THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BKIA.MC - Q2 2020 Bankia SA Earnings Call

EVENT DATE/TIME: JULY 28, 2020 / 7:00AM GMT

Bankia Disclaimer:

"This transcript is provided for the convenience of investors only. For a full recording please see the Q2 2020 Earnings Call webcast. Please note that this is a translated version not made by Bankia. The original audio was spoken in Spanish. The English version published here is for information purposes only. In the event of any discrepancy between the English and the Spanish version, the Spanish version will prevail.

This transcript is presented exclusively for information purposes. It is not a prospectus and does not constitute an offer or recommendation to invest. It does not constitute a commitment to subscribe for, or an offer to finance, or an offer to sell, or a solicitation of offers to buy securities of Bankia, all of which are subject to internal approval by Bankia.

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

This document includes, or may include, forward-looking information or statements. Such information or statements represent the opinion and expectations of Bankia regarding the performance of its business and revenue generation, but such performance may be substantially affected in the future by certain risks, uncertainties and other material factors that may cause the actual business performance and revenue generation to differ substantially from our expectations. These factors include, inter alia, i) market conditions, macroeconomic factors, government and supervisory guidelines, ii) movements in national and international securities markets, exchange rates and interest rates and changes in market and operational risk, iii) the pressure of competition, iv) technological changes, v) legal and arbitration proceedings, vi) changes in the financial situation or solvency of our customers, debtors and counterparties, and vii) those that may arise from potential COVID-19-related contingencies. Additional information about the risks that could affect Bankia's financial position may be consulted in the Registration document approved and registered in the Official register of the CNMV.

Distribution of this document in other jurisdictions may be prohibited, and therefore recipients of this document or any persons who may eventually obtain a copy of it are responsible for being aware of and complying with said restrictions. This document does not reveal all the risks or other material factors relating to investments in the securities/transactions of Bankia. Before entering into any transaction, potential investors must ensure that they fully understand the terms of the securities/ transactions and the risks inherent in them. This document is not a prospectus for the securities described in it. Potential investors should only subscribe for securities of Bankia on the basis of the information published in the appropriate Bankia prospectus, not on the basis of the information contained in this document."

CORPORATE PARTICIPANTS

Iñigo Velázquez *Bankia, S.A. - Head of IR & Rating*

José Sevilla Álvarez *Bankia, S.A. - CEO & Executive Director*

Leopoldo Alvear Trenor *Bankia, S.A. - Deputy General Director of Financial Management*

CONFERENCE CALL PARTICIPANTS

Alvaro Serrano Saenz de Tejada *Morgan Stanley, Research Division - Lead Analyst*

Andrea Filtri *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst*

Carlos Cobo Catena *Societe Generale Cross Asset Research - Equity Analyst*

Carlos Joaquim Peixoto *Banco BPI, S.A., Research Division - Analyst*

Domenico Santoro *HSBC, Research Division - Analyst*

Fernando Gil de Santivañes d´Ornellas *Barclays Bank PLC, Research Division - Research Analyst*

Francisco Riquel *Alantra Equities Sociedad de Valores, S.A., Research Division - Head of Research*

Gonzalo Lopez Eguiguren *Redburn (Europe) Limited, Research Division - Analyst*

Ignacio Cerezo Olmos *UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst*

Ignacio Ulargui *Exane BNP Paribas, Research Division - Analyst*

Mario Ropero *Fidentiis Equities S.V.S.A., Research Division - Senior Banking Analyst*

Marta Sánchez Romero *BofA Merrill Lynch, Research Division - Director and Analyst*

PRESENTATION

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Hi. Good morning, and welcome to the Second Quarter Results Presentation for Bankia. First of all, let's -- we'll have presentation of the highlights of the quarter by José Sevilla, our CEO; and then Leopoldo Alvear, the Financial Director, will give us details for the quarter. Then we'll finish with a Q&A session.

We, as always, ask you to please ask a maximum of 2 questions so that we can all participate and to make sure that we can -- you can also send us your questions by e-mail. If you have any problems, let us know.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Well, Iñigo, thank you very much, and good morning to everyone. We are going to start the results -- the quarterly results presentation. First of all, I'll do an overview, and then Leopoldo Alvear will focus more on the quarter details.

We are happy with the second quarter of 2020 despite the exceptional context and a difficult situation we've had in the economic framework. It has been a quarter where we have seen a great growth of lending to corporate and SME lending, very much supported on the ICO lending. Also with a recovery in the retail business, there has been a decrease on the NPA ratio. We have been strong in extraordinary provisions.

And from a results perspective, it has been a second quarter in which the net interest income and the fees have grown versus the previous quarter. And that has meant that there's been an increase on the core result of the bank. And finally, as we'll talk later, this has been also a quarter of high capital generation.

If we start with corporate and SME lending growth on the left, you can see the loan stock in the last quarter, when we add home mortgages and consumer lending and corporate SMEs loans, they have grown. As you can see on the right, this is mainly due to an increase of nearly EUR 4.5 billion in the corporate and business loans. In terms of the home mortgage loans, they have kept the deleverage situation that they had in the past. And also the less production of consumer finance loans has led to a decrease in the balance sheet.

If we look at the companies, here you can see the evolution of the businesses that's grown from EUR 35 million (sic) [billion] to EUR 42 million (sic) billion in the last year, nearly a 20% increase. In terms of market share, you can see on the bottom left graph, you can see that we have -- our share has grown by 59 basis points, and we are at a market share of 8% for corporate and SME loans.

An important part of this growth is being done to the generation and distribution of the ICO guaranteed lending in total. And as you can see here, we have a total ICO drawn of EUR 8.37 billion, which is a market share for all the ICO guarantees given of 9%. And this 9% is comparable to the 7.1%, which was the ICO share initial -- share that we had initially.

So in this sense, our ICO credit distribution, ICO lending distribution has also grown hand-in-hand with our market share growth. So you can see that a total of EUR 5.652 billion had been drawn at the 30th of June, and we had given a total amount of EUR 7.5 billion, which accounts for about 18% of our business lending portfolio as a whole.

