

Bankia

Annual results presentation 2016

› 30 January 2017

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2016 HIGHLIGHTS

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2016 RESULTS

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ASSET QUALITY AND RISK MANAGEMENT

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LIQUIDITY AND SOLVENCY

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CONCLUSIONS

> **2016** Highlights

Commercial positioning

The year we change our positioning

IMPLEMENTED INITIATIVES



IMMEDIATE RESULTS



CLOSENESS

Personalised service



SIMPLICITY

Simple products/
services



TRANSPARENCY

Products/services adapted to
every customer

We eliminate fees

We boost personalised service to
customers

Multichannel

We simplify processes

We improve customer experience

More clients

More satisfied

More referrals

More business share

> **2016** Highlights

Commercial positioning

New strategy with customers

Jan.
2016
...

We define our new competitive positioning and we began with individuals ...



...2016...



...during the course of the year we made it extensive to self-employed and digital customers...

...
Jan.
2017

...and more recently we have applied it to new mortgages



> **2016** Highlights

Commercial positioning | Mortgage market

Mortgage with no fees

We improve the product and deepen our positioning

A mortgage simple and transparent according to our positioning



CLOSENESS
Personalised service



SIMPLICITY
Simple products/
services



TRANSPARENCY
Products/services adapted to
every customer

IN LINE WITH OUR POSITIONING
**customers with direct income
deposit do not pay fees**

- **NO RESTRICTIONS**
[Only direct income deposit]
- **NO FEES**
[No opening fee]
[No early amortization fee]
[No early cancellation fee]
- **COMPETITIVE PRICING**
[Fixed rate, mixed or floating]

WITHOUT ANY OTHER CONDITION AND WITHOUT SMALL PRINT

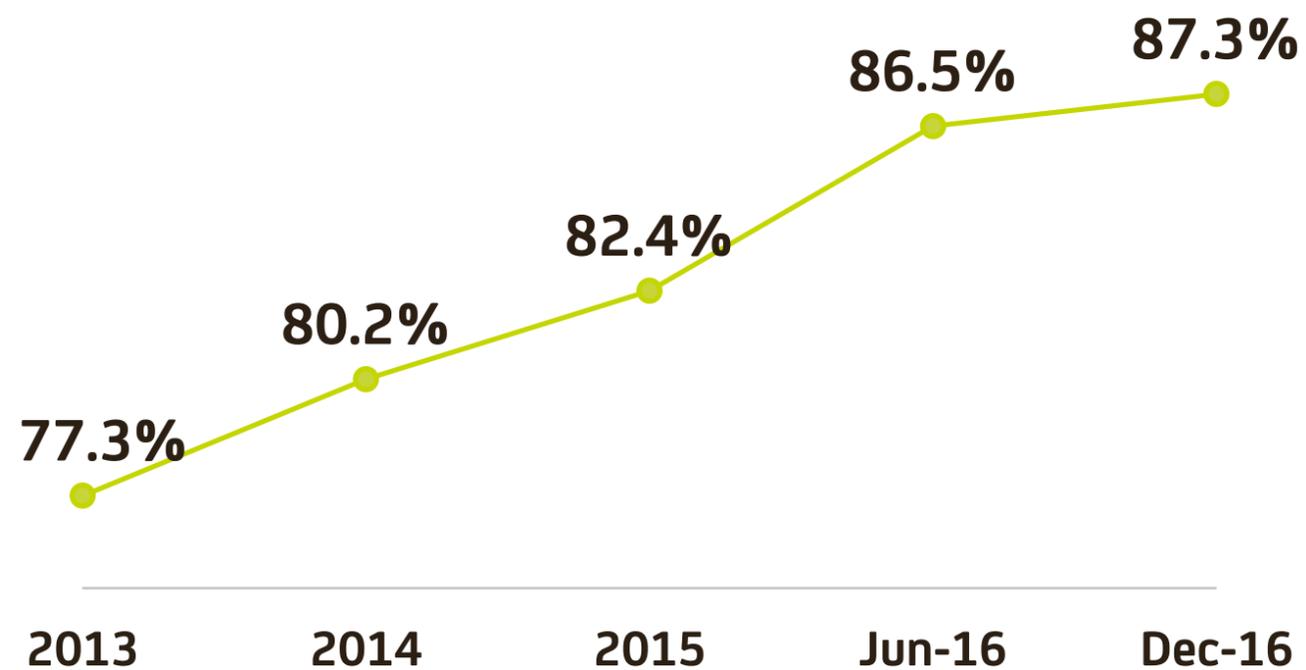
MORTGAGE WITH NO FEES

> **2016 Highlights**

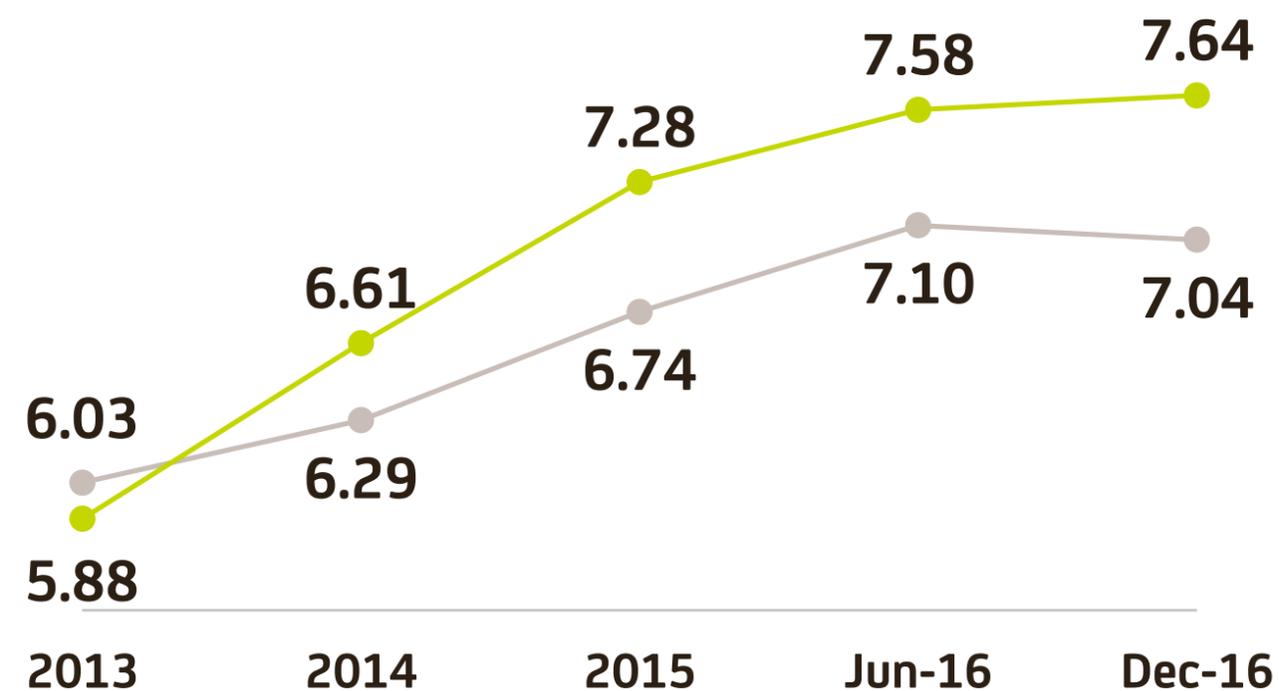
Commercial positioning | Customer satisfaction

More satisfied customers and with better referrals

CUSTOMER SATISFACTION INDEX



MYSTERY SHOPPER | BANKIA VS. SECTOR



Source: Bankia

■ Bankia

Source: STIGA research on mystery shopper satisfaction

■ Sector ■ Bankia

> **2016 Highlights**

Commercial positioning | Customers

With a reflect in the capacity to attract customers...



CARDS

Net new credit / debit cards (units)

+279,700 / +242,900 2016

3.5x
vs. 2015 in
credit cards

Credit cards market share

7.31% SEP 16 +74 BPS VS. DEC 15 Source: BoS

Variation in sales paid by cards at shops (y-o-y)

+5.70%
2H 15

+10.42%
2H 16

...and a higher loyalty



DIRECT INCOME DEPOSITS

Direct income deposits net entries (units)

+172,300 ACCUM 2016

+6.9%
stock
vs Dec 15



LIFE INSURANCE

Premiums in new production life risk insurance

+12.1% 2016 VS 2015



POINT OF SALE SALES VOLUME

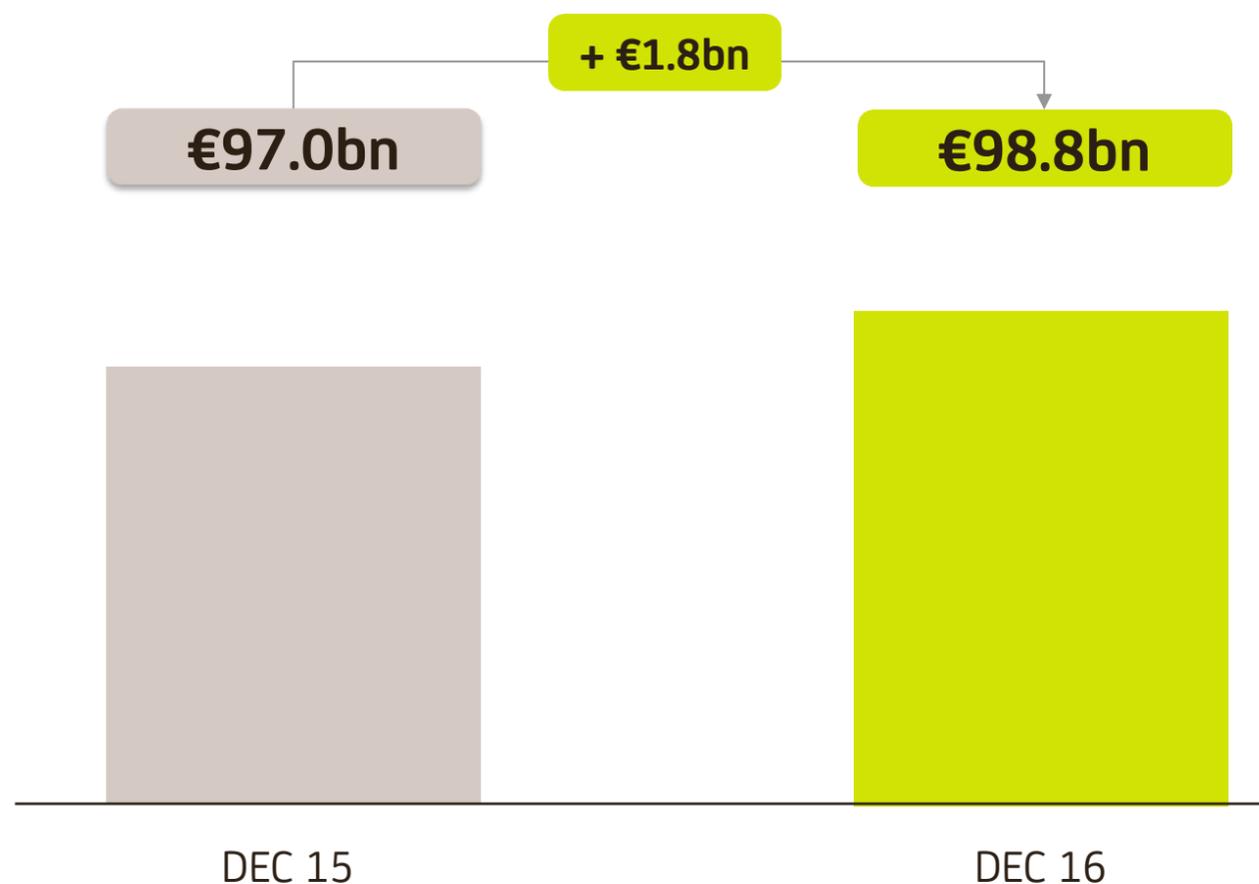
+19.8% 2016 VS 2015

> **2016 Highlights**

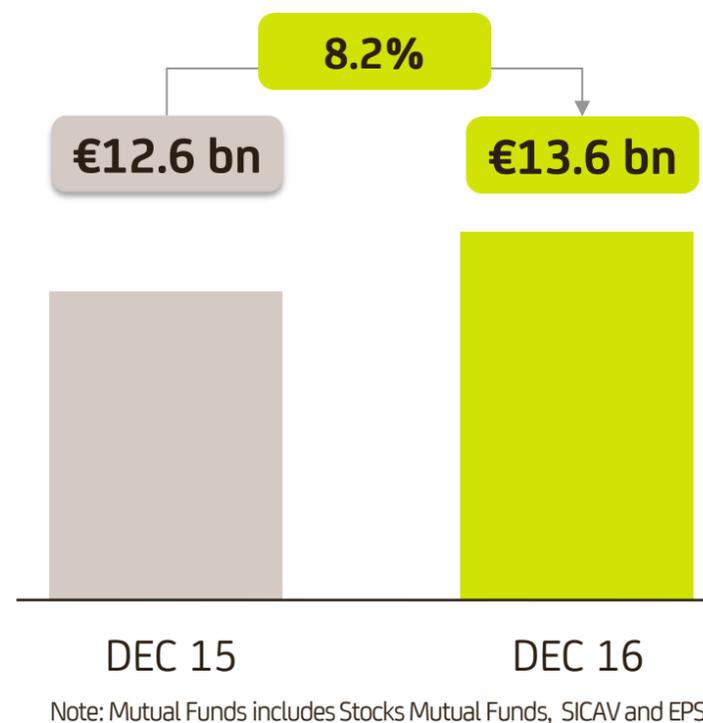
Commercial positioning | Customers funds

With a positive performance in customer funds...

