

# Annual results presentation

## 2015

1 February 2016

# Bankia

# Bankia

LET'S KEEP WORKING



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- 1. Highlights of the year**
2. 2015 results
3. Asset quality and risk management
4. Liquidity and solvency
5. Completion of Strategic Plan 2012-2015

## Highlights of the year

### 2015: the year of consolidation of our franchise...

1

#### COMMERCIAL ACTIVITY

Productivity growth  
+ **3.5%** annual increase in lending to  
businesses and consumers

2

#### EFFICIENCY AND PROFITABILITY

2015 Efficiency ratio: **43.6%**  
+ **39.2%** attributable profit vs. 2014

3

#### ASSET QUALITY

**€3.5bn** reduction in NPLs vs. Dec14  
Coverage ratio: **60.0%** (vs. 57.6% Dec14)

4

#### SOLVENCY

**166 bps** of BIS III FL capital  
generation in the year

**10.6%\***  
**ROE**

...with the plan's targets achieved

\*ROE without deducting in 2015 provisions arising from IPO contingency (€184 million)

# Highlights of the year

1

## COMMERCIAL ACTIVITY

Positive trend in customer funds management activity continues...

### CUSTOMER FUNDS PERFORMANCE

€bn

116.0

+3.4%

119.8

DEC 14

DEC 15

### MUTUAL FUNDS MARKET SHARE

4.98%

+46 bps

5.44%

DEC 14

DEC 15

Source: Inverco

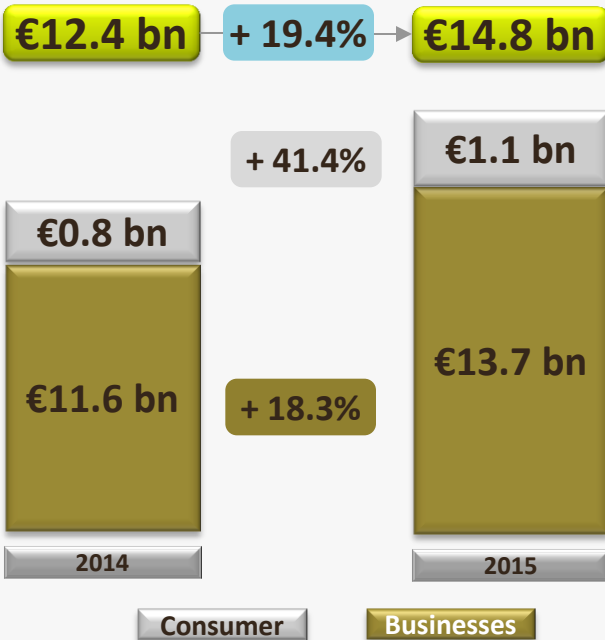
# Highlights of the year

1

## COMMERCIAL ACTIVITY

...increasing volumes in key business segments...

NEW LENDING 2014 vs.2015



New lending to businesses includes public sector. Does not include forbearance.

GROSS LOANS OUTSTANDING BALANCE 2014 vs.2015

€bn

	DEC 14	SALES*	DEC 14 PF	DEC 15	% Change
<b>Total gross loans</b>	121.8	-2.1	119.7	116.0	-3%
Mortgages	72.4	-0.6	71.8	67.4	-6%
Developer	3.0	-0.3	2.7	1.8	-33%
<b>Businesses &amp; consumer</b>	46.4	-1.2	45.2	46.8	+3.5%

**Organic growth in lending in key sectors continues**

\*"Businesses" includes public sector. Gross loans excludes BFA reverse repurchase agreements

\* Portfolio sales includes NPL's and substandard.

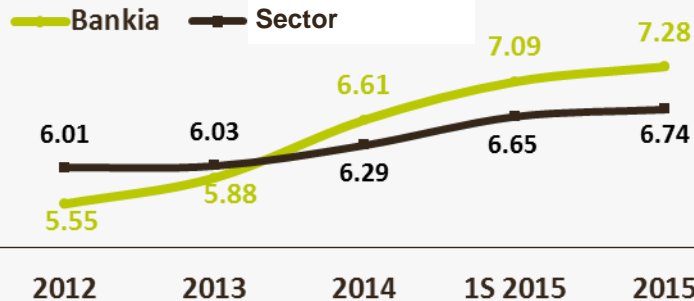
# Highlights of the year

1

## COMMERCIAL ACTIVITY

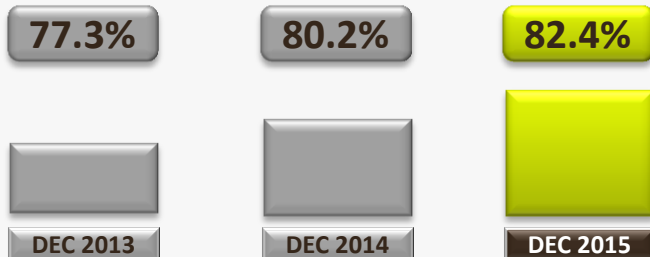
...reinforcing our customers' trust in us

### Mystery shopper – Bankia vs sector



Source: STIGA research on mystery shopper satisfaction

### Customer satisfaction index



Source: STIGA research on customer satisfaction

### “TE QUITAMOS LAS COMISIONES”



Fostering loyalty with 300,000 customers pays back the €40mn impact in fee income

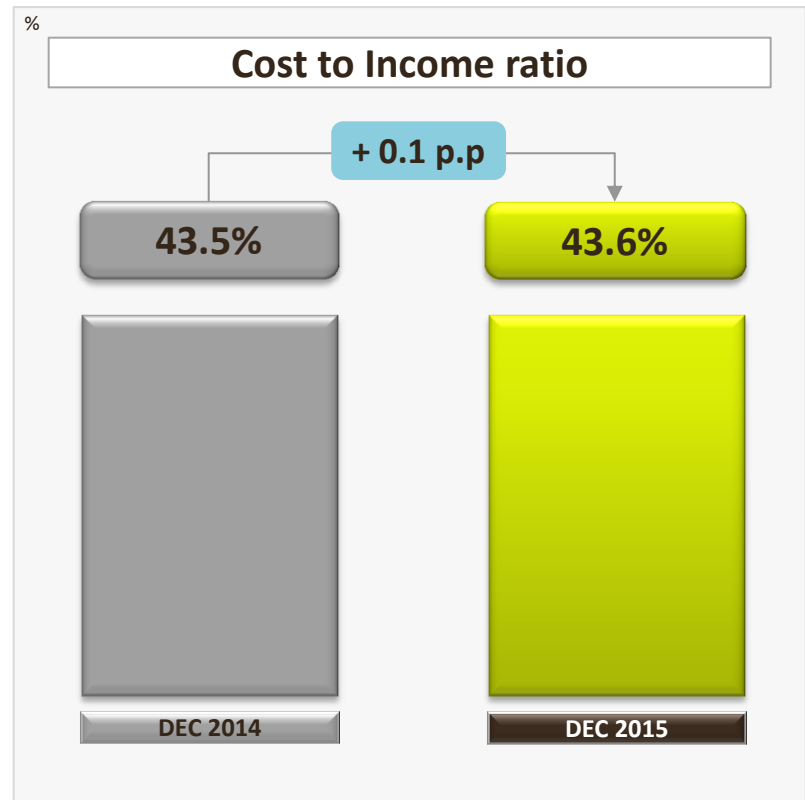
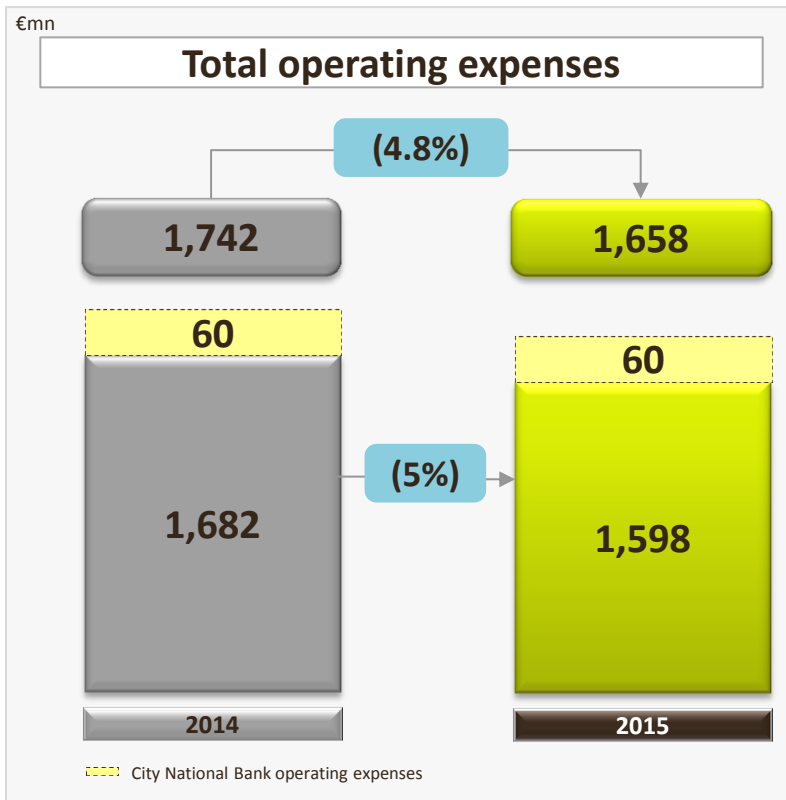
## Highlights of the year

2

### EFFICIENCY AND PROFITABILITY

Thanks to our cost cutting capabilities...

...we have achieved the best efficiency levels of the sector





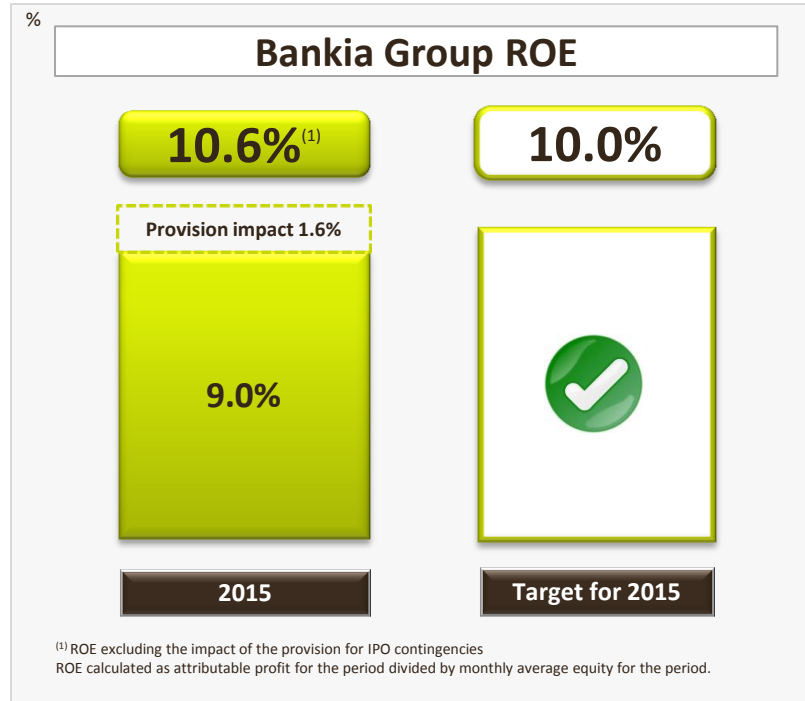
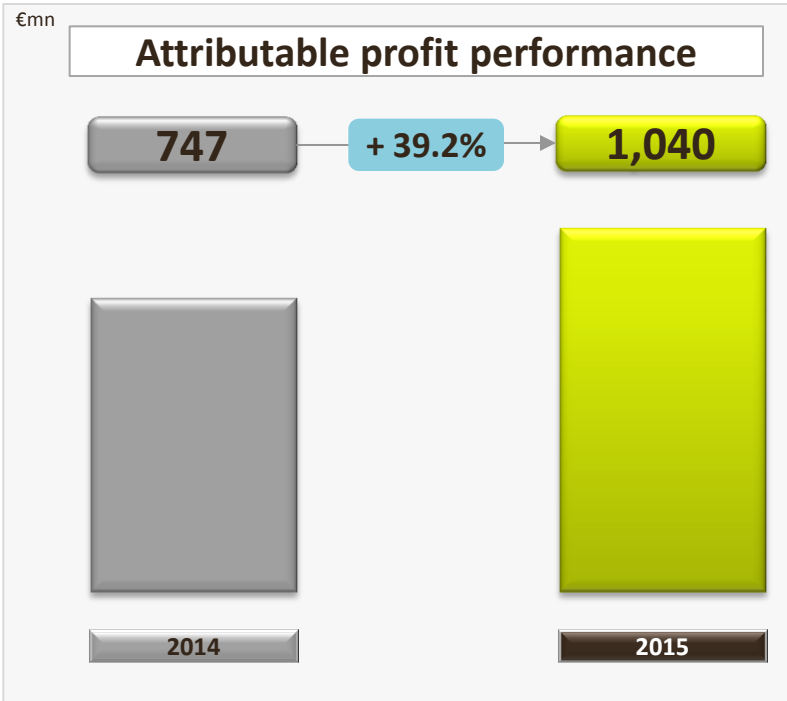
## Highlights of the year

