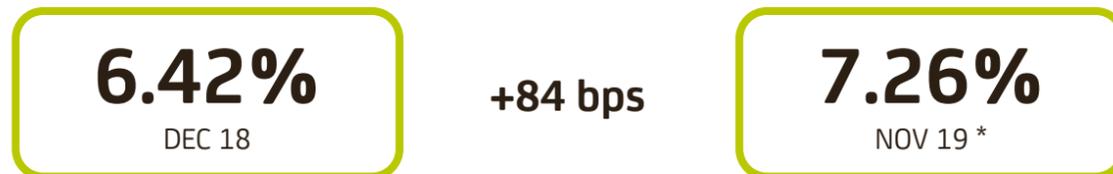
> **2019 Highlights**

Consumer lending

Pre-approved consumer loan model continues to be reflected in double digit growth



NEW CONSUMER LENDING - MARKET SHARE (1)



CONSUMER LENDING STOCK - MARKET SHARE (1)

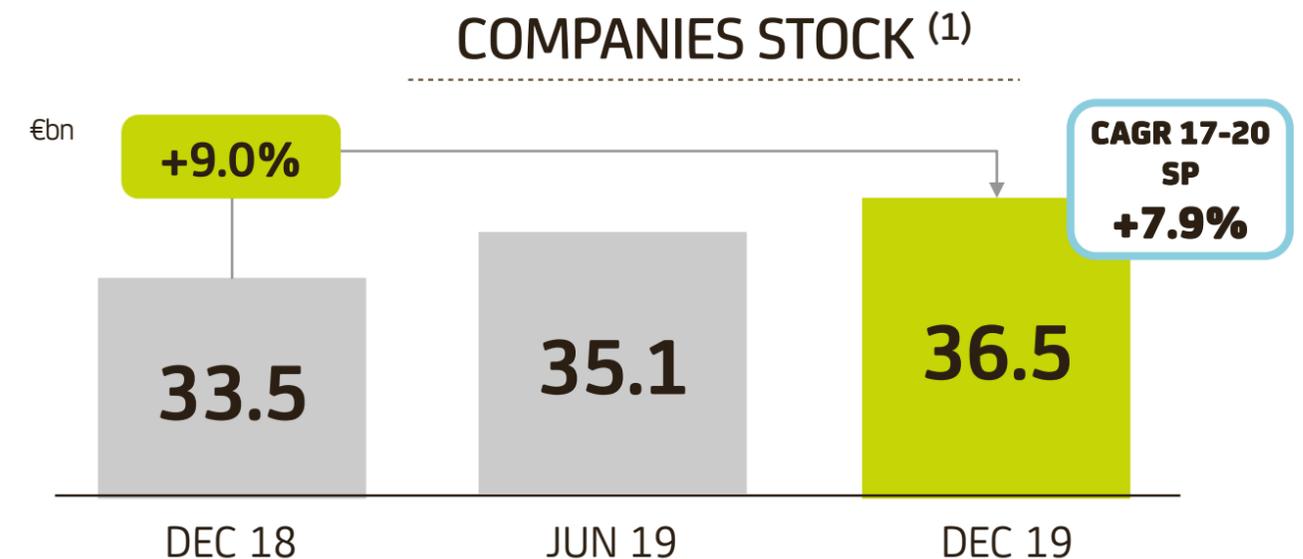
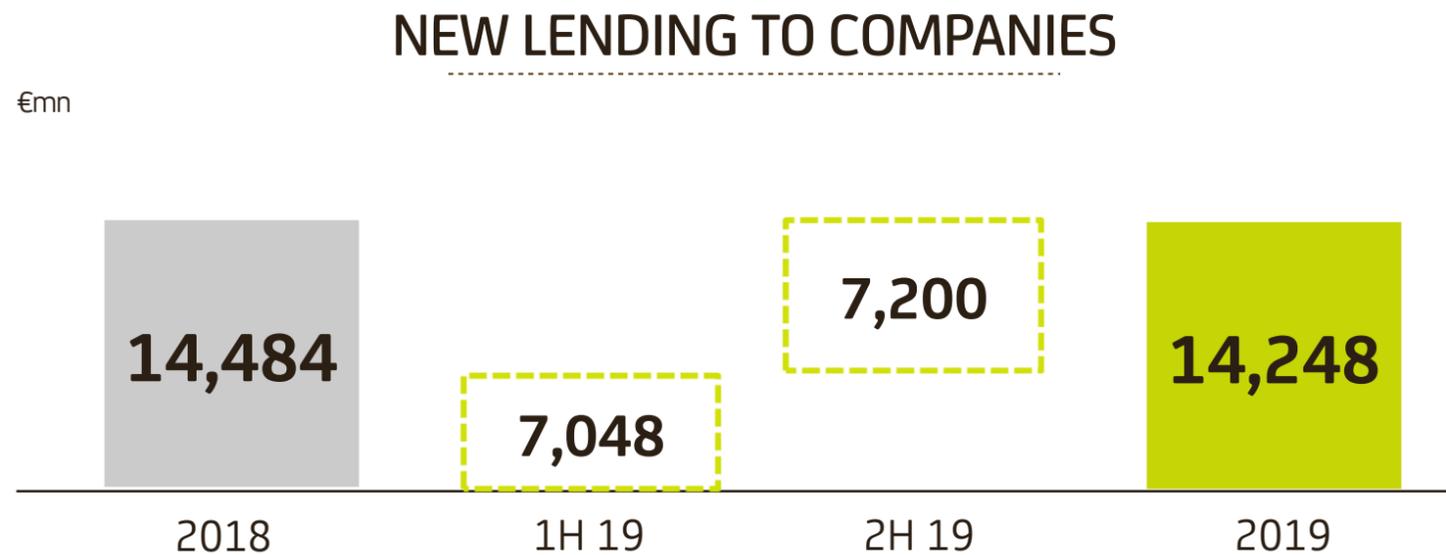


 **Start of commercial activity of the consumer lending JV**

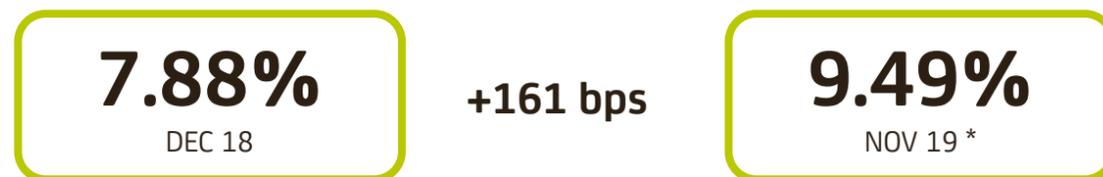
> 2019 Highlights

Lending to companies

Commercial activity notably increases in the business sector during 2019



NEW LENDING TO COMPANIES - MARKET SHARE (2)



COMPANIES STOCK - MARKET SHARE (2)



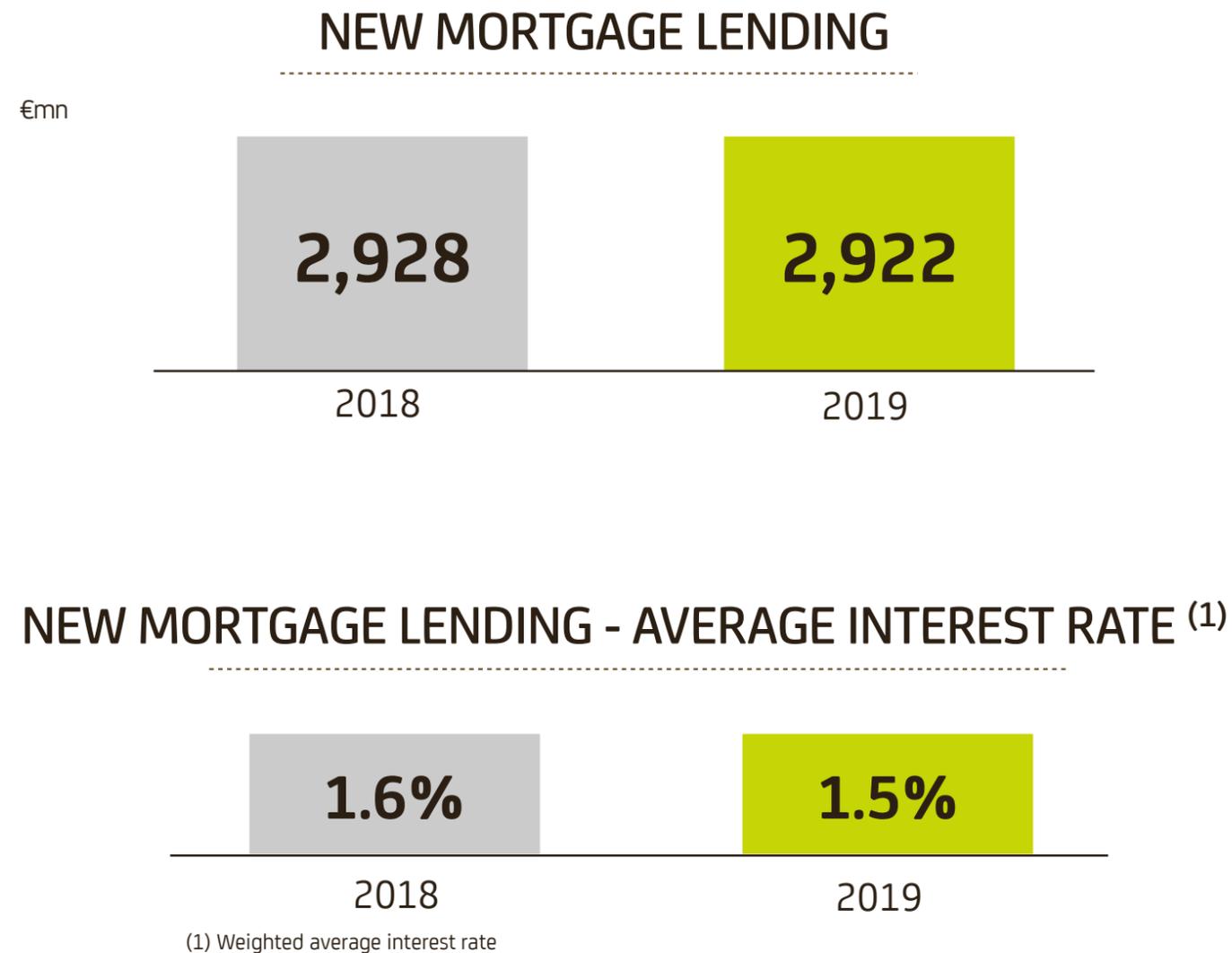
(1) Includes performing credit stock of the real estate segment

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

> **2019 Highlights**

Mortgage lending

Mortgage lending continues at the same rate



MORTGAGES TO NEW CUSTOMERS
of new mortgages
33%
12M 2019

FIXED RATE MORTGAGES
of new mortgages amount
48%
12M 2019

AVERAGE LTV
of new mortgages
64%
12M 2019

> 2019 Highlights

Sustainability

Committed to sustainable finance

OUR COMMITMENT TO SUSTAINABILITY...



Dow Jones
Sustainability Indexes

European Dow Jones Sustainability Index



FINANCE
UNEP INITIATIVE
CHANGING FINANCE, FINANCING CHANGE

United Nations Principles for Responsible Banking



Bankia committed to becoming carbon neutral in 2020



New Sustainable Business and Financing Division



... IS REFLECTED IN OUR COMMERCIAL ACTIVITY



BANKIA FUTURO
SOSTENIBLE

Bankia Futuro Sostenible Mutual Fund

First fund to be launched in Spain that follows the Sustainable Development Goals



Financing energy efficient housing

Agreement reached with EIB to facilitate access to energy efficient and low emissions housing in Spain



Sustainable finance

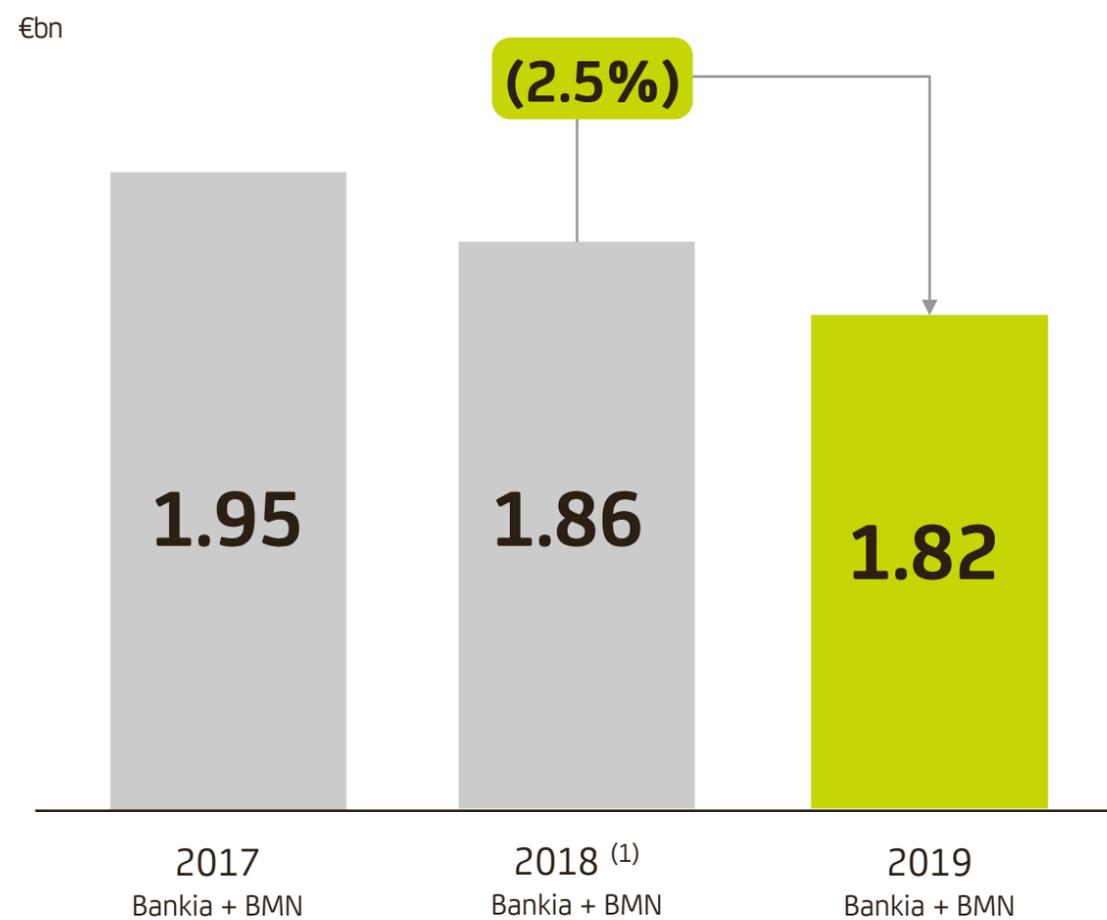
We have contributed to raising €9 bn of funding for sustainable purposes, including corporate loans, project finance, bond issuance and developer loans
> €900 mn financed