If we go to the next chapter to the evolution of retail loans, let's start with the mortgages. You can see the new mortgages lending in the first semester that has been more or less very similar to the first half of last year. For us, this has been a very, very positive news because we thought that we were going to have a worse evolution of the mortgage growth this semester.

And you can see on the right, the breakdown by month. On the top, you have the quarters. In the first quarter, we did a total of EUR 772 million, which is an increase of 5.5% versus the first quarter of 2019. In the second quarter, we have turned over EUR 689 million, 5.9% less than in the second quarter of the previous year. But when we look at it month by month, we can see how it started to recover after a performance in June, achieving EUR 308 million. And in fact, the month of June, this EUR 308 million has been their highest turnover over last 12 months. And when we look at that one, if we had seen that 3 months ago, we would have thought it would have been very difficult to achieve this figure.

And therefore, we see that there is a healthy demand on mortgage lending, and within this context, we are going upwards as the quarter goes by. And you can also see at the bottom left with the latest data on the market share for new mortgages, we can see we're at 8.16%. And the truth is there we have increased considerably our market share.

In the world of consumer finance, we can't say the same. New lending in the first half versus the previous first half have fallen by nearly 48.5%. And on the right, you can see how new lending for consumer finance plummeted. There was a slight recovery, but it's much softer than what we have seen in mortgages. In fact, in the first quarter, we said that as a whole of the first quarter, the turnover fell by nearly 14%. In the second quarter, it has fallen by 78% versus the same quarter last year.

These important decreases on new consumer finance lending also has to do with our new risk policy. But if you look at consumer finance stock, this is not translated into a stock decrease. As you can see from the beginning of the year, we're keeping a very flat market share in consumer finance, just above 6%, and it has grown versus May last year. I would also like to remind you that our consumer finance business are -- we -- 100% of the consumer finance loans is given to Bankia customers that have the deposits in our bank.

We have seen growth in lending, and we are seeing an increase on card expenditure as well. So here, we can see the curve of the card purchases turnover. You can see in green, Bankia. In black, it's our proxy. What we can understand the market is doing, as you can see, we are performing above the market. But you can still see that V in terms of expenditure recovery. And we can see in the month of June, the expenditures in Bankia were growing by 10% versus June the previous year.

In terms of market share in payment methods, that's 1 of our main goals. We are growing both in the amount of cards. We have an 11% of the total market share in the market, but what's even more important, it's card's turnover. So obviously, our market share for card's turnover, as you can see at the bottom right, is also growing by over 60 basis points year-on-year.

In order to complete this, for retail customers, the moratoriums, I mean the solutions and measures provided to help families, both for mortgages, but for consumer finance here, you can see the details. We are about 6.4% for mortgages and 6.7% of consumer finance. So over 90,000 operations we've done as at 30th of June. And as you know, the limit to grand this type of operations is the 30th of September. So throughout July, August and September, we will see additional increases for this type of operations.

And in terms of savings, I would like to talk about the evolution on the performance of mutual funds. You can see how there's been a revaluation of the markets. Mutual funds have grown by 7.2% versus the previous quarter. In million euros, it's more or less at the same level as at the beginning of the year. Our market share for mutual funds continues to increase. We are -- if we compare the last 12 months, it's grown by 59 basis points; in the last quarter, 33 basis points. And we have again grown in market share to 7.38%.

And at the bottom, you can see the inflows -- net inflows. You could see in the first quarter -- in the previous quarter, we went up to March, we could see how the new inflows had plummeted in March. In April, it started -- been a little bit better in terms of mutual funds, but you can see how May, we already had positive results. June has been a good month. And for the data that we have, July is also going to be a positive month for net inflows of mutual funds. So the mutual funds really have recovered this quarter. And in the third quarter, we start with a good cruising speed versus the budget.

Pension plans, as you can see on the left, they are also increasing and recovering in the last quarter. And insurance, new production recovers, but at a slower pace than we would have liked. You can see how we were producing about 10% more than the average of 2019. That was in January and February 2020. But you can see the turnover of insurance fell to 30 when compared to the previous April last year, and it's been -- it's recovering. We hope that -- well, in June it reached 71, but still, there's room for improvement in order to reach the same levels as 2019.

And finally, a comment on digitization in this period. I will be very brief, because I've already been -- I've spoken a lot about the other items before. But we can see the growth of digital customers, we are -- over 57% of our customer base are digital customers. Our digital sales are also increasing considerably. And the Board of Directors has decided to create a committee to bolster the digitalization process of the bank.

Last Friday, our Managing Director of Digital Transformation and Strategy made a presentation to the media on the digital strategy of our bank and everything that -- all the details behind the figures. But if you have any questions, you can ask Investor Relations office, and they will provide you with this presentation.

And this takes me to the second part of my presentation, asset quality. As you know, we have a very biased portfolio on home mortgages with a very small part of consumer finance, only 4%. And with corporate and SMEs, that's also quite biased towards medium to large companies. You can see 73% of our portfolio are medium to large companies. This we can also see in the ICO lending provisions. Our tranche A was 7.8%. But on corporate share for tranche B for large companies, it was 12.4%. And we have no exposure to the sectors most affected by COVID-19.

The home mortgages, you know this very well. We know that we've gone through real estate crisis in 2008-2009. We've recovered from that. It has a new production that is quite young from 2016 with criteria that are very good in terms of risk. And the consumer finance, as you know, this is retail consumer finance and our customers -- well, the credit cards is very small.

So we have a very conservative risk profile. And in this sense, if we look at NPAs, the NPA ratios has decreased once again slightly to 6.2% and net of coverage with a coverage that's already 50% is at 3.1%, which is -- well, in the strategic plan, we wanted to have a net ratio of NPAs of 3%. So we are very close to that. So the performance of NPAs continues to perform appropriately.