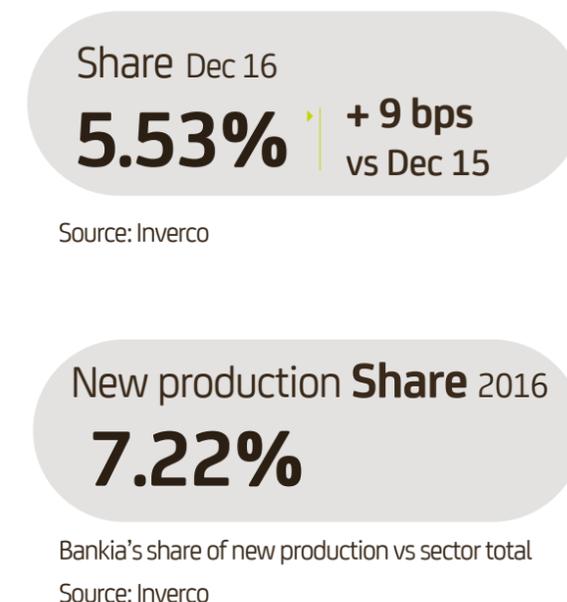
STRICT CUSTOMERS DEPOSITS



MUTUAL FUNDS



STOCKS MUTUAL FUNDS MARKET SHARE



> **Ranking 3rd** in new production in mutual funds in 2016

> **2016 Highlights**

Commercial positioning | Credit stock and new credit performance

...and also in consumer finance...

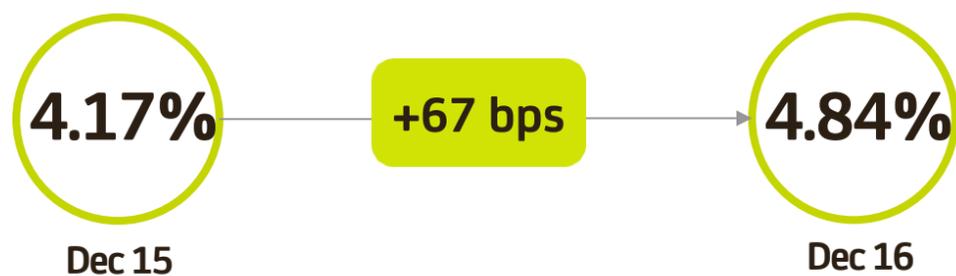
NEW CONSUMER FINANCE LOANS



GROSS CREDIT STOCK | CONSUMER FINANCE



CONSUMER FINANCE MARKET SHARE – OUTSTANDING BALANCE



Fuente: BoS

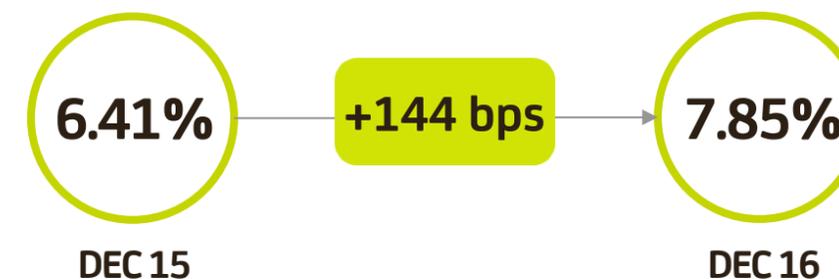
...and lending to businesses

Market share **businesses ex RE**

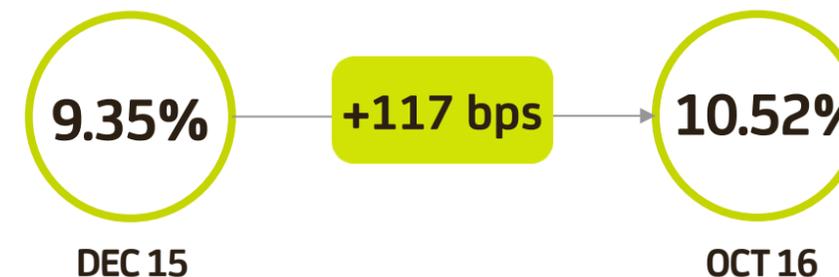


Fuente: BoS

TRADE FINANCE MARKET SHARE (# TRANSACTIONS)
Source: Swift



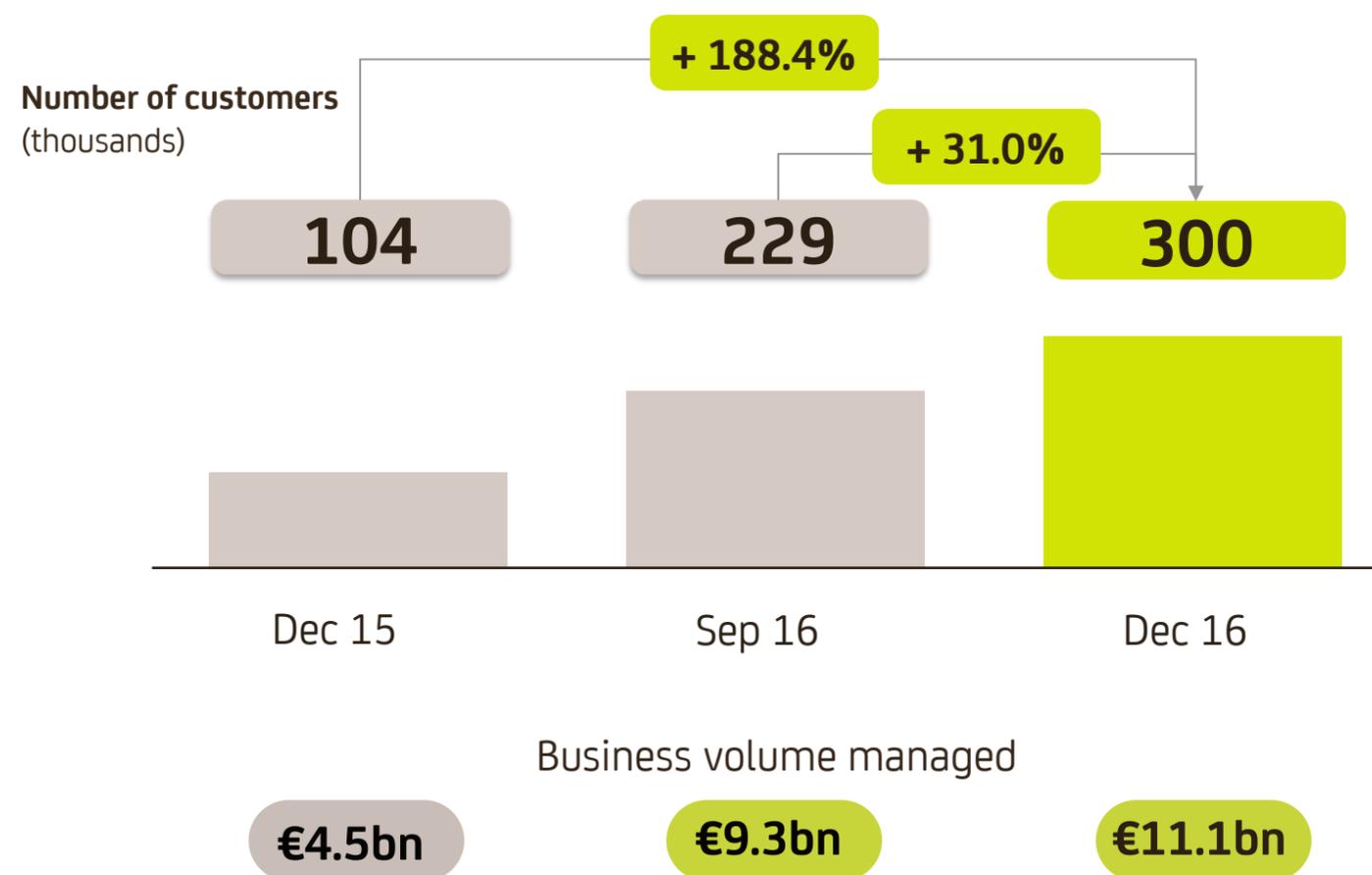
BILL DISCOUNTING MARKET SHARE
Source: BoS



> **2016 Highlights**

Commercial positioning | Multichannel

Increase in the number of customers with remote manager...



...and the usage of our digital channels



MULTICHANNEL CUSTOMERS

% multichannel customers
37.6% vs. 31.5% in Dec 15



SMARTPHONE TRANSACTIONS

Transactions carried out from smartphones
30.2% vs. 25.7% in Dec 15

> 91.5% of customers rate their “Connect with your expert” manager with **marks equal or above 7 out of 10**

> 2016 Highlights

Profitability and efficiency | Bankia Group income statement

€mn	2015	2016	Diff %
Net interest income	2,621	2,148	(18.1%)
Fees and commissions	929	824	(11.4%)
Other revenue	127	194	52.8%
Gross income	3,677	3,166	(13.9%)
Operating expenses	(1,598)	(1,548)	(3.1%)
Pre-provision profit	2,079	1,619	(22.1%)
Provisions	(721)	(494)	(31.4%)
Taxes, minority interests and other items	(296)	(255)	(13.8%)
Net extraordinary provisions (IPO 2015 / Mortgage floor clauses 2016)	(184)	(65)	(64.6%)
Profit attributable to the Group	878	804	(8.4%)
CNB effect	162	-	-
Reported profit attributable to the Group	1,040	804	(22.7%)

> Attributable profit stands at **€804mn in 2016**

> **2016 Highlights**

Profitability and efficiency | Value generation levers

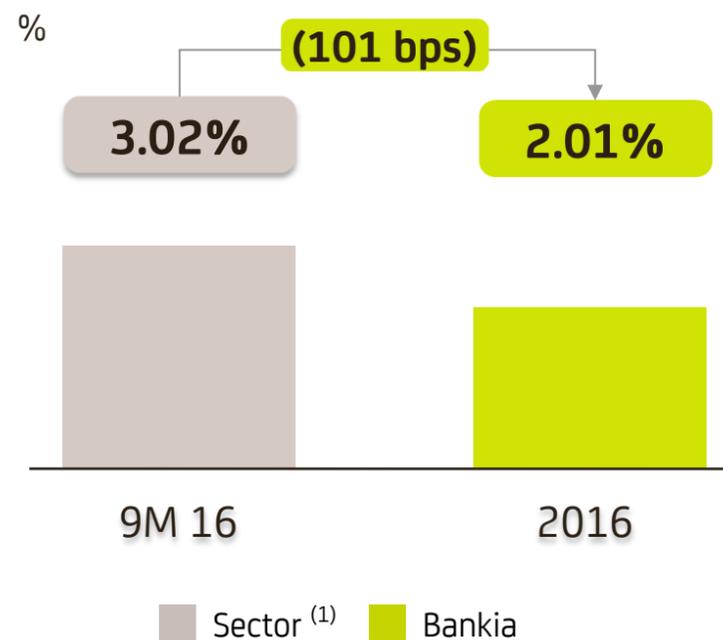
Competitive advantage in expenses...

...in provisioning...