> 2019 Highlights

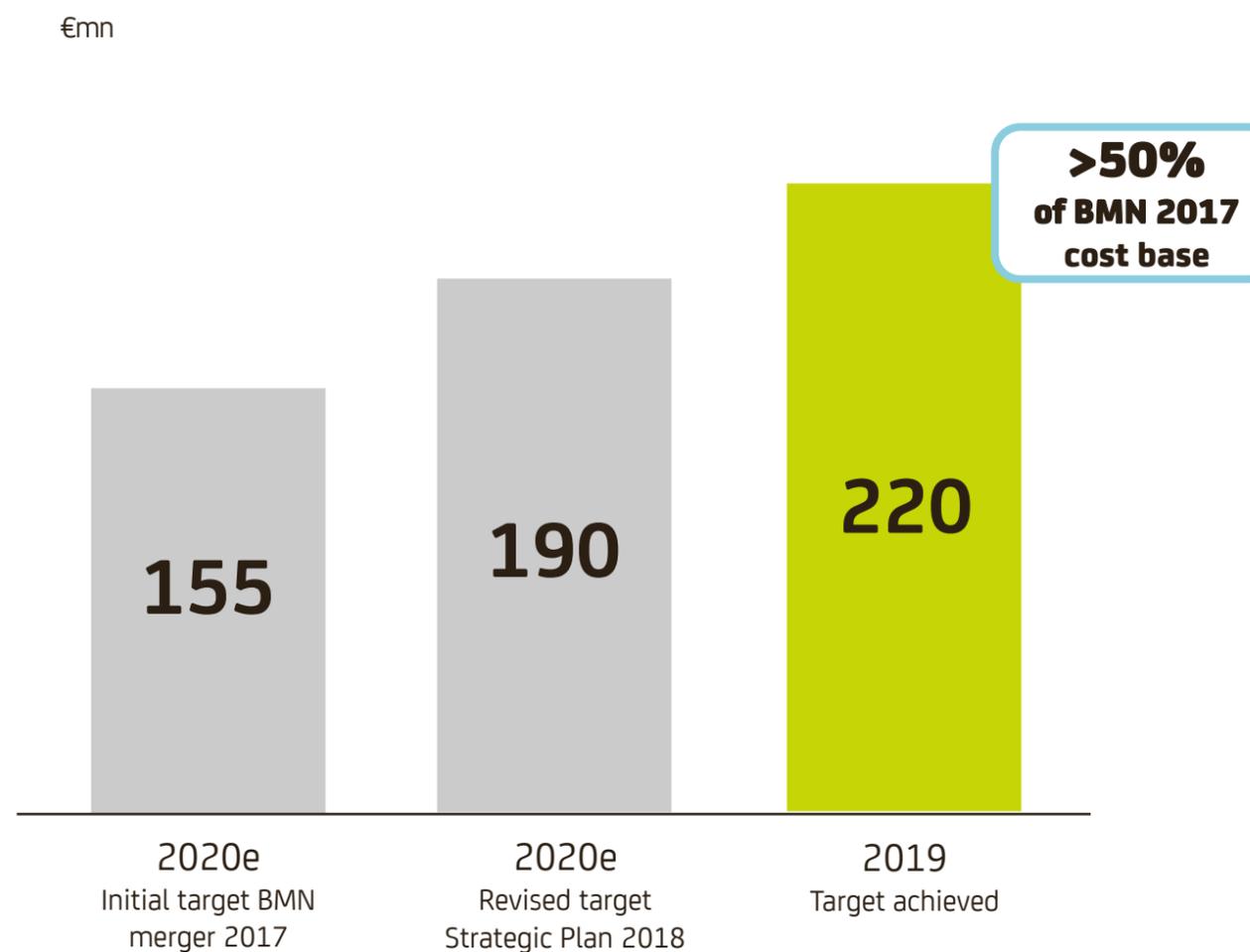
Efficiency and synergies

Larger synergies than expected achieved a year in advance

OPERATING EXPENSES



SYNERGIES ACHEIVED



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

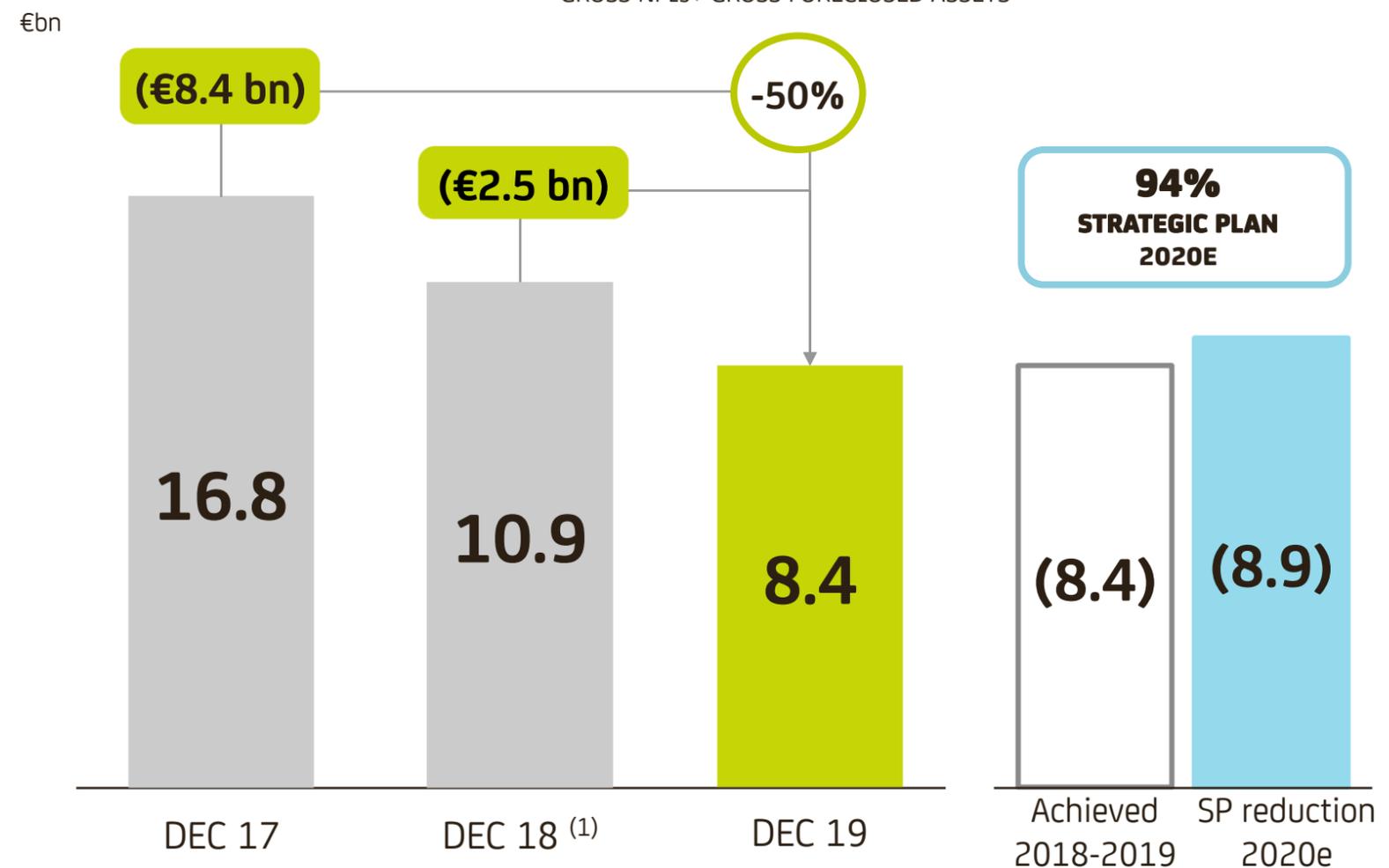
> 2019 Highlights

Asset quality

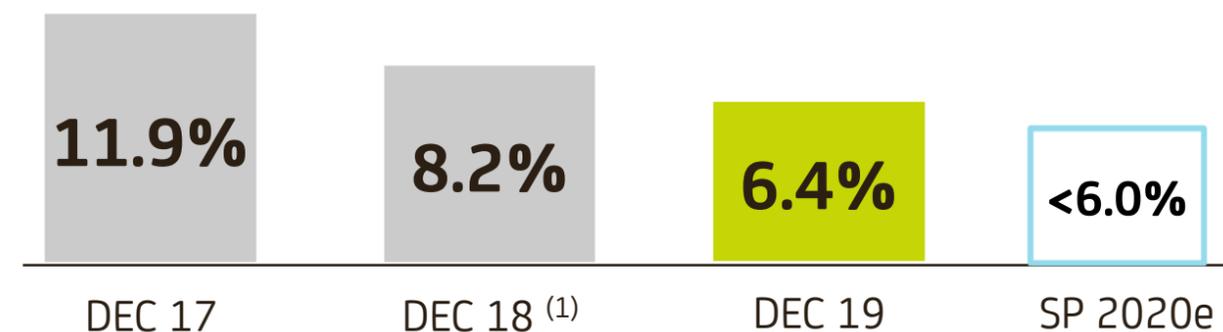
94% of NPA reduction target achieved in only two years

NON PERFORMING ASSETS PERFORMANCE

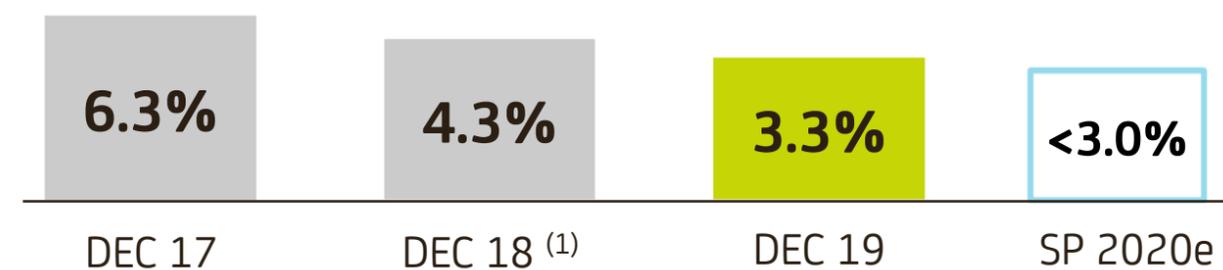
GROSS NPLs+ GROSS FORECLOSED ASSETS



GROSS NPA RATIO



NET NPA RATIO



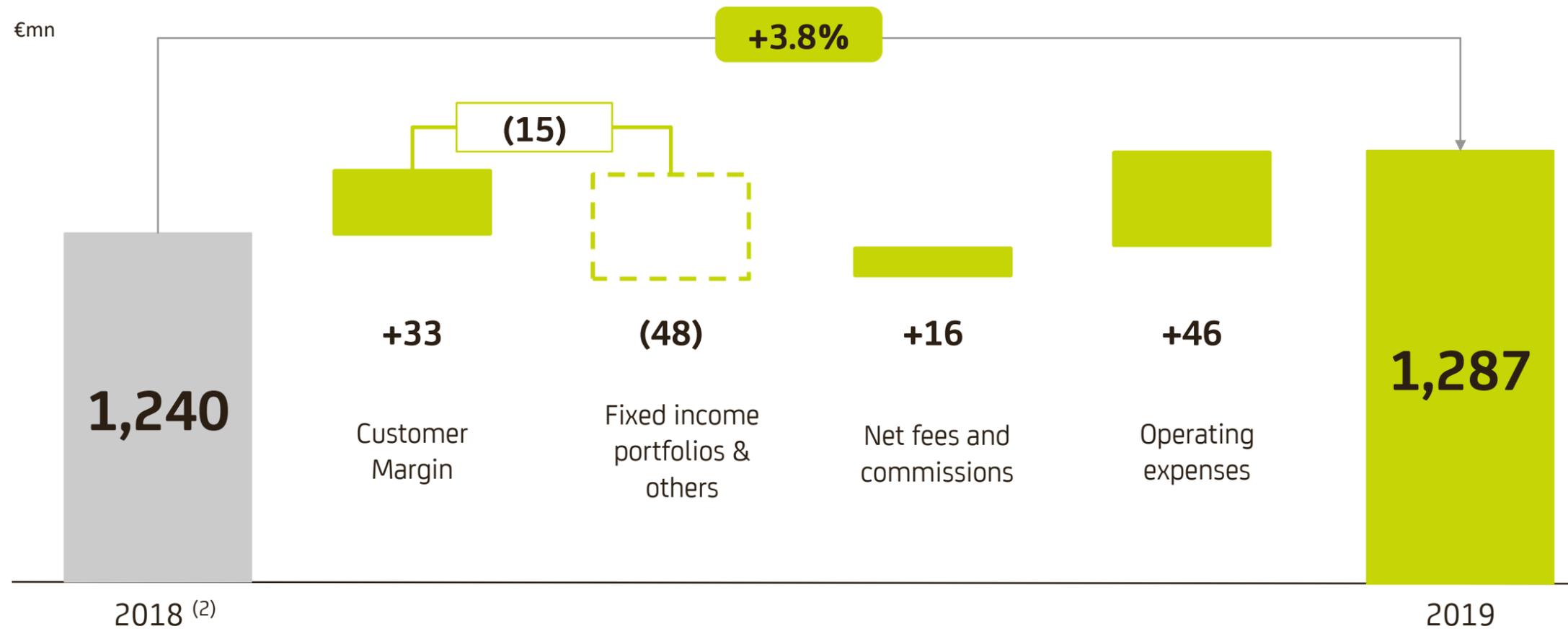
⁽¹⁾ Proforma data after non-performing assets portfolio sales

> **2019 Highlights**

“Core” Result

Positive “Core” Result performance

“CORE” RESULT PERFORMANCE ⁽¹⁾



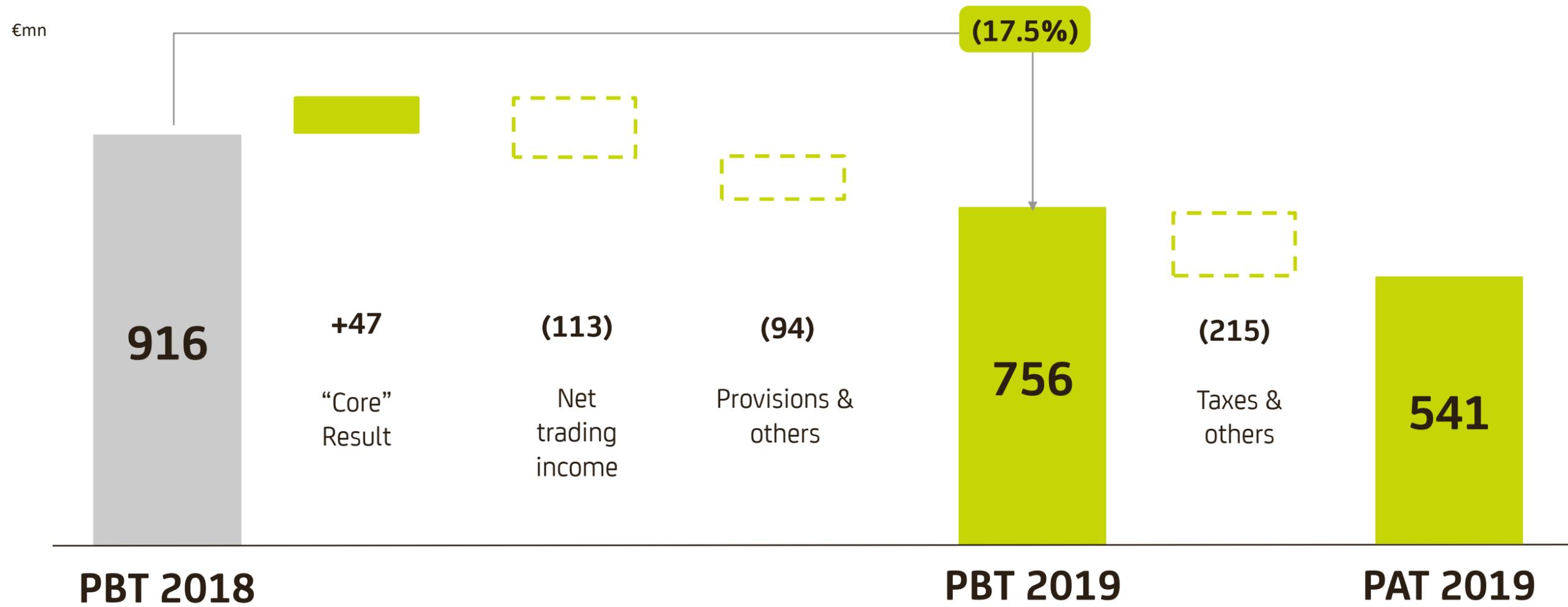
⁽¹⁾ “Core” Result: NII + net fee and commission income - operating expenses