In terms of the provisions, so you can see that here for a total provisions of EUR 547 million for the semester, about 60% is due to the overlay provision that we did in order to include macroeconomic problems due to the COVID-19 situation. In the first quarter, we did -- we had EUR 239 million. And in the second quarter, net, we'll go to EUR 308 million, but we'll be able to look at all the recurring provisions later.

If we look at the core results increase, we can see that the net interest income has grown by 1.3% and fees have grown by 5.8% up to EUR 300 million, more or less in line with what we said on the previous quarter. So we maintain that. Obviously, there has been a bit of a race to get to EUR 300 million. We try to reach an average of EUR 100 million per month, and we are happy with our cruising speed. That has allowed us to increase our core result for the quarter up to EUR 335 million. As you can see, not only is it above the previous quarter, but it's also above the quarter average in the year 2019.

Here, you can see the performance between the different quarters. The 19% growth of the core result was -- provided EUR 55 million of positive results. But then we've had the provision to the Single Resolution Fund, obviously. And we've had -- a total of EUR 60 million was given to the Single Resolution Fund and also the COVID provision increase that are those EUR 60 million of additional provisions.

And here, you can see the last comment about the quarter, the increases on capital. We have seen an organic generation of capital this quarter. We'll look at the regulatory and non regulatory aspects later. If we added things that are pending to be accounted for, the pending regulation would be at a capital ratio of 13.95%. But since I don't want to get into too much -- go into too much detail, I'll give the floor to Leo, and then we can talk a bit more about capital.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

Perfect. Thank you very much, Pepe. Good morning to everyone. Let's have a look at the quarterly results.

First of all, we look at this semester evolution. You can see that everything has evolved as we expected at the beginning of the year. Remember that the guidance that we gave was that in terms of net interest income and in fees, we would grow quarter-on-quarter, the first quarter would be the floor for both, and we also considered that on the second half of the year, we'll have a net interest income and fees that are higher to the first half of the year.

So these negative results that we can see in core results when we compare the 2019 to 2020, in the second half of the year, it'll be positive. And so we'll reach the guidance that we maintain and that we are still in agreement with, which is to have a core result that will be flat between both years.

In terms of OpEx, they are reduced, as you could see before, to 2.4 -- by 2.4%. And the ordinary provisions, even though we look at them later, are reasonably similar year-on-year. And then we had the EUR 310 million that Pepe mentioned in the first half of the year as an overlay extraordinary provision due to COVID 19.

If we go to the quarterly result, we think that the second quarter has been quite robust. In each item of the income statement, we see the performance that we expected. We see that the net interest has gone up to EUR 464 million. Fees, we've reached the EUR 300 million that we gave you as guidance per quarter. And then we also see that they are increasing month-on-month. So they are increasing by 5.8%.

In terms of other income, when we compare to the first quarter, you remember that in the second quarter, we have EUR 60 million of our Single Resolution Fund, as Pepe mentioned before, so that cannot be comparable. And in gross income, if we exclude those EUR 60 million, we can see an increase of 15% versus the gross income of the first quarter. Then we have a reduction on operating expenses. And in terms of ordinary provisions, they are reasonably similar, EUR 123 million in the second quarter versus the EUR 114 million that we had in the first.

We've also made the most of the good performance of the quarter to increase our provisions due to COVID as we have also adapted our macro provision to the new Bank of Spain scenarios, and we have also changed the weight of the 3 scenarios, and we have given greater weighting to the base and pessimistic scenarios. And that has led us to provide EUR 185 million for COVID provisions. So a total profit attributable to the group of EUR 48 million. And maybe what's more important is the advance of the core result that we mentioned before. So net interest income plus fees minus OpEx, that allows us to have a result of EUR 335 million or nearly 20% higher than what we had in the first quarter.

If we look at the net interest income, what we have seen is what we expected. We see a reduction on the customers due to the average yield of the front book, that's due to the change of the mix because we are providing more to businesses and less mortgages than we expected. However, part of this negative impact is offset by an increase on volume, especially for businesses. We haven't had a material impact from Euribor, and we've had an increase on the -- portfolio increase that we did in the first quarter and the cost of financing that is lower than we expected.

Additionally, as you've probably seen, we have a -- taking up fully the -- what we could do from the TLTRO III, a total of EUR 9.2 billion extra. And we estimate an impact over the next 12 months, so from June 2020 to 2021, of EUR 115 million. For this year, we estimate an impact of about EUR 60 million that we'll see in the second half of the year. That strengthens our message that the net interest income will continue to grow quarter-on-quarter and that the second semester's results will be better than the first semester.

If we look at fees, we see that we've reached the figure that we expected of EUR 300 million. And we can also see that these fees have grown month on month as we recovered commercial activities, as Pepe mentioned before. We also think that the second half of the year will be in terms of fees higher than the first half of the year. And so we maintain our guidance that the fees will grow at about double-digit versus what we had in 2019.

In terms of expenses, we can see a reduction of 2.4% year-on-year. That allows us to maintain our competitive advantage versus the weight of our OpEx on RWAs when we compare it to our competitors. And what we expect is that for the second half of the year, we'll have OpEx that will be similar to what we've had in the first half of the year. And so here, we do change our guidance versus the initial guidance where OpEx were going to be -- had a bit of inflation versus 2019. We believe that we can finish the year with a drop of about 2% on OpEx, and that will lead to a flat core result that I mentioned before.

If you look at the bottom part of the income statement, as you can see, the ordinary provisions are this semester at EUR 237 million versus EUR 219 million for the first half of 2019. And here, we can see that we are at EUR 123 million in the second quarter versus the EUR 114 million of the first quarter. So similar evolution. We have given EUR 310 million as an extraordinary COVID-19 provision. And in the second quarter, we have provided EUR 185 million. So you can see this compares to the 60% of the total of provisions, which are a total of EUR 547 million.