2

### EFFICIENCY AND PROFITABILITY

**+ 39.2% increase in attributable profit for the year...**

**...allowing us to outperform our ROE target**



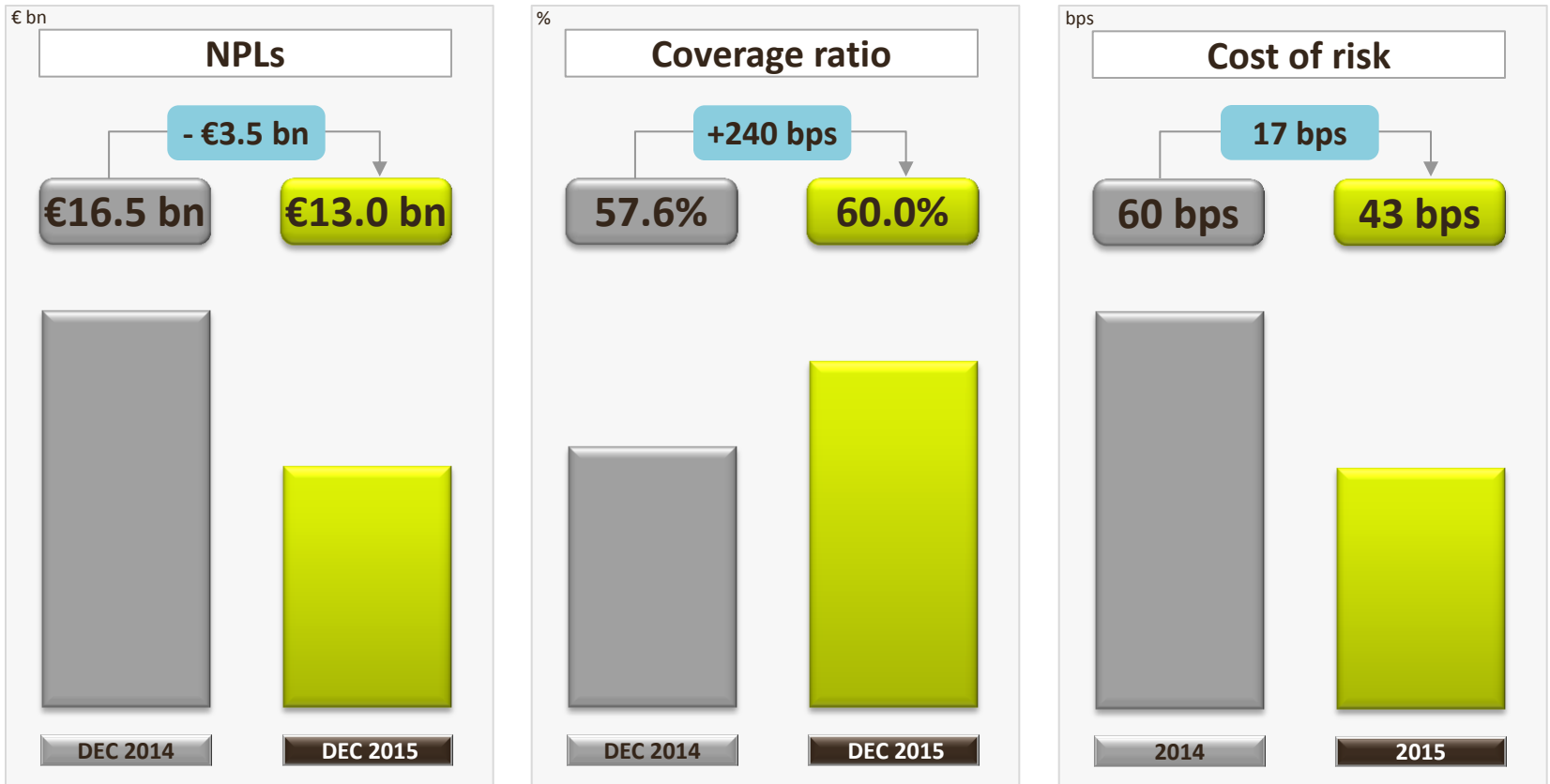
**2015 ROE above target level: 10.6%**

## Highlights of the year

3

### ASSET QUALITY

#### Reduction in NPLs, with an increase in coverage



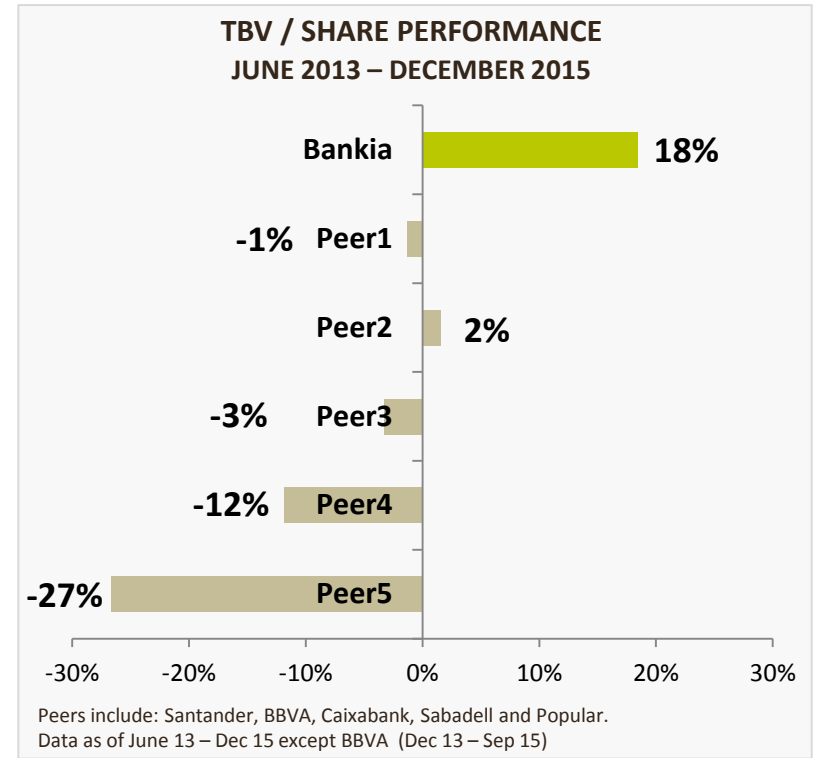
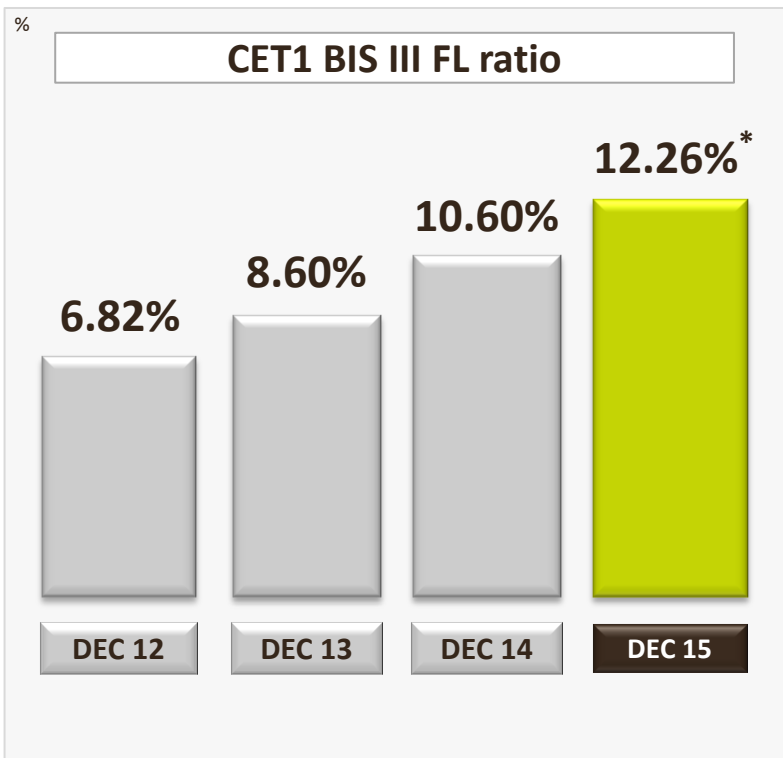
## Highlights of the year

4

### CAPITAL GENERATION

544 bps of CET1 FL generated in the period...

...which are value for our shareholders



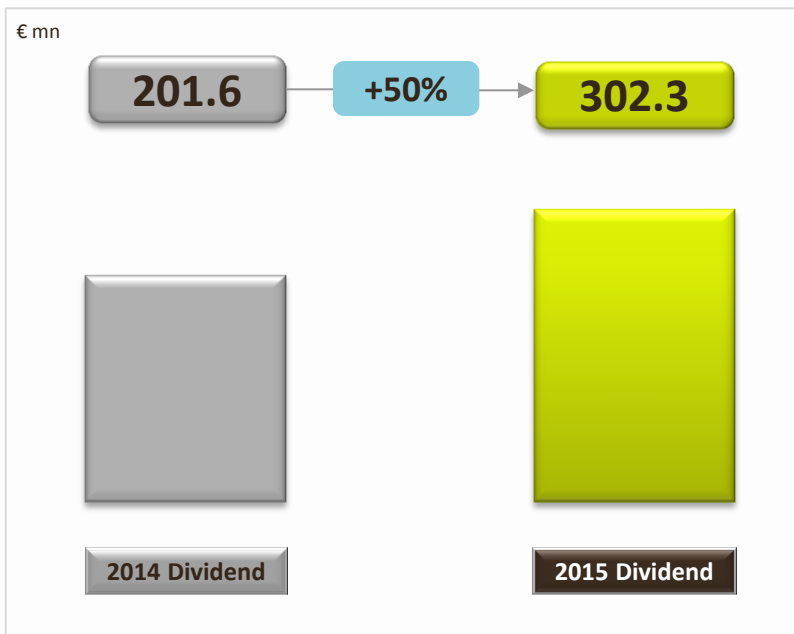
The solvency ratios reflect the net profit for the year less the proposed dividend of €302 million for full-year 2015, representing a pay-out ratio of 29.1%.

\* If the gains on sovereign debt in AFS portfolios are included and the corrective effect of SMEs on RWAs is excluded, the fully loaded ratio would stand at 12.87%.