...and in profitability

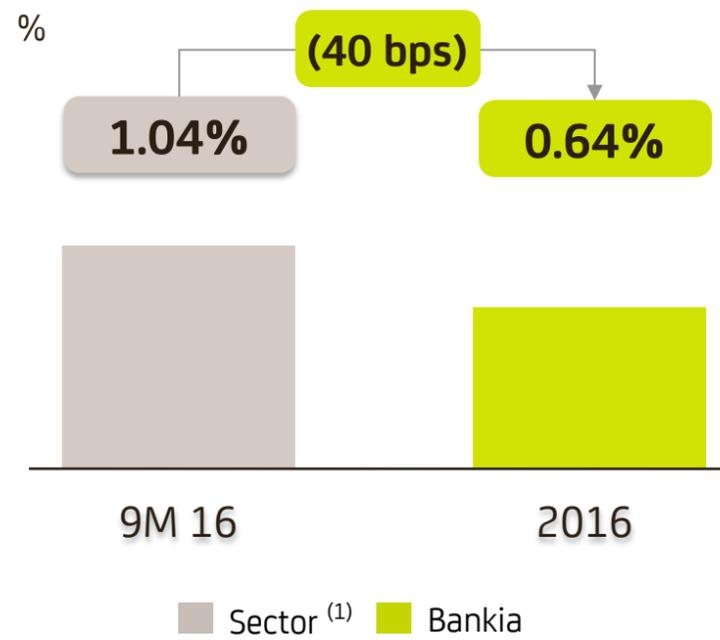
OPERATING EXPENSES

As % of RWAs



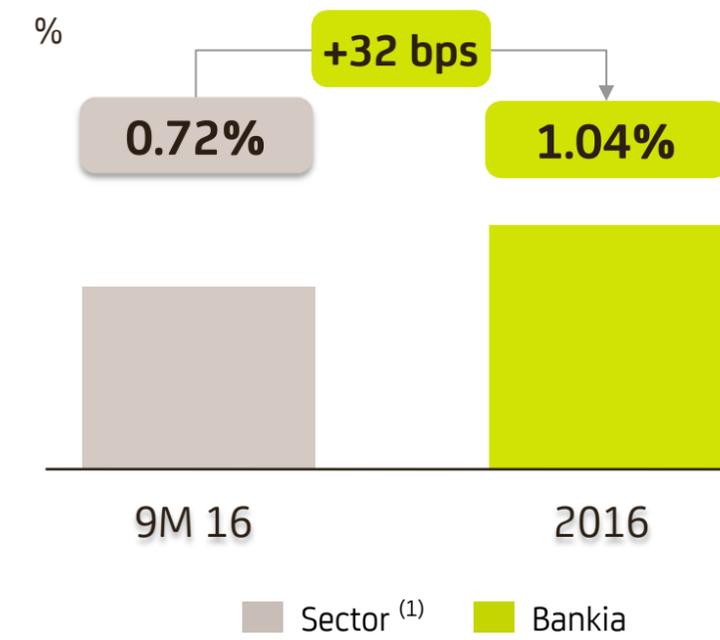
LOAN LOSS PROVISIONS

As % of RWAs



RORWA

RoRWA: return on risk weighted assets



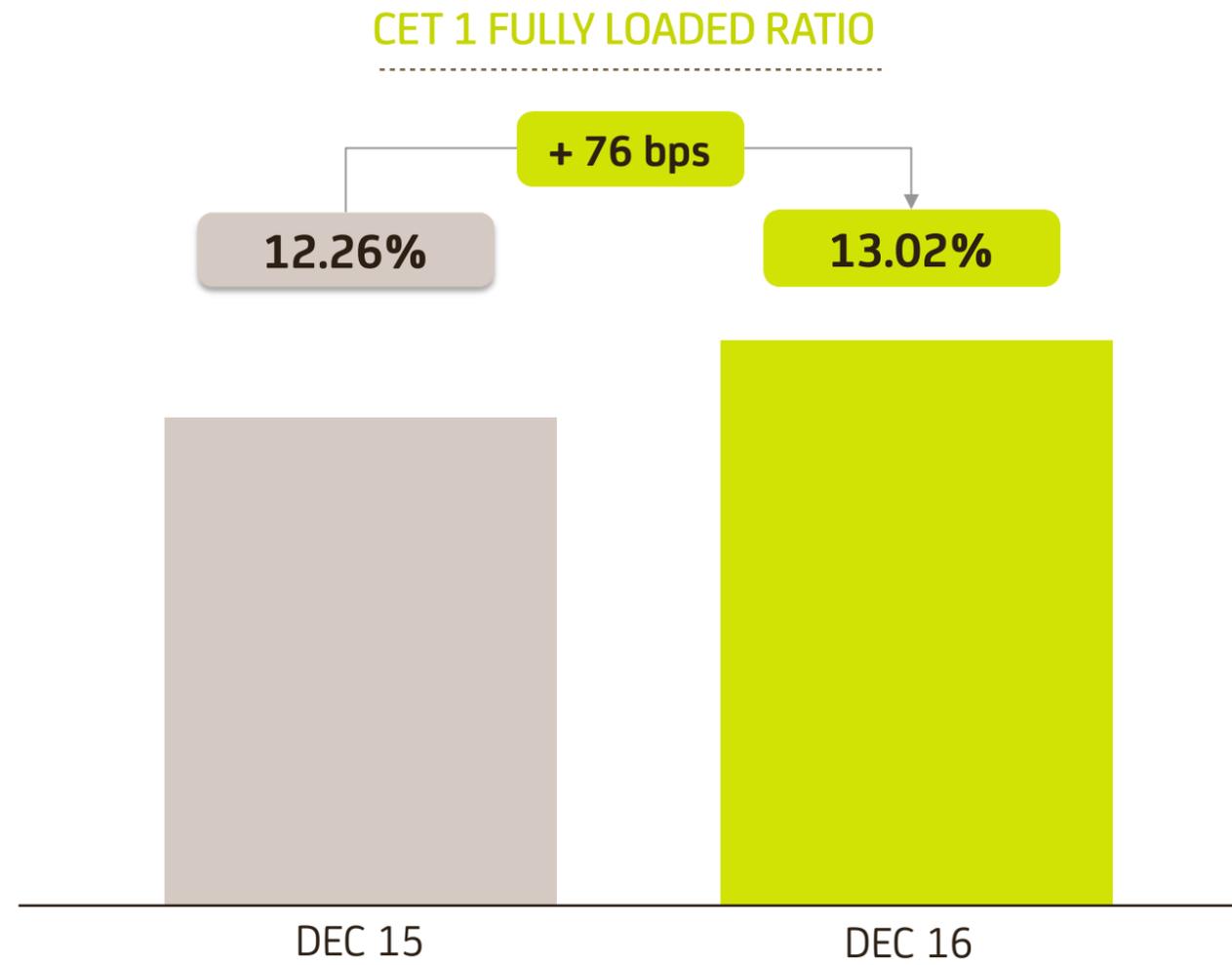
(1) Sector includes: BBVA Spain, Caixabank, Popular, Sabadell and Santander Spain. BBVA Spain and Santander Spain include real estate business. Sector data at Sep 2016

> Operating expenses and provisions continue to be the **key levers** for value generation

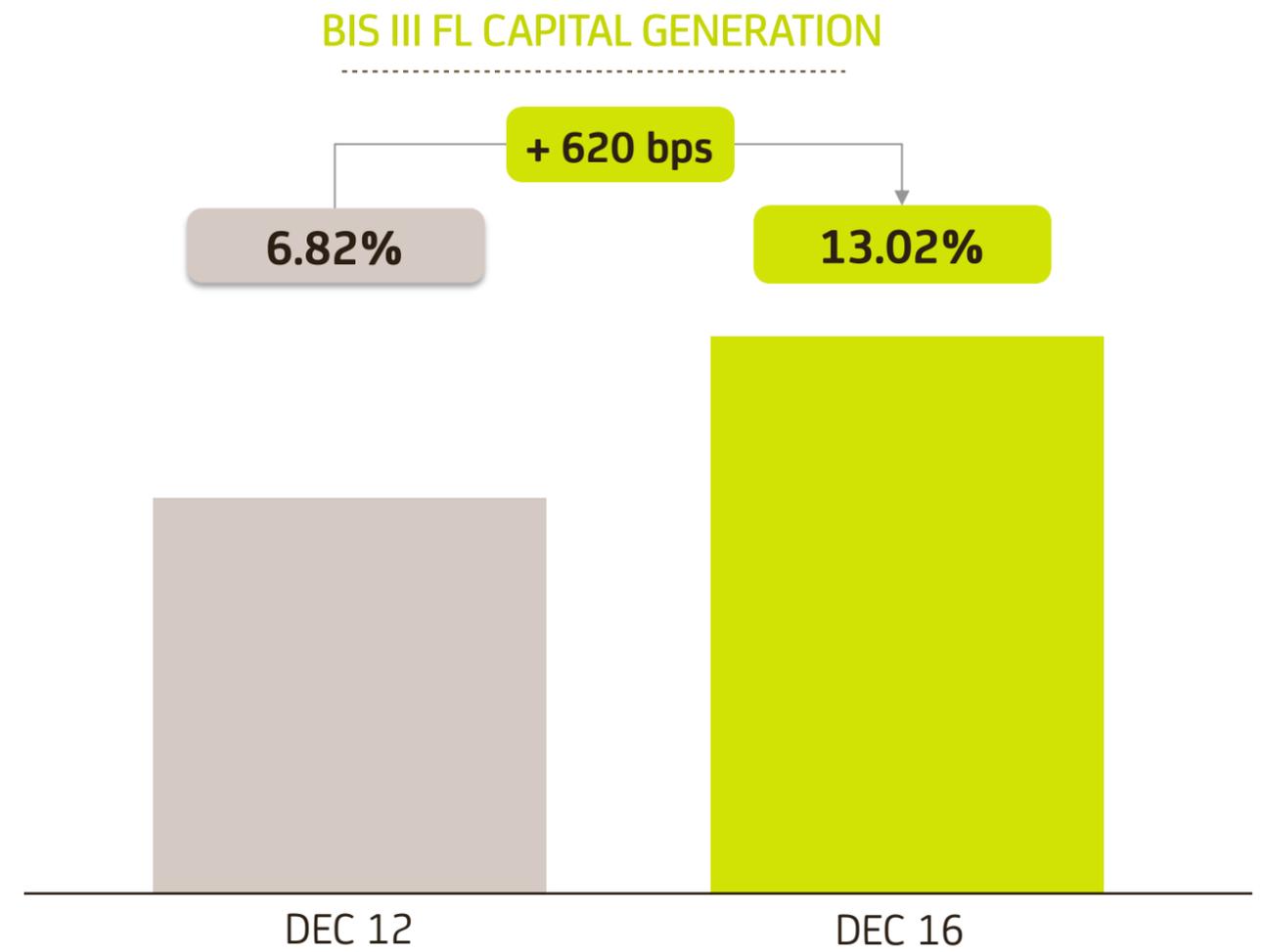
> **2016** Highlights

Capital generation | Capital levels

76 bps of capital generated during the course of the year...

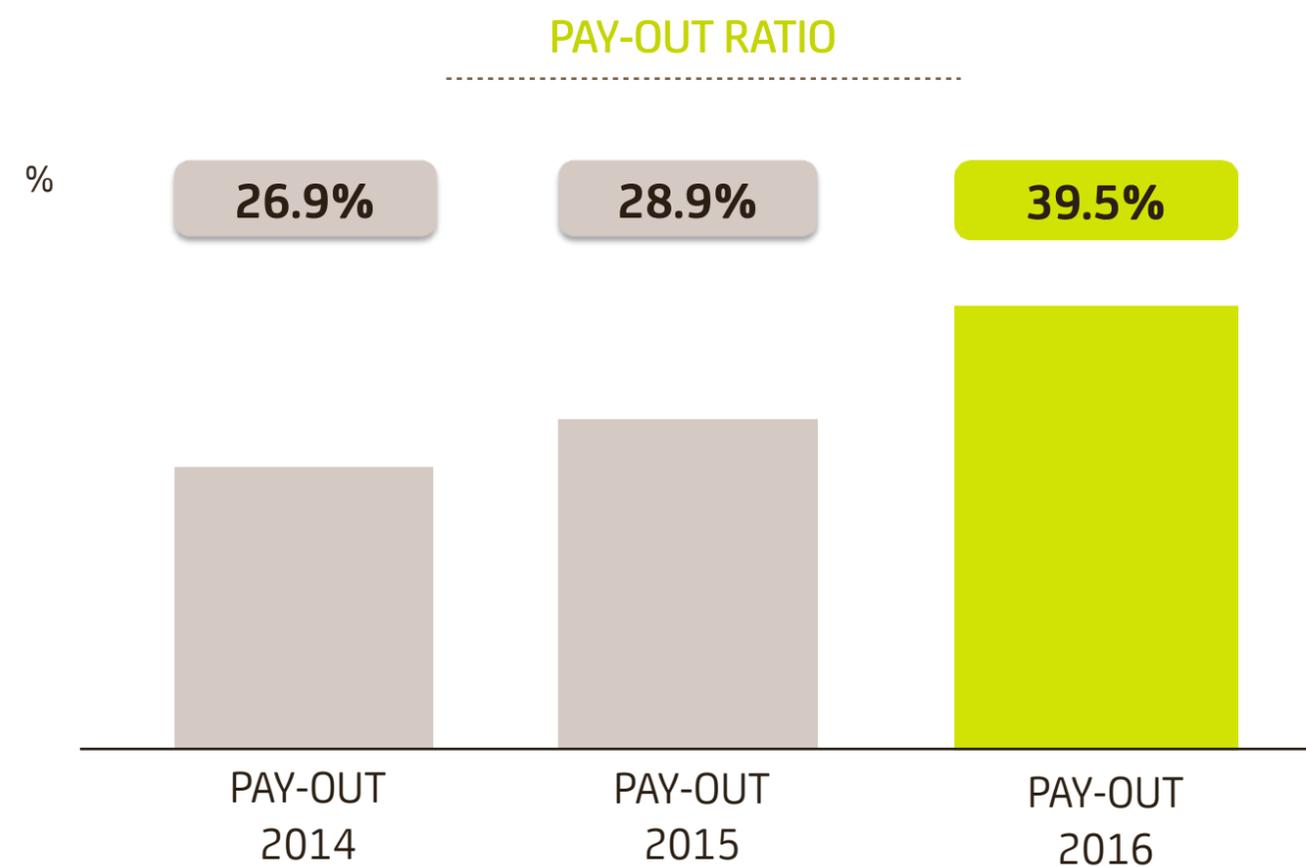
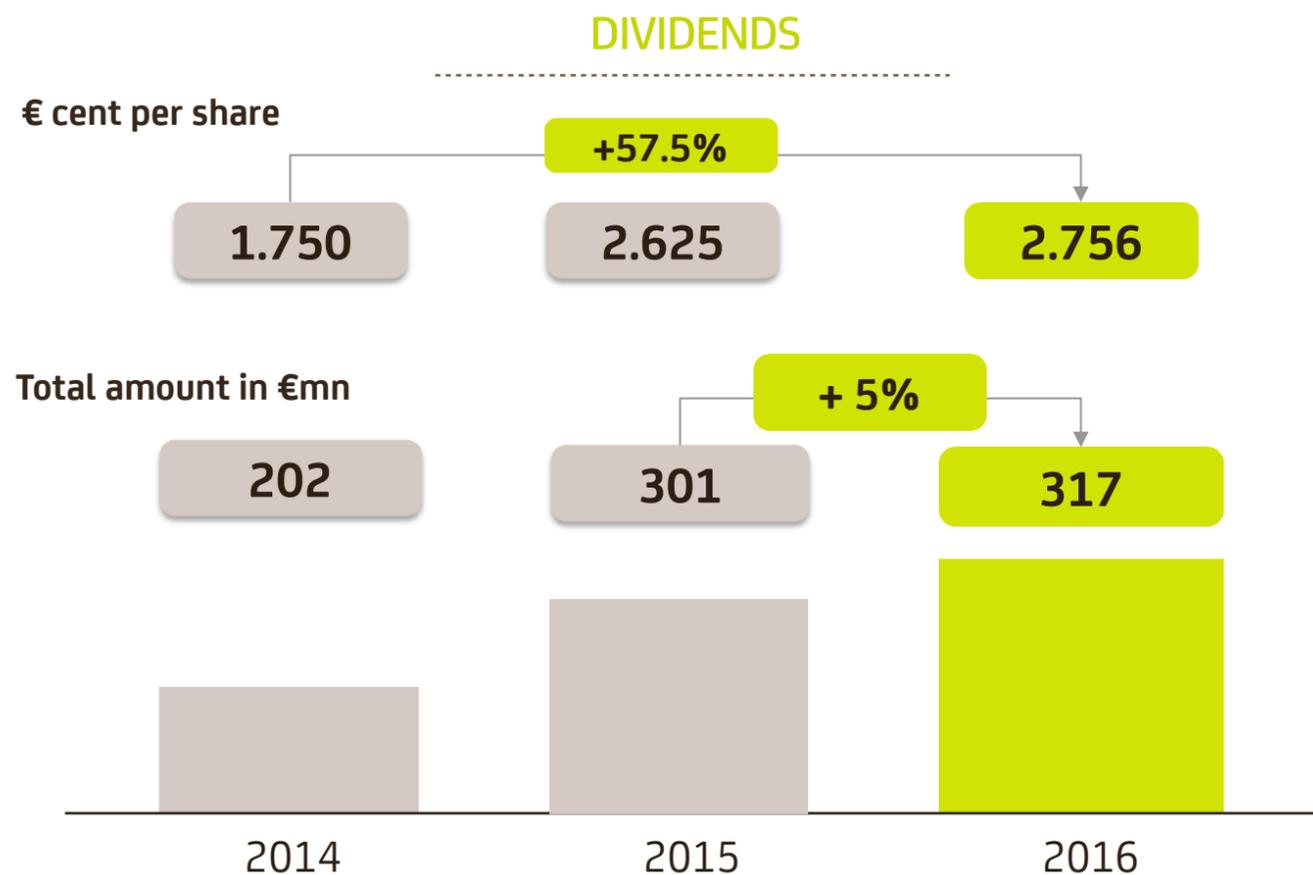