When we measure this in terms of cost of risk, what we can see is, the first 6 months of 2020, we have done an ordinary provision of about 27 basis points, in line reasonably with the 25 that we saw before the COVID-19 impact. And we have added the EUR 310 million, which go to 73 basis points, adding the COVID to the ordinary.

If we look at foreclosed assets, what we can see is that, in an ordinary fashion, we get to 32 basis points. And when we look at all the impacts of COVID, we get to 80 basis points in total for the semester. In principle, we keep our guidance that the second half of the year will be similar in terms of provisions to the first half of the year, and we'll have to see how the macro figures evolve. What we maintain is that the second half of the year, we'll have provision results very similar to what we had in the first half of the year. And so we hope to repeat this amount of provisions.

If we look at asset quality, we believe that this quarter has been very good. We can see that the NPL ratio decreases from the 5.04% that we had in December to 4.86%. Therefore, including also the coverage of -- or the NPL coverage ratio, that goes from 54% to 55.6%. If we focus on the NPLs this quarter, well, we've gone -- we've had a flat result, even though we have reverted a portfolio that we had agreed that really had to do with reperforming loans and the buyer, given the COVID-19 evolution, had asked us to negotiate the price. Given that these loans are contributing to our net interest income, we decided it was not necessary to sell the portfolio with a change on price. So you can see the evolution from net interest and back down to NPLs. So we can see that if we didn't have that, that would have been decreased.

So even though we are in the context of COVID-19, we can see that NPLs stay stable versus what we had in December 2019. The truth is that this is a better performance than what we expected when we gave you a guidance at the end of the first quarter of this year.

If we look now finally to the liquidity and solvency, in terms of liquidity, we maintain very solid liquidity ratios. You can see that the loan-to-deposit is still at 92.3%, just like in March. We have increased regulatory ratios for LCR and NSFR. We can also have a TLTRO that I mentioned before, that was up to 22.9%. And in the first half of the year, we've had a review by the main rating agencies that cover us, and all of them have maintained their ratings as stable versus what we had at the end of 2019.

And finally, we look at solvency. We think that this has been a very good quarter. In organic terms, we have generated 32 basis points of capital; 15, if we exclude the regulatory aspect that have been SMEs and essential services, even though we have provided EUR 310 million for the COVID provision, EUR 185 million of which in this second quarter.

On this ratio of 13.27%, then we see the other regulatory impacts. First of all, you can see the IFRS 9, the temporary calendar of IFRS 9. That gives us 41 basis points in 2020, and then also the adoption of the software deduction as per the quick fix, that has provided us 19 basis points. And the adjustments of the unrealized gain/losses also due to the quick fix, that provides us 8 basis points. So with all of this, what we can see is an increase of 100 basis points in regulatory ratios. That at the end of June, we'll be at nearly 14%, 13.95% exactly.

This, if we look at -- if we increase it to the fullest, it gives us a buffer of CET1 that is higher than 660 basis points. If we also look at the MREL ratio, this will be, with all these regulatory impacts, at 22.41%. So we believe that this is a very robust performance in the quarter, both taking into account the organic ratios and the regulatory impacts that will place us up ahead in the lead in terms of solvency in the Spanish national market.

Very good. So to conclude and just quickly, I would just like to reiterate what we said before. We are happy with the quarter, a quarter where there's been a great growth on lending to businesses with year-on-year growth of 20%, where we have seen a recovery of retail businesses, more so in some items than in others, with a new reduction of the NPA ratio. In these extraordinary circumstances also, both the net interest income, like -- and fees have grown. And in terms of the fees growth, I think, it shows that it was right decision to adopt our commercial position at the end of last year, with a core result increase, and as we said before, with a greater capital generation. Organic capital generation, excluding all the regulatory aspects and that if we add the regulatory aspect, it will allow us to have a pro forma ratio of 13.95% fully loaded. And I think that's all. Shall we go to the questions?

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Yes. Thank you very much. We now move to the Q&A session. Please if you could get the first question through? Yes, please, first question.

QUESTIONS AND ANSWERS

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Okay. So I'll start reading the questions that we have received from Britta Schmidt from Autonomous. She says with regards to asset quality, bearing in mind the ways that you have allocated to the Bank of Spain scenarios, what are your expectations for the repayment of the loans that are currently on moratorium? And also what is the NPL ratio peak that we expect given the accumulated provision of EUR 310 million?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Okay. Well, these are very difficult questions to answer because really, what we all have is a high level of uncertainty in terms of how the pandemic is going to evolve. In terms of moratorium payments, we'll have to see how it goes. It's true that an important part of those moratoriums are precautionary moratoriums. Behind them, there has been a commercial offering to those customers that due to precaution measures, they could face problems in the future to pay those mortgages because it's what's relevant in terms of [million euros] of our moratoriums. And in that sense, I think it's difficult to give you a figure of what could be expected in terms of non payment of those moratoriums.

In any case, this performance, what we'll have to see, the peak of NPLs due to those moratoriums would take place in the second quarter of next year. And it will be then when we'll have to see how the portfolio is faring. It's -- we also do not have any details in terms of behavior to see how these customers are evolving. What we are seeing is that there are some customers -- remember that we had the voluntary moratoriums and then the royal decree moratoriums that were more for more vulnerable groups. And what we could see is that the others that were for 3 months when we've had to renew them, many customers have found a job again, and they said they don't need to extend the moratorium any further. But I do not dare give you a figure. We'll have to see. We'll have to see in the future. In any case, the growth of NPLs where we would have expected it for the first half of next year and more specifically for the second quarter of next year.

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Thank you. Britta is also asking about dividends. She says, given the large capital increase of the quarter when we have a depressed revenues scenario, how do you expect to manage dividend expectations, if they are based on our target when compared to the MDA buffer or a payout ratio? And how do you see the ECB comments on paying dividends?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Well, it's easier than the first question because the ECB's recommendations are clearly understood. The fact there is deferring the payment of dividend, so recommended that deferred till next year. As you know that doesn't affect as much. Our dividend was approved at the AGM before the current recommendation. And we decided to do a dividend payout once a year at the closing of accounts. So at the end of January, is when the Board with all the information available, will decide on the dividend policy.

