

Strategic Plan 2018-2020

Bankia

February 2018

Bankia

Disclaimer

This document was originally prepared in Spanish. The English version published here is for information purposes only. In the event of any discrepancy between the English and the Spanish version, the Spanish version will prevail.

This document has been prepared by Bankia, S.A. (“Bankia”) and is presented exclusively for information purposes. It is not a prospectus and does not constitute an offer or recommendation to invest.

This document does not constitute a commitment to subscribe for, or an offer to finance, or an offer to sell, or a solicitation of offers to buy securities of Bankia, all of which are subject to internal approval by Bankia.

Bankia does not guarantee the accuracy or completeness of the information contained in this document. The information contained herein has been obtained from sources that Bankia considers reliable, but Bankia does not represent or warrant that the information is complete or accurate, in particular with respect to data provided by third parties. This document may contain abridged or unaudited information and recipients are invited to consult the public documents and information submitted by Bankia to the financial market supervisory authorities. All opinions and estimates are given as of the date stated in the document and so may be subject to change. The value of any investment may fluctuate as a result of changes in the market. The information in this document is not intended to predict future results and no guarantee is given in that respect.

This document includes, or may include, forward-looking information or statements. Such information or statements represent the opinion and expectations of Bankia regarding the development of its business and revenue generation, but such development may be substantially affected in the future by certain risks, uncertainties and other material factors that may cause the actual business development and revenue generation to differ substantially from our expectations. These factors include i) market conditions, macroeconomic factors, government and supervisory guidelines, ii) movements in national and international securities markets, exchange rates and interest rates and changes in market and operational risk, iii) the pressure of competition, iv) technological changes, v) legal and arbitration proceedings, and vi) changes in the financial situation or solvency of our customers, debtors and counterparties. Additional information about the risks that could affect Bankia’s financial position, may be consulted in the Registration Document approved and registered in the Official Register of the CNMV.

Distribution of this document in other jurisdictions may be prohibited, therefore recipients of this document or any persons who may eventually obtain a copy of it are responsible for being aware of and complying with said restrictions.

This document does not reveal all the risks or other material factors relating to investments in the securities/ transactions of Bankia. Before entering into any transaction, potential investors must ensure that they fully understand the terms of the securities/ transactions and the risks inherent in them. This document is not a prospectus for the securities described in it. Potential investors should only subscribe for securities of Bankia on the basis of the information published in the appropriate Bankia prospectus, not on the basis of the information contained in this document

STRATEGIC PLAN 2018-2020

1

OUR STARTING POINT AND VISION FOR THE FUTURE

Mr. José Ignacio Goirigolzarri
Chairman

2

LINES OF ACTION OF THE NEW PLAN

Mr. José Sevilla
Chief Executive Officer

3

STRATEGIC PLAN FINANCIAL BREAKDOWN

Mr. Leopoldo Alvear
Chief Financial Officer

4

CONCLUSIONS

Mr. José Ignacio Goirigolzarri
Chairman

1

OUR STARTING POINT AND VISION FOR
THE FUTURE

> Strategic Plan

Our path: 2012-2017

Where do we come from?



We have met the **targets**

> Strategic Plan

Well positioned for the new Strategic Plan

Completion of the Restructuring Plan...

With strong commercial dynamics

Increase in high-value products market share: Consumer finance, Mutual funds, Pension funds

With a significant improvement in the level of non-performing assets

Non-performing assets reduced by €11bn (-49%) since 2013

With a proven capacity to generate capital organically

+635bps of CET1 FL generated since 2013 and cumulative dividends of 1,160 million euros

And the start of a new phase, consolidated as the **fourth largest bank**

> Strategic Plan

What has changed since 2012?

Regulation

- Capital (MREL, Basel IV, IFRS 9, SREP)
- Business Model (MiFID II, PSD2, GDPR)

Technology

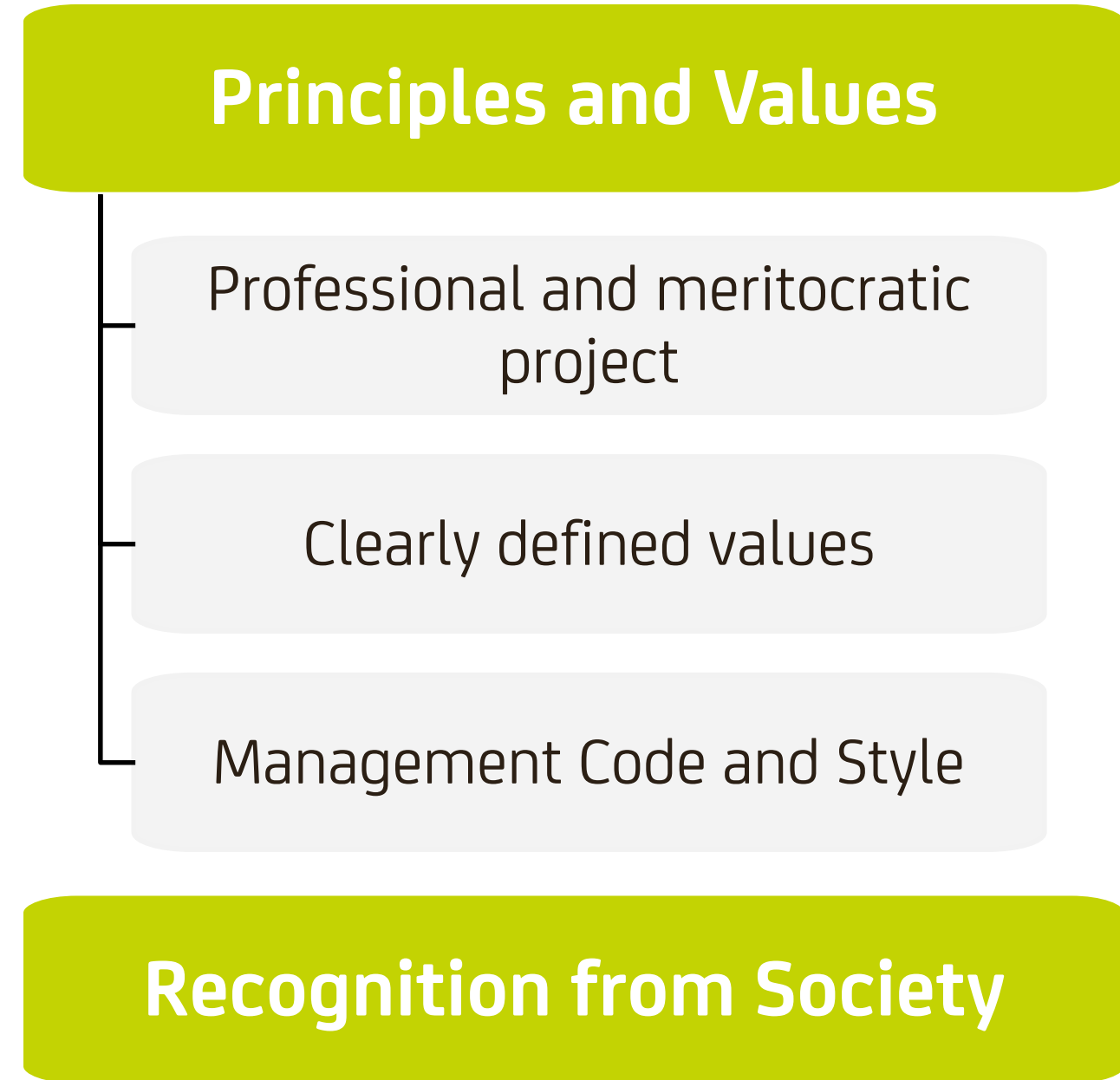
- Technological developments (AI, Big Data, Digitalization)
- New competitors (Fintech and technology firms)

Customer habits

- Relationship model
- More demanding customers (marketing-comparability)

> Strategic Plan

What doesn't change?



> Strategic Plan

Best practices in Corporate Governance

NUMBER OF DIRECTORS	11
% INDEPENDENT DIRECTORS	63.6%
EXECUTIVE CHAIRMAN	Yes Lead Director and CEO as counterbalance
LEAD DIRECTOR	Yes Maximum term 3 years
BOARD ASSESSMENT	Yes
CHAIRMAN ASSESSMENT	Yes Led by the Lead Director

Recognition by the market's most influential **proxy advisor**



ISS Governance
QuickScore 3.0

GOVERNANCE
QualityScore

1

TARGET 2020: Maintain the score

> Strategic Plan

Committed Teams

Assessment

From our customers

97.9% Satisfaction of retail customers with its trusted account manager

95.0% Satisfaction of business customers with its account manager

92.4% Satisfaction with the “Connect with your Expert” manager

Internal

87,8% Satisfaction of employees with HRR managers

8.63 Bottom-up assessment of Senior Management Team (“Top 300”)

Commitment

> **81.7%** of employees willing to take on more responsibility in their job

> **7,357** employees with MiFID II certification

Values and Management Style

> **+1.5 million** hours of business-related training

> **2,156 people** in management skills and management style programs

> **894 employees** with individualized career plans for senior management succession

Diversity

> **54%** women in workforce

> **33%** women in senior management posts

> **50%** women in new appointments to senior management posts in 2017

> Commitment to reach **40% women in senior management posts by 2020**

> Strategic Plan

Recognition from society

In order to continue improving, we want to put the focus on the main challenges society faces today



Education and employment

- “FP Dual” Foundation
FP DUAL+
- “Empleo en Red” program to help unemployed customers
- Education to help older people back into employment

Environment



- Eco-Efficiency and Climate Change Plan 2017–2020
- 100% of the energy consumed in Bankia is renewable
- Sustainable products:
Consumer loan, sustainable investment fund, etc.



Responsible Digitalization

- Privacy: Appointment of Data Protection and Privacy Director
- Cyber security

> Strategy

Bankia's Strategic Priorities

The **CUSTOMER** is at the center of our strategy

1 **Positioning** based on listening

2 **Processes** improvement to serve our customers on an efficient and excellent manner

3 Permanently adapting our **distribution model** to better serve our customers

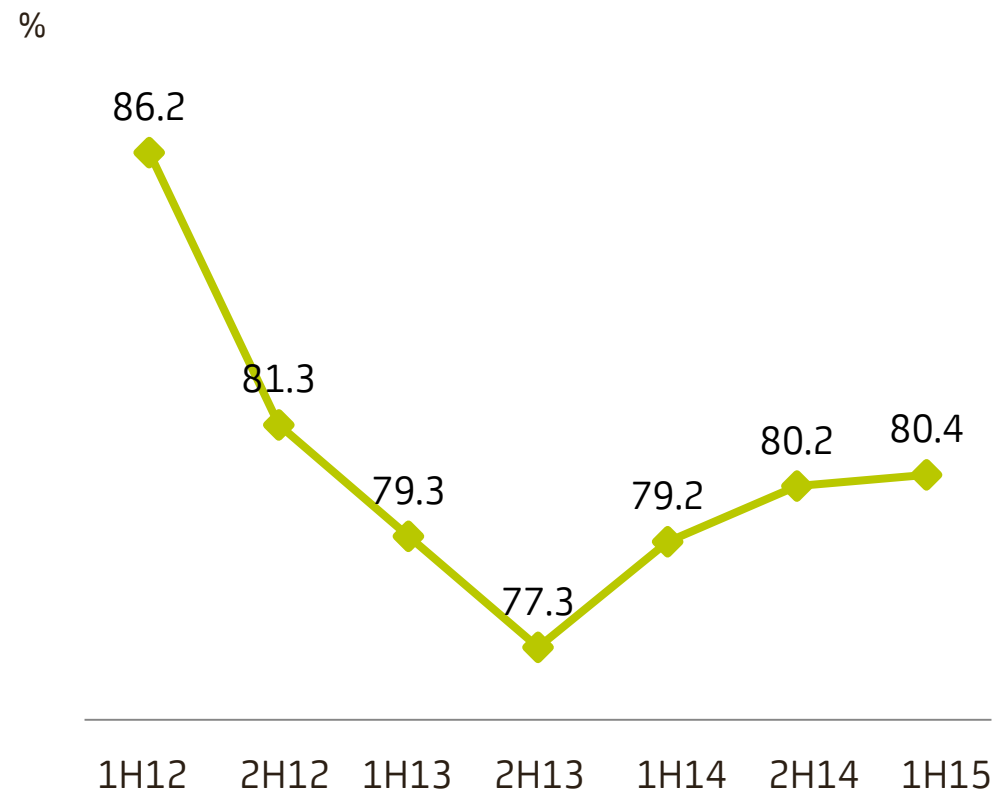
Business Pillars: **PEOPLE and TECHNOLOGY**

> Strategy

1. Positioning

Strategic thought 2015: We were going to meet our goals, but...

Our customer's satisfaction was insufficient



Active listening to customers

- > 100,000 customers surveyed
- > 100 focus groups
- > 10,300 customer responses
- > Analysis of customer complaints

Positioning

- 
CLOSENESS
 Personalized service
- 
SIMPLICITY
 Simple products
- 
TRANSPARENCY
 Customized products/services

Is **differentiation** possible in the financial sector?

> Strategy

1. Positioning

...new positioning launched in 2016...

Positioning

Initiatives with customers

- > “Cuenta SIN” account (+280,000 direct income deposits)
- > “Cuenta On” account (+230,000)
- > “Hipoteca SIN” mortgage (new mortgages 2.3x vs 2016)

Adaptation of our organisation

Goal: To be a Close, Simple and Transparent organisation

- > Internal reorganisation
- > Action plans: +1,000 milestones committed
- > +27,000 internal satisfaction surveys

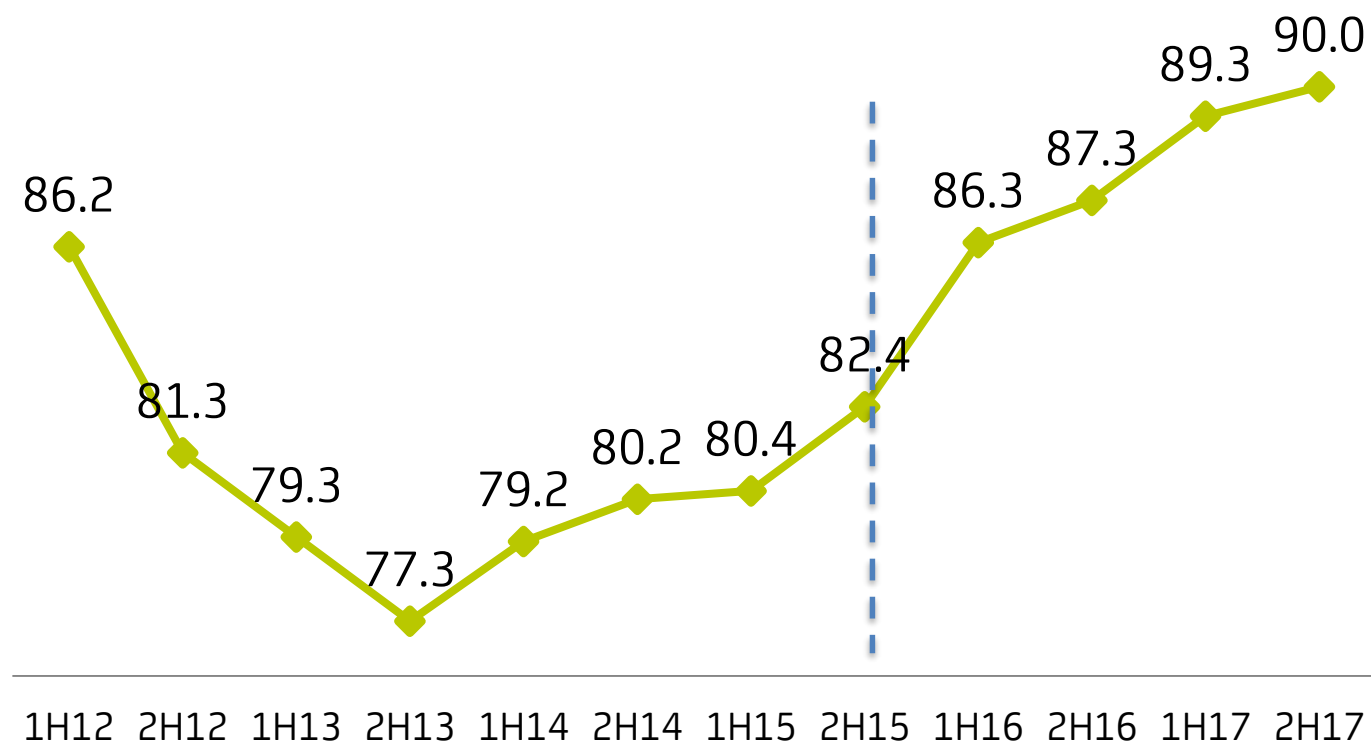
Customer **satisfaction** is the key variable of our management

> Strategy

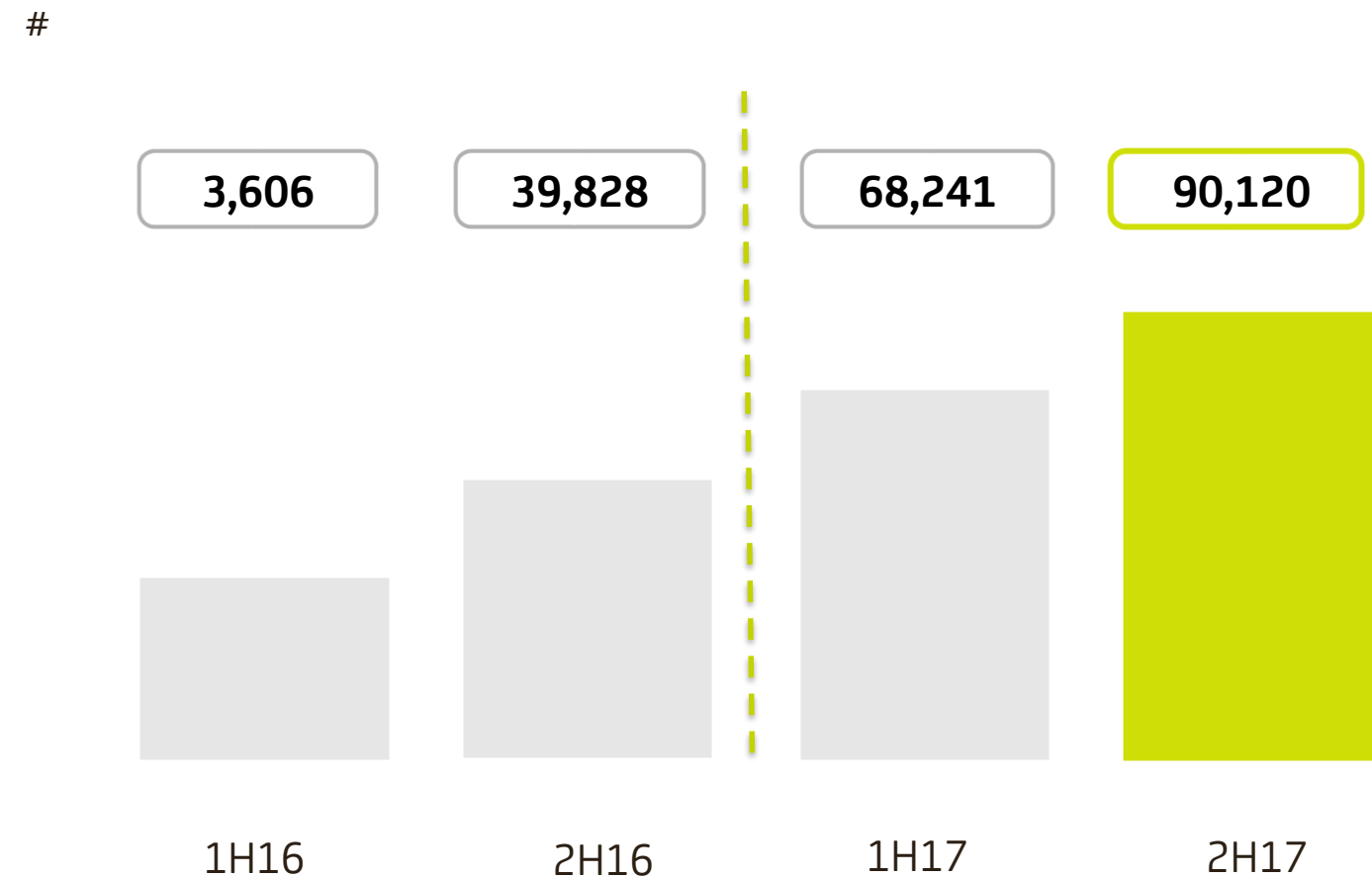
1. Positioning. Retail Banking

We have achieved **differentiation** within the financial sector

Customer satisfaction



Net increase in customers

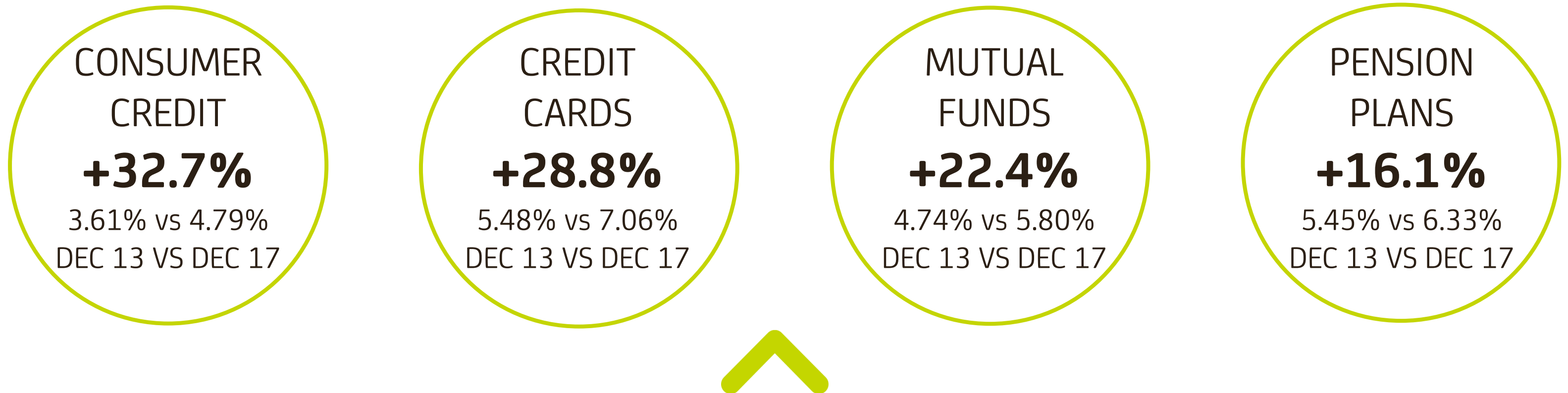


Increase of **280,000 direct income deposits** in the last two years

> Strategy

1. Positioning. Retail Banking

Our customers' satisfaction allow us to reach higher cross-sell levels



Significant increase in our **market shares** in key products

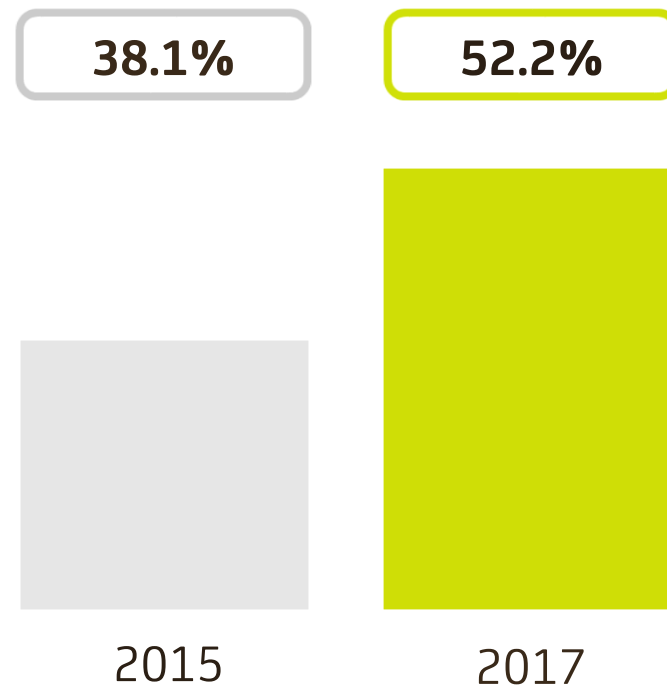
Source: BdE / Inverco

> Strategy

1. Positioning. Business Banking

We also started to transform the Business Banking activity...