⁽²⁾ 2018 proforma includes estimated impact of IFRS 16 so as to be comparable with 2019

> 2019 Highlights

Profit

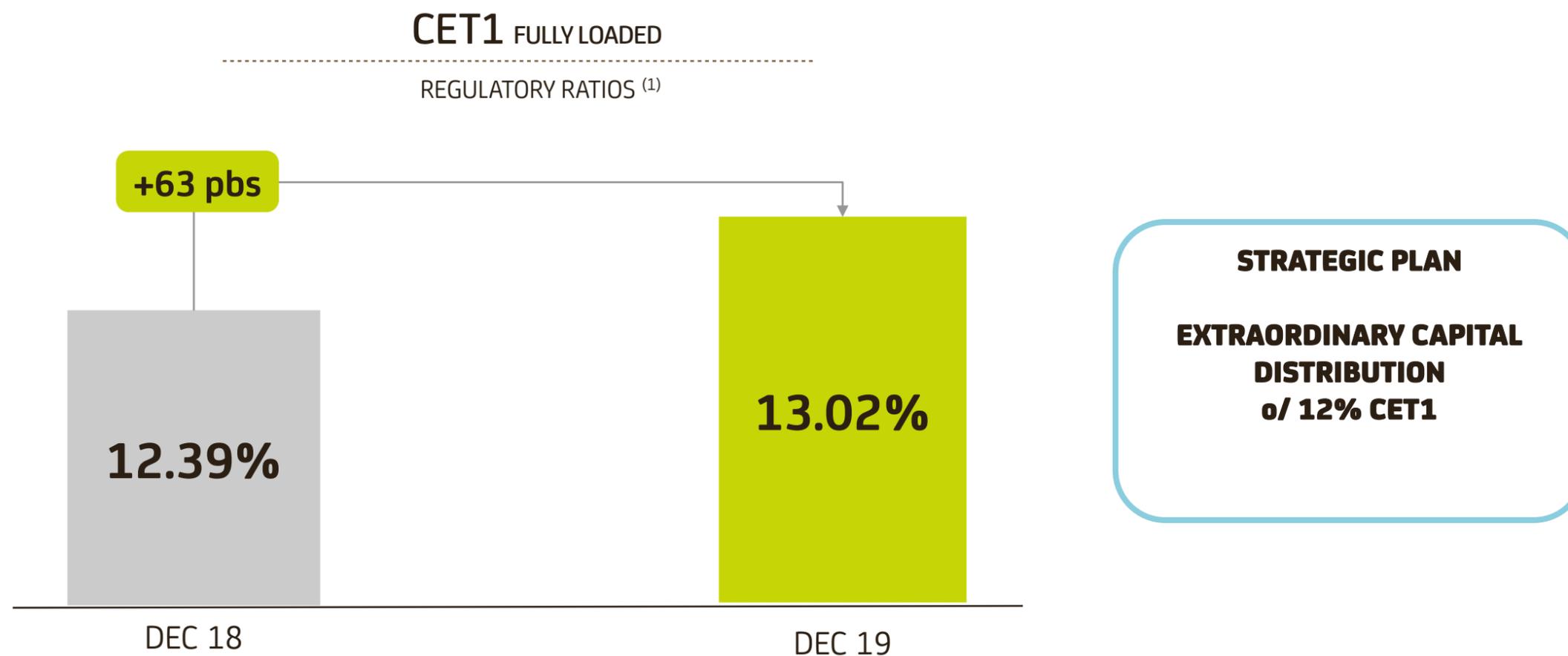
Profit performance



> **2019 Highlights**

Capital generation

Organic capital generation increases in the year



Surplus capital over 12% CET1 FL of €795 mn

The 2019 solvency ratios include the profit attributable to the Group and discount the expected dividend based on 2019 pay-out (65.6%)

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

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> 2019 Results

Income statement

€mn	2018 ⁽¹⁾	2019	Diff €mn	Diff %
Net interest income	2,038	2,023	(15)	(0.7%)
Net fee and commission income	1,065	1,081	16	1.5%
Net trading income	411	298	(113)	(27.4%)
Other income	(157)	(157)	-	(0.2%)
Gross income	3,357	3,245	(112)	(3.3%)
Operating expenses	(1,863)	(1,817)	(46)	(2.5%)
“Core” Result ⁽²⁾	1,240	1,287	47	3.8%
Pre-provision profit	1,494	1,428	(66)	(4.4%)
Financial and non-financial asset provisions	(417)	(482)	65	15.8%
Other provisions and other results	(161)	(190)	29	18.3%
Profit before tax	916	756	(160)	(17.5%)
Profit attributable to the Group	700	541	(159)	(22.7%)

⁽¹⁾ 2018 proforma 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

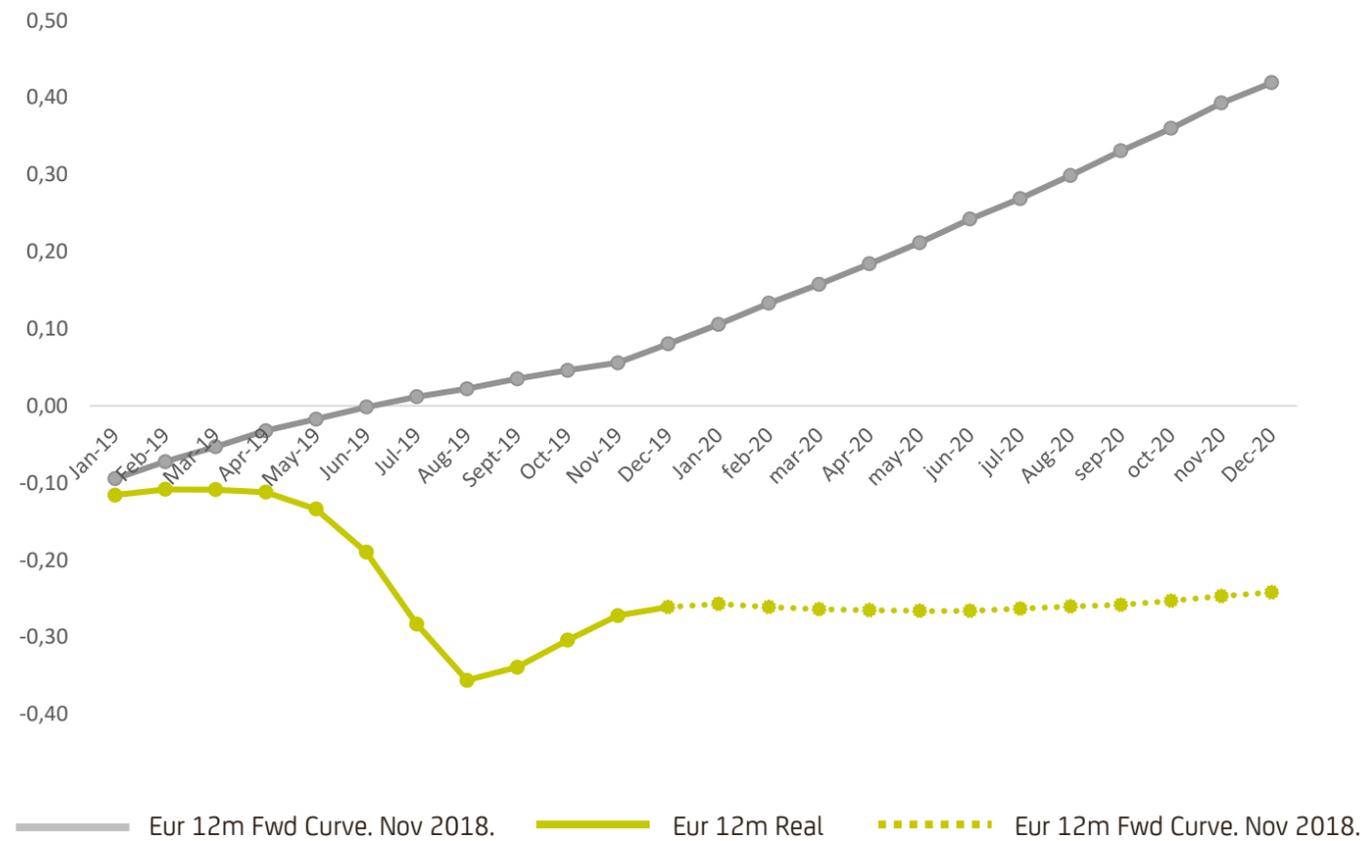
⁽²⁾ “Core” Result: NII + net fee and commission income - operating expenses

