

Quarterly results presentation

1Q 2016

29 April 2016

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LET'S KEEP WORKING



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Contents

1. 1Q 2016 Highlights

2. 1Q 2016 Results

3. Asset quality and risk management

4. Liquidity and solvency

5. Conclusions



1

COMMERCIAL ACTIVITY



A MODEL BASED ON THE CUSTOMER...

CLOSENESS

SIMPLICITY

TRANSPARENCY



... WITH THE FOCUS ON KEY BUSINESS SEGMENTS...

New business
Pension plans and mutual funds

Investment
Consumer finance and SMEs

Customer loyalty
Individuals and businesses



... IN AN INCREASINGLY MULTI-CHANNEL ENVIRONMENT

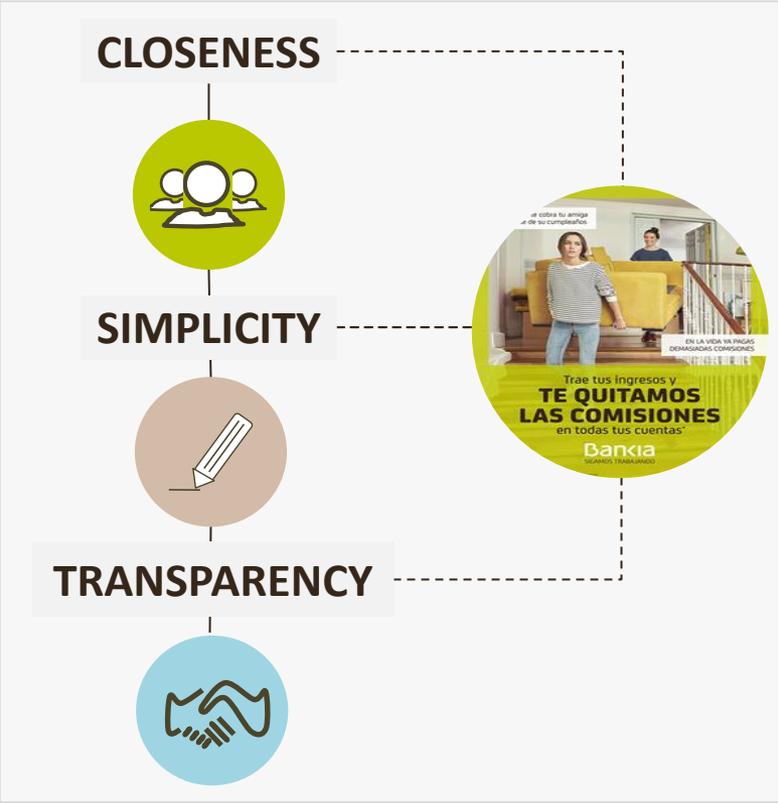


1Q 2016 Highlights



1 COMMERCIAL ACTIVITY

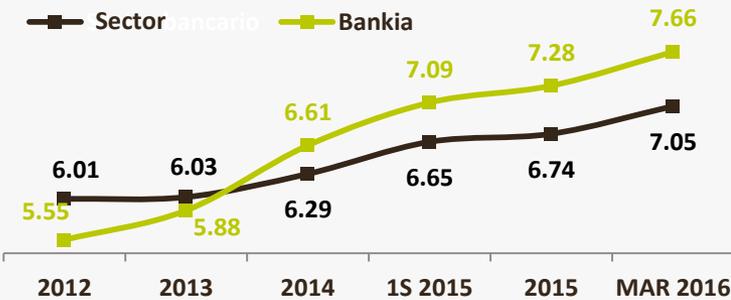
A customer-focused model...



