

Quarterly results presentation

2Q 2015

27 July 2015

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1H 2015 Highlights



1

COMMERCIAL ACTIVITY

+€1.4 bn Customer Funds vs. Dec14
+4.0% growth in credit to businesses and consumers JUN15 vs. JUN14

2

ASSET QUALITY

€1.2bn reduction in NPLs vs. Dec14
Coverage ratio: 60.6% (+3.0 p.p. vs Dec14)

3

EFFICIENCY AND PROFITABILITY

Efficiency ratio: 41.5% 1H15
Attributable profit: +11.5% vs. 1S14
ROE 1H15: 9.8%

4

CAPITAL GENERATION

+71 bps of capital generation in 1H15
(CET1 BIS III FL)

Half-year highlights

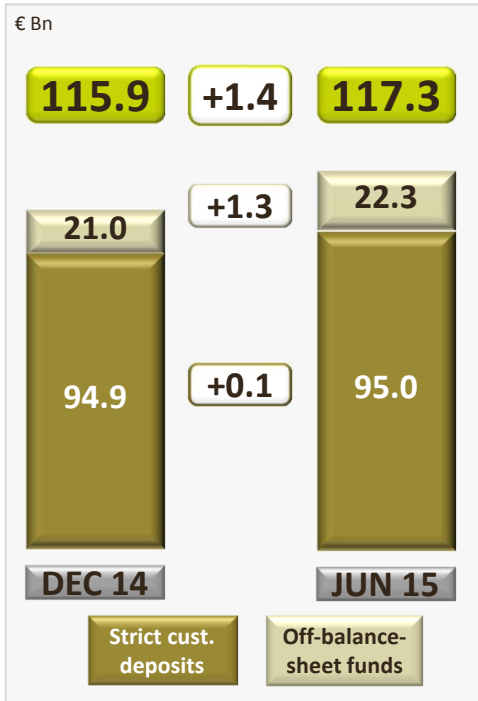


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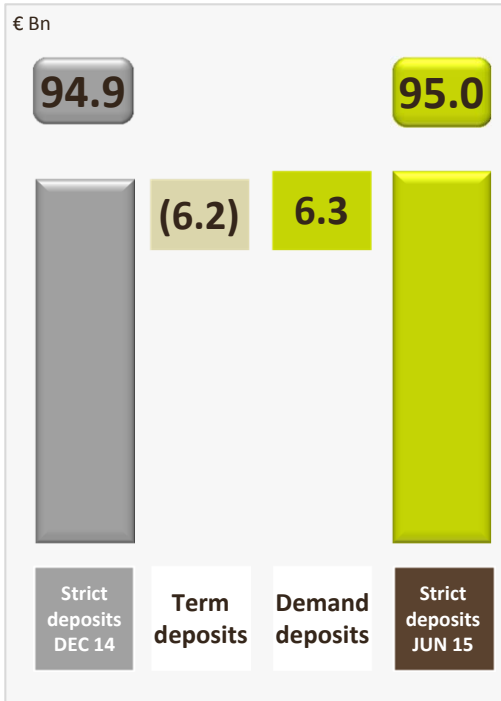
Commercial activity

Positive performance of customer funds under management during 1H15

CUSTOMER FUNDS PERFORMANCE

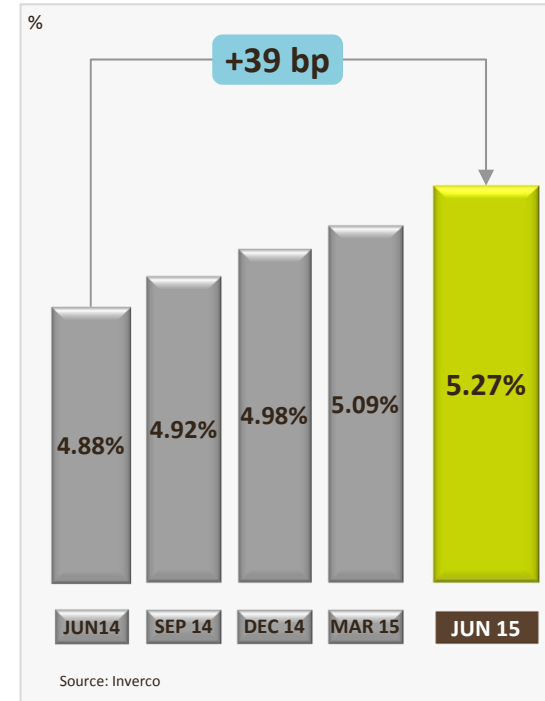


Customer funds up €1.4bn in 1H15



Transfer from term deposits to demand deposits and increased market share in mutual funds

MUTUAL FUNDS MKT. SHARE



1H 2015 Highlights

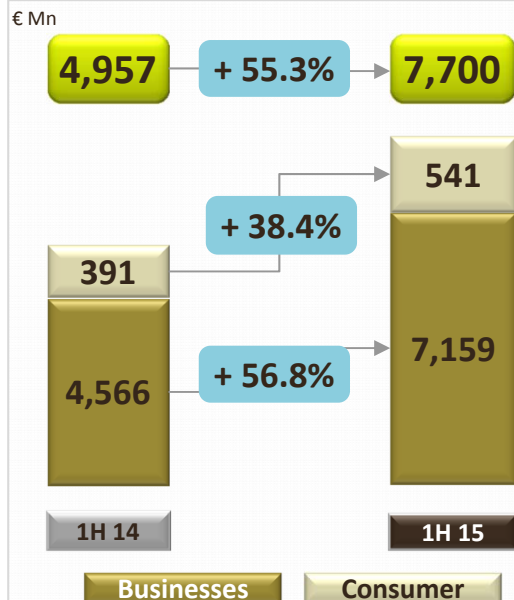


1

Commercial activity

+55.3% increase in new lending vs. 1H14

NEW LENDING



Note: Does not include forbearance

TOTAL LOANS PERFORMANCE

€ Bn

	JUN 14	DEC 14	JUN 15	JUN15 vs DEC 14
Total gross loans	125.6	121.8	119.7	-2.1
Mortgages	75.4	72.4	70.2	-2.2
Developer	3.3	3.0	2.5	-0.5
Businesses & consumer	46.9	46.4	47.0	+0.6
Portfolio sales *	1.7	0.4		
Businesses & consumer, organic	45.2	46.0	47.0	+€1.8 bn (+4.0%)

+€1.0 bn (+2.2%)

Businesses includes public sector

Gross loans excludes BFA reverse repurchase agreements

* Accumulated portfolio sales for the period: Jun 14 – Dec 14 €1.3 bn and Dec 14 – Jun 15 €0.4 bn