> **2019 Results**

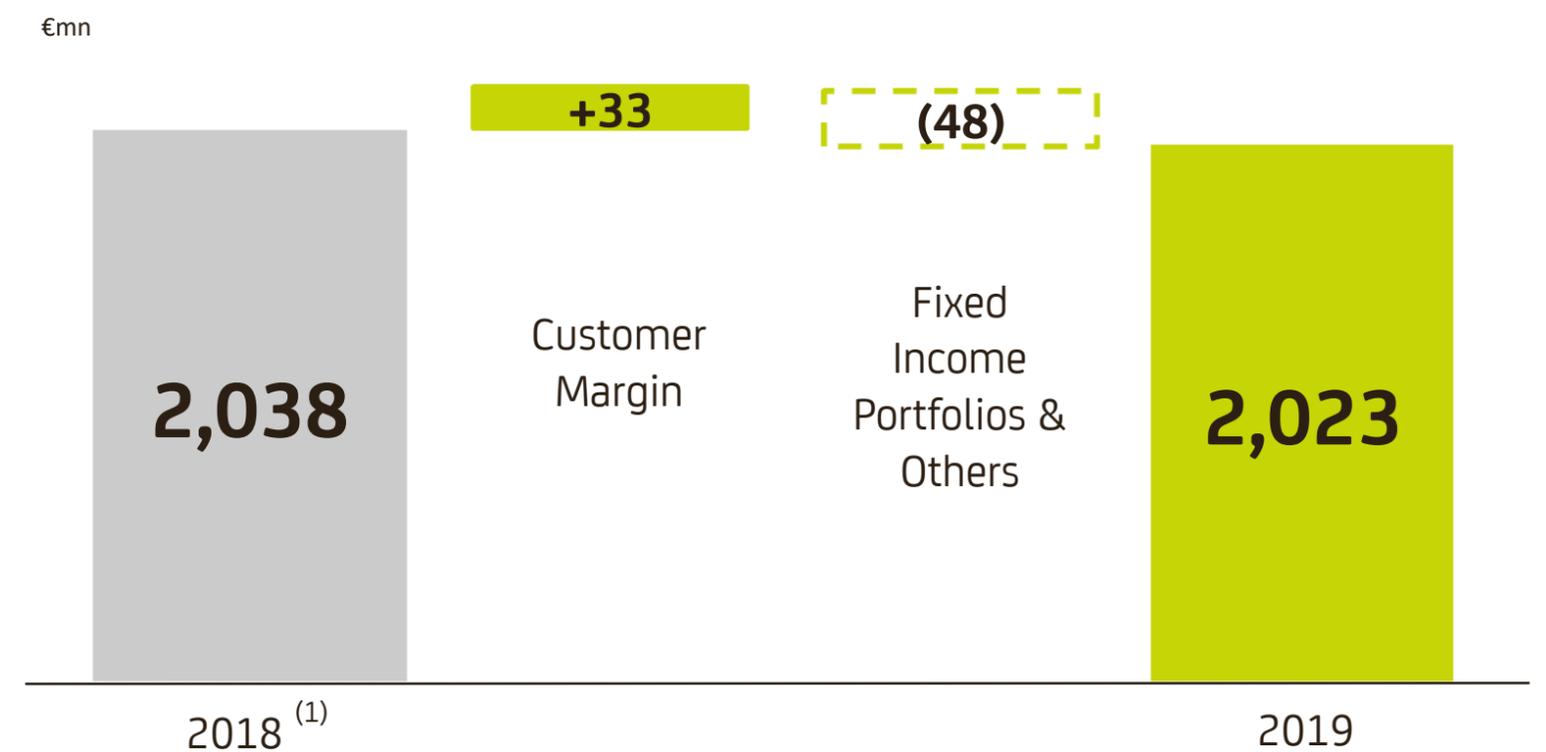
Net interest income

Net interest income stability despite interest rate scenario

EURIBOR 12M



NET INTEREST INCOME

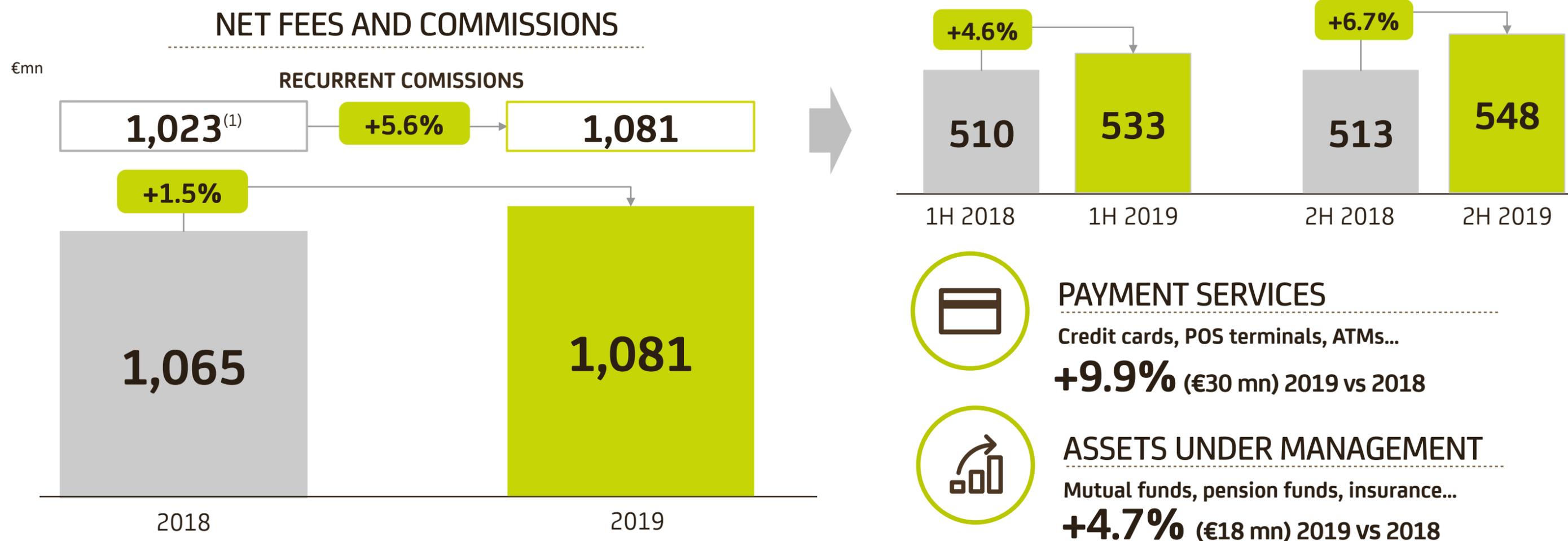


Gross customer margin **1.64%**

> 2019 Results

Net fees and commissions

Net fees and commissions perform well



The new stance will have a positive impact on net fees and commissions in 2020

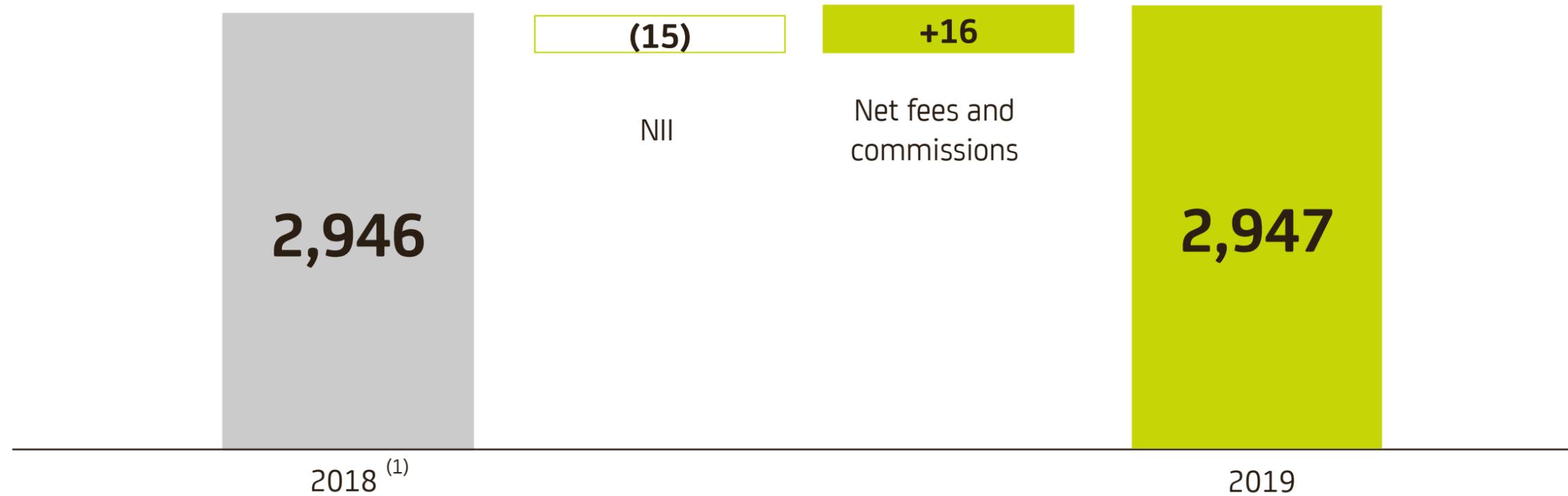
> **2019 Results**

Gross margin

Gross income stable excluding Net Trading Income

GROSS INCOME EXCL. NET TRADING INCOME

€mn



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

> **2019 Results**

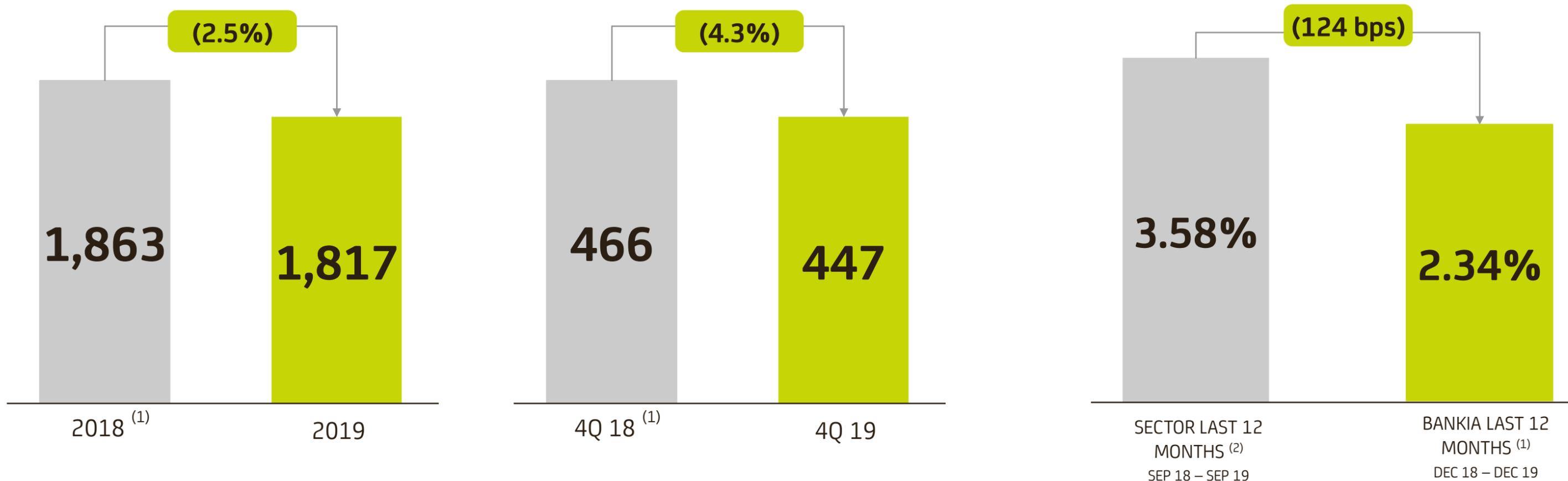
Operating expenses

Cost reduction as a key management lever

OPERATING EXPENSES

OPERATING EXPENSES/RWAs

€mn



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

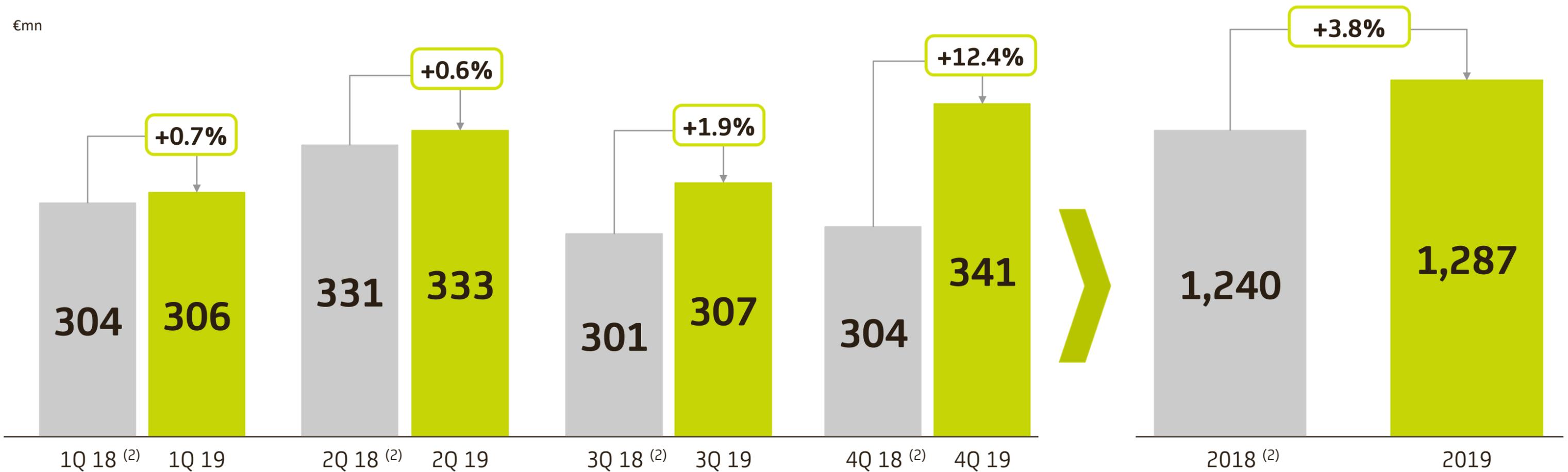
⁽²⁾ Sector data includes peers: Santander, BBVA, Caixabank, B. Sabadell and Bankinter

> **2019 Results**

“Core” Result

Positive performance of “Core”⁽¹⁾ Result

“CORE”⁽¹⁾ RESULT PERFORMANCE

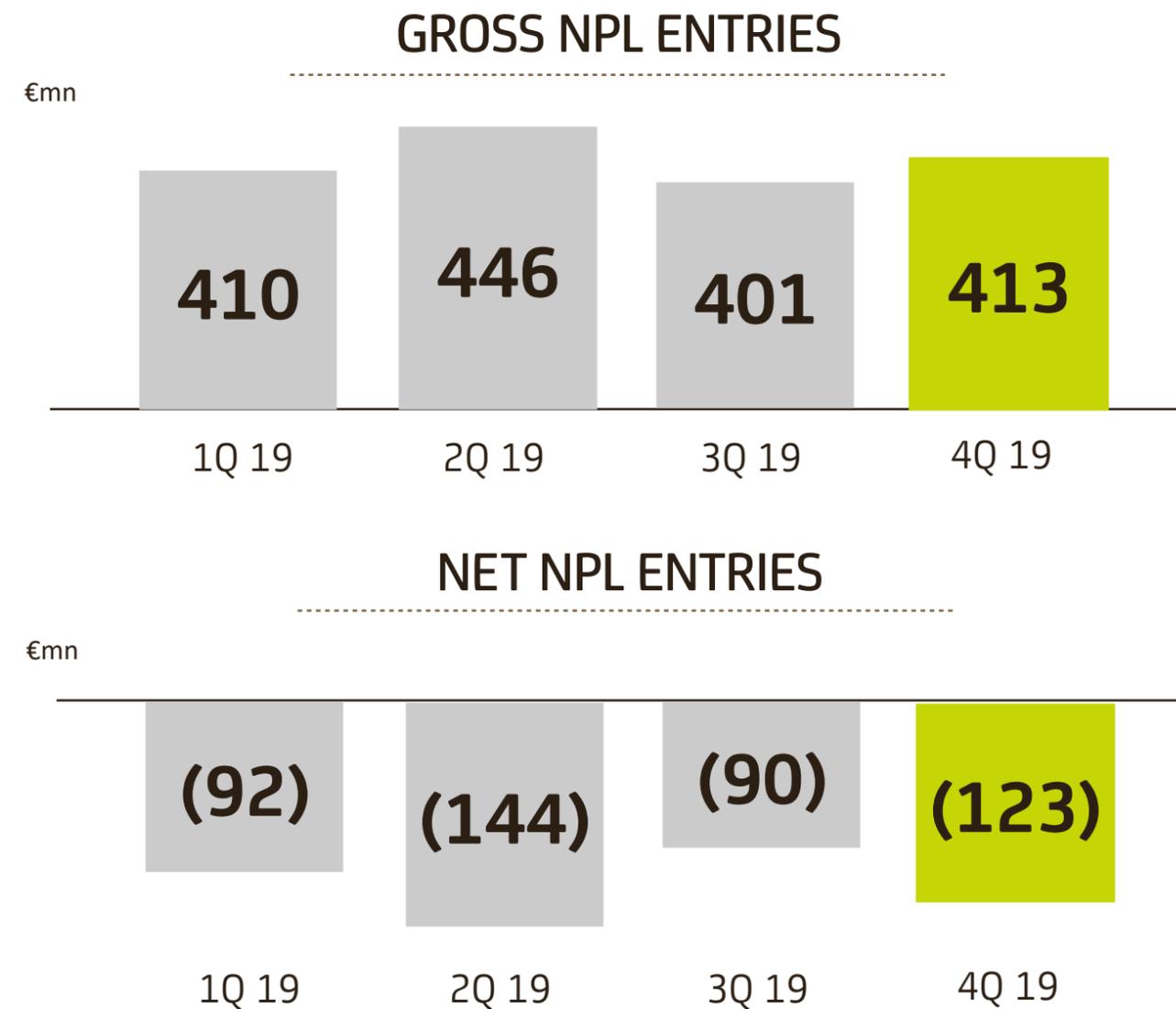
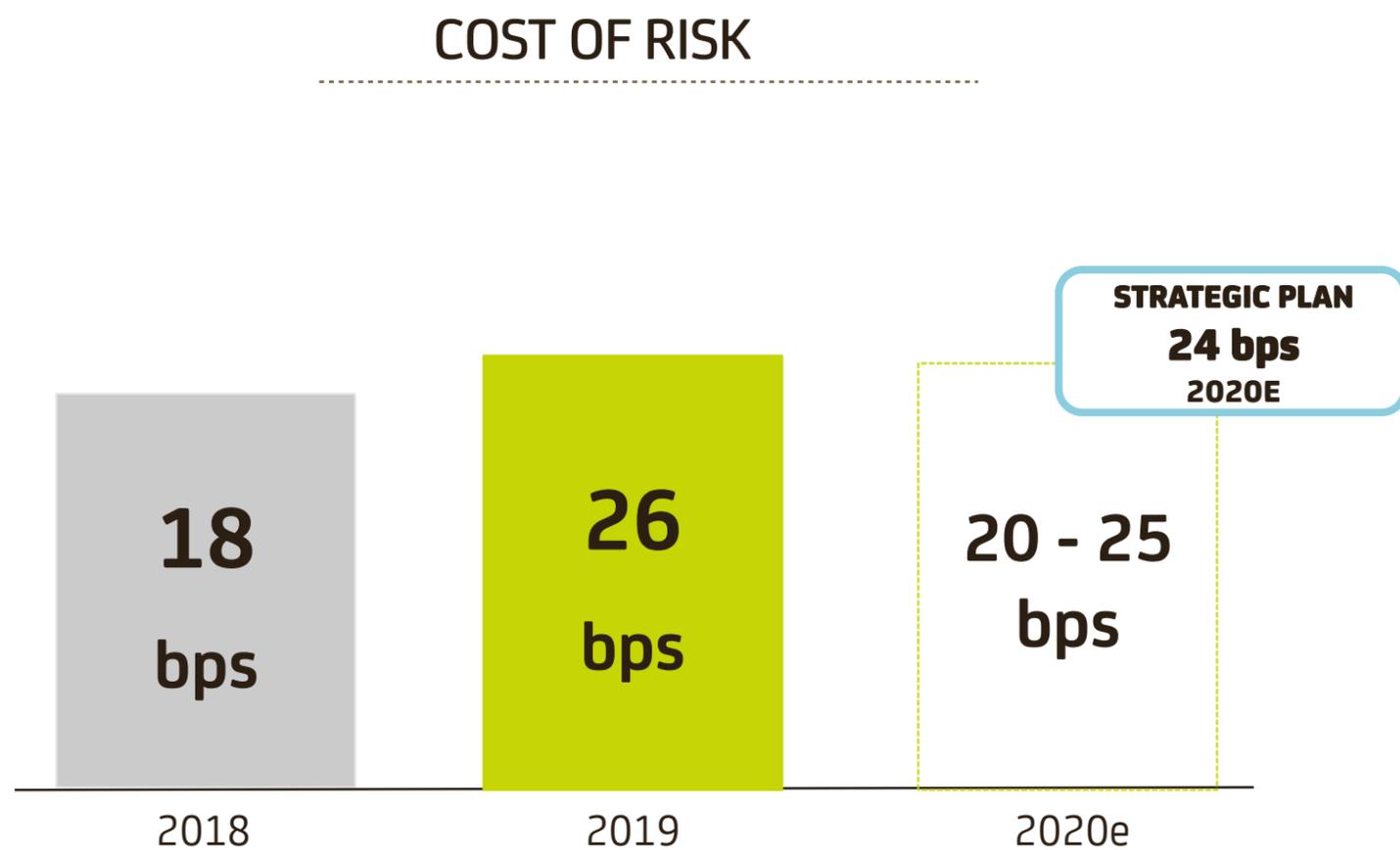


