

Bankia

Quarterly results presentation

3Q 2017

› 30 October 2017

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9M 2017 HIGHLIGHTS

2

3Q 2017 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> 9M 2017 Highlights

1	Competitive positioning	NEW MULTICHANNEL DISTRIBUTION MODEL BOOSTS BUSINESS AND REINFORCES OUR CUSTOMERS' SATISFACTION	Highest customers' satisfaction levels 2.3x New mortgages +19.6% Consumer finance
2	Profitability	... RETAINING OUR COMPETITIVE ADVANTAGES...	Cost to income ratio: 48.0% ^{9M17} Attrib. profit: €739mn ^{9M17}
3	Asset quality	... ACCELERATING THE REDUCTION IN NON-PRODUCTIVE ASSETS...	Reduction in NPAs: €1,581mn <small>Sep.17 vs Dec.16</small> NPL ratio: 8.8%
4	Capital generation	... AND GENERATING CAPITAL ORGANICALLY AND ON A RECURRENT BASIS	CET1 FL ratio: 14.16% Total Capital ratio: 17.18%

> 9M 2017 Highlights

Commercial positioning | Multichannel transformation

We continue developing our multichannel transformation plan...

Transformation based on our positioning...



Considering and analysing our customers' needs

- Digital profile
- Financial advisory needs
- Operational needs

...and aligned with the distribution model

Customer focused

Efficiency driven

+

Multichannel

Valor

E CONECTA CON TU EXPERTO
GESTIÓN PERSONALIZADA

oficina **ágil**

Portfolio based model

-

Financial advisory

+

> 9M 2017 Highlights

Commercial positioning | Remote manager “Connect with your expert”

... consolidating our customers’ remote management model...

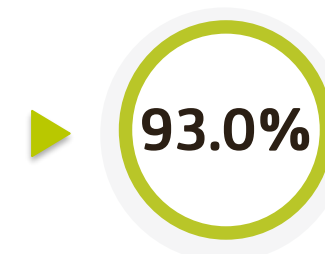
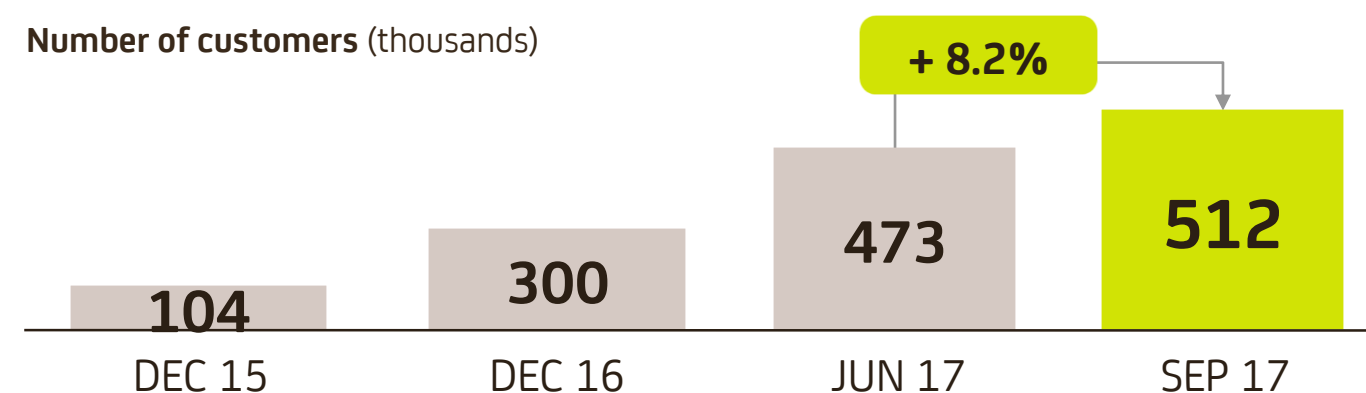


Business volume

€18,475mn Sep 17

+ 67% vs Dec.16

Number of customers (thousands)



Overall satisfaction with manager
vs 89.6% overall satisfaction with Bankia



Productivity
Connect with your expert manager vs commercial manager

> 9M 2017 Highlights

Commercial positioning | Digital channels

... developing and revamping all the bank's digital channels...

July 2016



New website for retail banking and businesses

+ Usability

Enhanced browsing
Streamlined processes
More "one click" options

November 2016



New app

+ Contactability

Web Chat
Easy contact with managers
Online support
Wall: allows to complete processes started in other channels

June 2017



Bankia Online

+ Sale oriented

"One click" consumer and card offering
Transfer of mutual funds and pension plans
Buy all products (except insurance and mortgages)
Commercial offering shaped by Business Intelligence

July 2017



New Wallet



Constantly reviewing and improving, adding new functionalities

+ Service

Simulators for mortgages, house appraisals, pensions, insurance...
Setting up of direct debit using photographic images
Biometric access
Card activation and deactivation

> 9M 2017 Highlights

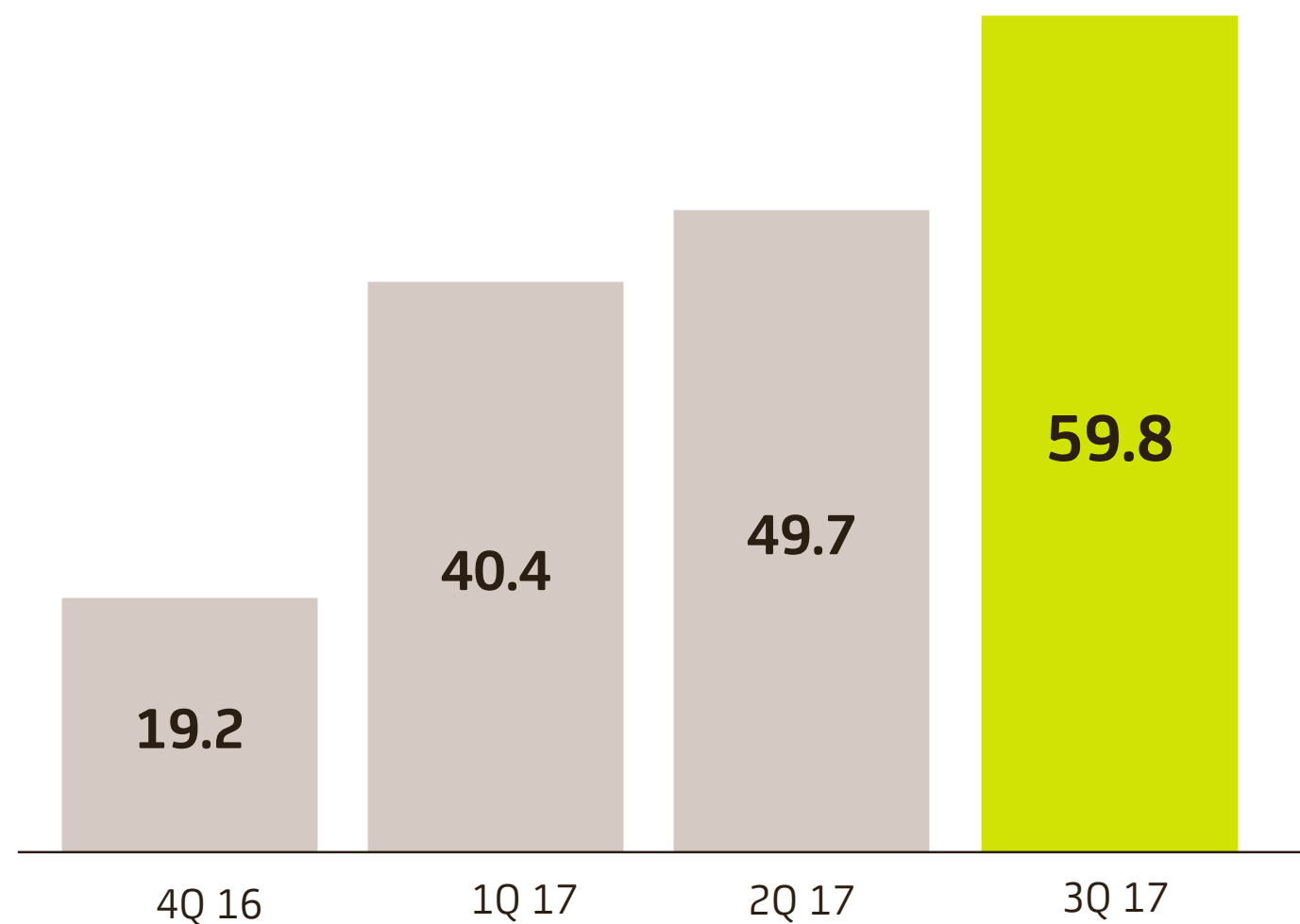
Commercial positioning | Digital sales

...which translates into a bigger number of digital customers and transactions...



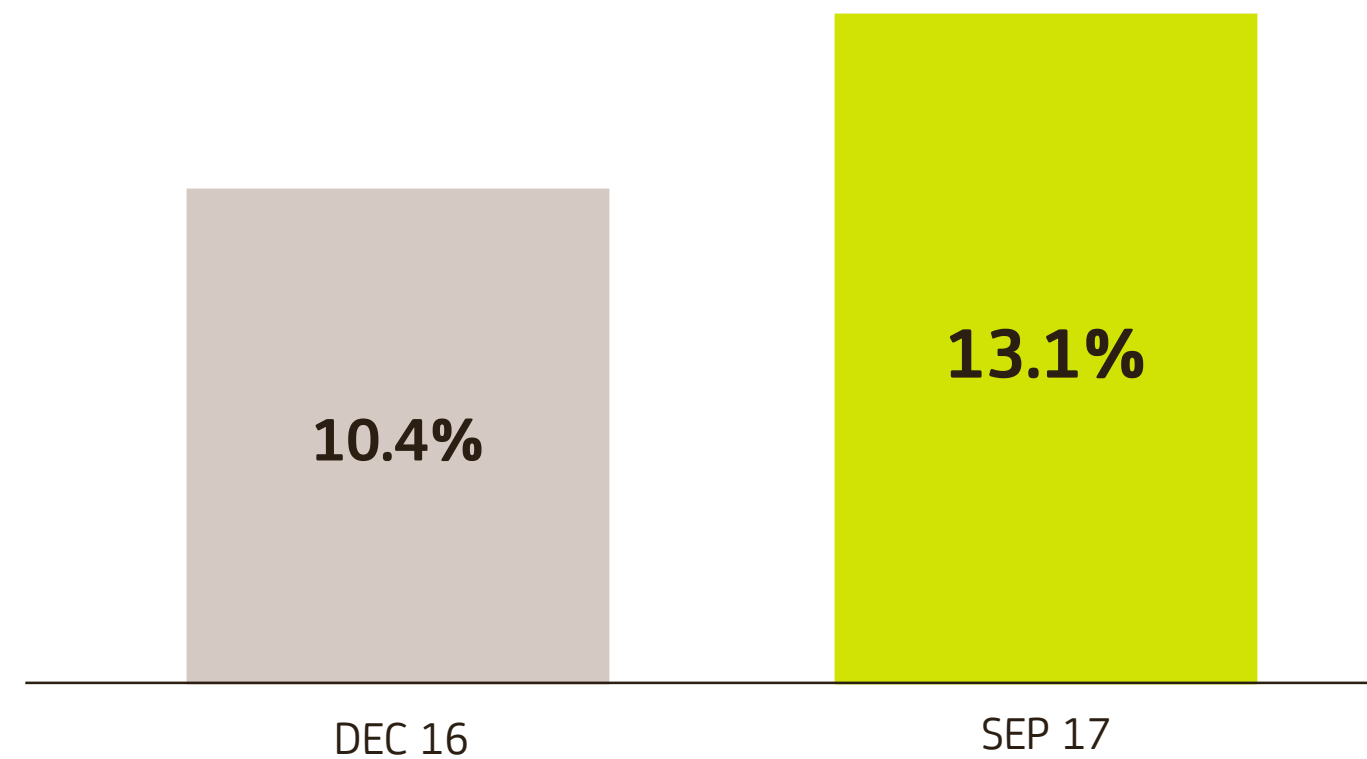
“ON” ACCOUNT

Quarterly new “On” Accounts (thousands)
Since launching on Nov.16



DIGITAL SALES

Digital sales as a % of Bankia total sales

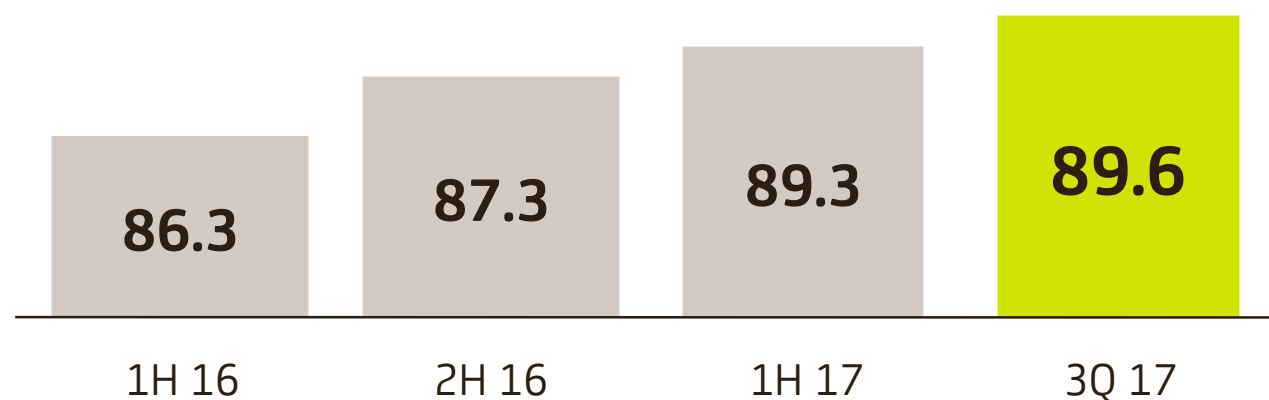


> 9M 2017 Highlights

Commercial positioning | Customer satisfaction

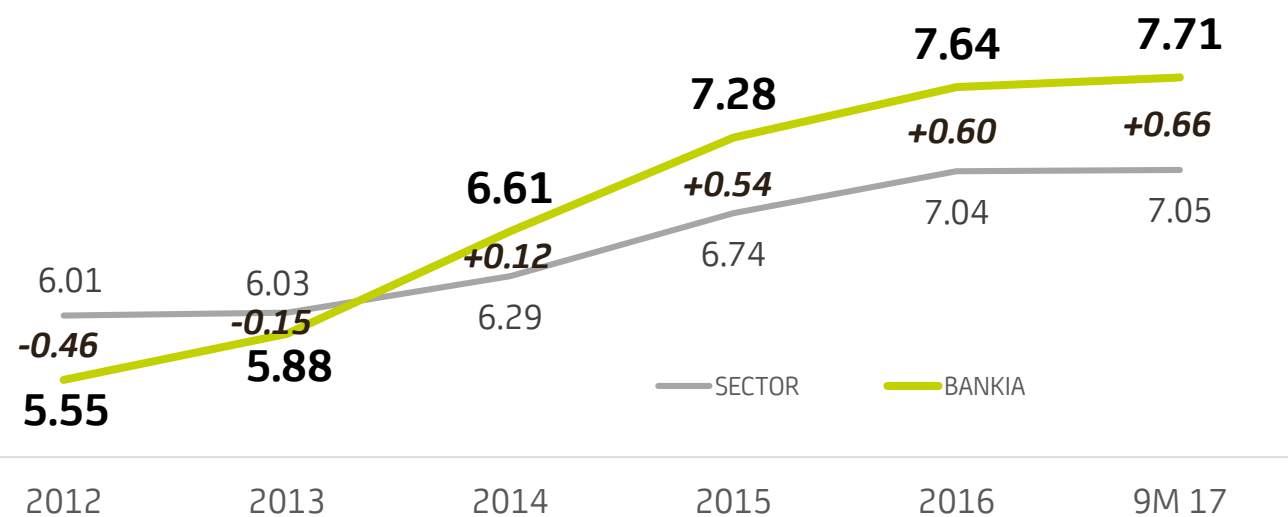
... allowing for our customers' satisfaction to reach maximum levels...