...accumulating 620 bps since Dec 2012



> **2016 Highlights**
Dividend distribution

The 2016 results allow us to increase the dividend by 5% compared to last year



> **€820mn in accumulated dividends** since 2014

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> 2016 Results

Income statement – Bankia Group

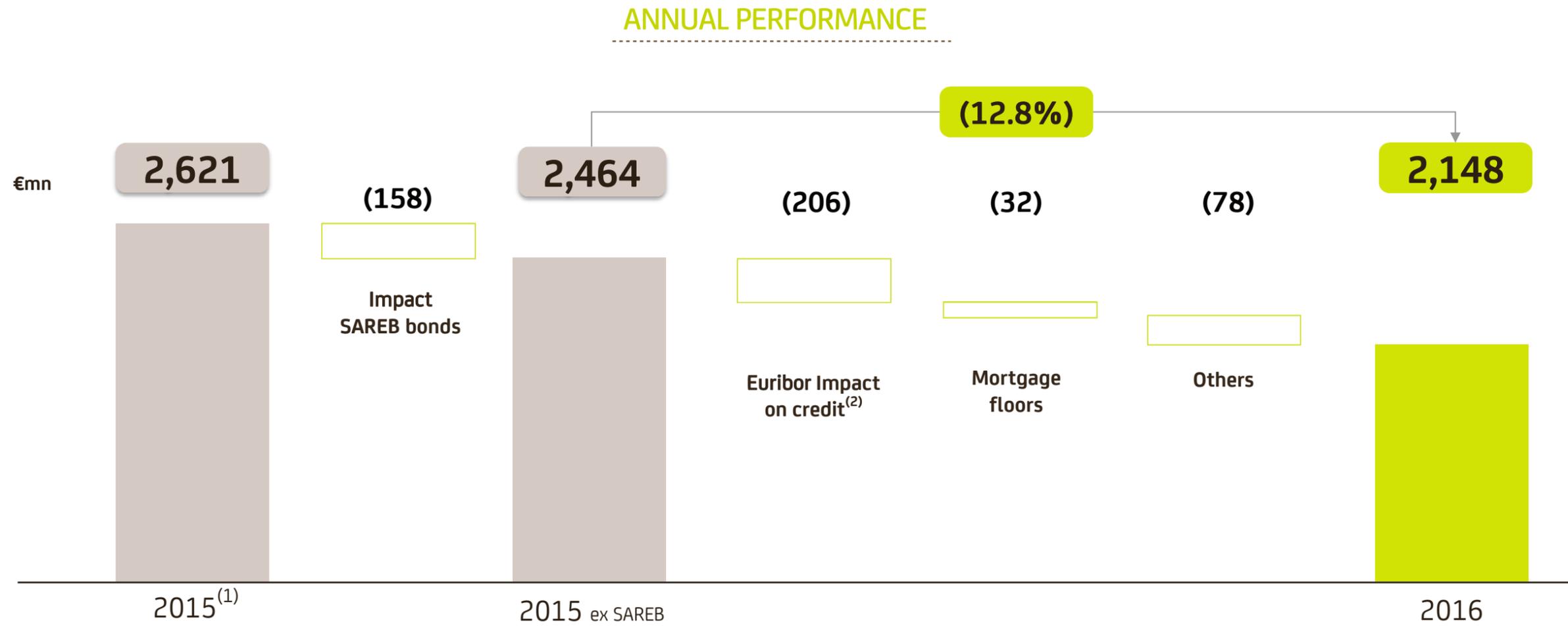
€mn	3Q 16	4Q 16	Diff %	2015 ex CNB	2016	Diff %
Net interest income	507	517	1.9%	2,621	2,148	(18.1%)
Fee and commission income	204	213	4.2%	929	824	(11.4%)
Other income	63	(24)	-	127	194	52.8%
Gross income	774	706	(8.8%)	3,677	3,166	(13.9%)
Operating expenses	(386)	(376)	(2.8%)	(1,598)	(1,548)	(3.1%)
Pre-provision profit	388	331	(14.7%)	2,079	1,619	(22.1%)
Provisions	(87)	(173)	98.4%	(721)	(494)	(31.4%)
Taxes, minority interests and other items	(50)	(20)	(60.4%)	(296)	(255)	(13.8%)
Profit attributable to the Group	250	138	(44.9%)	1,062	869	(18.2%)
Net extraordinary provisions ⁽¹⁾	0	(65)	-	(184)	(65)	(64.6%)
Reported profit attributable to the Group	250	73	(70.9%)	878	804	(8.4%)

The 2015 results exclude the contribution from City National Bank to facilitate comparison with 2016 results.

(1) Net extraordinary provisions relate to the IPO provision in 2015 and the provision relating to retroactivity of mortgage floors in 2016.

> **2016 Results**

Net Interest Income



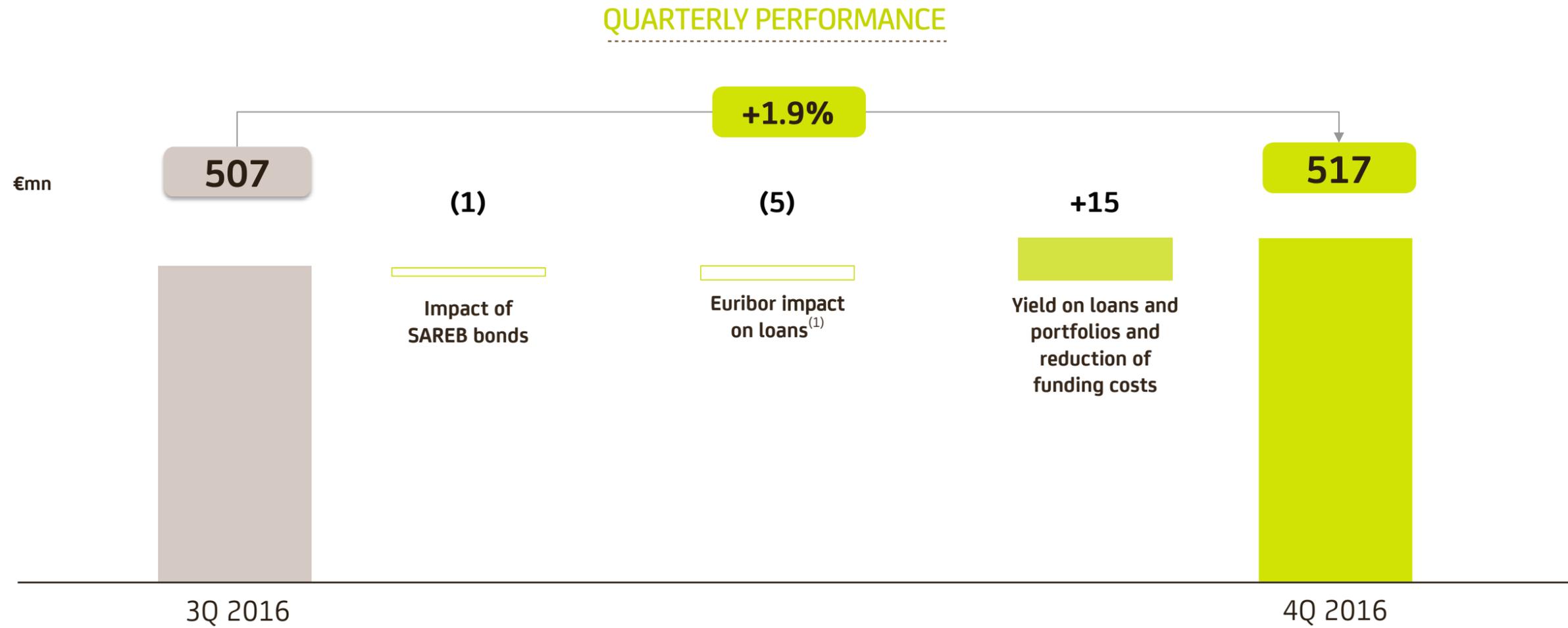
(1) 2015 results exclude City National Bank contribution in order to facilitate comparison with 2016 results

(2) Includes estimated impact due to interest rate curve in mortgages, credit to businesses and lending to public sector

> Decrease in NII due to **Euribor effect and bonds portfolio**

> **2016** Results

Net Interest Income

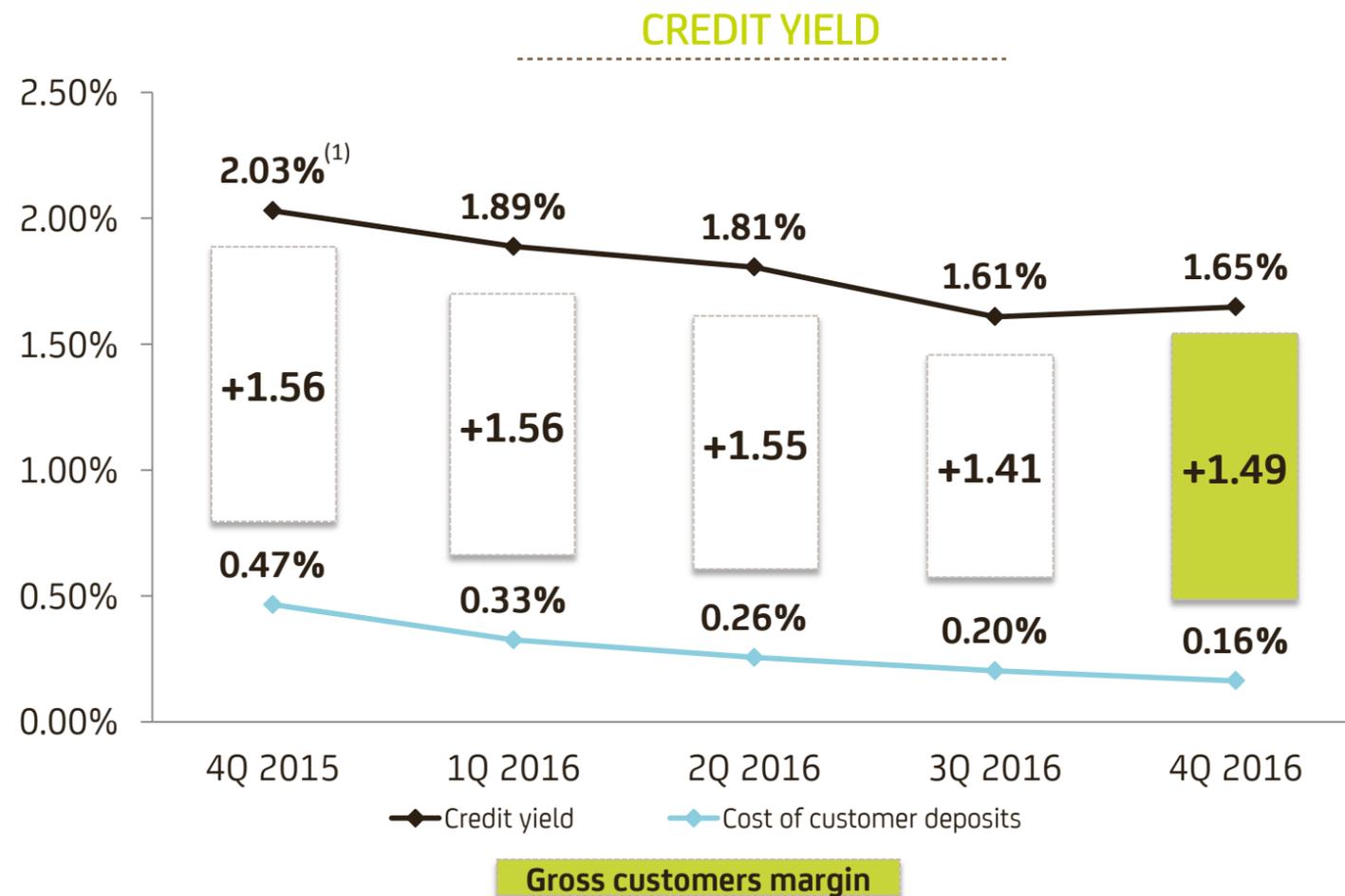


(1) Includes estimated impact due to interest rate curve in mortgages, credit to businesses and lending to public sector

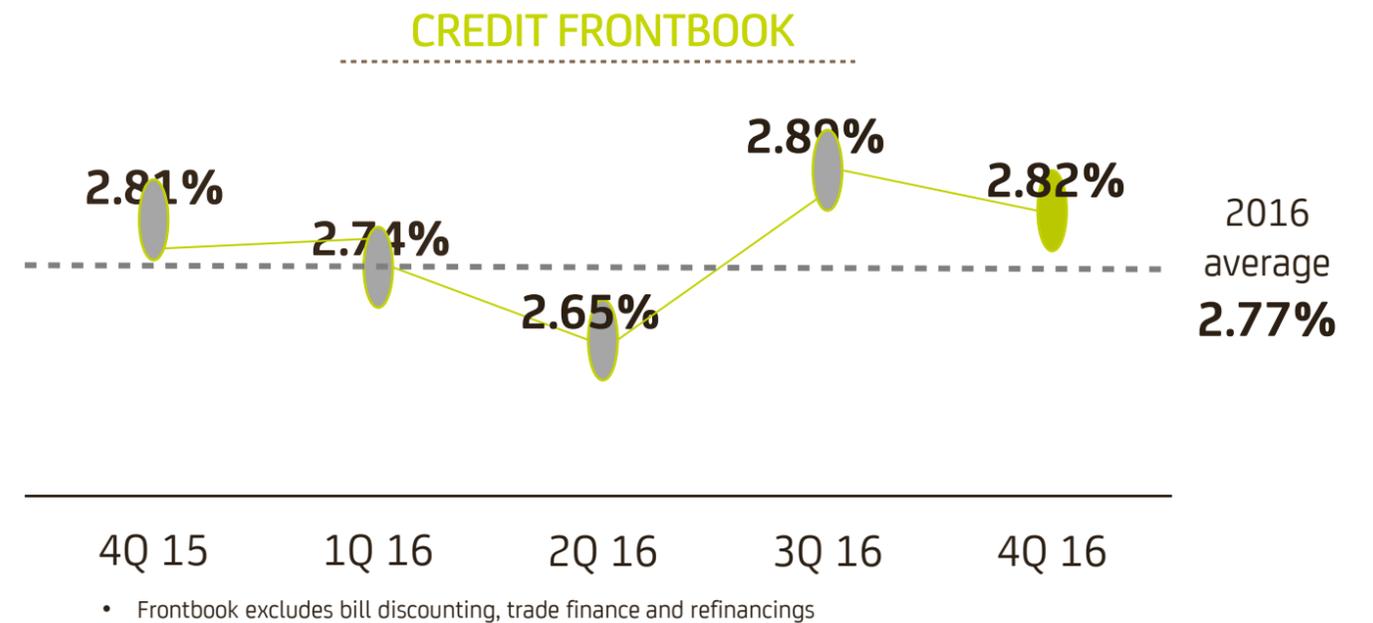
> **2016 Results**

Net Interest Income

Strong performance of gross customer margin in 4Q 16



(1) 4Q15 results exclude City National Bank contribution in order to facilitate comparison with 2016 and additionally exclude extraordinary positive items for €10mn.

