

Annual results presentation

2014

28 February 2015

Bankia

**“Trabajamos desde los
principios para poner la
mejor banca a tu servicio”**



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2. 2014 results
3. Asset quality and risk management
4. Liquidity and solvency
5. Conclusions

2014: TRANSFORMATION OF OUR BUSINESS MODEL

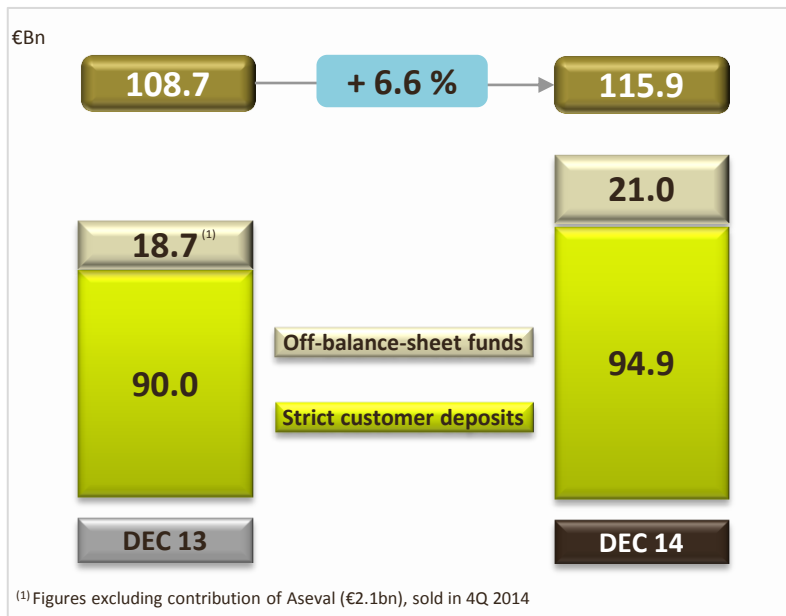


Highlights of the year

1

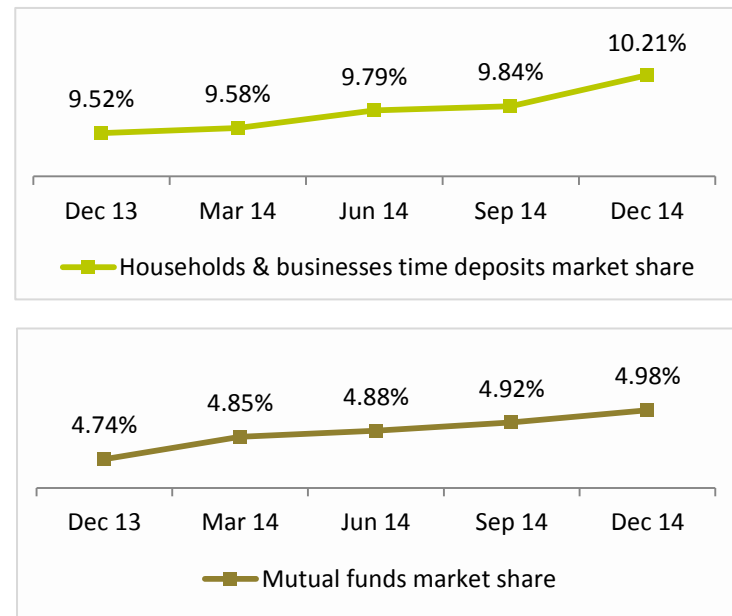
Boosting the commercial activity...

CUSTOMER FUNDS



Strengthened relationship with our customers leads to a 6.6% increase in customer funds

SHARE OF NEW CUSTOMER FUNDS



Significant improvement in market share of new customer funds

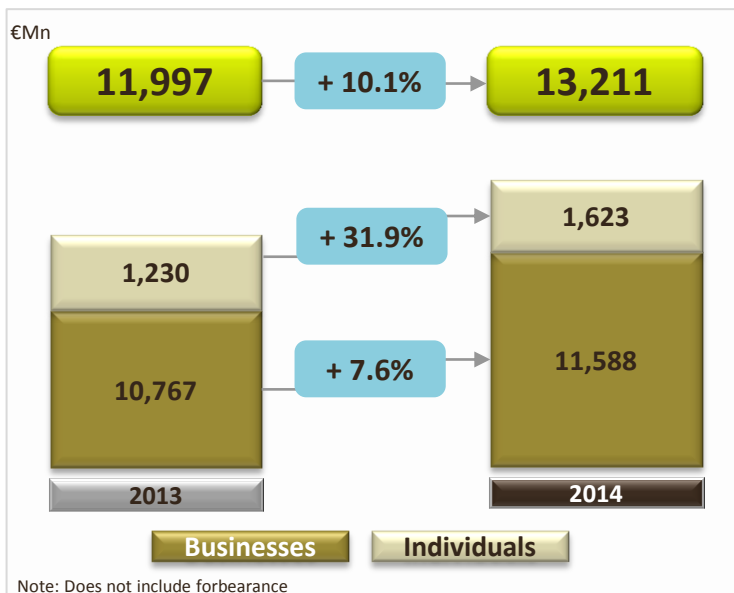


Highlights of the year

1

Boosting the commercial activity...

NEW LENDING



“PRÉSTAMO DINAMIZACIÓN”

“Préstamo dinamización”⁽¹⁾

€1,391 mn granted

88.7% of granted amount is long-term lending

33.5% of granted amount is lending to new customers

⁽¹⁾ To date

New lending volume up 10.1% compared to 2013, with a 48.2% increase in number of loans