⁽¹⁾ “Core” Result: NII + net fees and commissions income - operating expenses
⁽²⁾ 2018 proforma includes estimated impact of IFRS 16 so as to be comparable with 2019

> **2019 Results**

Cost of risk

Organic cost of risk stable at 25 bps



> 2019 Results

Cost of risk

Provisions impacted by the important efforts made to reduce NPAs

PROVISIONS BREAKDOWN

€mn

	1Q 19	2Q 19	3Q 19	4Q 19
TOTAL PROVISIONS	(88)	(131)	(165)	(288)
FINANCIAL AND NON-FINANCIAL PROVISIONS	(59)	(92)	(137)	(195)
OTHER PROVISIONS AND OTHERS	(29)	(39)	(28)	(93)
NPA REDUCTION	(450)	(500)	(453)	(1,125)
Of which WRITE-OFFS	(69)	(72)	(306)	(245)
Of which NPA portfolio sales	(346)	(336)	-	(819)
NPA RATIO NET	4.1%	3.8%	3.7%	3.3%

Extraordinary impacts in 2019 (one-off) and not expected in 2020

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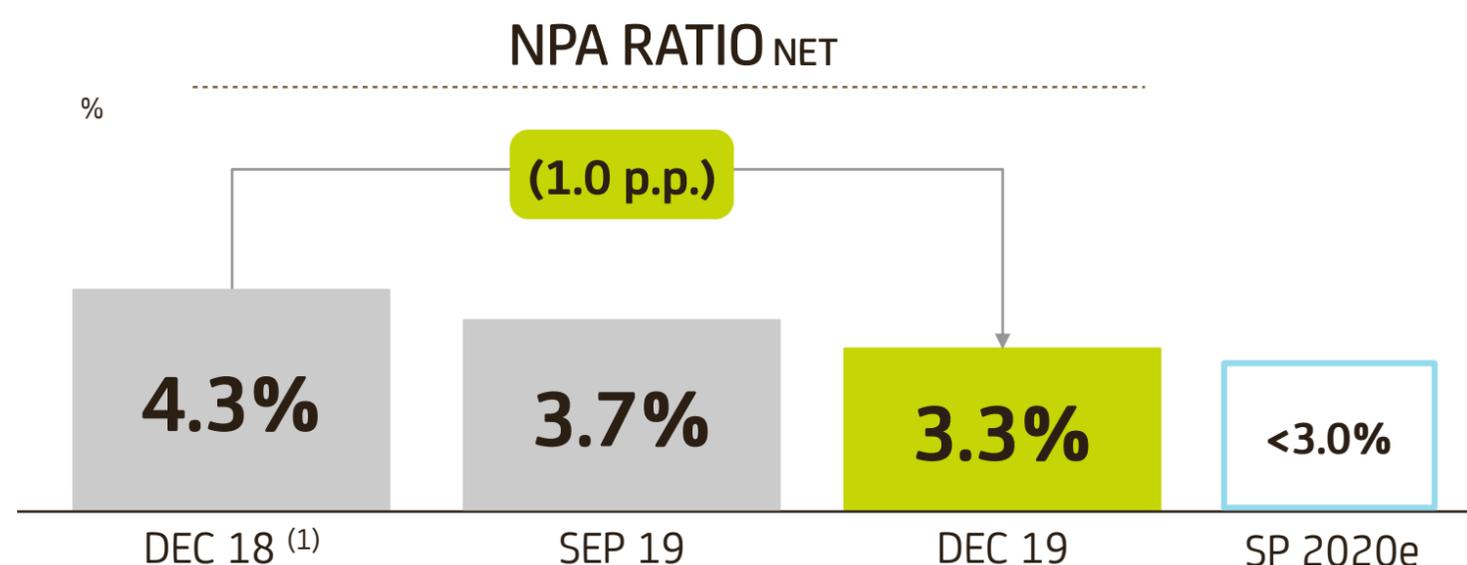
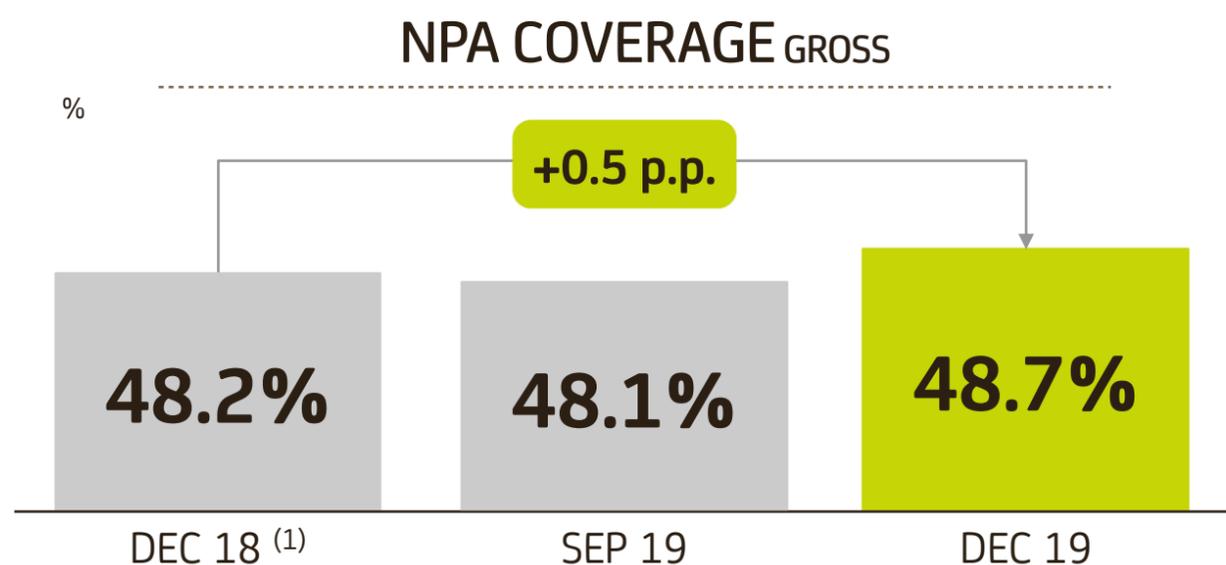
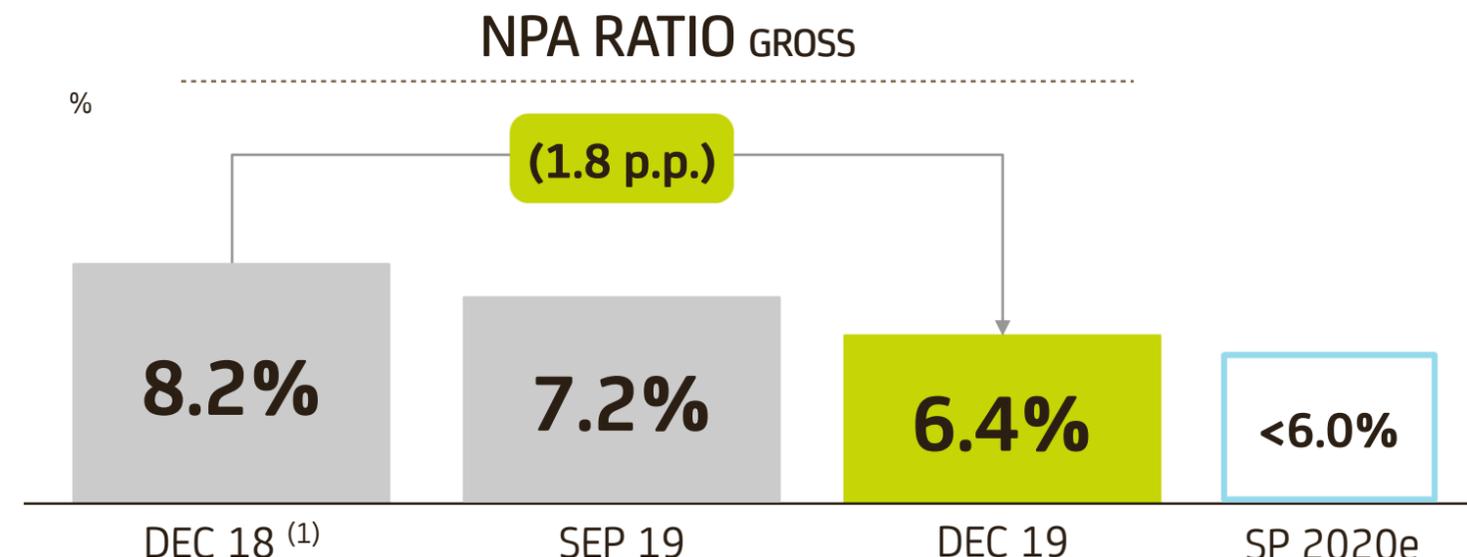
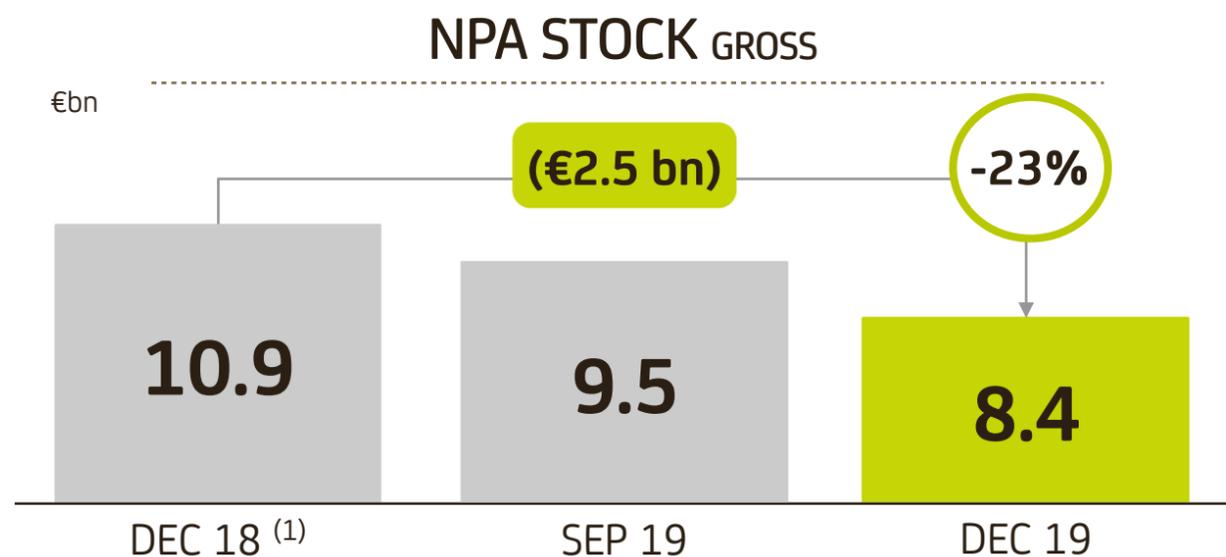
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> **Asset quality and risk management**