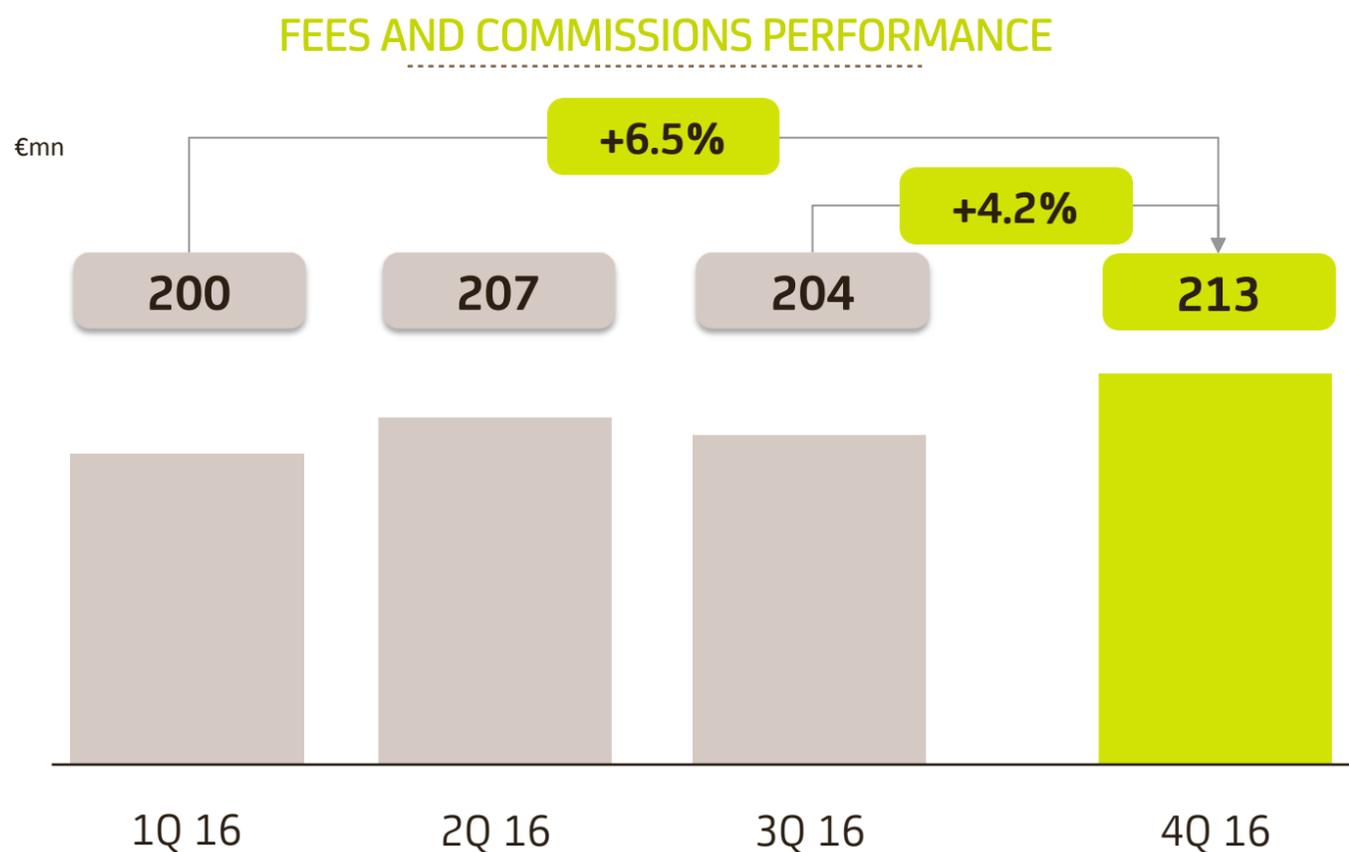


- > Gross customer margin reaches **149 bps, up 8 bps** on the previous quarter
- > The annual average cost in the backbook of term deposits stands at **47 bps**, with new deposits **at 8 bps in 4Q 16**

> **2016** Results

Fees and commissions

Business commissions increased during the last quarter of the year



- ▶ Increased fee and commission income from payment channels
- ▶ Increased fee and commission income from the selling of mutual funds and insurance products

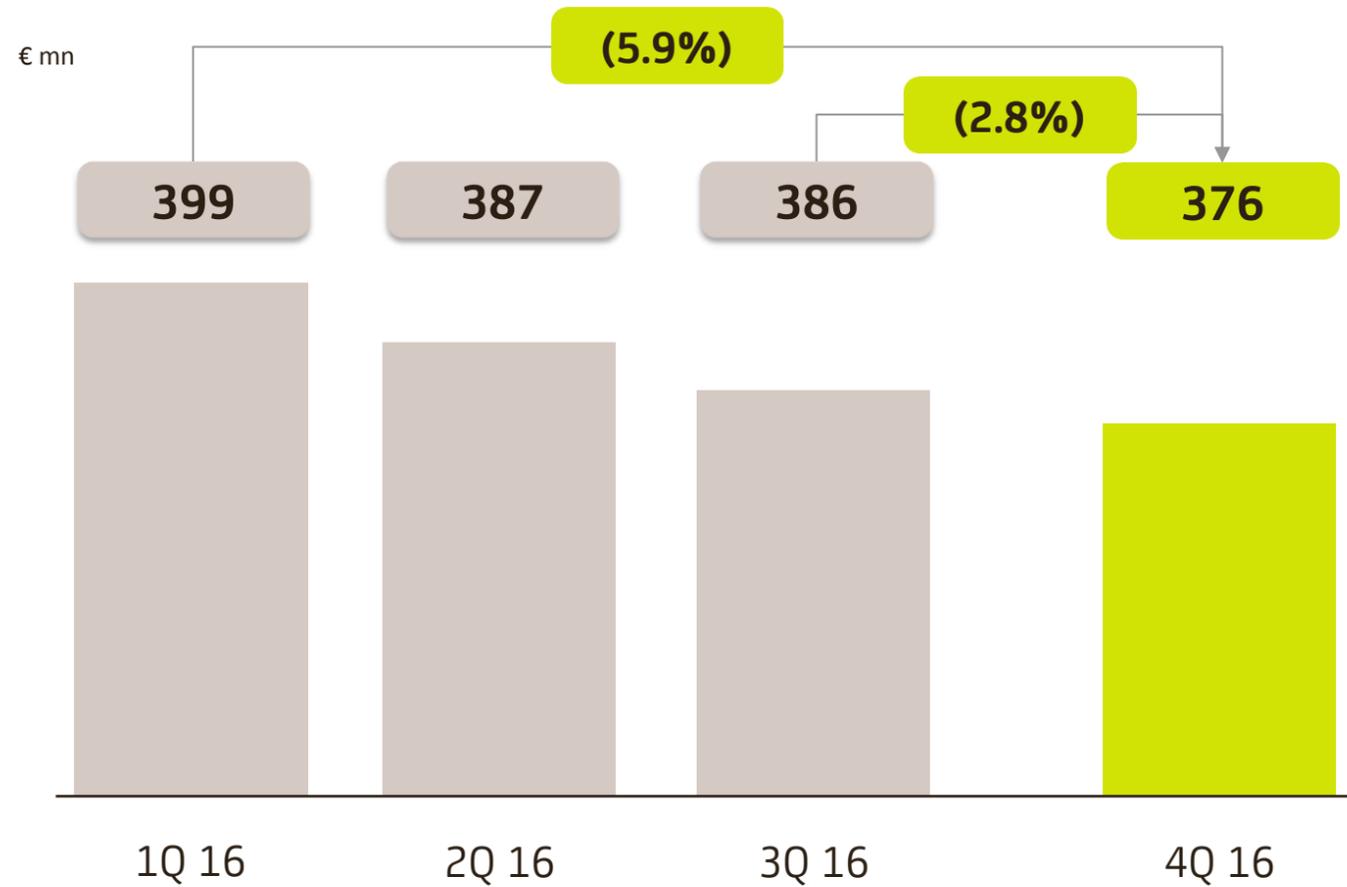
> Total fee and commission income in 2016 was €824mn

> **2016** Results

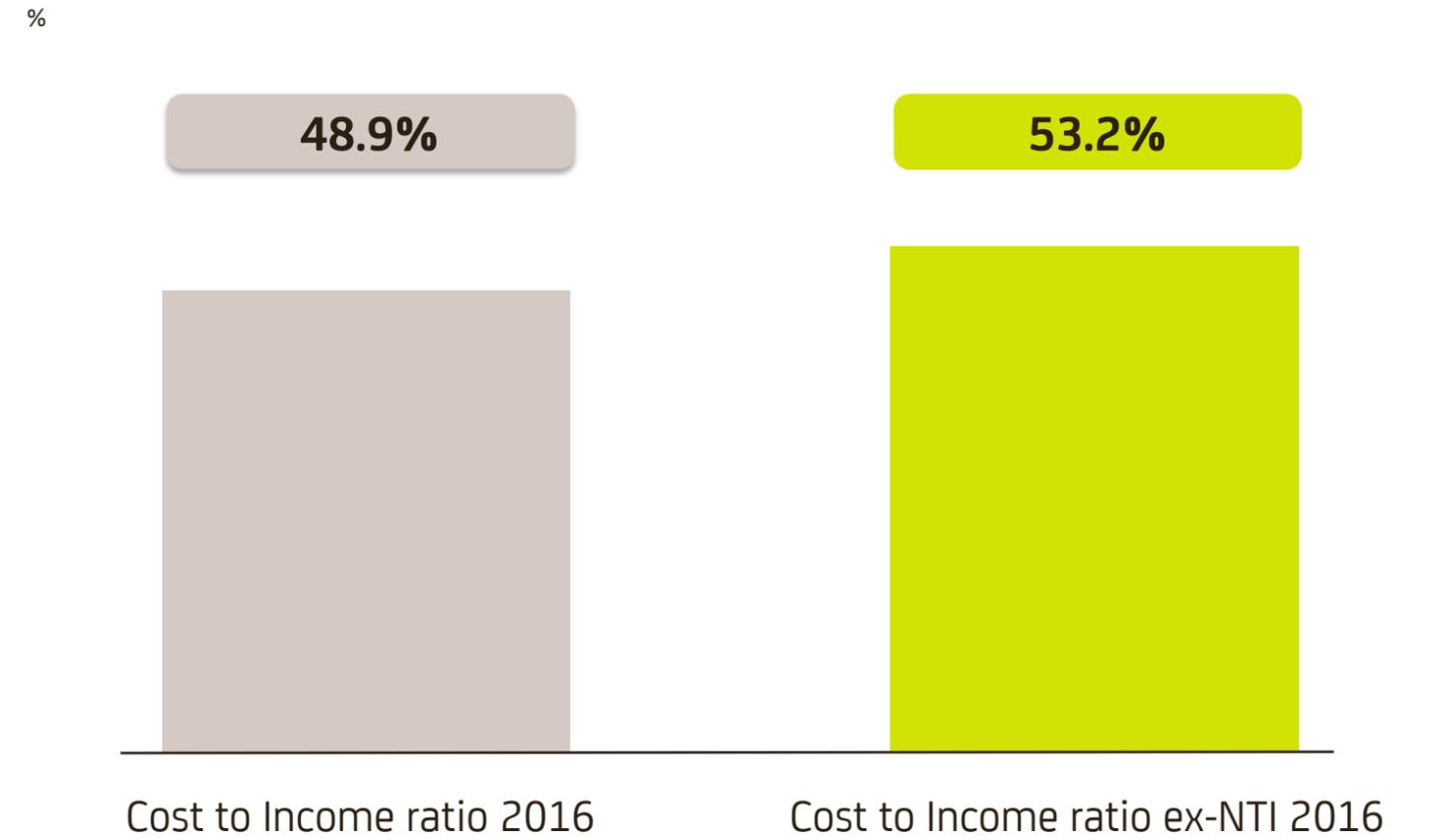
Operating expenses

Reduction in expenses in line with the maintained trend during the course of the year

