



# Overview of the Strategic Plan 2018-2020

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CFO

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**1**

OUR STARTING POINT

> Strategic Plan

Our path: 2012-2017

Where do we come from?



We have met the **targets**

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## LINES OF ACTION OF THE NEW PLAN

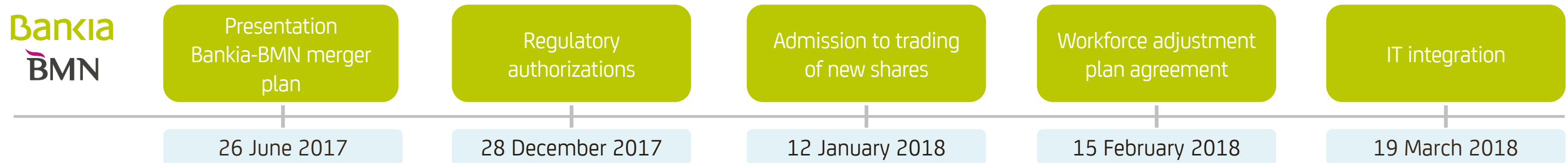
> Main themes of our Strategic Plan

## Four main themes underpinning our Strategic Plan

- 1 Execution of BMN's integration**
- 2 Efficiency and cost control**
- 3 Business growth**
- 4 Accelerated reduction of NPAs**

- > Main themes of our Strategic Plan
- Execution of BMN's integration

## Goal: Same Identity, Culture and Management Style



### Challenges

- 1. Unify commercial management**
- 2. Consolidate a single network**
- 3. Integrate customers consistently**



- *NEO operating system*
- *Commercial systematic approach*
- *Operational Management, processes & transactions*
- *Sales team Management Styles*
- *Same culture and values*
- *Same positioning*
- *Same sales intensity and quality*
- *Positioning: Closeness, Simplicity and Transparency*