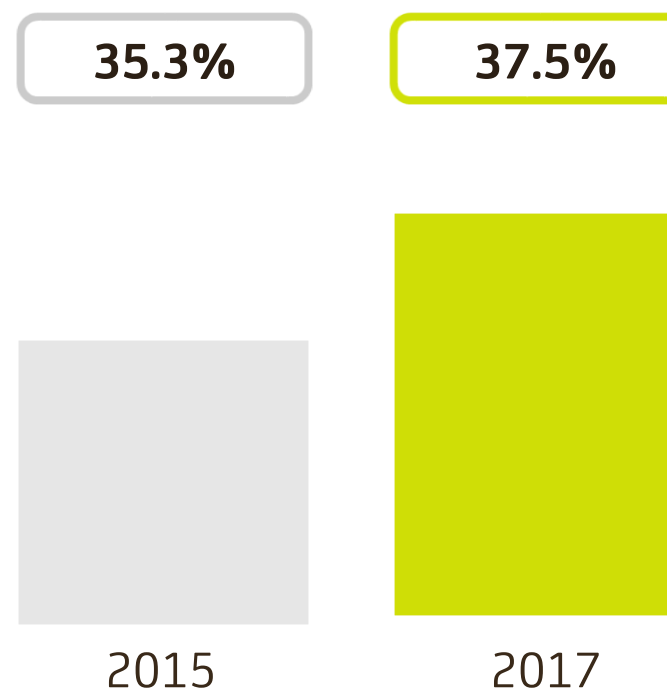
Net promoter score (NPS)



95.2% level of satisfaction in 2017

2,623 quality surveys to Business Banking customers in 2017

% Businesses that work with Bankia



% Businesses with turnover in between €6mn and €300mn

Source: Bankia

Increase in Business Banking customers (>€50,000 investment)



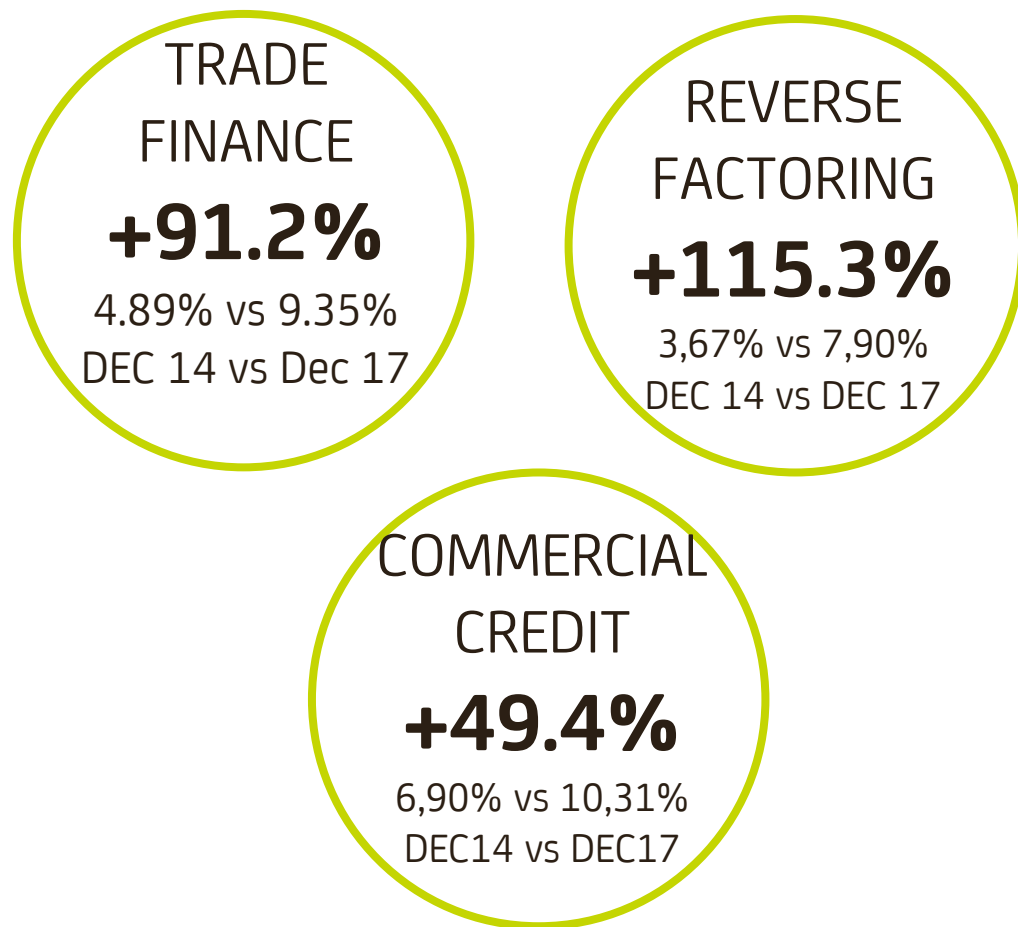
Source: Bankia

> Strategy

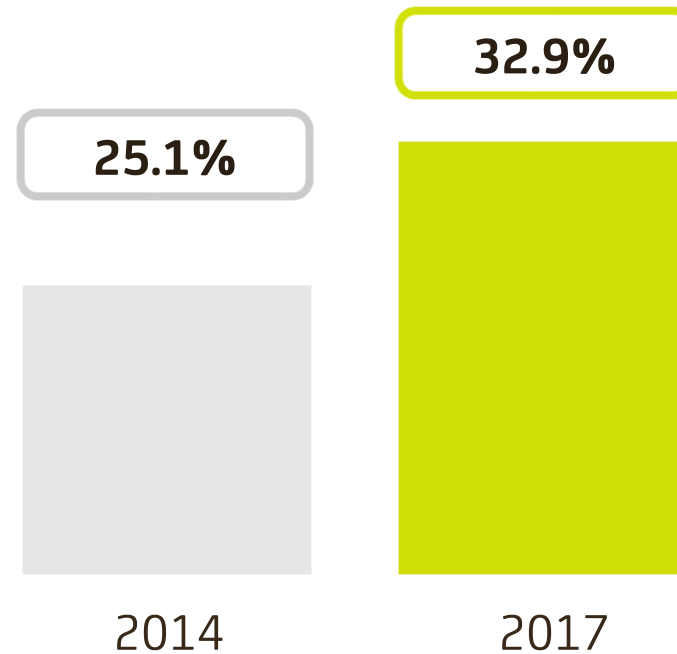
1. Positioning. Business Banking

Effort to change a very long-term oriented balance sheet: focus on working capital

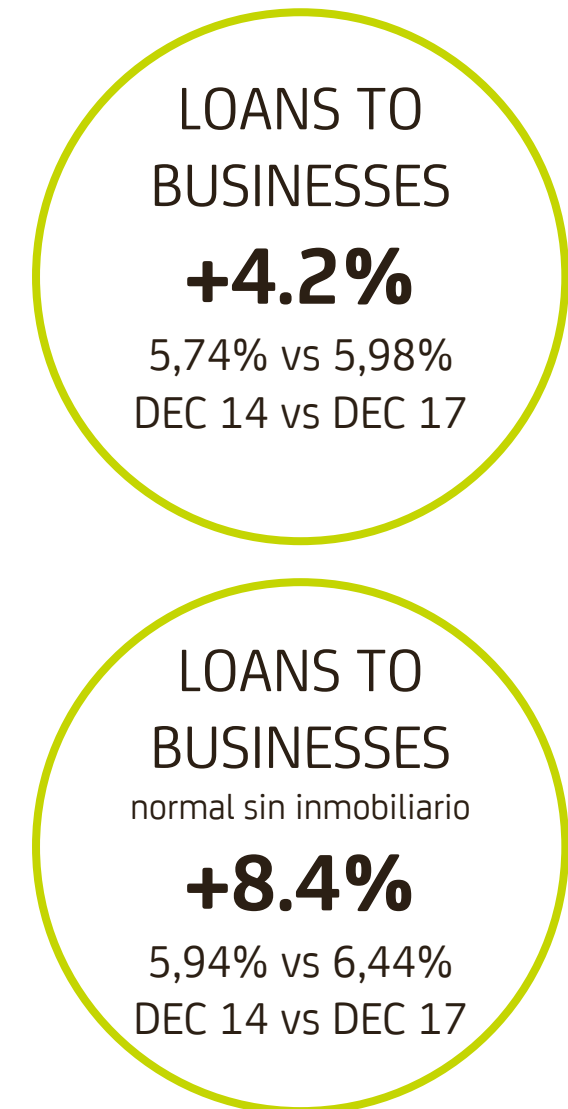
Market share growth in working capital



Working capital as % of Total



Businesses Market Shares



> Strategy

1. Positioning. Customers

2020 Targets

	Retail Banking	Business Banking
Increase in number of customers	+5%	+20%
Customer's satisfaction	92%	95%
Market shares	Consumer, Funds and Insurance >7%	~8%

> Strategy

An excellent and sustainable service demands a high level of efficiency...

... which is only possible through **technology**

Efficiency in PROCESSES

Improves CUSTOMER
experience

Global view on the impact of **technology**

> Strategy

2. Processes improvement

Redesign of processes 2015-2017: multichannel, data capture and efficiency

Time saving in branches from processes improvement

2014-2017



Opening a current account



55%



Granting and disbursing a mortgage loan



40%



Issuing a credit card



49%



Impact on network staff

2014-2017

Employees in branches



-1.200

-12%

Multichannel



+650

Net reduction



-550

Second processes review in 2018-2020: integration of BMN and artificial intelligence

> Strategy

3. Distribution Model

Need to continuously adapt to our customers...

The trend towards our customer's digitalization and mobility is evident



Customers who habitually use online channels

+51%

DEC 17 VS DEC 14



% Customers who purchase online

21%

As % of total purchasers



Mobile usage

x2

DEC 17 VS DEC 14

67%

Of digital customers

> Strategy

3. Distribution Model

...but this must not hide the fact that our reality is **multichannel**



40%

of our customers bank exclusively through the branches



80%

of our customers banked through the branches as well as other channels
(last 12 months)



42%

of our customers who purchased digital also made purchases in a branch

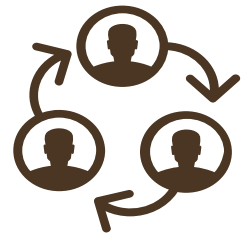
83.9%* of bank's customers banked through a branch as well as other channels

> Strategy

3. Distribution Model

Our customers demand a combination of models...

...to which we need to adapt



Different customer groups with constant changes in behavior



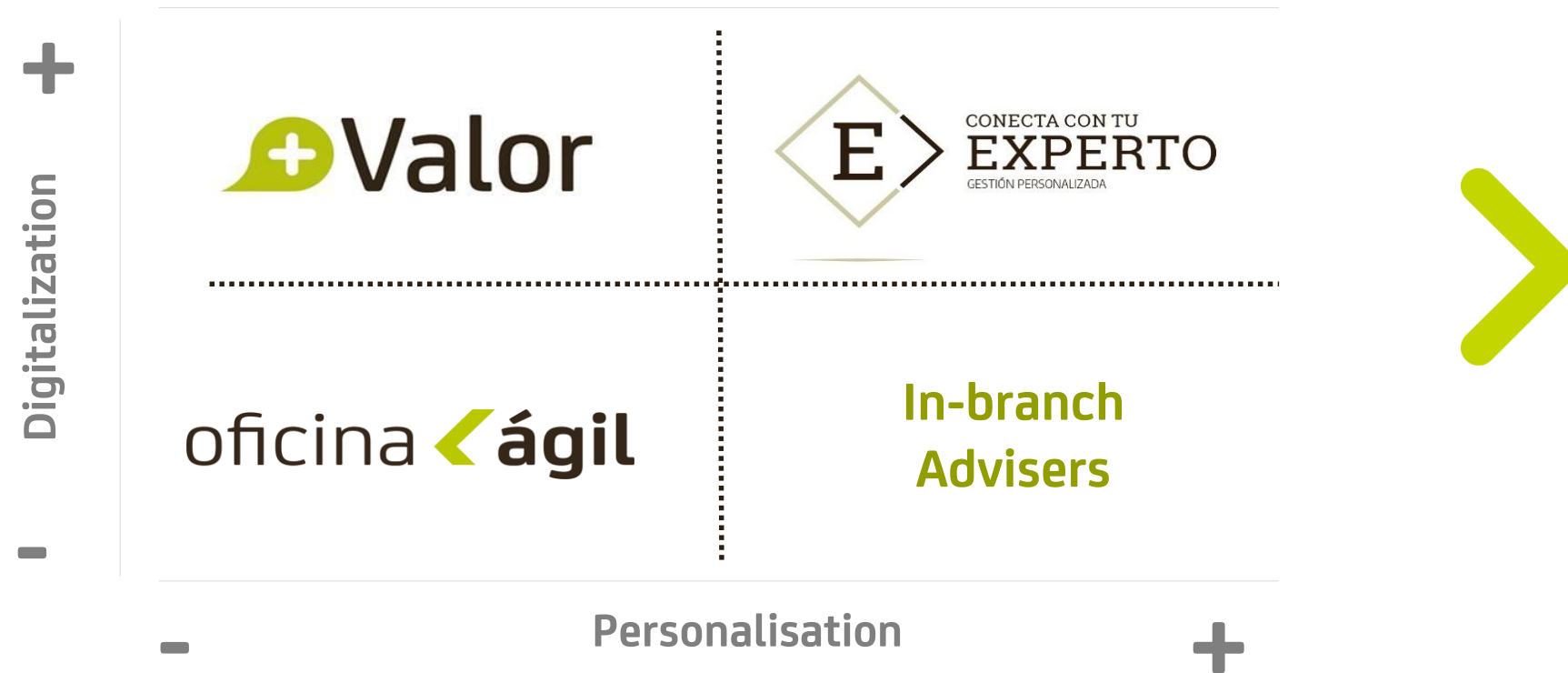
Flexibility and responsiveness

Additionally, to have an **assigned personal manager** significantly increases the **degree of satisfaction**

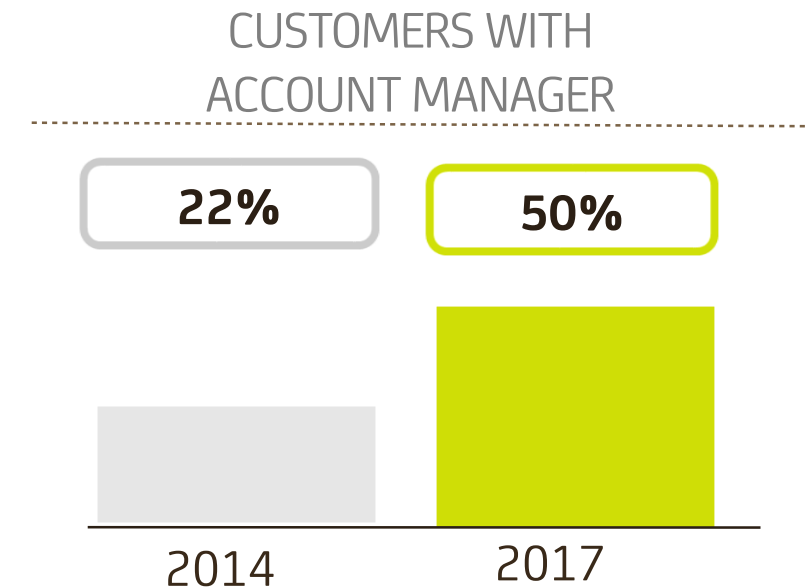
> Strategy

3. Distribution Model

We are responding by adapting our model...



... Increasing personalisation



Source: Bankia

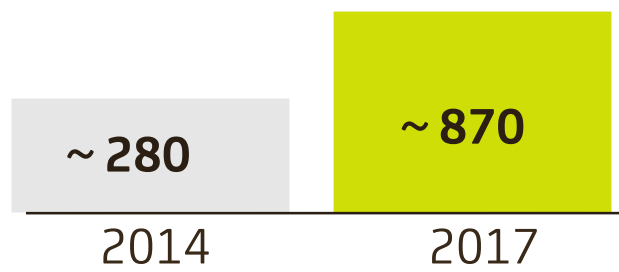
How our model adapts in the future will depend on **our customers**

> Strategy

3. Distribution Model

...and with an increasingly efficient management, which is a key factor for the future

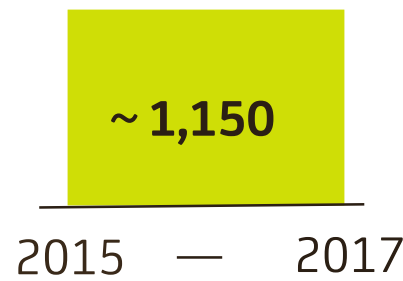
CUSTOMERS / IN-BRANCH MANAGER



~2,100 managers

Source: Bankia

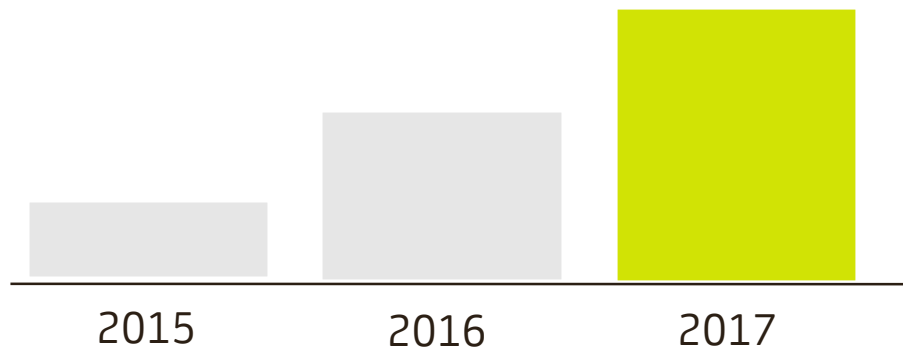
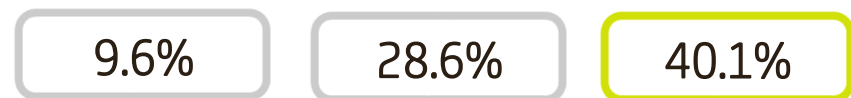
CUSTOMERS / "CONNECT" MANAGER



~90 managers ~500 managers

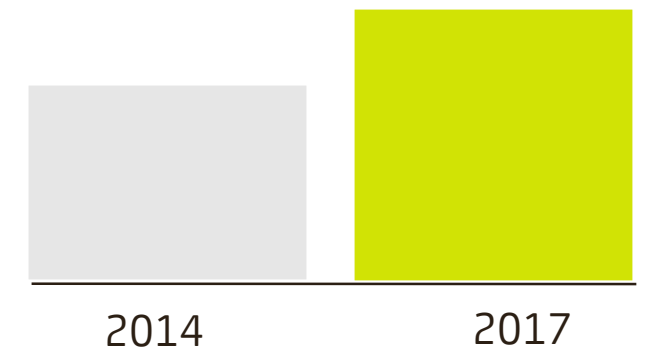
Source: Bankia

NPS – RETAIL BANKING



Source: 3,151 "Connect with your Expert" customers surveyed in 2017

PRODUCT SALES / EMPLOYEE PER MONTH



Source: Bankia

Branch efficiency has improved, enhancing service quality

> Strategy

3. Distribution Model

How to continue improving the Commercial Model?

A

Usage of **Big Data**

Distribution of commercial action based on customer management instead of products

- > Contacts defined based on customer's propensity
- > Leads prioritized by customer, manager and channel

B

Better tools for account managers

- > Better customer information, "**Robo4Advisor**", etc.




> Strategy

3. Distribution Model

At the same time, we are making progress in our digital channels

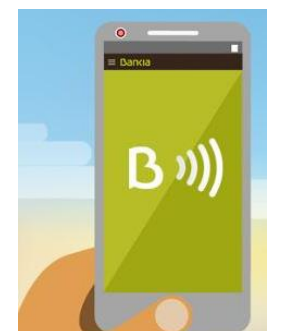
There are no stable competitive advantages

We started in 2015...

-  New portal Bankia.es
-  New App
-  Redesign Bankia online



**Our digital channels
are the same level
that those of our
competitors**

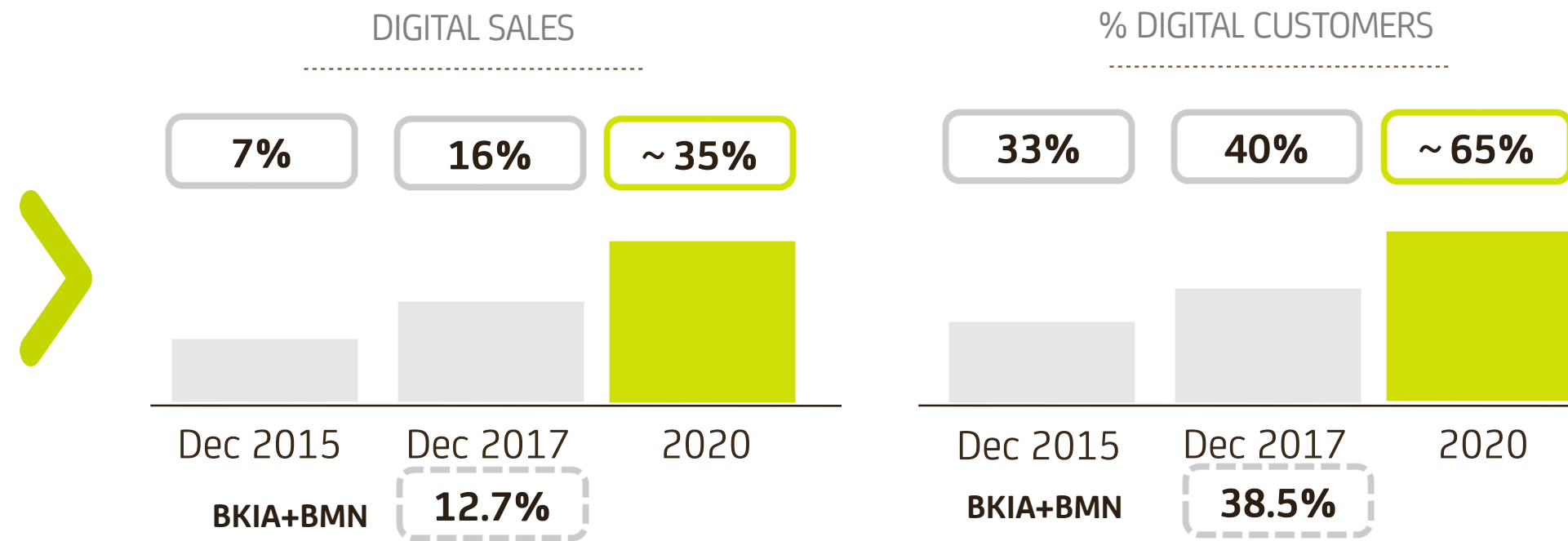


> Strategy

3. Distribution Model

Accompanying our customers on the process of digitalization of their relationship with the bank

Targets for 2020...



Target:
+2mn digital
customers

And we will continue investing to offer our customers the best platforms

IT
Investment
2018-2020
€1bn

Of which “change”
investment: 51.7%

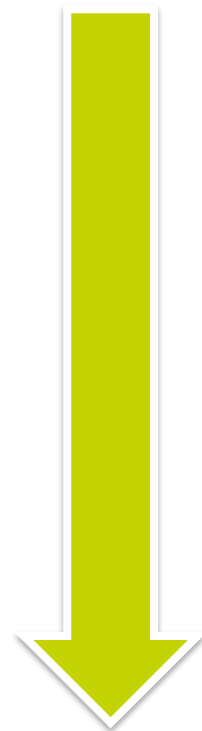
> Strategy

3. Distribution Model

What do we expect in the future?

We look at different time horizons...

2018



Payment services

Competitive field in the next three years

Open Business

Platform is under construction. Will be an important competitive factor for the next strategic plan

New technologies

Monitoring and testing of progress in more mature technologies (artificial intelligence) and emerging technologies (blockchain)

Strategy of collaboration in **FINTECH**

> Strategy

3. Distribution Model

The main challenge within the horizon of our Strategic Plan is **PAYMENTS**

We start from a **very good competitive position**

Example in cards



Of total **purchases** with cards in Spain,

11.62% is with Bankia cards



12.22% of card **collections** in Spain are

through Bankia “Point of Sale” terminals

Strategic alliances

to lock in a dominant position

(payment services and intermediaries)

Provide our customers with all the payment services available in the market

Allow companies and retailers that are payment initiators to collect using any payment method available in the market

> Strategy

Bankia's Strategic Priorities

The **CUSTOMER** is at the center of our strategy

Strategic Priorities to better serve our customers

- > Positioning
- > Processes improvement
- > Distribution Model

In order to execute an **excellent implementation...**

- > **Speed** in deployment
- > **Flexibility and capacity to adapt** in a changing environment
- > We have a proven **execution** capacity

> Strategic Objectives 2020

What is our aspiration?

Our goal: to be the best bank in Spain

Sustainable
profitability

Efficiency

Solvency

Satisfied
customers

Committed
teams

Recognition
from society

Creating value for our shareholders

> Strategic Objectives 2020

Sustainable profitability

	2020E
ROE ⁽¹⁾	10.8%
Efficiency Ratio	<47%
NPAs	<6%
Solvency _{CET1 FL}	12%
PBT	~ €1,3bn

Organic Capital Generation Model

> Strategic Objectives 2020

Fulfilling this Strategic Plan will allow us...