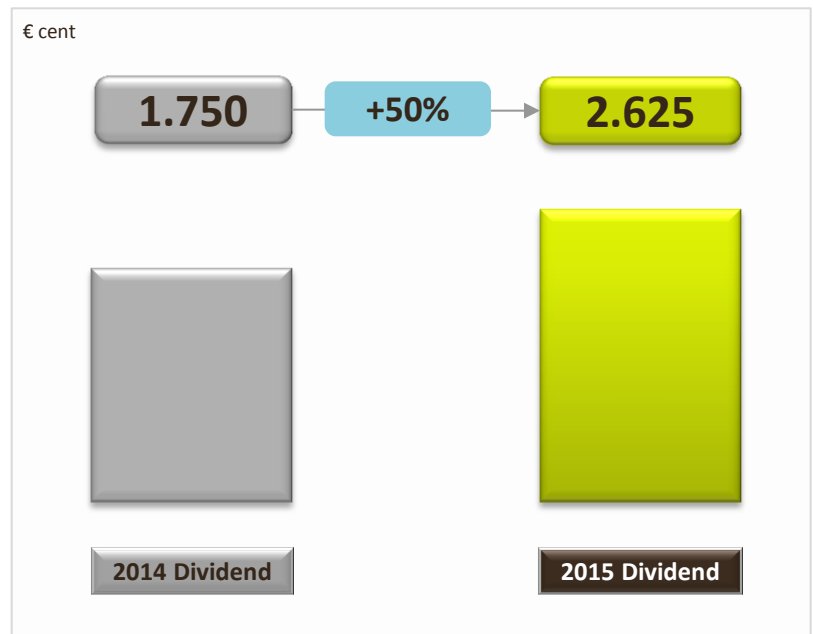
## Highlights of the year

These results allow us to propose a 50% increase in the cash dividend compared to last year

### Total distributable dividend



### Dividend per share





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### 2015 annual income statement – BFA Group vs. Bankia Group

€ mn

	BFA GROUP	Bankia
Net interest income	2,811	2,740
Dividends, fees and other revenues	994	1,066
Gross income	3,805	3,806
Operating expenses	(1,665)	(1,658)
Pre-provision profit	2,140	2,148
Provisions	(652)	(724)
Results from sales and others	227	212
Profit before tax	1,715	1,636
Taxes	(423)	(391)
Profit after tax	1,292	1,245
Other non-recurring results, net	766*	-
Net impact of IPO provision	(461)	(184)
Reported profit after tax	1,597	1,061

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

## 2015 Results

### IPO extraordinary provision

**BFA** TENEDORA DE ACCIONES S.A.U.



## December 2015 update of provisions for potential contingencies arising from legal proceedings related to Bankia IPO

Distribution criteria	60%		40%		TOTAL	
	BFA TENEDORA DE ACCIONES S.A.U.		Bankia			
	2014	2015	2014	2015	2014	2015
€ mn						
P&L Gross provision	468	276	312	184	780	461
Provision against equity	-	360	-	240	-	599
IPO Total Contingency Provision	468	636	312	424	780	1,060
	1,104		736		1,840	

## 2015 results

### Income statement – Bankia Group



		Reported			Ex Sareb effect*		
		2014	2015	Diff %	2014	2015	Diff %
€ mn							
<b>A</b>	Net interest income	2,927	2,740	(6.4%)	2,694	2,740	1.7%
	Fees and commissions	948	938	(1.0%)			
	Gross income	4,009	3,806	(5.1%)	3,775	3,806	0.8%
<b>B</b>	Operating expenses	(1,742)	(1,658)	(4.8%)			
	Pre-provision profit	2,267	2,148	(5.2%)	2,033	2,148	5.6%
<b>C</b>	Provisions	(1,420)	(908)	(36.0%)			
	Results from sales and others	151	212	40.2%			
	Taxes and minority interests	(251)	(412)	64.4%			
<b>D</b>	Profit attributable to Group	747	1,040	39.2%			

\*Note: 2014 pro forma due to SAREB's lower margin contribution in 2015 vs 2014, the impact of which is estimated at €233 million

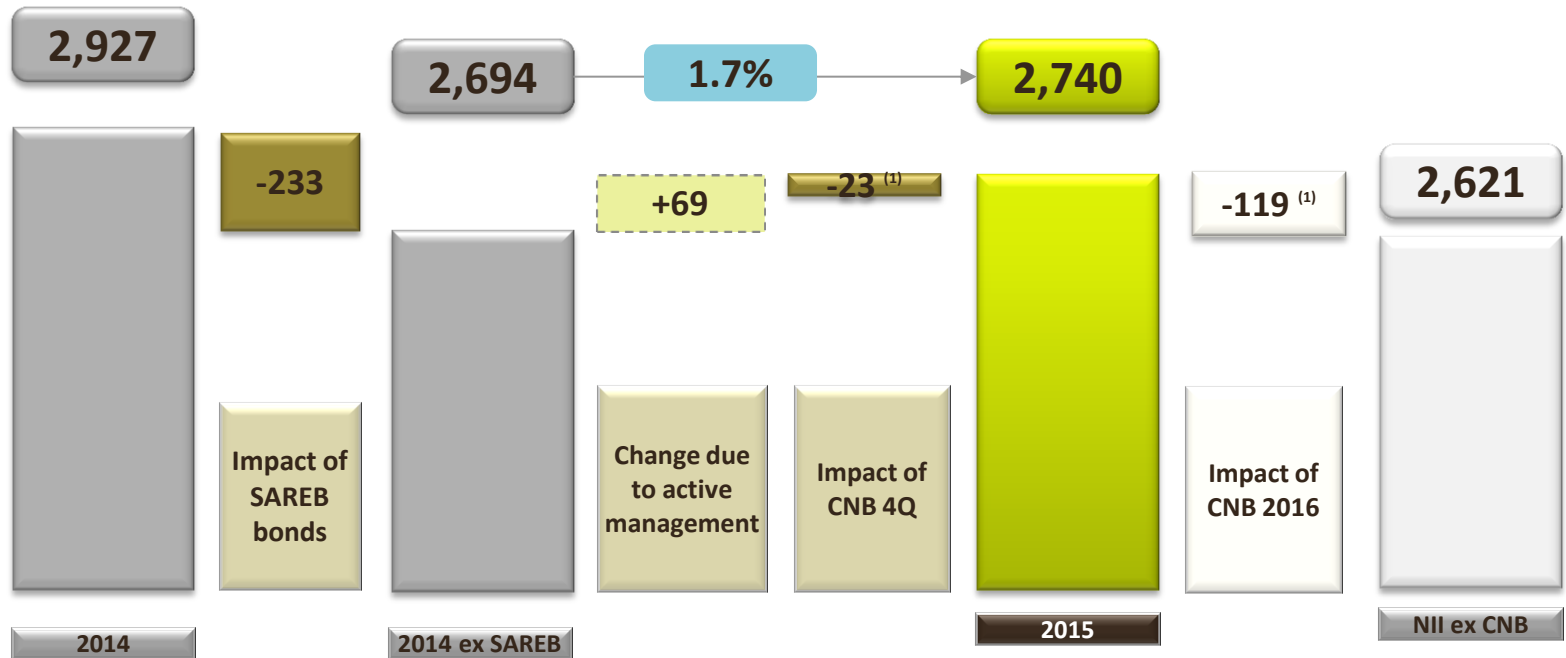


# 2015 results

## A Net interest income

### NII Performance

€ mn



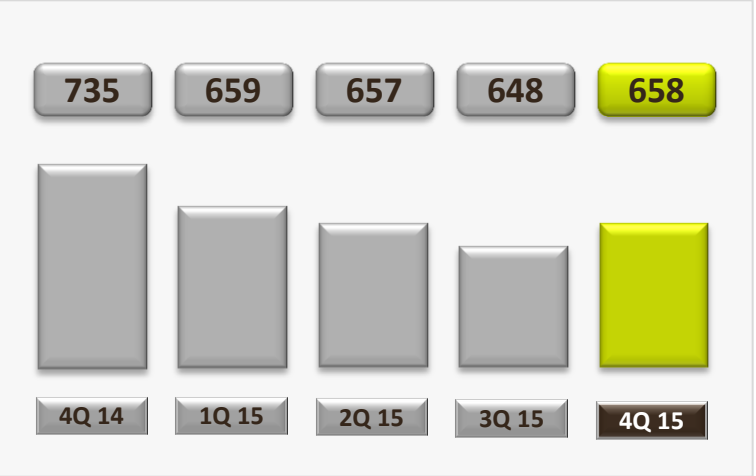
<sup>(1)</sup> City National Bank deconsolidated from 16 October 2015

Excluding SAREB, NII grows 1.7%

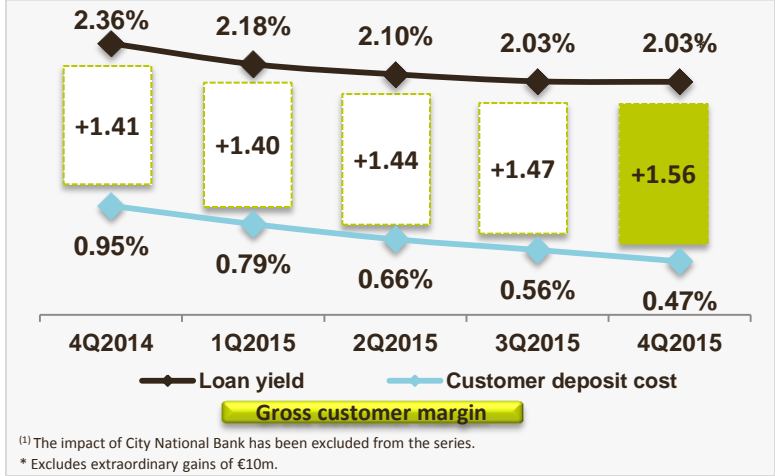
# 2015 results

## A Net interest income

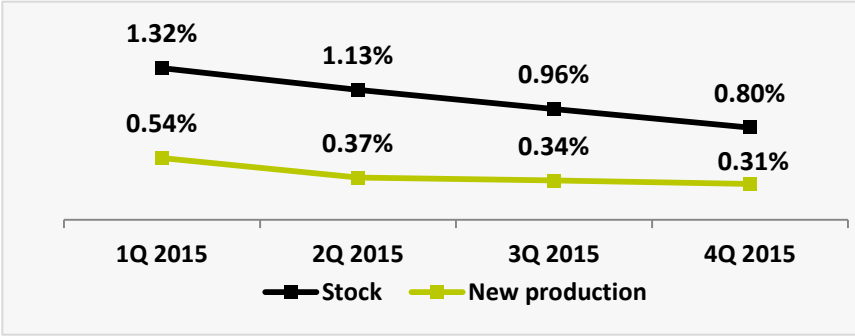
### Net interest income (ex CNB)



### Gross customer margin



### Cost of term deposits – Stock vs. Front book



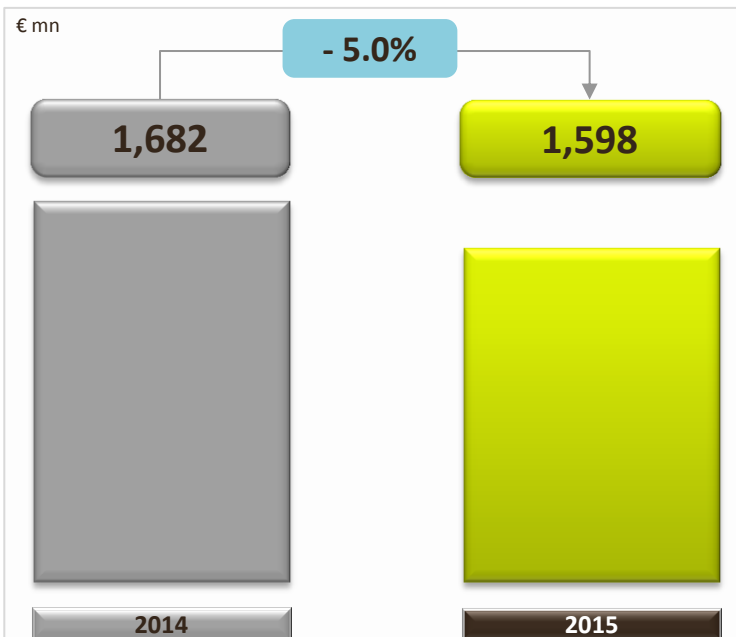
- Significant capacity for an additional reduction in the cost of deposits, with the average cost for full-year 2016 expected to reach 0.45% vs. average cost of 1.06% in 2015.

## 2015 results

### B Operating expenses

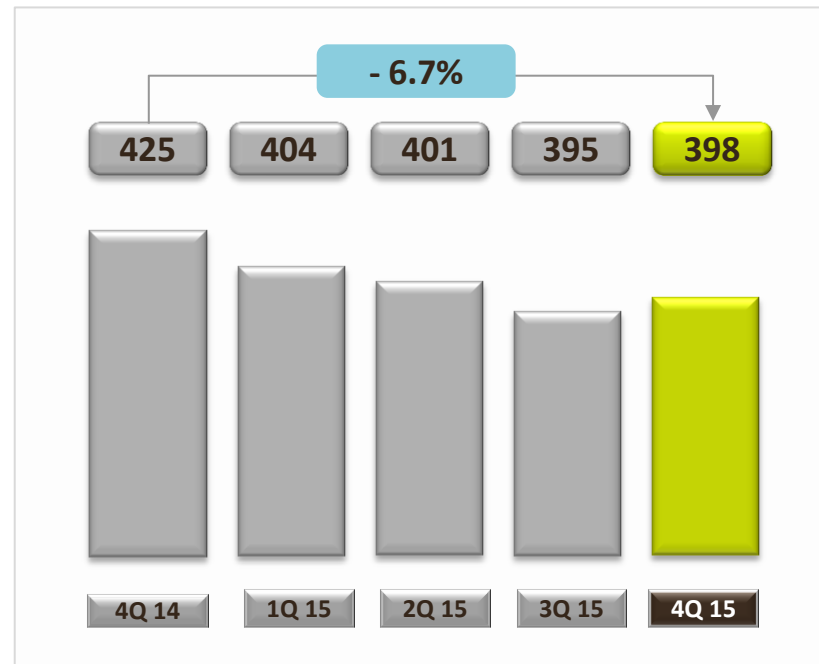
Additional reduction in operating expenses: - 5.0% ex CNB for the year