Customer focus

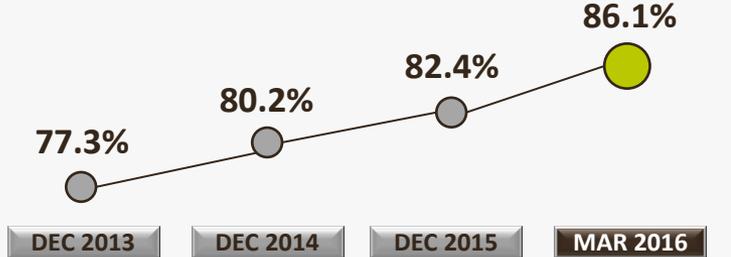
... through which we continue to gain trust

Mystery shopping – Bankia vs. sector



Source: STIGA research on mystery shopper satisfaction

Customer satisfaction index



Source: STIGA research on customer satisfaction

1

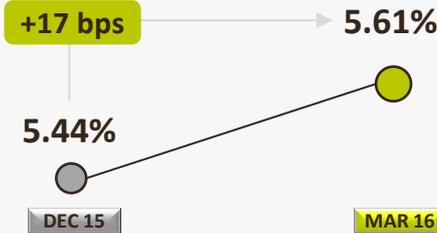
COMMERCIAL ACTIVITY

Customers funds

Mutual funds and pension plans at the heart of our strategy

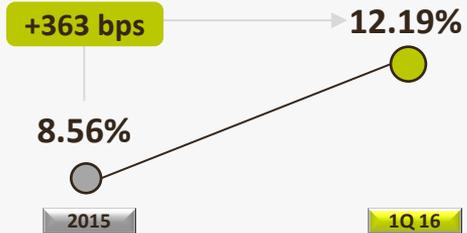
MUTUAL FUNDS

Mutual funds market share



Source: Inverco

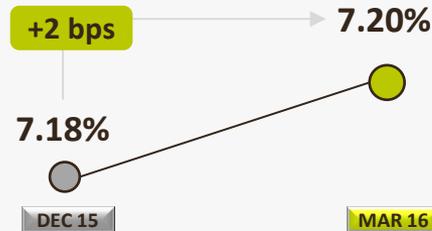
Mutual funds new production market share



Source: Inverco

PENSION PLANS

Individual pension plans market share



Source: Inverco

1Q 2016 Highlights



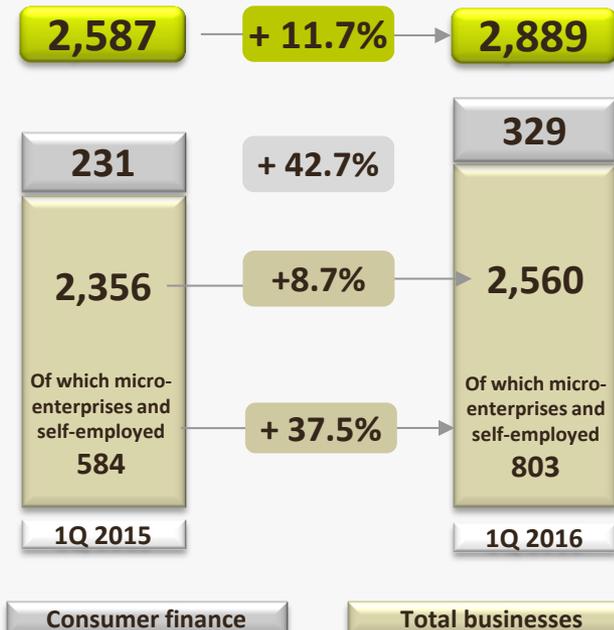
1

COMMERCIAL ACTIVITY

SMEs and consumer finance

NEW LENDING 1Q16 vs. 1Q15 (exc. public sector)

€ Mn



New lending does not include forbearance. New lending to businesses does not include public sector.