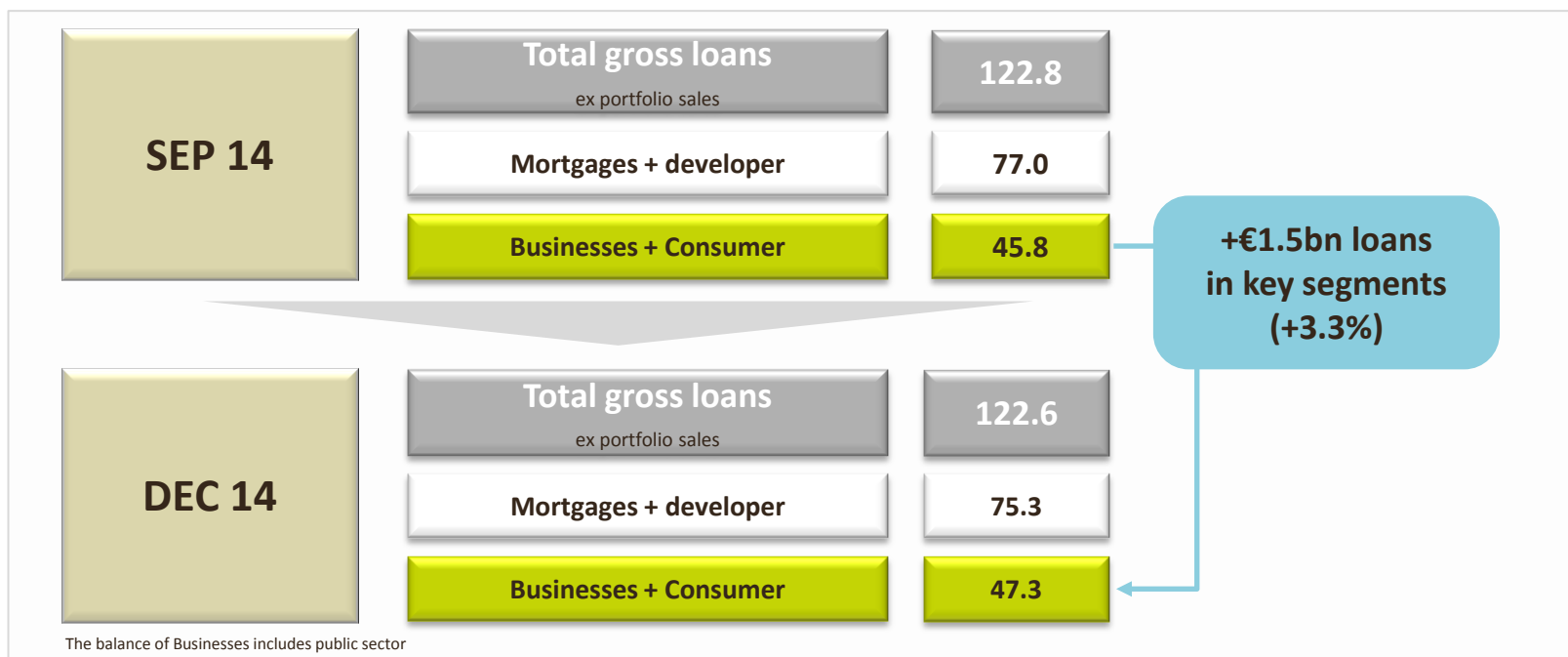
Highlights of the year



1

Boosting the commercial activity...

TOTAL LOANS - €Bn

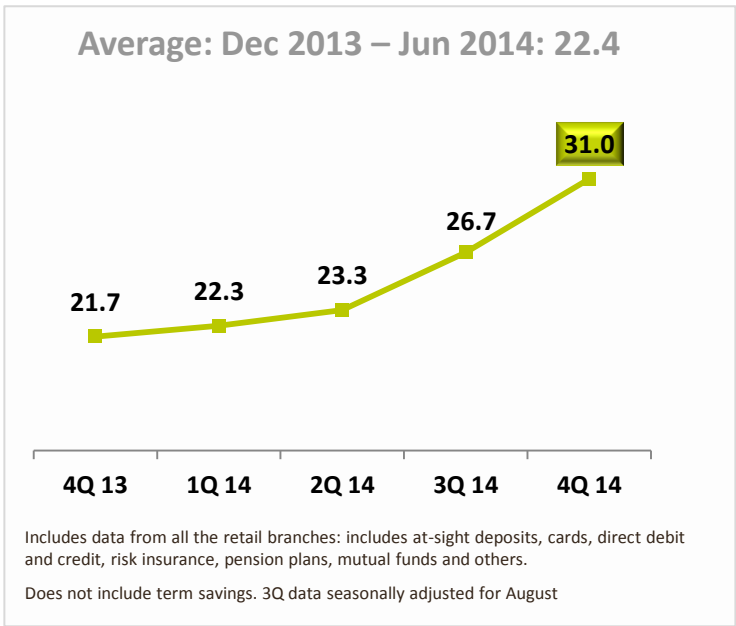


Total loans stabilised in key business segments

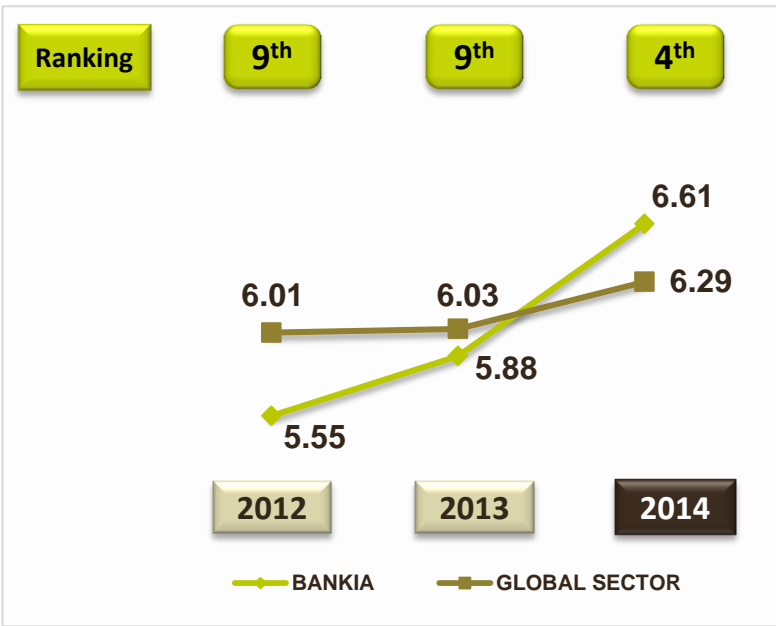
Highlights of the year

1 Boosting the commercial activity...

PRODUCTIVITY (products sold per employee/month) – quarterly average



MYSTERY SHOPPING RANKING



In the last quarter of the year, the number of New Customers reached 21,600/month, representing a 50% increase vs. the first quarter of the year



Highlights of the year

2

...increasing profitability...

Core banking business generation capacity in 2014

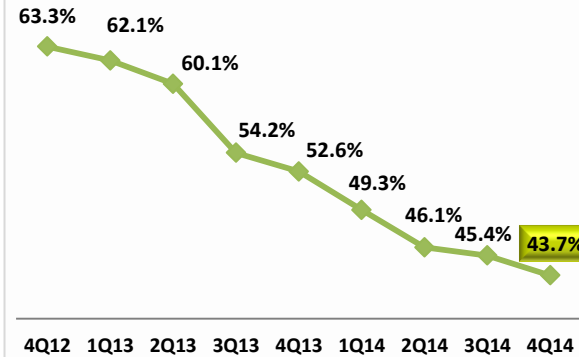
+ 10.7%

NII + Fee and commission income

-8.5%

Operating expenses

Steady improvement of Cost to income ratio (%)⁽¹⁾



Positive trend in provisions

74 bps
Cost of risk⁽²⁾ 2013

...

60 bps
Cost of risk⁽²⁾ 2014

+ 42.5% increase in 2014
Recurring pre-provision profit⁽¹⁾

50 bps
Cost of risk⁽²⁾ 4Q14

⁽¹⁾ Ex NTI and Exchange differences

⁽²⁾ Recurring cost of risk



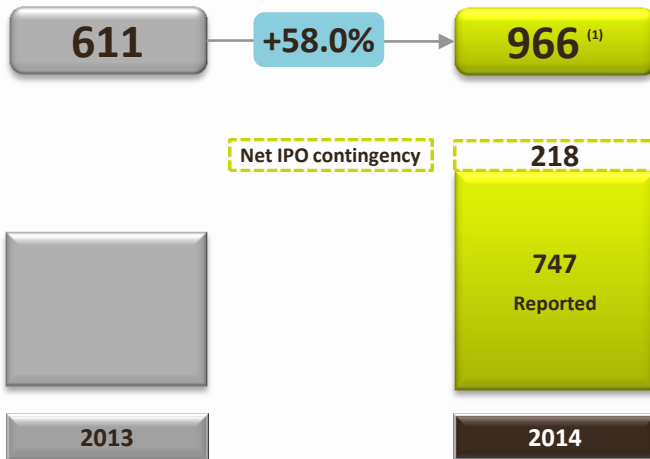
Highlights of the year

2

...increasing profitability...