#### Operating exp. ex-CNB performance



If CNB operating expenses are included annual change is -4.8%

#### Operating expenses ex-CNB

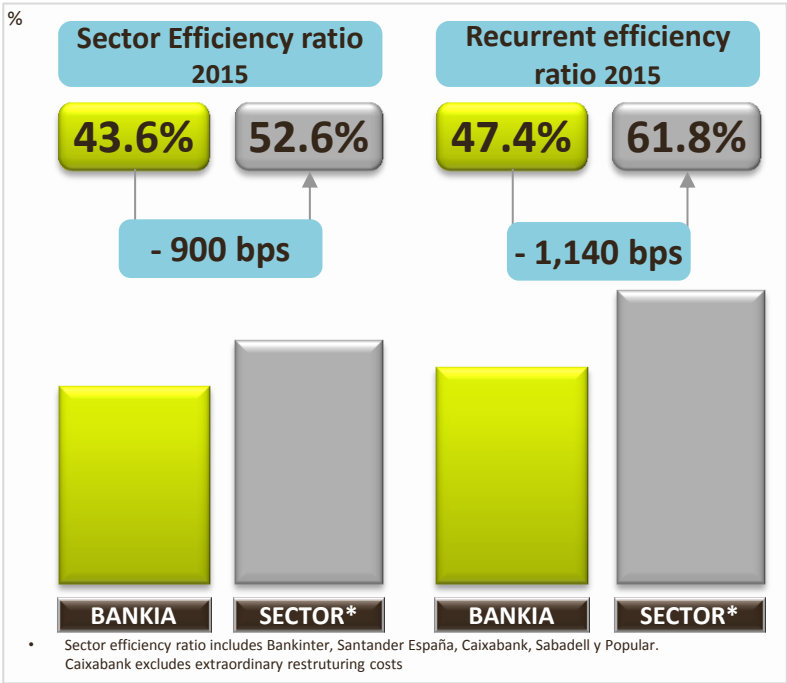


Operating expenses are down 6,7% in 4Q15 vs. 4Q14 when excluding CNB

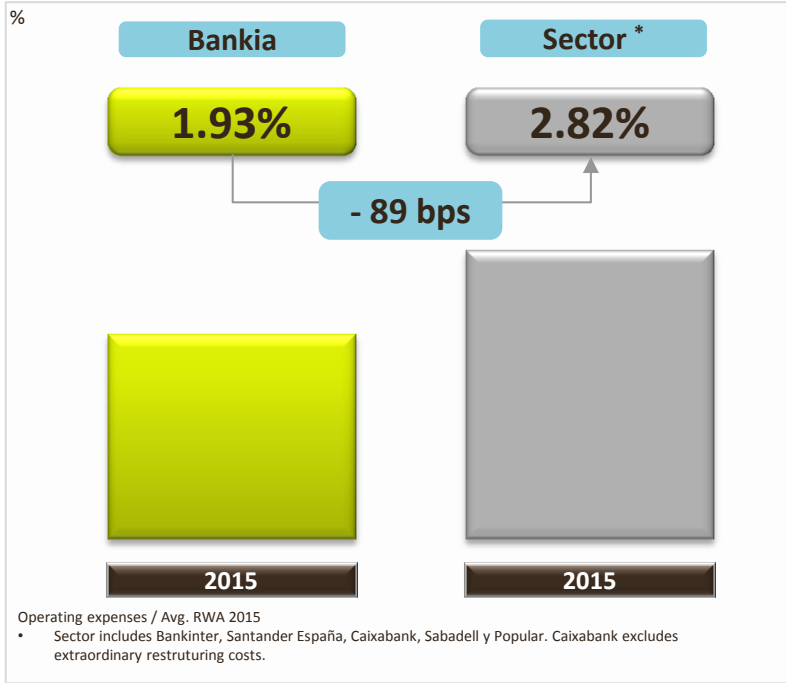
# 2015 results

## B Operating expenses

### Efficiency ratio comparison



### Operating expenses/RWAs



**Bankia's marginal efficiency compared to sector provides for 5.3% - 6.7% ROE (based on 12.25% CET 1 or 10% CET 1 respectively)**

## 2015 results

### C Cost of risk

2015 cost of risk at record low levels: 43 bps

€ mn

Provisions	2014	2015
Provisions	853	523
Foreclosed assets	256	201
<b>Total provisions</b>	<b>1,108</b>	<b>724</b>
IPO contingency provision	312	184

-35%



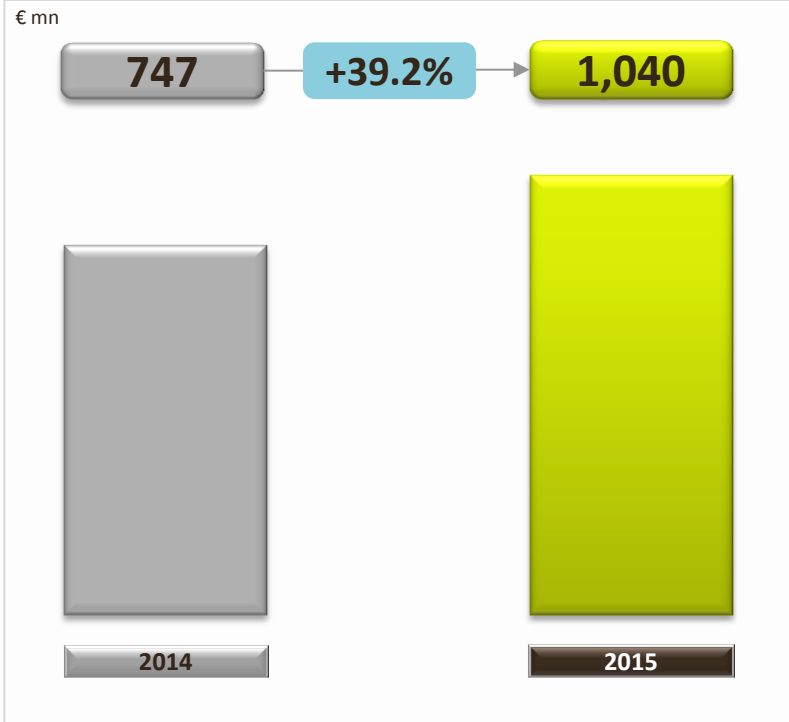
**Better cost of risk than year-end target**

## 2015 results

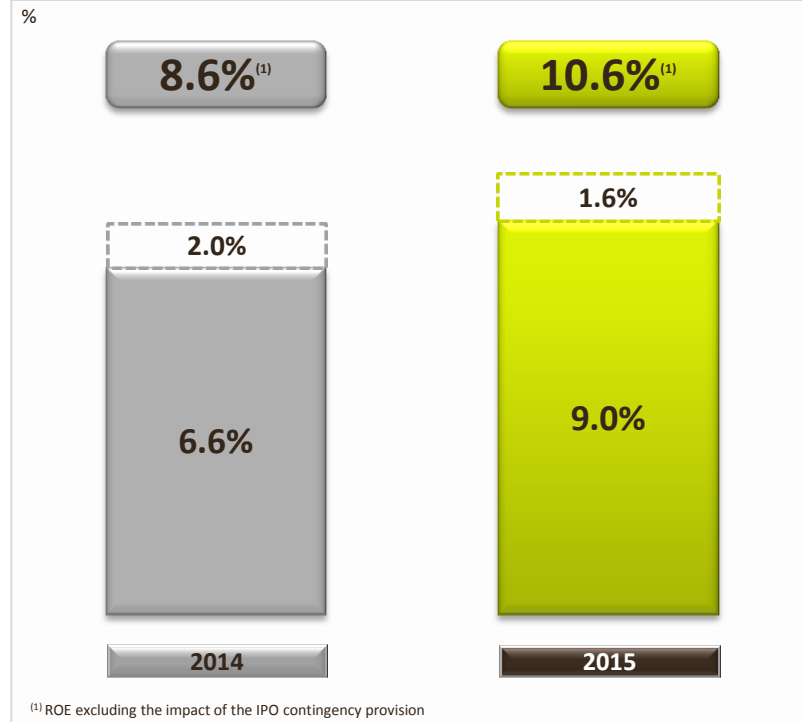
### D Attributable profit

Attributable profit is up 39.2% compared to last year

#### Accumulated attributable profit performance



#### Annual accumulated ROE



**2015 ROE above target level: 10.6%**



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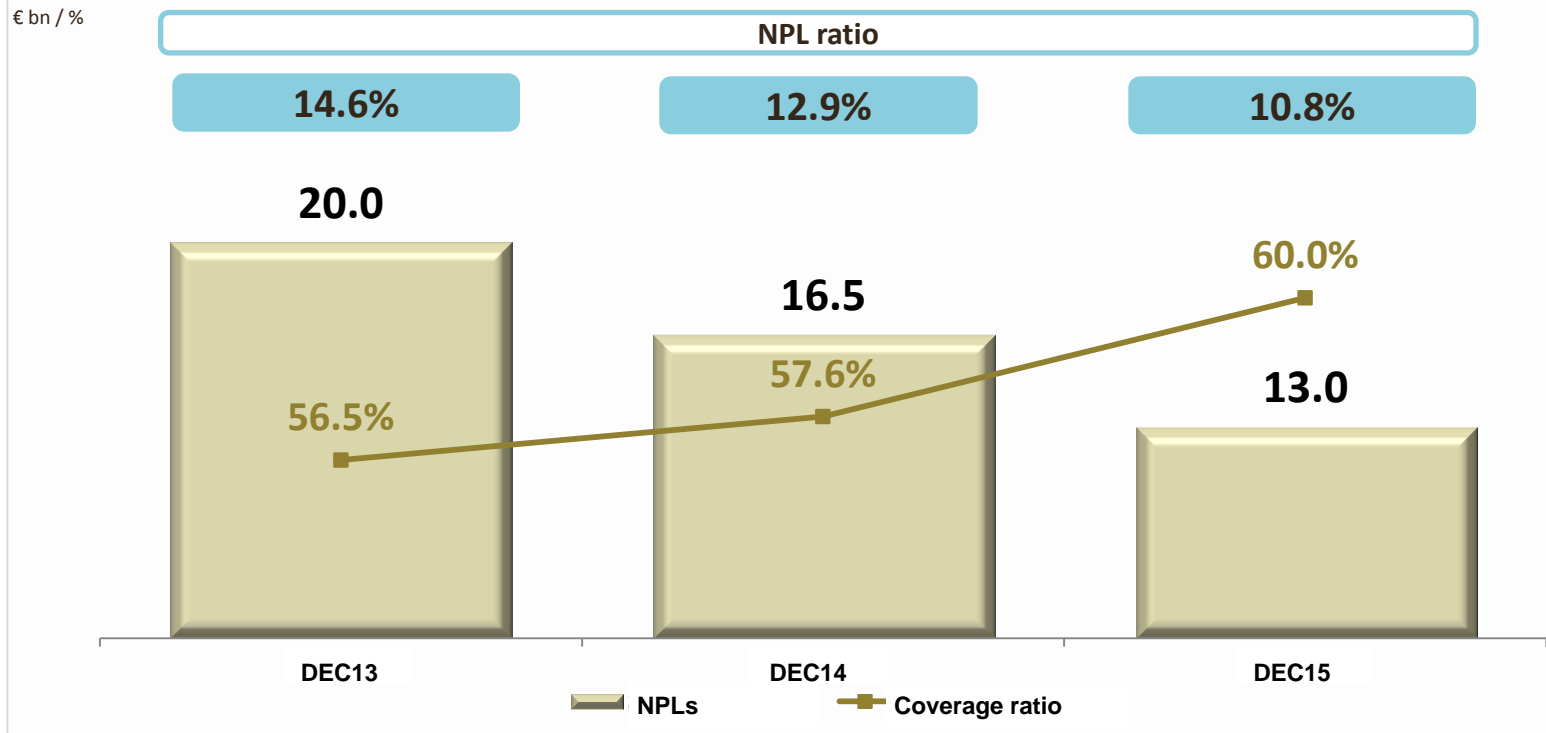
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# Asset quality and risk management

## Credit quality

NPL ratio reduction, increasing NPL coverage

### NPLs and coverage ratio



€7bn reduction in NPLs since Dec 2013



# Asset quality and risk management

## Credit quality

NPL ratio reduced by 210 bps in 2015 to 10.8%

### NPLs, NPL ratio and NPL coverage performance

	DEC 2014	Reduction	DEC 2015
NPLs	€16.5 bn	↓ €3.5 bn	€13.0 bn
NPL ratio	12.9%	↓ 210 bps	10.8%
NPL coverage <sup>(1)</sup>	57.6%	↑ 240 bps	60.0%
Foreclosed assets <sup>(2)</sup>	€2.9 bn	↓ €0.2 bn	€2.7 bn