Capital distribution policy



An ordinary **cash pay out**
in the region of 45-50%



And the return of excess **capital**
above 12% CET1 FL



Expected total remuneration > €2,500mn⁽¹⁾

2

LINES OF ACTION OF THE NEW PLAN

1

MACROECONOMIC ENVIRONMENT

2

MAIN THEMES OF OUR STRATEGIC PLAN

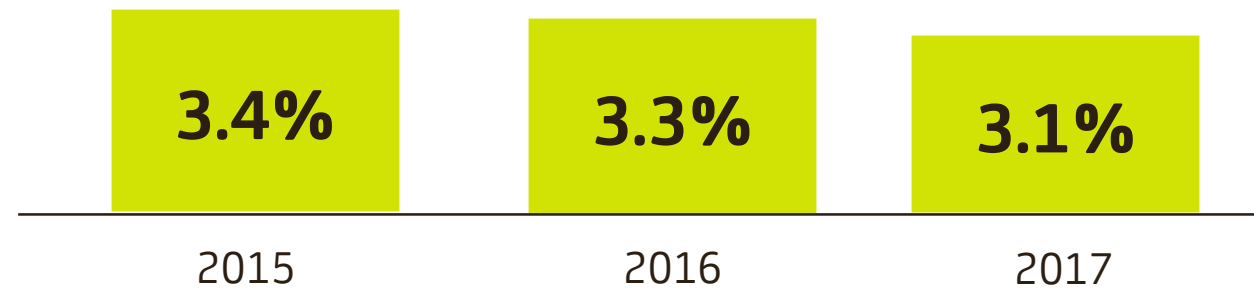
> Macroeconomic environment

General macro trends

Main macroeconomic indicators performance

GDP

Year-on-year change



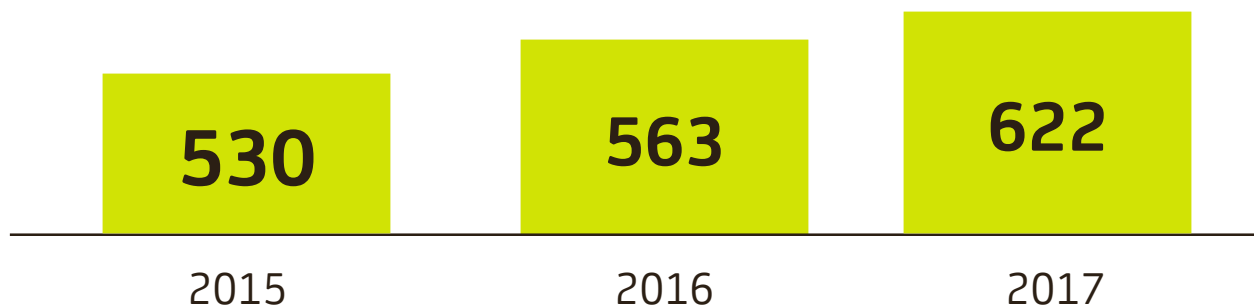
INTEREST RATES

12-month Euribor – year-end data



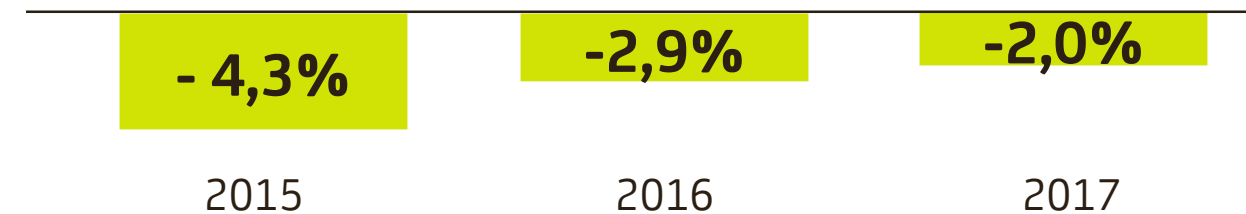
JOB CREATION

Year-on-year change in Social Security affiliates (thousands)



CREDIT PERFORMANCE

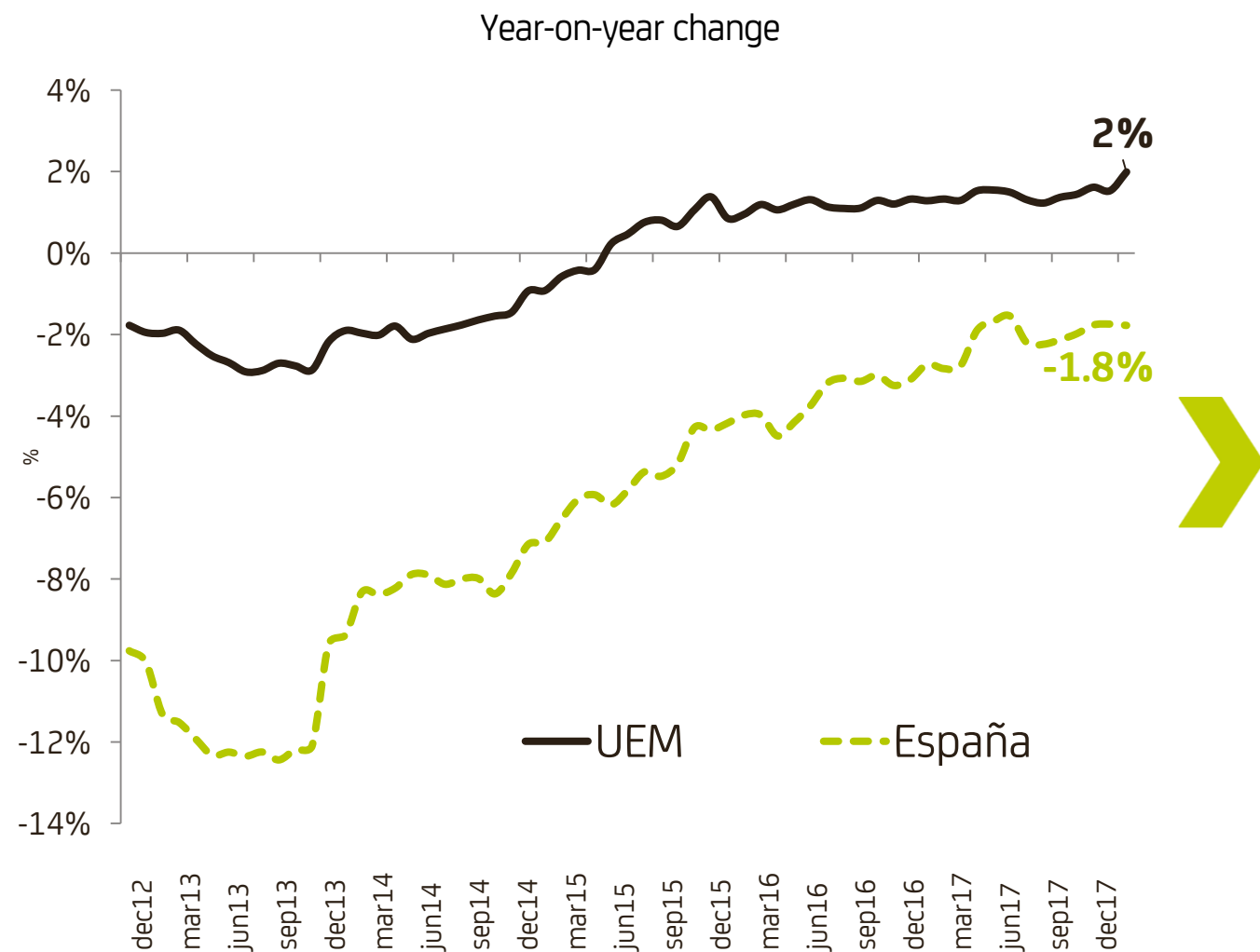
Household and corporate credit in Spain – Year-on-year change



➤ Macroeconomic environment
Credit performance in Spain

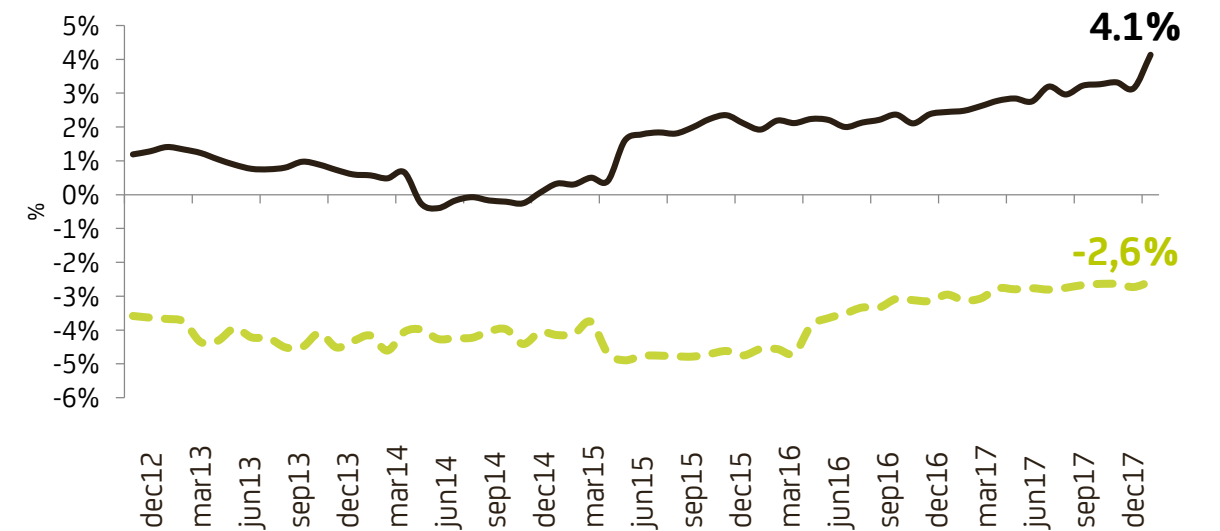
Credit growth in Spain below Euro Area average

CREDIT TO BUSINESSES AND HOUSEHOLDS – EURO AREA / SPAIN



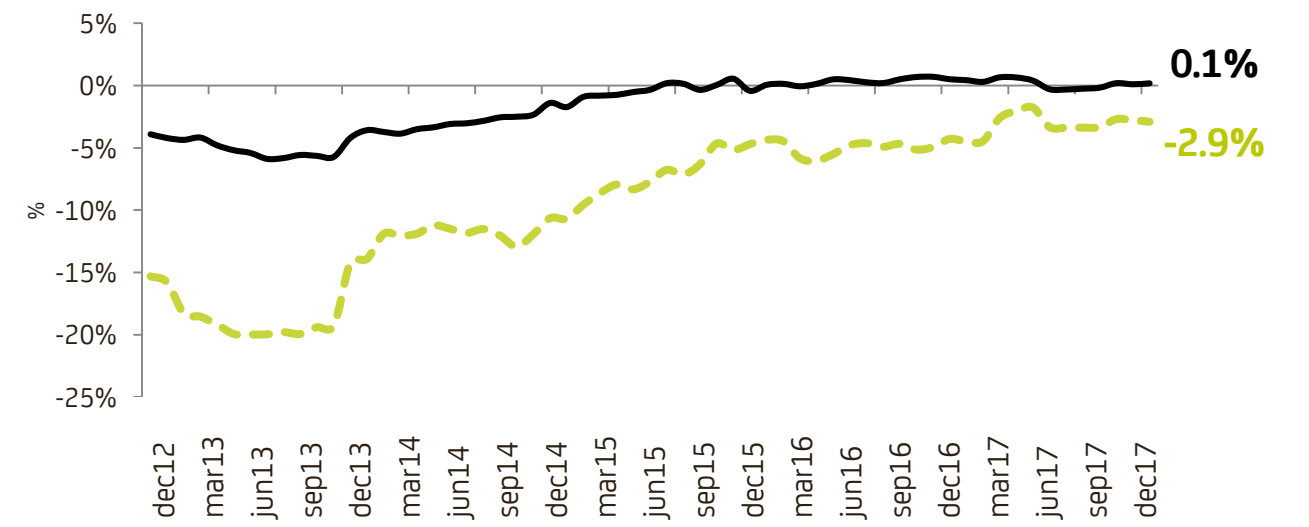
CREDIT PERFORMANCE HOUSING

EURO AREA/SPAIN
Year-on-year change



CREDIT PERFORMANCE BUSINESSES

EURO AREA/SPAIN
Year-on-year change



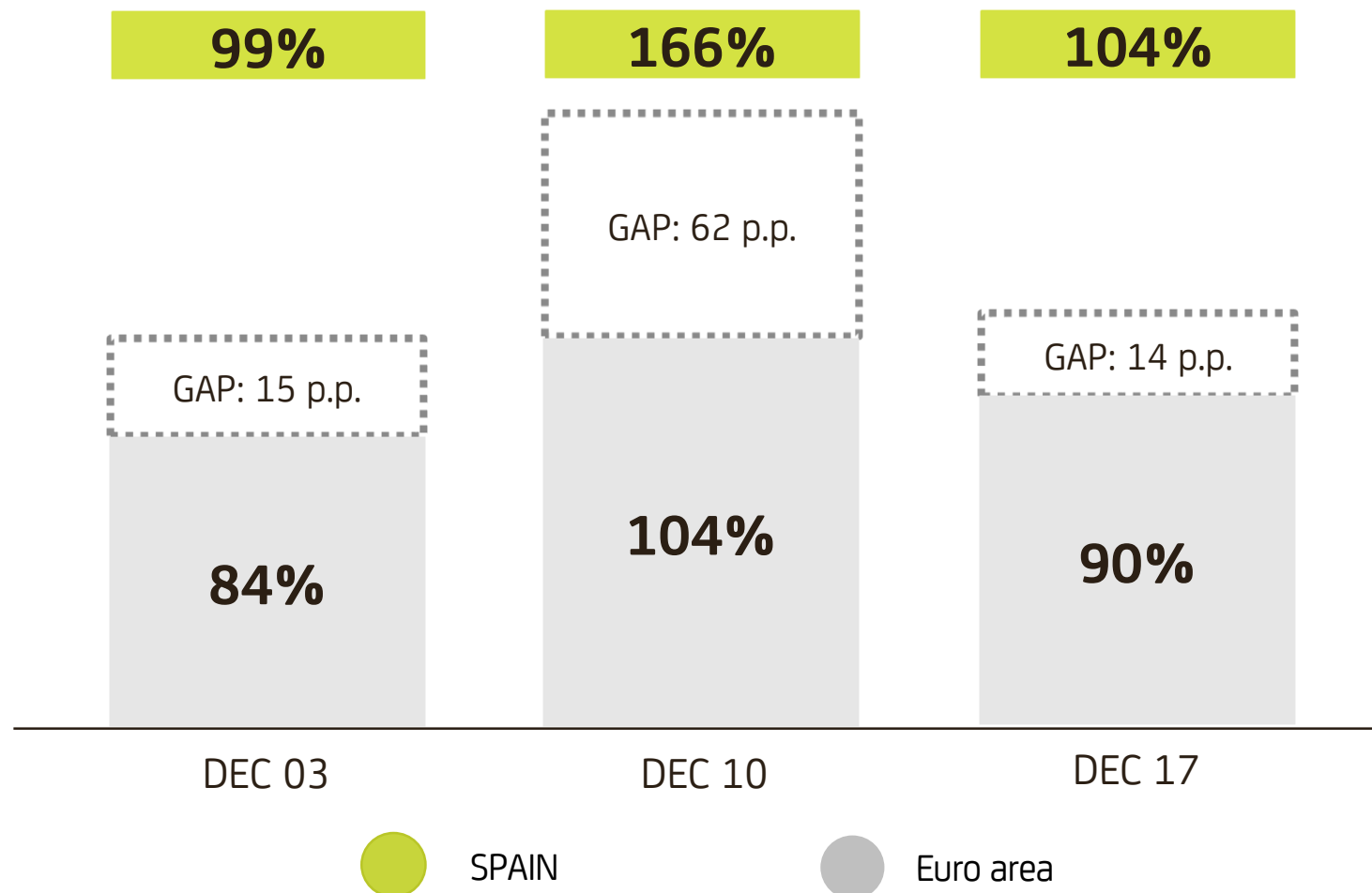
> Macroeconomic environment

Debt as % GDP

The deleveraging process in Spain is almost complete

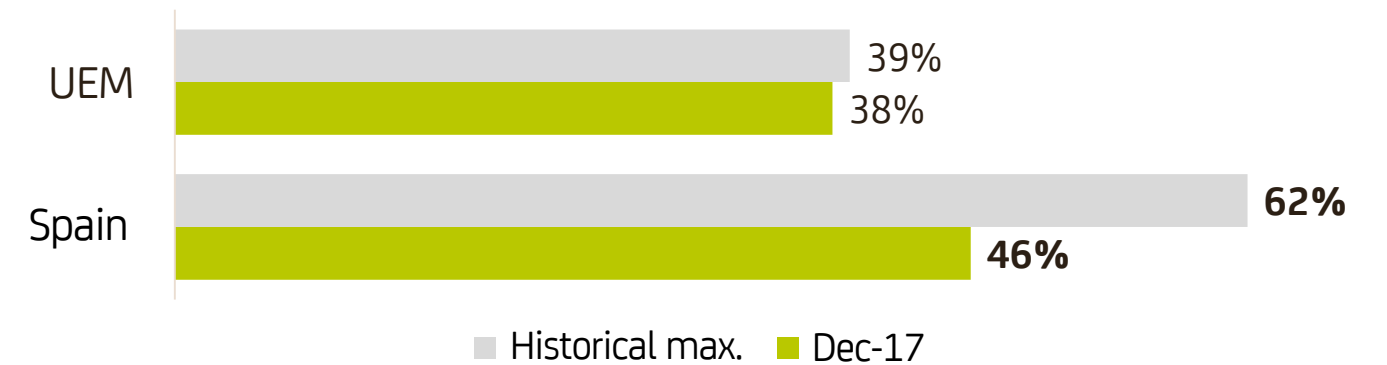
CREDIT TO BUSINESSES AND HOUSEHOLDS AS % GDP

Debt as % GDP



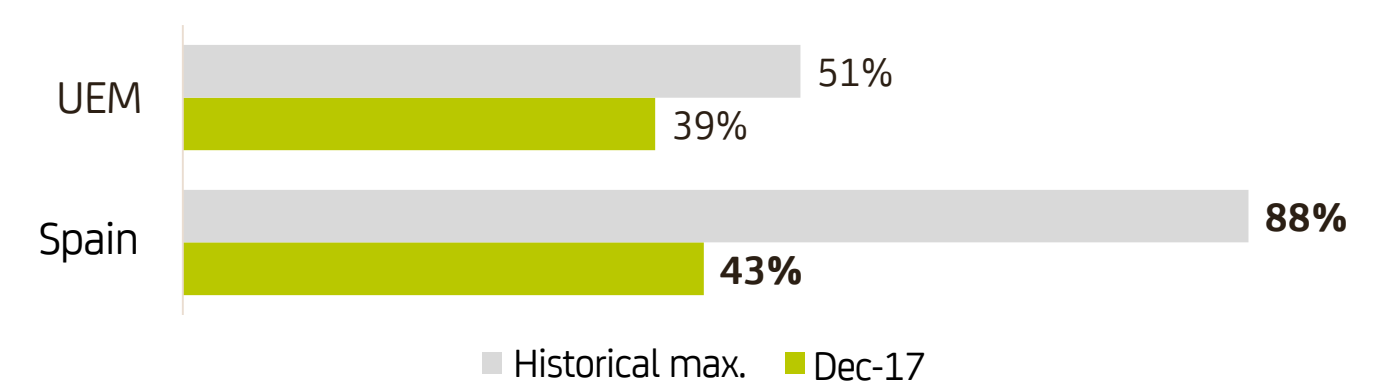
HOME LOANS AS % GDP

Debt as % GDP



CREDIT TO BUSINESSES AS % GDP

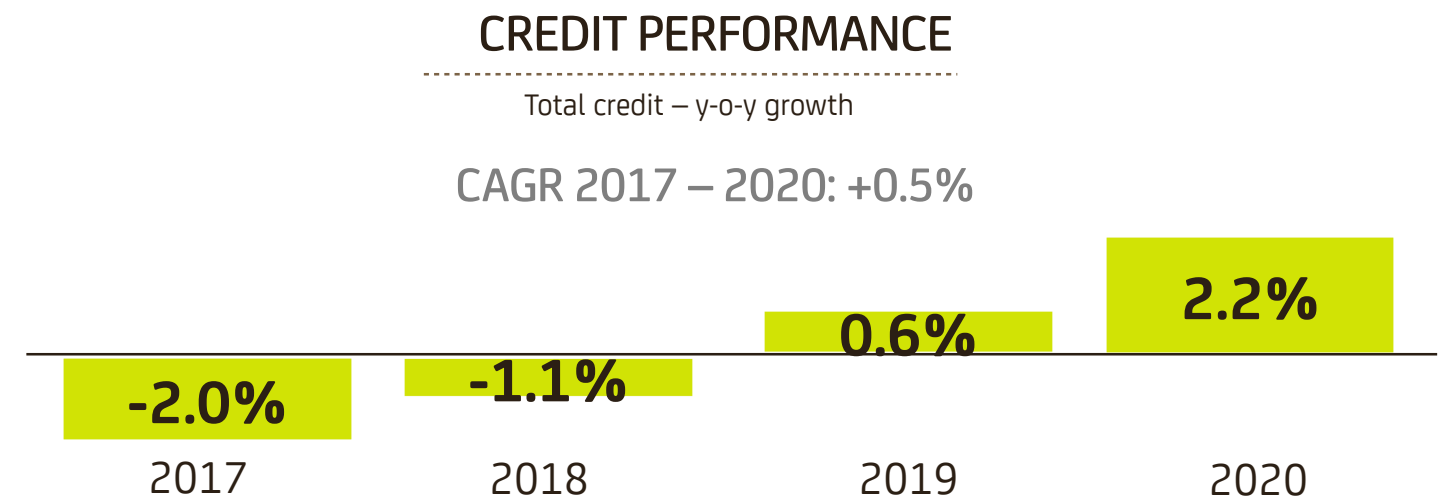
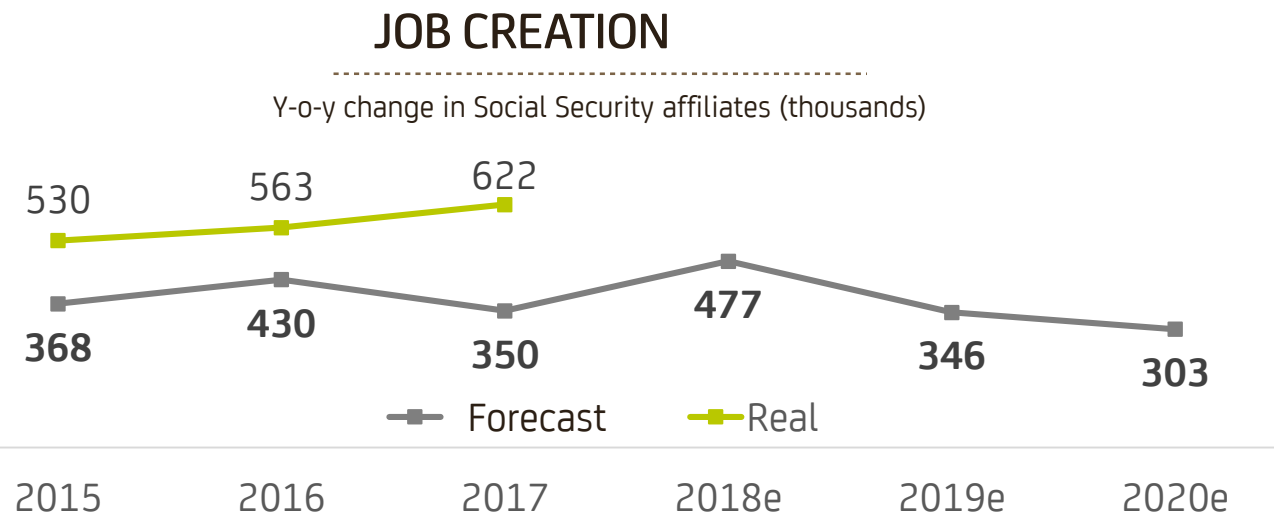
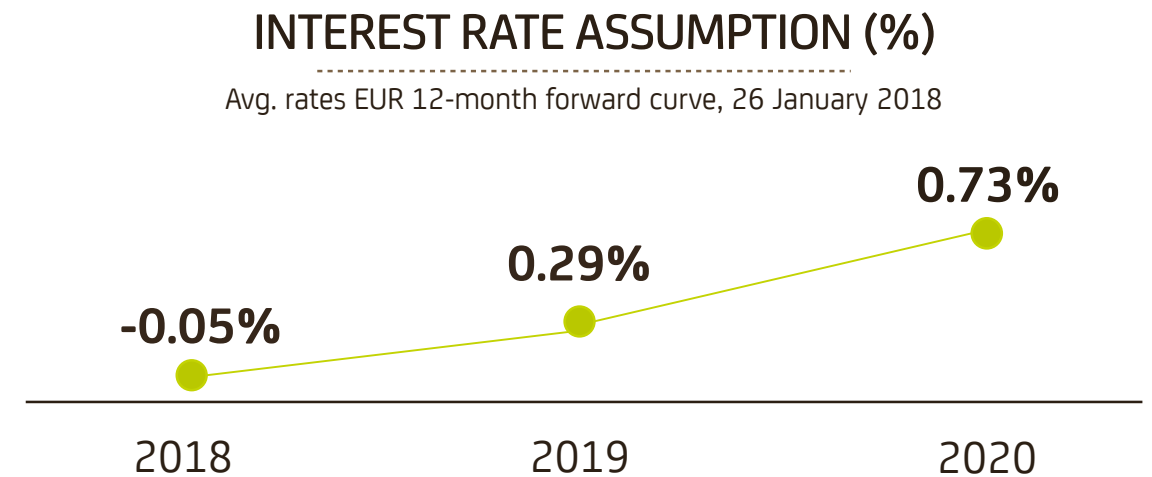
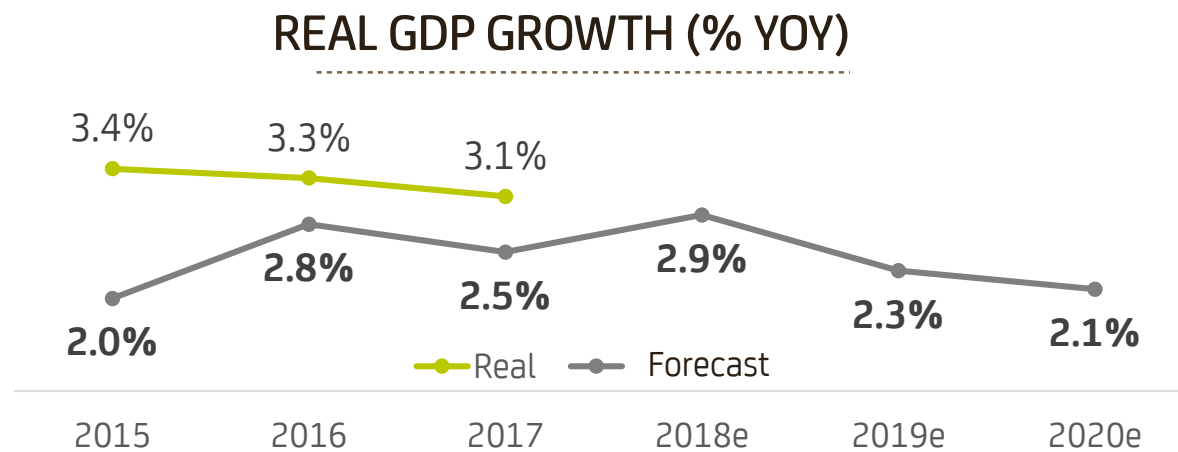
Debt as % GDP



> Macroeconomic environment

Macroeconomic assumptions 2017-2020: Main indicators

Main assumptions behind our projections



Macroeconomic trends favourable to banking business growth and asset quality improvement

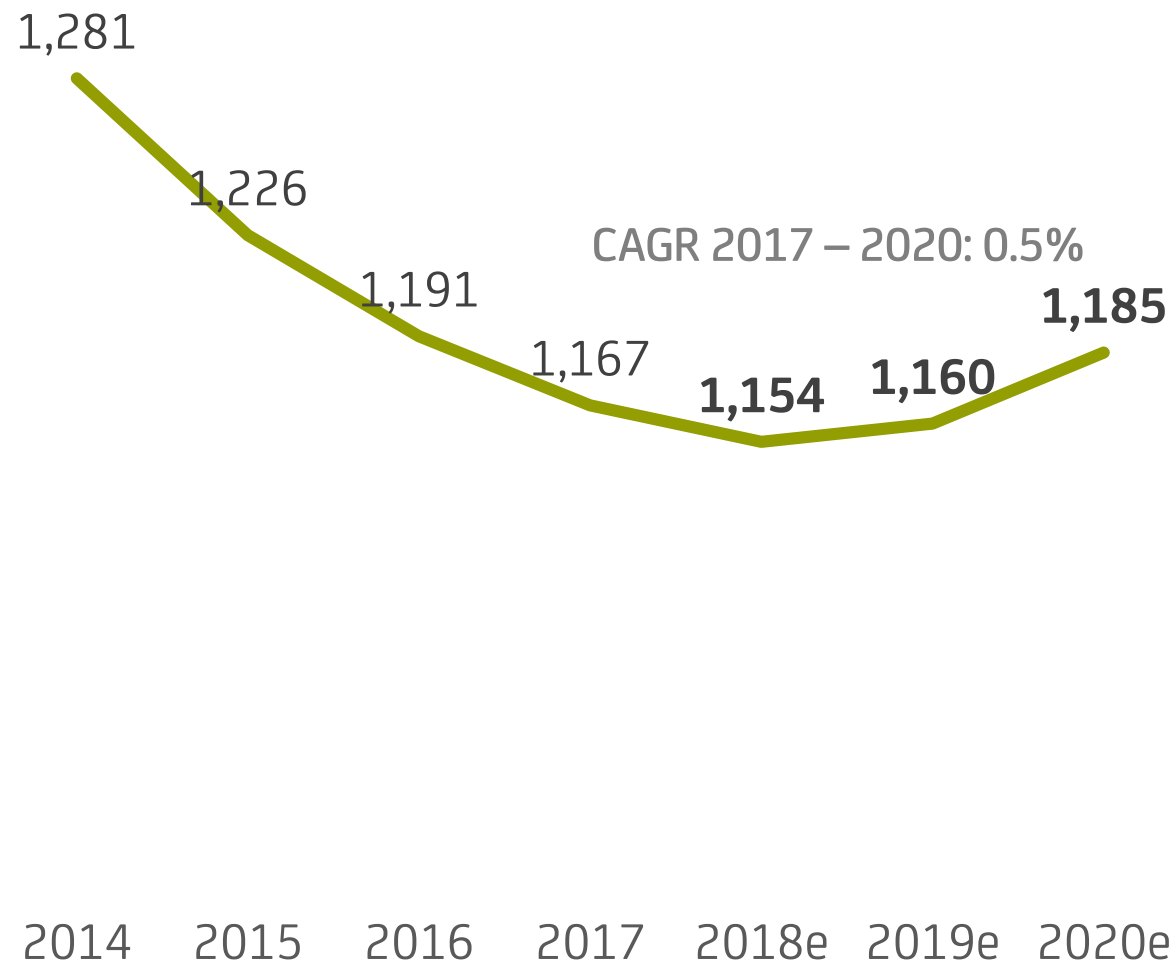
> Macroeconomic environment

Macroeconomic assumptions 2017-2020: Credit performance in Spain

Sector credit growth trend

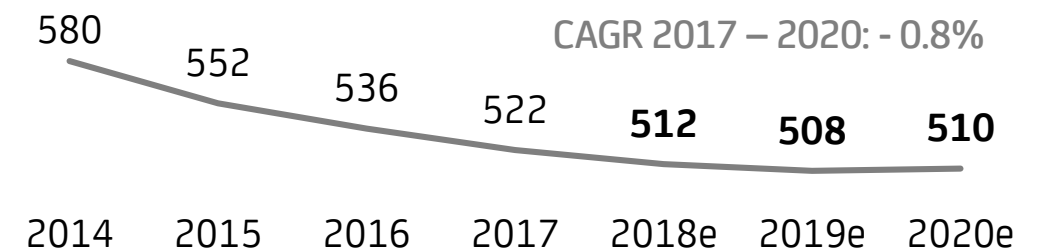
TOTAL CREDIT FORECASTS - HOUSEHOLDS AND BUSINESSES