Increase in attributable profit

€Mn

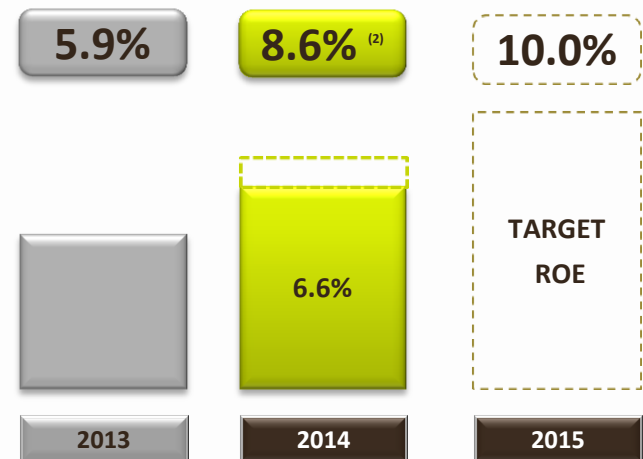


The attributable profit for 2013 excludes the finance cost (€89Mn in 1Q13 and €53Mn in 2Q13) of the subordinated loan from BFA to Bankia, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower.

⁽¹⁾ Attributable profit excluding the impact of IPO contingency provision

Bankia Group ROE

%



⁽²⁾ ROE excluding the impact of IPO contingency provision

ROE = Attributable profit for the period divided by the monthly average equity for the period

On track to meet the target of 10% ROE in 2015

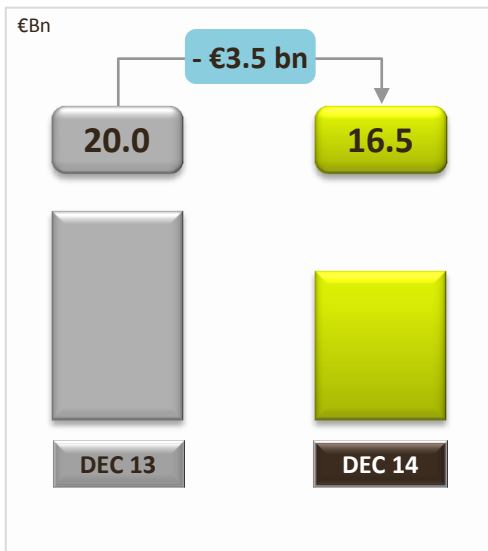
Highlights of the year



3

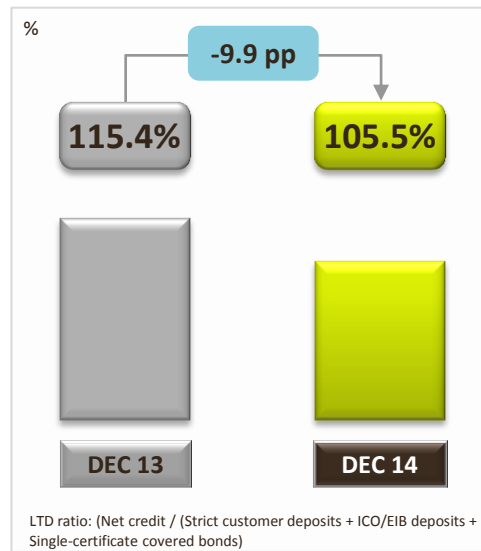
...strengthening our balance sheet...

NPLs



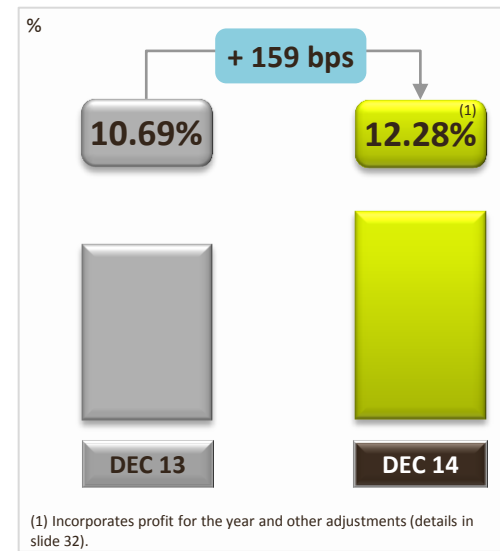
NPL ratio decreases by 1.8pp. up to 12.9% in the year

LOANS TO DEPOSITS



LTD ratio down 9.9 pp in the year

CET1 BIS III - PHASE IN



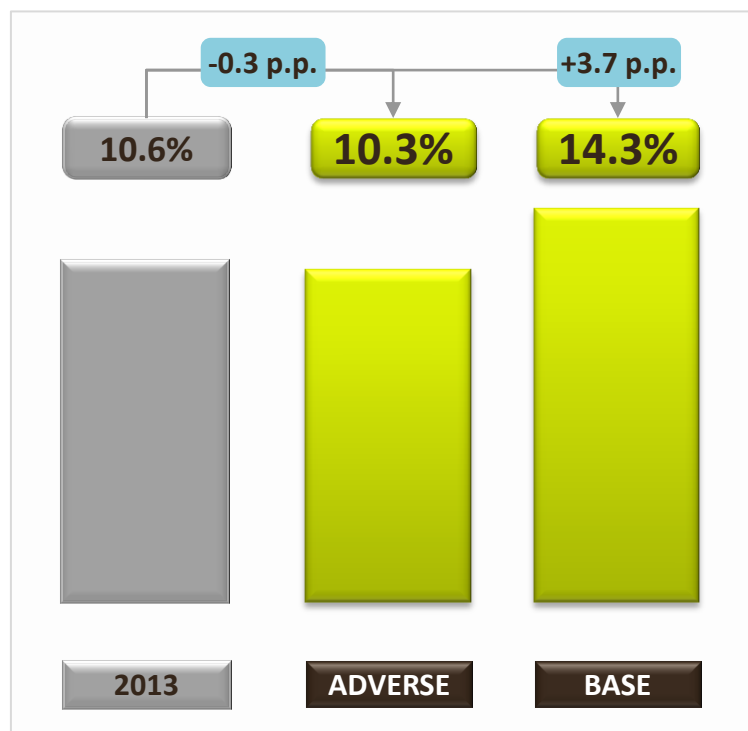
159 bps of capital generated post-provision of €312mn

Highlights of the year



3 ...with excellent results in European stress tests

CET1 2016 – BFA Group



**Impact of AQR adjustment
8 bps**

**Solvency in the adverse
scenario stands above 10%
with an impact of only 30 bps**

These results allow us to distribute a dividend payment to our shareholders:

**Cash dividend
for 2014**

**Dividend per share
€ 1.75 cent/share**

**Total distributable amount
€ 202 million**



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2014 Results



Annual 2014 income statement – BFA Group vs. Bankia Group

€Mn

	BFA GROUP	Bankia
Net interest income	3,016	2,927
Dividends	54	5
Fees and other revenues	1,012	1,077
Gross income	4,082	4,009
Operating expenses	(1,751)	(1,742)
Pre-provision profit	2,331	2,267
Provisions	(1,363)	(1,108)
Profit from sale of equity holdings and others	697	151
Profit before tax	1,665	1,310
Tax	(561)	(320)
Profit after tax	1,104	990

Resultados 2014



Annual 2014 income statement – BFA Group vs. Bankia Group

€Mn

	BFA GROUP	Bankia
Profit after tax	1,104	990
IPO contingency provision at Bankia	(312)	(312)
IPO contingency provision at BFA individual	(468)	
Total IPO contingency provision at Group level	(780)	(312)
Tax effect	94	94
IPO contingency provision net effect	(686)	(218)
Profit after tax post-contingency	418	771

2014 Results

Pro forma income statement – Bankia Group



€Mn

		2013	2014	Diff %
A	Net interest income	2,567	2,927	14.0%
	Fee and commission income	935	948	1.3%
B	Gross income	3,772	4,009	6.3%
	Gross income ex NTI and exchange differences	3,337	3,783	13.4%
C	Operating expenses	(1,905)	(1,742)	(8.5%)
D	Pre-provision profit	1,867	2,267	21.4%
	Pre-provision profit ex NTI and exchange differences	1,432	2,041	42.5%

The pro forma income statement for 2013 excludes the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower. The 2013 results do not include the effect of the restatement of the 2013 accounts based on Regulation (EU) 634/2014 and the letter of 23 December 2014 from the D.G. of the BdE.