(1) Loan loss provisions / NPL  
 (2) Net foreclosed assets

### NPLs performance

NPLs Dec 2014		16.5	
+ Gross additions	+ 3.7	Organic reduction € -1.6 bn	Total reduction € -3.5 bn
- Recoveries	- 5.0		
New additions	- 1.3		
- Write-offs	- 0.3		
- Sales	- 1.9		
NPLs Dec 2015		13.0	

NPL coverage stands at 60.0% at year-end, while NPLs decrease €3.5bn in 2015

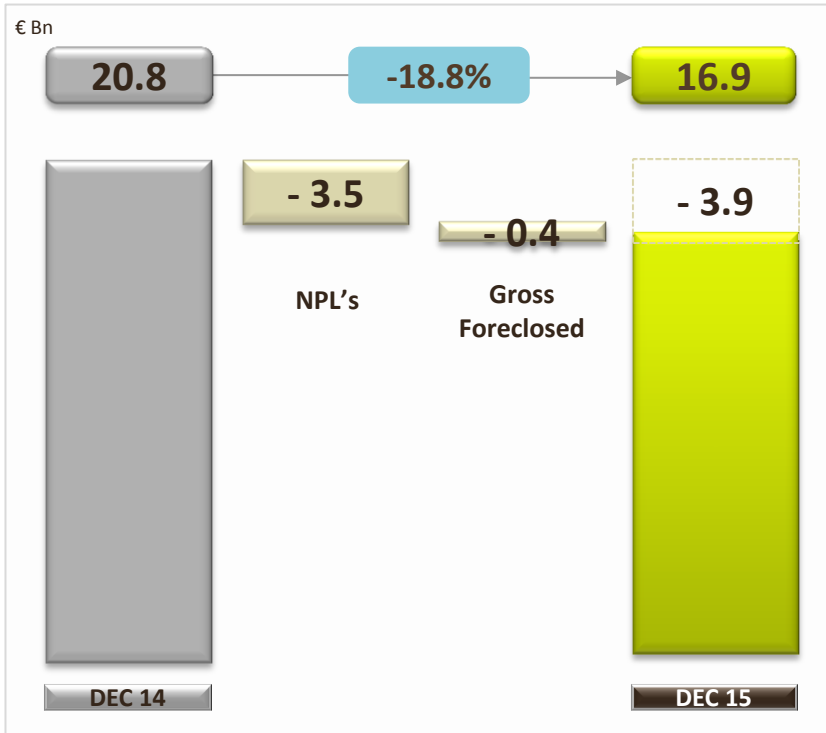


# Asset quality and risk management

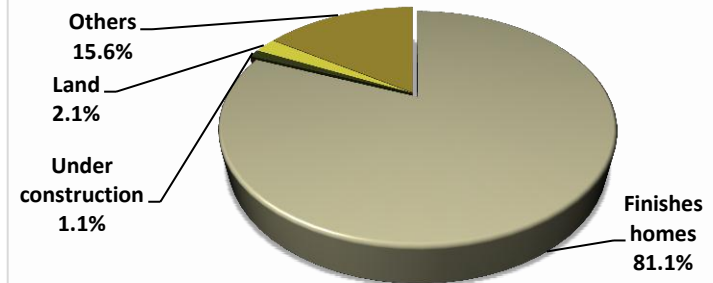
## Credit quality

Generation of more than €600mn due to sale real estate assets in the year

### Non-performing assets performance



### Foreclosed assets distribution



### Sale of real estate assets



More than 81% of foreclosed assets are finished homes



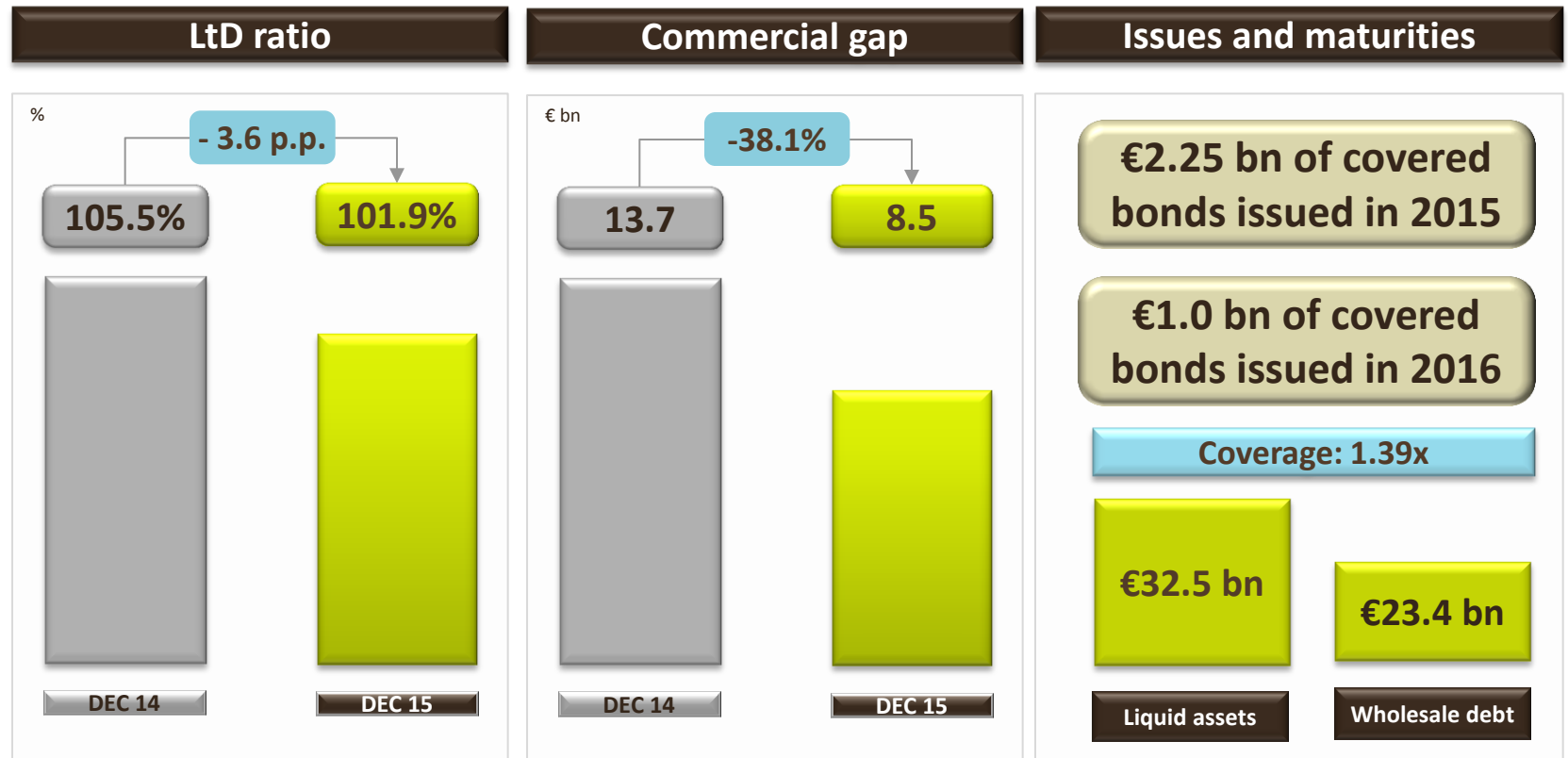
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## Liquidity and solvency

### Liquidity indicators

LtD ratio is close to 100%



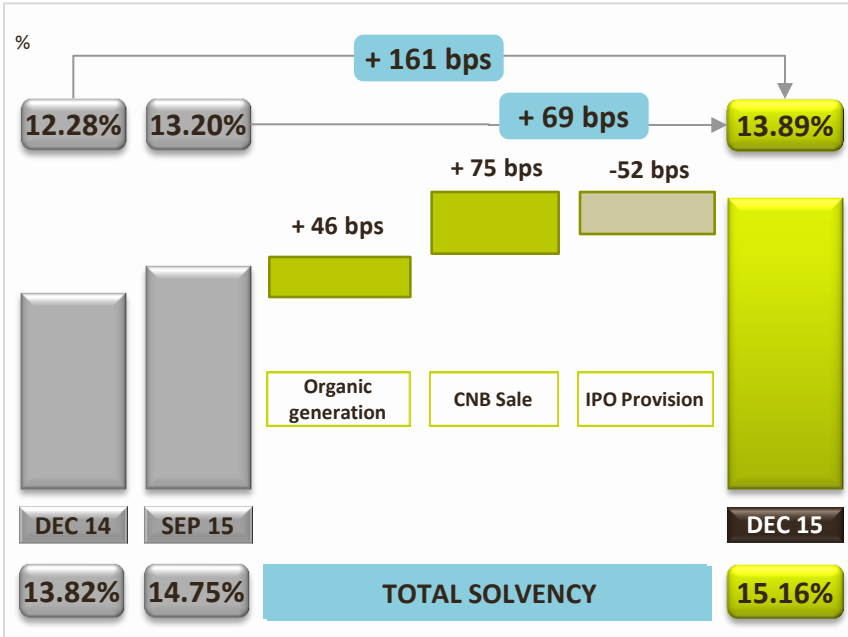
LCR substantially above regulatory requirement

# Liquidity and solvency

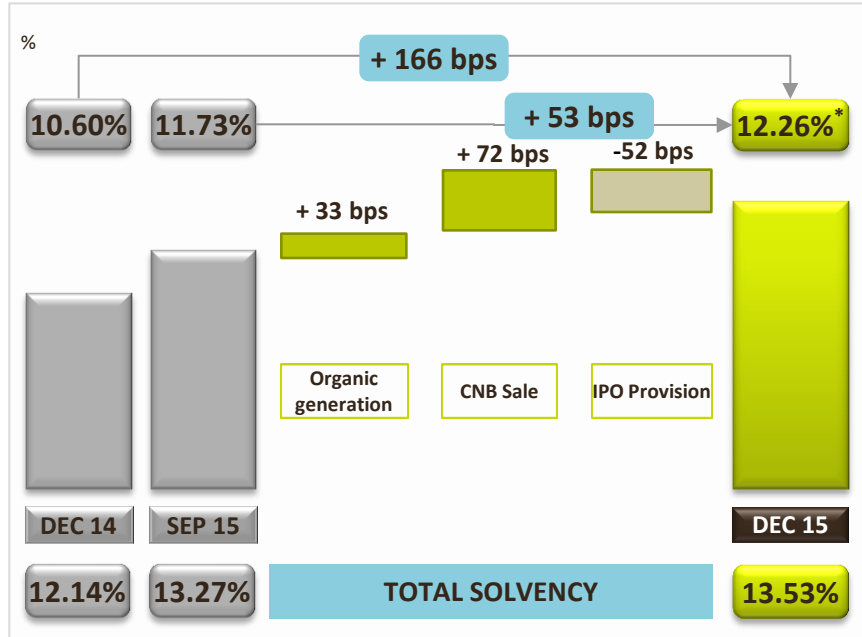
## Solvency ratios

CET1 BIS III Fully Loaded ratio above 12.2% after recorded provision

### CET 1 BIS III Phase In ratio performance



### CET 1 BIS III Fully Loaded ratio performance



**SREP requirements at 10.31%, including additional considerations from O-SII at 0.0625%**  
**Recorded capital generation allows for a comfortable CET 1 buffer: 358 bps phase in**

The solvency ratios reflect the net profit for the year less the proposed dividend of €302 million for full-year 2015, representing a pay-out ratio of 29.1%.

\* If the gains on sovereign debt in AFS portfolios are included and the corrective effect of SMEs on RWAs is excluded, the FL ratio would stand at 12.87%.