Significant increase in new lending in key segments in 1H15

+ 4,0% organic growth in key business segments: businesses and consumer finance

1H 2015 Highlights

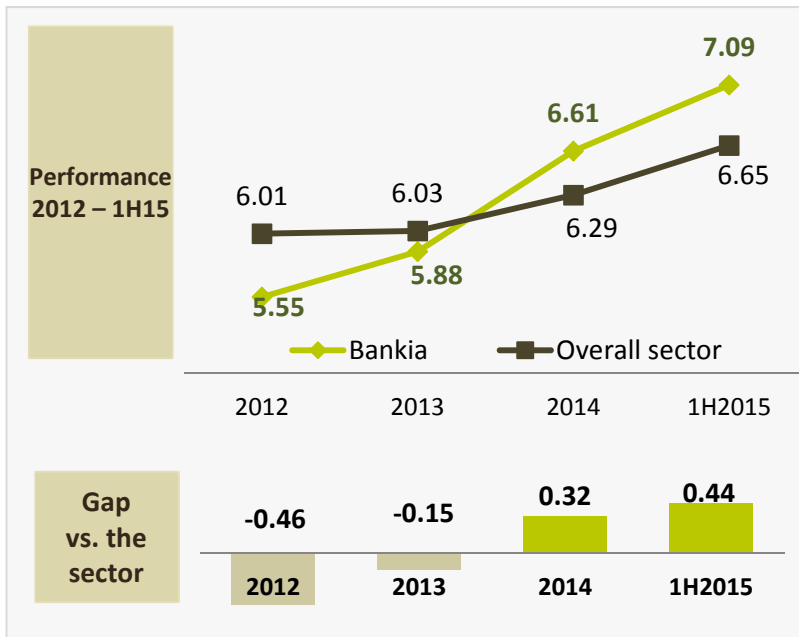


1

Commercial activity

Mystery shopping results above sector average

Mystery shopping - Sector comparison



Product sales

Performance 1H15 vs. 1HS14

Credit & Debit cards
(net new cards)

+ 33%

POS terminals
(no. of customers)

+ 70%

Pension funds
Net new funds

+ 51%

Payroll
(new accounts)

+11%

Improvement of mystery shopping results, increasing the lead over the sector average

1H 2015 Highlights

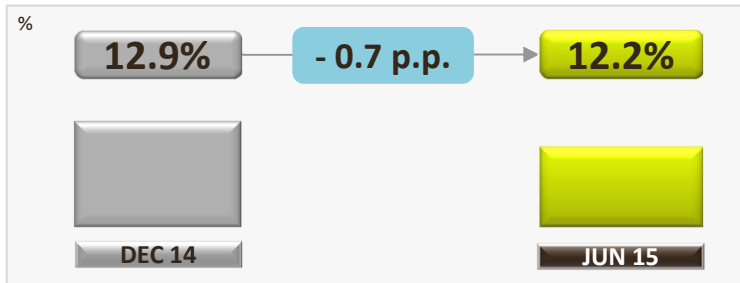


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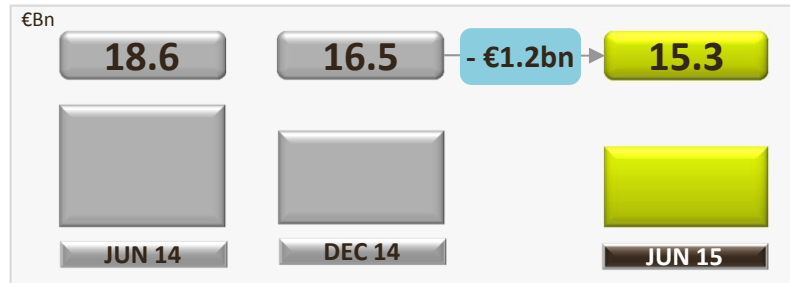
Asset quality

Asset quality performs positively quarter from quarter

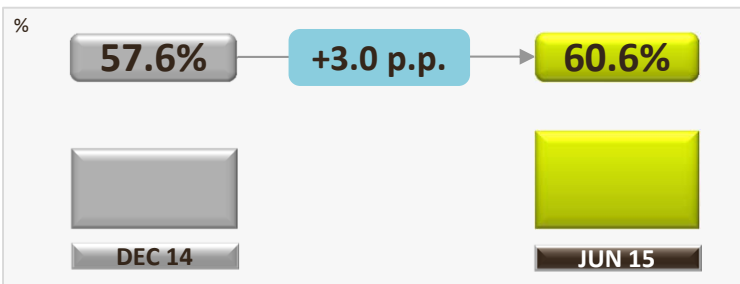
NPL RATIO



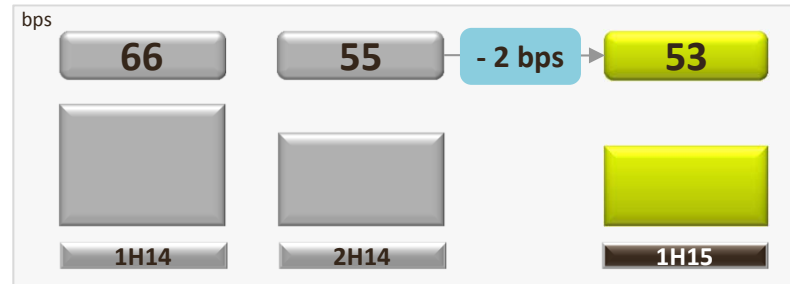
NPLs



COVERAGE RATIO



COST OF RISK



NPL ratio continues to reduce with increase in coverage...

...while reducing NPLs and lowering cost of risk

1H 2015 Highlights



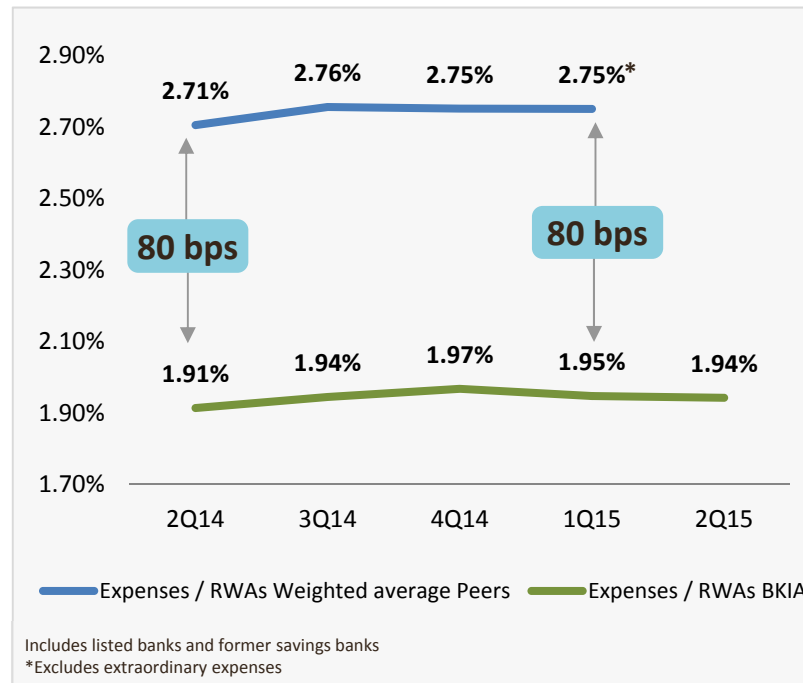
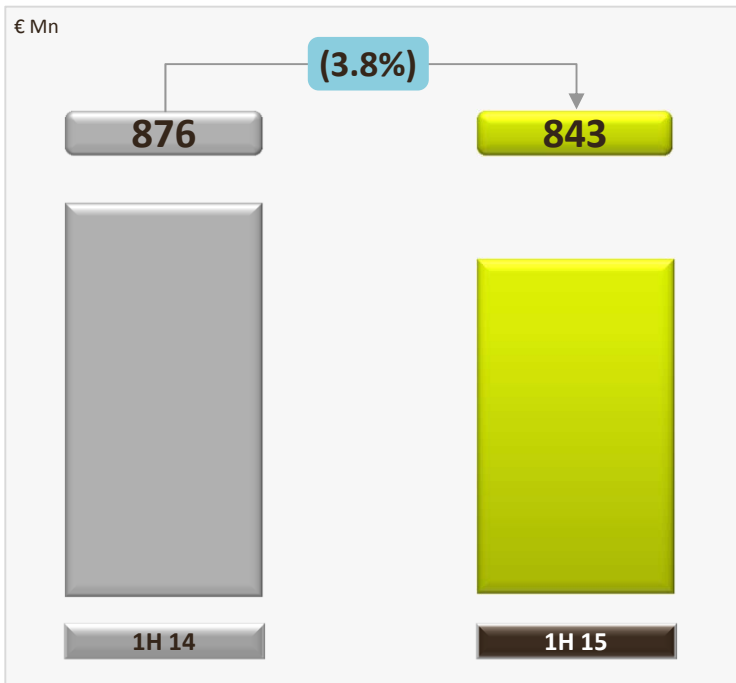
3

Efficiency and profitability

Continued cost control as a key element for profitability

OPERATING EXPENSES

EXPENSES / RWAs: Bankia vs. sector



Continued expense reduction...