OPERATING EXPENSES PERFORMANCE



COST TO INCOME 2016

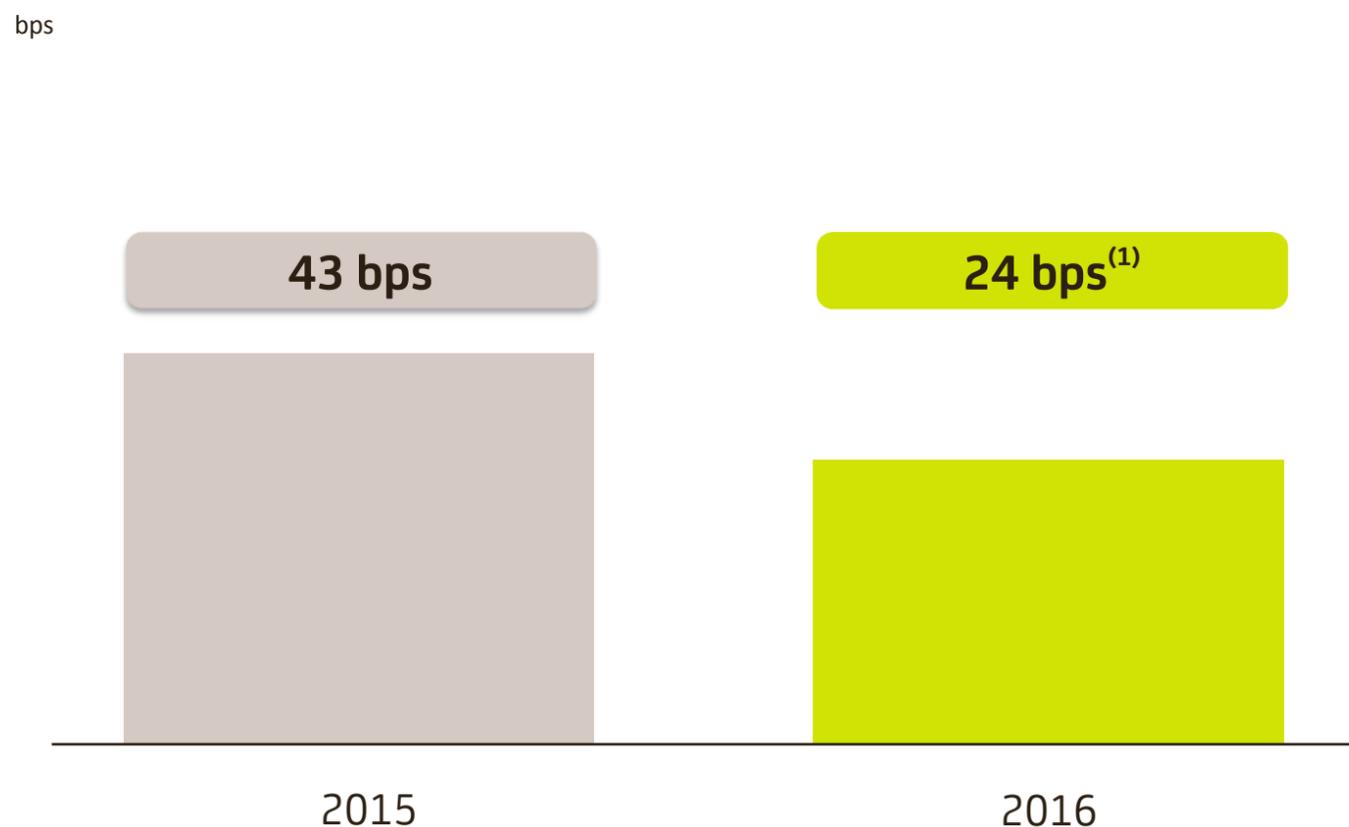


> **2016 Results**

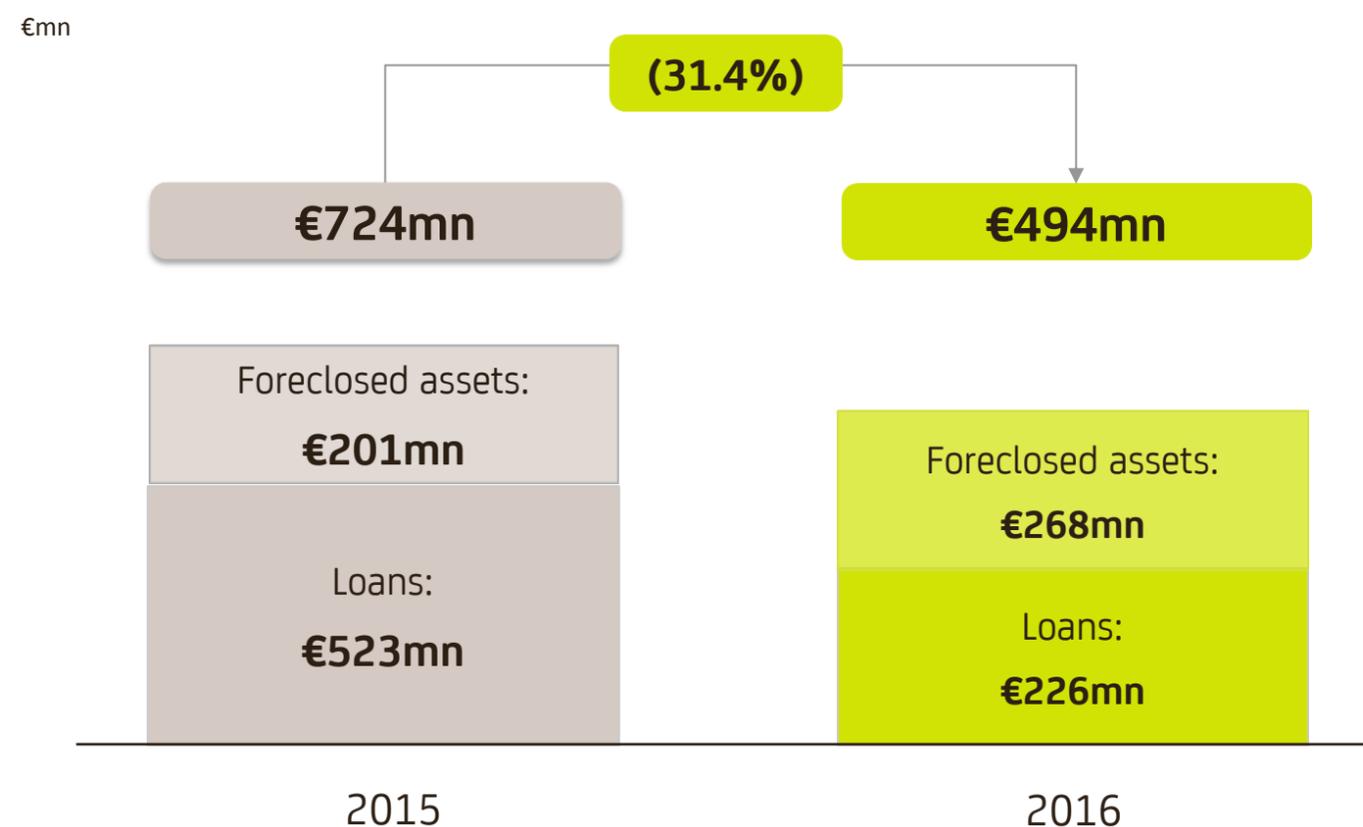
Cost of risk

Provisioning for loans and foreclosed assets is down 31.4% in 2016 compared to the previous year

COST OF RISK



PROVISIONING FOR LOANS AND FORECLOSED ASSETS

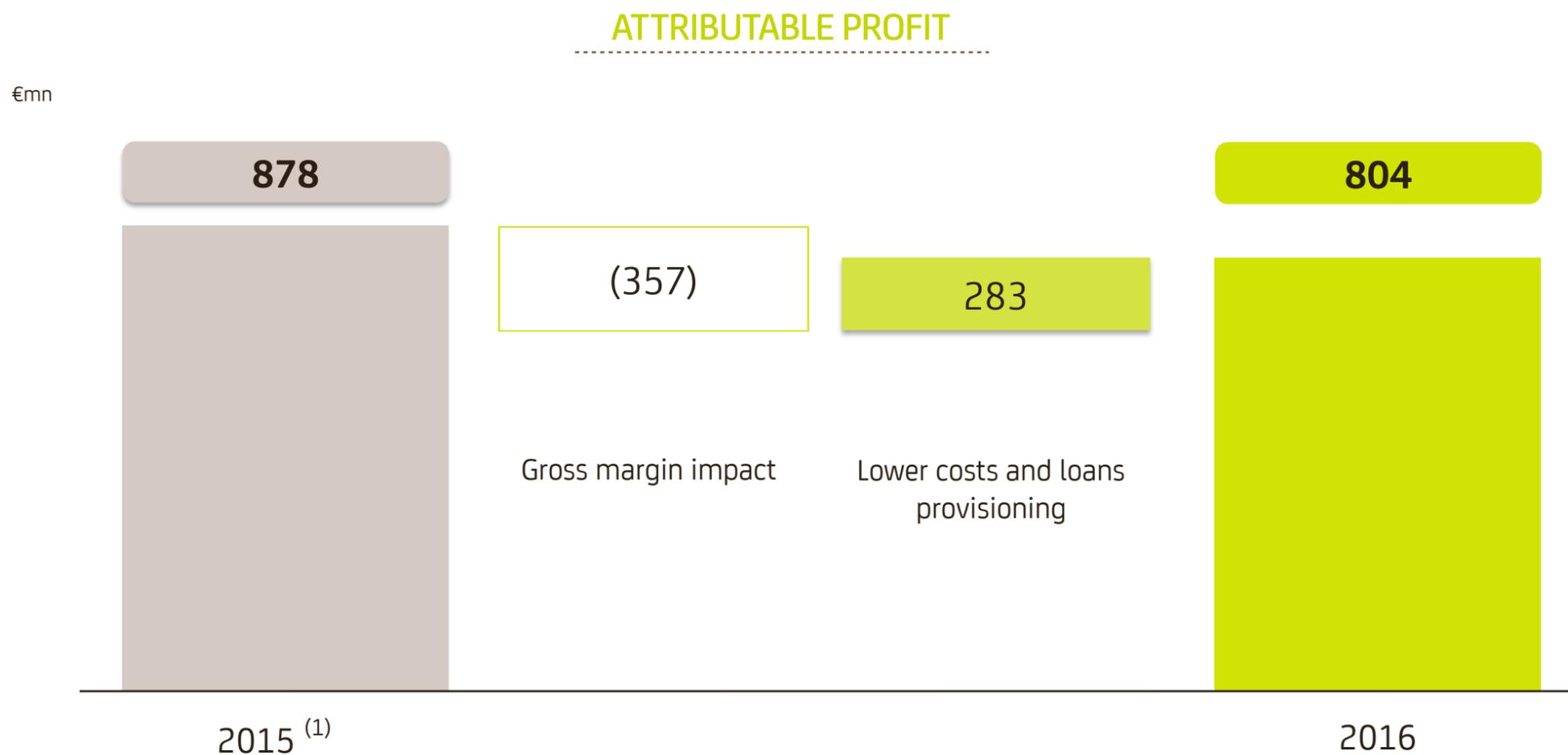


(1) Cost of risk calculated excluding 4Q16 release of credit provisions as consequence of the estimation changes from the new "Anejo IX" Bank of Spain circular 4/2016.

> **2016 Results**

Attributable profit

Attributable profit in excess of €800mn, despite the difficult interest rate environment and the accounted provision for mortgage floors



- ▶ Decrease in gross income offset by lower costs and provisions
- ▶ Extraordinary impacts in 4Q16 due to provision for mortgage floor clauses

(1) 2015 results exclude City National Bank contribution in order to facilitate comparison with 2016 results

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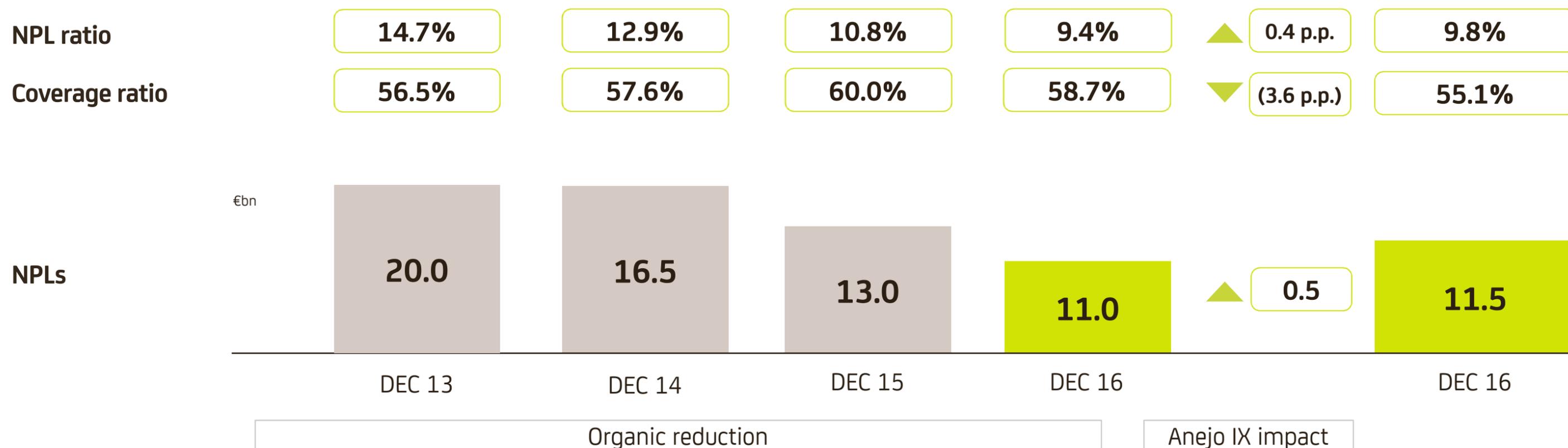
CONCLUSIONS

> Asset quality and **risk management**

Credit quality

Not including the change in estimates derived from “Anejo IX”, NPLs are down €2bn in 2016

NPLs, NPL RATIO AND COVERAGE



> NPLs increase by €492mn as a consequence of the change in estimates derived from Anejo IX, while credit provisions stock decreases in order to assign them to foreclosed assets