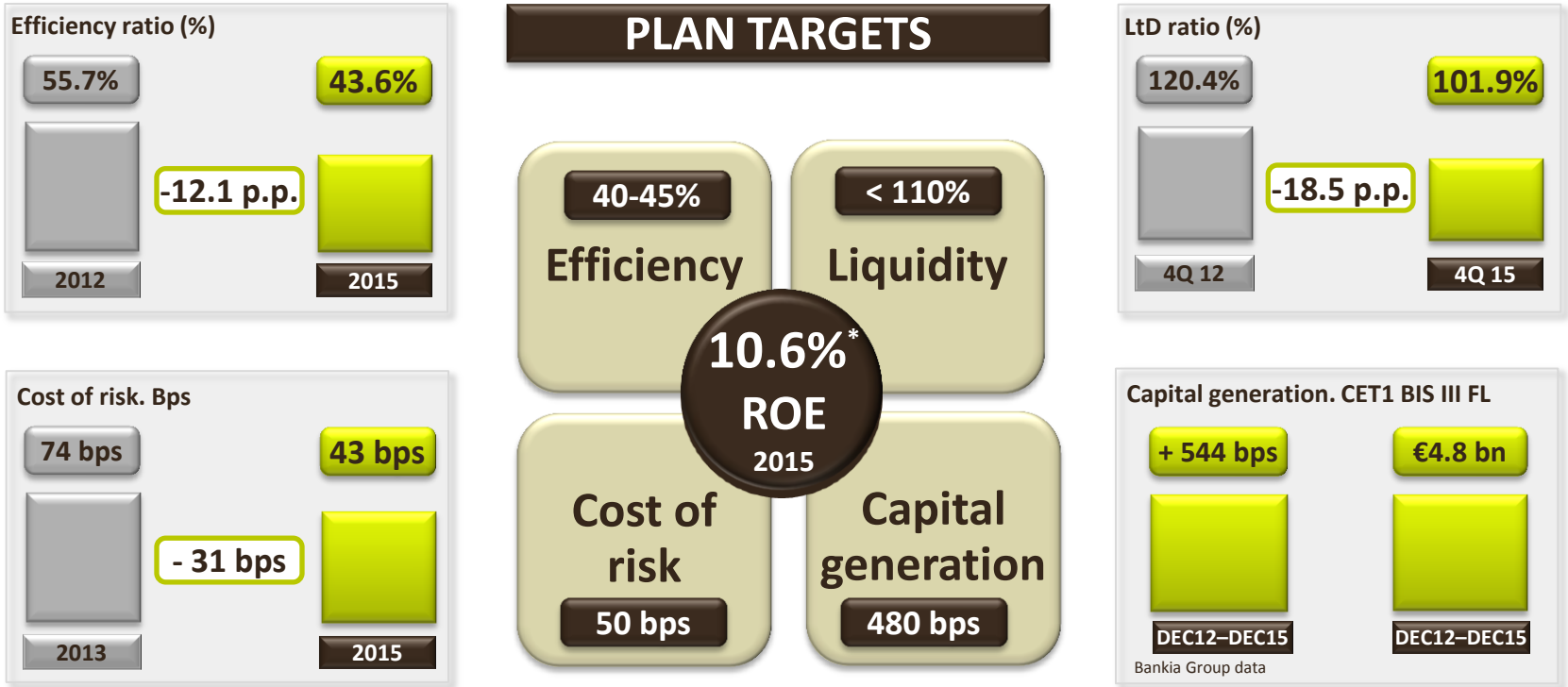


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## Strategic Plan 2012-2015

### The achievement of the objectives of our Plan...



...allows us to propose a cash dividend of 2.625 cents per share (+50% vs 2014)...

\*ROE without deducting in 2015 provisions arising from IPO contingency (€184 million)