**IT integration in 3 months**

➤ Main themes of our Strategic Plan

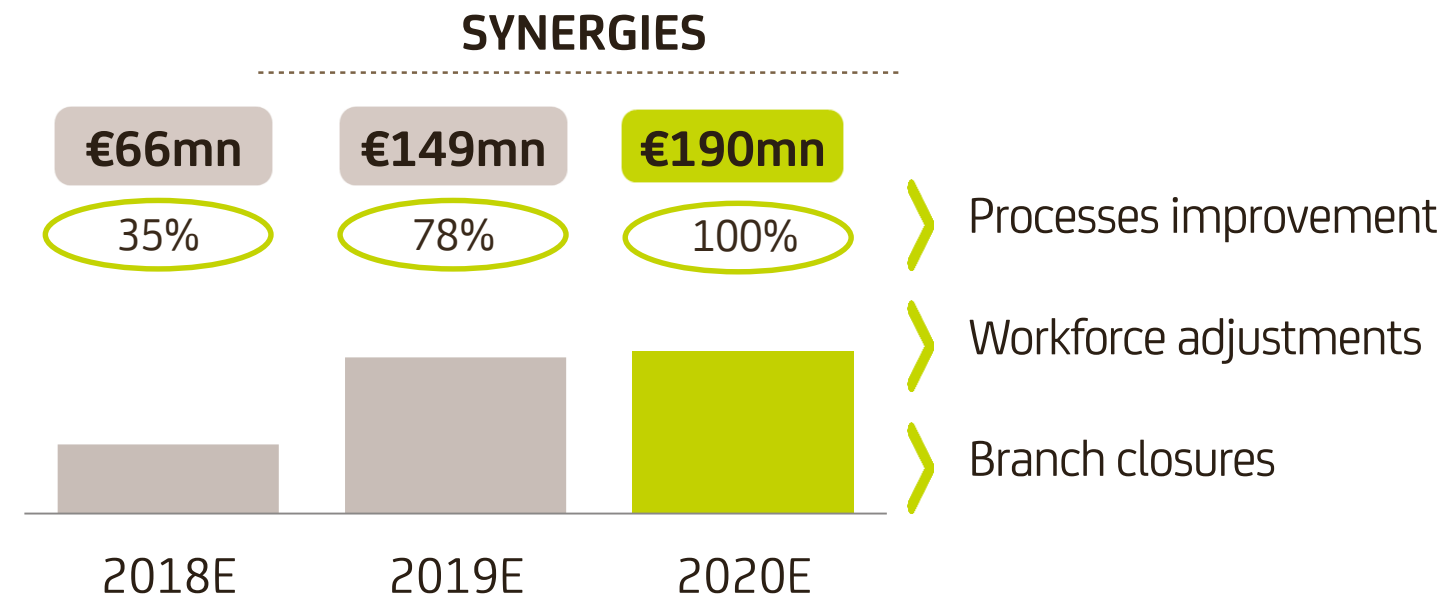
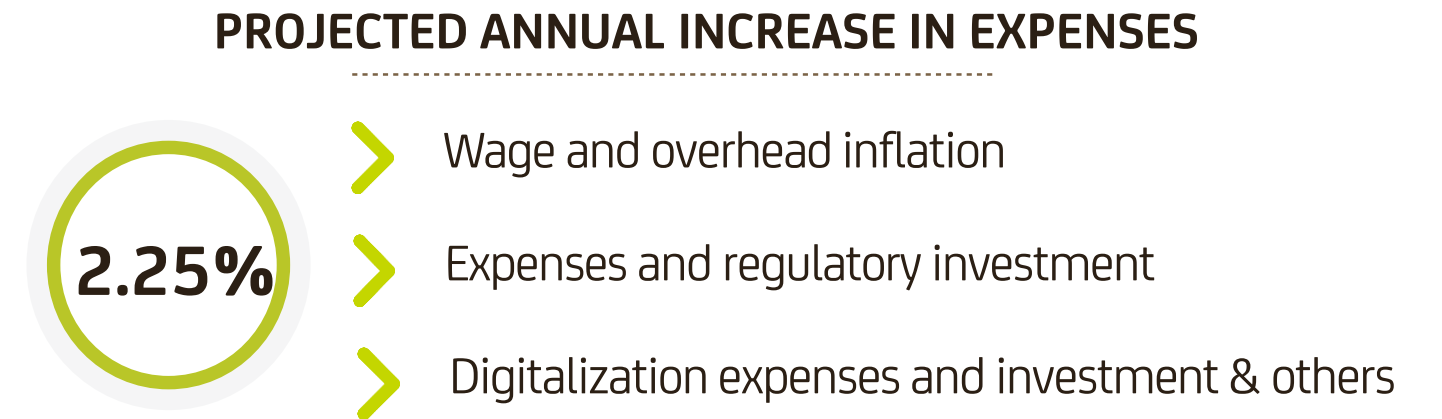