Historic and forecasted trends in Spain– €Thousand of millions



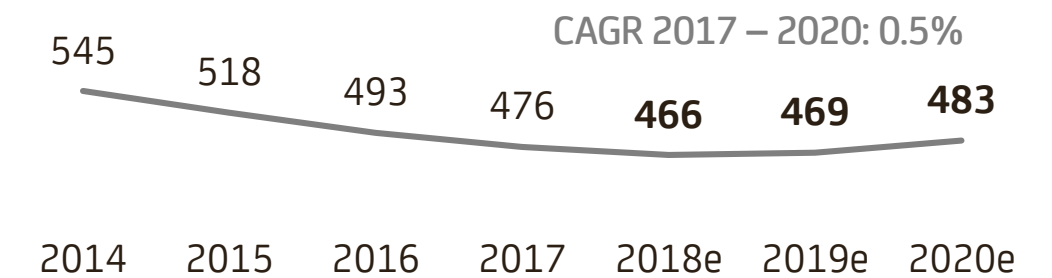
CREDIT FORECASTS HOUSING

In Spain
€Thousands of millions



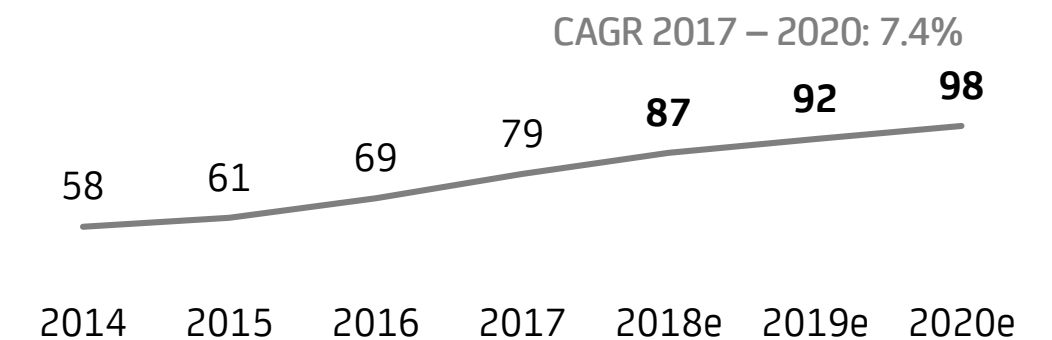
CREDIT FORECASTS BUSINESSES

In Spain
€Thousands of millions



CREDIT FORECASTS CONSUMER FINANCE

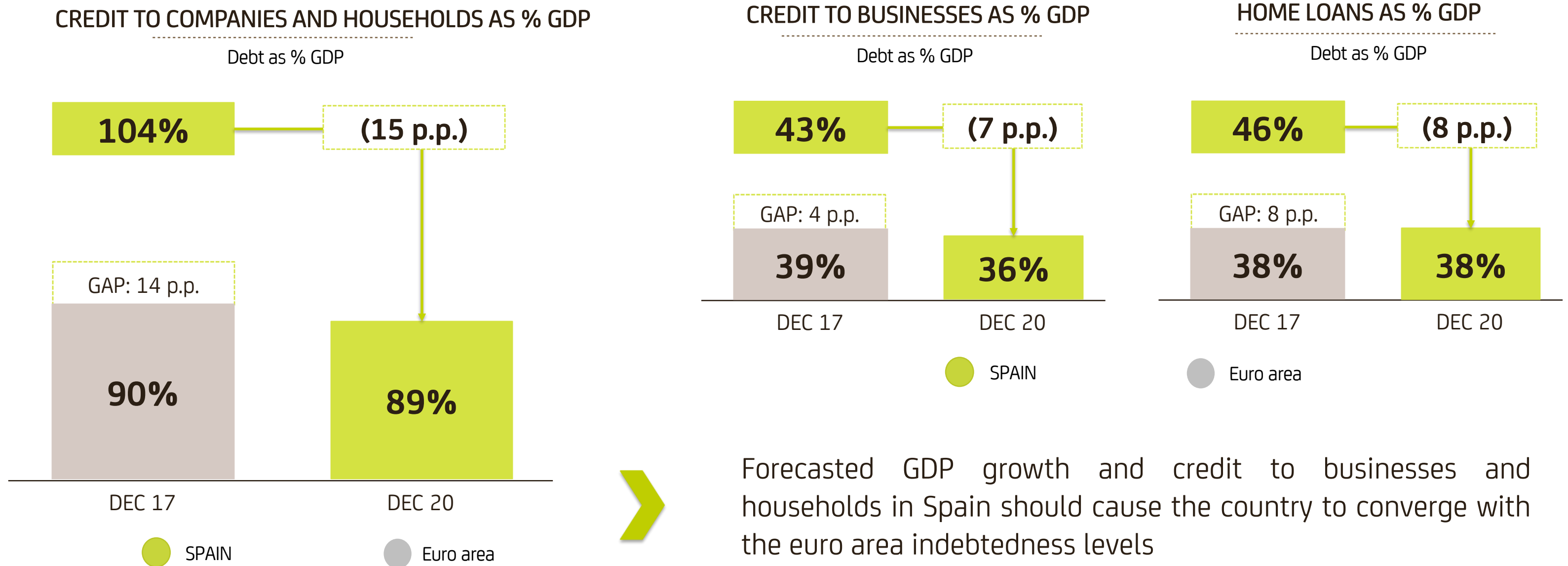
In Spain
€Thousands of millions



> Macroeconomic environment

Macroeconomic assumptions 2017-2020: indebtedness levels

Under the projected scenario we converge with the euro area in households and companies indebtedness



Forecasted GDP growth and credit to businesses and households in Spain should cause the country to converge with the euro area indebtedness levels

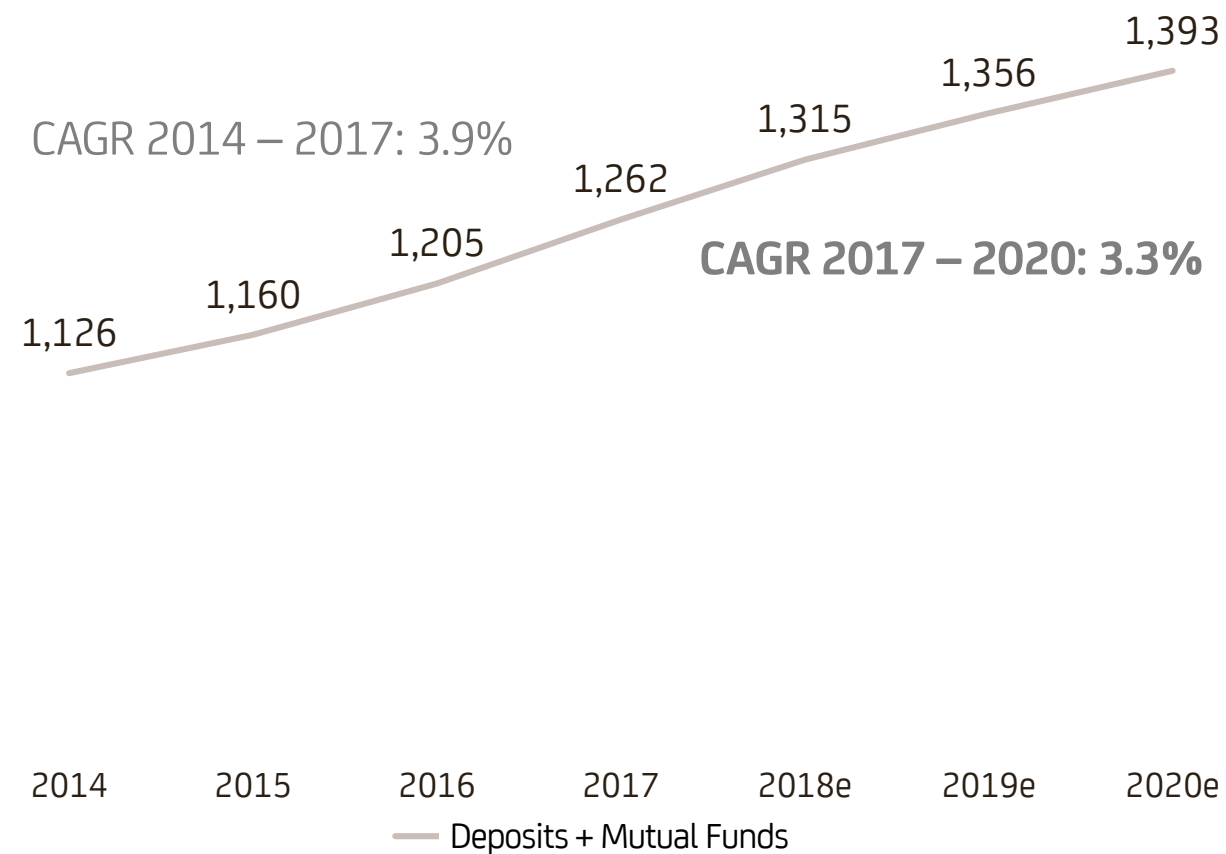
> Macroeconomic environment

Macroeconomic assumptions 2017-2020: funds performance

Customer funds will also trend upward over the next few years

CUSTOMER FUNDS PERFORMANCE

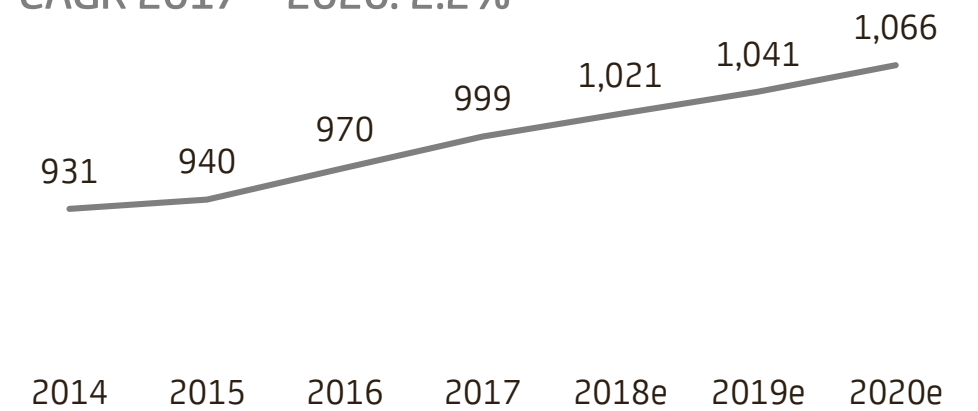
Historic and forecasted trend – €Thousands of millions



FORECASTS DEPOSITS

In Spain
€ Thousands of millions

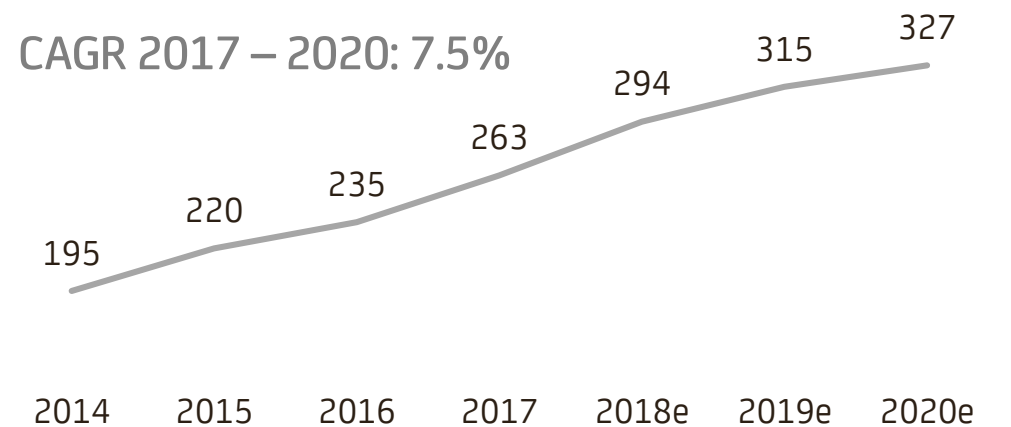
CAGR 2017 – 2020: 2.2%



FORECASTS MUTUAL FUNDS

In Spain
€ Thousands of millions

CAGR 2017 – 2020: 7.5%



1

MACROECONOMIC ENVIRONMENT

2

MAIN THEMES OF OUR STRATEGIC PLAN

➤ Main themes of our Strategic Plan

Four main themes underpinning our Strategic Plan

- 1 Execution of BMN's integration**
- 2 Efficiency and cost control**
- 3 Revenue growth via increased sale of high value products**
- 4 Accelerated reduction of NPAs**

- > Main themes of our Strategic Plan
- Execution of BMN's integration

Goal: Same Identity, Culture and Management Style



Challenges

- 1. Unify commercial management**
- 2. Consolidate a single network**
- 3. Integrate customers consistently**



- *NEO operating system*
- *Commercial systematic approach*
- *Operational Management, processes & transactions*
- *Sales team Management Styles*
- *Same culture and values*
- *Same positioning*
- *Same sales intensity and quality*
- *Positioning: Closeness, Simplicity and Transparency*

IT integration in 3 months

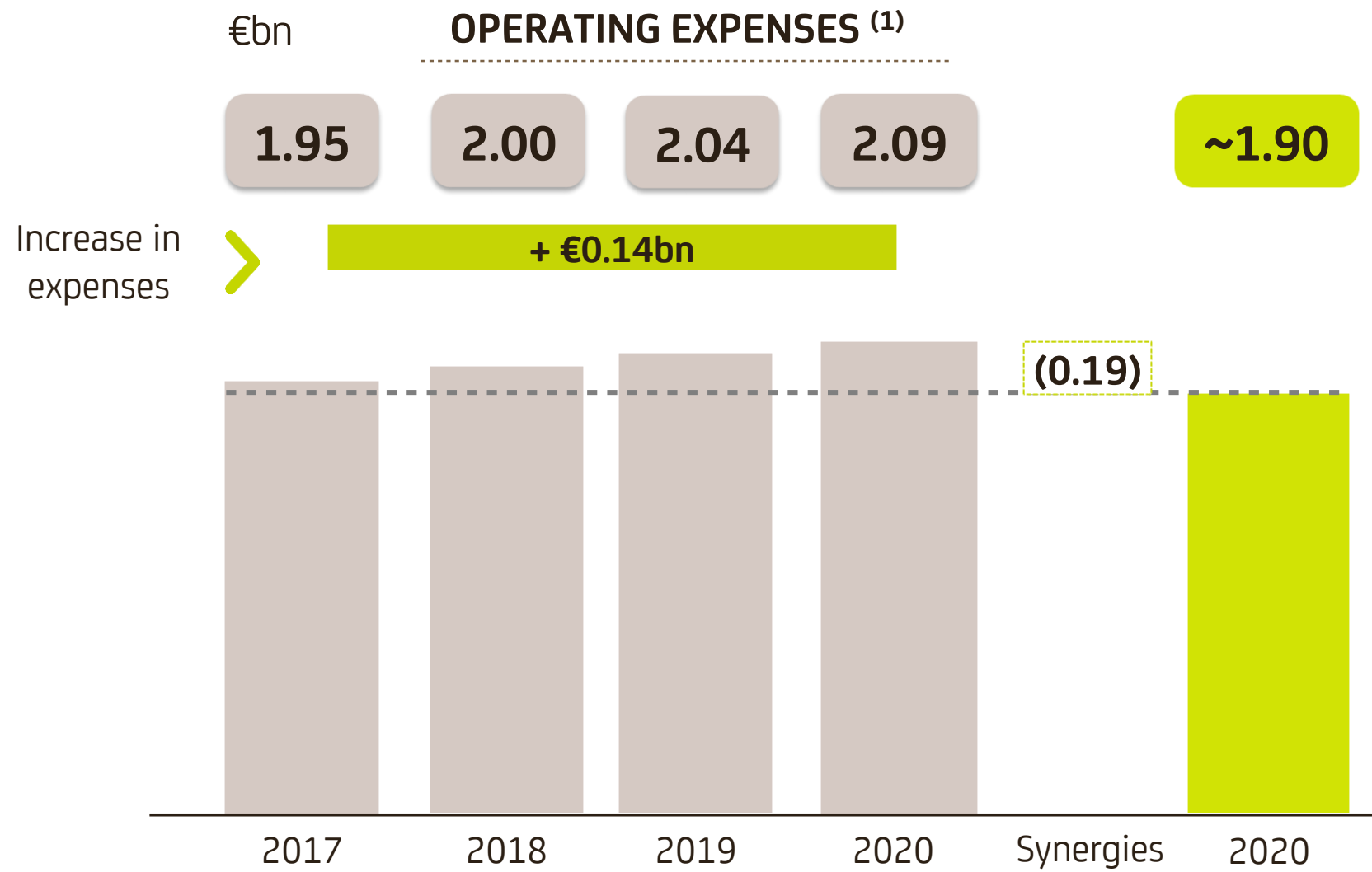
➤ Main themes of our Strategic Plan

Four main themes underpinning our Strategic Plan

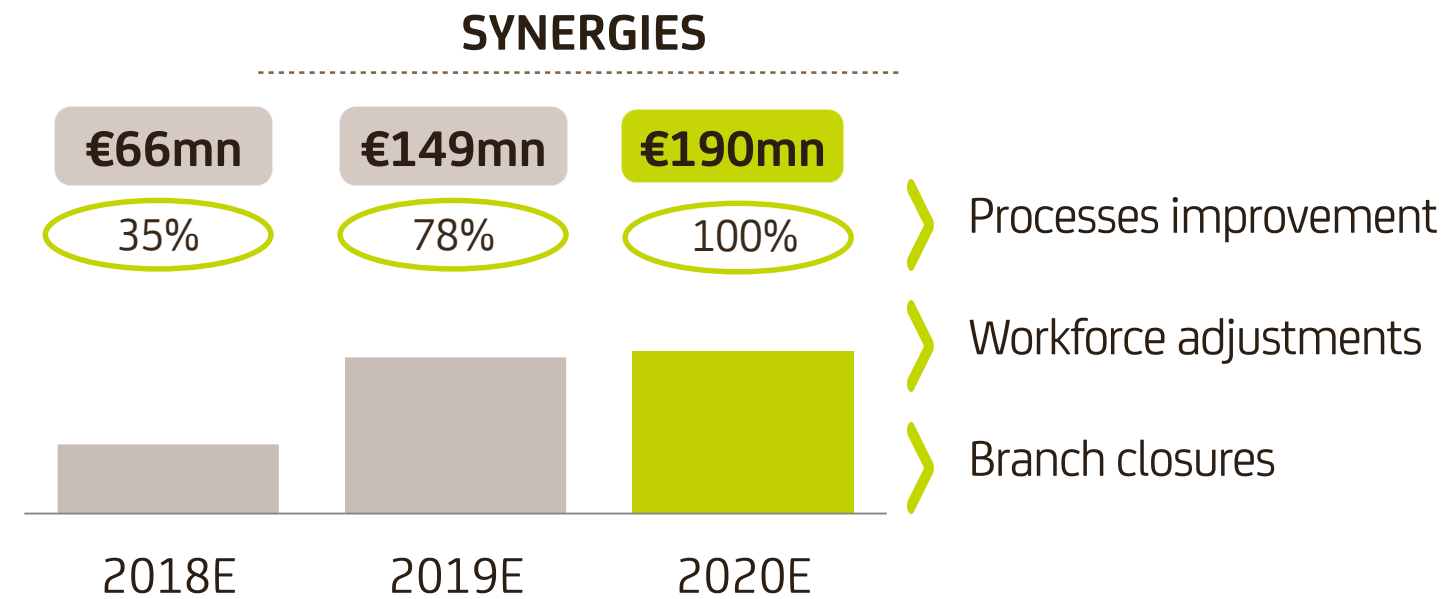
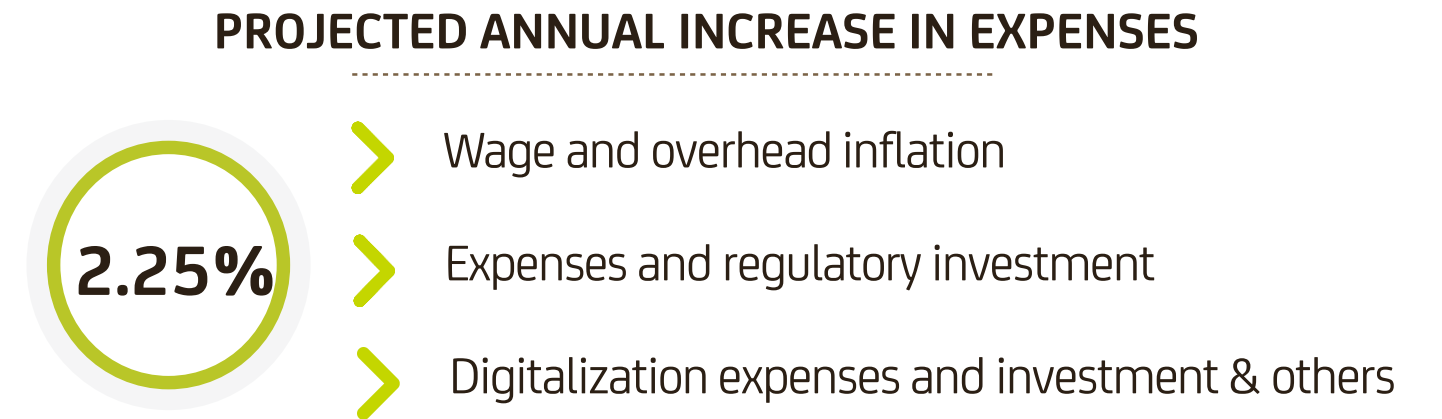
- 1 Execution of BMN's integration
- 2 Efficiency and cost control
- 3 Revenue growth via increased sale of high value products
- 4 Accelerated reduction of NPAs

- > Main themes of our Strategic Plan
- Efficiency and cost control

Synergies derived from the integration with BMN exceed the announced €155mn



(1) Includes amortizations



BMN restructuring expenses already provisioned in 2017

› Main themes of our Strategic Plan

Four main themes underpinning our Strategic Plan

- 1 Execution of BMN's integration
- 2 Efficiency and cost control
- 3 Revenue growth via increased sale of high value products
- 4 Accelerated reduction of NPAs