...as a competitive advantage to increase profitability

1H 2015 Highlights



3

Efficiency and profitability

Continued positive trend
of main indicators...

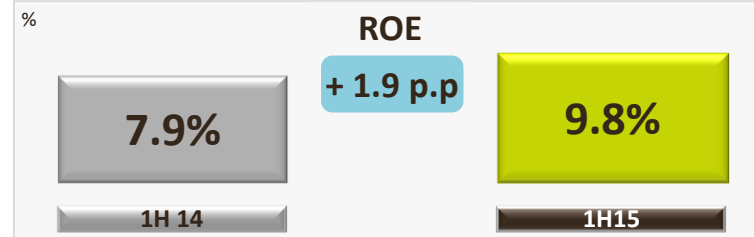
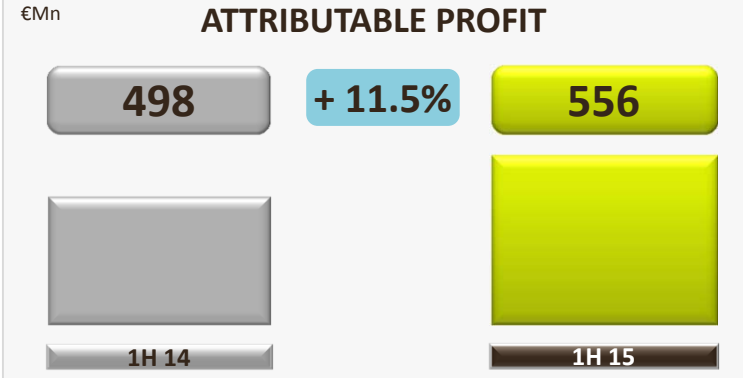
Stable
Gross income
+0.1% 1H15 vs. 1H14

Reducing
Operating expenses
(3.8%) 1H15 vs. 1H14

Improving
Cost of risk
-13 bps 1H15 vs. 1H14

Attributable profit increases 11.5% vs. 1H2014

...with strong increase in profit and ROE



ROE stands at 9.8% in 1H15

1H 2015 Highlights

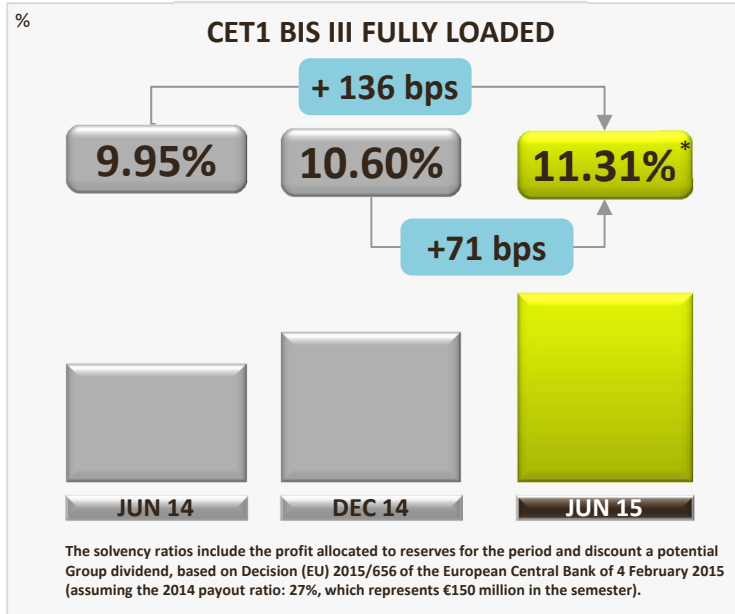


4

Capital generation

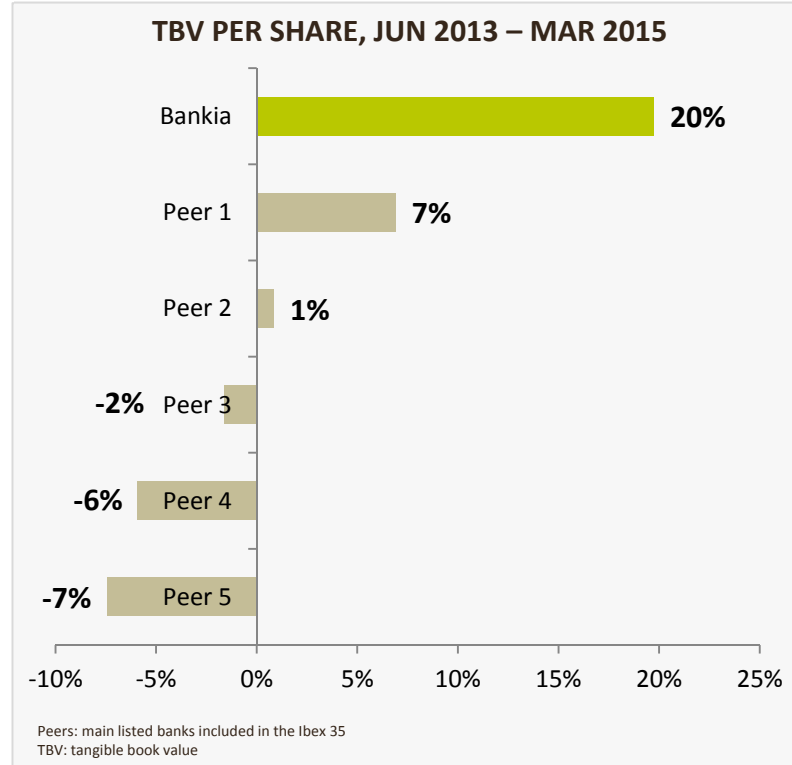
71 bps of capital generation in 1H15

Generating capital...



2014 dividend distribution of €202 million

...and creating value for our shareholders



1H 2015 Highlights

BFA TENEDORA DE ACCIONES S.A.U.