CUSTOMER SATISFACTION INDEX



Source: Bankia

MYSTERY SHOPPING



Source: STIGA Research on mystery shopping satisfaction

NET PROMOTER SCORE – BRANCHES



NET PROMOTER SCORE – CONNECT WITH YOUR EXPERT



Source: Bankia

NPS: index measures willingness of customers to recommend, calculated as a % promoters - % detractors. Promoter customers give a score of 9 or 10, while detractors give a score between 0 and 6, on scale from 0 to 10.

> 9M 2017 Highlights

Commercial positioning | Commercial activity

... accelerating commercial dynamics



NET NEW CUSTOMERS

+ 141,000

SEP 17 vs SEP 16



DIRECT INCOME DEPOSITS

+ 103,000

SEP 17 vs SEP 16



NET NEW CARDS

+ 168,000

SEP 17 vs SEP 16



POINT OF SALE STOCK

POINT OF SALE terminals installed

+ 14.9%

SEP 17 vs SEP 16



CARDS TURNOVER

In-store Bankia cards

+ 12.7%

SEP 17 vs SEP 16



POINT OF SALE TURNOVER

Total turnover

+ 22.8%

SEP 17 vs SEP 16

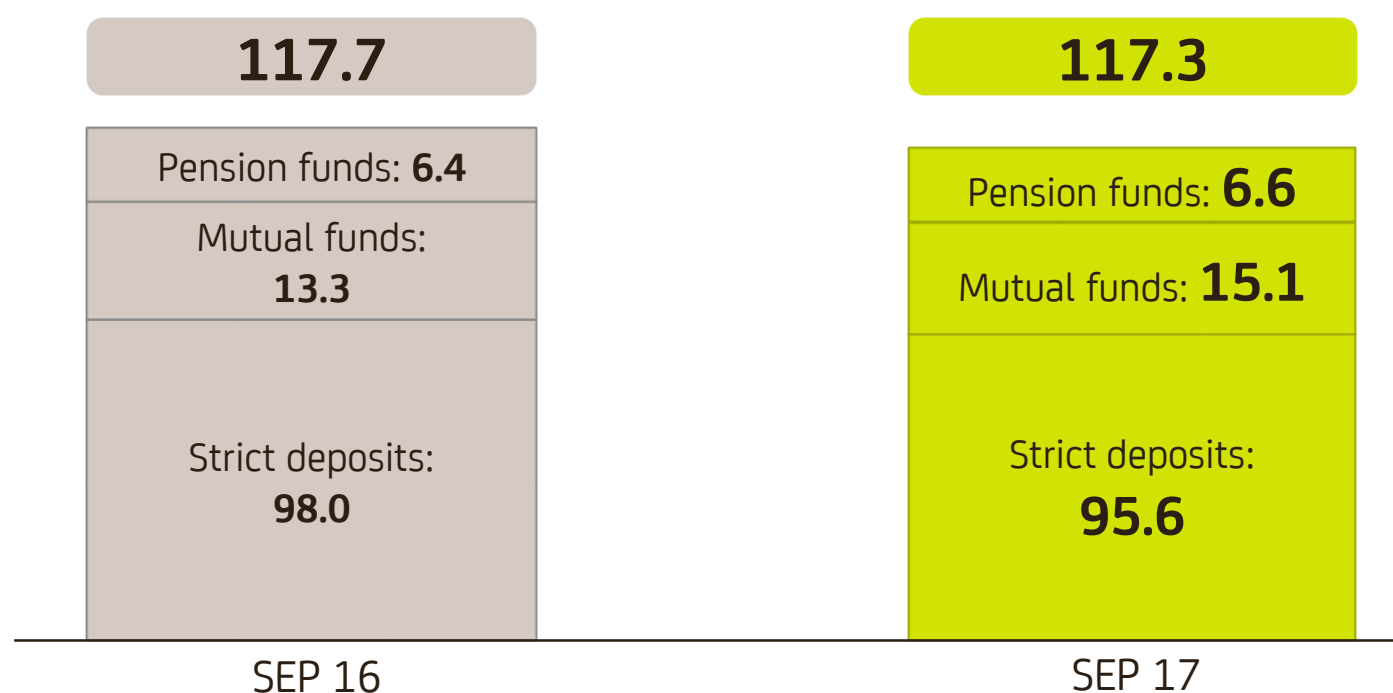
> 9M 2017 Highlights

Commercial positioning | Customer funds and new production

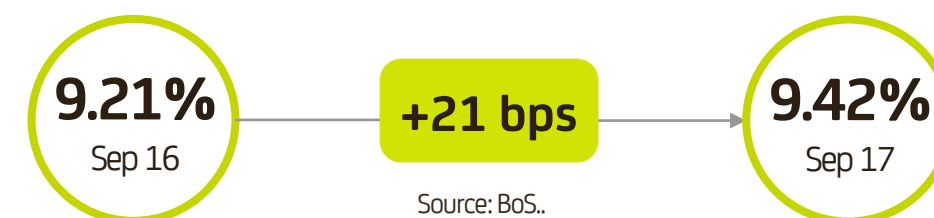
Mutual fund volumes continue to rise

€bn

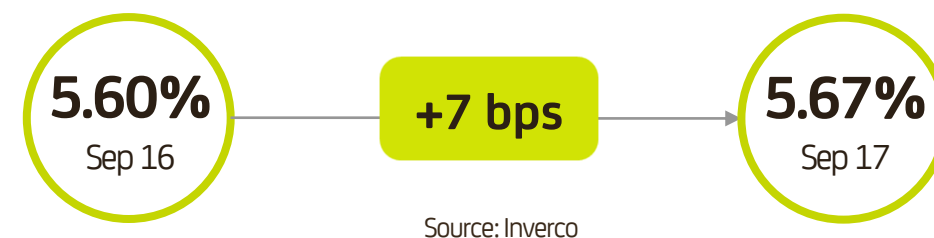
STRICT CUSTOMER DEPOSITS + MUTUAL FUNDS + PENSION FUNDS



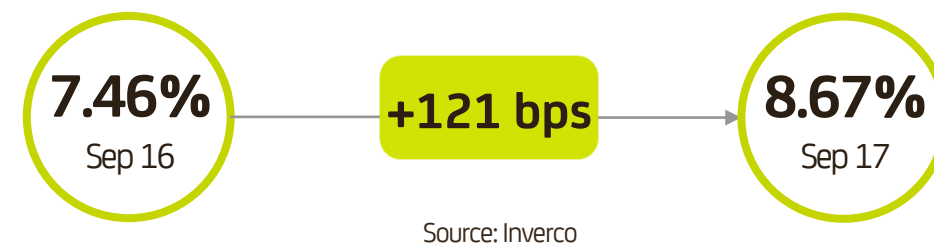
HOUSEHOLDS DEPOSITS MKT SHARE



MUTUAL FUNDS MKT SHARE



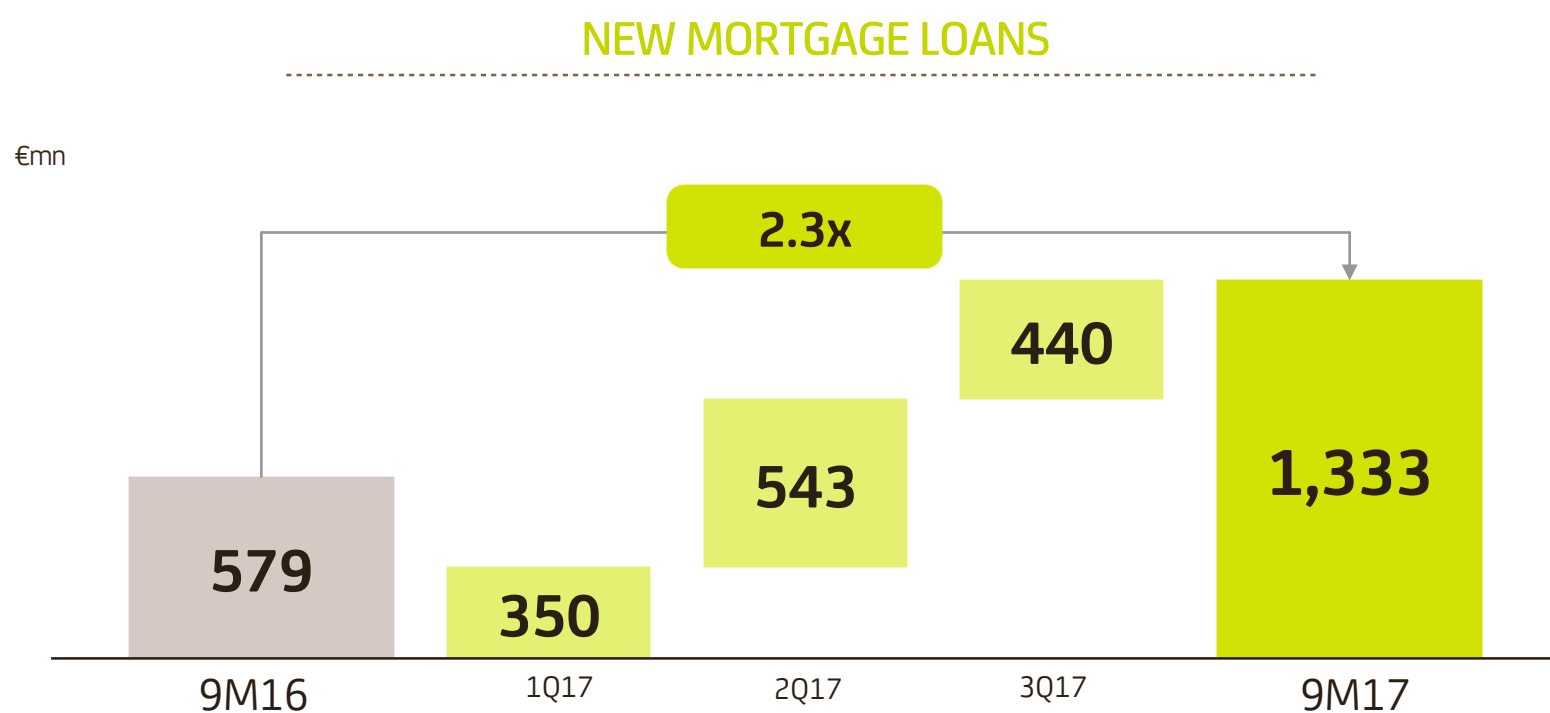
NET NEW MUTUAL FUNDS MKT SHARE



> 9M 2017 Highlights

Commercial positioning | Credit performance and new credit: mortgages

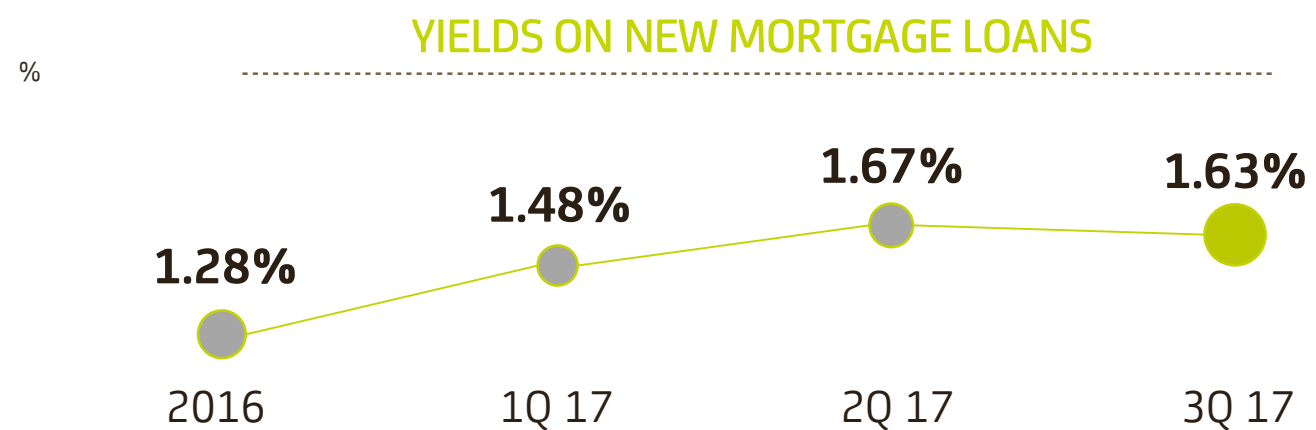
New mortgage lending continues at a good pace...