Asset quality

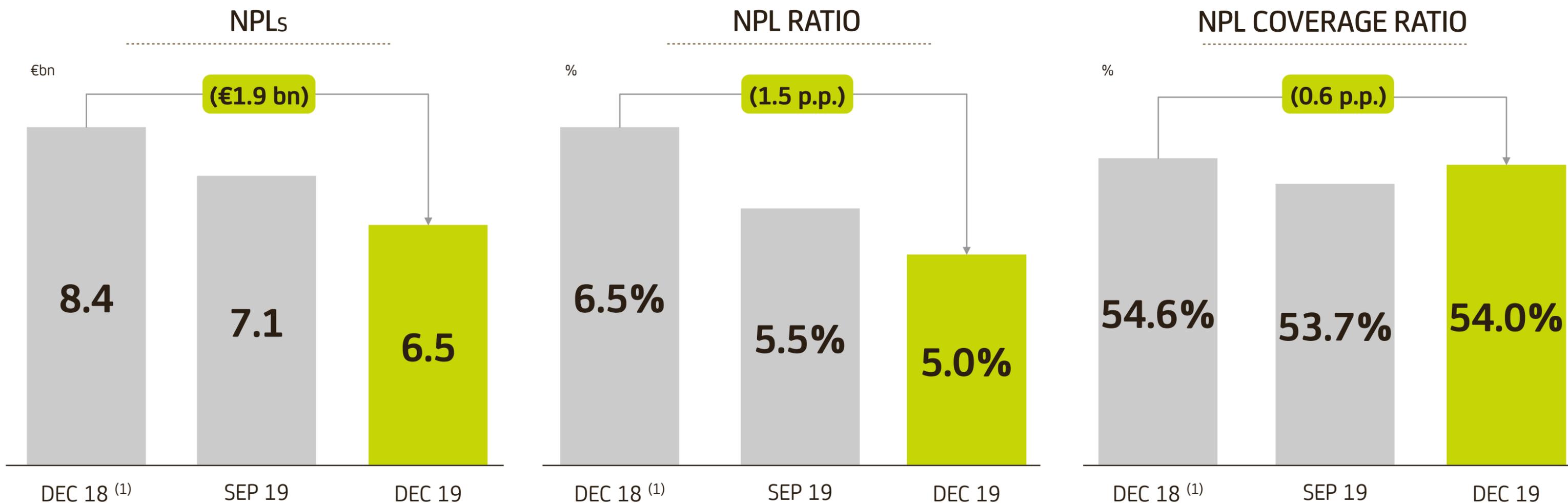
NPA reduction of €2.5 bn in the year



> **Asset quality and risk management**

Asset quality

Good progress of key asset quality metrics

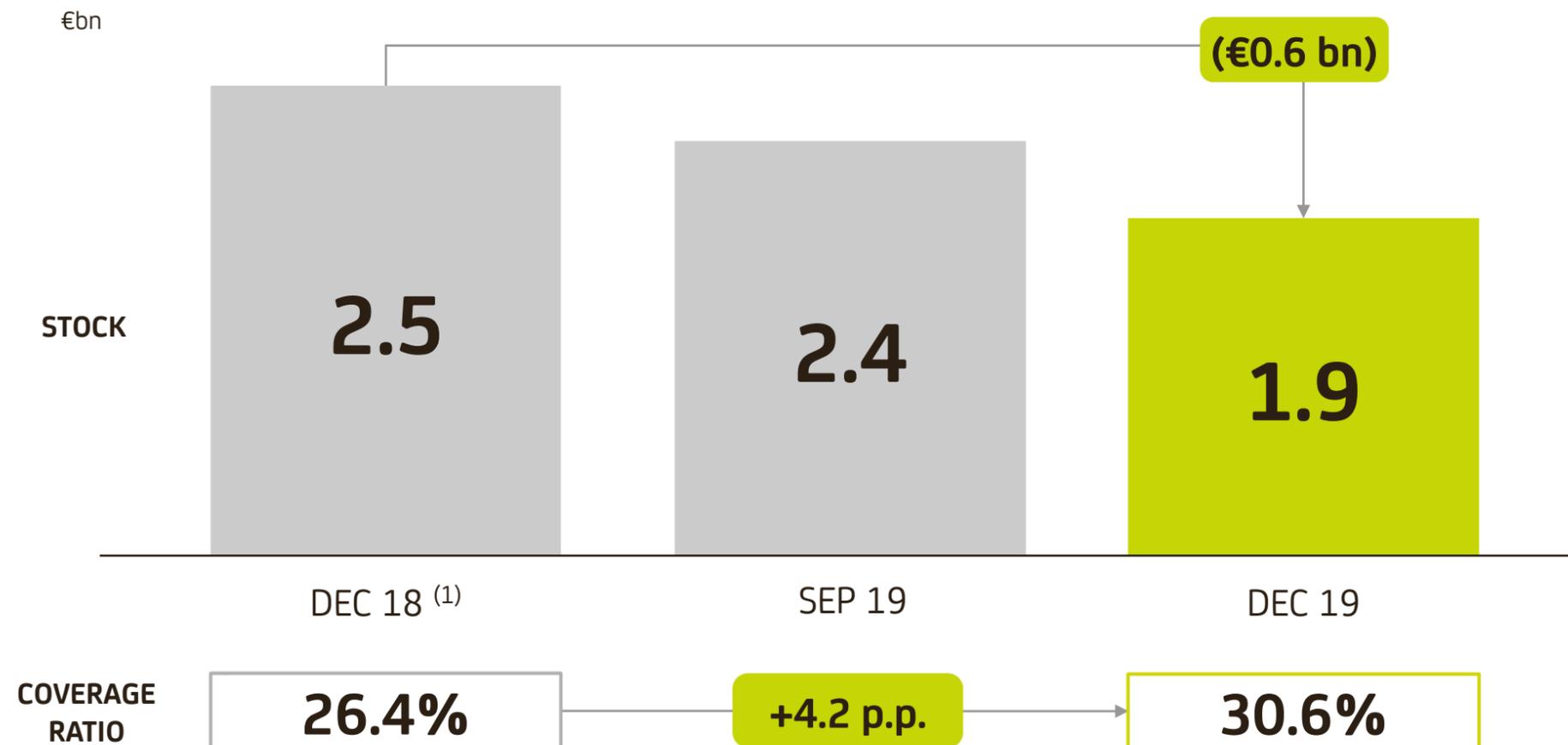


> **Asset quality and risk management**

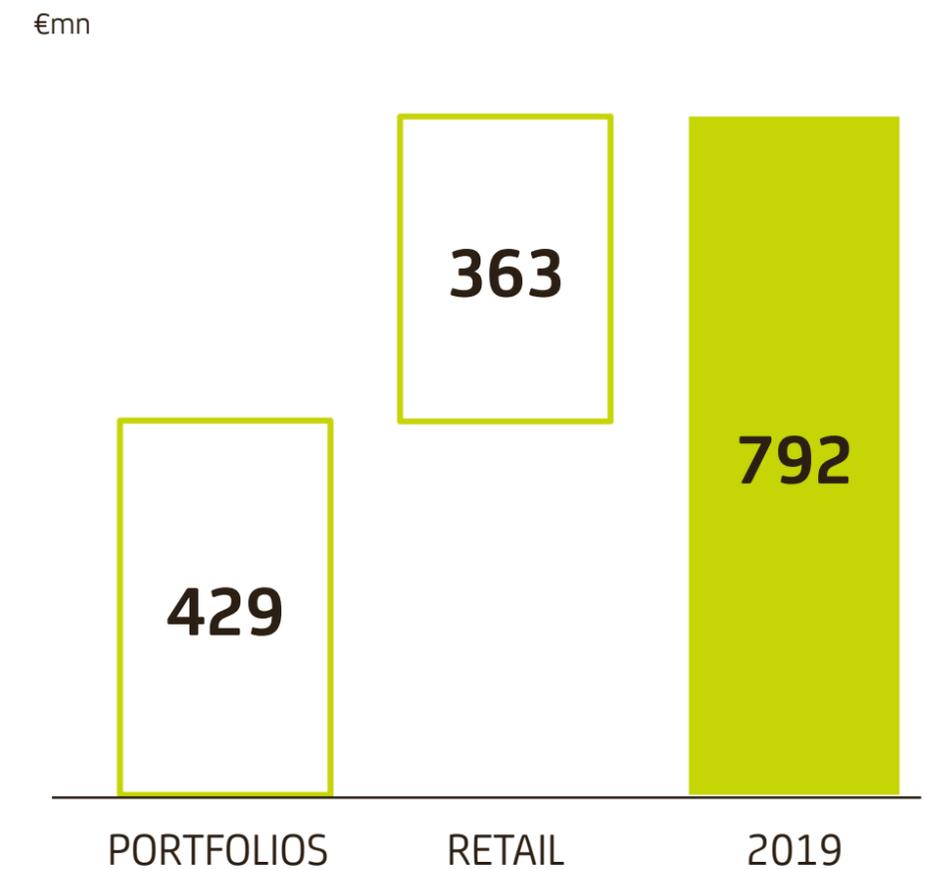
Foreclosed assets

Portfolio sales of foreclosed assets boost their reduction

FORECLOSED ASSETS



FORECLOSED ASSETS - SALES



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> **Liquidity** and solvency

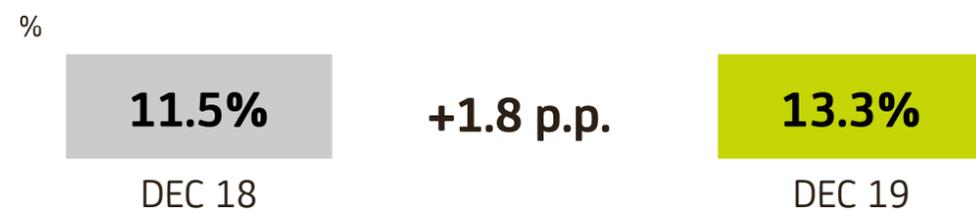
Liquidity

Issuances in the year to reach the MREL target

LOAN TO DEPOSIT RATIO



DISINTERMEDIATION RATIO



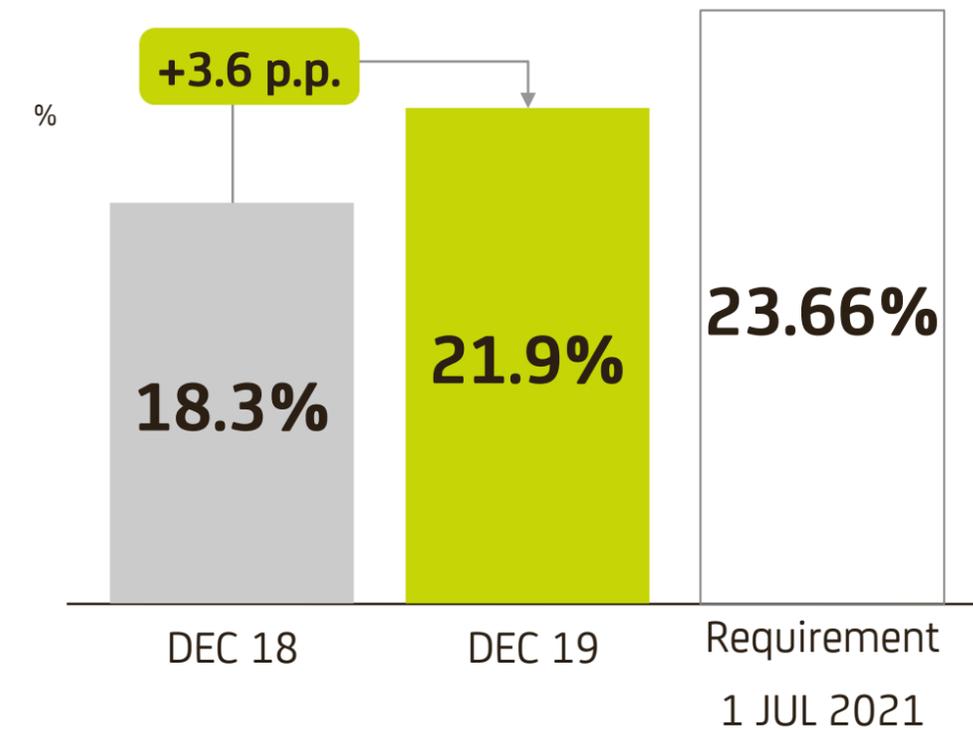
⁽¹⁾ Mutual Funds/Customer deposits + Mutual Funds

LIQUIDITY

> LCR
Dec 2019 **204%**
vs. 163% Dec 18

> NSFR
Dec 2019 **124%**
vs. 120% Dec 18

MREL RATIO

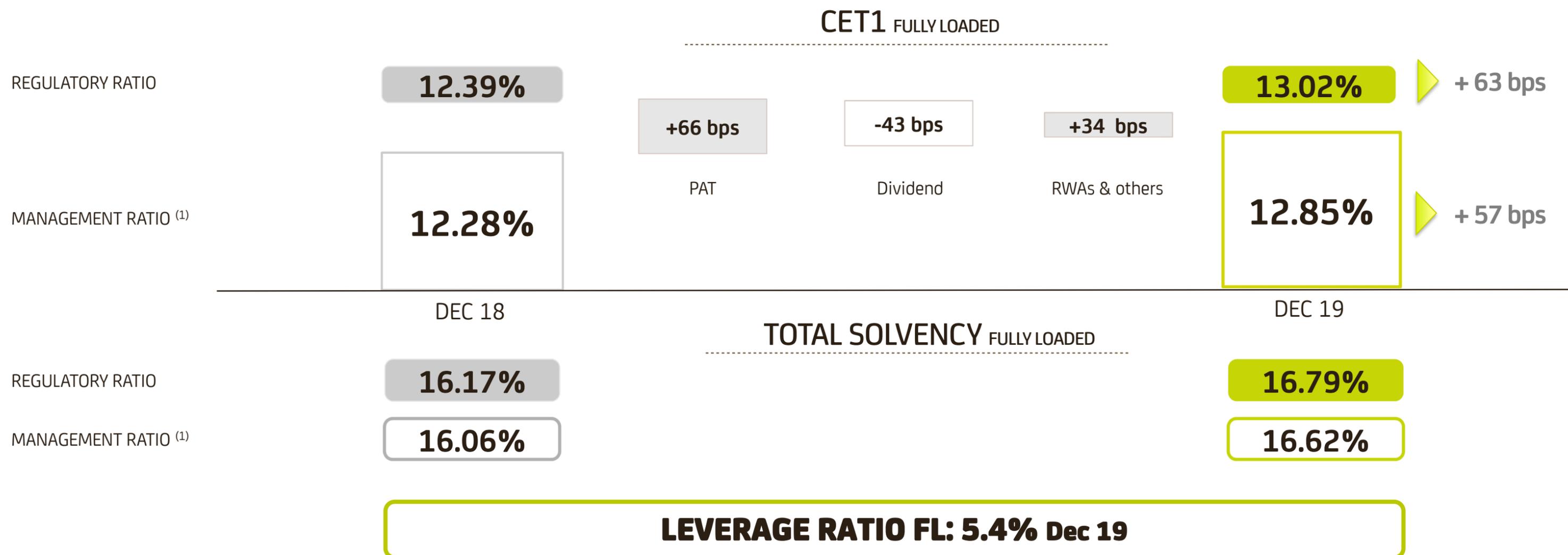


+3,500 mn debt issuance realized in 2019

> Liquidity and **solvency**

Solvency ratios – Fully Loaded performance

CET1 Fully Loaded ratio stands at 13.02% at year end



The 2019 solvency ratios include the profit attributable to the Group and discount the expected dividend based on 2019 pay-out (65.6%)

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

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> **Closing remarks**

We close the year 2019:

> **Commercial dynamism**

Growth in performing credit stock and high value products

> **Efficiency improvement**

Synergies of €220 mn (>50% of BMN cost base in 2017) vs. forecasted €190 mn

“Core” Result
€1,287 mn
+3.8%

> **Asset quality**

NPA reduction of €2.5 bn in the year (-23%)

CET1 FL
13.02%

> **Capital**

+63 bps CET1 FL capital improvement

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> Appendix

Income statement - Bankia Group

€mn	4Q 18 ⁽¹⁾	1Q 19	2Q 19	3Q 19	4Q 19
Net interest income	504	502	516	502	503
Net fee and commission income	266	260	273	263	284
Net trading income	30	37	102	97	62
Other income	(141)	14	(33)	13	(150)
Gross income	659	813	858	875	699
Operating expenses	(466)	(456)	(456)	(458)	(447)
“Core” Result ⁽²⁾	304	306	333	307	341
Pre-provision profit	193	357	402	417	252
Financial and non-financial asset provisions	(100)	(59)	(92)	(137)	(195)
Taxes, minority interests, other provisions and other items	(49)	(93)	(115)	(104)	(91)
Profit attributable to the Group without extraordinaries	44	205	195	176	(34)
Extraordinary impact ⁽³⁾	(85)	-	-	-	-
Financial and non-financial asset provisions	(41)	205	195	176	(34)

(1) 2018 proforma 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

(3) Extraordinary impacts related to €85mn of extraordinary net provisions associated with the sale of NPA portfolios in 4Q18.