> Main themes of our Strategic Plan

Revenue growth

A

Impulse to new lending

Mortgages

Lending to businesses

Consumer loans

B

Fees from high value products

Mutual funds

Payment services

Insurance

> Main themes of our Strategic Plan

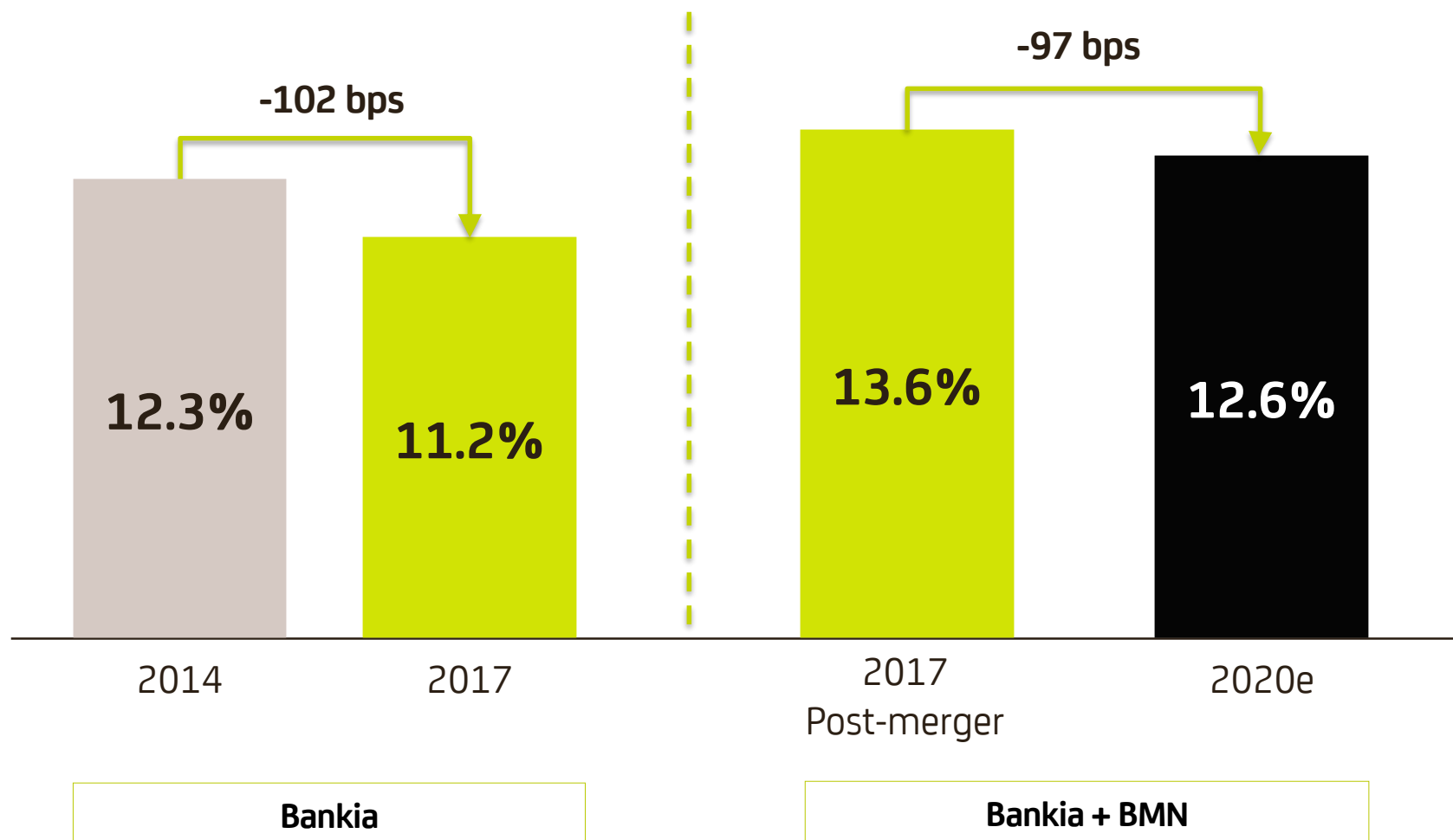
Revenue growth: **NEW LENDING**

A

Mortgages

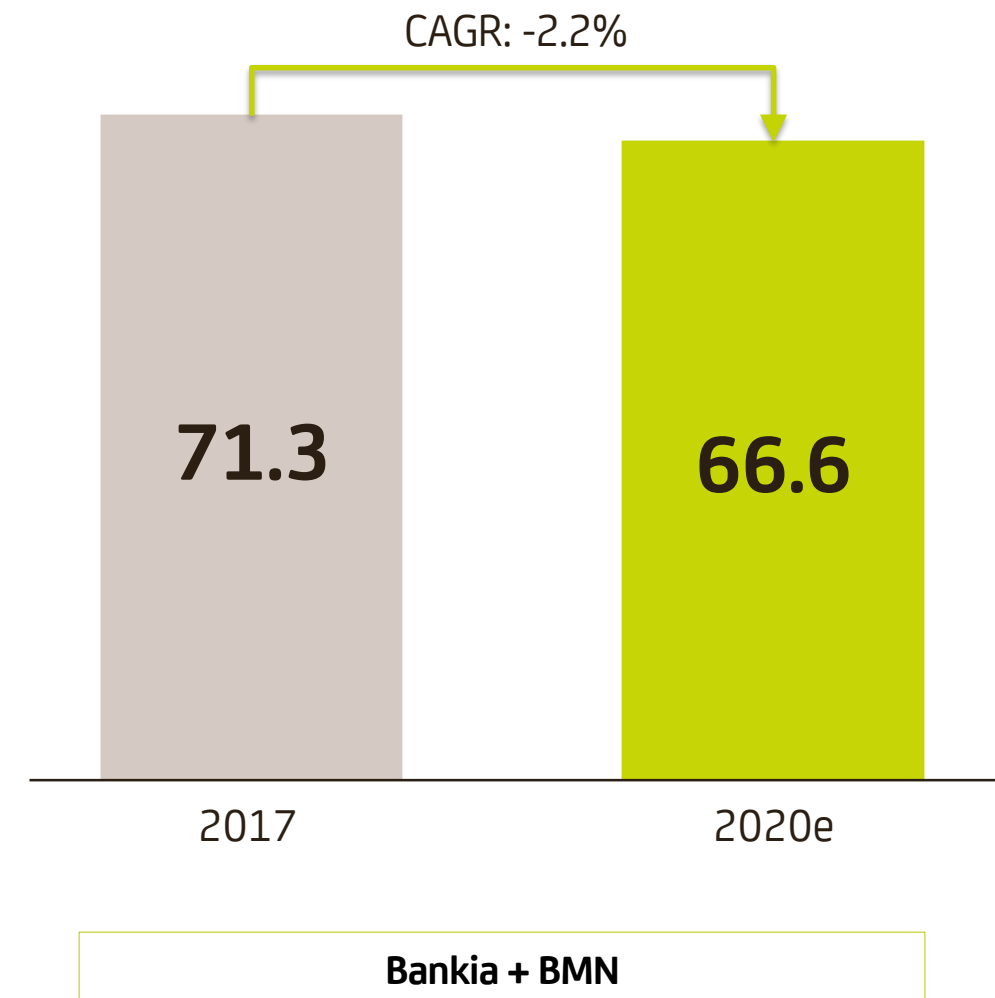
MARKET SHARE FORECASTED PERFORMANCE

Share of outstanding balance – Lending to Households. Housing



OUTSTANDING BALANCE EX NPLs FORECASTED PERFORMANCE

Closing balances - €bn



Source: BdE historic and Bankia forecast 2020e

> Main themes of our Strategic Plan

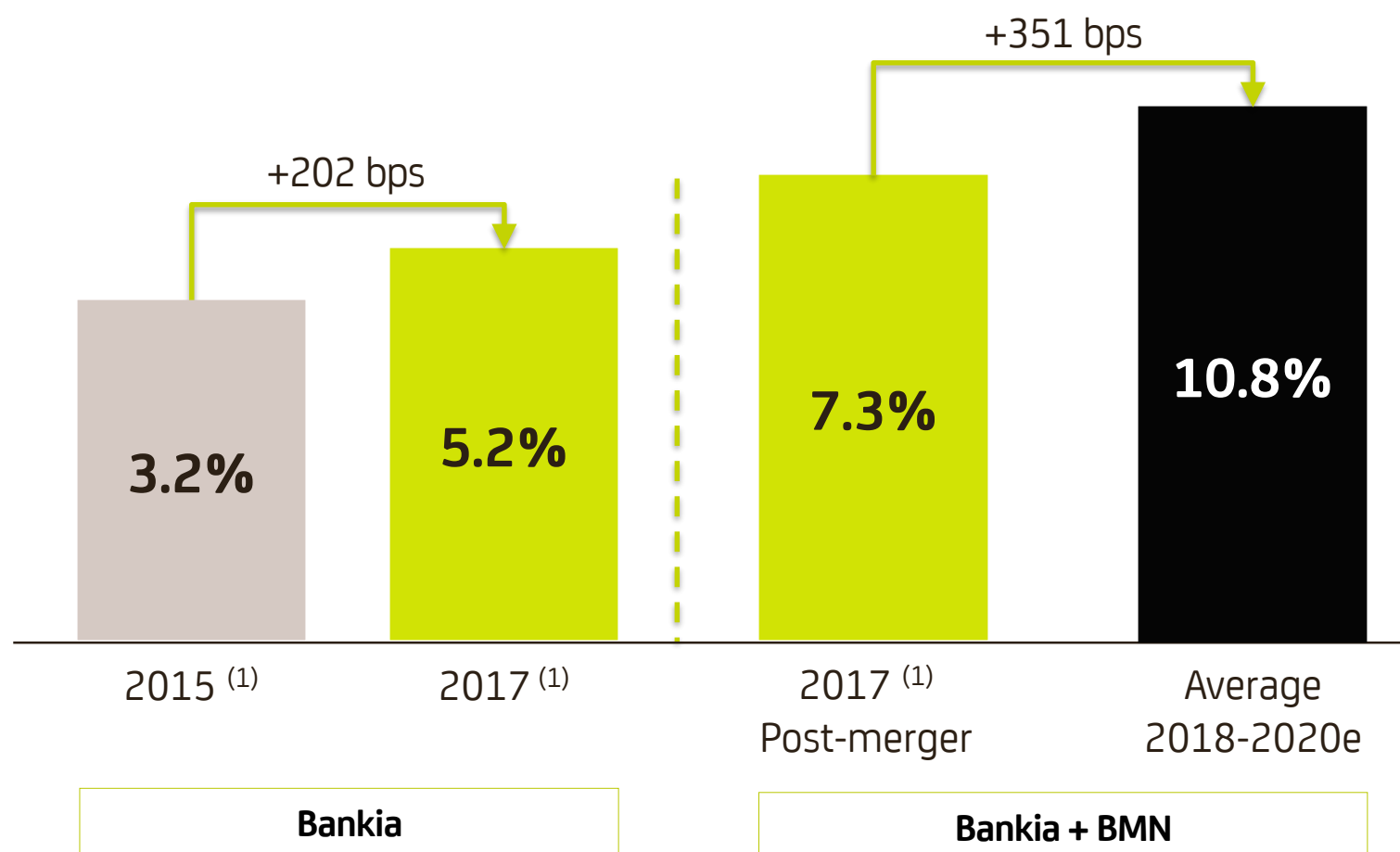
Revenue growth: **NEW LENDING**

A

Mortgages

NEW LOANS

Share of new loans 2018 – 2020



GROWTH LEVERS

- >70% of new loans are attributable to the market performance
- Strong growth of real estate activity in regions where the Group is present⁽²⁾
- “Hipoteca SIN Comisiones” (mortgage without fees)
- Selective approach to the business
- LTV ≤ 65% in new loans

Focus on quality of new loans

Note (1): originations as % of new loans, not including renegotiated loans

Note (2): real estate activity growth measured as home purchase and sale agreements per 100,000 inhabitants

Source: BdE historic and Bankia forecast 2020e

> Main themes of our Strategic Plan

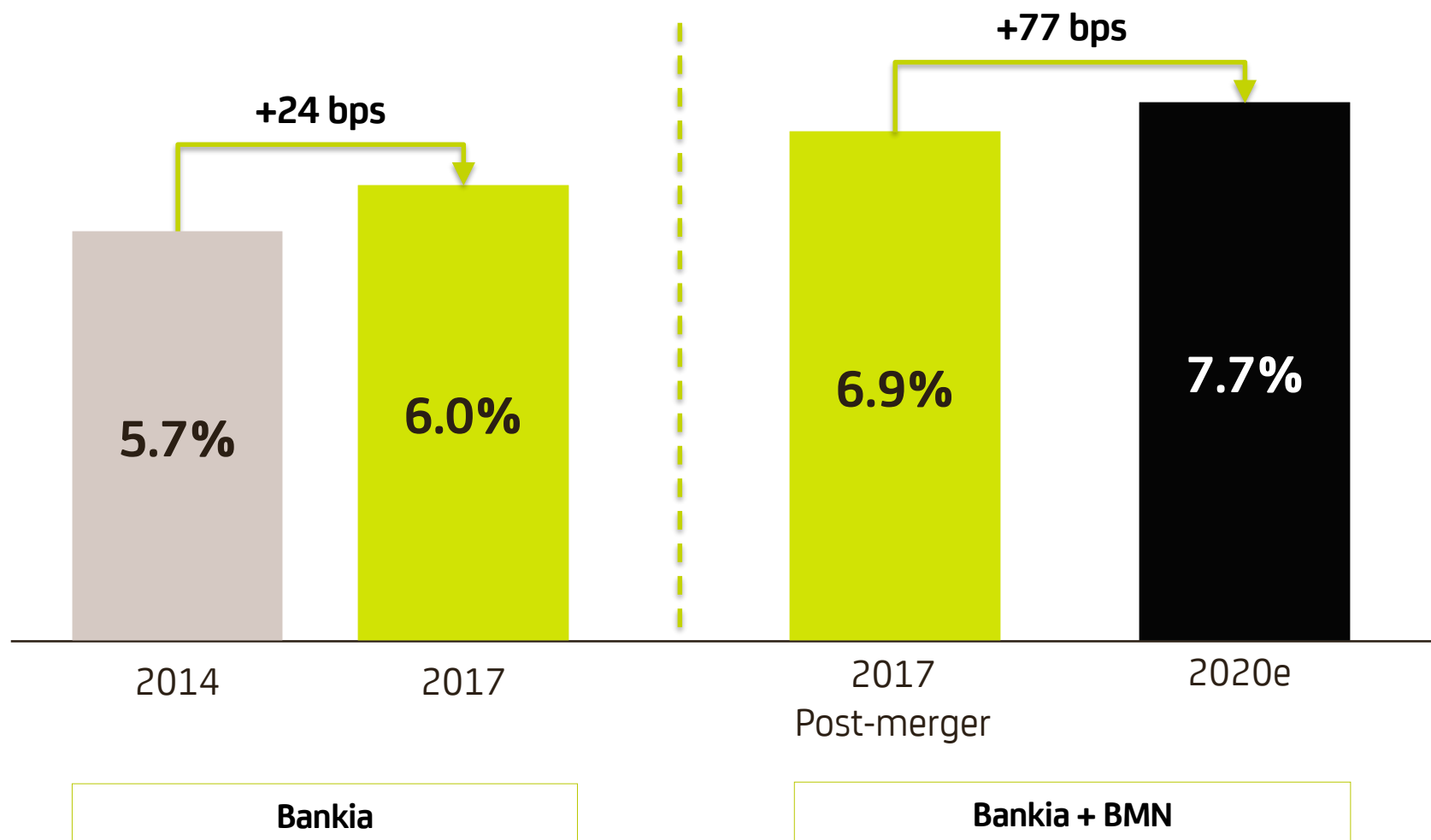
Revenue growth: **NEW LENDING**

A

Businesses

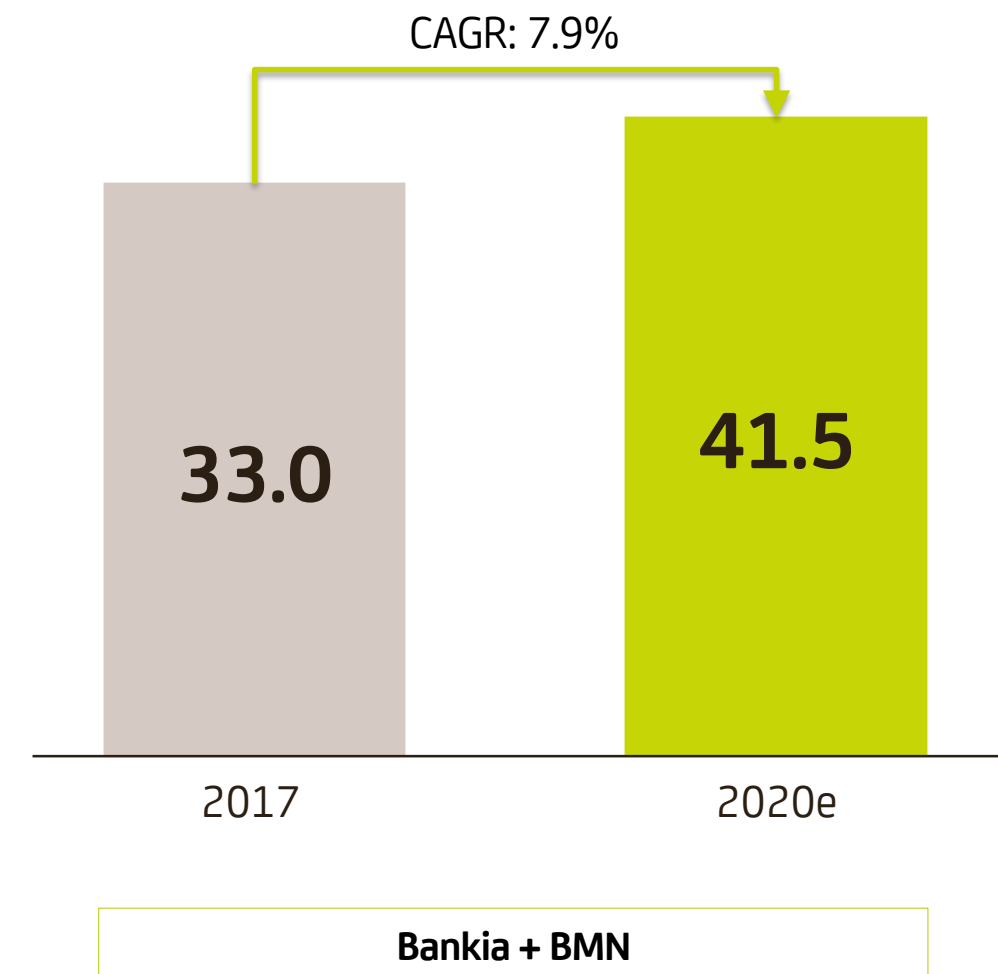
MARKET SHARE FORECASTED PERFORMANCE

Share of outstanding balance – Lending to Businesses



OUTSTANDING BALANCE EX NPLs FORECASTED PERFORMANCE

Closing balances - €bn



Source: BdE historic and Bankia forecast 2020e

Note: balances for the businesses segment including RED

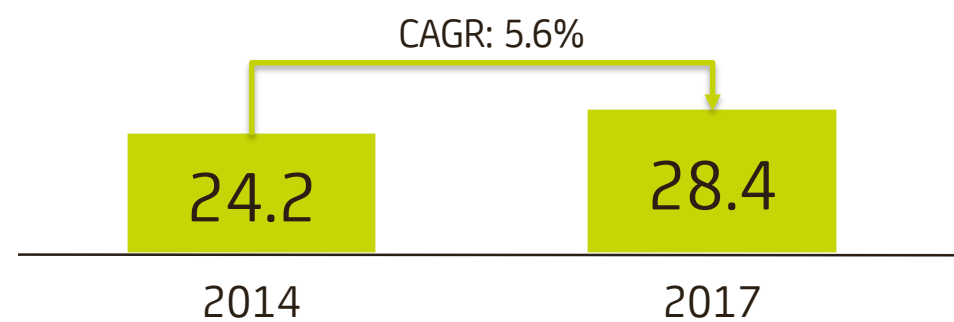
> Main themes of our Strategic Plan

Revenue growth: **NEW LENDING**

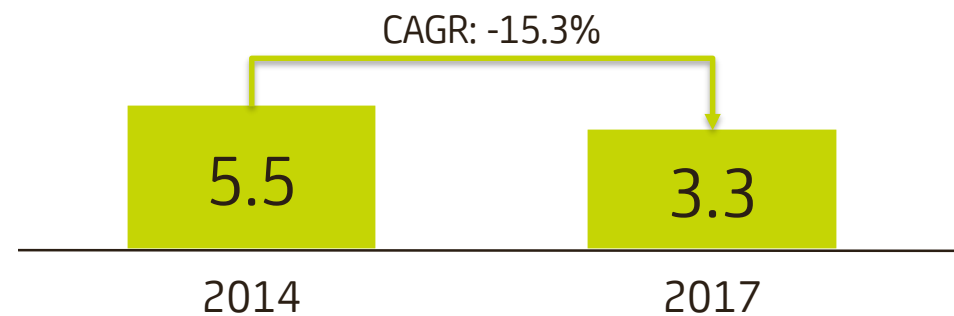
A

Lending to businesses

Core Business ex NPLs



Legacy Business ex NPLs



GROWTH LEVERS

- 85% of new loans are attributable to the market performance
- Businesses model developed in the last few years
 - 24bps gain in the period 2014-17 despite deleveraging in the legacy business
- BMN allows us to grow in new regions
- The return to new products in which the bank has experience will help capture market share

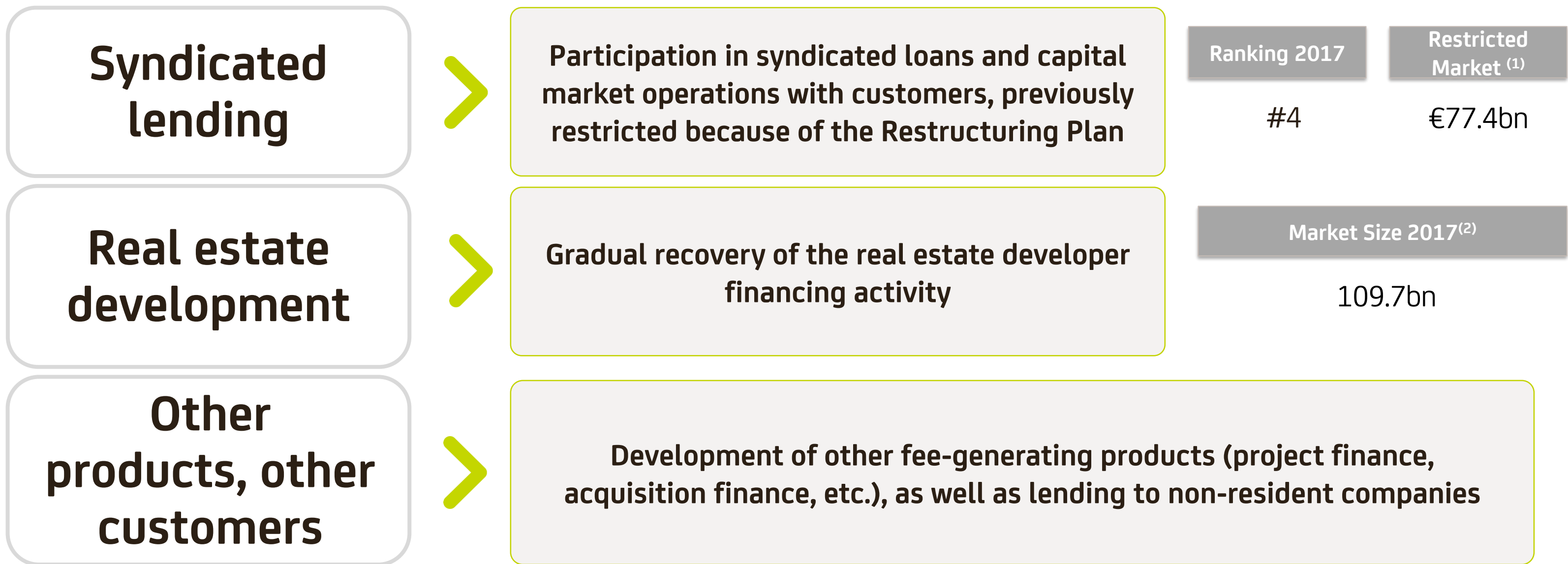
Note: Only Bankia data (does not include BMN)

> Main themes of our Strategic Plan

Revenue growth: **NEW LENDING**

A

Lending to Businesses: Development of new products



Note (1): originations in period 2014 – 2017. Euro bn. The market in which the bank has been unable to operate includes investment grade rated customers, customers who had issued bonds in the last 12 months, who went public or had raised capital on the stock market, financing of transactions outside Spain, project finance (>8 years) and acquisition finance through SPVs