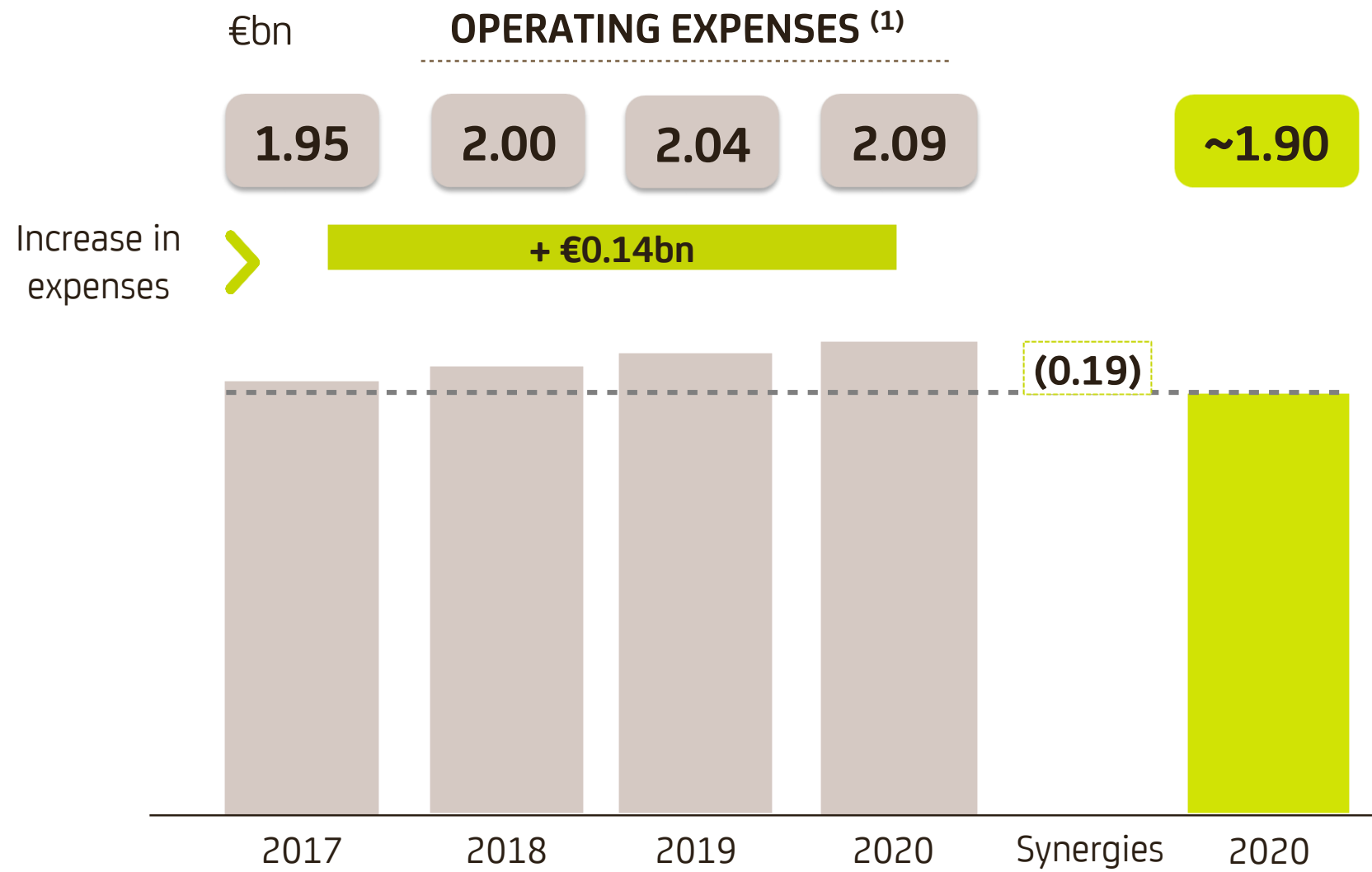
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- > Main themes of our Strategic Plan
- Efficiency and cost control