2014 Results

Pro forma income statement – Bankia Group



€Mn

		2013	2014	Dif %
D	Pre-provision profit	1,867	2,267	21.4%
	Provisions	(1,733)	(1,108)	(36.1%)
E	Results from Sales, Taxes and Others	477	(169)	-
	Profit after tax	608	990	62.7%
	Minority interests	3	(24)	-
	Profit attributable to the Group	611	966	58.0%
	IPO contingency provision net impact	-	(218)	-
	<i>DGF and subordinated loan effect</i>	(203)	-	-
	Reported Profit attributable to the Group	408	747	83.3%

The pro forma income statement for 2013 excludes the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower. The 2013 results do not include the effect of the restatement of the 2013 accounts based on Regulation (EU) 634/2014 and the letter of 23 December 2014 from the D.G. of the BdE.

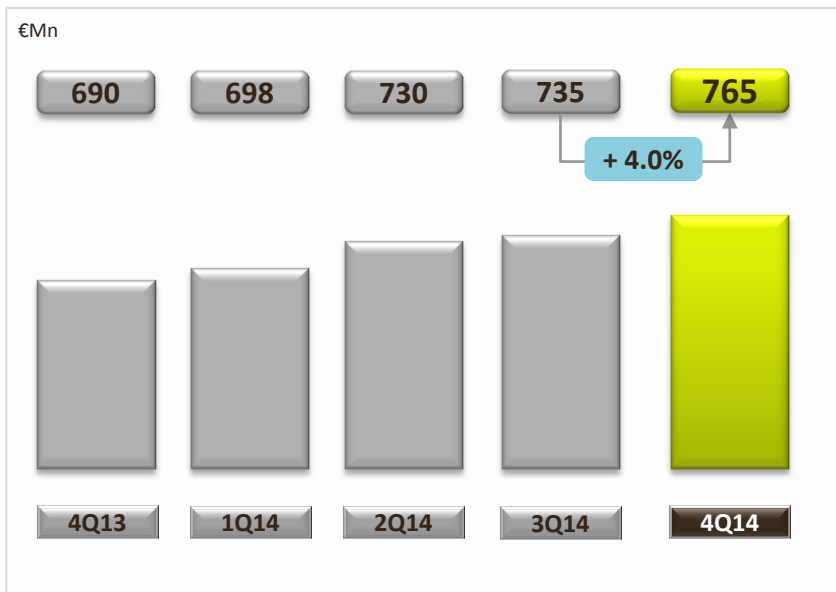


2014 Results

A Net interest income

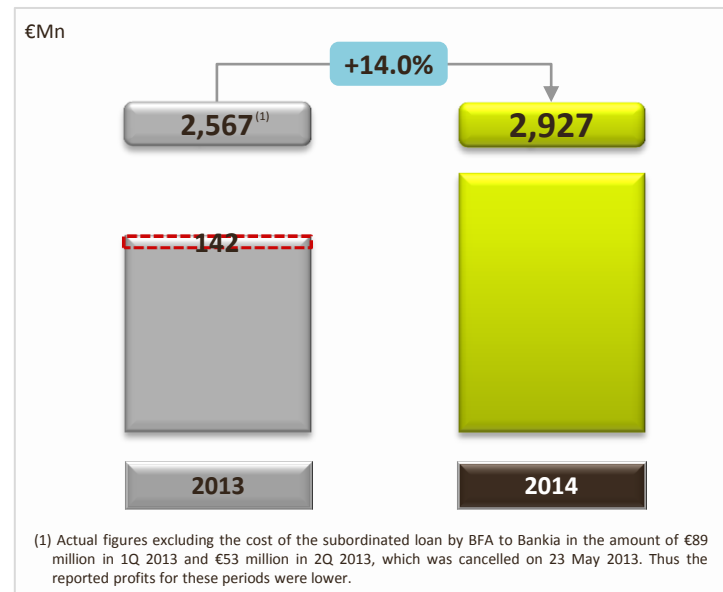
Seven consecutive quarters of net interest income growth

Quarterly net interest income growth



Net interest income increases
a further 4% in the last quarter

Accumulated annual growth



Net interest income
up 14.0% year on year

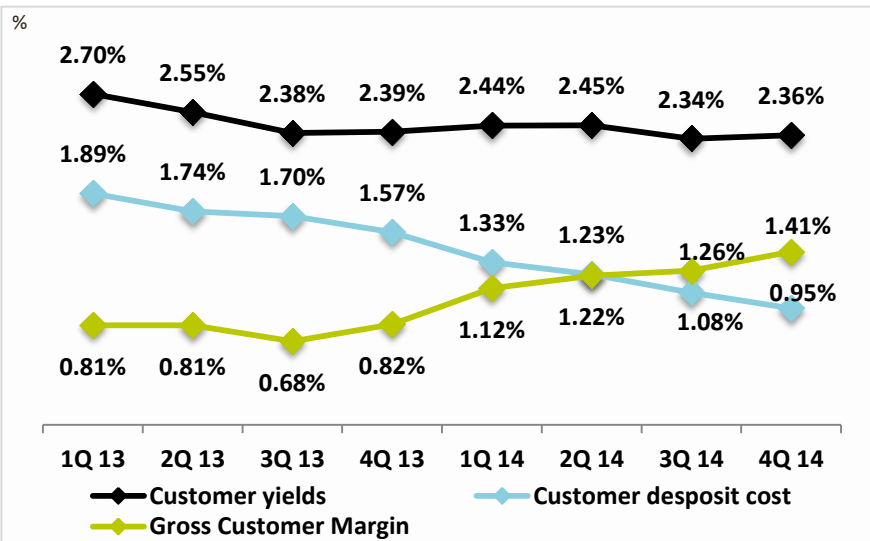


2014 Results

A Net interest income

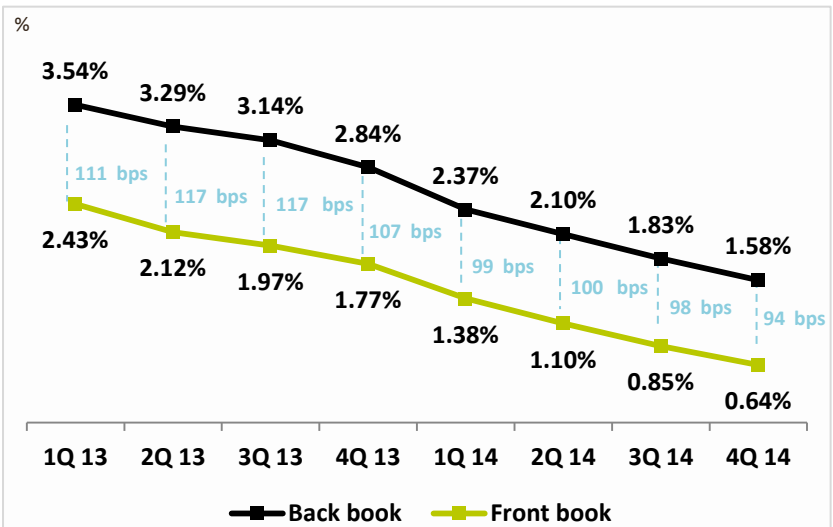
Decline in cost of deposits leads to improvement in gross customer margin