Note (2): market as of September 2017, latest figures available

> Main themes of our Strategic Plan

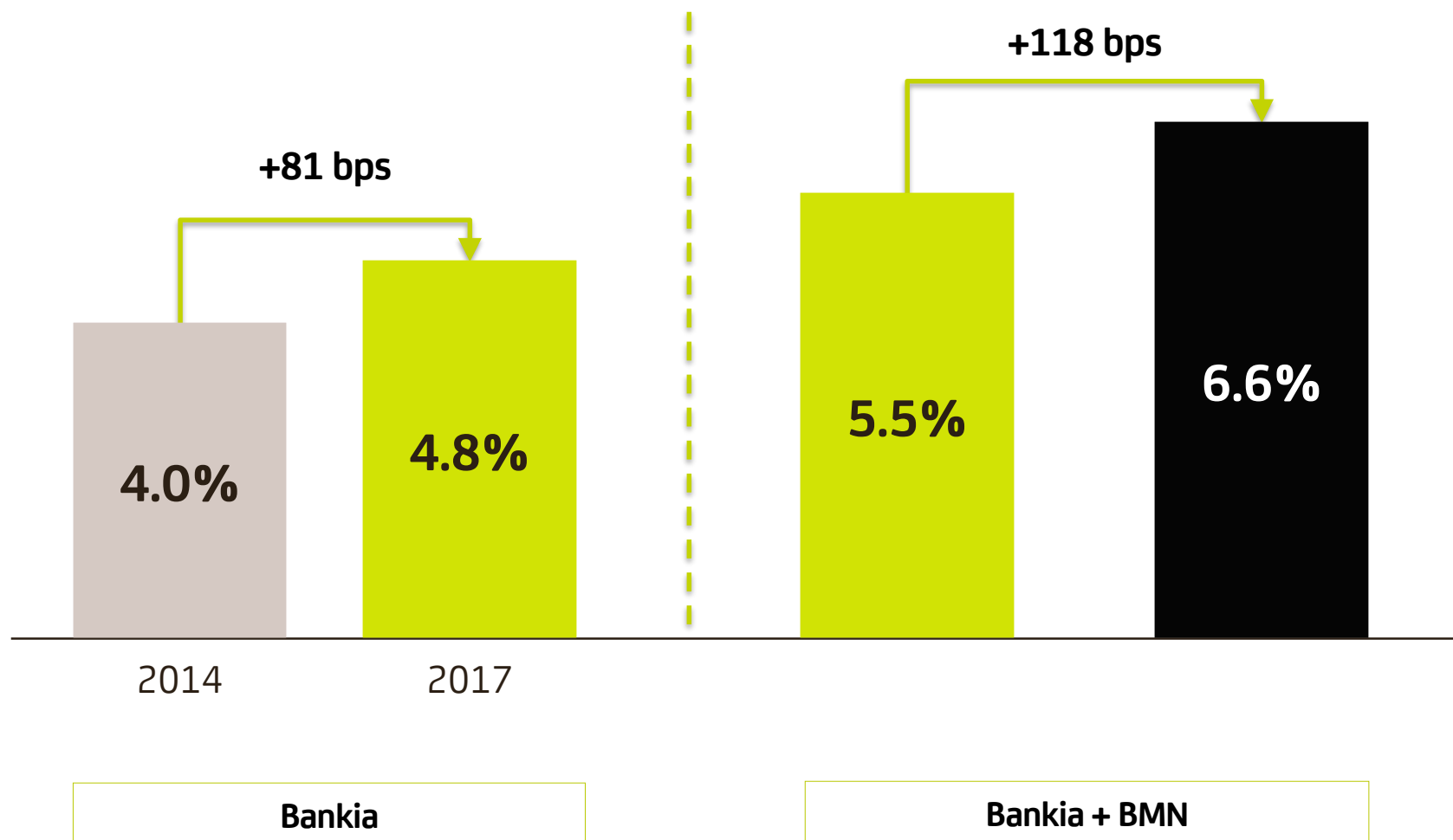
Revenue growth: **NEW LENDING**

A

Consumer loans

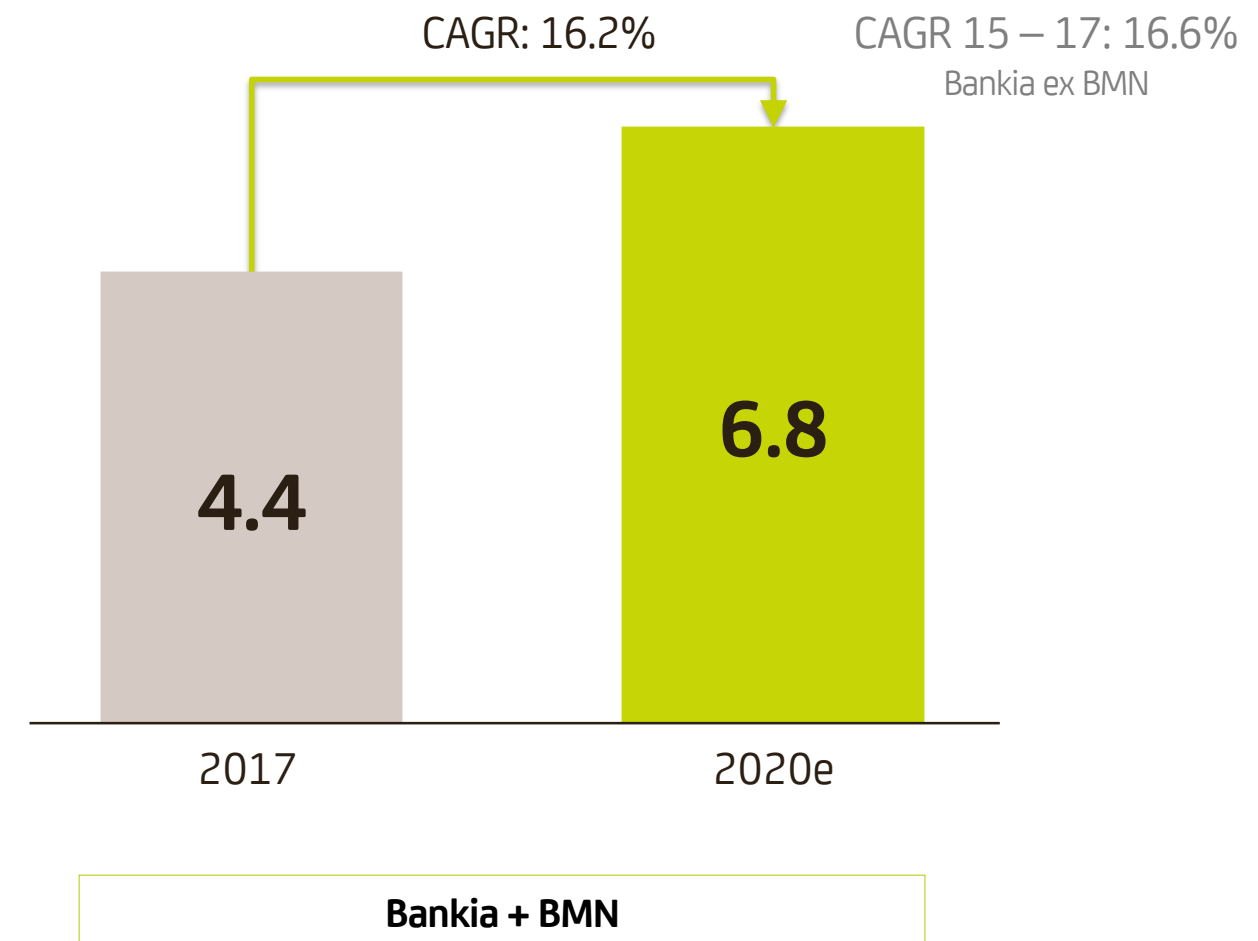
MARKET SHARE FORECASTED PERFORMANCE

Share of outstanding balance – Consumer Loans



OUTSTANDING BALANCE EX NPLs FORECASTED PERFORMANCE

Closing balances - €bn



Source: dE
Source: BdE historic and Bankia forecast 2020e

Note (1): organic performance

› Main themes of our Strategic Plan

Revenue growth: **NEW LENDING**

A

Consumer loans – business levers

New loans

- 75% of estimated new loans are attributable to the market performance

Pre-approved lines

- Pre-approved credit lines (>85% of new loans) tested and with low CoR
- Bankia has 2.5 million of pre-approved credit lines
- BMN contributes 0.5 million customers with direct income deposits

Point of sale

- Study of possible alliances in consumer finance

> Main themes of our Strategic Plan

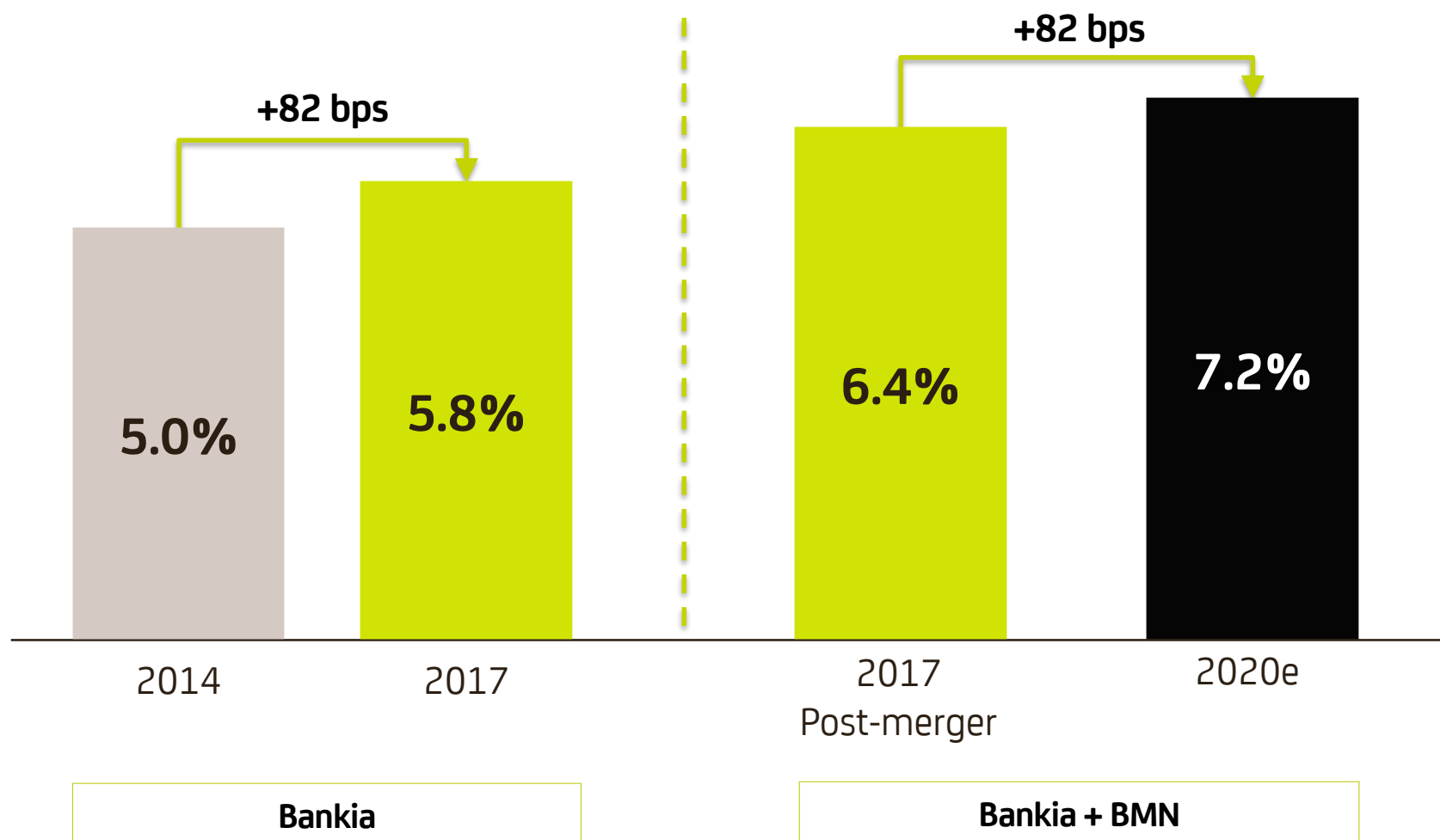
Revenue growth: **FEE AND COMMISSION INCOME**

B

Mutual funds

MARKET SHARE FORECASTED PERFORMANCE

Share of outstanding balance – Mutual Funds



GROWTH LEVERS

- **Goal:** to repeat the increase in market share achieved in the period 2014 - 2017
- **Bankia potential:** disintermediation ratio (11% vs. 15% sector)⁽¹⁾
- **BMN potential:** lower penetration rate (3.9% vs 7.5%)

Note (1): Mutual funds / Customer funds + Mutual funds

Source: Inverco historic and Bankia forecast 2020e

> Main themes of our Strategic Plan

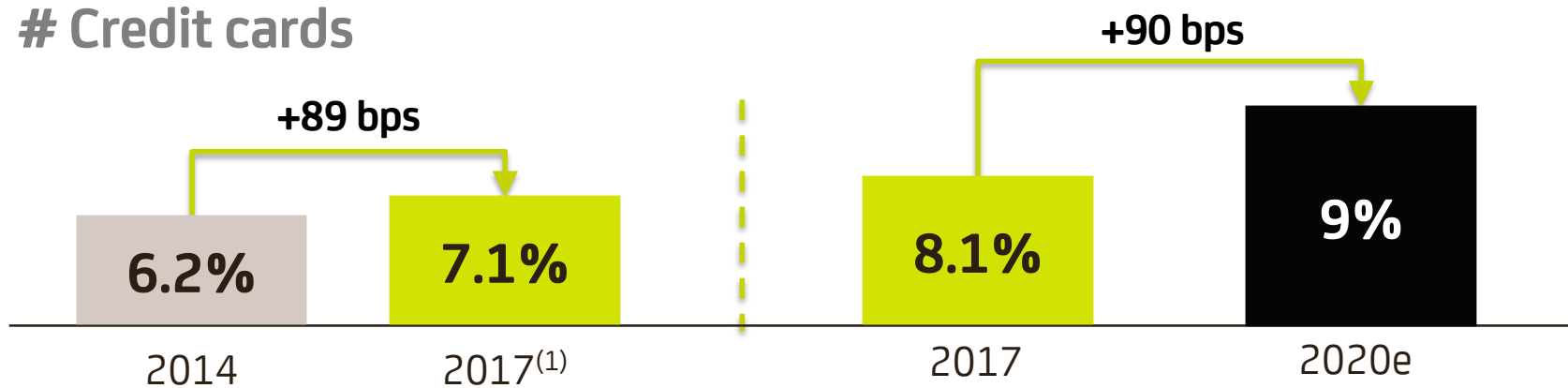
Revenue growth: **FEE AND COMMISSION INCOME**

B

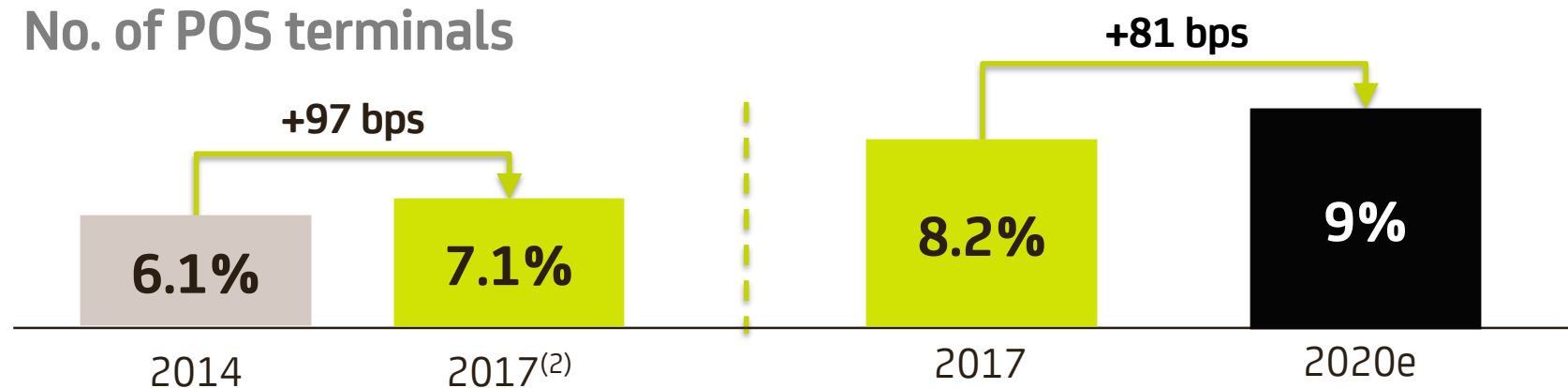
Payment services

MARKET SHARE FORECASTED PERFORMANCE

Credit cards



No. of POS terminals



Bankia

Bankia + BMN

GROWTH LEVERS

- Commercial positioning (Dec17 vs Dec15)
 - Credit cards
 - +490,000 cards (+19.8%)
 - +22.8% in debit and credit cards turnover
 - Point of Sale terminals
 - +19,300 customers (+32.9%)
 - +46.7% in turnover
- BMN customers: (credit card penetration rate in Bankia 30.20% of customers vs. 18.59% in BMN)
- Opportunity to grow in retail establishments in BMN

Source: BdE historic and Bankia forecast 2020e

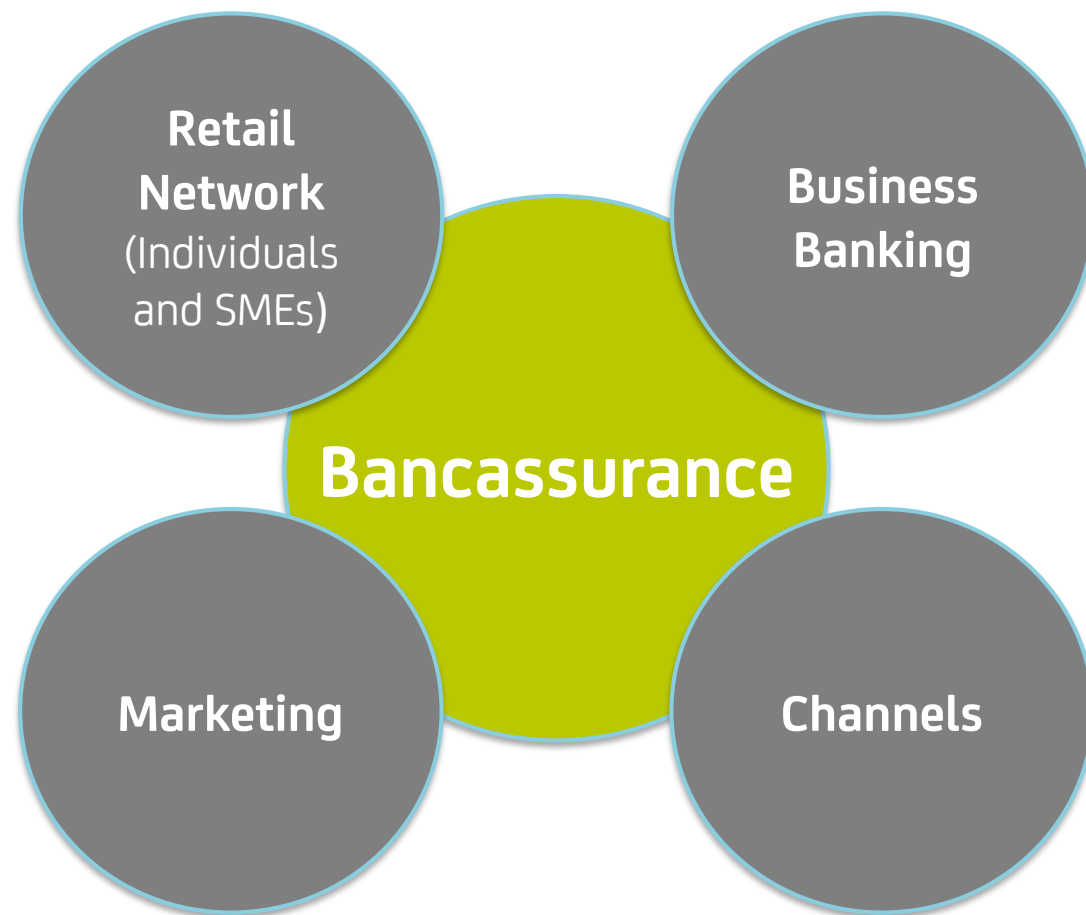
⁽¹⁾ Latest share available: Sep 17 ⁽²⁾ Source: Servired Dec 17

> Main themes of our Strategic Plan

Revenue growth: **FEE AND COMMISSION INCOME**

B

Insurance



GROWTH LEVERS

- Newly created Bancassurance unit supporting the Retail Network and Business Banking
- Specialized teams in Marketing and Channels
- BMN contributes a higher penetration rate (22.3%) than Bankia (17.7%)

➤ Main themes of our Strategic Plan

Four main themes underpinning our Strategic Plan

- 1 Execution of BMN's integration
- 2 Efficiency and cost control
- 3 Revenue growth via increased sale of high value products
- 4 Accelerated reduction of NPAs

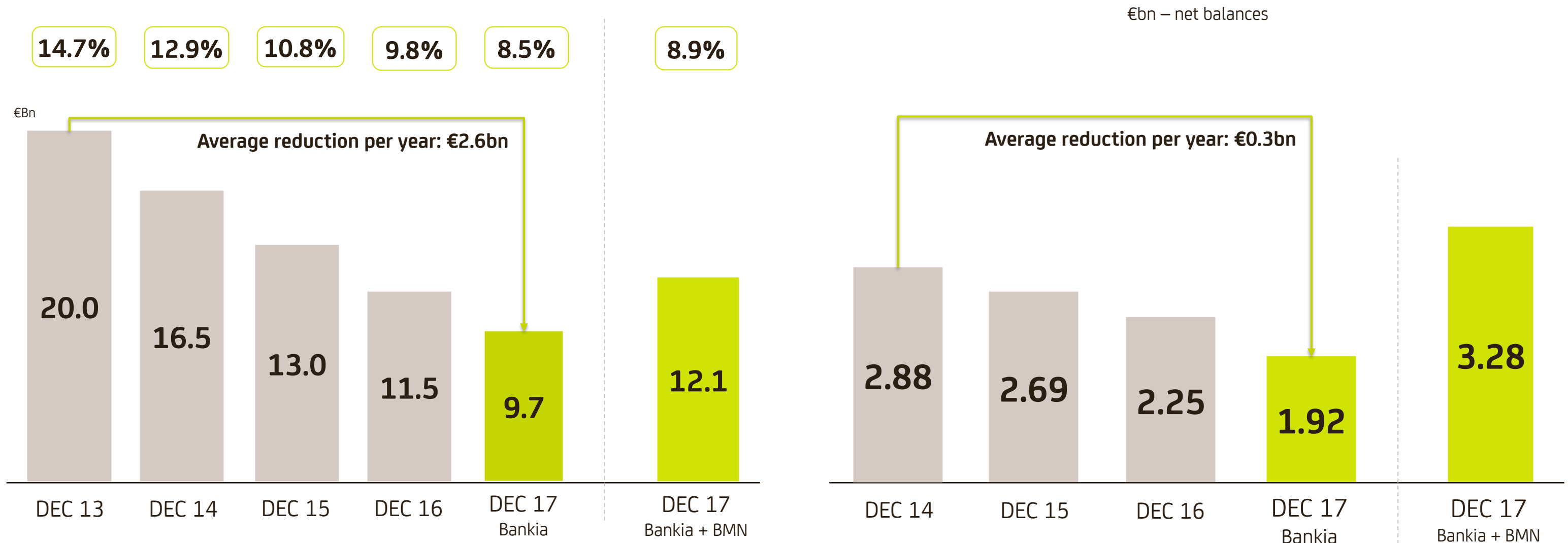
> Main themes of our Strategic Plan

Accelerated reduction of NPAs

We have achieved a major reduction in non-performing loans and foreclosed assets...

NPLS AND NPL RATIO PERFORMANCE

FORECLOSED ASSETS PERFORMANCE



Performance from peak

> Main themes of our Strategic Plan

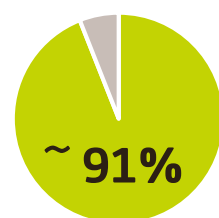
Accelerated reduction of NPAs

...maintaining high coverage levels and limited real estate developer exposure...

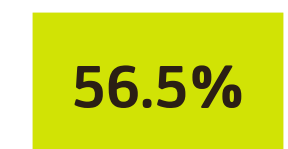
MIX AND COVERAGE, NON-PERFORMING LOANS

TOTAL COVERAGE BANKIA NPLs: 56.5%⁽¹⁾

NPLs EX R.E. DEVELOPERS AS % OF NPLs

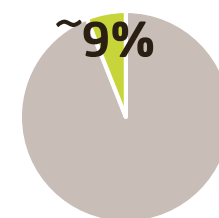


NPL COVERAGE EX R.E. DEVELOPERS

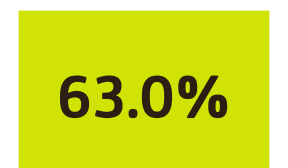


Bankia + BMN
Dec 17

R.E. DEVELOPER NPLs AS % OF NPLs



NPL COVERAGE, R.E. DEVELOPERS

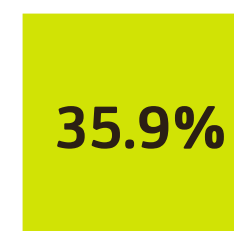


Bankia + BMN
Dec 17

BANKIA + BMN
Dec 17

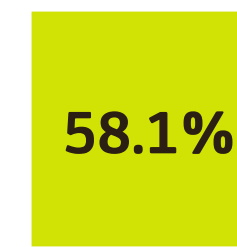
FORECLOSED ASSETS COVERAGE

COVERAGE SINCE FORECLOSURE



Bankia + BMN
Dec 17

COVERAGE SINCE LOAN ORIGINATION



Bankia + BMN
Dec 17

	% of total	Coverage since origination
	Bankia + BMN	Bankia + BMN
Finished homes	67.7%	58.8%
Land	6.0%	67.6%
Rest of foreclosed assets	26.2%	52.8%

Bankia + BMN data at Dec 17

(1) Coverage ratio including provisions for IFRS 9. If IFRS 9 provisions were excluded, the ratio would be 50.8%

> Main themes of our Strategic Plan

Accelerated reduction of NPAs

...trends that we maintain in our Strategic Plan...

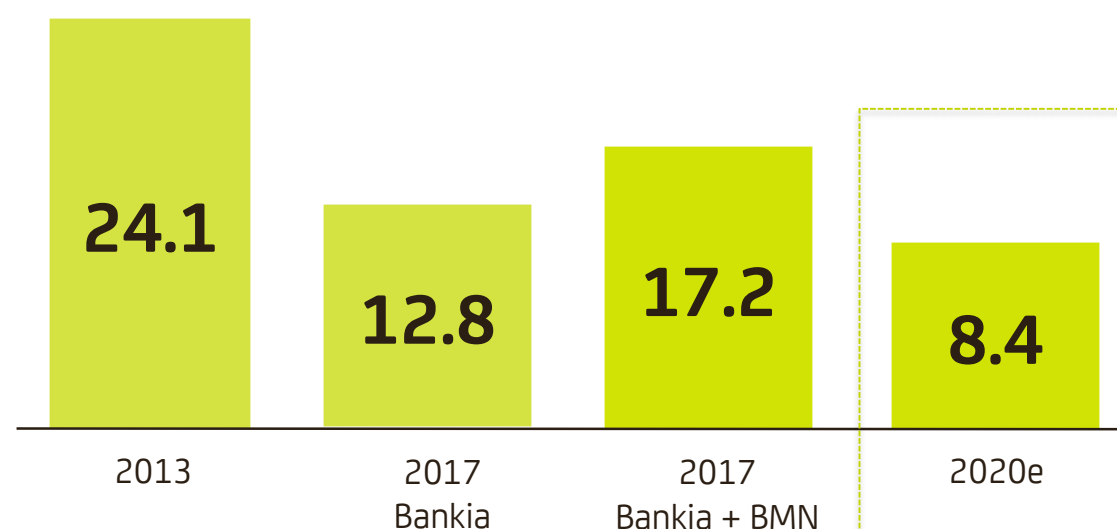
Rise in home prices

Employment recovery

PERFORMANCE

NON-PERFORMING ASSETS

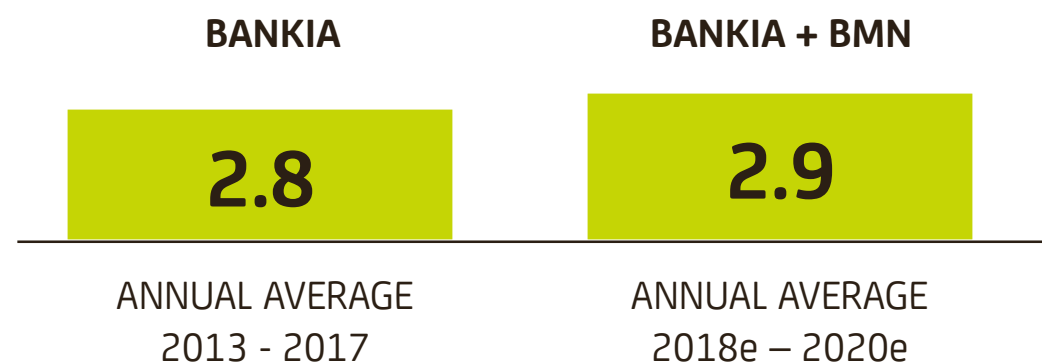
€bn – gross amounts



RATE OF REDUCTION

NON-PERFORMING ASSETS

€bn – gross amounts



Note: 2013, peak NPAs

NPA ratio ⁽¹⁾

2017 2020e

12.5% <6.0%

NPA ratio net

6.1% <3.0%

NPL ratio

8.9% <4.0%

NPL coverage ⁽²⁾

56.5% ~56%

Cost of Risk ⁽³⁾

24 bps 24 bps

(1) NPA ratio gross: Gross NPAs + Gross Foreclosed Assets / Total Risks + Gross Foreclosed Assets

NPA ratio net: Net NPAs + Net Foreclosed Assets / Total Risks + Gross Foreclosed Assets

(2) Coverage ratio including IFRS 9 provisions. If IFRS 9 provisions were excluded, the ratio would be 50.8%

(3) 2017 data for Bankia not including BMN

> Main themes of our Strategic Plan

Summary of targets

Increase in sustainable profitability

	2017⁽¹⁾	2020e	
Efficiency Ratio	51.2%	<47%	
Cost-to-income Ratio ex NTI	58.5%	<48%	
Cost of Risk	24 bps	24 bps	
ROE (2020 adjusted to CET1 FL of 12%)	6.7%	10.8%	
ROTE (2020 adjusted to CET1 FL of 12%)	6.8%	11.0%	
Net Profit	€0.8bn	€1.3bn	> +62%
Earnings per share	€0.26/share	€0.43/share	> +62%