## Synergies derived from the integration with BMN exceed the announced €155mn



**BMN restructuring expenses already provisioned in 2017**

➤ Main themes of our Strategic Plan

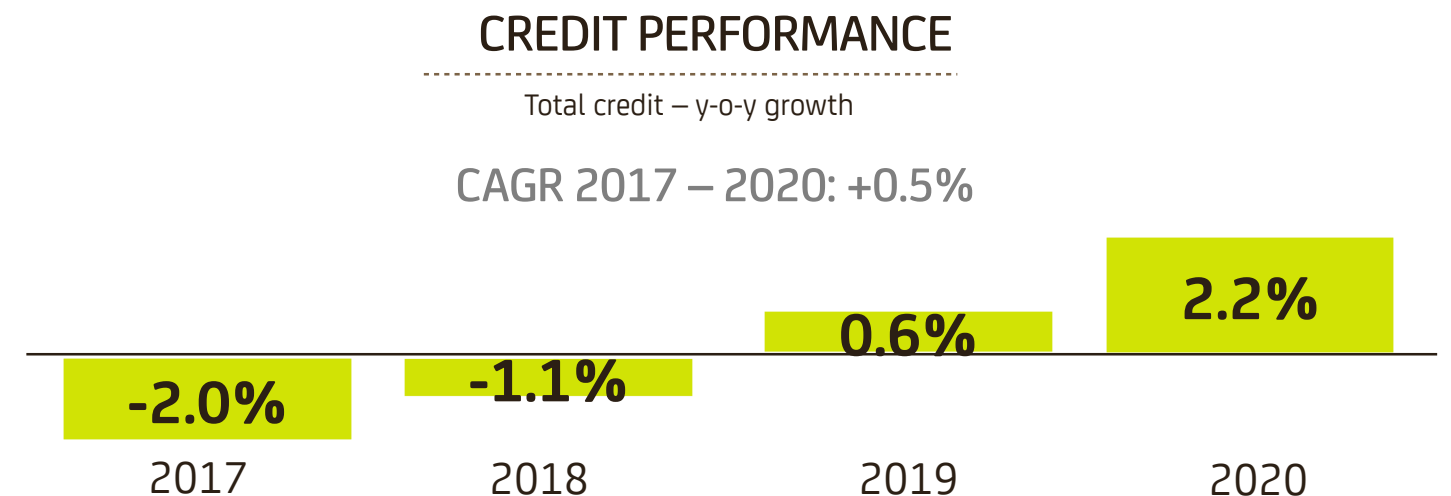
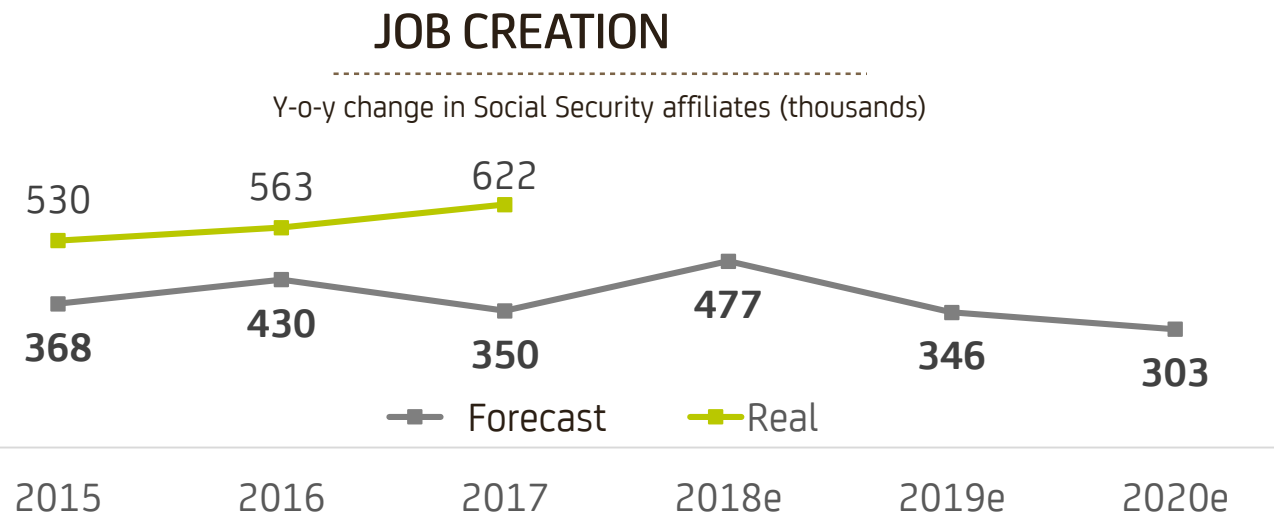
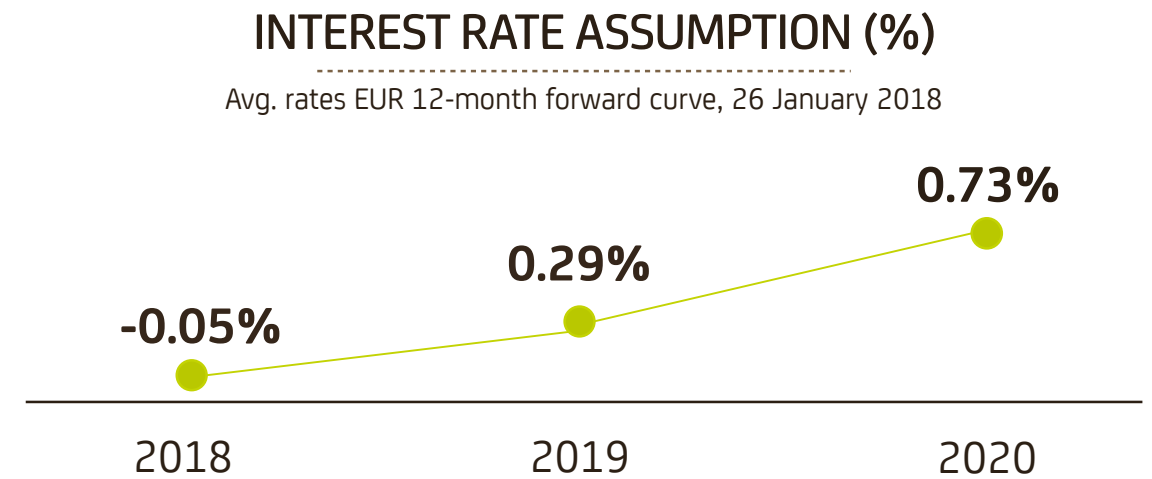
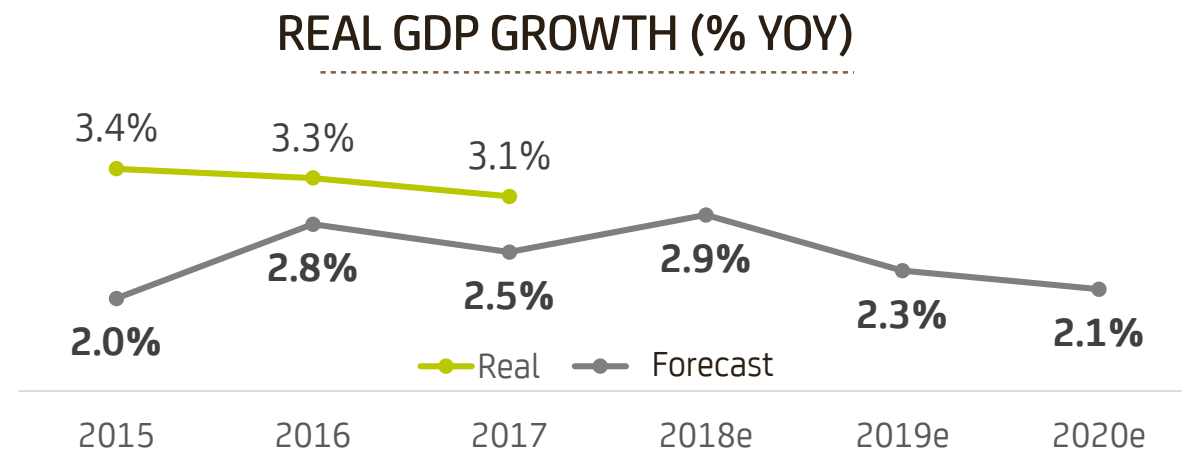
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> Macroeconomic environment