> Appendix

Income statement – Bankia Group

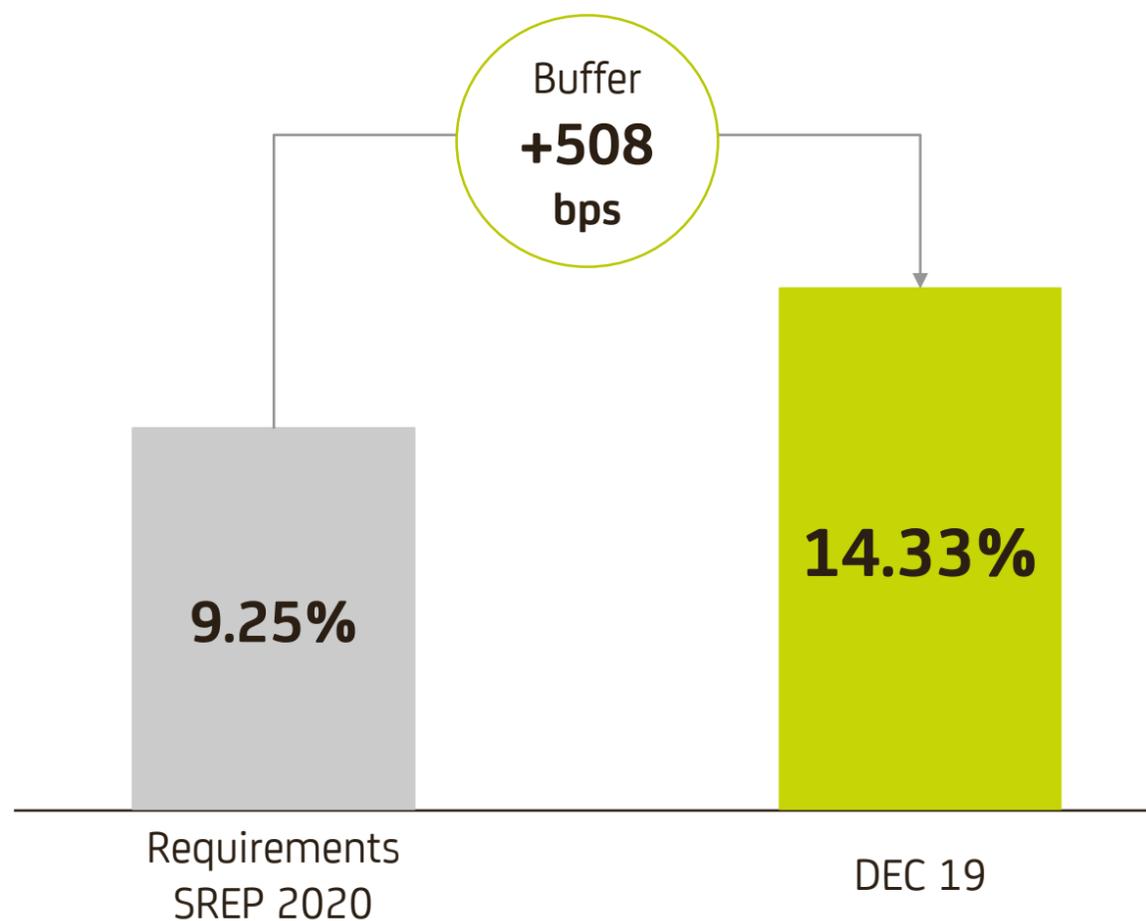
€mn	2018 income statement pre IFRS 16				IFRS 16			
	1Q 18	2Q 18	3Q 18	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Net interest income	526	521	495	507	502	516	502	503
Net fee and commission income	264	270	265	266	260	273	263	284
Net trading income	139	152	90	30	37	102	97	62
Other income	10	(40)	15	(141)	14	(33)	13	(150)
Gross income	939	903	865	662	813	858	875	699
Operating expenses	(486)	(459)	(458)	(468)	(456)	(456)	(458)	(447)
“Core” Result ⁽¹⁾	305	332	302	305	306	333	307	341
Pre-provision profit	453	444	407	194	357	402	417	252
Financial and non-financial asset provisions	(120)	(56)	(76)	(100)	(59)	(92)	(137)	(195)
Taxes, minority interests, other provisions and other items	(104)	(103)	(102)	(49)	(93)	(115)	(104)	(91)
Profit attributable to the Group without extraordinaries	229	285	229	45	205	195	176	(34)
Extraordinary impact ⁽²⁾	-	-	-	(85)	-	-	-	-
Profit attributable to the Group with extraordinaries	229	285	229	(40)	205	195	176	(34)

> **Appendix**

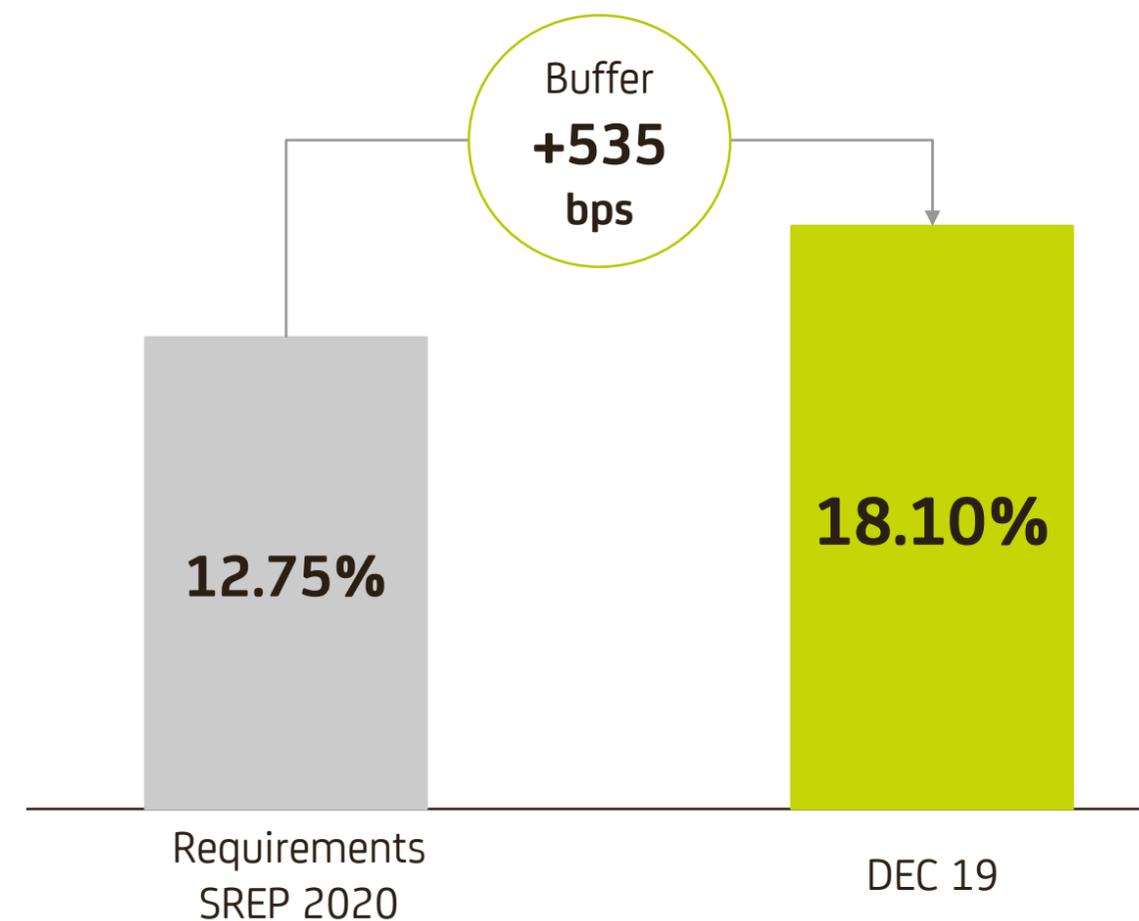
Solvency ratios – Capital buffers

Ample buffers vs. SREP requirements

CET1 PHASE IN RATIO



TOTAL SOLVENCY PHASE IN RATIO



The 2019 solvency ratios include the profit attributable to the Group and discount the expected dividend based on 2019 pay-out (65.6%)

> Appendix

The share

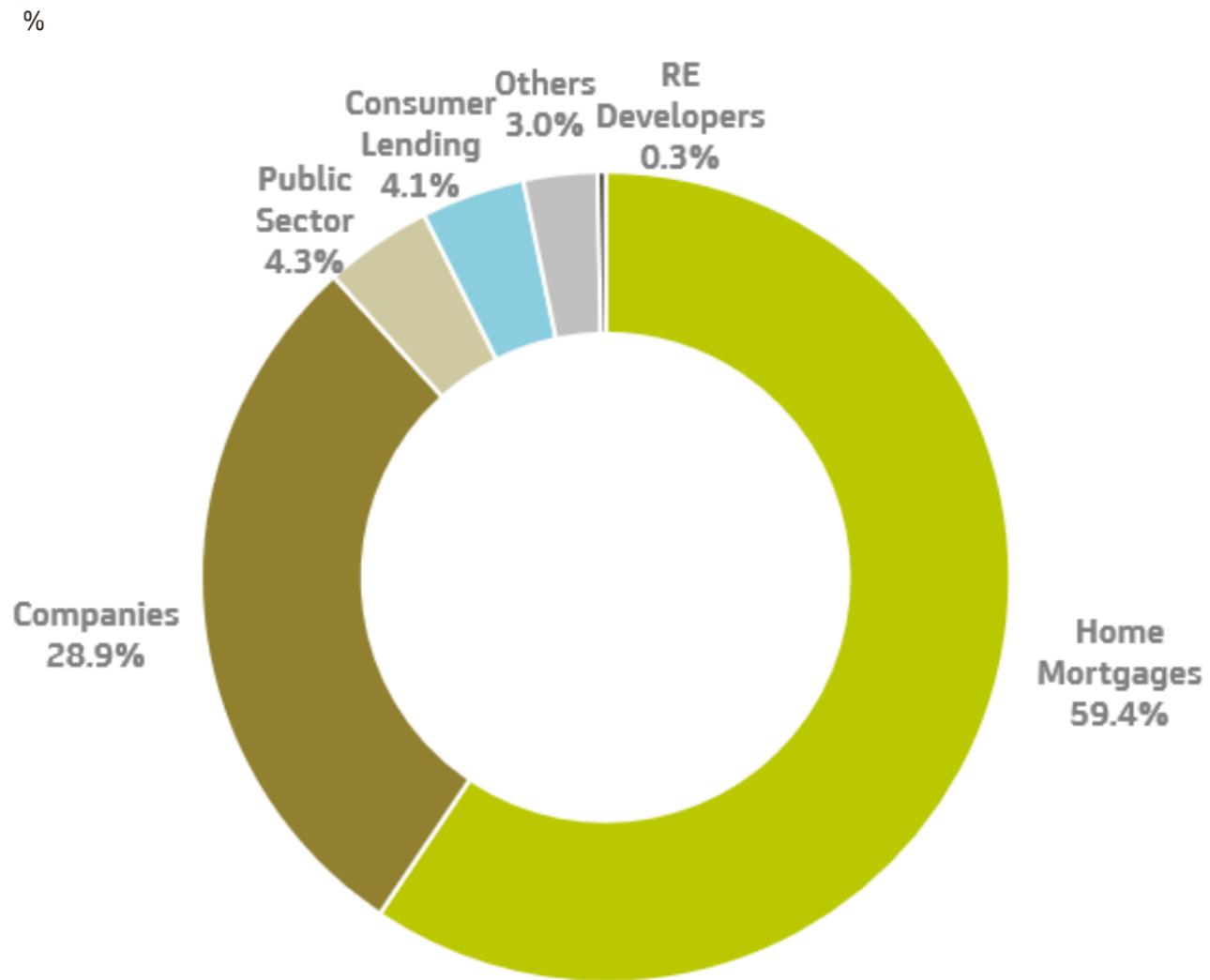
	dic-19	sep-19	dic-18
Shareholders & trading			
Shareholders (#)	173,949	178,374	184,643
Average number of shares (mn)	3,070	3,070	3,085
Share price			
End of quarter (€)	1.90	1.73	2.56
Market cap. (€mn)	5,840	5,318	7,898
Multiples			
EPS (€)	0.18	0.25	0.23
Book value (€mn)	13,335	13,391	13,189
Book value per share (€)	4.34	4.36	4.28
Tangible book value per share (€mn)	12,934	13,017	12,892
Tangible book value (€)	4.21	4.24	4.18
P/BV (Price end of quarter/Book value) (x)	0.44	0.40	0.60
P/TBV (Price end of quarter/Tangible book value) (x)	0.45	0.41	0.61
P/E (Price end of quarter/EPS) (x)	10.79	6.91	11.23

> **Appendix**

Performing credit breakdown

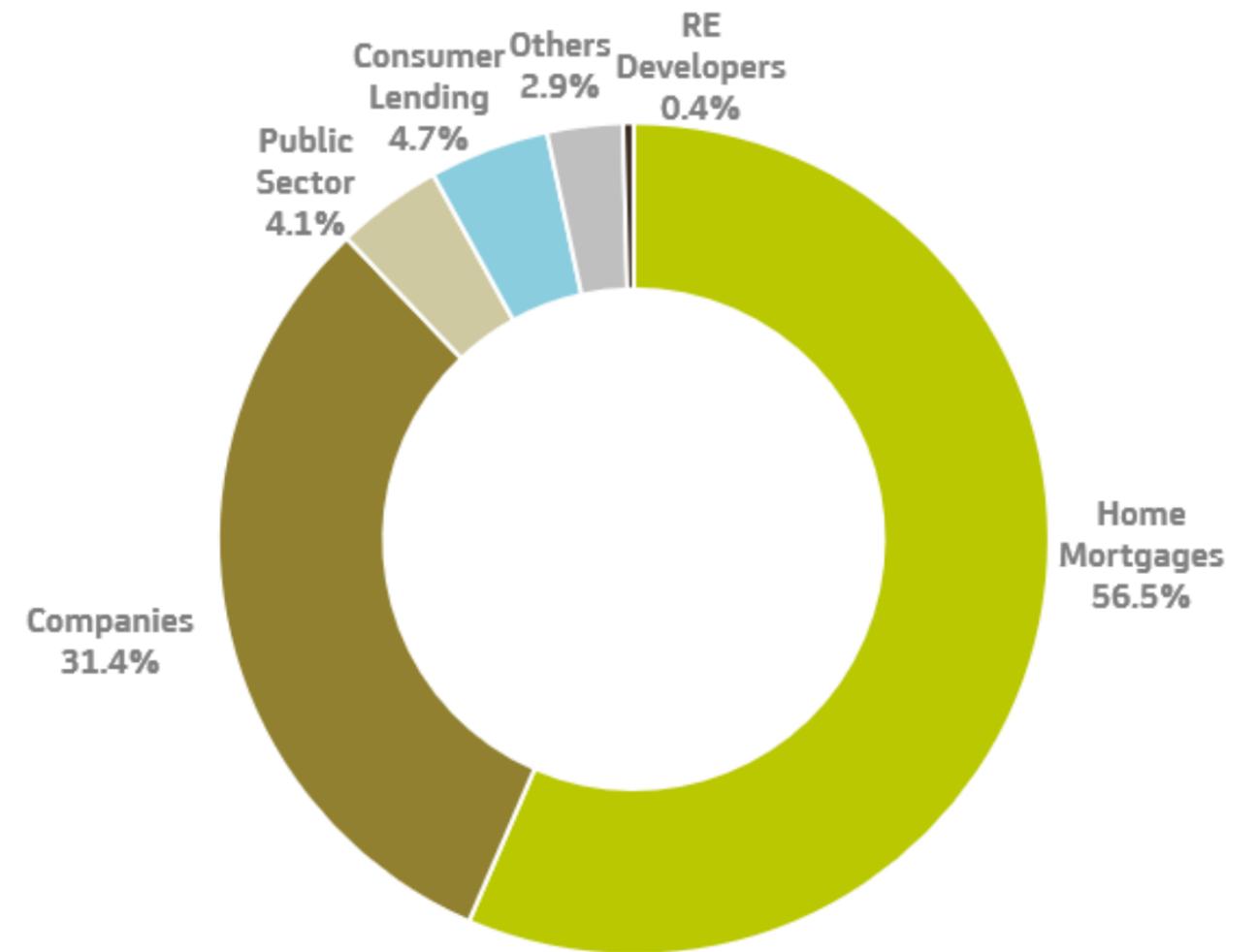
GROSS PERFORMING CREDIT

DECEMBER 2018



GROSS PERFORMING CREDIT

DECEMBER 2019



> **Appendix**

Debt maturities and breakdown

Debt maturities and breakdown



2020	2021	2022	> 2022	TOTAL MATURITIES ACCUM	
418	2,025	3,235	10,280	15,958	Covered Bonds
2	35	30	2,570	2,637	Senior Debt
	175		1,500	1,675	Tier 2
			1,250	1,250	AT1
			1,370	1,370	Securizations
420	2,235	3,265	16,970	22,890	TOTAL
2.23%	0.61%	2.52%	AVERAGE COST		