Income statement 1H 2015 – BFA Group vs. Bankia Group

€ Mn

	BFA TENEDORA DE ACCIONES S.A.U.	Bankia
Gross income	2,041	2,029
Operating expenses	(848)	(843)
Pre-provision profit	1,193	1,186
Provisions and others	(384)	(433)
Profit before tax	809	753
Profit after tax	619	562
Net non-recurring profit/(loss)*	775	
Reported profit after tax	1,393	562

* Includes NTI from portfolio sales and non-recurring provisions in BFA

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2Q 2015 results

Income statement – Bankia Group



€ Mn		1Q 2015	2Q 2015	Diff. %	1H 2014	1H 2015	Diff. %
A	Net interest income	693	695	0.2%	1,427	1,388	(2.8%)
	Fees and commissions	233	248	6.7%	468	481	2.9%
	Gross income	992	1,037	4.6%	2,027	2,029	0.1%
B	Operating expenses	(423)	(420)	(0.7%)	(876)	(843)	(3.8%)
C	Pre-provision profit	569	617	8.6%	1,151	1,186	3.1%
D	Provisions	(219)	(211)	(3.4%)	(564)	(430)	(23.8%)
	Results from sales and others	(14)	10	--	102	(3)	--
	Taxes and minority interests	(92)	(105)	14.9%	(190)	(197)	3.5%
	Profit attrib. to the Group	244	311	27.3%	498	556	11.5%

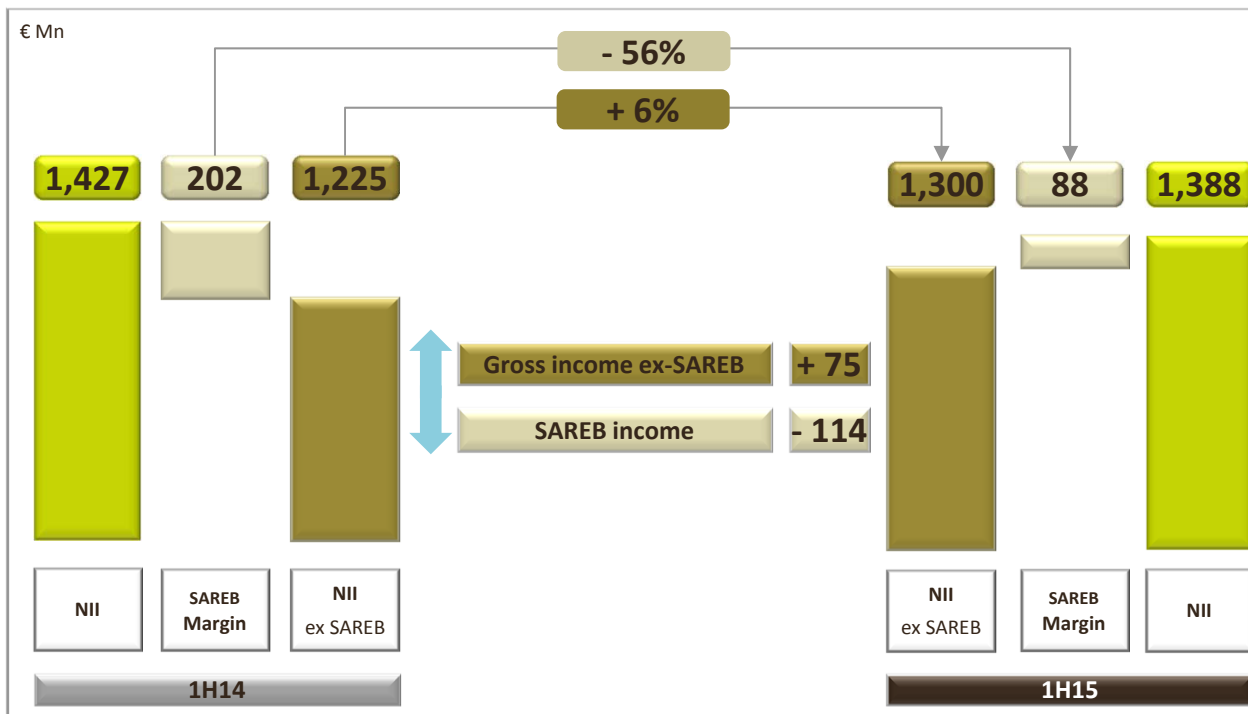


2Q 2015 results

A Net interest income

Net interest income performance penalised by repricing of SAREB portfolio

Net interest income performance analysis



Net interest income performance in the quarter influenced by...

- Lower yield of SAREB bonds
- Downward trend in interest rates

...which has been offset by:

- Reduction of cost of customer deposits
- Increase in lending to SMEs and consumers

Excluding the impact of the SAREB bonds, net interest income grows 6%

2Q 2015 results



A Net interest income

Portfolios: duration, yield and gains

Breakdown of bond portfolios – Jun 2015

BREAKDOWN	BALANCE €Bn	YIELD %	DURATION years	SUMMARY
ESM	€3.4	-	0.45	Average yield 2.1% Duration 2.7 years Gross unrealised gains AFS* €1,168Mn
SAREB	€18.1	1.1%	0.96	
NON-ALCO	€5.8	2.3%	4.99	
ALCO	€29.8	3.0%	3.50	

* Gains as of 22 July 2015. As of 30 June 2015 gains amounted € 944 Mn.

Portfolio strategy linked to balance sheet management

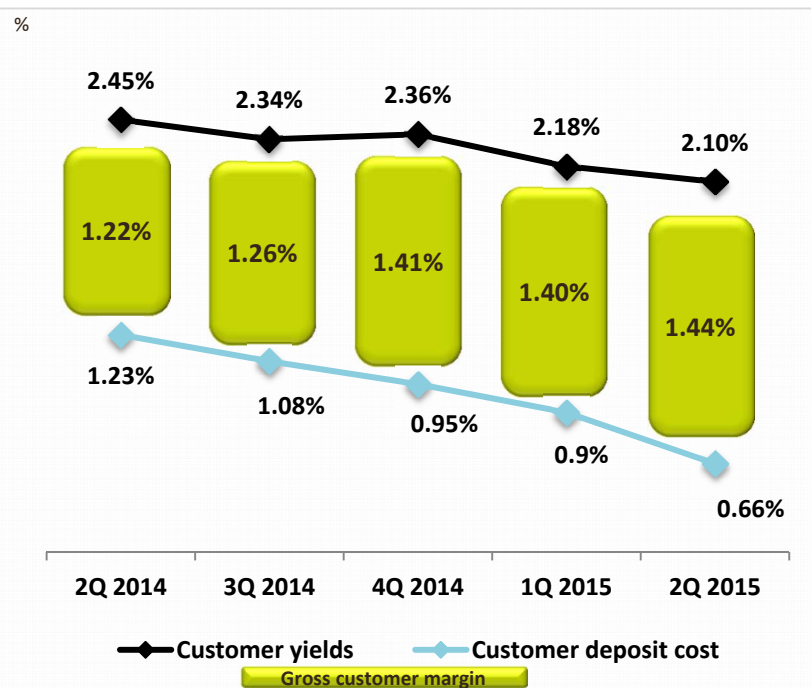
2Q 2015 results



A Net interest income

Gross customer margin continues its positive trend

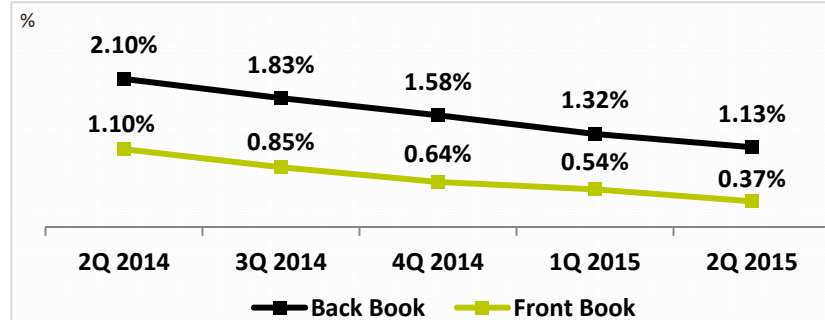
Loan yield vs. cost of deposits ⁽¹⁾



⁽¹⁾ City National Bank has been excluded from the series.