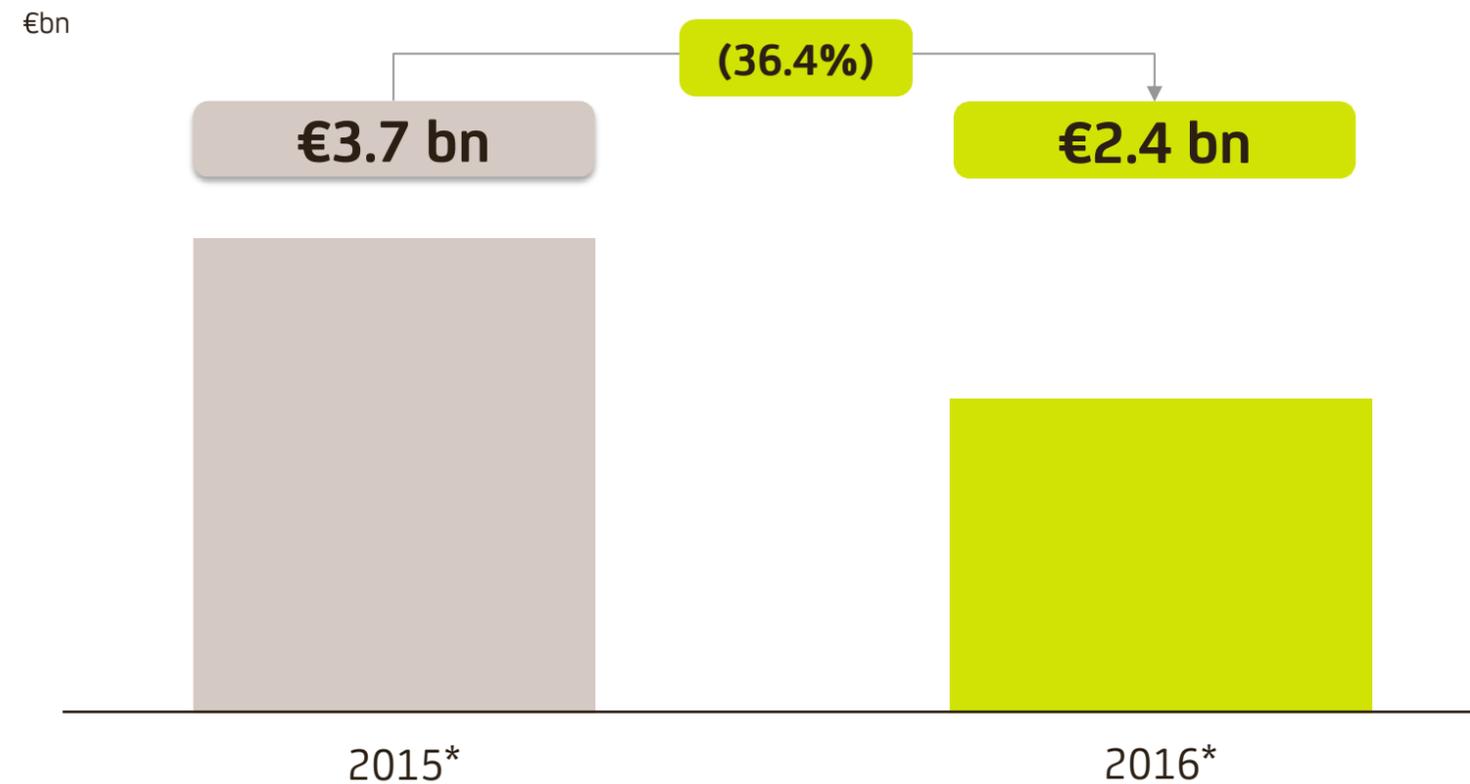
> Asset quality and **risk management**
Credit quality

Gross entries containment, key to reduce NPLs

NPLs PERFORMANCE

€Bn	
NPLs Dec 2015	13,00
+ Gross new NPLs	+2,37
- Recoveries	(3,60)
Net entries	(1,23)
(Write-offs)	(0,32)
(Sales)	(0,46)
Anejo IX	+0,49
NPLs Dec 2016	11,48

GROSS INFLOW OF NPLs



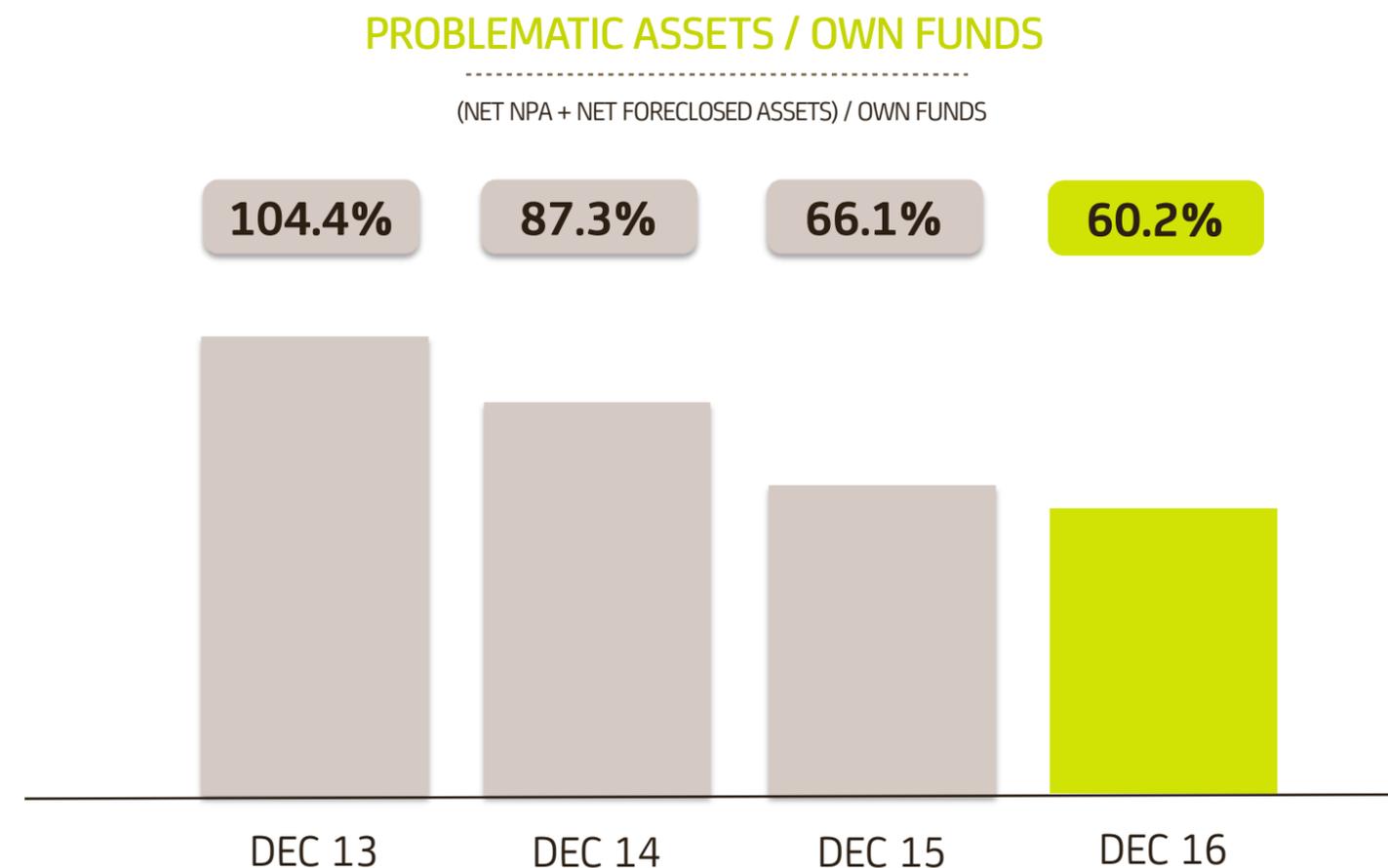
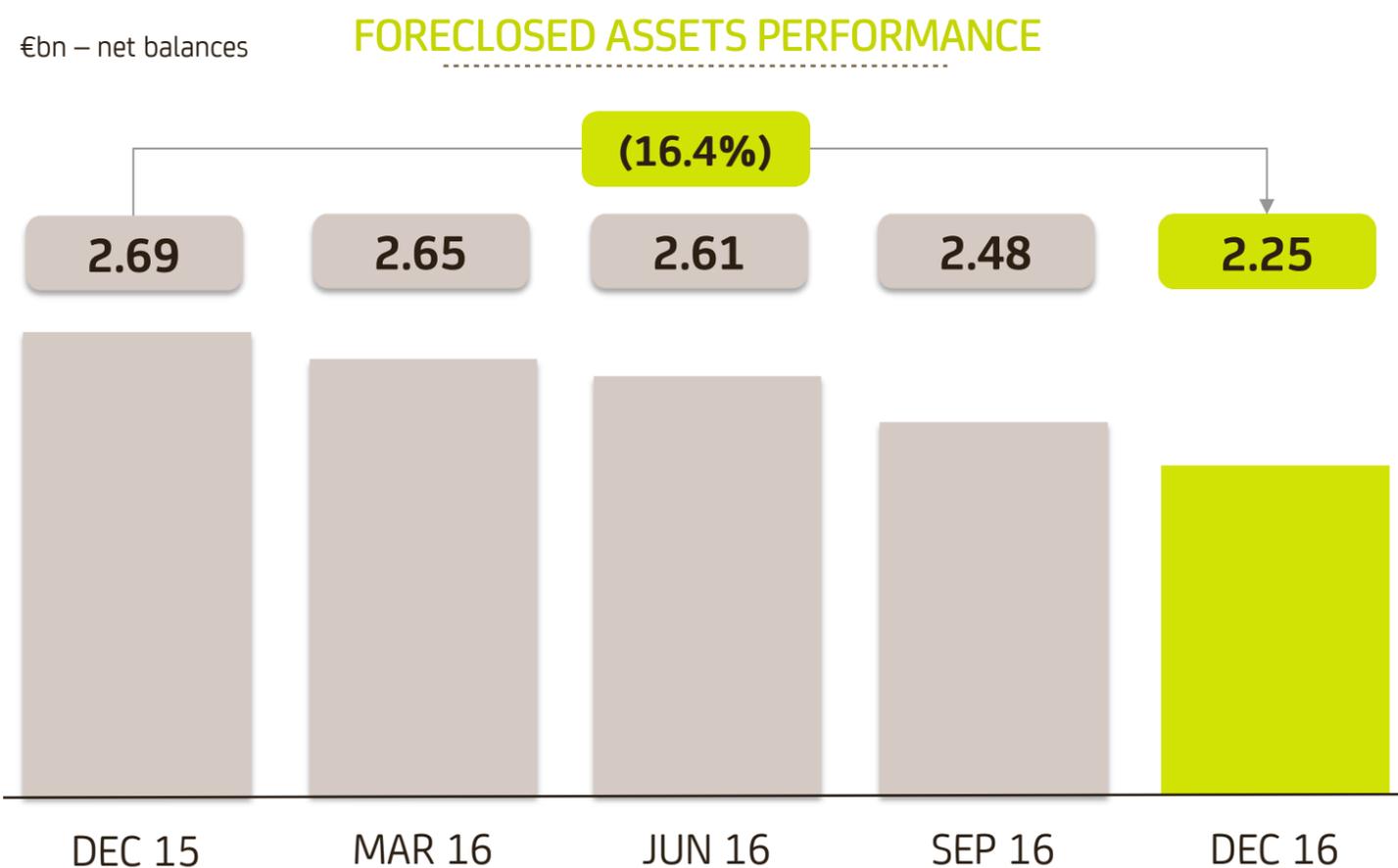
* In 2015 and 2016 single names gross entries are excluded

> NPLs are down €2,0bn during the year, but as a consequence of the change in estimates derived from “Anejo IX” the reduction stands at €1,5bn

> Asset quality and **risk management**

Foreclosed assets

Net foreclosed assets are down €438mn year-on-year



> Divestitures of **20%** of the stock of foreclosed assets during 2016, which means a reduction of 9,107 units.

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> **Liquidity** and solvency

Liquidity

The Bank's funding profile continues to improve...