Macroeconomic assumptions 2017-2020: Main indicators

**Main assumptions behind our projections**



**Macroeconomic trends favourable to banking business growth and asset quality improvement**

> Financial breakdown

Main assumptions of the Financial Plan

Scenario 2018-2020

Yield curve

The plan **assumptions** are **based** on the **forward curve of 26 January 2018**:

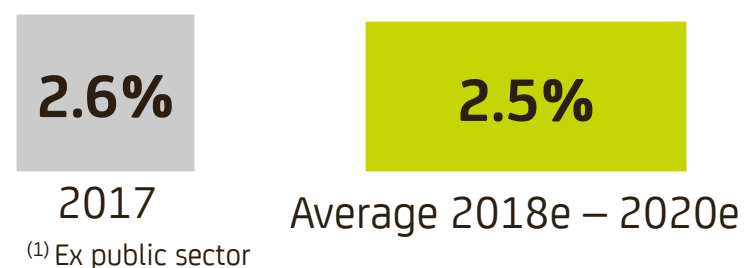
	2018	2019	2020
Eur 3m	-0.30%	-0.01%	0.44%
Eur 1 year	-0.05%	0.29%	0.73%
Eur 1 year rep*	-0.11%	0.17%	0.58%
IRR 1yr Spain	-0.28%	0.11%	0.58%

Average rates for the period. Source: Bloomberg

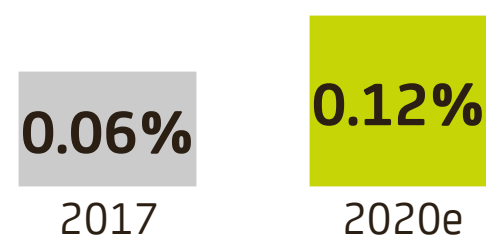
\* Average rate for the mortgage back book considering lag effect of depreciation

Spreads

- Average spread on new lending <sup>(1)</sup>:



- Average rate on new retail deposits:



- The Plan includes wholesale debt issues that allow to reach an MREL ratio of 20% by 2020

Volumes

LOANS AND RECEIVABLES EX NPLS PERFORMANCE (€BN)

CAGR 2017 – 2020e

**Total portfolio: +1.7%**  
 Housing : -2.2%  
 Businesses: 7.9%  
 Consumer finance 16.2%

- New lending:**
  - 82%** of new loans attributable to **market** performance
  - 18%** due to **market share** gain