65% Avg. Loan-to-value of new mortgages

45% of new mortgages granted at fixed rates in 3Q17 vs 47% in 2Q17

34% of applications come from new customers

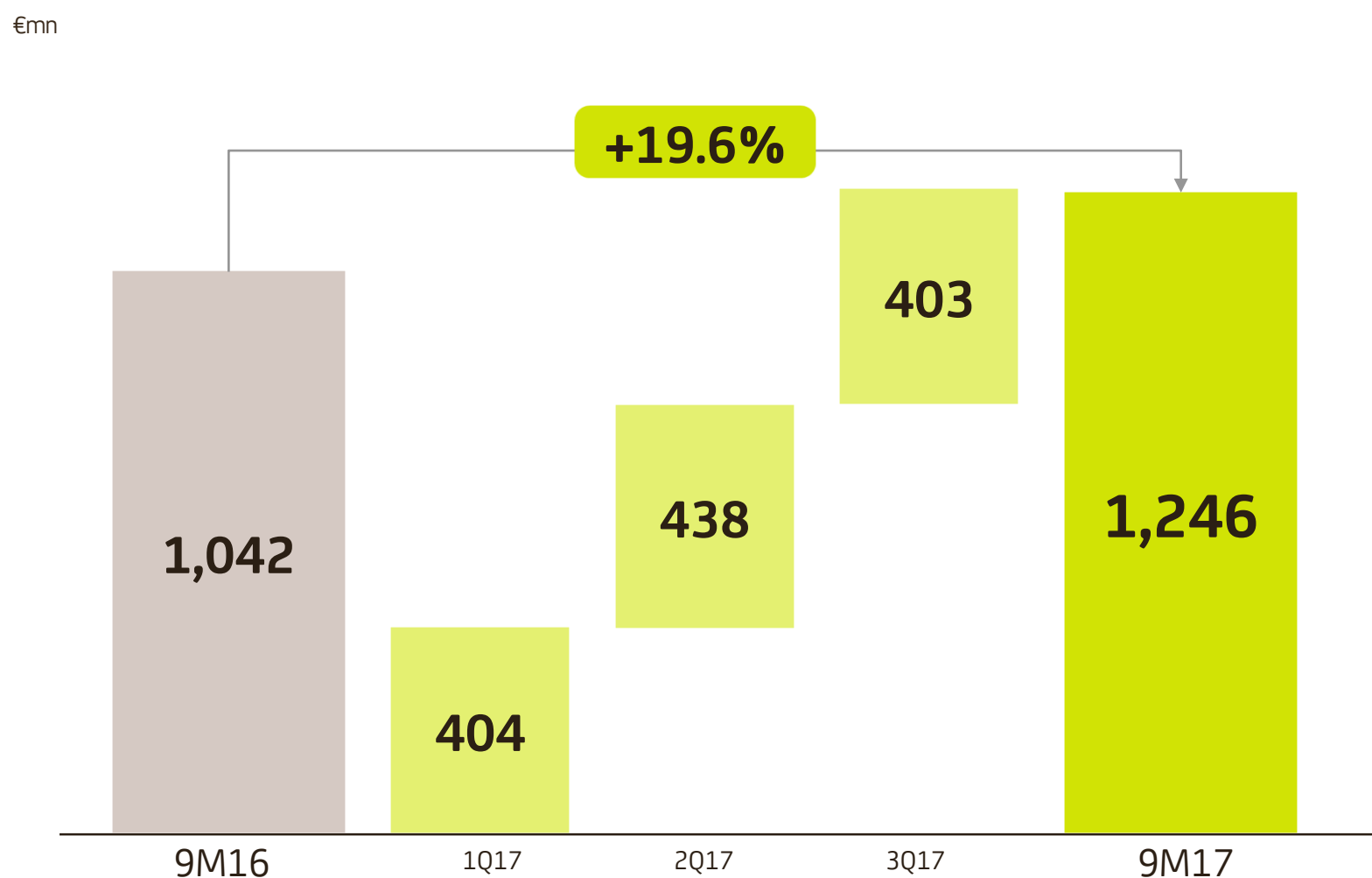


> 9M 2017 Highlights

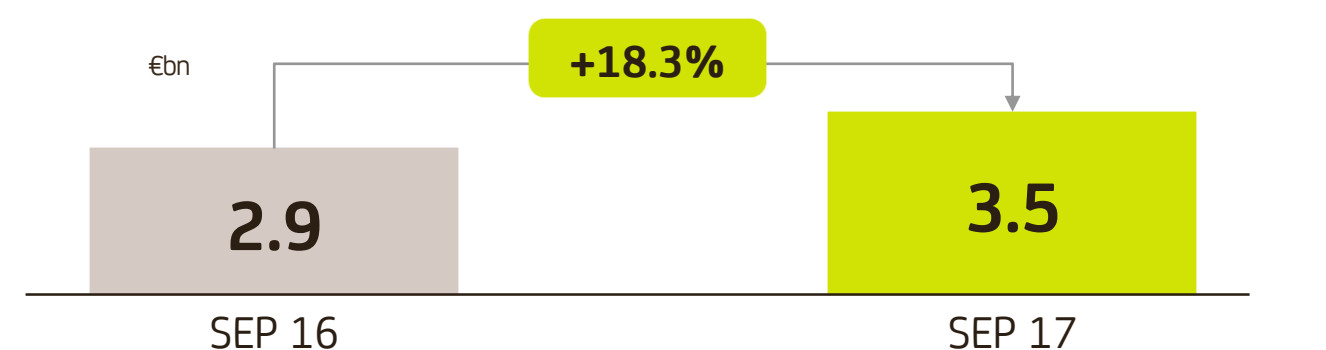
Commercial positioning | Credit performance and new credit: consumer finance

... as is the case of consumer finance...

NEW CONSUMER FINANCE LOANS



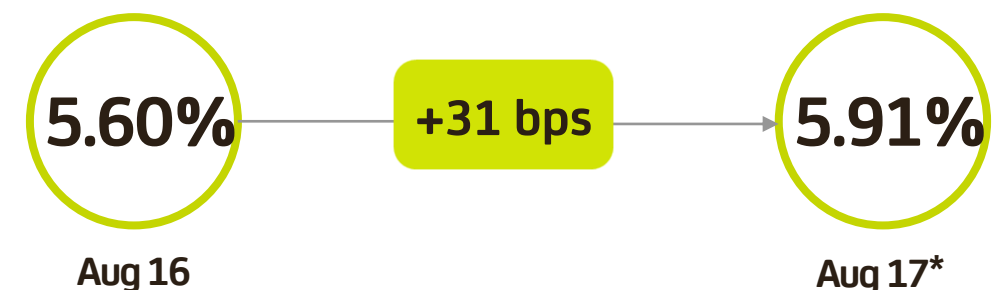
GROSS CREDIT STOCK | CONSUMER FINANCE



CONSUMER FINANCE MARKET SHARE – OUTSTANDING BALANCE



CONSUMER FINANCE MARKET SHARE – NEW LENDING



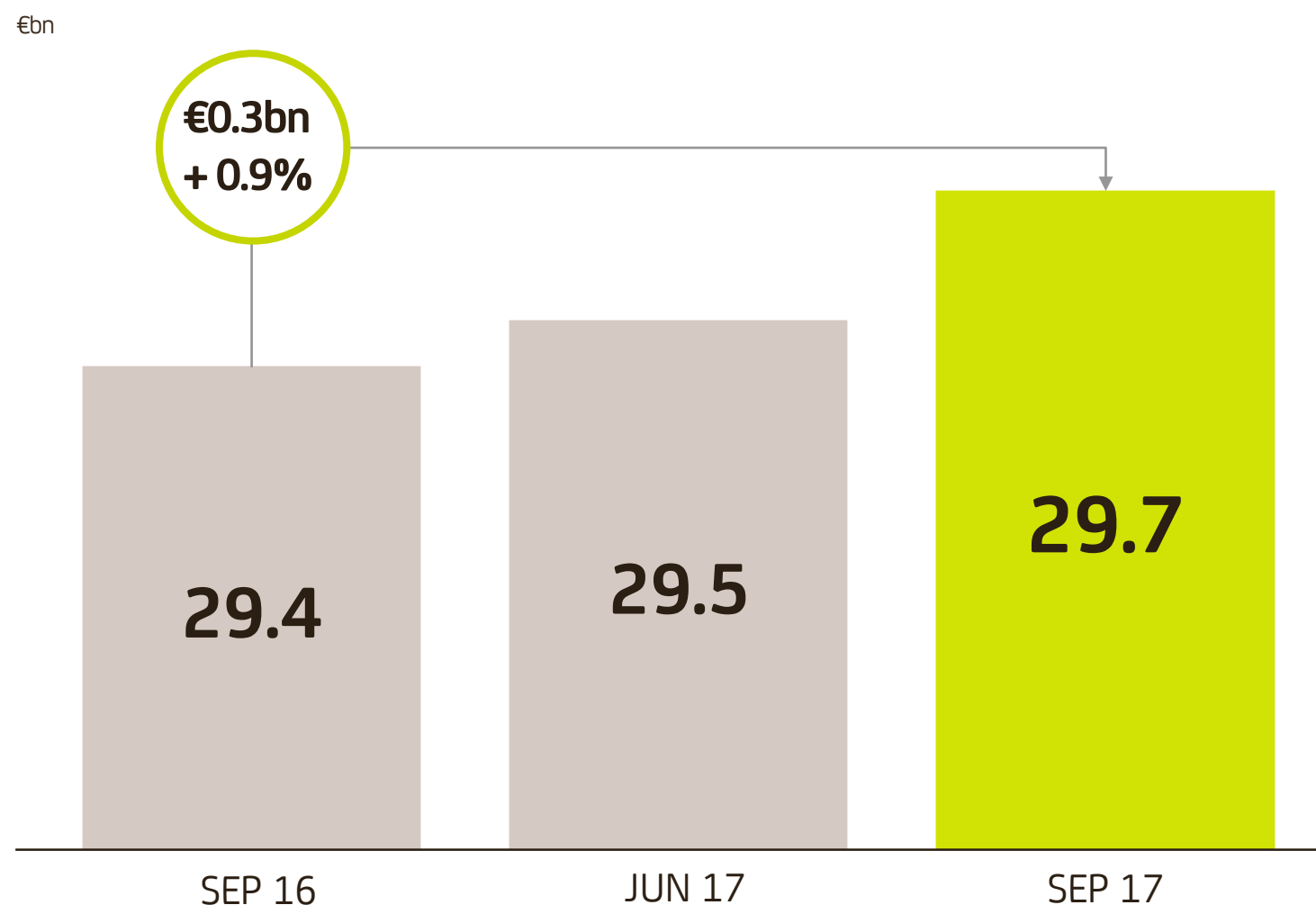
Source: BoS. * Lastest available data

> 9M 2017 Highlights

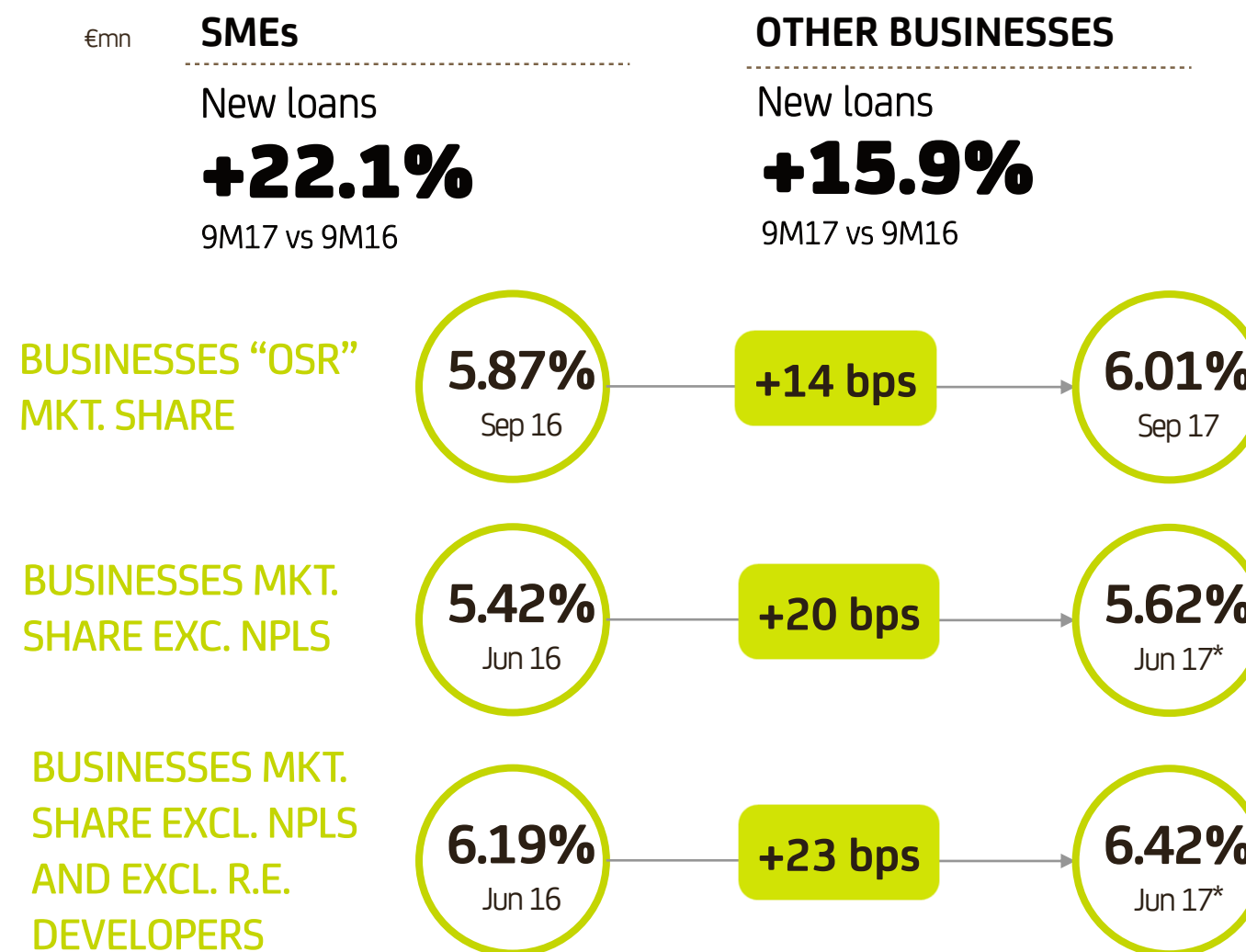
Commercial positioning | Credit performance and new credit: SMEs

... and in the businesses and SMEs segments

CREDIT STOCK EX. NPL - BUSINESSES



NEW LOANS PERFORMANCE - BUSINESSES



Source: BoS. * Latest available data.