TOTAL LOANS PERFORMANCE MAR 16 vs. MAR 15

€ Bn

	MAR 15	Sales ⁽¹⁾	MAR 15 PF	DEC 15	MAR 16
Total gross loans	121.2	-2.1	119.1	116.0	114.4
Mortgages	71.2	-0.6	70.6	67.4	66.4
Developer	2.7	-0.3	2.4	1.8	1.6
Public sector & others ⁽²⁾	8.6	-	8.6	8.7	8.0
Businesses & consumer	38.6	-1.2	37.4	38.0	38.3
				+0.8%	+2.3%

Organic increase in lending in key sectors continues

Gross loans excludes BFA reverse repurchase agreements

⁽¹⁾ Sales of portfolios includes non-performing and substandard loans

⁽²⁾ "Others" includes sight accounts, other lending to retail customers and other financial assets

1Q 2016 Highlights



1

COMMERCIAL ACTIVITY

Customer loyalty

Retail segment boosted by new competitive positioning

New credit cards (net additions in thousands)



79.6

FEB/MAR 16

New direct deposits

Salary, pensions and unemployment benefit (Ths.)



19.1

FEB/MAR 16

Increasing the commercial activity with businesses

Trade finance share*

Trade finance market share

+388 pbs → 10.38%

6.50%

MAR 15

MAR 16

Source: Watch Insight de SWIFT
*Data: International Guarantees & documentary Credits

Confirming share

Domestic market share

+175 pbs →

3.95%

1Q 15

5.70%

1Q 16

Source: Spanish Factoring & confirming Association

POS share

Turnover

+28 pbs →

12.80%

1Q 15

13.08%

4Q 15*

Source: Bank of Spain
* Latest available data

1Q 2016 Highlights

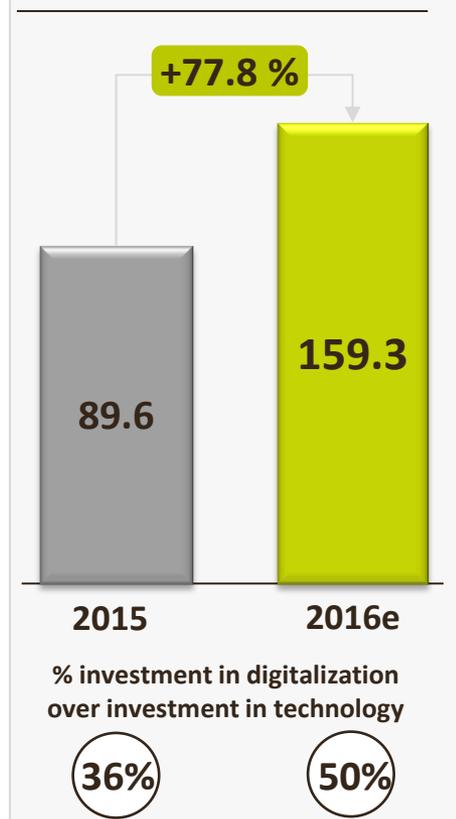


1

COMMERCIAL ACTIVITY

Multi-channel offering

Investment in digitalisation
(€ Mn)