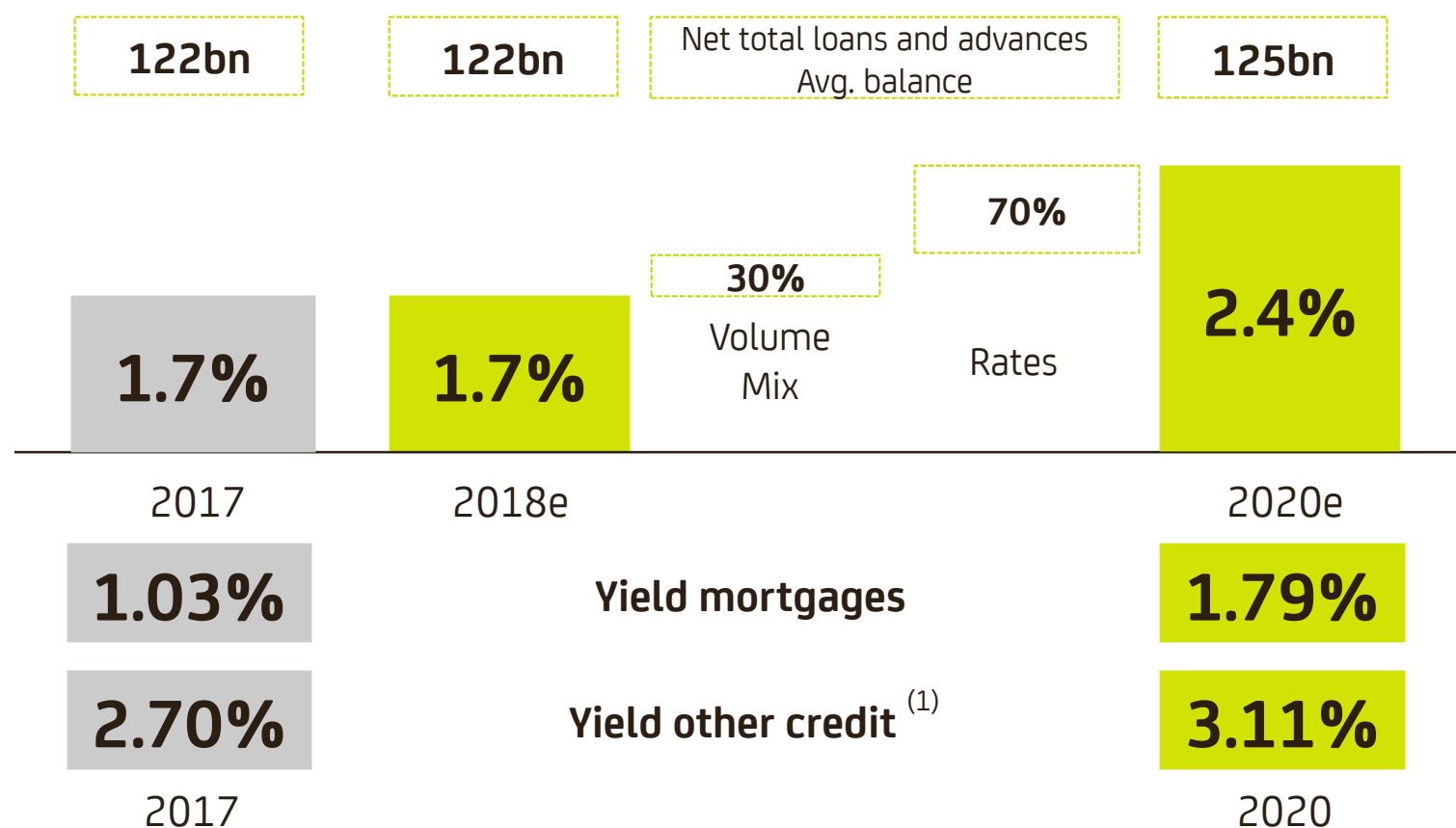
> Financial breakdown

Interest Margin

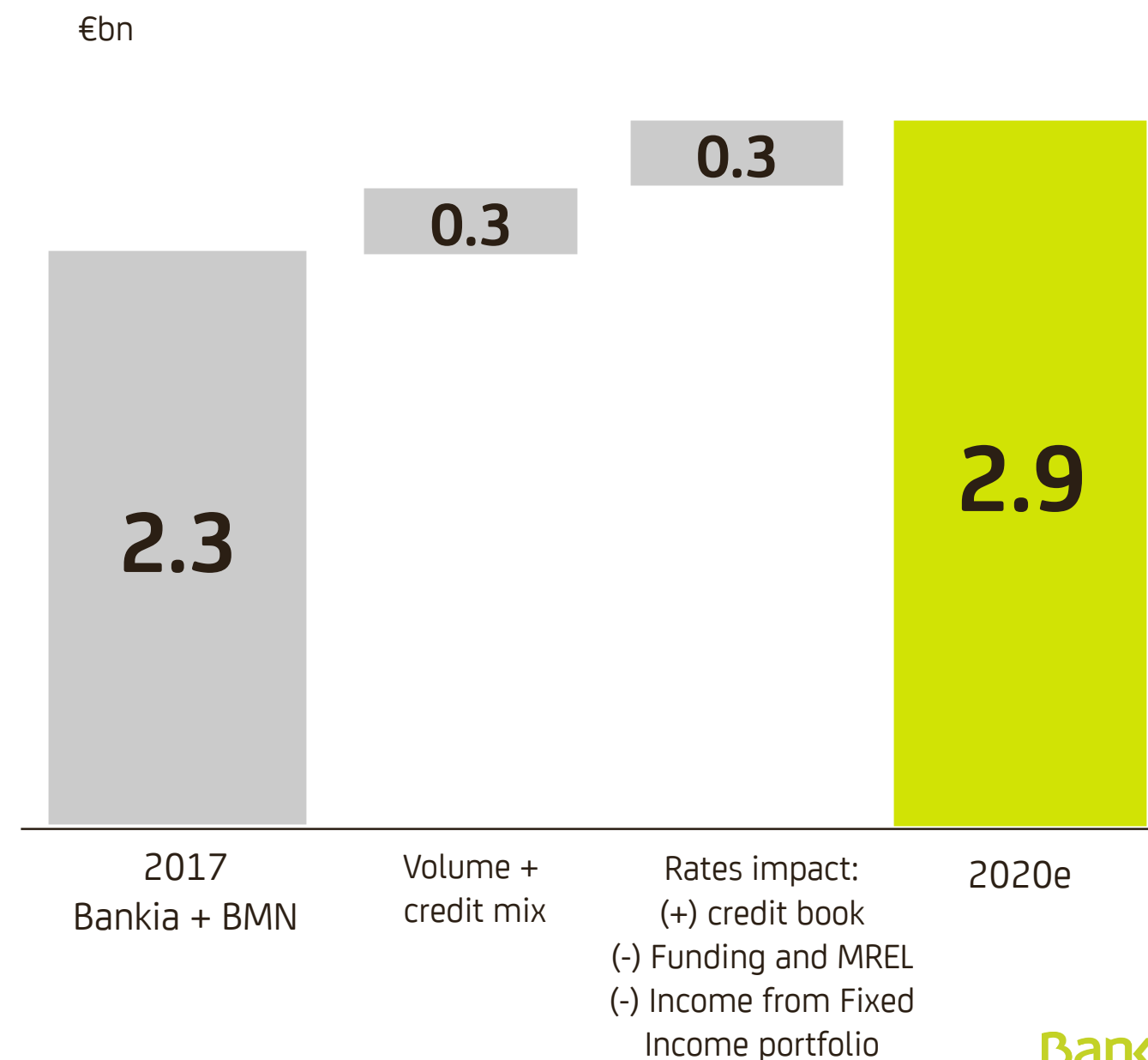
**Positive performance of interest margin due to rise in interest rates and mix improvement**