> 9M 2017 Highlights

Profitability and efficiency | Value generation levers

Attributable profit up year-on-year, with a ROE of 8.1%

(2.5%)

Gross income

9M17 vs 9M16

(1.8%)

Operating expenses

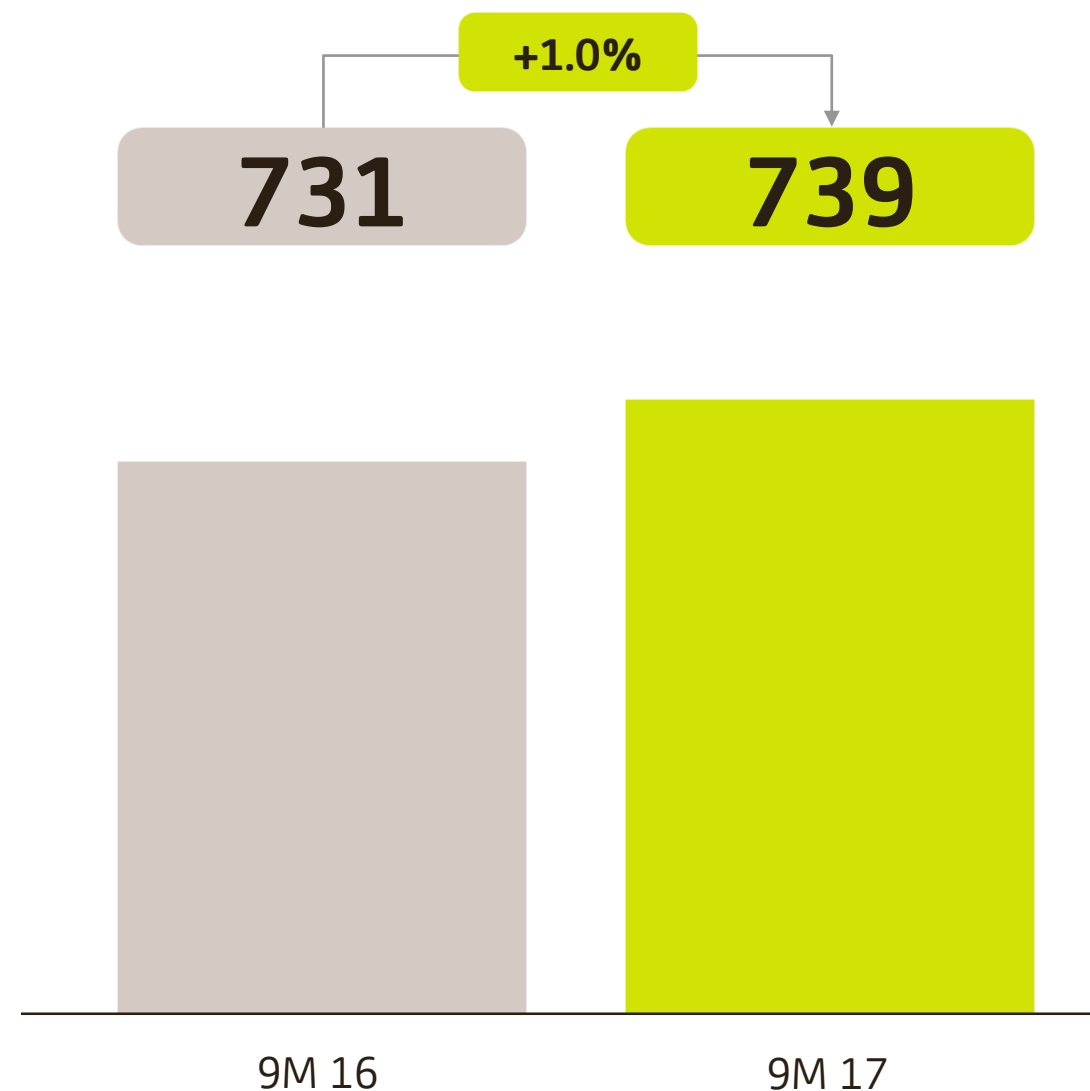
9M17 vs 9M16

=

Cost of risk

24 bps 9M17 vs

24 bps 9M16

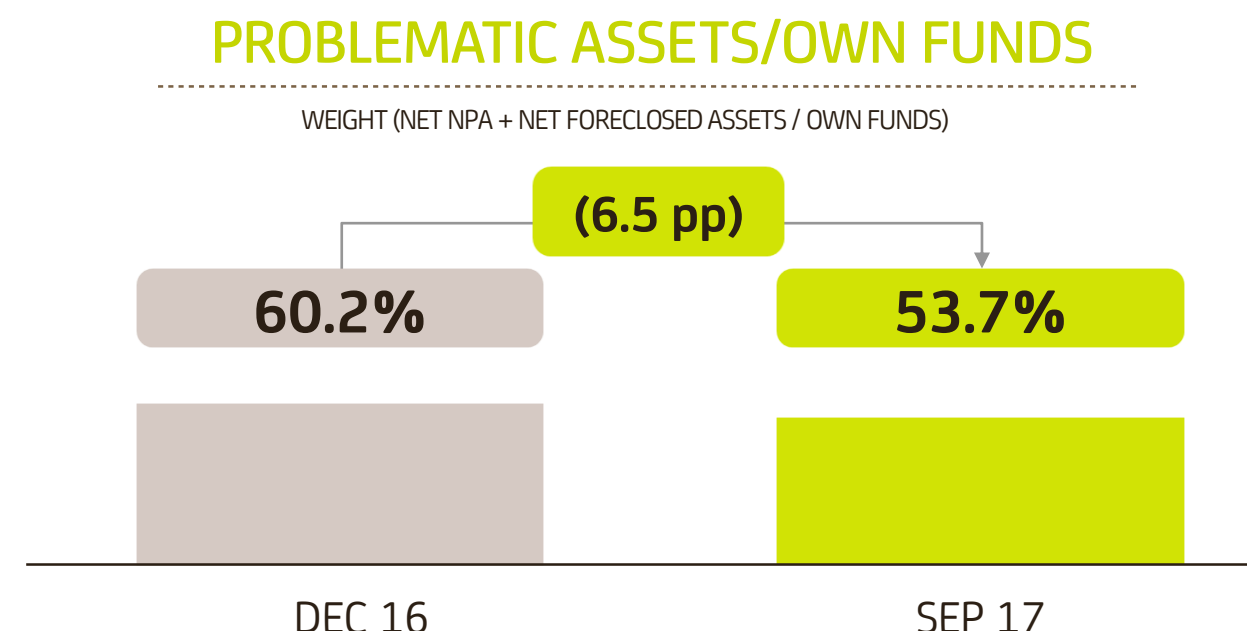
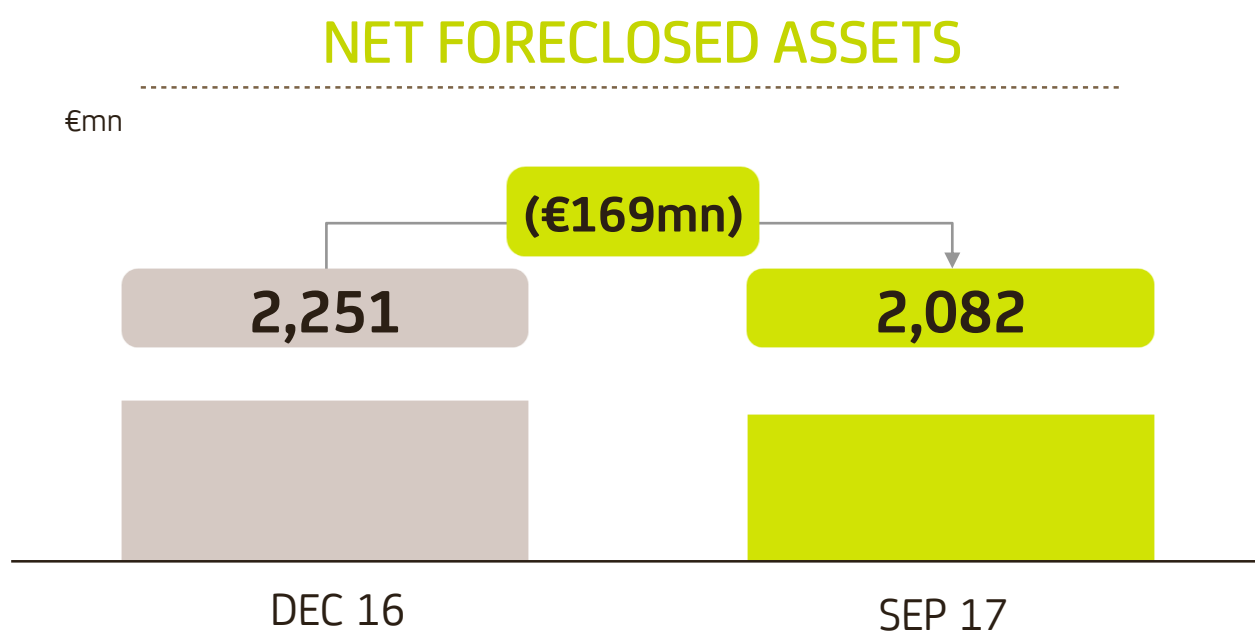
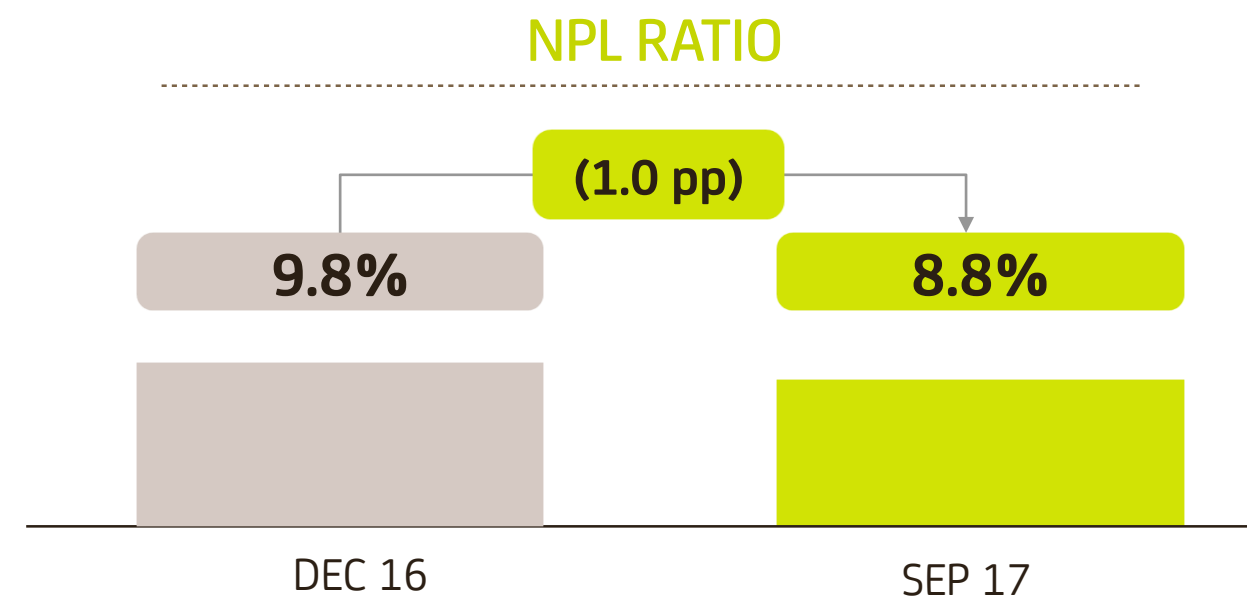
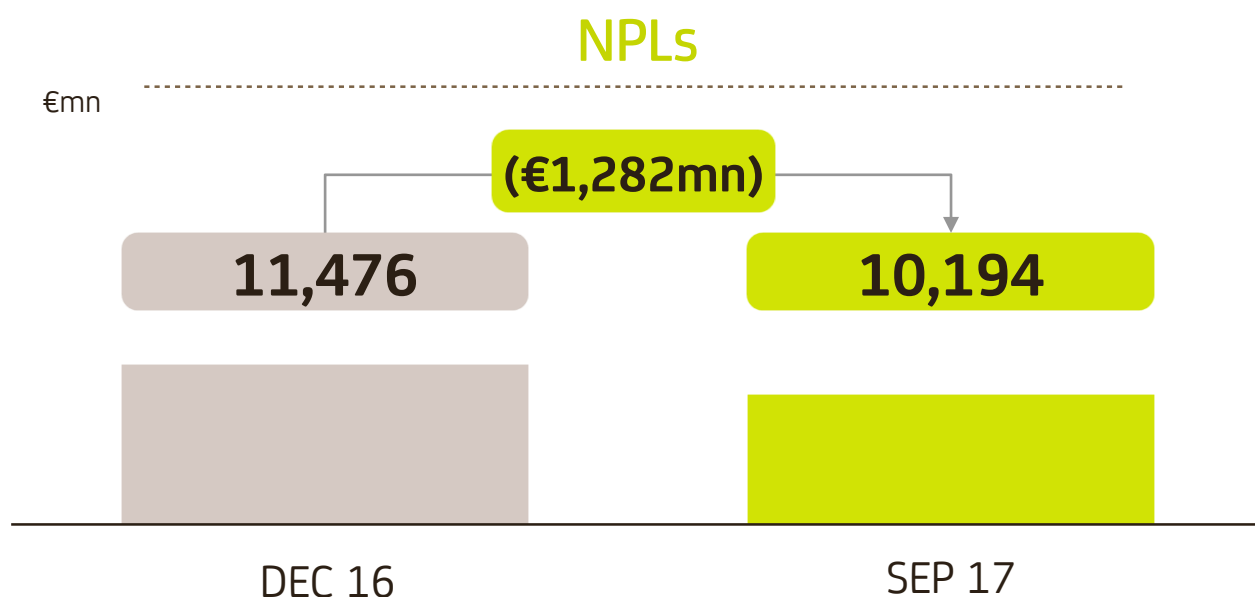


8.1%
ROE 9M 17

> **9M 2017 Highlights**

Asset quality | Key metrics

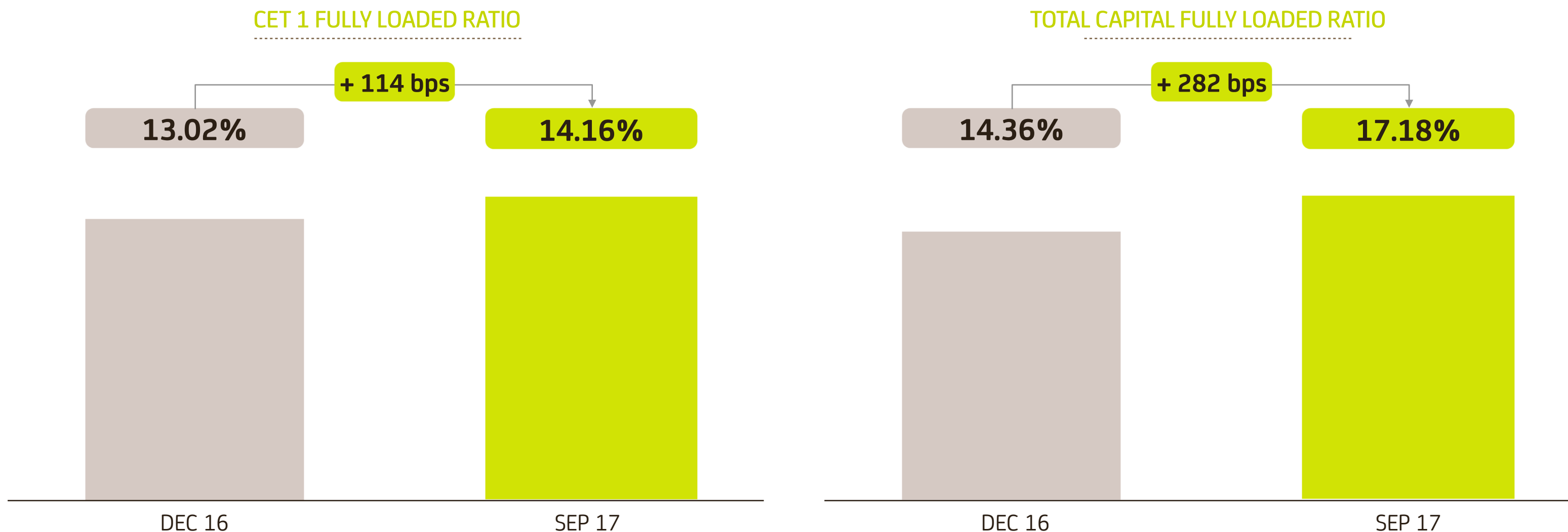
Reduction in volume of non-performing loans and foreclosed assets



> **9M 2017 Highlights**

Capital generation | Capital levels

114 bps of CET1 capital generated in the first nine months of the year



Solvency ratios include the result attributable to the Group and exclude the regulatory adjustment for the estimated dividend.