Our dividend policy has always focused on payout, but mainly on capital excess. Remember that our goal has always been to return capital excess above 20% fully loaded, which was the ratio that we considered was cautious enough to shareholders. That has been our commitment and continues to be our commitment. But we also said that we need a little bit of clarity and certainty about the figures because what's clear is that the pandemic has changed everything, and therefore, we'll need a bit of perspective in order to make any decision. But I insist the decision to -- of capital distribution should be based on the total capital levels that the company has, and whatever excess it has at any specific moment of time.

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Thank you very much. Operator, could we go to the questions?

Operator

Yes. Can you hear me now?

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Yes, we can hear you now.

Operator

(Operator Instructions) So the first question comes from Marta Sánchez.

Marta Sánchez Romero - *BofA Merrill Lynch, Research Division - Director and Analyst*

The first question is a follow-up in terms of asset quality. We have seen an increase on the NPL stock in the first quarter -- well, versus the first quarter. What is this due to? What are the vectors that are more vulnerable? Thank you very much for the guidance for provisions for the second half of the year. I know that it's still early, but where do you see the cost of risk for 2021? At least where do you imagine it will be? And in terms of fees, we have seen a very strong performance this quarter, given the commercial policy that you've implemented. In terms of accounts maintenance fees, is there anything extraordinary this quarter? Or what you have seen this quarter, can it be repeated in the future?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Thank you very much, Marta. If you wish, I'll start from the last one. In terms of fees, there's nothing especially extraordinary or nonrecurrent. It depends on -- it's down to our -- the change in our commercial positioning. And we have a large group of customers do not pay fees. And in order to be part of that club, what we asked was some additional requirements. So in that sense, there's nothing extraordinary this quarter in June. We have had some additional fees or higher fees from the generation of asset production not linked to ICO, but capital margin. And every quarter, there is something that is ordinary that improves more than expected. So nothing special. And in that sense, we think that the cruising speed of EUR 100 million a month is sustainable for the second half of the year. Due to volatility, obviously, month-on-month, that will be more or less the figure.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

In this line, maybe Marta, I would only like to highlight that when we compare it to the first quarter, this quarter has 3 months of the new commercial positioning, whereas in the first quarter, we only had March in that new commercial positioning. That's why there is a great increase on the second quarter versus the first quarter. But obviously, from now on, we'll have 3 months in each quarter of the same commercial positioning. So the next 1 should be similar to the second quarter.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Okay. The increase on the NPLs in the second quarter is due to the fact that we have declassified a portfolio that we were going to sell, an NPL portfolio that we had a binding offer for in December, we took it out of NPLs to asset and the sale and then at the closing of the operation, it came out of the balance. So what happened, when we got to the closing in the second quarter, the buyer in this special situation, wanted to change the criteria of the operation and we thought it made no sense really to force the situation. So we've classified it again as NPL. And that's why -- I mean, it's the same amount for the sale that we had in last year and that we have, again, now in our books. As Leo was saying, this is a reperforming mortgage portfolio. These are mortgages that are on NPL -- considered NPL, but they are being paid for. So you had a sale price of about 20% of the nominal value, and it has a lower coverage than the whole of the NPLs. So even though that NPL coverage goes up, it would have increased even more if we hadn't declassified this portfolio.

And if we leave that aside because it's a one-off and it has nothing to do with the macroeconomic, the situation it has to do to the buyer's decision. The truth is that everything else has evolved properly. We haven't seen increases on nonperforming in the mortgage loans nor on businesses or in consumer finance. We follow-up those, not just the NPL ratio, but also the stage 2 fee default. In the annex of the presentation, you have the Stage 2 evolution, what we call special surveillance. And the truth is that the performance has always been good over the quarter. And it's true that this is also due to the moratorium policies and to the ICO launch policy that is helping, is maintaining those portfolios. And as I was saying to Britta before, we'll have to see in the first half of next year, after 12 months have gone by, what part of this portfolio had problems, and what part of this portfolio with moratoriums that did not have any problems.

So giving a guidance on provisions for 2021 is difficult. It's difficult to give a guidance on the second half of 2020. So imagine 2021, I'll rather wait. Also because every time we give a figure, we give a figure, and if we move 1% up or down, it's a mess. So you imagine giving guidance on 2021. We look at the second half, we'll see if -- what we expect of the second half happens, if things go a little bit better and then we'll talk about 2021.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

As Pepe was saying, just quickly to mention the different performance of nonperforming ratios, when we look at the excel spreadsheet, you can see that the NPL ratio for mortgages increases due to the portfolio that Pepe mentioned, not to the ordinary issues but due to the nearly EUR 300 million of the portfolio that went from performing to nonperforming again. And you also see an NPL ratio increase on consumer finance, but it is not due to NPL, it's to increase on market share. And also, you'll see a reduction of businesses NPL ratios due to the progress, the evolution of the semester. We can say that we haven't seen any important things. I don't know if we've heard it properly or not.

Operator

Domenico Santoro for HSBC.

Domenico Santoro - *HSBC, Research Division - Analyst*

I'm from (inaudible). If you could repeat the guidance of provisions for the second half?

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Pepe just mentioned it.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

No, I'll repeat it. We'll repeat everything that we've said about this. We're seeing a second half with a net interest income that is higher than the first half. We are seeing a second half with fees growth is also greater. We see a second half with OpEx that will be similar or slightly lower than the first half. And we are seeing a second half with total provisions that are similar to the ones of the first half.

Operator

Next question is from the Gonzalo Lopez line.