(1) Data for Bankia without BMN as of 31 December

3

STRATEGIC PLAN 2018-2020
FINANCIAL BREAKDOWN

> Financial breakdown

Main assumptions of the Financial Plan

Scenario 2018-2020

Yield curve

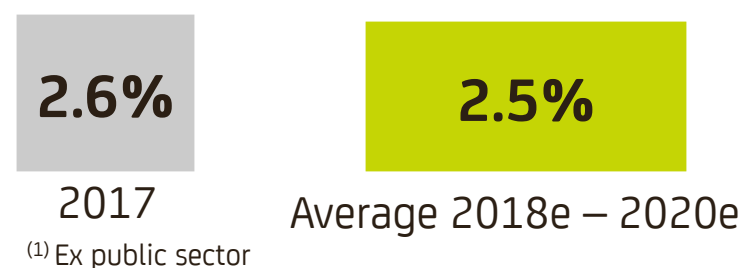
The plan **assumptions** are **based** on the **forward curve of 26 January 2018**:

	2018	2019	2020
Eur 3m	-0.30%	-0.01%	0.44%
Eur 1 year	-0.05%	0.29%	0.73%
IRR 1yr Spain	-0.28%	0.11%	0.58%

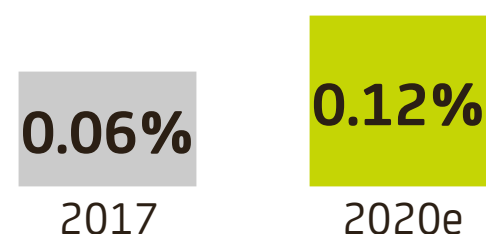
Average rates for the period. Source: Bloomberg

Spreads

- Average spread on new lending ⁽¹⁾:



- Average rate on new retail deposits:



- The Plan includes wholesale debt issues that allow to reach an MREL ratio of 20% by 2020

Volumes

LOANS AND RECEIVABLES EX NPLS PERFORMANCE (€BN)

CAGR 2017 – 2020e

Total portfolio: +1.7%
 Housing : -2.2%
 Businesses: 7.9%
 Consumer finance 16.2%

- **New lending:**
 - **82%** of new loans attributable to **market** performance
 - **18%** due to **market share** gain

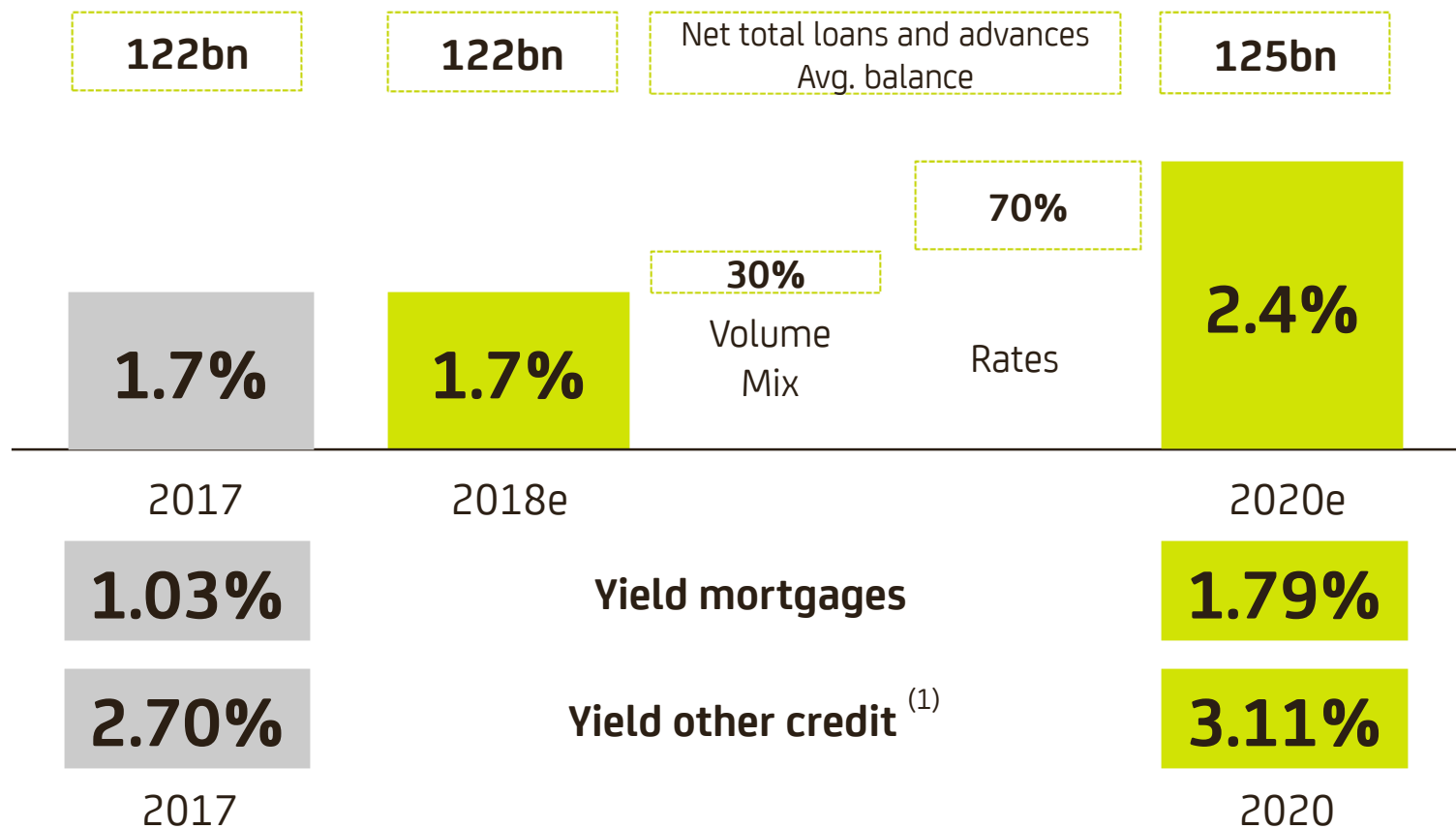
> Financial breakdown

Interest Margin

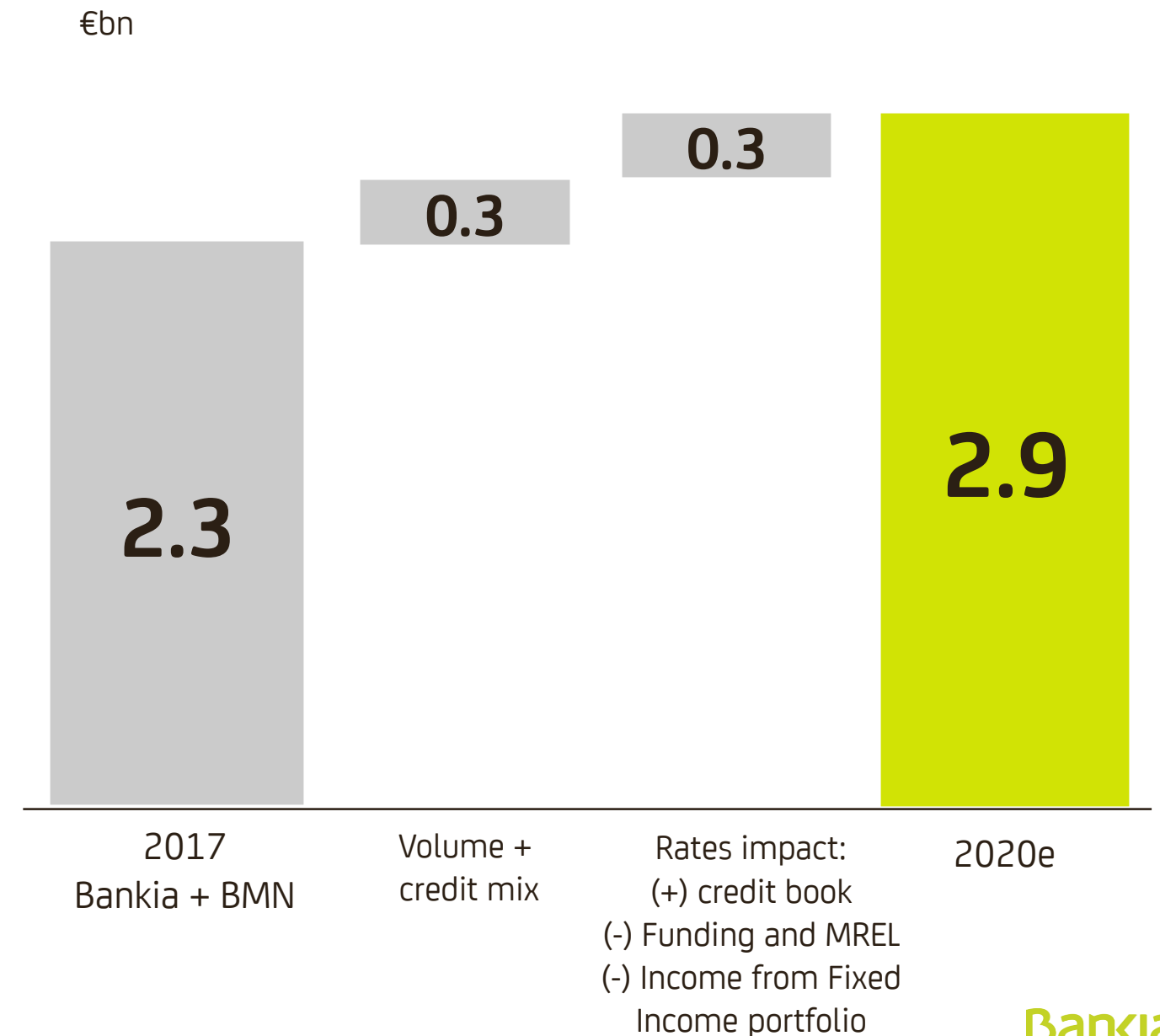
Positive performance of interest margin due to rise in interest rates and mix improvement

CREDIT YIELD

- 87% of the book varies with euribor
- Change in mix:** weight of Businesses and Consumer Finance over total credit book changes from **32%** in 2017 to **40%** in 2020



INTEREST MARGIN



⁽¹⁾ Consumer Finance, Businesses and other

> Financial breakdown

Fee and commission income

One single franchise and commercial management boosts fee and commission income

FEE AND COMMISSION INCOME

~ €0.2bn

Fee and commission
income growth

2020e vs 2017

~ 7% CAGR

2018e – 2020e

GROWTH DRIVERS

- > Lending products: performance linked to new lending
- > Saving products: increased disintermediation towards mutual funds and pension funds
- > Payment Services: increased penetration in cards and point of sale terminals
- > Insurance: new bancassurance unit with specialized teams

> Financial breakdown

Gross income and loan portfolio composition

Net interest income and fee and commission income as the main components of gross income

LOAN PORTFOLIO EX NPLs

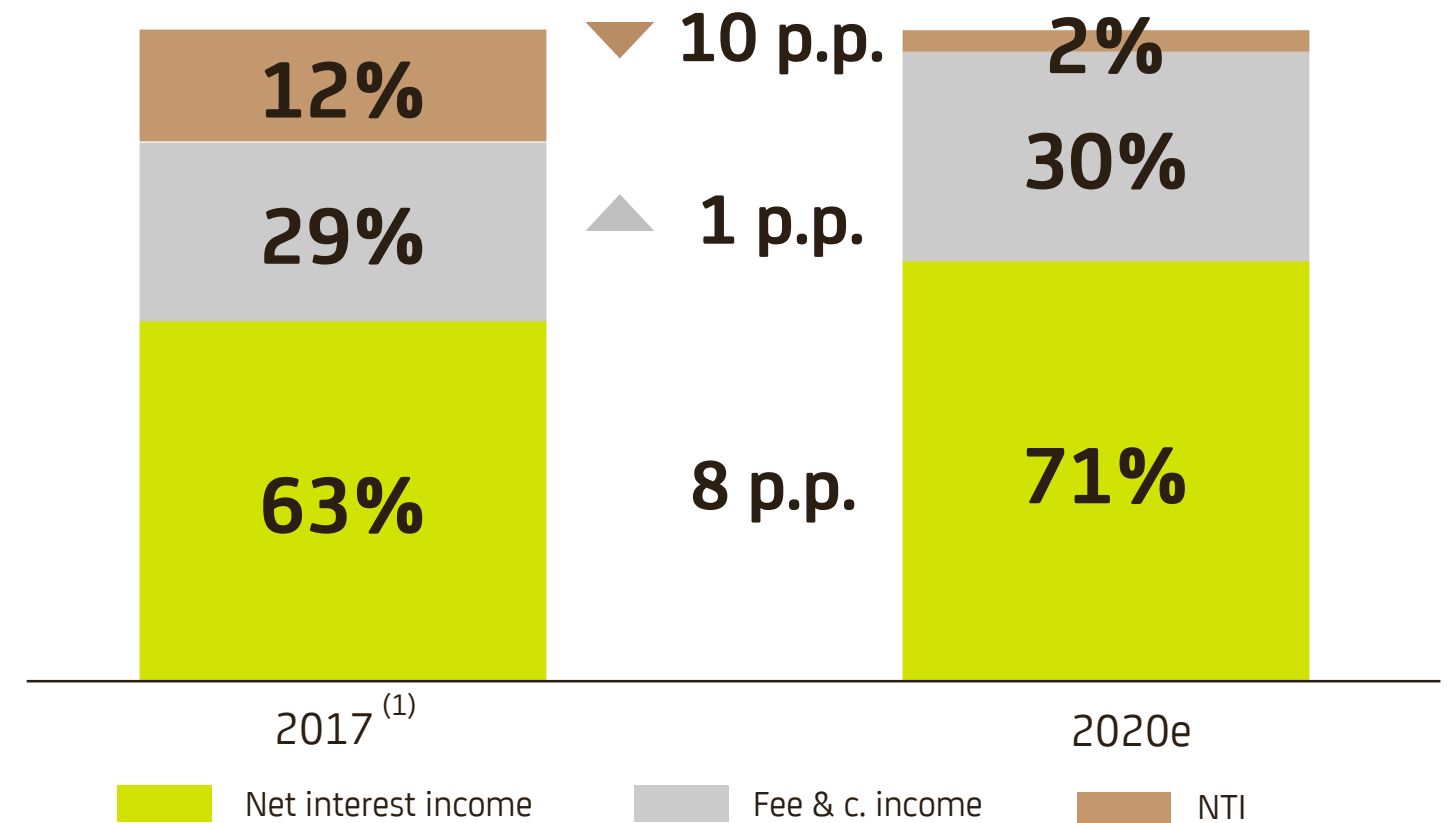
Credit portfolio by segment

	2017	2020e
Mortgages	61%	54%
Businesses	28%	34%
Consumer finance	4%	6%
Other*	7%	7%

*Public Sector and others

COMPOSITION OF GROSS INCOME

Net interest income, Fee and commission income and Net trading income as % of Gross income

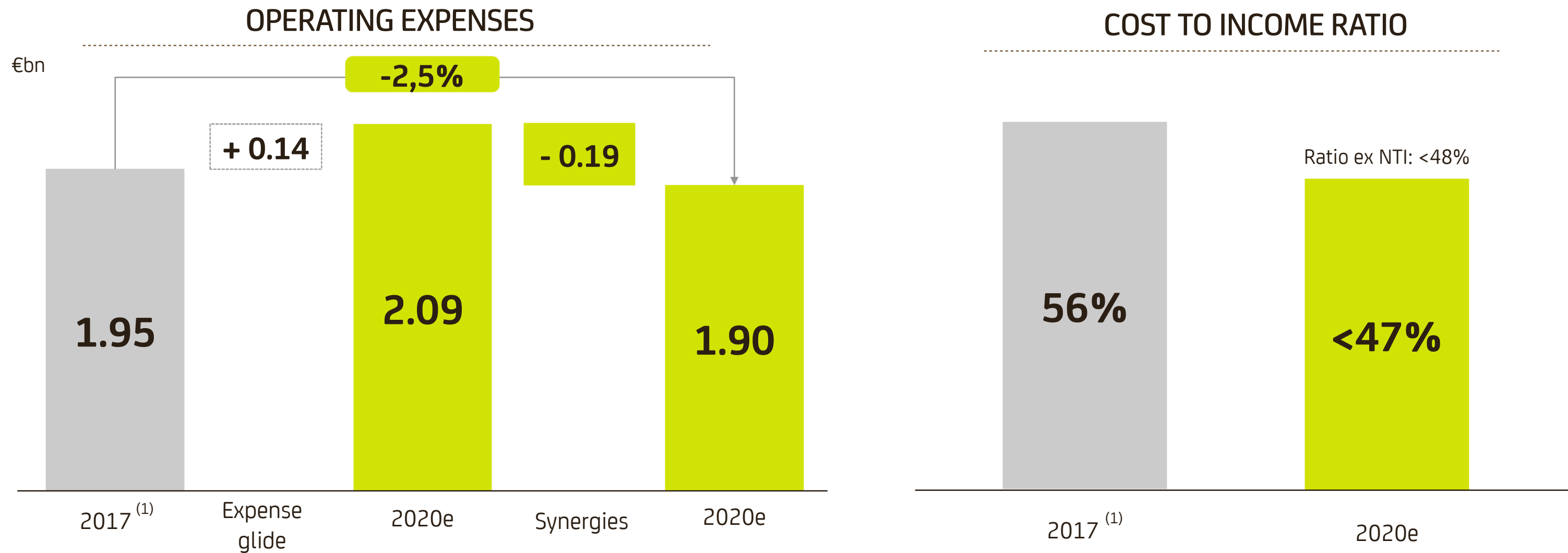


(1) Bankia + BMN full year data

> Financial breakdown

Operating expenses

Strict cost control discipline improving our efficiency level



Restructuring expenses already provisioned

> Financial breakdown

Cost of risk

Cost of risk close to current levels (24 bps)

Capacity to mitigate impact of new loans (businesses and consumer finance) on CoR

Well provisioned balance sheet

- Initial high coverage levels:
 - NPLs: ~56%
 - Foreclosed assets: 58.1%
- RED balance (1.1% of total portfolio)
- Reduced exposure to land
- Rating improvements at Businesses conforming the credit stock

Reduction of NPAs

- €8.8bn reduction in NPAs expected in 2018 – 2020e (51% of 2017 closing stock)
- Track record in NPLs sales: €4.2bn of sales in 2014-2017 without impact on P&L

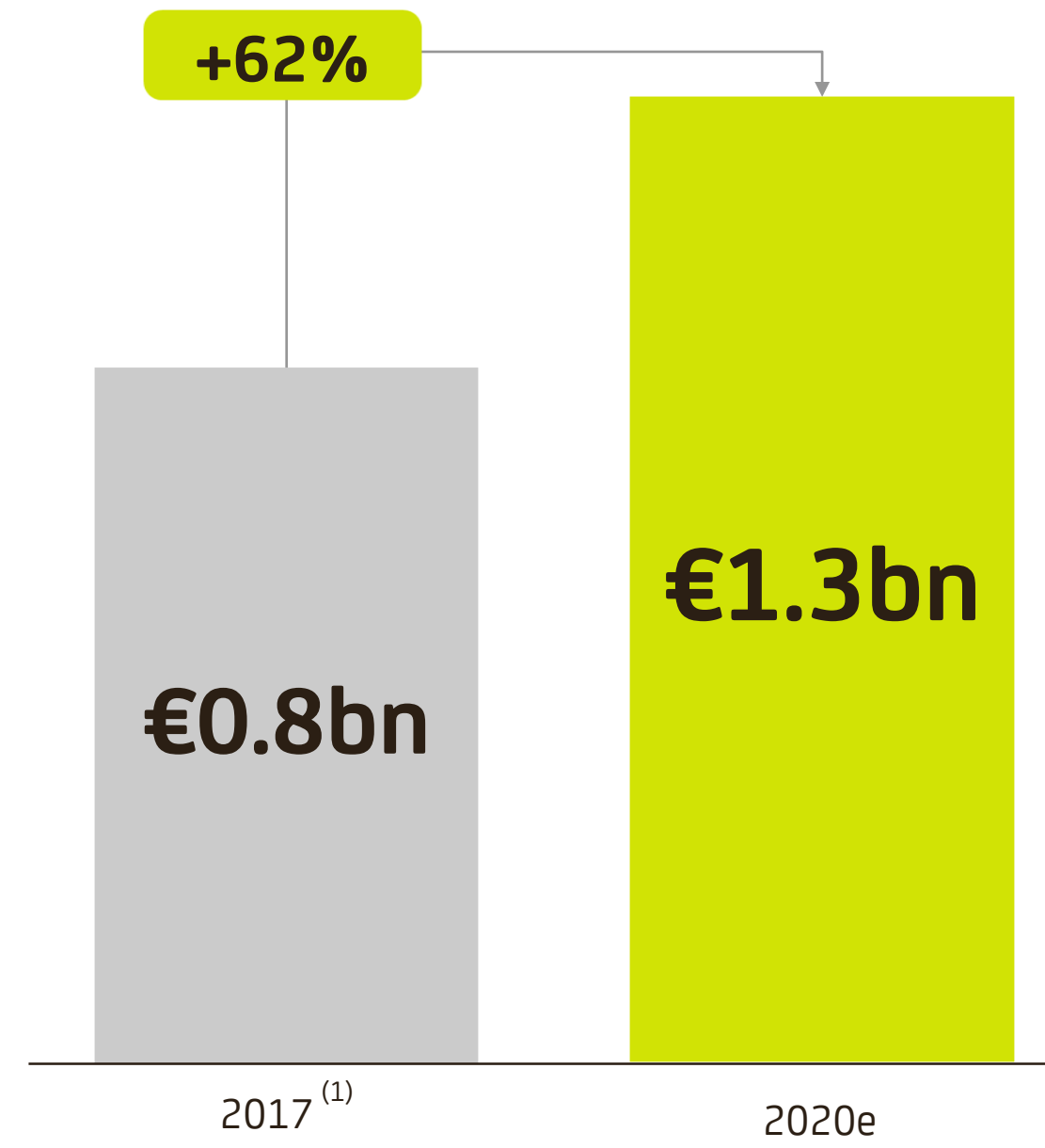
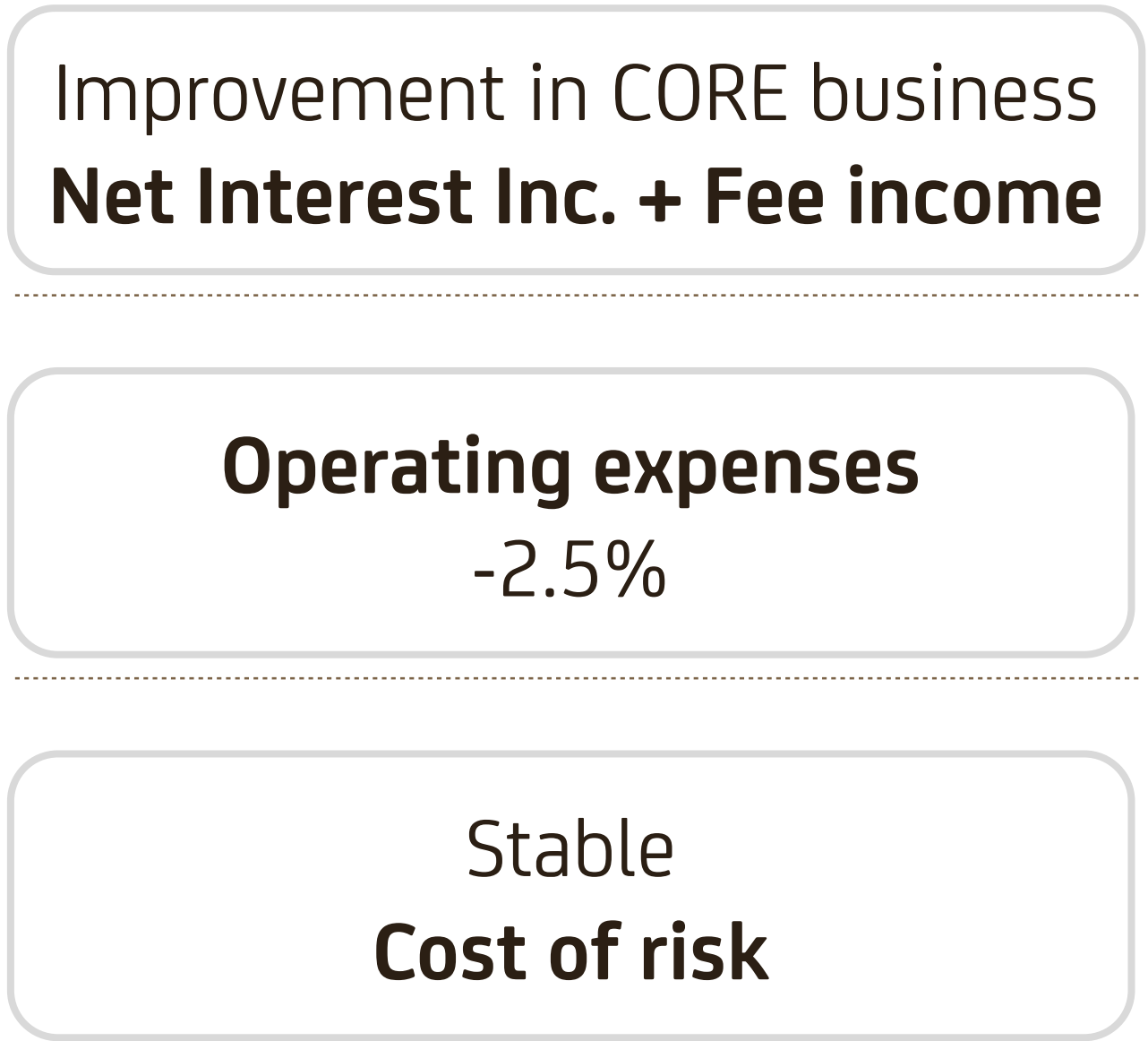
Limited impact of IFRS 9

- IFRS 9 impact in 1Q 2018
- Reduction of refinanced loans “on watch” >€300mn in 2H17

> Financial breakdown

Profitability

Increase in profit: CORE business improvement and cost control due to cost of risk