Loan yield vs. cost of deposits ⁽¹⁾



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

Cost of term deposits – Back book vs. Front book



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

Customer margin up 59 bps compared to last quarter of previous year

Continued downward repricing of back book of term deposits

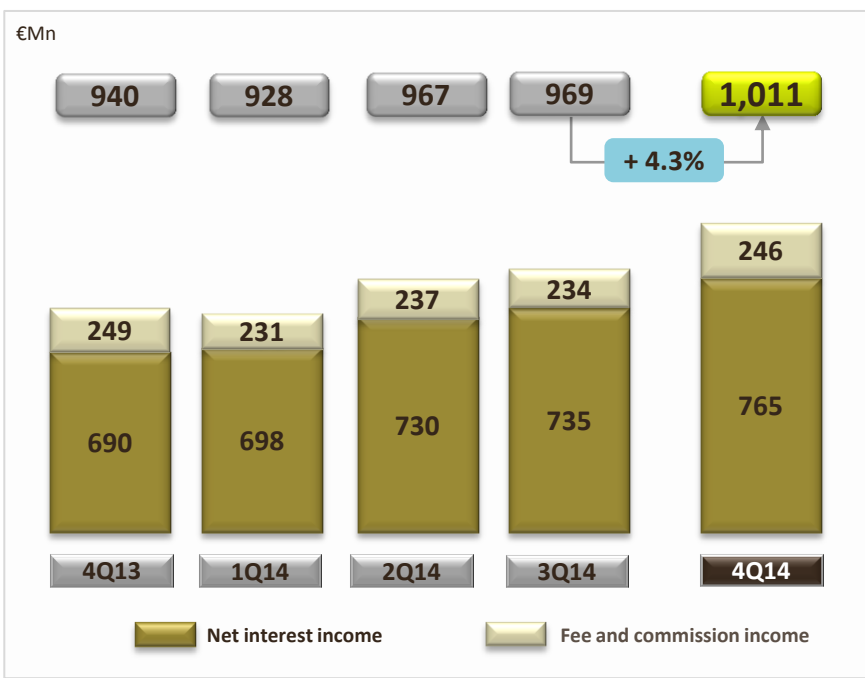


2014 Results

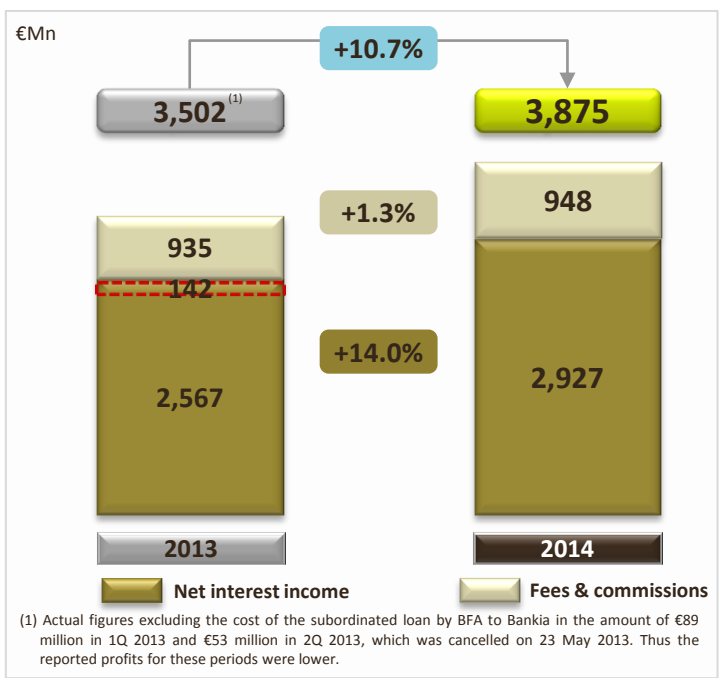
A Net interest income and fee and commission income

Net interest income and fee and commission income show positive trend

Quarterly performance of core banking business



Core banking business performance



(1) Actual figures excluding the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower.

Core banking business exceeds €1 billion in the quarter

Accumulated core banking business grows 10.7%

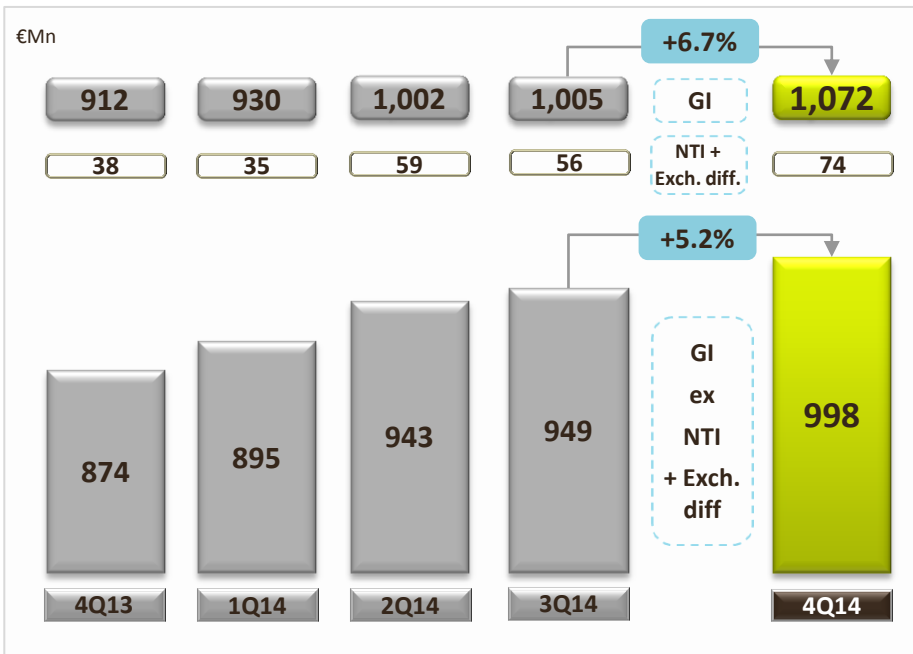


2014 Results

B Gross income

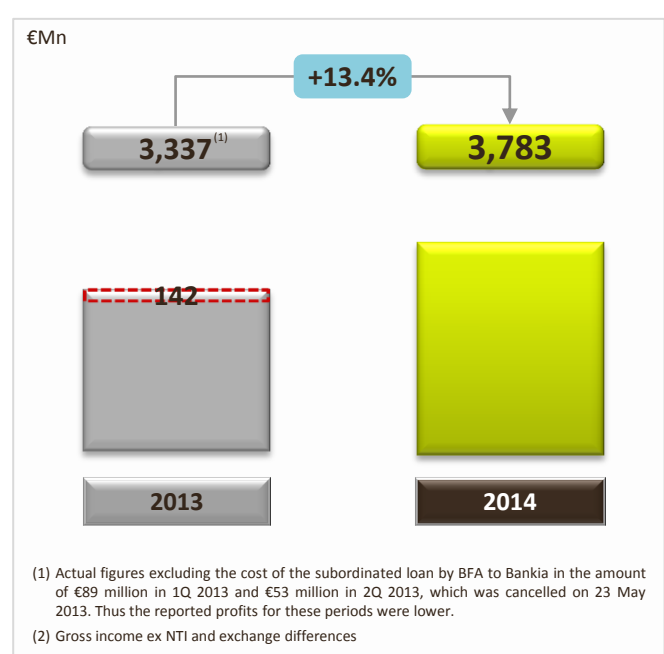
Further increase in recurring gross income during the quarter