Gonzalo Lopez Eguiguren - *Redburn (Europe) Limited, Research Division - Analyst*

I have a question about costs. You said your guidance is much better than the initial guidance that you had that was -- had a bit of inflation. So we'd like to know the drivers that you have for the OpEx reduction. And if you have also greater visibility about staff cost reduction after having signed the collective agreement or the reduction of branches of about 140 -- a reduction of 140 branches that we expected. So any elements that could help us explain with the reduction of costs? And the second question is regarding capital, you have mentioned key elements of capital. But I would like to know if you expect any negative element, any in terms of regulatory burdens for this year. Maybe some trim that it seems that it has been anticipated by the test. So I don't know if you see anything else for capital this year.

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Thank you very much, Gonzalo. Would you prefer costs or capital?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Capital.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

Okay. So I'll talk about costs. In terms of costs and expenses, well, we haven't signed yet the collective agreement. In fact, the idea is -- the deadline that we have is tonight. So collective agreements tend to be signed off really late. So given that today is a day of negotiations in terms of the collective agreement, you have to allow me not to be too explicit on this in order to avoid different issues from coming up. It is true that we have seen a second half where the closing of 140 branches will lead to savings, savings in terms of rent, you will also allow us to have further collateral savings due to the closing of those branches. Also, we are working on efficiency plans and all in all, what we are seeing is that the OpEx will go down by about 2% for the whole year. And we hope that in the second half, it's -- the costs are lower than the previous -- than in the first half.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

In terms of capital, we do not expect anything important for the second half in terms of regulatory aspect. Our guidance is that we'll keep a capital level that will be quite stable to what we have now, maybe slightly higher, but very much stable. Other expense of receiving in the third quarter, we expect the approval of the behavioral model for mortgages as you know, we have been discussing with the ECB for quite a while. So there has been a slight delay on this because of the COVID, but we hope to receive it in the third quarter. And obviously, that will need to increase our capital ratio. But this -- if we leave that aside, in organic terms, what we see is ratio performance that will be similar to the current ratio.

Operator

The next question is by Francisco Riquel from Alantra.

Francisco Riquel - *Alantra Equities Sociedad de Valores, S.A., Research Division - Head of Research*

First, I would like to know if you could talk a little bit more about the moratorium portfolio. More specifically, if you could tell us what's the -- the average LTV for that portfolio? How much of it -- just talk how many people are in furlough? And what you could tell us about the moratorium portfolio? And then a follow-up on what Leo said about the models for this next quarter. If you could tell us what we can expect the potential impact of capital of these models in the third quarter.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Okay. Once again, if you have to choose -- which one do you want?

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

We go to models.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Okay. Well, I don't have here specific information about the moratorium portfolio. The truth is that the feeling I get with the data that we have seen over the last few months, it's not very different. The average -- the EUR 4 billion in the portfolio for moratoriums is not different to the average. So it changes month-on-month, really. I mean, when you look at the process of people going into furlough in general, in the economy as a whole in Spain, and when you look at the exit process month-on-month, it's gone very fast, but I can look up the data and give it to you later, if you wish. But this will be an interesting thing to follow-up over the next few months because April, May, June, there have been some changes, people that have gone back to work, et cetera, and it's been quite quick. And so I think we have to take greater perspective. We have to see how this evolves in the second half of the year. And so I cannot give you very specific information about our portfolio. The hypothesis that I would accept is that it's an average of the mortgage of the historic mortgage portfolio that we have. And then in terms of the models, on potential effect?

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

Well, the model as we've said, we wanted to have received it by now. We expected so, but everything is being delayed, obviously, due to the situation we are undergoing, but we've spoken to them recently, and we hope to receive the letter over the next few weeks of the third quarter. Until we receive the letter, we'll not be able to have a quantitative assessment of the impact. In any case, as we have said in the past, we expect the impact to be quite material.

Remember that the current model that we have, the IRB model that we have has a risk weighting on mortgages of about 33%, 34%, and that is weighing about 50% of our portfolio. While the other 50% of our portfolio is under standard 35%, so an average of 34%, 35%. When we compare this to some of our peers in Spain that use behavioral models for mortgages, as you know very well, the risk weighing is of about mid teens.

Also we said in the past, we do not expect to reach those levels due to the new regulation of the EBA guidance, et cetera, et cetera. But maybe it's not crazy to think that we will be around the 20s, mid-20s. So in any case, the impact should be quite material, quite important on the total of our mortgage portfolio. Remember that this affects all our portfolio, both the standard part and what we have on ERB.

Operator

The next question is from Ignacio Ulargui from Exane.

Ignacio Ulargui - *Exane BNP Paribas, Research Division - Analyst*

I have 2 questions. One to do with commissions. Going back to the experience that you're having with customers, once you started charging the maintenance fees, are you seeing an increase on people been more loyal providing increasing the amount of loyalty with you? Or are they leaving? Also, is there an important weight of the financial institutions' investments in quarterly basis. I don't see really what's behind us, if you could explain it.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Would you like to talk about the guidance? Okay. Let me ask about the fees increase. And what we've seen over the last few months, what we have seen in the first half of the year. It's true that with the lockdown, things changed a bit. In June, things changed again. We see a greater amount of customers that have greater loyalty with us. We've had a great amount of customers that have gone to be part of that club of no fees to be part of this club, apart from direct deposits, you also need to have an amount on mutual funds or an amount on insurance or the use of the credit card as a payment method. And this in 1 way or another, also promotes the other fees, not just the current maintenance fees, but also other fees. But I think that the performance has been positive. We are happy with the new commercial positioning. It's also logical, reasonable that some customers leave, but the people that are leaving is a minority. And what we are seeing is that customers who had less products with us are now having greater products with us.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

So both in terms of the income statement results and customers' results, we are quite happy with this new positioning. In that item, we include the negative interest positive for us, what we charge due to the funding for bilateral through (inaudible). And this quarter, we've seen benefit, not just of the TLTRO III, but LTRO, the weekly auctions that have taken place and that we have now took them off for the TLTRO III, the end of June. So this is really for the LTRO remuneration that has increased in this quarter.

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Okay. Next question.

Operator

Next question is from the line of Carlos Cobo from Societe Generale.