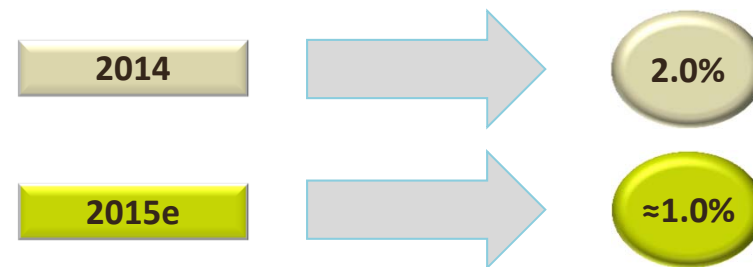
Gross customer margin has increased 47% since Dec 2013...

Cost of term deposits – Back book vs. Front book



Back book and front book, quarterly average (excluding impact of City National Bank)

Average cost of term deposits (back book)



...with a significant scope for improvement in 2016 due to downward repricing of term deposits

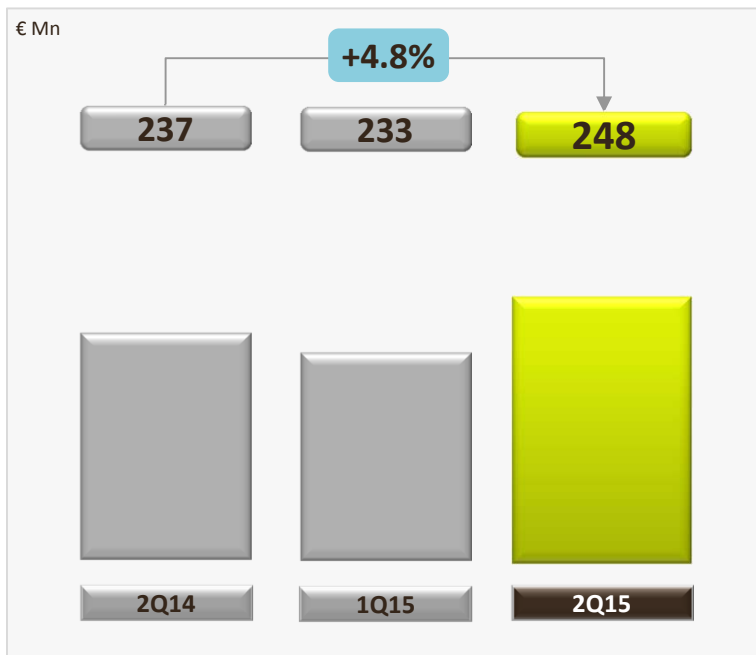
2Q 2015 results



A Fees and commissions

Major boost in fee and commission income generation in 2Q15

Fee and commission income performance



Fee and commission income increases by 4.8% when compared with same period previous year