Quarterly performance of gross income



Recurring gross income up 5.2% in the last quarter of the year

Recurring gross income ⁽²⁾



Recurring gross income up 13.4% year on year

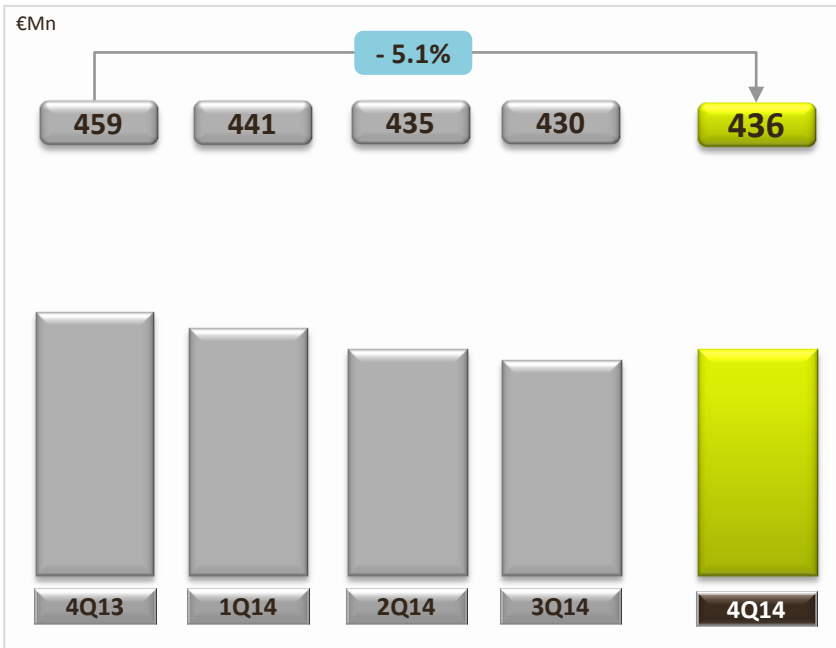


2014 Results

C Operating expenses

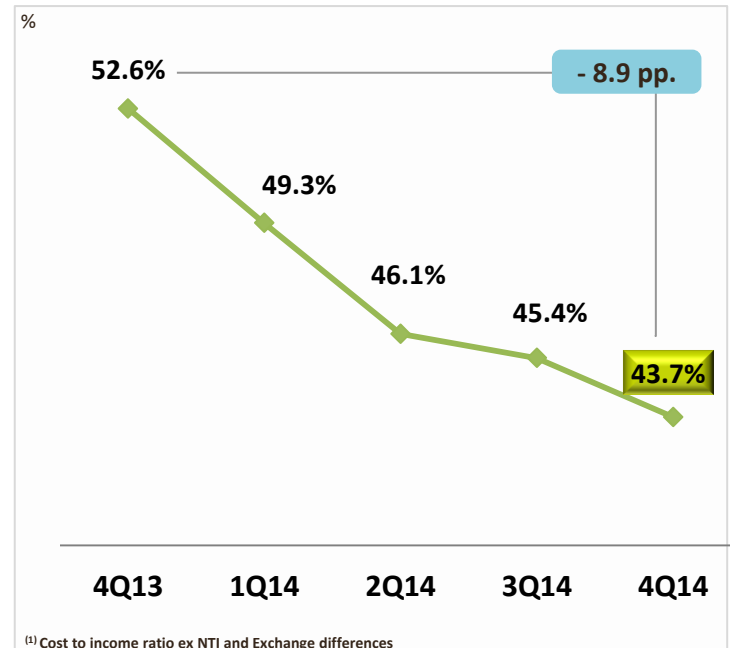
Recurring efficiency ratio already at 43.7%

Quarterly performance of operating expenses



Operating expenses down 5.1% year on year

Recurring cost to income ratio ⁽¹⁾



⁽¹⁾ Cost to income ratio ex NTI and Exchange differences

Cost to income ratio continues to improve to 43.7%

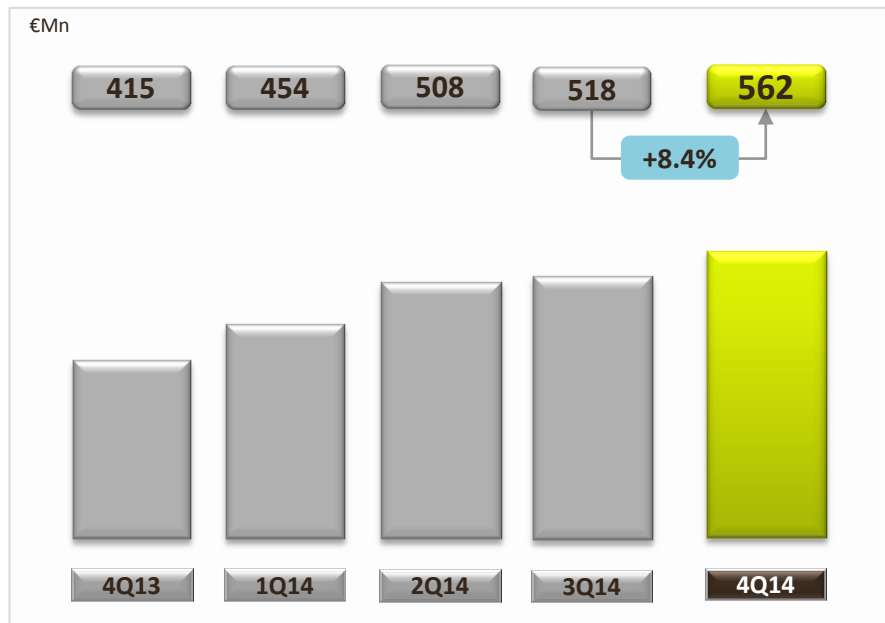


2014 Results

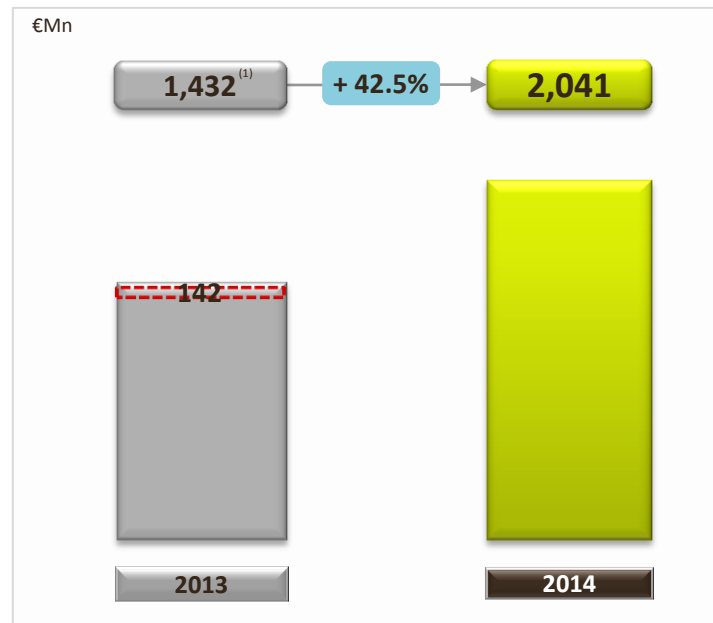
D Pre-provision profit

Capacity to generate recurring pre-provision profit

Quarterly performance Recurring pre-provision profit⁽²⁾



Recurring pre-provision profit⁽²⁾



(1) Actual figures excluding the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower.
(2) Pre-provision profit ex NTI and Exchange differences.