Carlos Cobo Catena - *Societe Generale Cross Asset Research - Equity Analyst*

I wanted to ask your question about DTAs that have an important weight on your balance sheet. We had seen a decrease of the interest rate, low yield, and now we're facing a new crisis that is impacting the cost of risk. I would like to know under what scenarios would we reconsider an impairment or whether because they are a nominal value, the time to recover them shouldn't affect that value on the balance sheet. And also, I would like to know the stress test that you've done and when there could be an impact. And that's the first question. And then on the other hand, in terms of costs, expenses. How much of the OpEx decrease that you see, the 2% for this year, how much do you consider is seasonal because we are in a unique period where there are less travel taking place, less expenses? So what part of the 2% is nonrecurrent? Or do you think it's recurrent and there's a commitment to keep this 2% decrease?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Thank you very much, Carlos, for your questions. The second question, just quickly, the answer, well, our idea is to have the new cost basis at 2% lower than the previous year. And after that work on the OpEx for 2021, '22, et cetera, our idea would be for this to be permanent so that they are not just seasonal, but rather permanent in time. In terms of the DTAs, let me tell you, and maybe you can talk further about that. The world of DTAs, as you know, we have 2 large groups. The ones that we can monetize and there's that we can't. Every semester, when we do our accounts, we do our analysis, our estimates and with the external auditor, we look at the possibility to take on those in the balance sheet. The ones that we can monetize are sustainable by default because, well, you know how they work, and they tend to have their own life. The non-monetized are deducted 100% of capital. So any future effect will be between income statement and capital, but we've had an effect 0 in capital. In any case, when we have looked at the semester, we have done the test again, we have compared it with the external auditor, and we consider that, bearing in mind the period of time and the situation in Spain, we consider that they are sustainable on the balance sheet without too many problems.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

Yes. In fact, you need to know that we have a recovery period of 20 years, more or less. So despite the low-margin that we have now from a tax perspective to recover DTAs because we can only apply 25% of this in the first few years, so you don't notice it so much, but you have a very long period to recover it. So reduction on the revenues on the first few years -- well, because we only can take out 25%, and it's not affecting much. And on your concern of a potential tax review, every new stress that we put on the Spanish, given the new stress that we're going to put on the Spanish public accounts. So do you think there could be any changes to the monetization, I guess you won't be able to change anything because that's what the law establishes, but there's a risk there, right? Well, the truth is that it's not something that is on the table or that has been mentioned. This is an agreement that was reached over time by the Kingdom of Spain in negotiations with Europe. And really, this is something that is outside any discussion. I would just like to remind you that on that guarantee we paid an equity provision, so the Kingdom of Spain is receiving revenues now.

Operator

The next question is by Alvaro Serrano from Morgan Stanley.

Alvaro Serrano Saenz de Tejada - *Morgan Stanley, Research Division - Lead Analyst*

Just 2 questions. One on provisions. You have said flat in the second half versus the first half of the year. If banks of Spain had a crystal ball, and the model didn't change, are you accepting that in the second half, 60% of the provisions that really you have provided in the first half will be replaced with more specific provisions, reclassifications from Stage 2 to stage -- sorry, from Stage 1 to Stage 2 or a change of provision mix, is it because of provisions for default? Or do you have any comments on the provision mix for the second half of the year? And then I also wanted to ask about M&A consolidation. So you have 14%, more or less, you've said that the model is imminent. There are some press releases that mention that consolidation will be back on table. In the past, I think you've said that the model disruption made you not want to take the step forward, but given their activities will be lower in principle now given the moment of time, what do you think about consolidation with the ECB also adding pressure?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Well, I'll ask the provisions and you'll answer to the consolidation, if you wish. In provisions, you are right, Alvaro, the truth is that we have to have a crystal ball really to think what will be the provision figure. When we say that we will keep same provisions as in the first half, this is a work in hypothesis with which we are doing our financial planning. But it is true that we don't see the recurrent provisions reaching that level in the second half. I think there is room for those figures to be slightly better if the model provisions remain the same at the end of the year. So that means that the macroeconomic scenarios wouldn't have changed, wouldn't have turned worse and that will continue to be the ways that we saw -- that we've attached to the presentation.

About EUR 310 million provisions, I would like to make a quick comment. The truth is that when you break them down per portfolio, what happens is that the mortgage portfolio consumes a bit less than 20%, even though it's more than 50%, 53% of the loan stock, and the consumer finance consumes a little bit more than 30%, even though it only account for 4% of our stock. And the other portfolios, businesses, mainly plus the others, will consume the other 50% of these provisions. Just to give you an idea of relative win and also because this morning in the presentation of the ECP for the stress test exercise, there is a detail on this. And in terms the group as a whole, it's more or less the same, 50% of the macro businesses, another 50% with mortgages and consumer finance with a way for consumer finance and mortgages now a bit different. So when we compare portfolios, we have to bear in mind that we have different ways on our portfolios. And the way of the provisions could be quite different, which would be logical anyway.

And in terms of consolidation, well, I think there are 2 things here. First of all, the evolution of our capital ratio in pro forma, it will be close to 14%. We think, as Leo said, that soon we'll have the new model approval with a pandemic, with a lockdown, that has affected the whole approval process. But we think we have an approval commitment. And therefore, that will lead to a capital excess, an additional capital excess. And I think what I would say that is that the commitment that the management team in Bankia has always had is to use that excess capital to put it to value to shareholders. That has been our commitment. And it is true that now we are at the time of disruptions. There's instability. It's more difficult to have clear ideas. We're talking about structuring before, but that is the commitment that we have, which is to put that capital excess to provide value to the shareholders.

It's true that the ECB has published a guide, trying to make things clear in terms of consolidation, that is something we'll have to analyze, but we'll have to see it maybe when we come back from the summer period, after August, as we have greater clarity on all these uncertainties that we have ahead of us. So in terms of consolidation, I can't give you -- I can't shed much light. I am really sorry.