## Strategic Plan 2012-2015

**Positioning us competitively to begin 2016...**

**With a new commercial approach**

**As leaders in efficiency**

**Reducing non-productive assets**

**With a controlled cost of risk**

**And with a solvency above 12% FL**

**And to continue to create value for our shareholders**





# Annex

Completion of Strategic Plan 2012 - 2015

## Completion of Strategic Plan 2012-2015

The Strategic Plan 2012-2015 was aimed at

1

IMPROVE  
OUR  
PROFITABILITY

STRENGTHEN OUR COMPETITIVE POSITIONING

REBALANCE THE ASSET MIX

IMPROVE THE BANK'S EFFICIENCY LEVEL

LIMIT OUR RISK PREMIUM

2

CONTINUE TO IMPROVE OUR  
FUNDAMENTALS

LIQUIDITY

SOLVENCY

In order to achieve **COMPETITIVE ROEs around 10%** in 2015

Completion of Strategic Plan 2012-2015

Strategic Plan  
2012-2015

Profitability: Strengthen our COMPETITIVE POSITIONING

OUR STRENGTH: **LARGE CUSTOMER BASE**



OUR FOCUS: **THE RELATIONSHIP WITH OUR CUSTOMERS**

**FOR INDIVIDUALS**

Mutual funds

Pension plans

Consumer credit

Credit cards

**FOR SMEs**

Trade finance

Leasing, factoring, rev. factoring

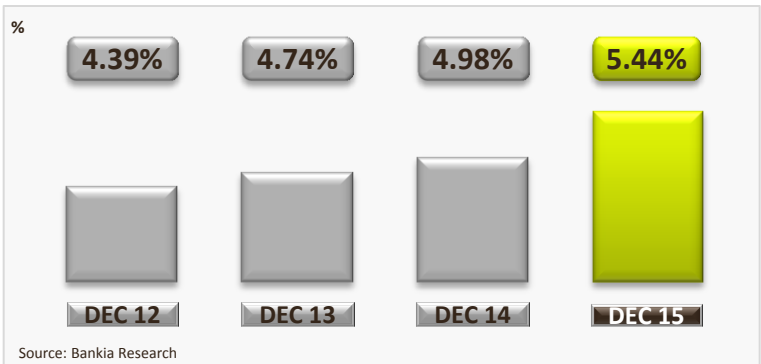
Bill discounting

Services: Payroll



## Strengthen our COMPETITIVE POSITIONING - INDIVIDUALS

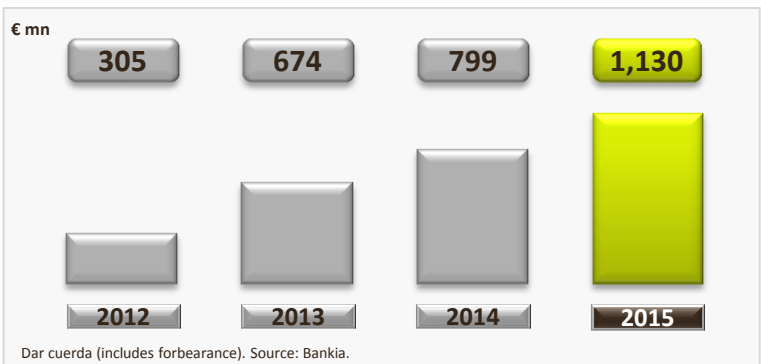
### Market share in mutual funds



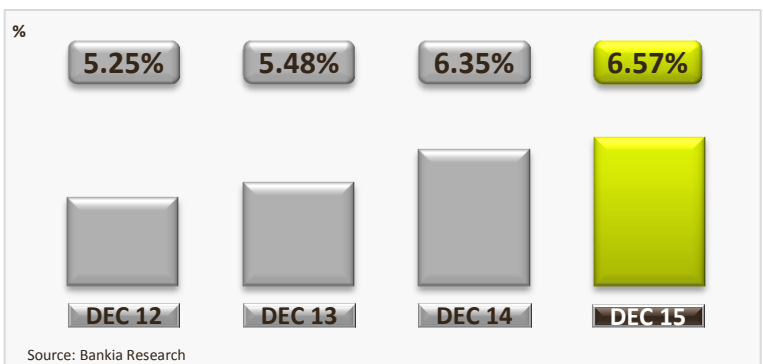
### Net contributions to pension plans



### New consumer lending



### Market share in credit cards

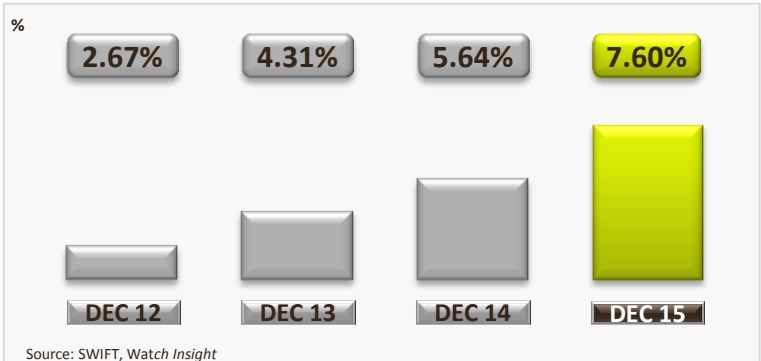


# Completion of Strategic Plan 2012-2015

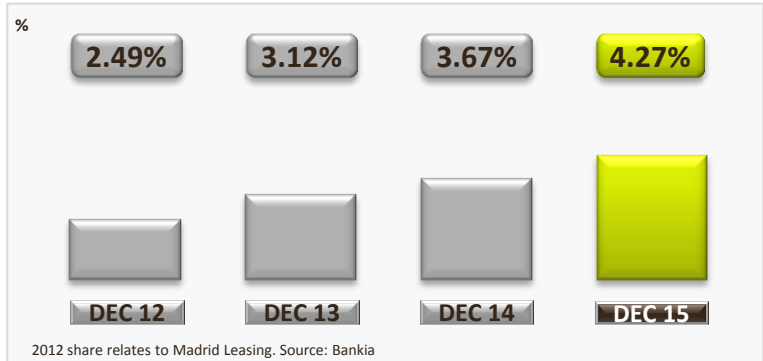


## Strengthen our COMPETITIVE POSITIONING - BUSINESSES

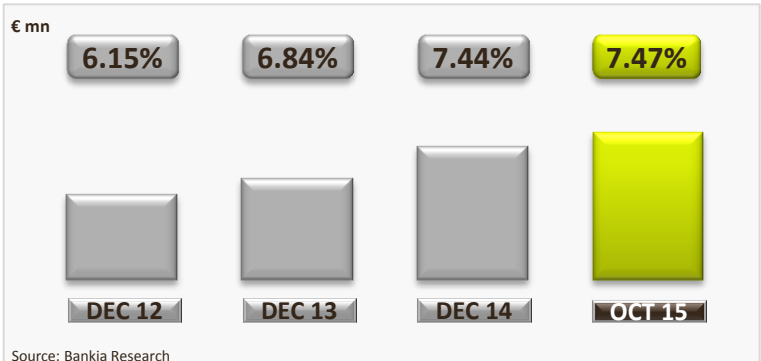
### Share of Trade finance



### Share of reverse factoring



### Share of bill discounting



### New lending to businesses



# Completion of Strategic Plan 2012-2015

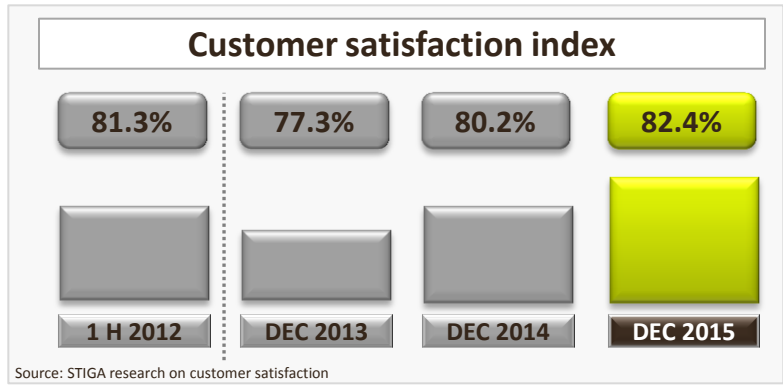


## Productivity and relationship with customers

### Productivity per employee



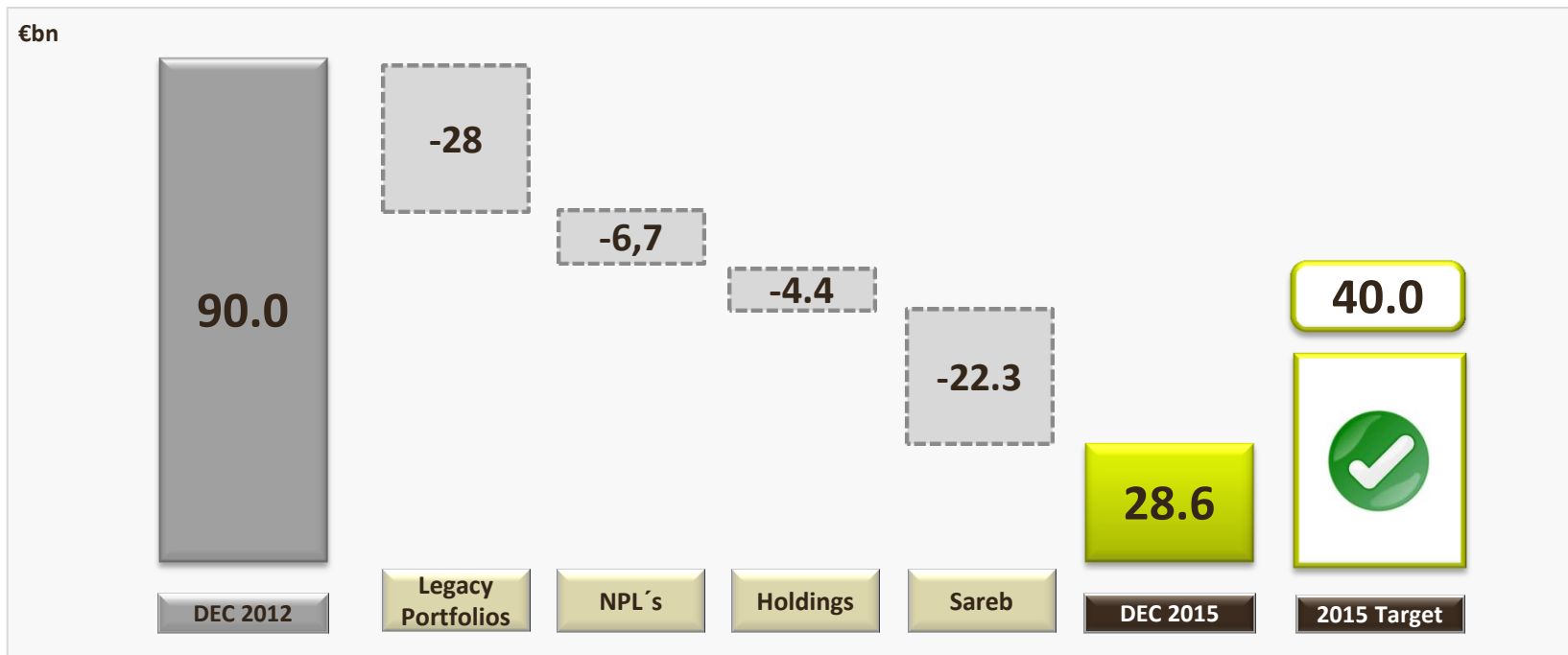
### Quality



## Completion of Strategic Plan 2012-2015

### Improve the ASSET MIX

#### Volume of non-strategic assets on the balance sheet



We have reduced non-strategic assets by €61.4bn, compared to a targeted reduction of €50.0bn

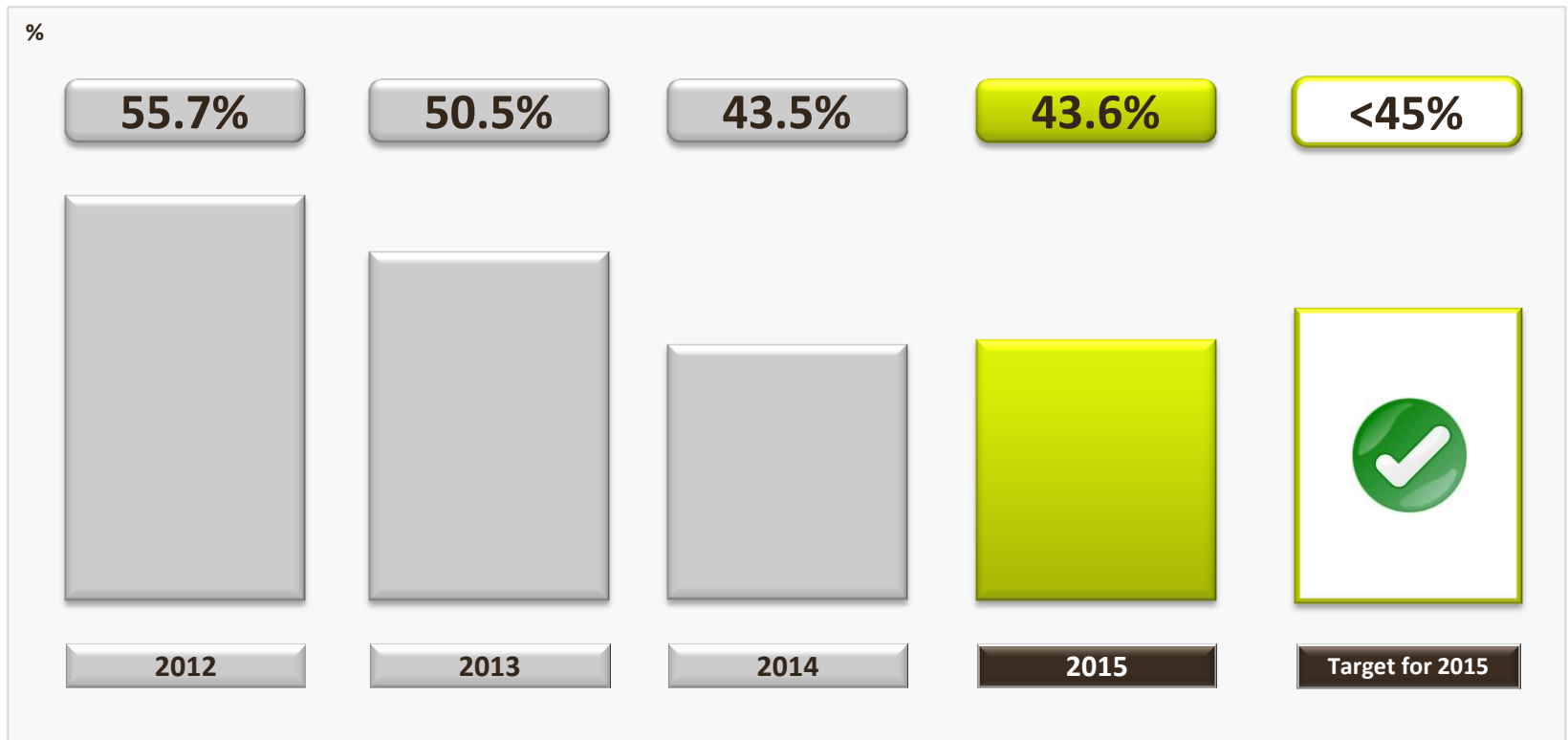
# Completion of Strategic Plan 2012-2015



## Efficiency

Improve our EFFICIENCY level

Cost to income ratio





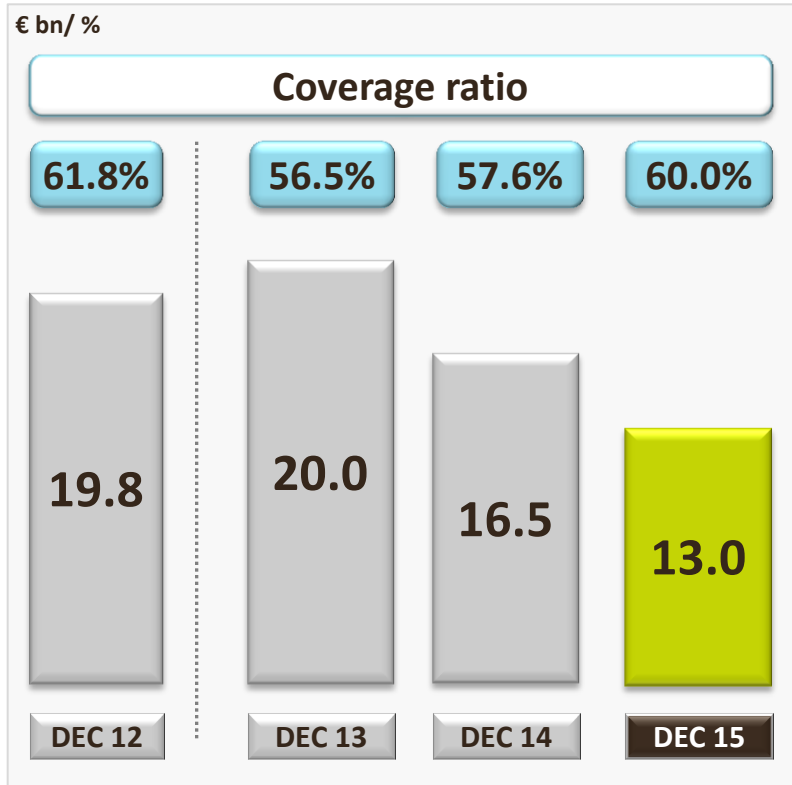
# Completion of Strategic Plan 2012-2015



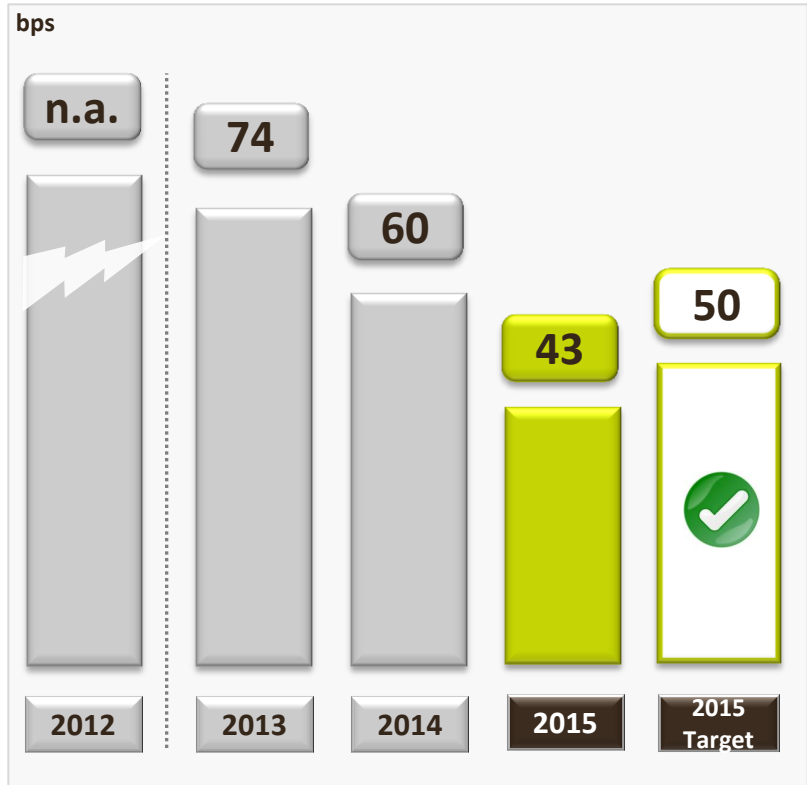
## Cost of risk

### Limit our RISK PREMIUM

#### NPLs and NPL coverage ratio <sup>(1)</sup>



#### Cost of risk performance <sup>(2)</sup>



<sup>1</sup> 2013 NPLs ex regulations on refinanced loans: €18.6bn; <sup>2</sup> Average annual cost of risk

## Completion of Strategic Plan 2012-2015

The Strategic Plan 2012-2015 was aimed at

1

IMPROVE  
OUR  
PROFITABILITY

STRENGTHEN OUR COMPETITIVE POSITIONING

REBALANCE THE ASSET MIX

IMPROVE THE BANK'S EFFICIENCY LEVEL

LIMIT OUR RISK PREMIUM

2

CONTINUE TO IMPROVE OUR  
FUNDAMENTALS

LIQUIDITY

SOLVENCY

In order to achieve **COMPETITIVE ROEs around 10%** in 2015

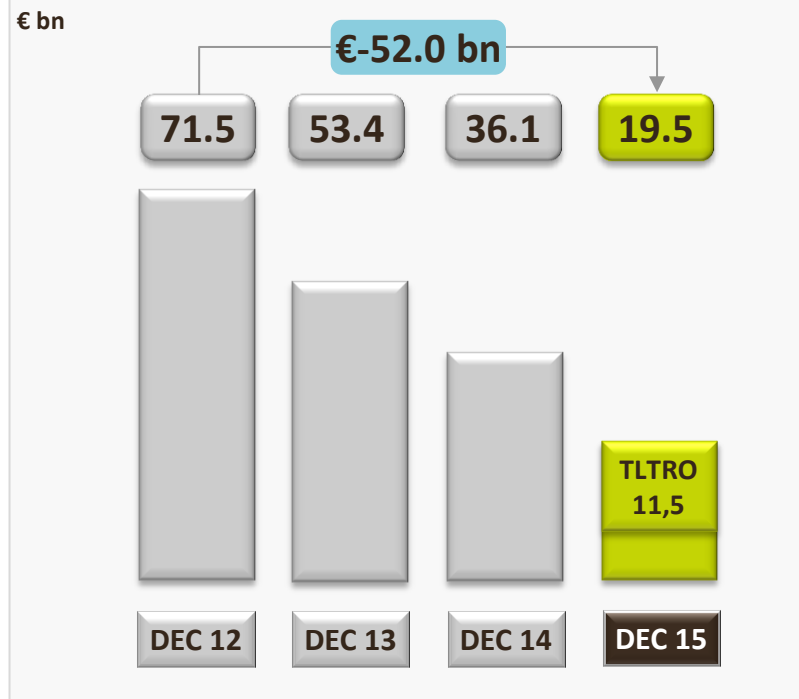
# Completion of Strategic Plan 2012-2015