**Recurring pre-provision profit up 8.4% in the last quarter.
Increase of 42.5% year on year**

2014 Results



E Cost of risk

Continued decrease of cost of risk quarter by quarter

€ Mn

	4Q 13	1Q 14	2Q 14	3Q 14	4Q 14
Pre-provision profit	453	489	567	574	636
Provisions	(353)	(303)	(262)	(253)	(291)
Profit after provisions	100	186	305	321	345

	74 bps	69 bps	63 bps	59 bps	50 bps
Recurrent Cost of risk					
	2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014

Cost of risk down to 50 bps on 4Q14



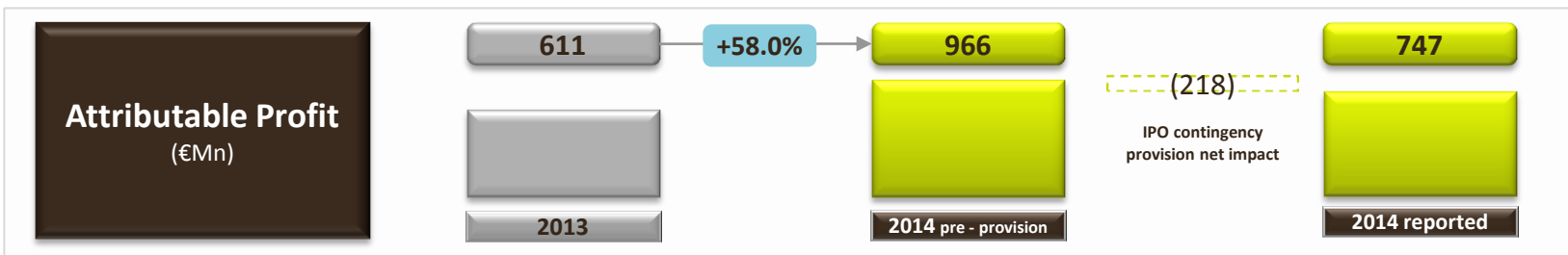
2014 Results

E Group's attributable profit

Attributable profit for the year increases by 58.0%

€ Mn

	4Q 13	1Q 14	2Q 14	3Q 14	4Q 14
Profit after provisions	100	186	305	321	345
Profit from sales and others	77	83	20	46	3
Attributable Profit	150	187	245	266	268
IPO contingency provision (net)		218			



Attributable profit excluding the effect of the IPO contingency provision increases to €966 million for the year, €355 million more than the previous year



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Asset quality and risk management

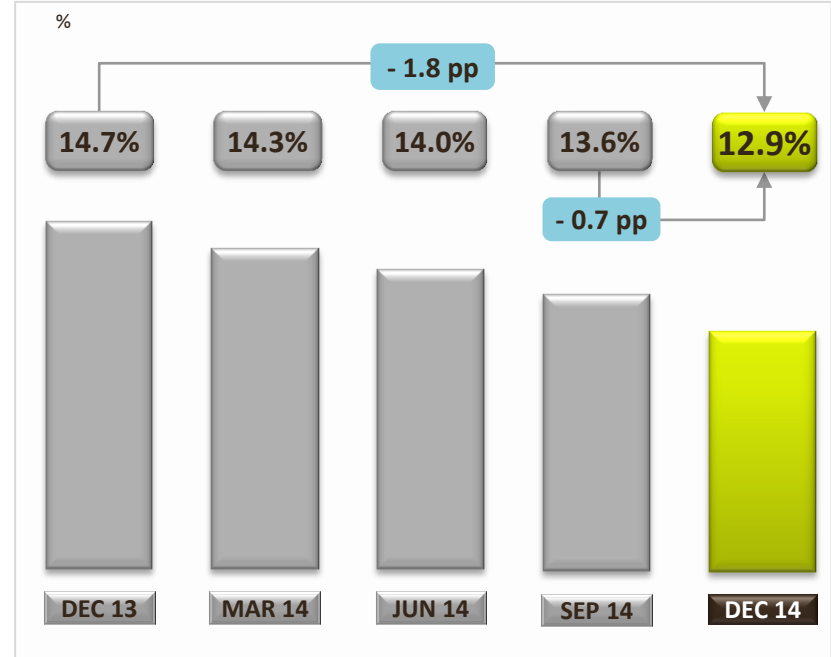
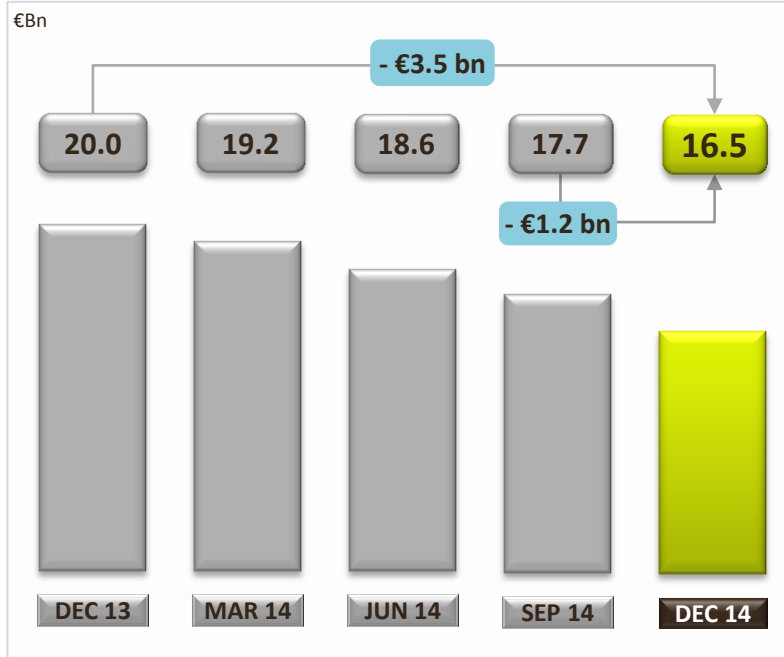
Credit quality

Decrease in stock of NPLs and NPL ratio



NPLs

NPL ratio



**NPLs down €3.5bn in the year.
NPL ratio down 1.8 pp in the year at 12.9%**



Asset quality and risk management

Credit quality

Sharp fall in NPLs and NPL ratio

Performance of NPLs, NPL ratio and NPL coverage

	DEC 2013	Organic reduction / Sales	DEC 2014
NPLs	€20.0bn	↓ €3.5 bn	€16.5bn
NPL ratio	14.7%	↓ 180 bps	12.9%
NPL coverage ⁽¹⁾	56.5%	↑ 110 bps	57.6%
Foreclosed assets ⁽²⁾	€2.7bn	↑ €0.2 bn	€2.9bn

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

NPL performance

NPLs Dec 2013		20.0	
+ Gross additions	+ 4.0	Organic reduction € -1.9bn	Total reduction € -3.5bn
- Recoveries	- 5.7		
Net additions	- 1.7		
- Write-offs	- 0.2		
- Sales	- 1.6		
NPLs Dec 2014		16.5	

NPL coverage reaches 57.6%
NPLs diminish by €1.2bn in the last quarter of the year