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Now we'll go to the next analyst, please. Just 1 question because there's quite a few of you to ask, and this is an interesting call. We have an interesting call afterwards.

Operator

The next question is from the line of Andrea Filtri.

Andrea Filtri - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst*

With regards capital and capital return, could you clarify if following the ECB letter on dividends, especially on the perimeters, are you going to comply with restrictions even if taking into account the entity and the change in reporting versus IFRS 9, which are you going to use to define capital return to shareholders if and when this will be allowed again?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Thank you very much. Would you like to answer on the first question? I'll answer the second. Starting with the capital ratio that we use as a reference, our idea is to use the capital ratio without staging, without phasing in because we understand that phased capital has a reduction in the future. And so our idea would be to use that capital without facing elements when making decisions on capital excess in the future.

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

On the first question, when we talk about dividend and capital return, we also always talk about Bankia's perimeter. It's Bankia that pays out the dividend, I mean, this year, which is part of -- from -- will take on its own decisions regarding the dividend that we receive, the dividend that they received from Bankia, but we only spoke on behalf of Bankia.

Andrea Filtri - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst*

But sorry, does this mean anyhow that you are complying with the dividend restrictions even if the regulator say...

Leopoldo Alvear Trenor - *Bankia, S.A. - Deputy General Director of Financial Management*

Yes. The answer is yes. It covers both Bankia and BFA.

Operator

The next question is from the line of Ignacio Cerezo from UBS.

Ignacio Cerezo Olmos - *UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst*

Just 1 question. In terms of loan demand for corporates, do you think that there is a degree of anticipation for loan demand in the next years because, I guess, companies are being quite cautious in the liquidity management? Or do you think in '21, '22, there will be normal loan demand, in line with the cyclical lines?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Well, yes, in fact, we think there is anticipation there's been a loan demand because of proportion, in some cases. Over the last quarter, we believe, however, that we'll continue to see growth in loan business portfolio in the second half of the year, we'll continue -- we believe that the demand will continue to be there. And when we think about '21 and '22, I think demand will be very much conditioned to the economic performance, the market performance. And then all the pension plans that we expect to have in Spain also in terms of sustainable economy and digitization, there is a lot of money reserved for those type of investment plans. And we can -- we believe that will lead to greater investment demand for growth in the year '21 and '22.

Operator

Next question is from Carlos Peixoto from CaixaBank.

Carlos Joaquim Peixoto - *Banco BPI, S.A., Research Division - Analyst*

Just 1 question. If we look at your guidance, the income flat with OpEx falling by 2% and the EUR 100 million of fees per month. That means that you will have a drop on the net interest income of about 7% year-on-year for the full year with EUR 480 million of net interest income for the next quarters. So am I interpreting this right? Or are my calculations wrong?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Thank you very much. But we haven't let much space -- we haven't left much space for interpretation. We said that the second half, the net interest income will be higher than the first half. Fees in the second half, also higher than in the first half, a cruising speed of EUR 100 million a year amount on fees, and OpEx, that also will be lower. So I don't think there's much room for misinterpreting the data. So in that context, that's what we're working on, yes.

Operator

.

The next question is from Maria Ropero from Fidentiis.

Mario Ropero - *Fidentiis Equities S.V.S.A., Research Division - Senior Banking Analyst*

My question was if you had observed pressure on spreads. And if that is the case, if you expect this to continue in the next few months?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Spreads. Well, I guess you talk about loan spreads?

Mario Ropero - *Fidentiis Equities S.V.S.A., Research Division - Senior Banking Analyst*

Yes, yes.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Okay. Well, we are not seeing much pressure on spreads. In fact, the entry prices in the front book in the second quarter have been slightly higher in the first quarter, also depending on the portfolio, but we are not seeing much pressure on price, especially in businesses. I think the prices are flat, or maybe increasing slightly. But bearing in mind the uncertainty situation on the performance of the spreads of the bonds in the mortgage world. This also quite -- is quite calm in terms of spreads. So apart from the effect that it will have on our variable rate portfolio, apart from that, we are not seeing much pressure on spreads really.

Operator

Next question is from Fernando Gil from Barclays.

Fernando Gil de Santivañes d´Ornellas - *Barclays Bank PLC, Research Division - Research Analyst*

I have a question about court costs and the ruling of the European Court of Justice on mortgage expenses. What could you say about the opening fees?

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Well, there have been 2 rulings by the court in Luxembourg about mortgages. One has been about the new signing of mortgage fees and also about opening fees. The truth is that we understand that the first 1 is very much aligned with what we had before. Europe basically says that the distribution of costs at a national level have to be respected. In Spain, as you know, it was very clear that the tax, which is the most important part of about 50% of the new signing of mortgages and plus the legal costs are down to the customer. The court decided to do an expense distribution that the parliament in the new mortgage law maintained and that's what's been applied by the courts. And so I don't think there'll be much changes there in that aspect.

Regarding the opening fees for mortgages, the court in Luxembourg basically says that this is a valid fee that can be applied. But as any other fee is -- has to be -- has to abide by the transparency laws in the country and that they will be the national judges, the ones that have to make sure that, that happens. In 2016, when we launched our new positioning, our new mortgage positioning, we are marketing mortgages with no fees, no opening fees, no cancellation fee, no partial payment fees. And so in that sense, we believe that the effect is very limited. So we don't see huge changes. The amount of claims for fees are very limited, both in terms of number and in terms of the economic effect that they have, they're covered, and we do not expect any changes. Thank you.

Iñigo Velázquez - *Bankia, S.A. - Head of IR & Rating*

Well, thank you all very much. We also had a question from [Max], JB Capital and Benjie from Jefferies, but they were answered with the answers given to other analysts. So Max or Benjie, if you like any clarification later on, do please get in contact with us. We will be here as well as for the other analysts. We'll be working also in August. We'll also take holidays, but there'll always be someone here, and we wish you all a great summer. Thank you very much.

José Sevilla Álvarez - *Bankia, S.A. - CEO & Executive Director*

Thank you.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]