CREDIT YIELD

- 87% of the book varies with euribor
- Change in mix:** weight of Businesses and Consumer Finance over total credit book changes from **32%** in 2017 to **40%** in 2020



INTEREST MARGIN



<sup>(1)</sup> Consumer Finance, Businesses and other

> Financial breakdown

Fee and commission income

**One single franchise and commercial management boosts fee and commission income**

FEE AND COMMISSION INCOME

**~ €0.2bn**

Fee and commission  
income growth

2020e vs 2017

**~ 7% CAGR**

2018e – 2020e

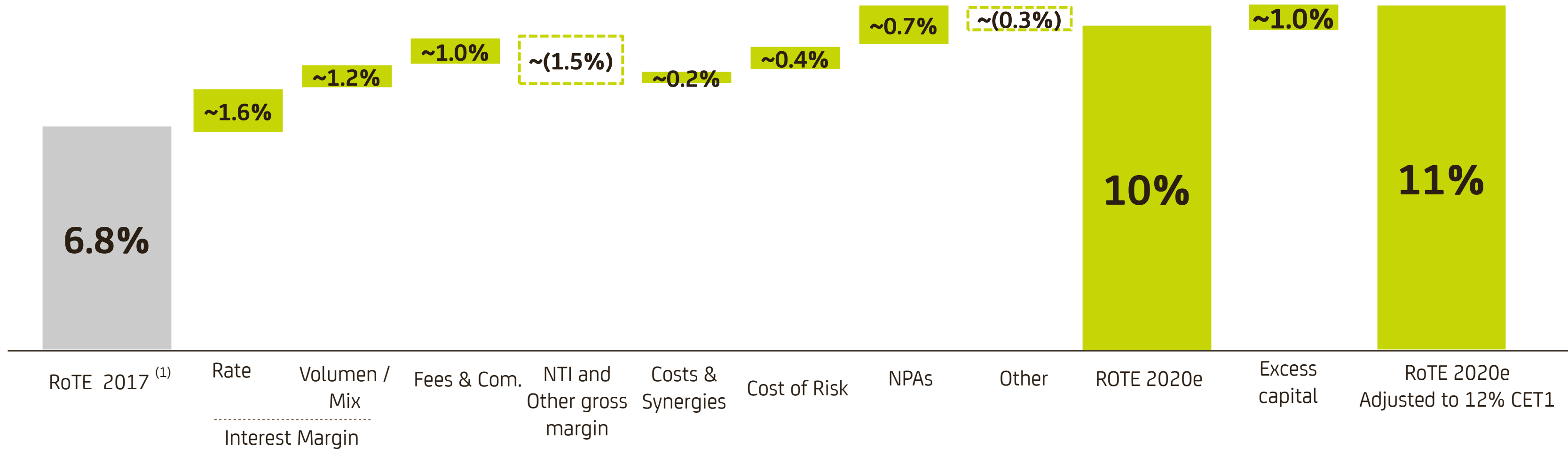
GROWTH DRIVERS

- > Lending products: performance linked to new lending
- > Saving products: increased disintermediation towards mutual funds and pension funds
- > Payment Services: increased penetration in credit cards and point of sale terminals
- > Insurance: new bancassurance unit with specialized teams

> Financial breakdown

Profitability

Main levers for ROTE growth



<sup>(1)</sup> Data Bankia + BMN  
 Adjusted ROTE to 12% CET 1  
 Levers net of taxes, assuming tax rate of ~27%