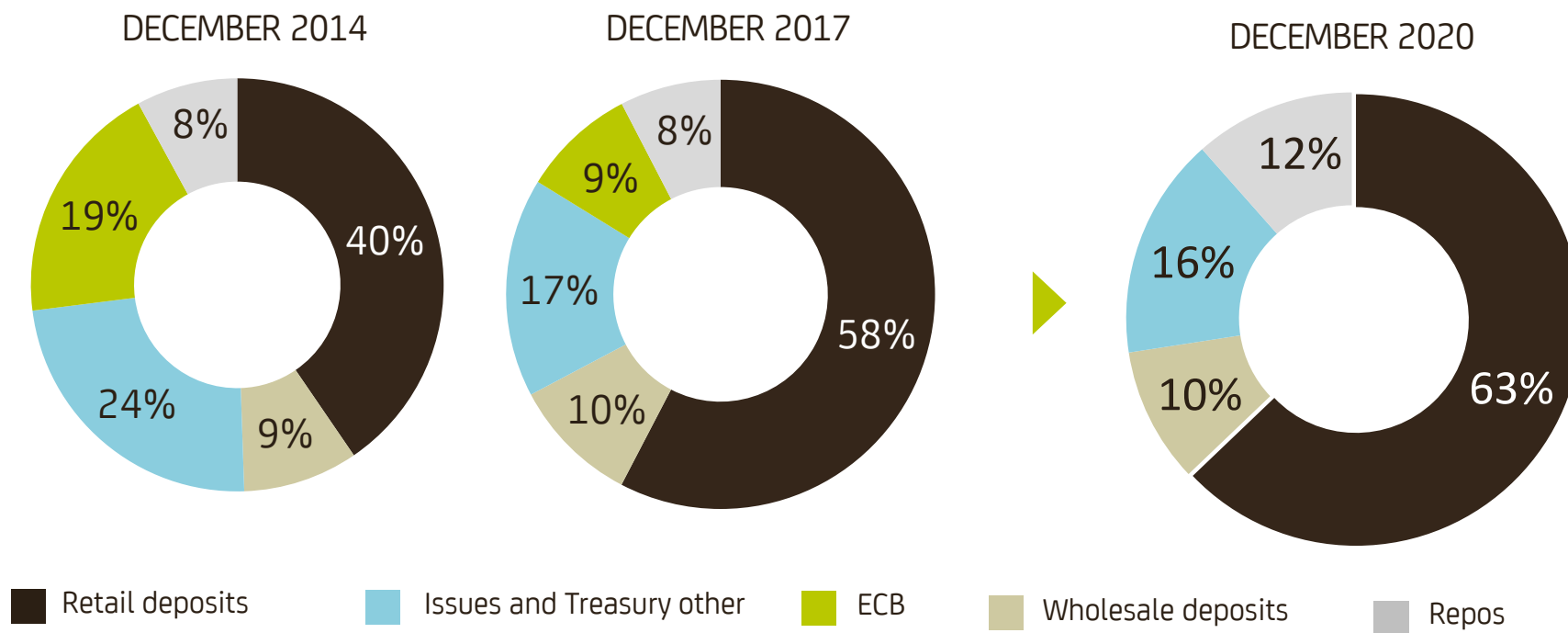


> Financial breakdown

Funding and liquidity

Solid liquidity position

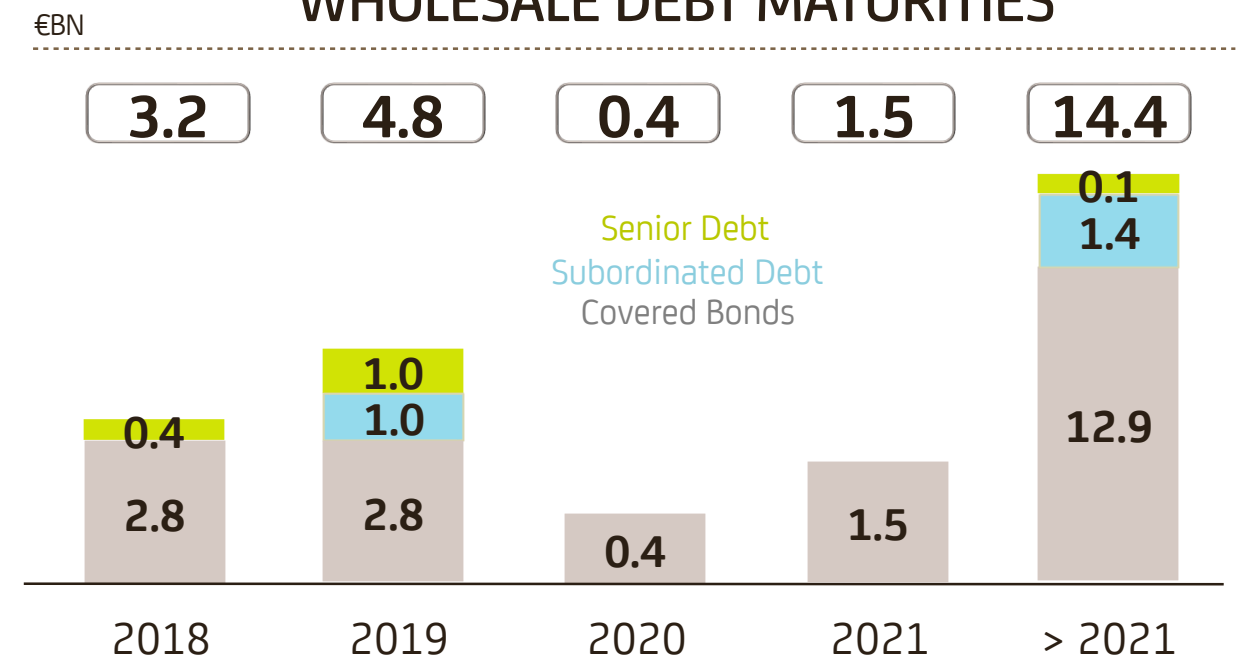
FUNDING STRUCTURE



MAIN TARGETS



WHOLESALE DEBT MATURITIES



RATINGS

S&P Global Ratings

BBB-

Positive outlook

FitchRatings

BBB-

Positive outlook



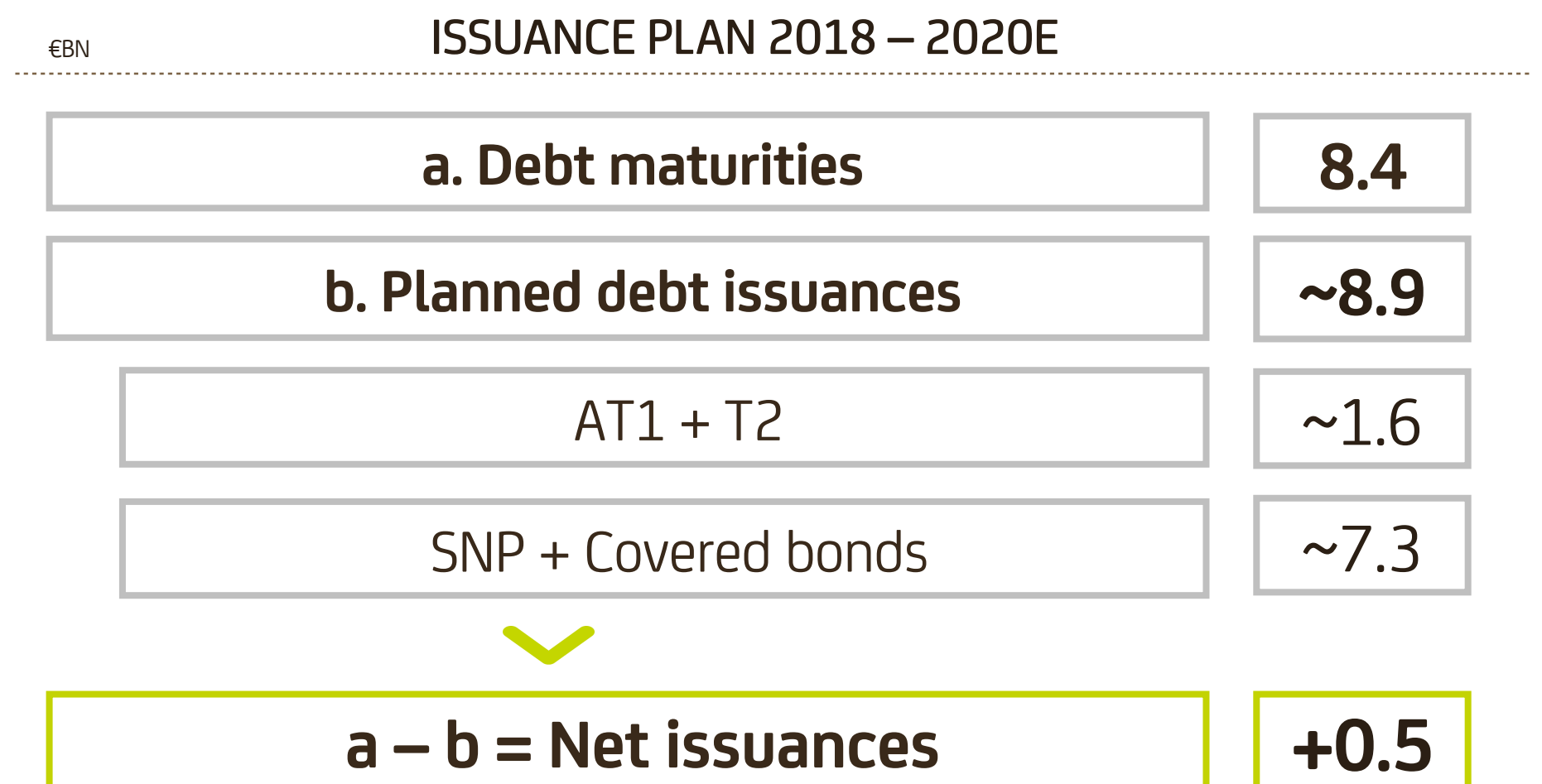
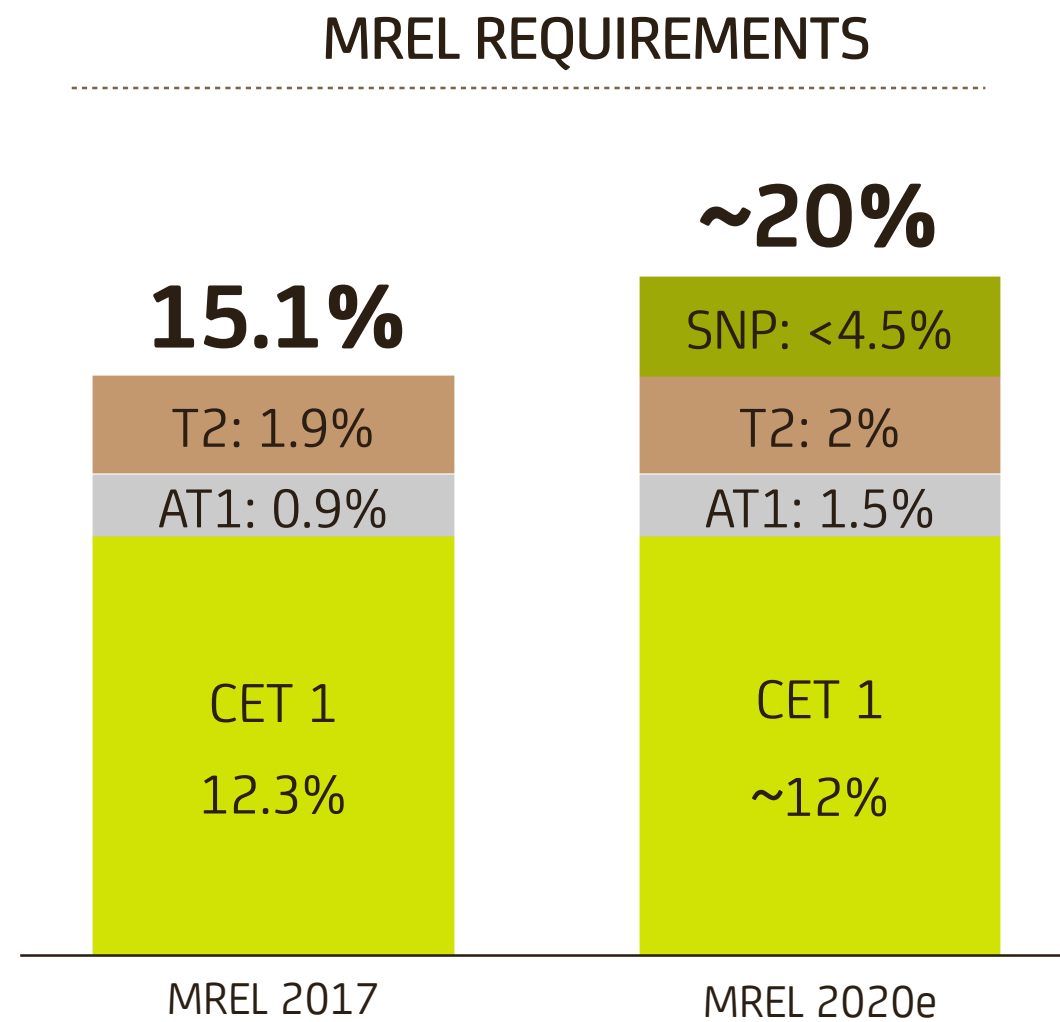
BBB (HIGH)

Stable outlook

> Financial breakdown

Capital - MREL

Issuance plan focused on compliance with MREL requirements by 2020



> The cost of issuing an additional 1.0% of “Senior Non-Preferred” debt is estimated at €1.7mn per year

> Financial breakdown

Capital – Risk-weighted assets

RWAs will contribute positively to capital generation

Impact from regulatory reforms

- **TRIM:** Review of mortgage and businesses models
- **EBA Guidelines:** Harmonization of PD and LGD calculations in internal models
Homogeneous risk parameters associated with default
Discount rate in LGD estimation
- **Basel IV:** Limited impact (current consumption under IRB similar to Standardized Approach)

2018 - 2022

Levers for improvement

- Transition from Approval Model to **Mortgage Portfolio Behavioral Model**
- Current IRB models and projected roll-out do not exceed Basel IV “floor” standard
- BMN portfolio (17.6% of total RWAs) is **under Standardized Approach**
- Impact of TRIM and EBA Guidelines mitigated through **Margin of Conservatism**

2018 - 2020

IRB models current density

Businesses

Bankia

50.51%

Peers ⁽¹⁾

51.29%

Mortgages

Bankia

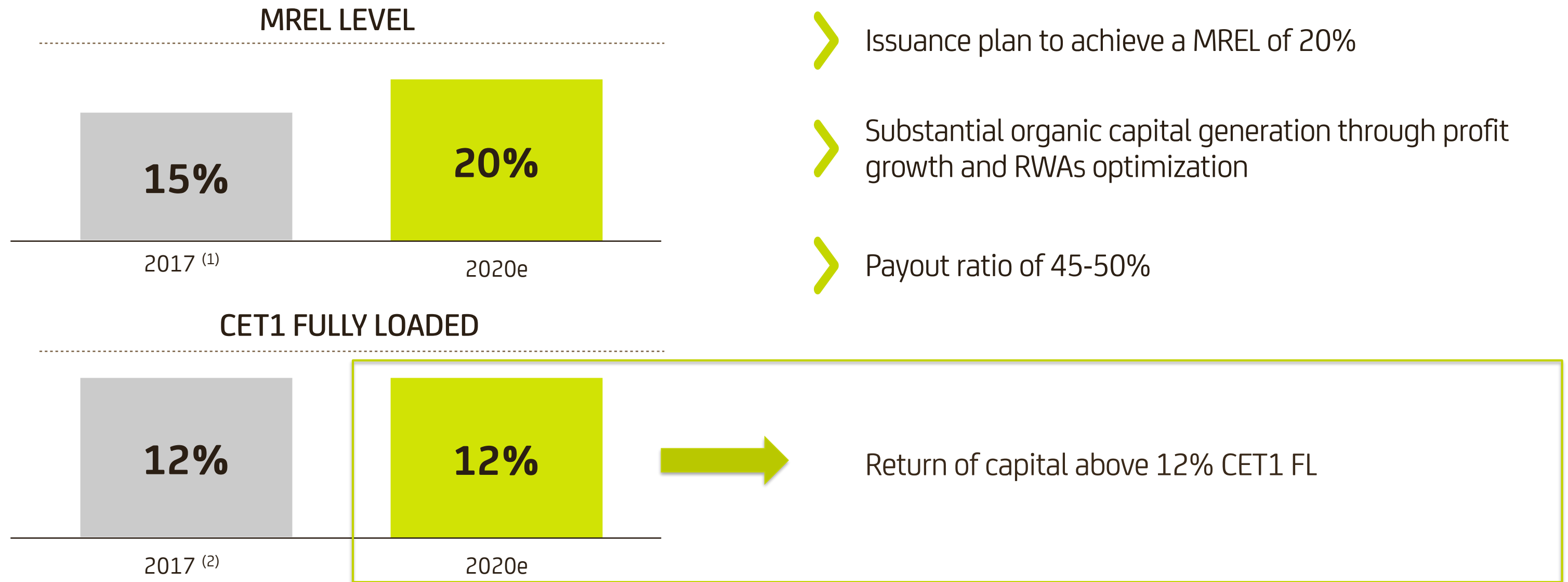
31.70%

Peers ⁽¹⁾

15.71%

> Financial breakdown
Capital

High organic capital generation

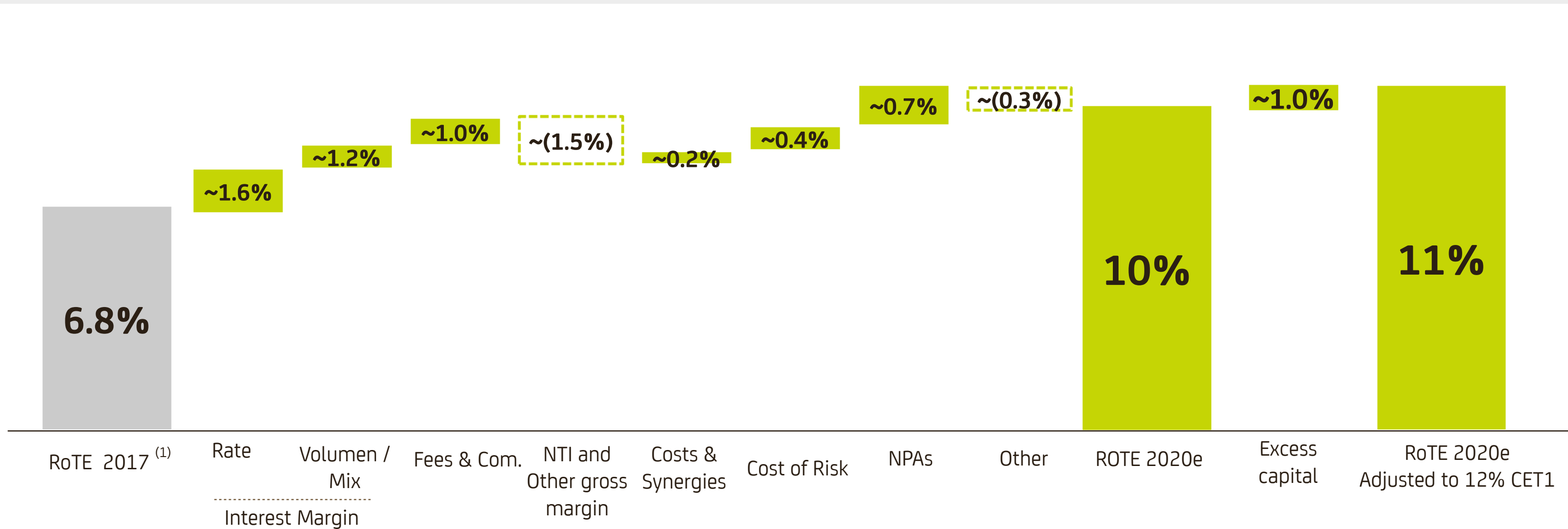


(1): Ratio without sovereign gains and including the impact of IFRS 9 (ratio with sovereign gains 14.46%)

> Financial breakdown

Profitability

Main levers for ROTE growth



⁽¹⁾ Data Bankia + BMN
 Adjusted ROTE to 12% CET 1
 Levers net of taxes, assuming tax rate of ~27%

> Financial breakdown
Summary of targets

2020 Targets

		2020e	2020e <small>with forward curve to 2021 ⁽¹⁾</small>
Profitability	PBT	€1.3bn	€1.5bn
	EPS	€0.43	€0.51
	ROE <small>adjusted to CET1 FL of 12%</small>	10.8%	12.2%
	ROTE <small>adjusted to CET1 FL of 12%</small>	11.0%	12.5%
	Cash dividend Pay Out	45 - 50%	
Efficiency	Efficiency Ratio	<47%	
Asset quality and Solvency	NPA ratio / CoR	<6% / 24 bps	
	CET 1 FL	12%	
Return of capital > €2,500mn ⁽²⁾			

(1) 2020 metrics with 2021 forward curve rates

(2) Includes cash pay out and return of capital above 12% CET1 FL

4

CONCLUSIONS

> Conclusions

1

We have successfully ended our Restructuring Plan...
... fulfilling the targets set in 2012

2

We have an excellent starting point...
... to initiate a **Growth** stage

3

We count on a well defined **Strategic Plan**...
... and with a **proven execution capacity**

> Conclusions

2020 Targets: To be the best bank in Spain

		2020E
Profitability	PBT	~ €1,3bn
	ROTE ⁽¹⁾	>11%
Efficiency	Efficiency Ratio	<47%
Solvency	Solvency _{CET1 FL}	12%

With an expected total remuneration to our shareholders > €2,500mn ⁽²⁾

(1) Adjusted to 12% CET1 FL

(2) Includes cash pay out and return of capital above 12% CET1 FL

ANNEX

> Strategic Plan
Franchise

What's Bankia today?

Posición de liderazgo en España en las regiones más dinámicas

€214bn total assets

€129bn gross credit

€130bn deposits

Bankia + BMN market share by Deposits 4T17¹



#4
Bank by
assets

#4
Bank by loans

#4
Bank by
customers
deposits

> Recognition from Society
Contribution to society

We are engaged with society

“Red Solidaria” Project	>	252 projects and y 167,000 beneficiaries
Microcredits	>	First Spanish micro-finance institution with European structure
Volunteering	>	584 volunteers with a focus on Financial Education
Engaged with local development	>	Supporting 341 local NGO
Boost to employment/employability	>	Close to 5,000 beneficiaries
Sustainability	>	Permanent Improvement Plan and relevant results (DJSI and Footsie4Good)
Environment	>	Coefficiency Plan, maximum score on fight against climate change, A (CDP)
Education support	>	“FP Dual” Bankia Foundation
Sponsorships	>	Cultural institutions with local roots

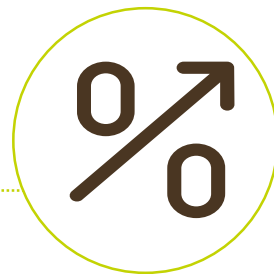
Additionally, in 2017 we financed Spanish businesses and households with €18bn

> Recognition from Society

Privacy

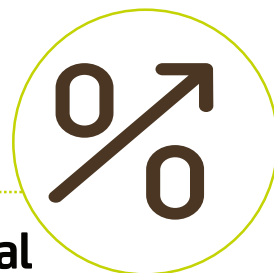
Create a secure and private digital environment for our customers

64% consumers



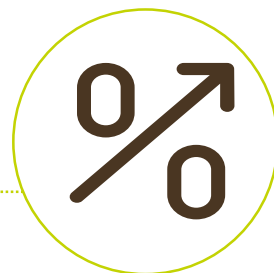
Consider **banks** as a **guarantee of data security** (second only to hospitals)

73% consumers



Want to **protect their personal data better** but don't know how

87% consumers



think that their **personal data are valuable**

GOVERNANCE & POLICY

- Appointment of **Data Protection & Privacy Officer (DPO)**
- **Training and awareness building** in employees, suppliers and other responsible parties

RIGHTS MANAGEMENT

- Development of **personal data catalogue**
- Data identification for exercise of **Portability Right**

INFORMATION

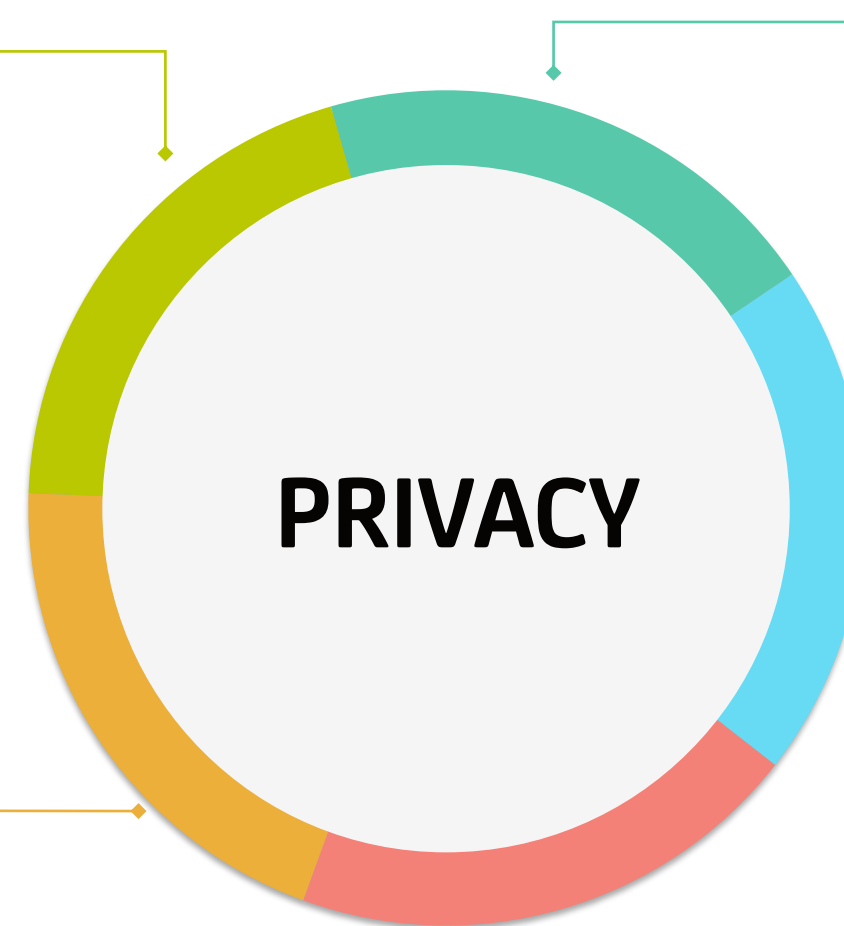
- Adapt the **legal drafting of disclaimers**

PROCESSES & TECHNOLOGY

- **Identification and inventory of personal data**

SECURITY

- **Security PIAs***



PRIVACY

* **Privacy Impact Assessment:** a process for identifying and correcting or mitigating any security problems concerning an organisation's personal data privacy policy.

Bankia
LET'S KEEP WORKING

Bankia Comunicación

bankiacomunicacion@bankia.com