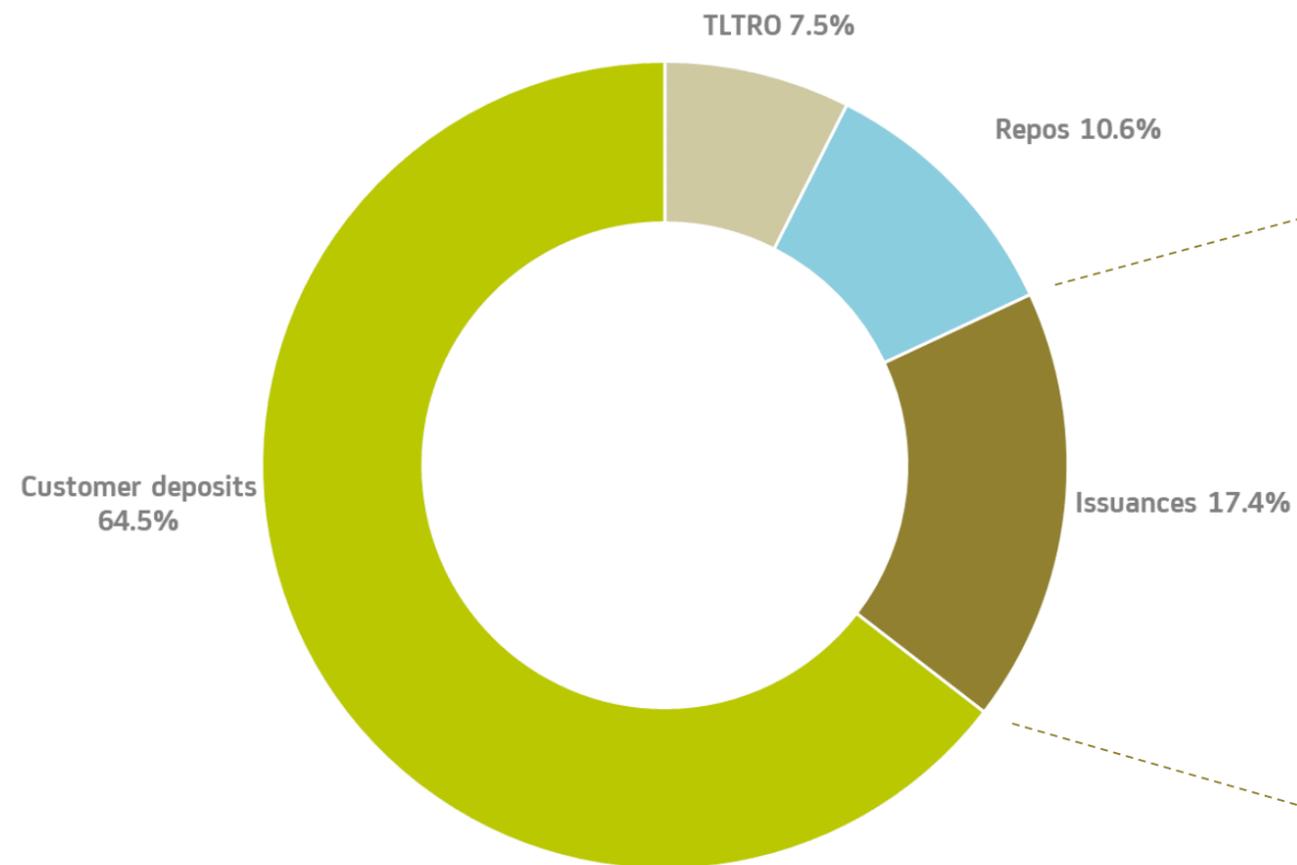
> **Appendix**

Funding structure

Funding structure

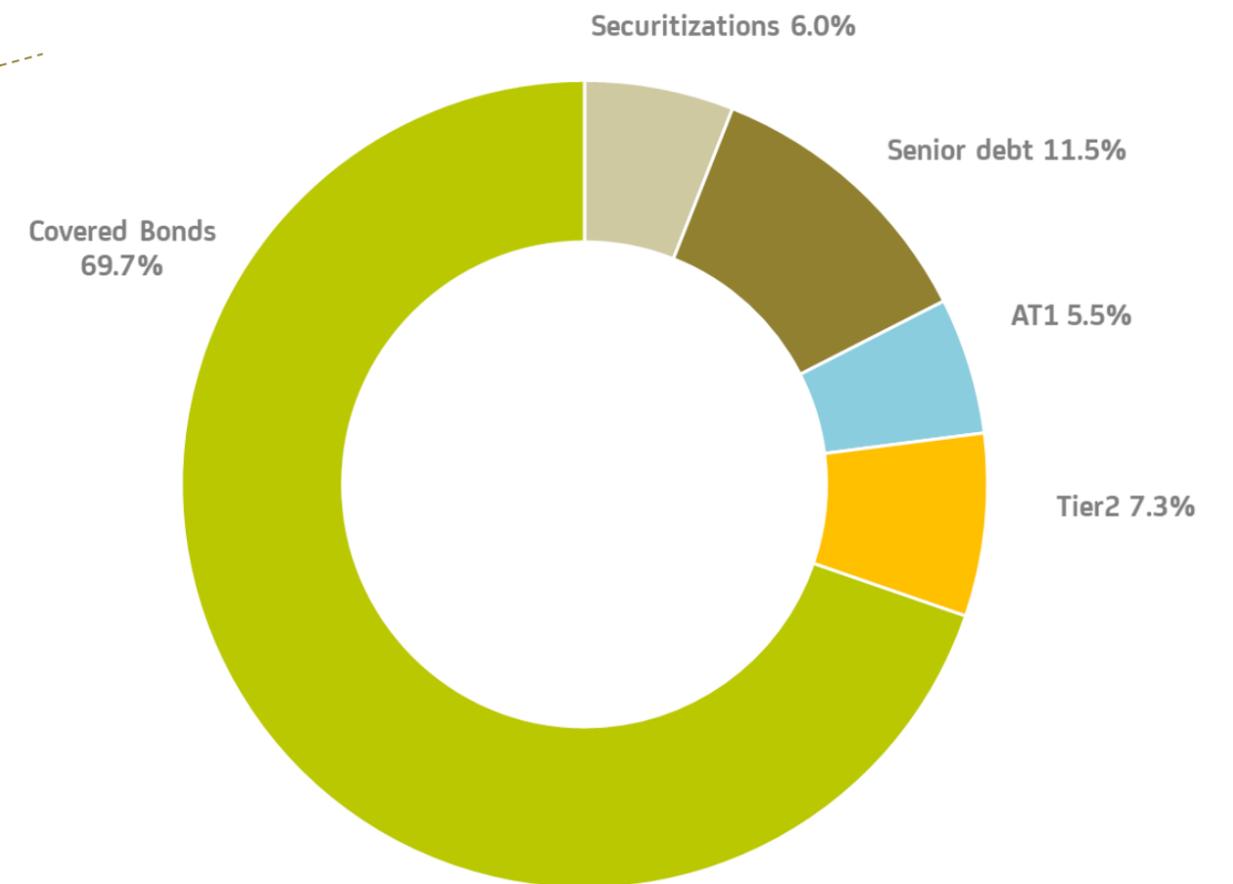
Funding structure

DECEMBER 2019



Wholesale market breakdown

DECEMBER 2019

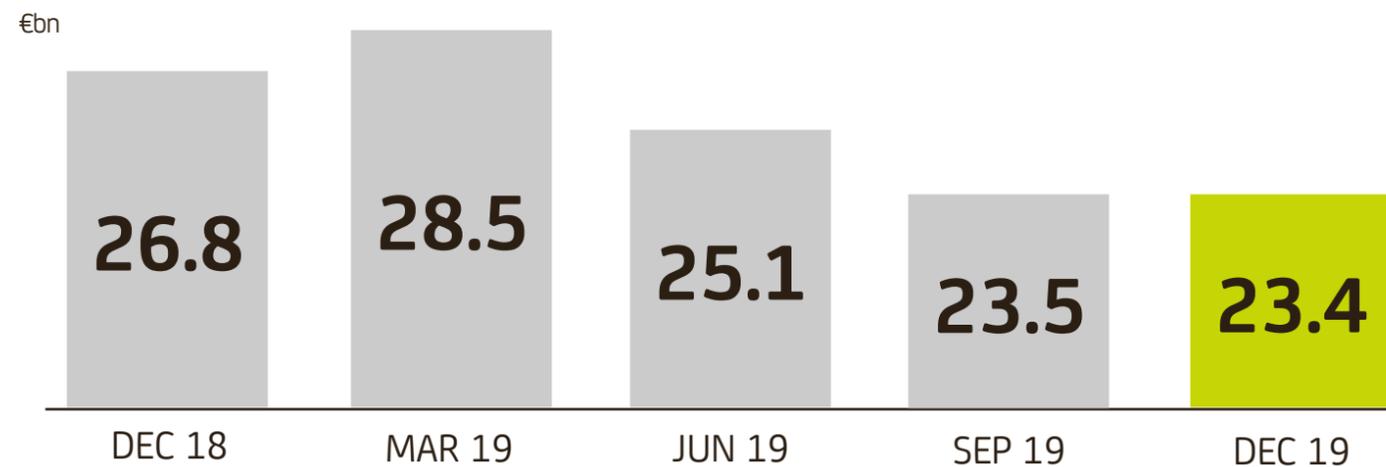


> **Appendix**

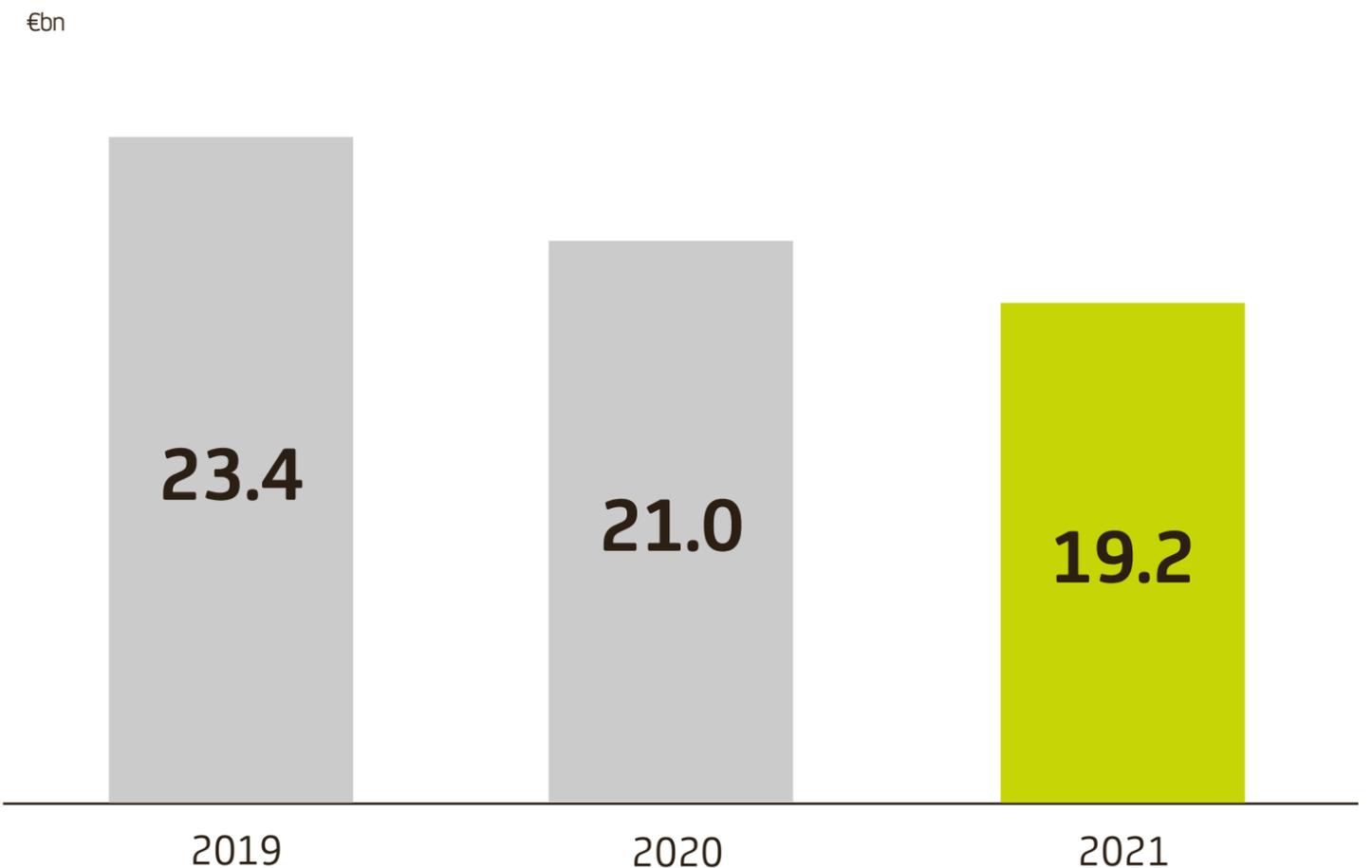
Portfolio breakdown

€23.4bn ALCO portfolio as of December 2019 close

FIXED INCOME (ALCO)



ALCO PORTFOLIO



	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19
ALCO fixed income portfolio (€Bn)	26.8	28.5	25.1	23.5	23.4
Non-hedged fair value portfolio	8.3	6.3	4.0	2.4	2.4
Hedged fair value portfolio	5.4	7.8	7.8	7.7	7.6
At amortised cost	13.1	14.4	13.3	13.4	13.4
FV average duration IRS adjusted				0.49	0.26
ALCO portfolio average duration IRS adjusted				3.08	2.85

> 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
LCR (%)	Loan Coverage Ratio
LTD (%)	Loan to Deposit Ratio
Net pre-provision profit	Gross income minus administrative expenses minus depreciation and amortization
MREL	Minimum Requirement of ELEGible Liabilities.
NPAs	Non Performing Assets
NSFR (%)	Net Stable Funding Ratio
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
NPLs	Gross book amount (before provisions) of doubtful loans and advances to customers and contingent liabilities (NPE)

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