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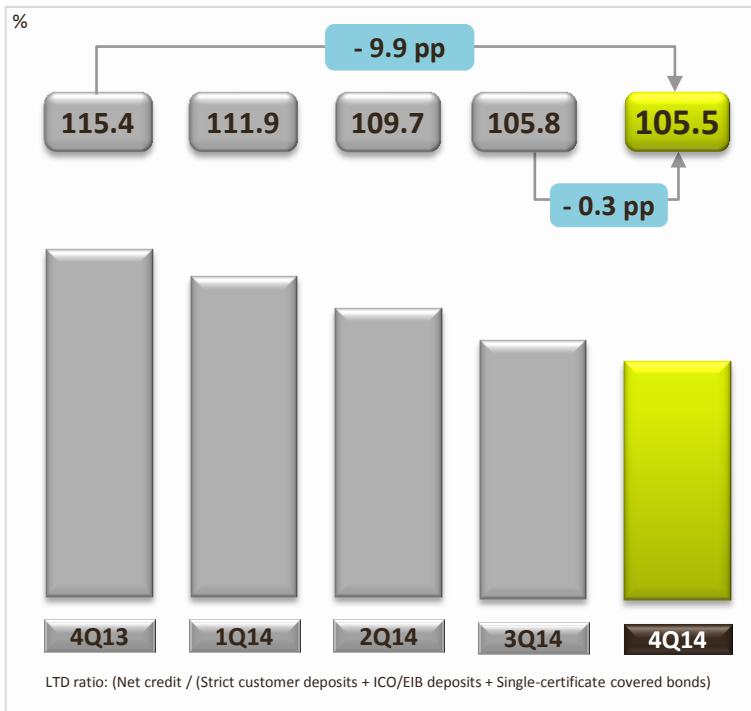


Liquidity and solvency

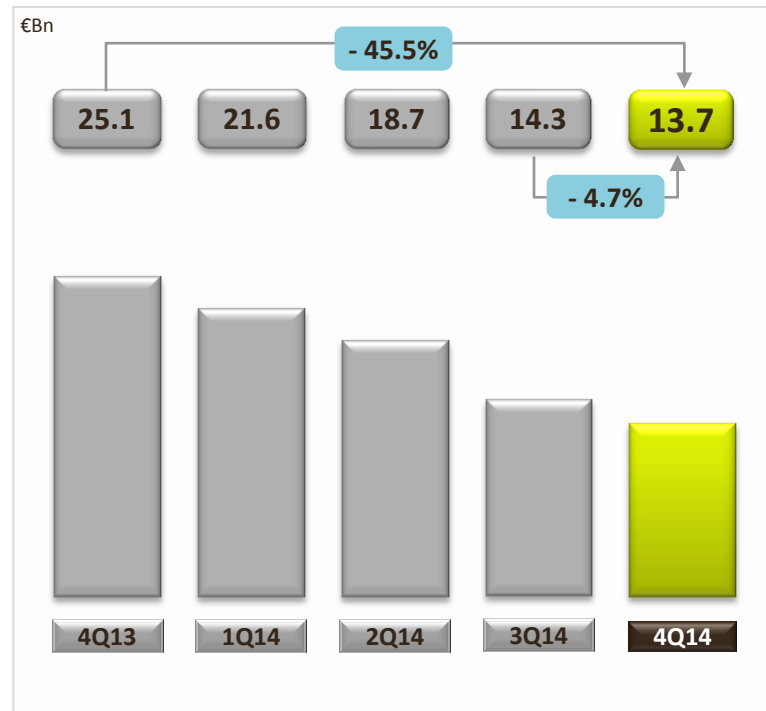
Liquidity indicators

Further improvement in liquidity in the last quarter

Quarterly performance of LTD ratio



Quarterly performance of commercial gap



LCR (Liquidity Coverage Ratio) stands above 100% as of 31.12.14

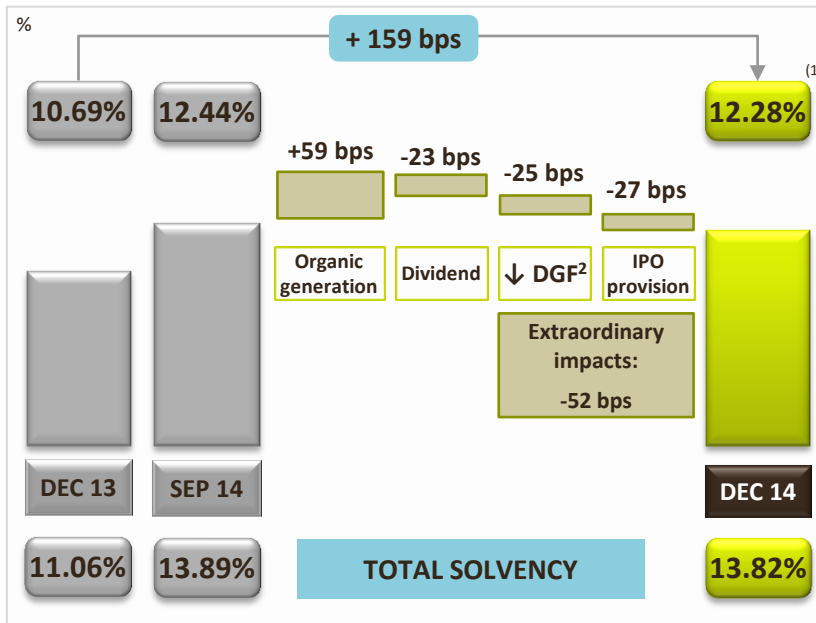


Liquidity and solvency

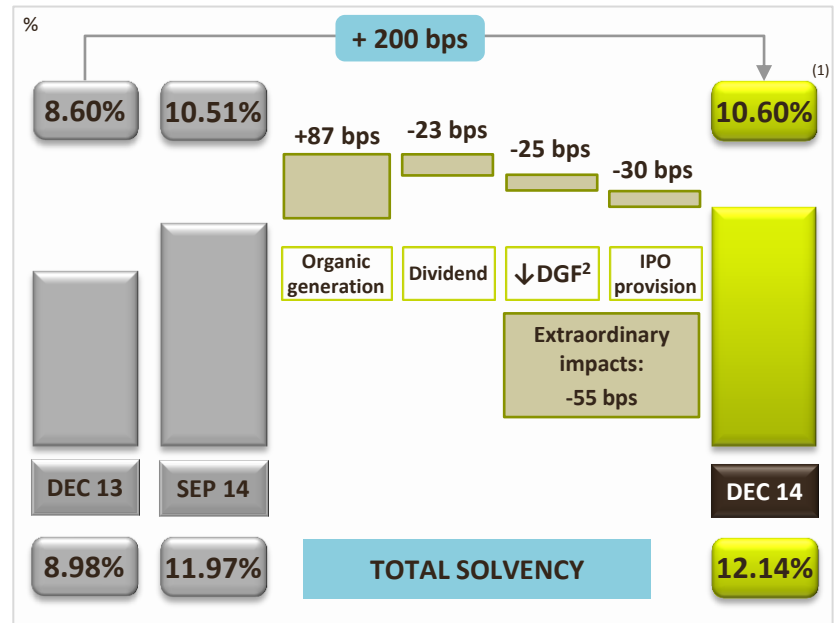
Liquidity indicators

Significant capital generation in the year

CET 1 BIS III Phase in ratio performance



CET 1 BIS III Fully Loaded ratio performance



⁽¹⁾ Includes 4Q14 result and 202mn of dividend payment

⁽²⁾ Impact of Regulation (EU) 634/2014 on contributions to the Deposit Guarantee Fund

CET1 BIS III Phase in ratio stands at 12.28%

CET1 BIS III Fully loaded ratio stands at 10.60%



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Conclusions

Our commercial activity has experienced a significant boost in 2014

Lending volumes stabilize and growth in SMEs and consumer finance

Increase of customer deposits and off-balance-sheet business

Improved productivity and efficiency levels

NPLs reduction with increased coverage and cost of risk at target level

Allowing to propose a cash dividend payment of €202Mn

And recurrent ROE at 8.6%, on track to meet the target of 10% in 2015

Bankia

Sigamos trabajando

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