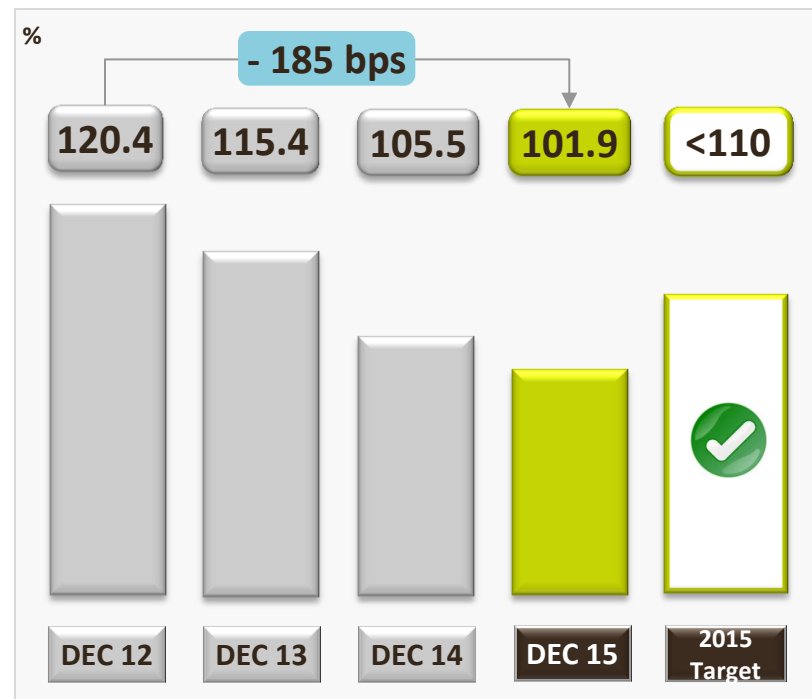
## Liquidity

### LIQUIDITY-GENERATION capacity

#### Net position with ECB (BFA Group)



#### LTD ratio performance



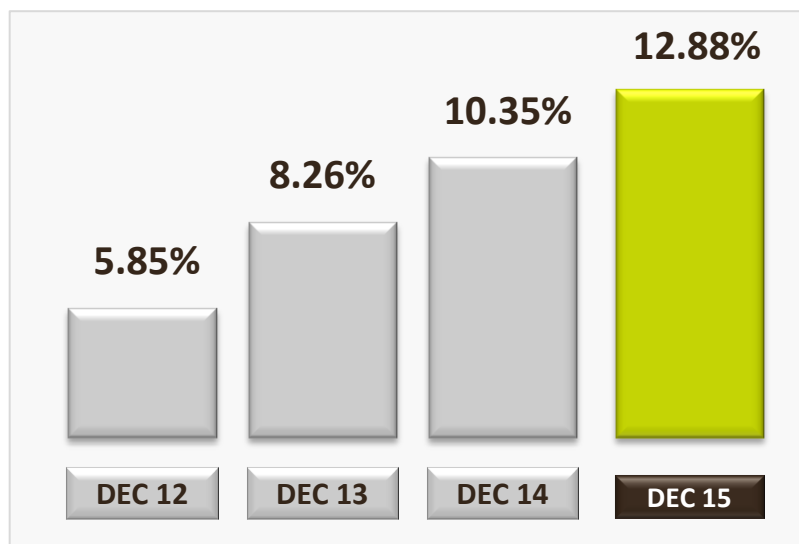
**€44.6bn of liquidity generated in the period vs. target of €28.8bn**

# Completion of Strategic Plan 2012-2015

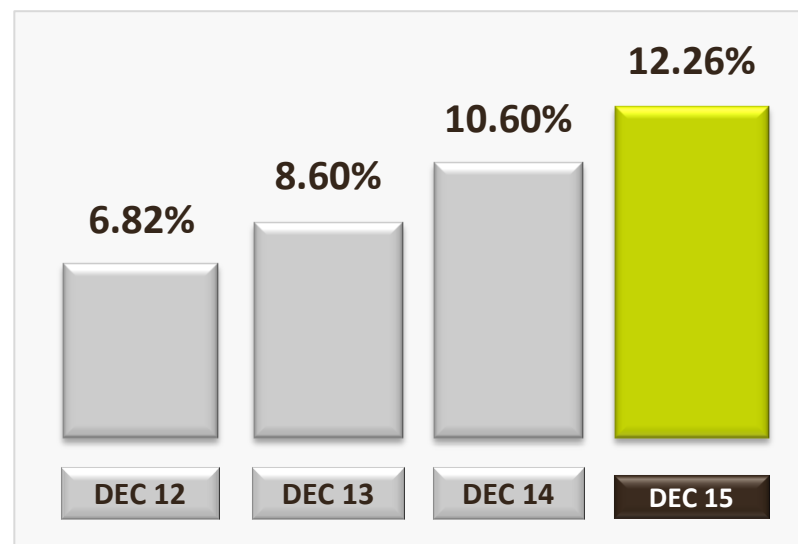


## Solvency

### BFA Group CET 1 BIS III Fully Loaded ratio performance



### Bankia Group CET 1 BIS III Fully Loaded ratio performance



**€6.8bn generated since December 2012 compared to plan's targeted capital generation of €5.4bn notwithstanding €4bn in provisions related to hybrids and IPO**

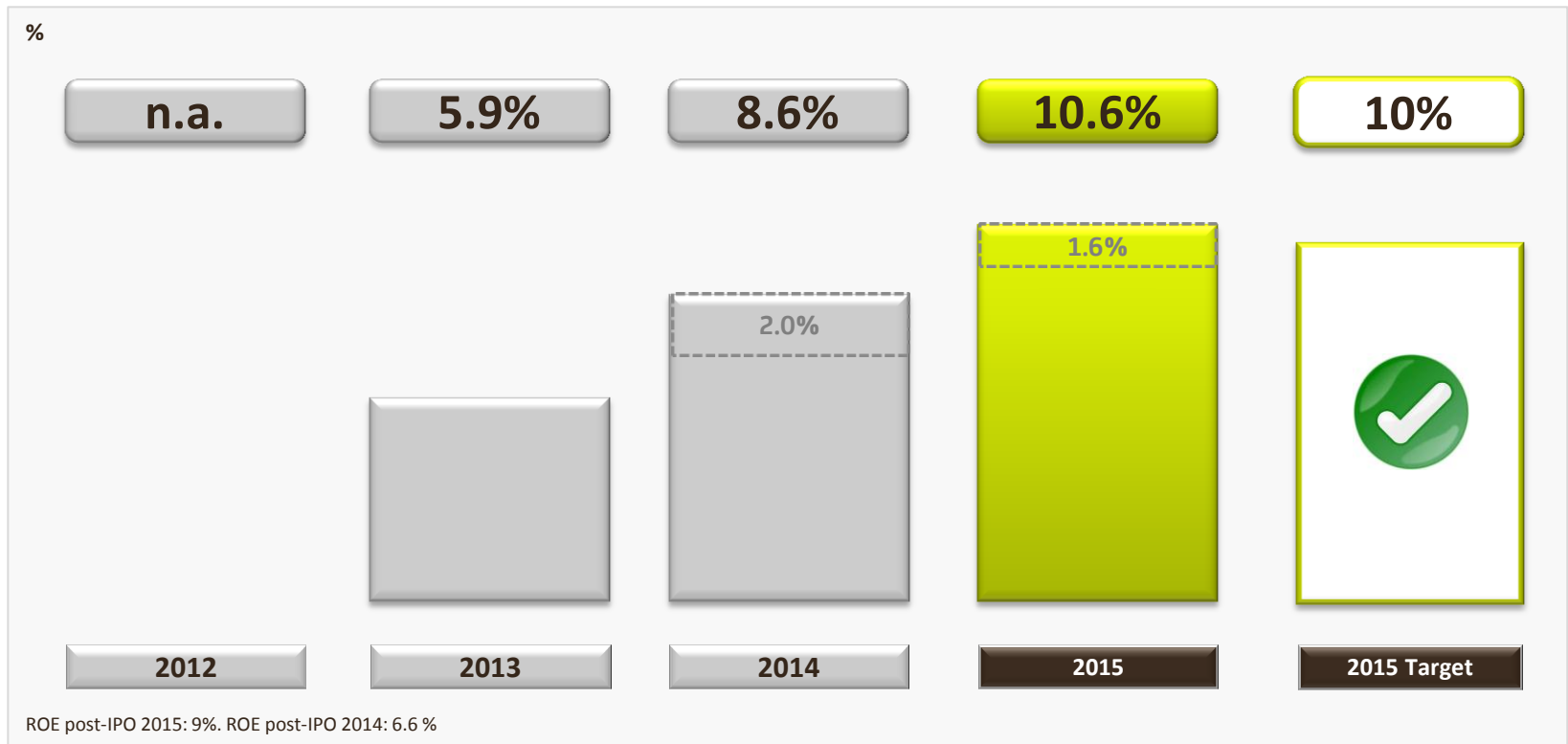
# Completion of Strategic Plan 2012-2015



## Profitability

**Improve our Profitability**

**Accumulated ROE Performance (Pre-IPO)**



# Completion of Strategic Plan 2012-2015

## Market recognition



### Market recognition during these years...

SENIOR DEBT

€1,280mn

SUBORDINATED DEBT

€1,000mn

COVERED BONDS

€2,250mn

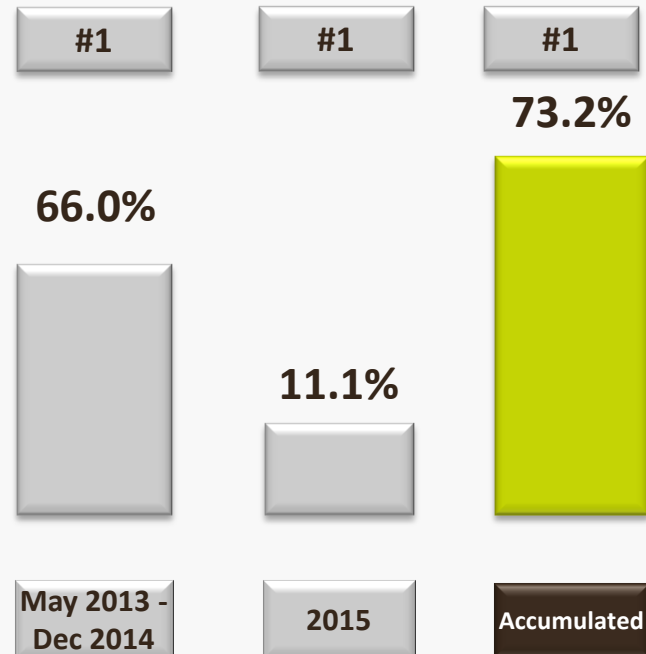
SALE 7.5% BANKIA

€1,304mn

**MORE THAN €5.8bn RAISED IN THE INSTITUTIONAL MARKETS**

### ...which has translated into better share performance

#### SHARE PERFORMANCE DIFFERENTIAL VS. PEERS



Peers include: Santander, BBVA, Caixabank, Sabadell and Popular.  
Ranking refers to inter annual share performance

# Completion of Strategic Plan 2012-2015

## Achievement of targets

Strategic Plan  
2012-2015

The Strategic Plan 2012-2015 was aimed at

		2015	2015 Target			
<b>1</b>	<b>IMPROVE OUR PROFITABILITY</b>	<b>STRENGTHEN OUR COMPETITIVE POSITIONING</b>		<b>Growth in market shares</b> ✓		
		<b>REBALANCE THE ASSET MIX</b>		<b>-€61bn</b> ✓		
		<b>IMPROVE THE BANK'S EFFICIENCY</b>		<b>43.6%</b> ✓		
		<b>LIMIT OUR RISK PREMIUM</b>		<b>43 bps</b> ✓		
<b>2</b>	<b>CONTINUE TO IMPROVE OUR FUNDAMENTALS</b>	<b>LIQUIDITY</b>	Loan to Deposit (%)	<b>101.9%</b> ✓	<b>&lt;110%</b> ✓	
			Liquidity generated	<b>€44.6bn</b> ✓	<b>€28.8bn</b> ✓	
		<b>SOLVENCY</b>	Capital generated	<b>€6.8bn</b> ✓	<b>€5.4bn</b> ✓	
			Ranking	<b>#1</b> ✓	<b>One of the best</b> ✓	
		<b>Competitive ROEs at around 10%</b>		ROE	<b>10.6%</b> ✓	<b>10%</b> ✓
				Ranking	<b>#1</b> ✓	<b>One of the best</b> ✓

# Bankia

LET'S KEEP WORKING

**Investor Relations**

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