If unrealised gains on the AFS sovereign portfolio at 30 September 2017 had been included, the CET 1 Phase In ratio would have reached 16.13%, and Total Capital 19.07%. On a Fully Loaded basis, CET1 ratio would have reached 14.55%, and the Total Capital ratio, 17.58%.

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> 3Q 2017 Results

Income statement – Bankia Group

€mn	1Q17	2Q17	3Q17	% diff 3Q vs 2Q	9M16	9M17	% diff
Net interest income	504	491	472	(3.9%)	1,631	1,467	(10.1%)
Fees and commissions	207	218	210	(3.4%)	611	636	4.1%
Gains/(Losses) on financial assets and liabilities	161	101	51	(49.0%)	184	314	70.6%
Other revenue	14	(48)	17	--	35	(17)	--
Gross income	886	762	751	(1.5%)	2,460	2,398	(2.5%)
Operating expenses	(386)	(378)	(387)	2.4%	(1,172)	(1,151)	(1.8%)
Pre-provision profit	500	384	364	(5.3%)	1,288	1,247	(3.1%)
Provisions for credit	(108)	(73)	(75)	2.3%	(260)	(256)	(1.7%)
Provisions for foreclosed assets	(39)	(18)	(21)	17.4%	(61)	(79)	29.1%
Taxes, minority interests and other items	(49)	(82)	(42)	(48.7%)	(235)	(174)	(26%)
Profit attributable to Group	304	210	225	7.2%	731	739	1.0%

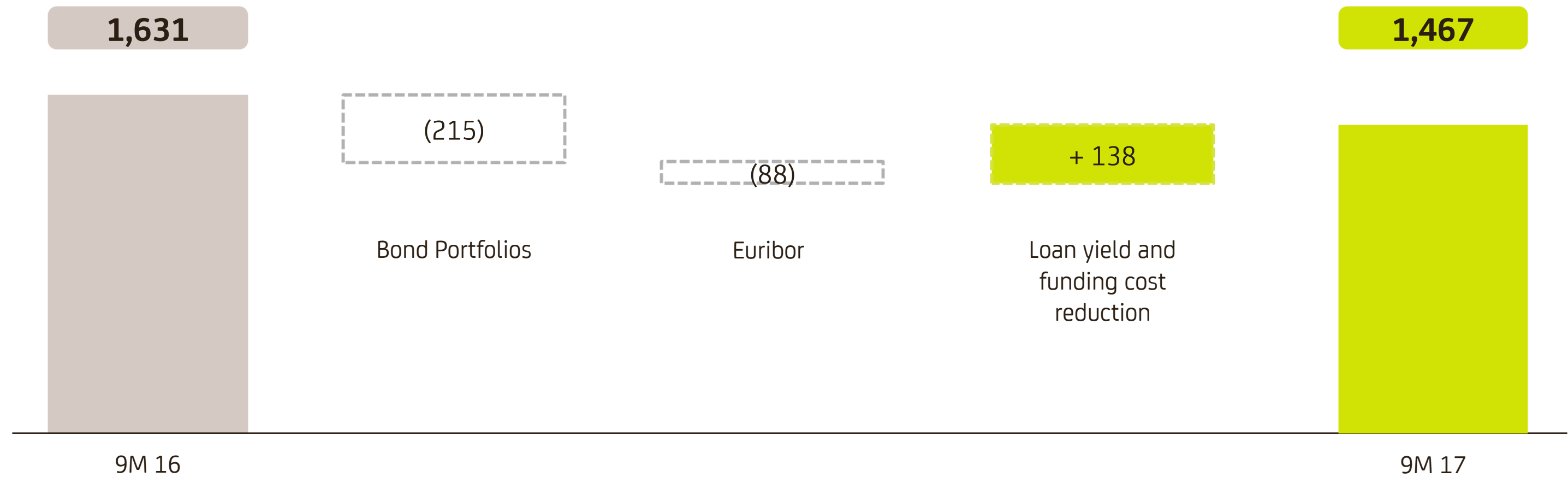
> **3Q 2017 Results**

Net interest income

Impact of the bond portfolios and the Euribor curve shape net interest income performance

NET INTEREST INCOME PERFORMANCE

€mn

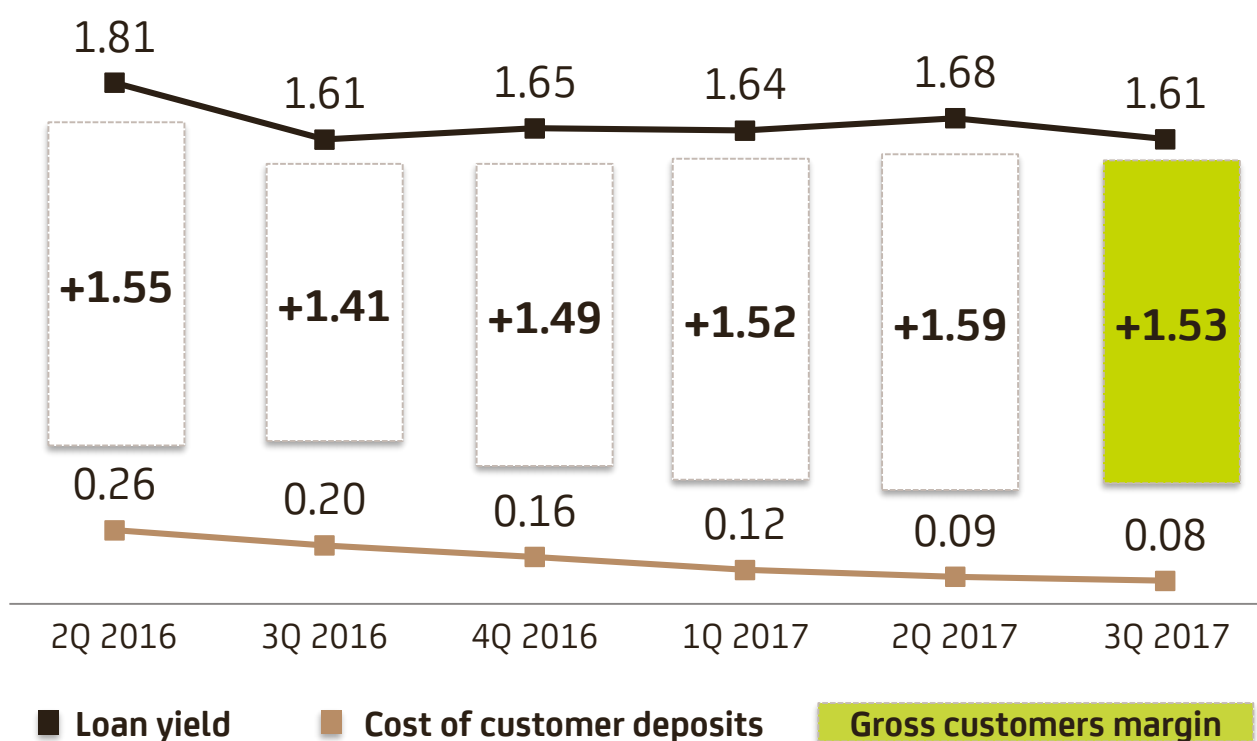


> 3Q 2017 Results

Net interest income

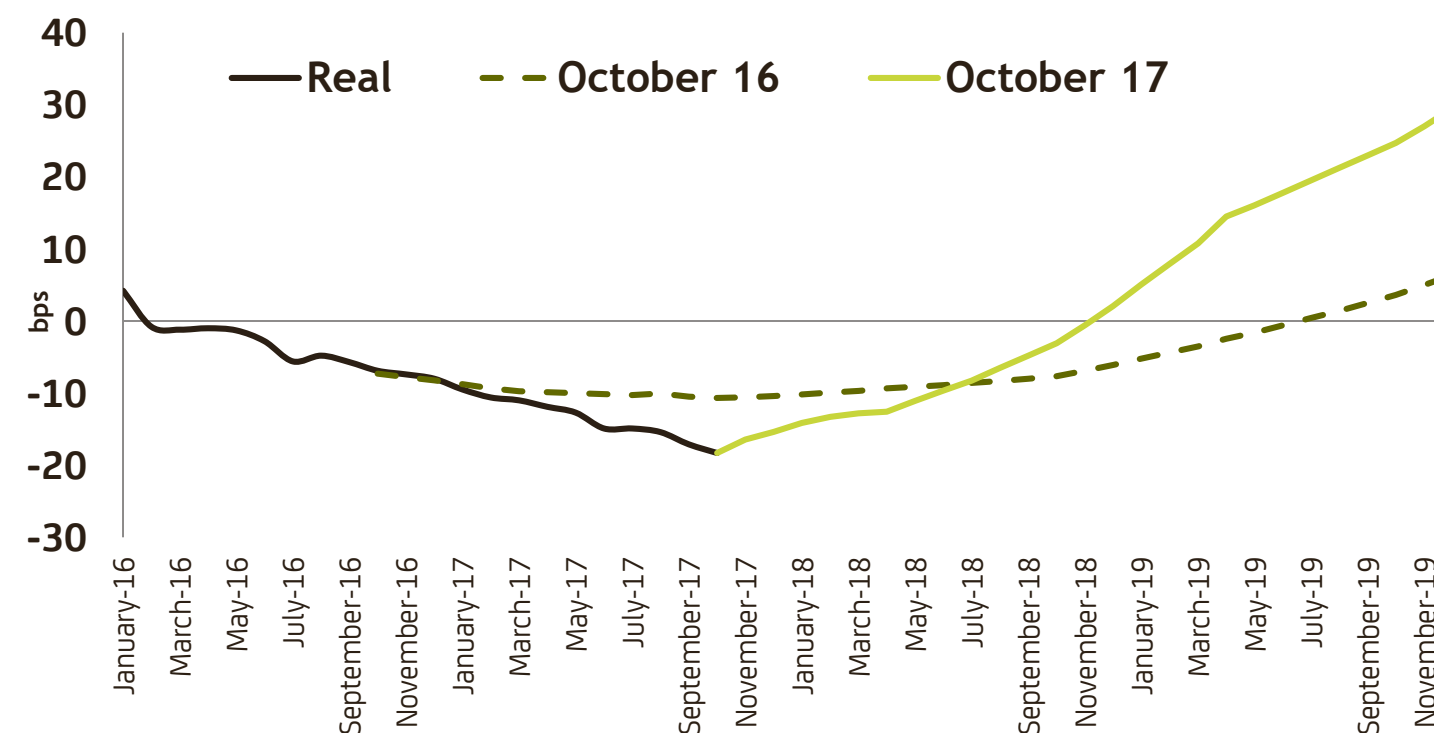
Quarter affected by seasonality and a 12M Euribor curve still at historic lows

GROSS CUSTOMERS MARGIN



Average rate on new loans at 2.7%, remaining 110 bps above backbook

12M EURIBOR PERFORMANCE



Source: Implied yield curve at the reference date

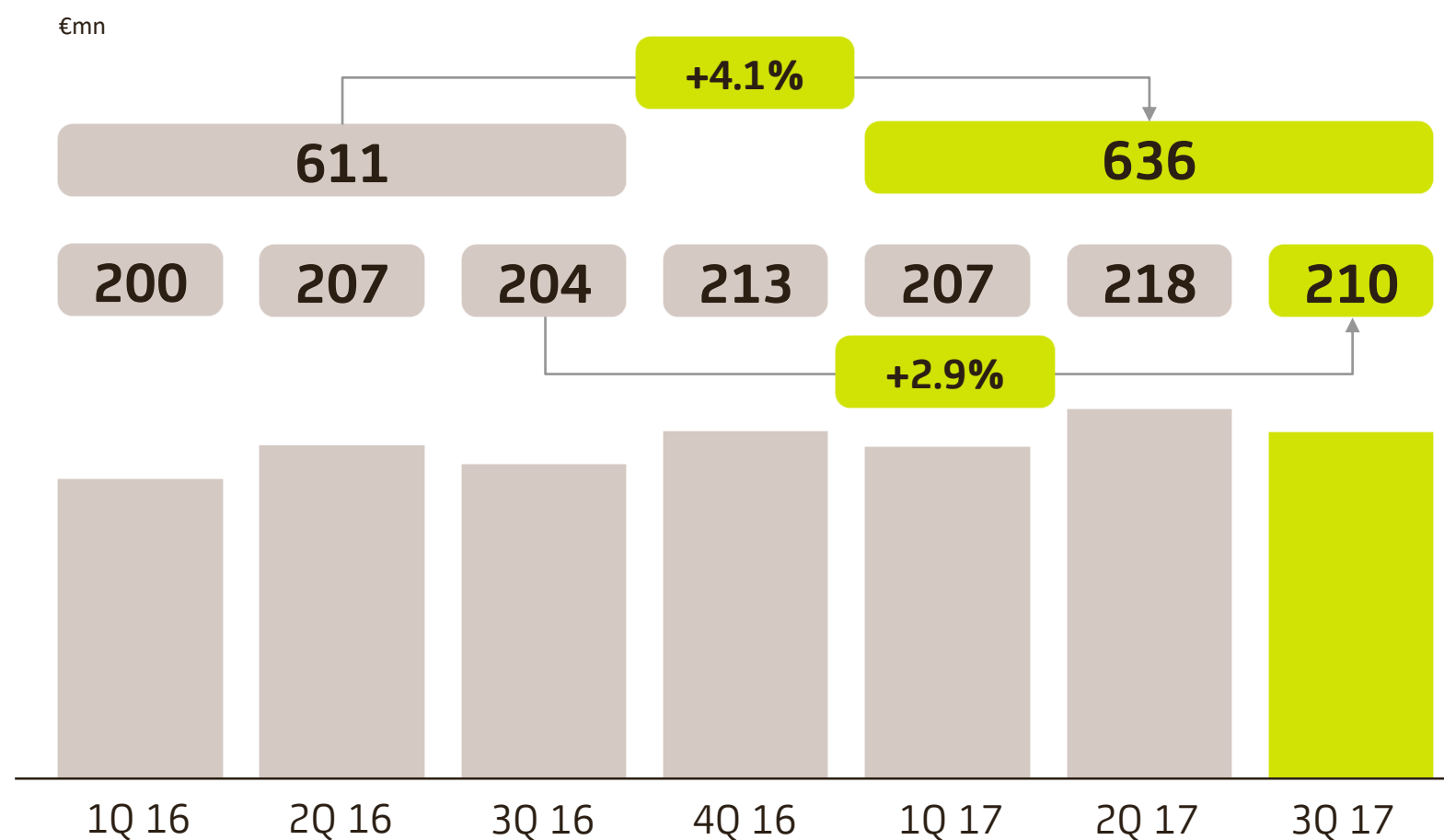
Backbook cost of deposits down to 0.19%, and frontbook cost at 0.05%