> LTD Ratio
Dec 2016

97.2%

vs. 101.9% in Dec 15

> Commercial
Gap

€2.1bn

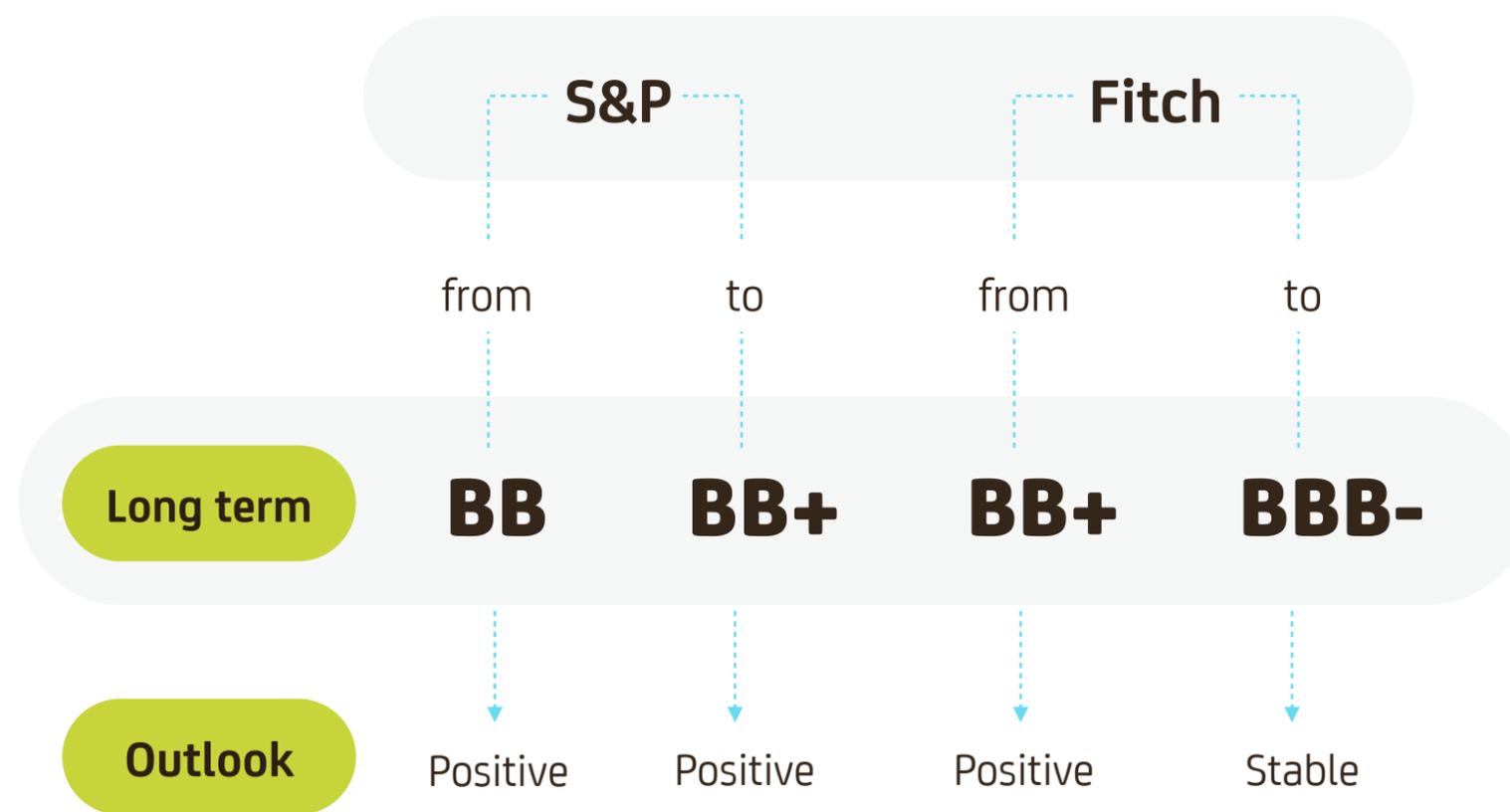
vs. €8.5 bn in Dec 15

> Liquid assets vs.
wholesale
maturities
Dec 2016

1.4x

...with ratings upgrades

> RATINGS IMPROVEMENTS

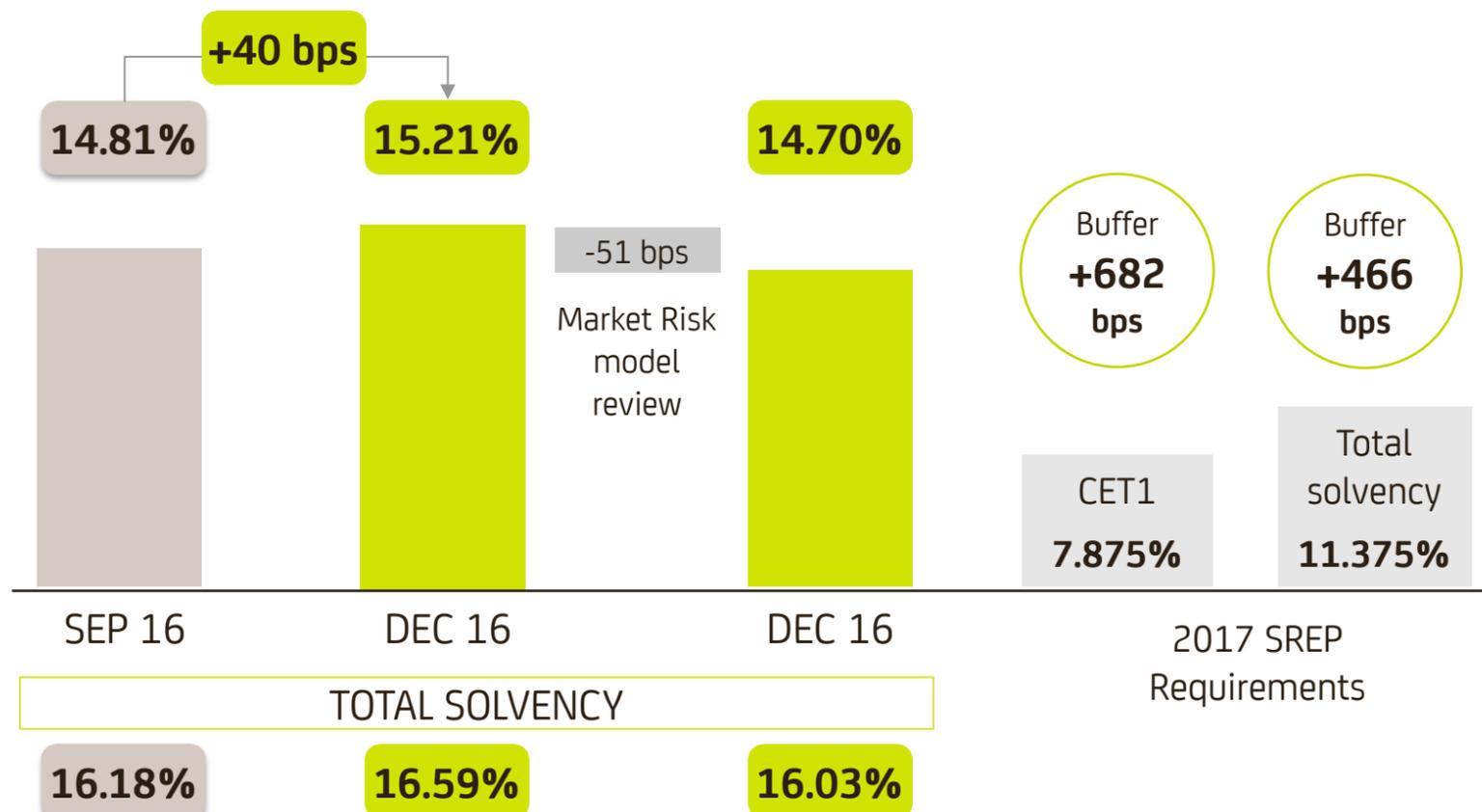


> Liquidity and **solvency**

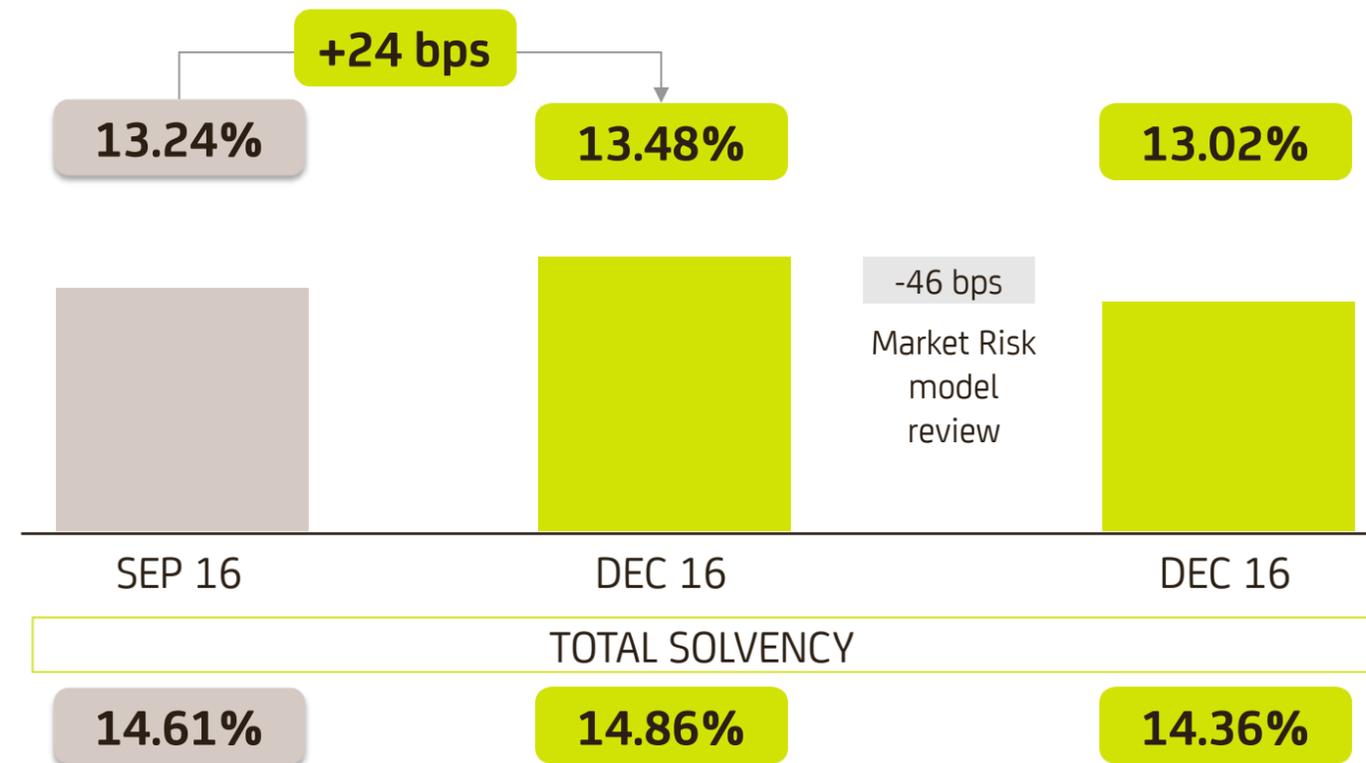
Capital ratios

24 bps of CET1 FL organic capital generation in 4Q 2016

CET1 PHASE IN RATIO PERFORMANCE



CET 1 FULLY LOADED RATIO PERFORMANCE



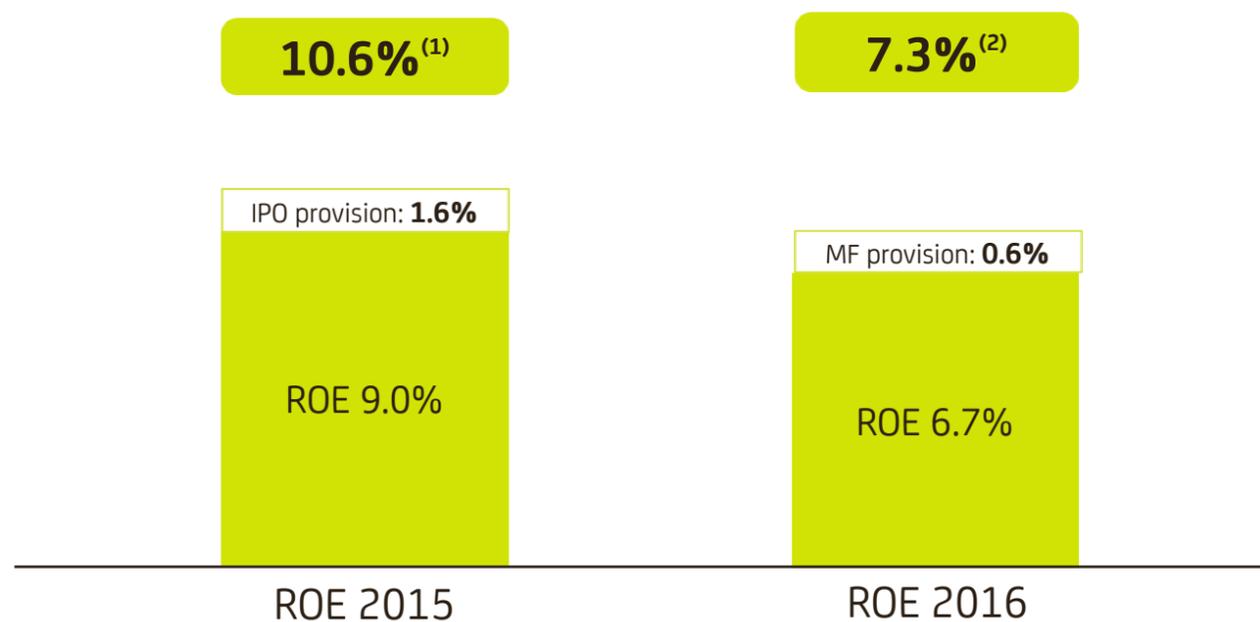
Capital ratios include the attributable profit for the Group and also include the regulatory adjustment due to the estimated dividend
 If unrealised gains on the available-for-sale sovereign portfolio were included as of 31 December 2016 in the Fully Loaded ratio, the CET1 ratio would have stand at 13,52%, and Total Solvency at 14,85%

> In 4Q 2016 there has been an increase in RWAs due to the review of the Market Risk model that we consider will revert in 2017

> Liquidity and solvency
Profitability ratios

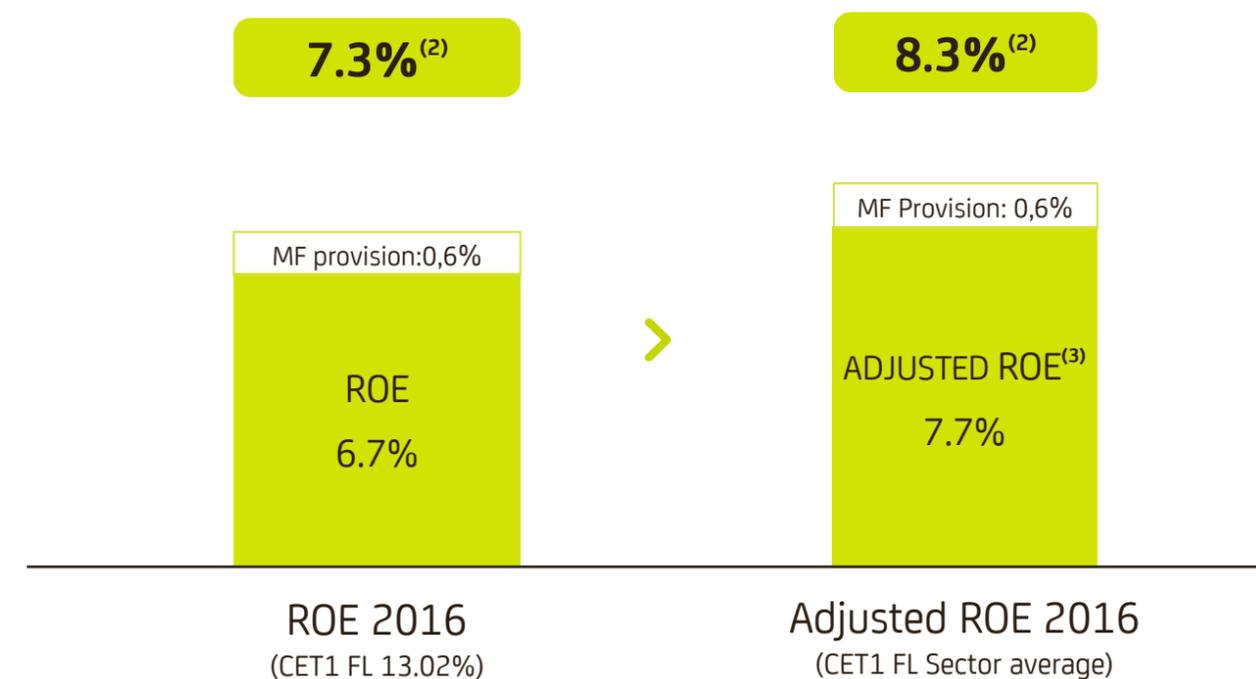
Return on equity of 8.3% when adjusted for a CET1 FL of 11%

RETURN ON EQUITY (ROE) %



(1) ROE excluding impact from IPO contingency provision
 (2) ROE excluding impact from mortgage floors provision
 ROE calculated as Attributable Profit for the period / Own Funds monthly average during the period

RETURN ON EQUITY (ROE) %



(3) Adjusted ROE calculated as Attributable Profit for the period / Own Funds for the period adjusted by the difference between Bankia Fully Loaded capital and Sep 16 Sector average FL Capital (11.1% CET1 FL)

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> Conclusions



Excellent results from our new positioning supported by a multichannel environment



Demonstrated capacity to continue generating **organically high levels of capital**



Our competitive advantages in costs and risk management are key to maintain **high profitability standards**



Dividend increases 5% compared with previous year

Bankia

LET'S KEEP WORKING

Investor Relations

ir@bankia.com