+17.2% 2Q15 vs. 2Q14
increase in fees and commissions from mutual fund sales

+61.1% 2Q15 vs. 2Q14*
increase in fees and commissions from insurance sales

* Excludes €6m of positive extraordinary fees and commissions

Increase in fees and commission income from key products

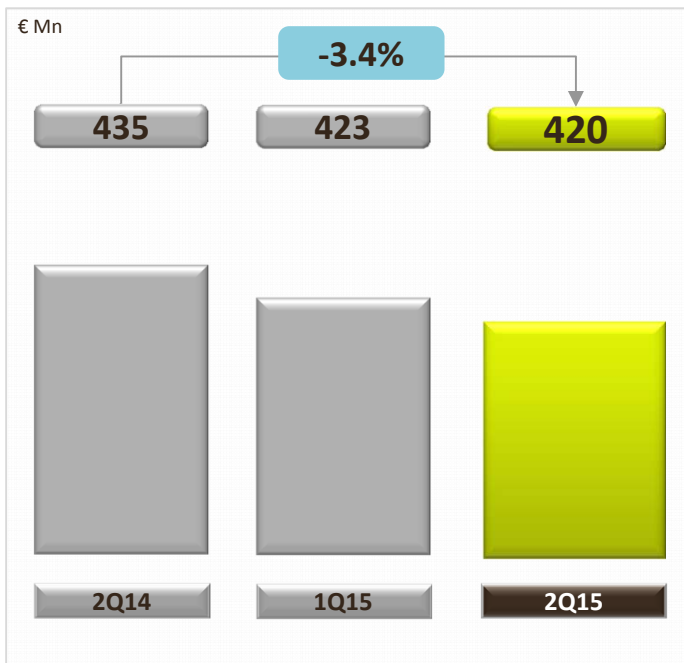


2Q 2015 results

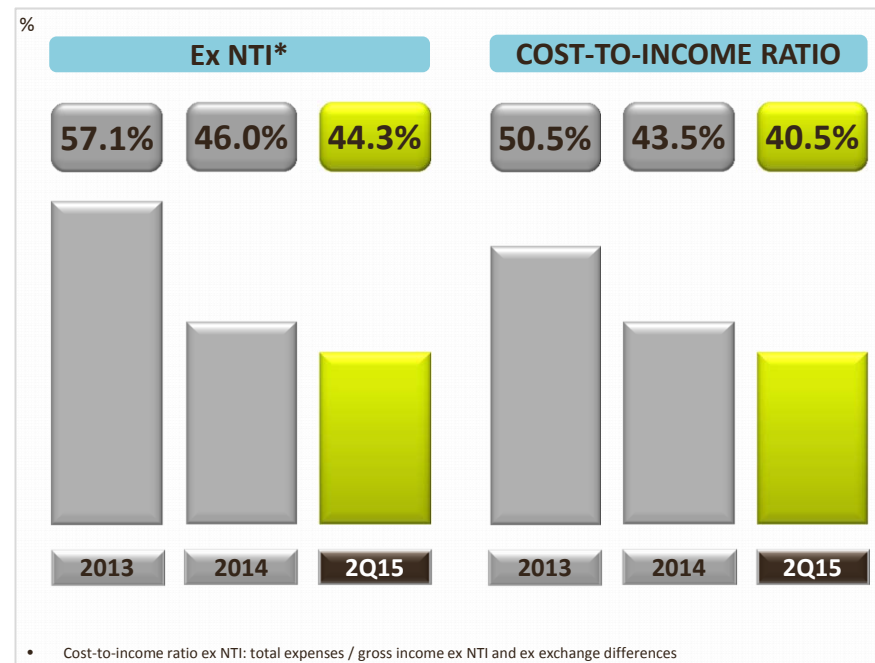
B Operating expenses

Further reduction in operating expenses

Operating expense performance



Cost-to-income ratio performance



Efficiency ratio aligned with the strategic plan target

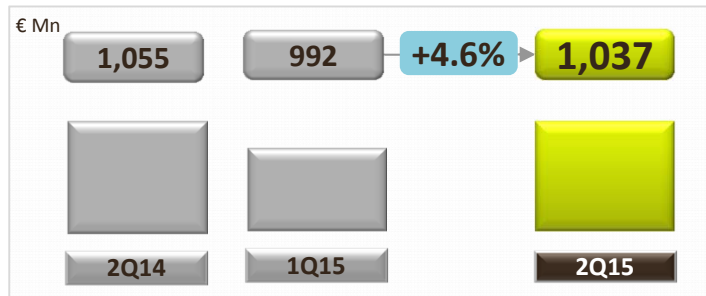


2Q 2015 results

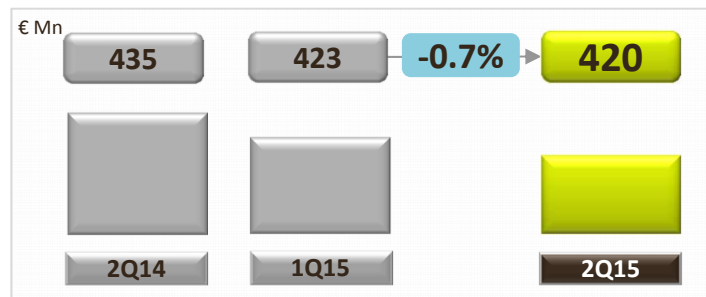
C Pre-provision profit

Pre-provision profit increases in the second quarter of the year

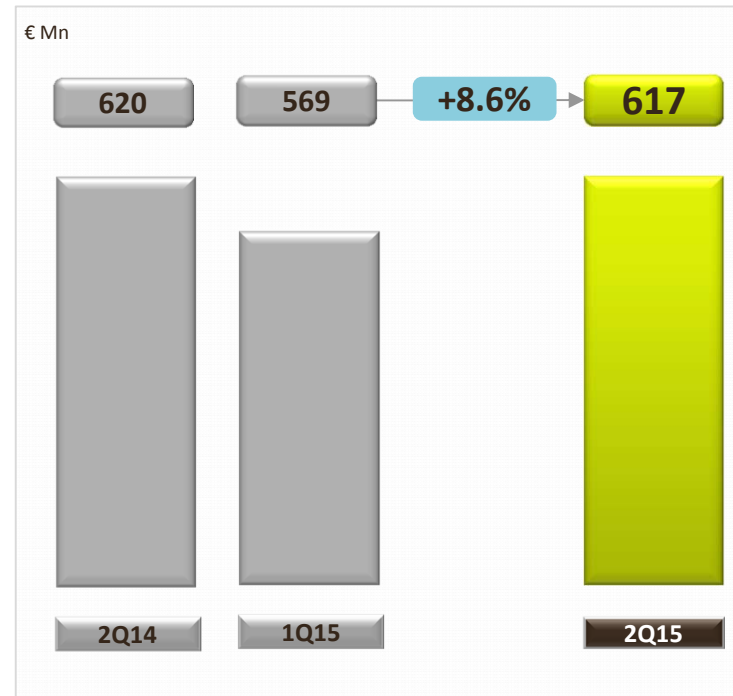
Gross income



Operating expenses



Pre-provision profit



Cost containment is key to increasing pre-provision profit

2Q 2015 results

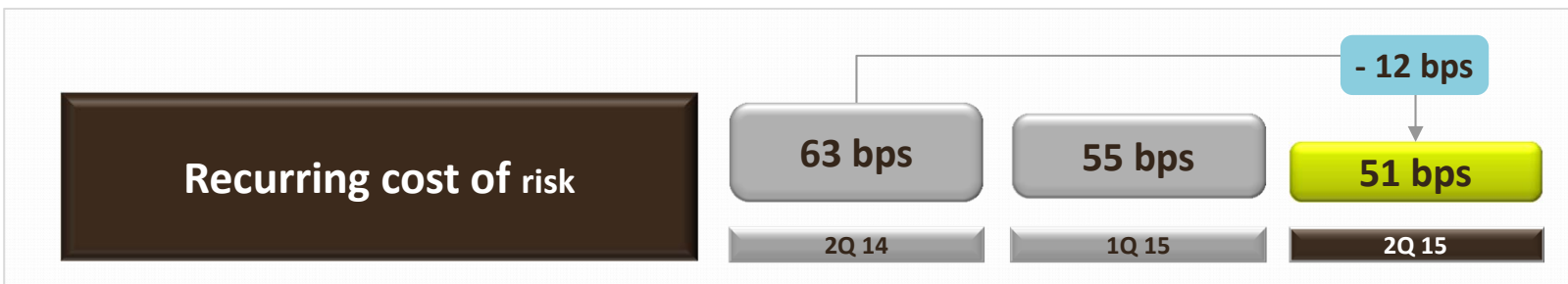


D Cost of risk

Cost of risk stands at 51 bps in the second quarter of the year

€ Mn

	2Q 14	1Q 15	2Q 15
Pre-provision profit	620	569	617
Provisions	(224)	(176)	(156)
Impairment of foreclosed assets	(38)	(43)	(55)
Profit after provisions	358	350	406