> 3Q 2017 Results

Fees and commissions

Fees and commissions up 4.1% in first nine months of the year

QUARTERLY PERFORMANCE



DETAILED PERFORMANCE

€mn

	9M16	9M17	Diff %
Assets under management	250	264	+5.5%
Means of payments	167	177	+5.9%
Origination	109	122	+12.6%
Mngmnt. of NPLs, writedons & others	101	94	(7.2%)
Maintenance	42	35	(15.6%)
Earned fee and commisions	669	693	+3.5%
Paid fee and commisions	(58)	(57)	(2.3%)
NET FEE AND COMMISSIONS	611	636	+4.1%
NET FEE AND COMMISSIONS o/RWAs	1.16%	1.26%	+0.1 pp

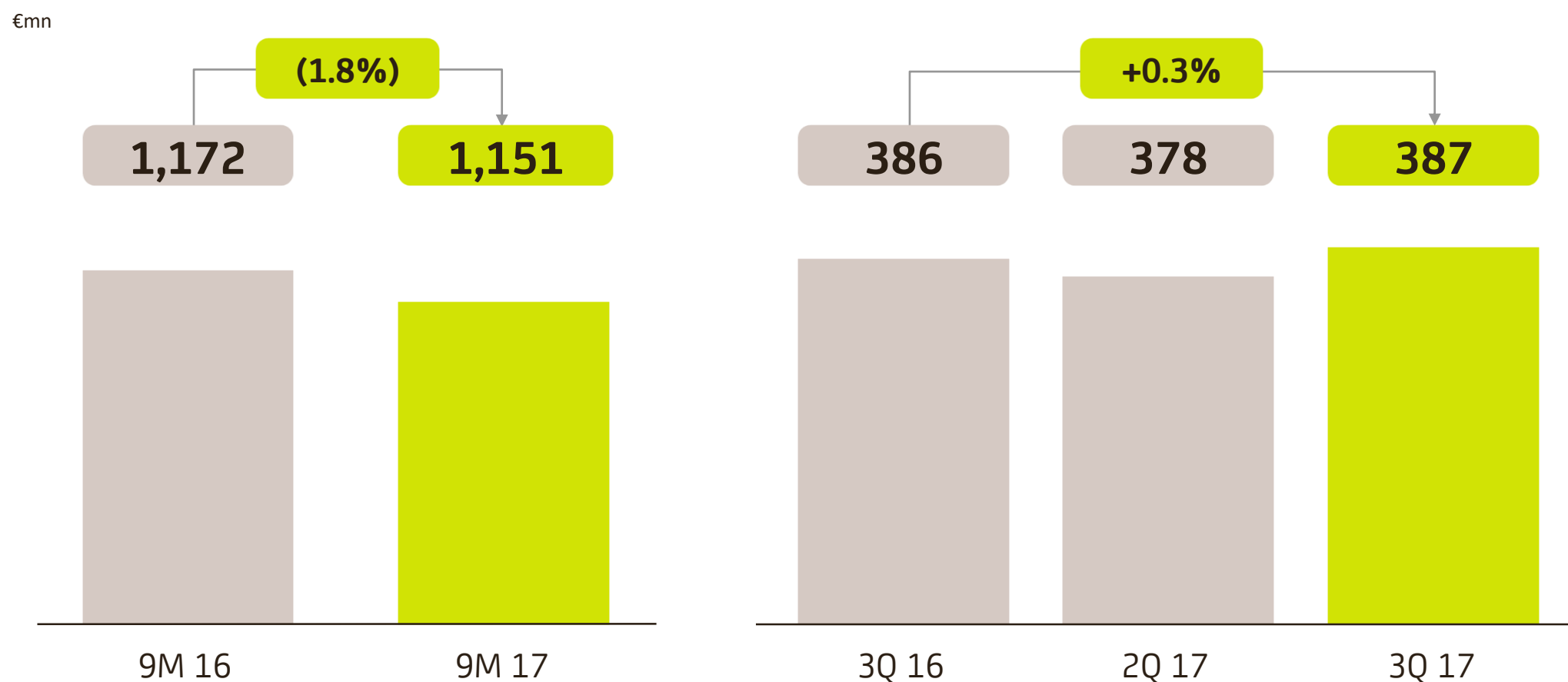
Fee and commission income fuelled by new positioning

> 3Q 2017 Results

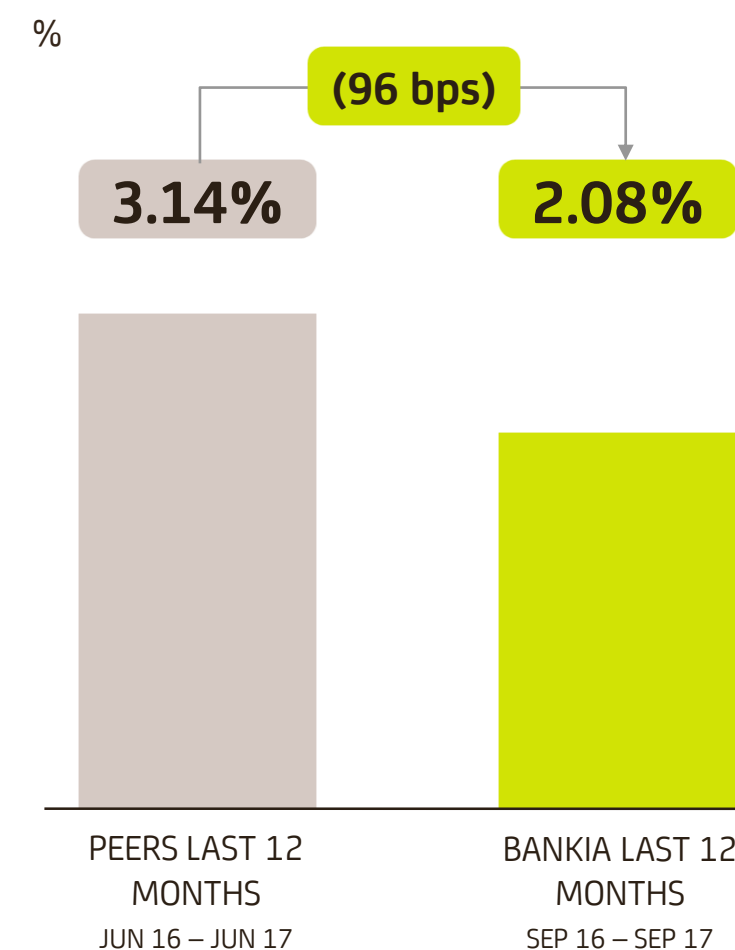
Operating expenses

1.8% reduction in operating expenses in 9M 2017

OPERATING EXPENSES PERFORMANCE



OPERATING EXPENSES AS A % OF RWAs



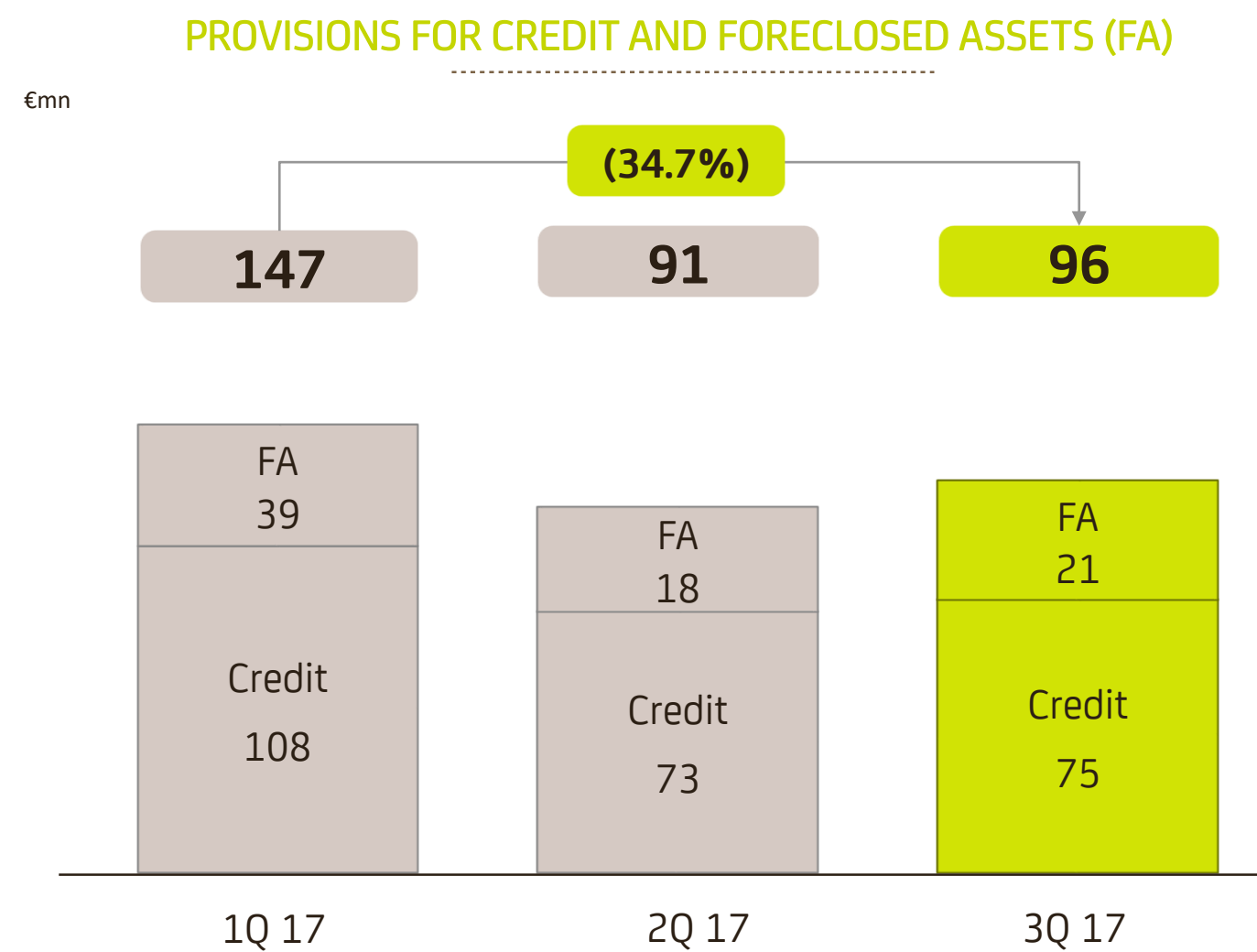
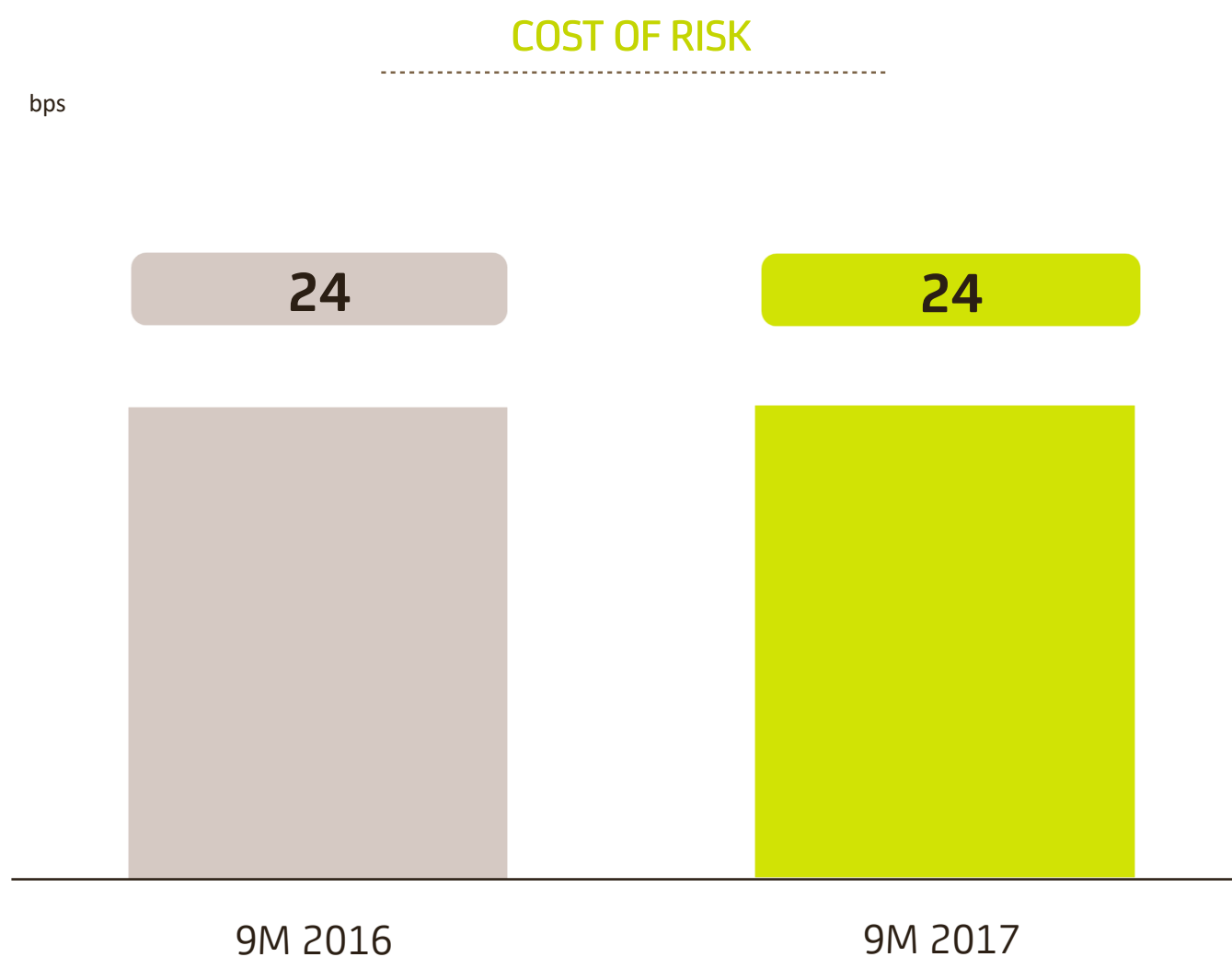
(1) Peers include BBVA Spain (including real estate division), Bankinter (ex Portugal), Caixabank (ex BPI), Liberbank, Sabadell (ex TSB) and Santander Spain (including real estate division)