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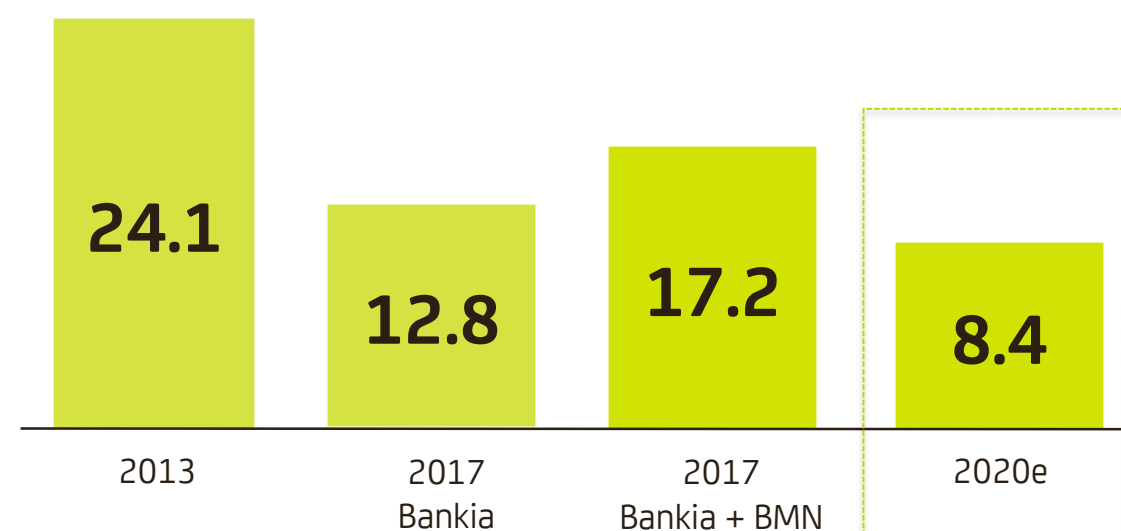
Accelerated reduction of NPAs

**We will continue the accelerated reduction of NPAs**

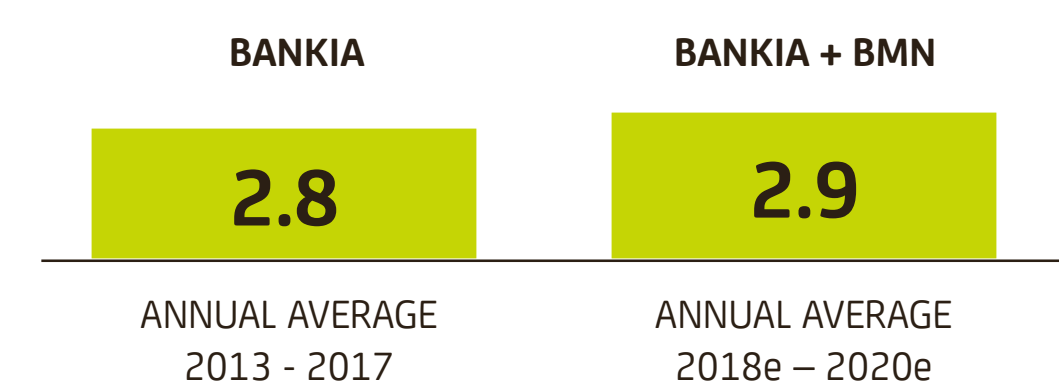
**Rise in home prices**

**Employment recovery**

**BALANCE**  
NON-PERFORMING  
ASSETS  
€bn – gross amounts



**REDUCTION**  
NON-PERFORMING  
ASSETS  
€bn – gross amounts



Note: 2013, peak NPAs

**NPA ratio <sup>(1)</sup>**

**2017**      **2020e**

**12.5%**      **<6.0%**

**NPA ratio net**

**6.1%**      **<3.0%**

**NPL ratio**

**8.9%**      **<4.0%**

**NPL coverage <sup>(2)</sup>**

**56.5%**      **~56%**

**Cost of Risk <sup>(3)</sup>**

**24 bps**      **24 bps**

(1) NPA ratio gross: Gross NPAs + Gross Foreclosed Assets / Total Risks + Gross Foreclosed Assets

NPA ratio net: Net NPAs + Net Foreclosed Assets / Total Risks + Gross Foreclosed Assets

(2) Coverage ratio including IFRS 9 provisions. If IFRS 9 provisions were excluded, the ratio would be 50.8%

(3) 2017 data for Bankia not including BMN

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# STRATEGIC PLAN 2018-2020 TARGETS

> Financial breakdown  
Summary of targets

2020 Targets

		2020e	2020e <small>with forward curve to 2021 <sup>(1)</sup></small>
Profitability	PAT	€1.3bn	€1.5bn
	EPS	€0.43	€0.51
	ROE <small>adjusted to CET1 FL of 12%</small>	10.8%	12.2%
	ROTE <small>adjusted to CET1 FL of 12%</small>	11.0%	12.5%
	Cash dividend Pay Out	45 - 50%	
Efficiency	Efficiency Ratio	<47%	
Asset quality and Solvency	NPA ratio / CoR	<6% / 24 bps	
	CET 1 FL	12%	

> Strategic Objectives 2020

Fulfilling this Strategic Plan will allow us...

Capital distribution policy



An ordinary **cash pay out**  
in the region of 45-50%



And the return of excess **capital**  
above 12% CET1 FL



Expected total remuneration > €2,500mn<sup>(1)</sup>

**Bankia**

LET'S KEEP WORKING