Cost of risk declining in line with the target of our strategic plan

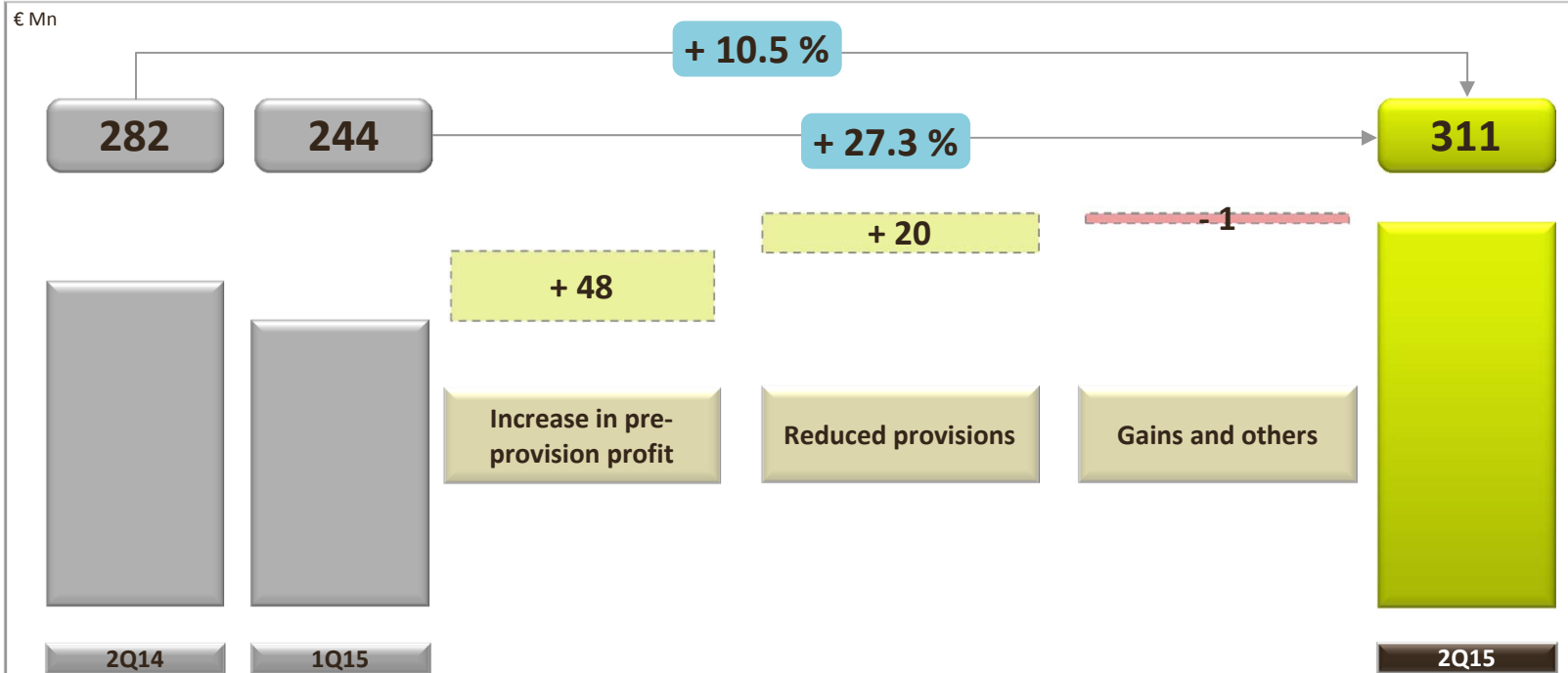
2Q 2015 results



D Attributable profit

Attributable profit increases to €311 million in the quarter

Attributable profit performance



Attributable profit increases 27.3% quarter on quarter



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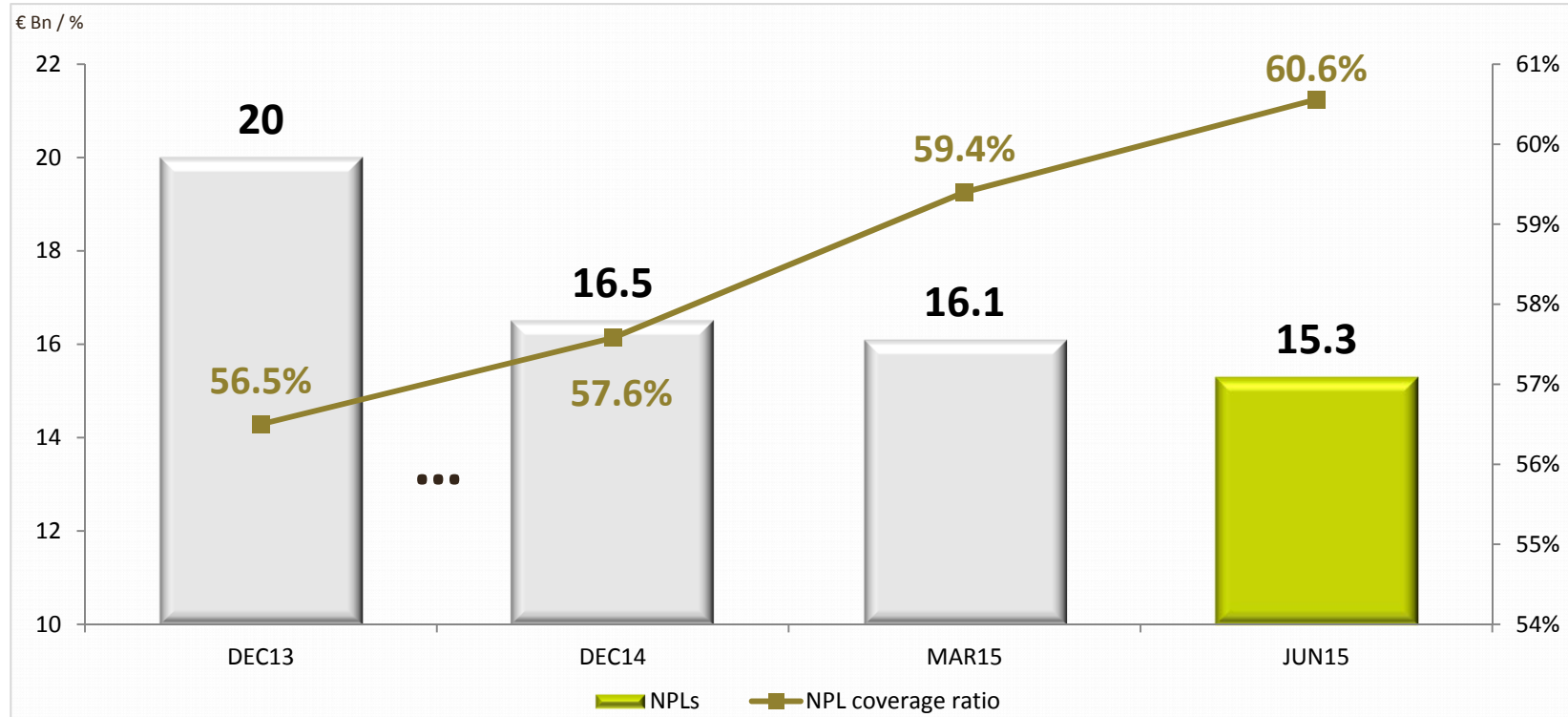
Asset quality and risk management

Credit quality

Non-performing loans fall a further €0.8bn in the second quarter of the year



NPLs and coverage ratio



Steady decline in NPLs, while coverage increases

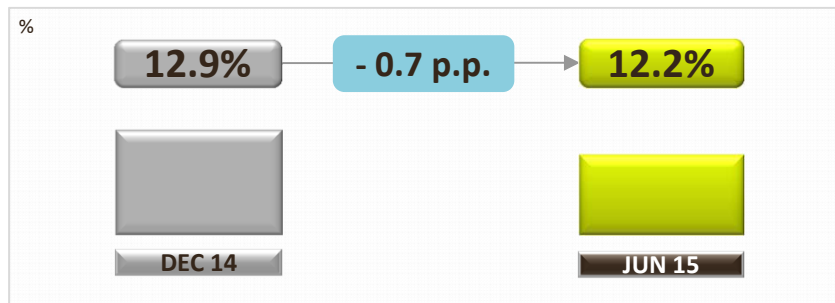


Asset quality and risk management

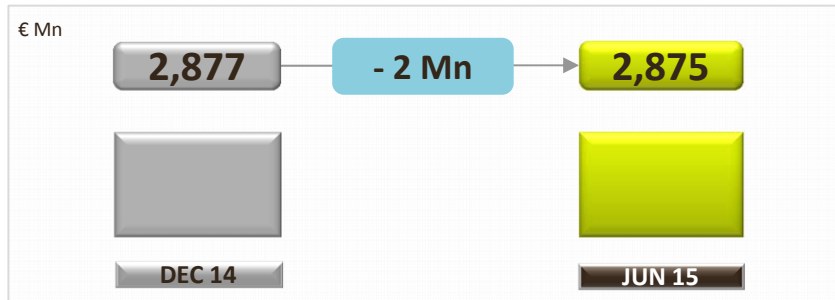
Credit quality

NPLs down €1.2bn in 1H15

NPL ratio



Net foreclosed assets



NPL performance

€ Bn

NPLs Dec 2014		16.55	
+ Gross additions	+ 1.72	Organic reduction	Total reduction
- Recoveries	- 2.49		
Net additions	- 0.77		
- Write-offs	- 0.15	- 0.92	- 1.24
- Sales	- 0.32		
NPLs Jun 2015		15.31	