Efficiency ratio of 48.0% in 9M17

> 3Q 2017 Results

Cost of risk

Cost of risk remains at 24 bps during the year



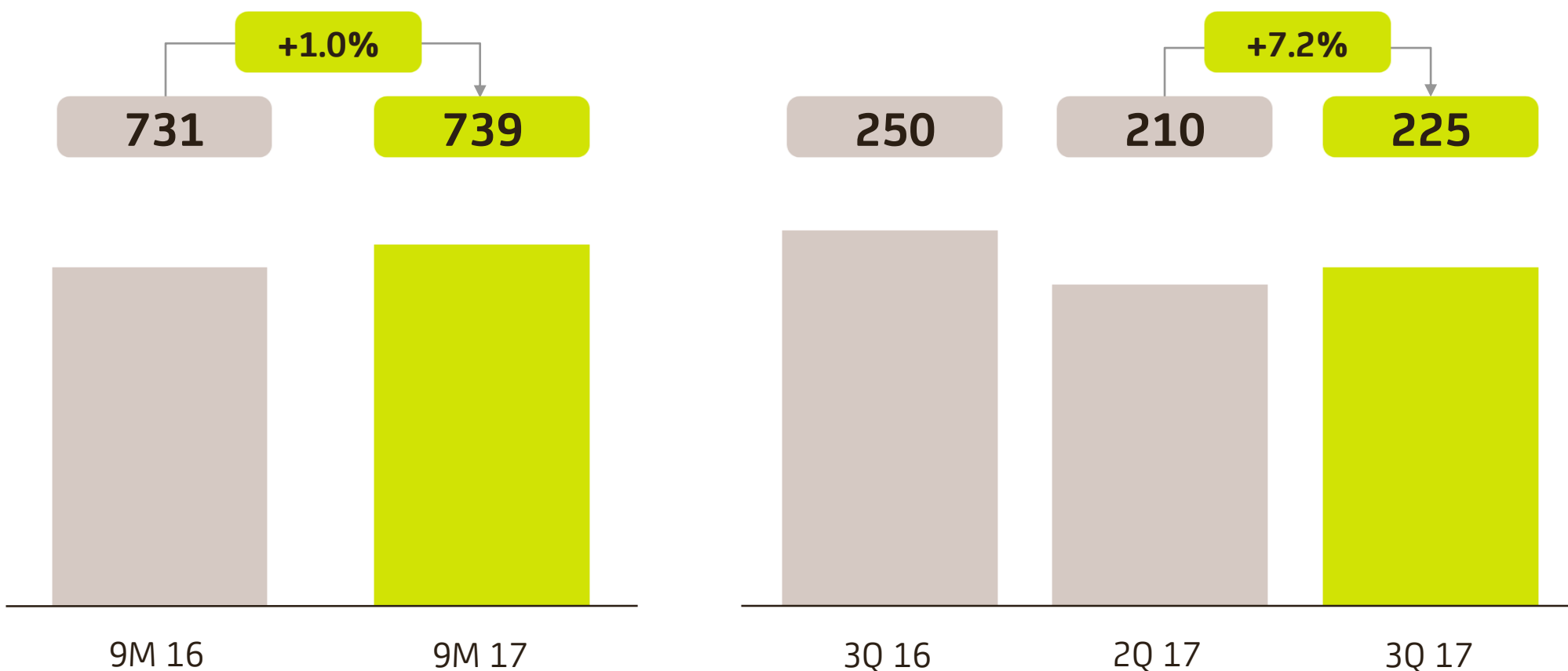
> 3Q 2017 Results

Attributable profit

Accumulated attributable profit up on same period of previous year

ATTRIBUTABLE PROFIT PERFORMANCE

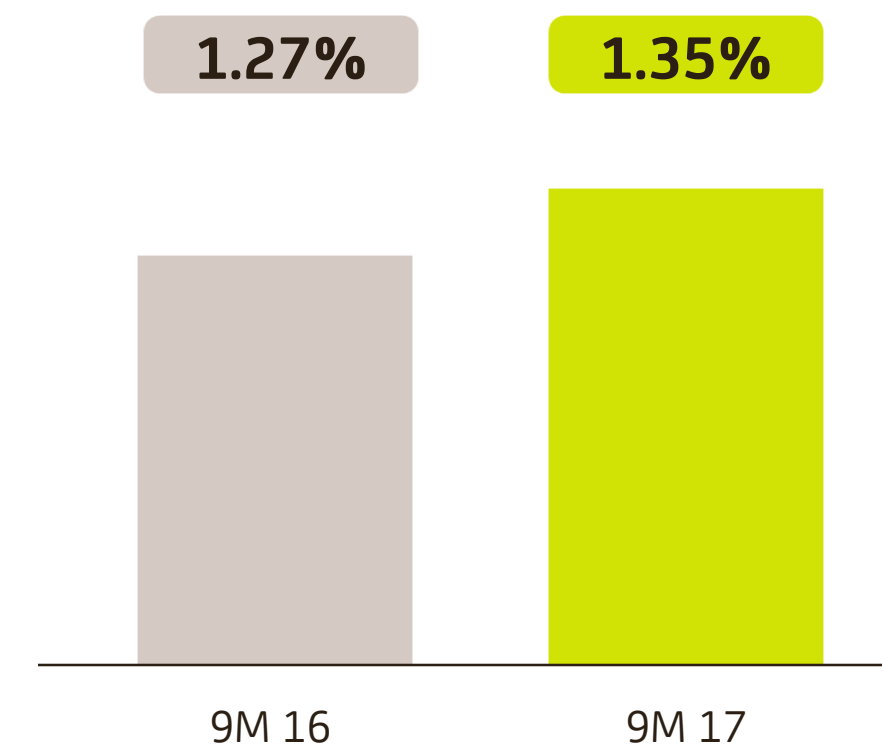
€ mn



RORWA

%

NET PROFIT AS A % OF RWAs



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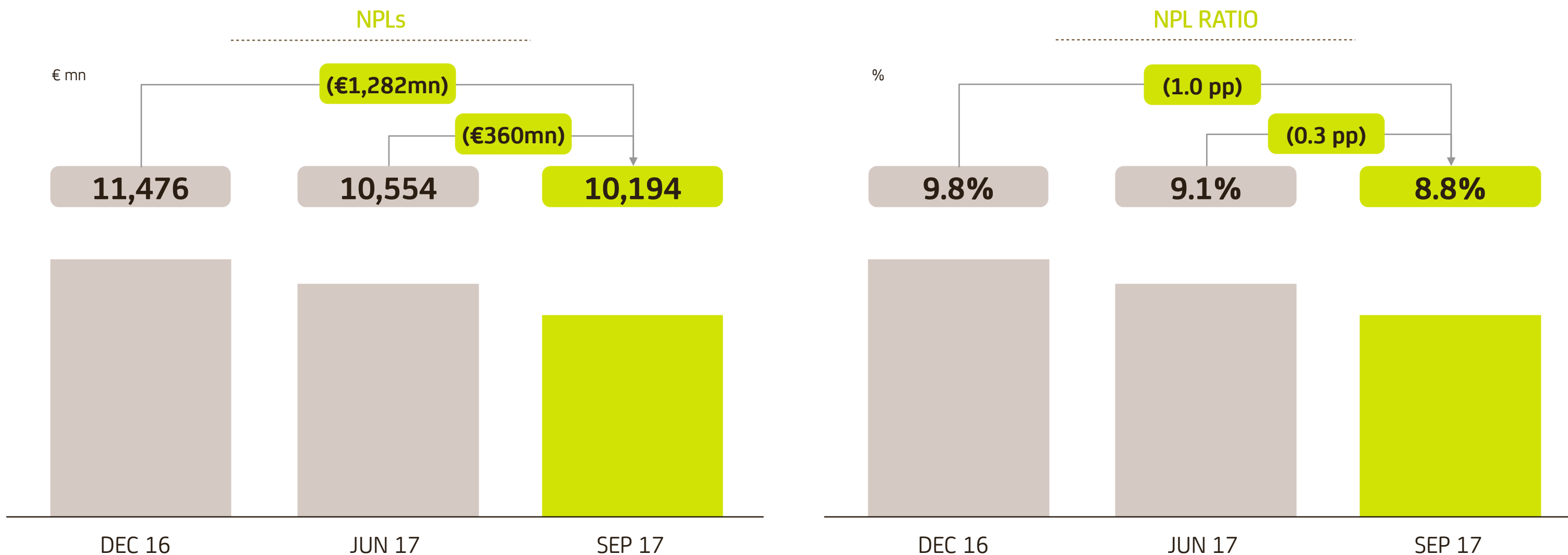
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CONCLUSIONS

> Asset quality and risk management

Credit quality

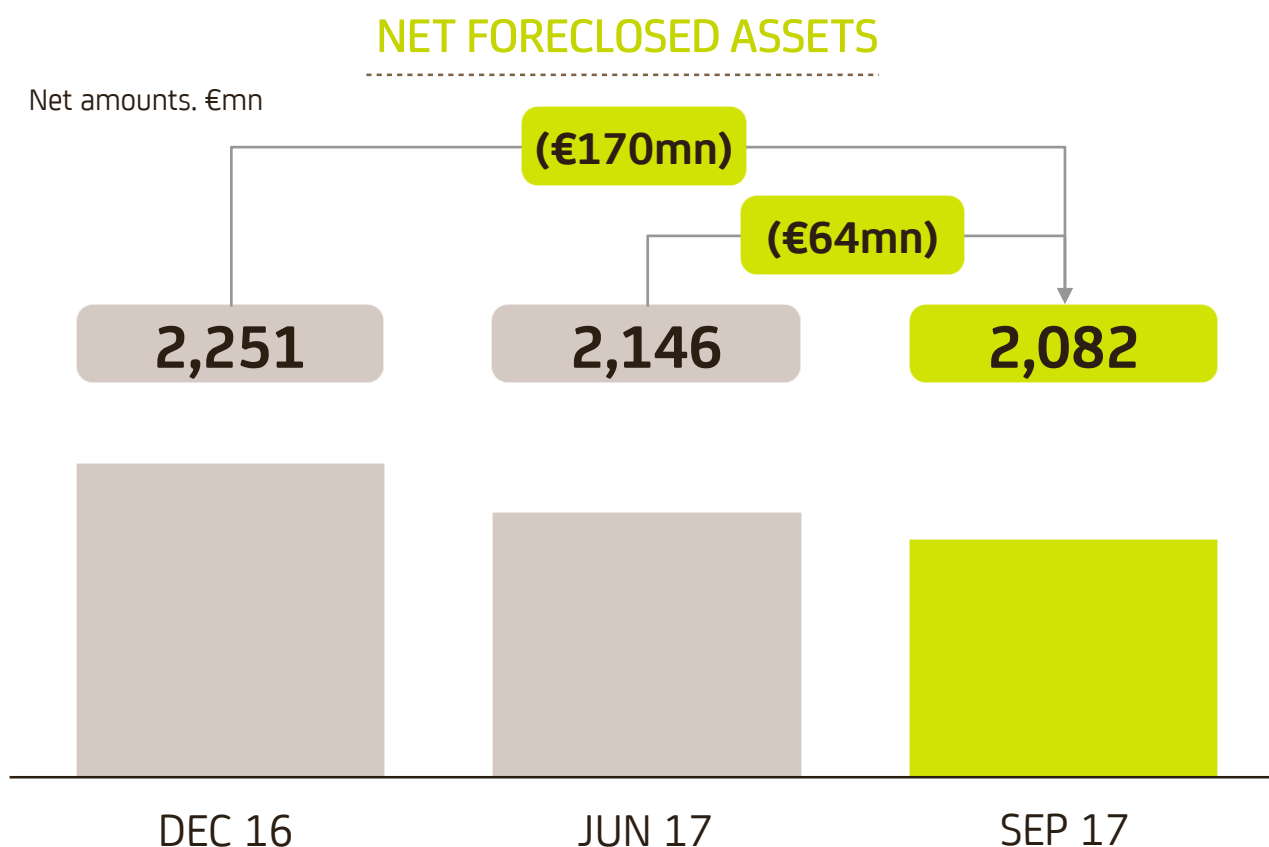
NPLs down c.€1,300mn in first nine months of the year



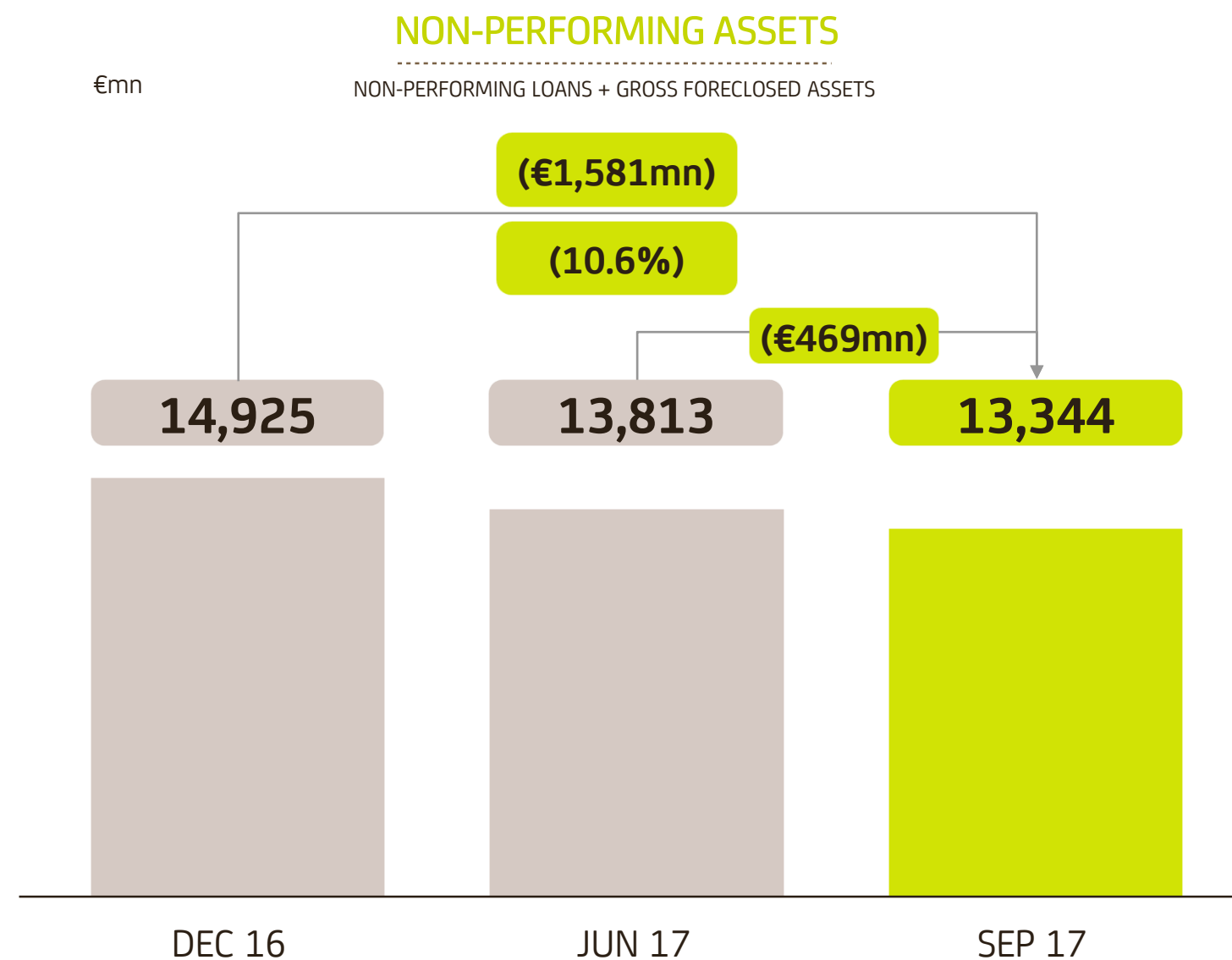
> Asset quality and risk management

Credit quality

Stock of net foreclosed assets continues to decrease



14.6% units sold in 9M 17 as % of total stock at the start of the year



> Asset quality and risk management

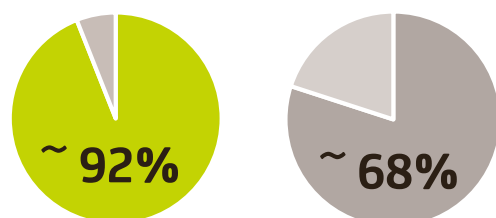
Credit quality

Stable coverage levels with respect to the previous quarter

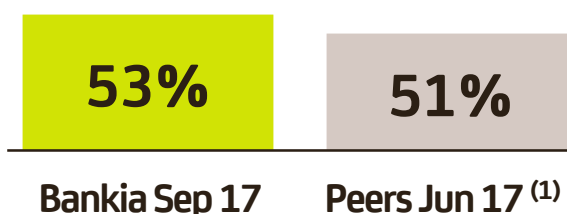
NPLs MIX AND COVERAGE

BANKIA TOTAL NPL COVERAGE: 53.8%

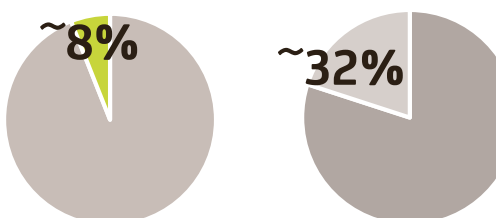
% NPLs EX R.E. DEVELOPERS / NPL



NPLs COVERAGE EX R.E. DEVELOPER



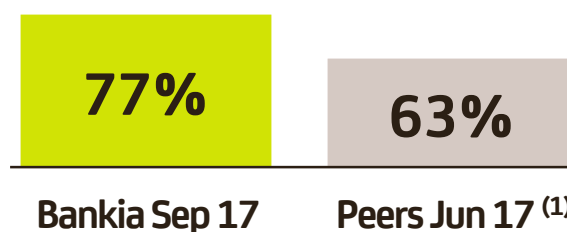
% R.E. DEVELOPERS NPLs / NPLs



BANKIA
SEP 17

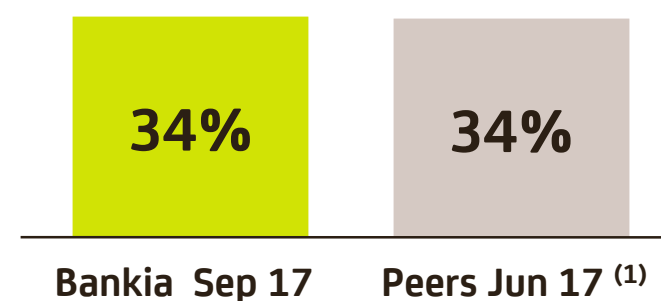
PEERS
JUN 17

R.E. DEVELOPER NPLs COVERAGE

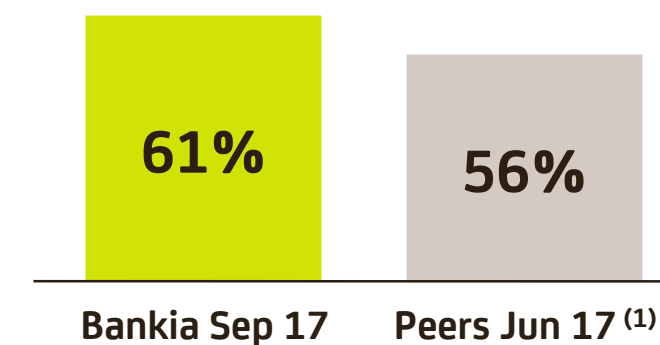


FORECLOSED ASSETS COVERAGE

COVERAGE SINCE FORECLOSURE



COVERAGE SINCE LOAN ORIGINATION



Finished homes
Land
Other foreclosed assets

	Weight o/ total		Coverage	
	Bankia	Peers (1)	Bankia	Peers (1)
Finished homes	74%	53%	61%	46%
Land	2%	29%	78%	69%
Other foreclosed assets	24%	19%	58%	51%

Bankia data as of Sep 17 / Sector data as of Jun 17

(1) Peers include BBVA Spain (including RE division), Caixabank (ex BPI), Sabadell (ex TSB) and Santander Spain (including RE division and Banco Popular)

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> Liquidity

Funding structure and liquidity

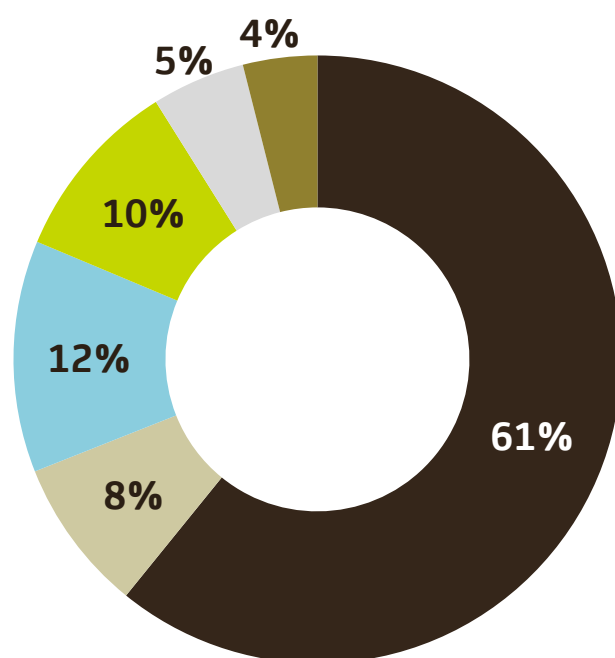
Stable funding structure, with greater weight of retail deposits

FUNDING STRUCTURE AND MATURITIES PROFILE

Data as of Sep 17

FUNDING STRUCTURE

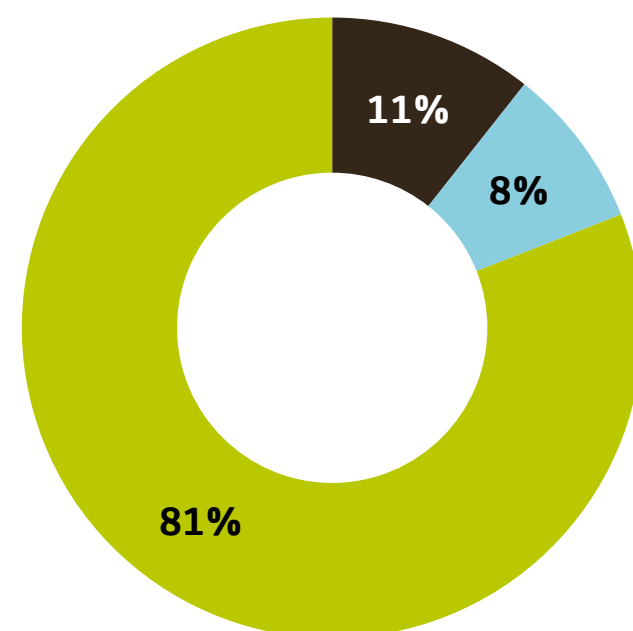
SEP 17



- Customer deposits
- TLTRO
- Wholesale debt
- Clearing houses and repos
- Deposits Credit Institutions
- Other

WHOLESALE DEBT

SEP 17



- Subordinated debt ⁽¹⁾
- Senior debt
- Covered Bonds

WHOLESALE MATURITIES

SEP 17

	4Q17	2018	2019	2020	>2020
Covered Bonds	160	2,436	1,742	127	12,658
Senior debt	438	251	983		106
Subordinated debt ⁽¹⁾			1,000		1,250
TOTAL MATURITIES	598	2,687	3,725	127	14,014

> ECB exposure
(100% TLTRO)

€12.8bn

> LCR

160%

> LTD ratio

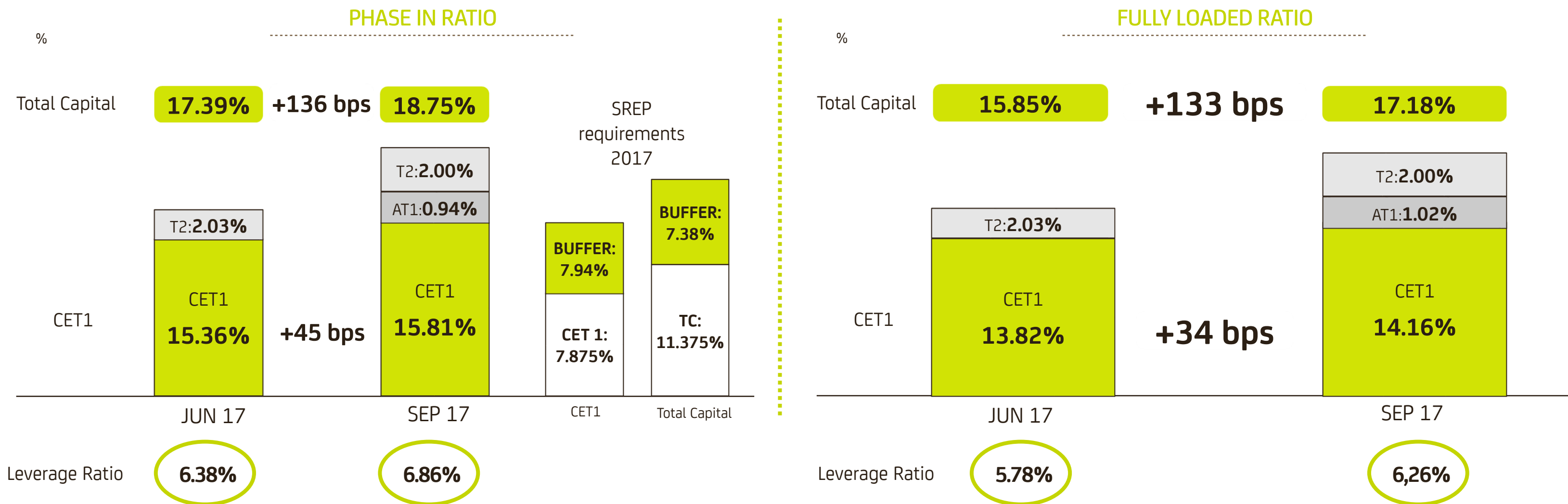
100.1%

(1) Subordinated debt includes Tier 1 and Tier 2 issuances

> Solvency

Capital ratios

34 bps of capital generation (CET1 FL) in last quarter



Solvency ratios include the result attributable to the Group and exclude the regulatory adjustment for the estimated dividend.

If unrealised gains on the AFS sovereign portfolio at 30 September 2017 had been included, the CET 1 Phase In ratio would have reached 16.13%, and Total Capital 19.07%. On a Fully Loaded basis, CET1 ratio would have reached 14.55%, and the Total Capital ratio, 17.58%.

The leverage ratio including the unrealised gains on the AFS sovereign portfolio at 30 September 2017 would reach 6.99% Phased-in and 6.42% Fully Loaded.

1

9M 2017 HIGHLIGHTS

2

3Q 2017 RESULTS

3

ASSET QUALITY AND RISK MANAGEMENT

4

LIQUIDITY AND SOLVENCY

5

CONCLUSIONS

> Conclusions

> Commercial positioning

More customers and more satisfied translates into a good performance of new production and business market shares

> Asset quality

NPLs continue to decrease (-1.0 pp during 2017), with stable coverage ratios and with a cost of risk of 24 bps

> Multichannel

We continue making progress in adapting our distribution model to our customers' needs

> Profitability and solvency

Recurrent profitability of the business (ROE of 8.1% in the year) allows to continue generating capital organically and drives up CET1 Fully Loaded ratio to 14.16%

Bankia

LET'S KEEP WORKING

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