NPL coverage ratio stands at 60.6%

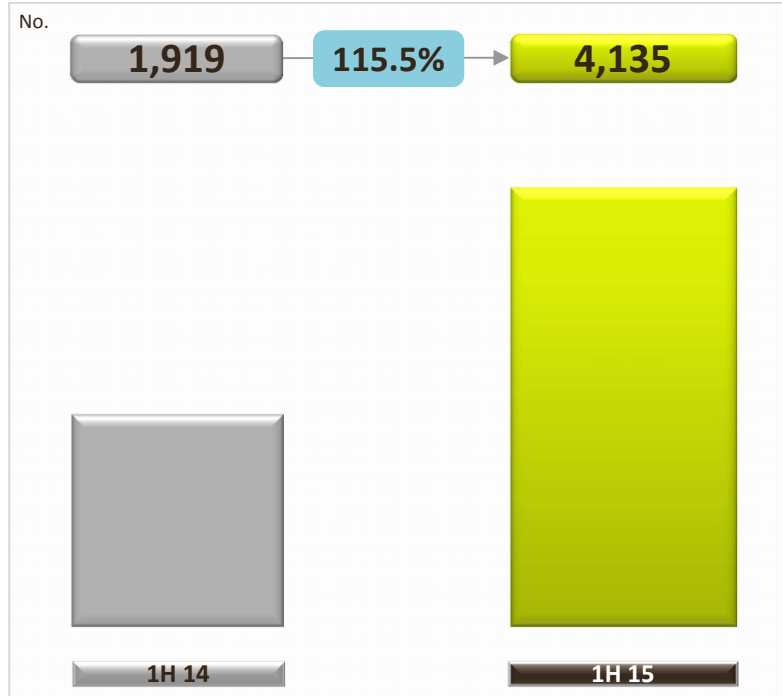


Asset quality and risk management

Property activity

Number of properties sold in the first half of the year has doubled

Number of properties sold



Sales of portfolios and equity holdings 1H15

€684 Mn

of which NPLs €316 Mn and
write-offs €199 Mn

€396 Mn

Liquidity generated from sale of equity
holdings and credit portfolios

Acceleration of sales of real estate assets through the branch network



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Liquidity and solvency

Liquidity indicators

LtD ratio below 105%

Liquidity indicators

LTD Ratio
JUN15: 104.9%

-0.6 p.p. vs. DEC14

Commercial gap

JUN15:
-33.7%
vs. JUN14

Wholesale debt maturities and liquid assets

LIQUID ASSETS VS. WHOLESALE FUNDING

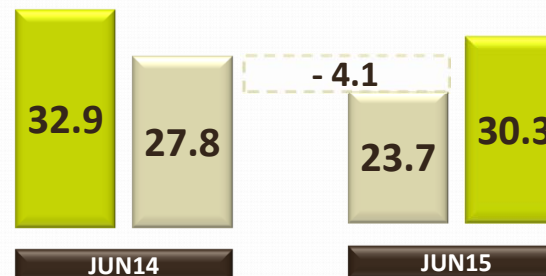
€bn

Liquid asset coverage vs. maturities

1.18x

+ 0.10x

1.28x



Liquid assets

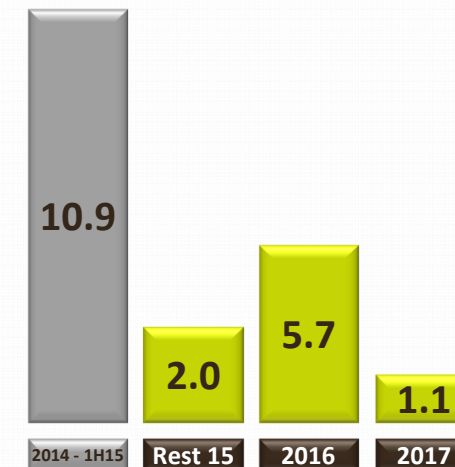
Maturities

Maturities decrease at a faster rate than liquid assets, increasing coverage

MEDIUM TERM WHOLESALE MATURITIES

€bn

TOTAL: 8.8



LCR substantially above regulatory requirement

Liquidity and solvency

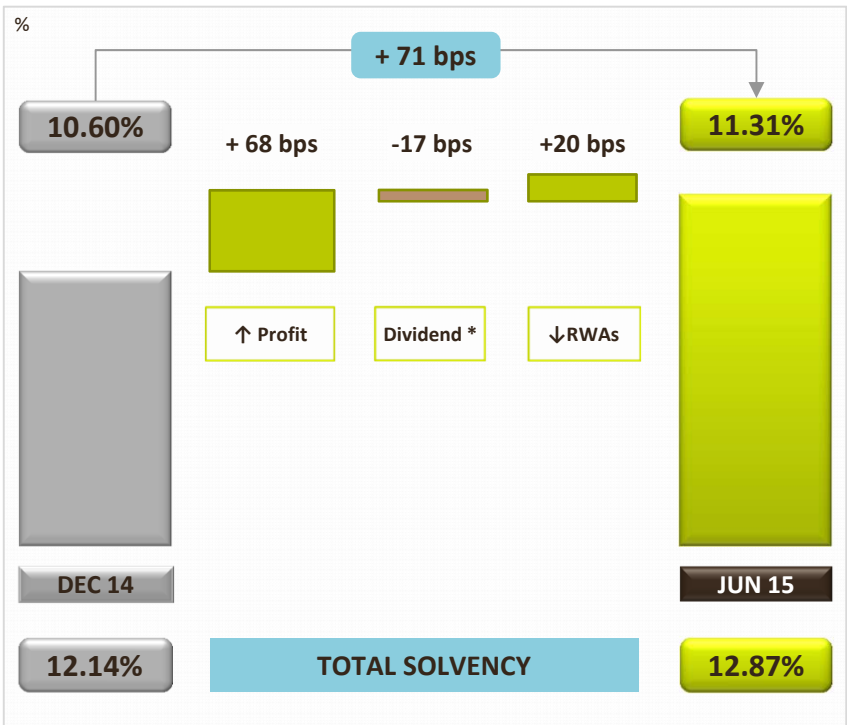
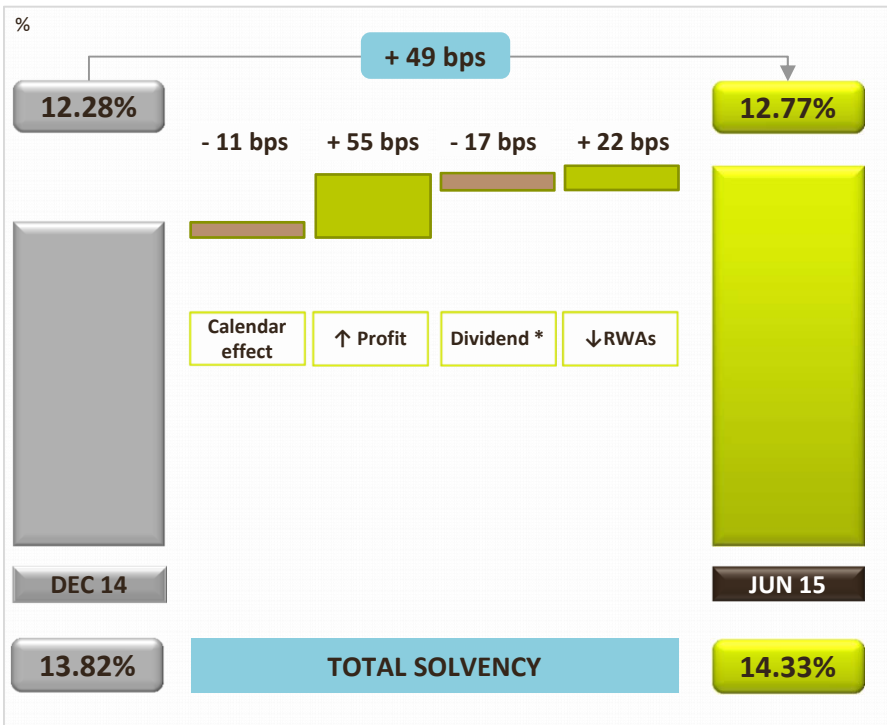
Solvency ratios

Further capital generation in the quarter



CET 1 BIS III phase-in ratio performance

CET 1 BIS III fully loaded ratio performance



The ratios include the result of each period.

(*) The solvency ratios include the profit allocated to reserves for the period and discount a potential Group dividend, based on Decision (EU) 2015/656 of the European Central Bank of 4 February 2015 (assuming the 2014 payout ratio: 27%, which represents €150 million in the semester).



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Conclusions

Confronting the last semester of the Strategic Plan...

	TARGET 2015	1H 2015
Cost-to-income ratio	40 – 45%	41.5%
Cost of risk	50 – 55 bps	53 bps
ROE	10%	9.8%

...with an organic capital generation of 449 bps BIS III FL since year-end 2012

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ir@bankia.com