**SERVICE
ENHANCEMENT FOR
OUR CUSTOMERS**



**GREATER
PRODUCTIVITY AND
EFFICIENCY**

TRANSACTIONS



Multichannel customers
as % of total customers

33.5%

vs. 29.2% in Mar 15

Out-of-the-branch
transactions

89%

vs. 85% in Mar 15

CONSUMER LOANS



Out-of-the-branch
arranged loans

45%

vs. 34% in Mar 15

Mobile phone
arranged loans

2.6x

1Q16 vs. 1Q15

Loans arranged
online

1.9x

1Q16 vs. 1Q15

NEW BUSINESS



Online sales of
term deposits

+21%

(7.7% of total)
1Q16 vs. 1Q15

Online sales of
pension plans

+24%

(12.8% of total)
1Q16 vs. 1Q15

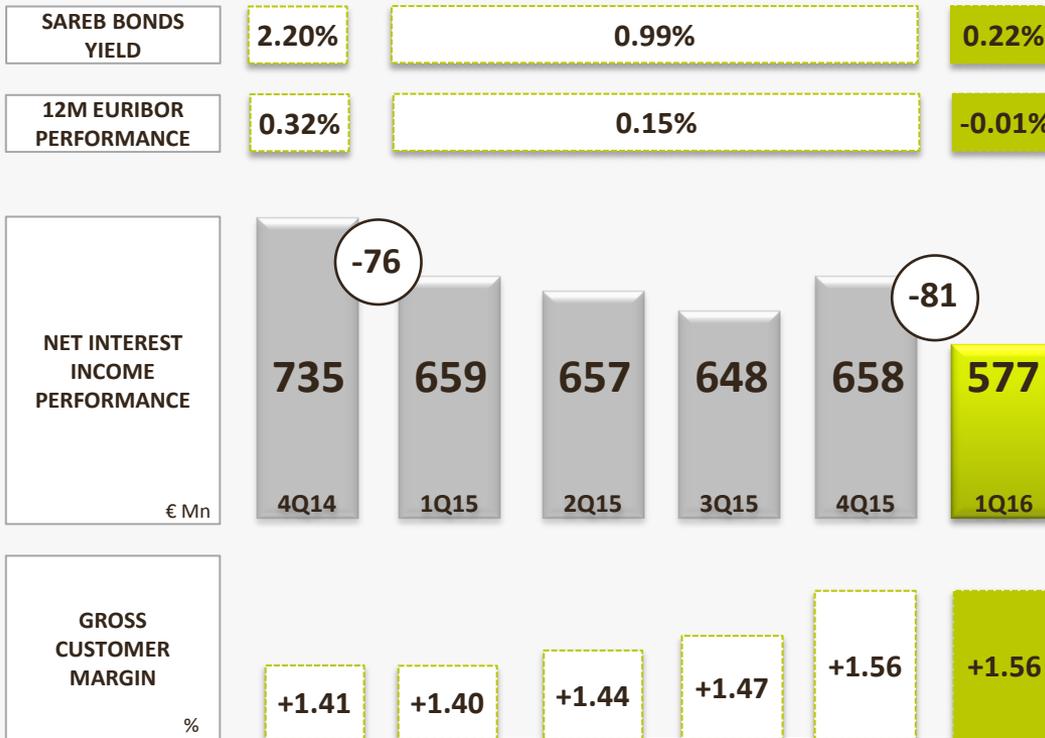
1Q 2016 Highlights



2

INCOME STATEMENT

NET INTEREST INCOME PERFORMANCE ANALYSIS



Repricing of SAREB bonds negatively affects margin in first quarter

Despite drop in Euribor, gross customer maintains a growing trend

Note: Net interest income series exclude City National Bank contribution to facilitate comparison with 1Q 2016

1Q 2016 Highlights



2

INCOME STATEMENT

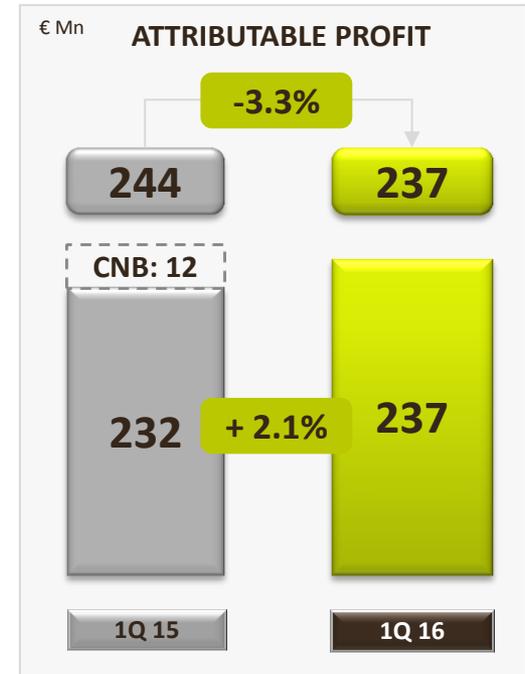
Cost containment and reduction in cost of risk as key management tools...

... to maintain profitability levels

Gross margin reduction

-1.2%
Operating expenses*
1Q 2016 vs. 1Q 2015

-40.0%
Cost of risk
33 bps 1Q2016 vs.
55 bps 1Q2015



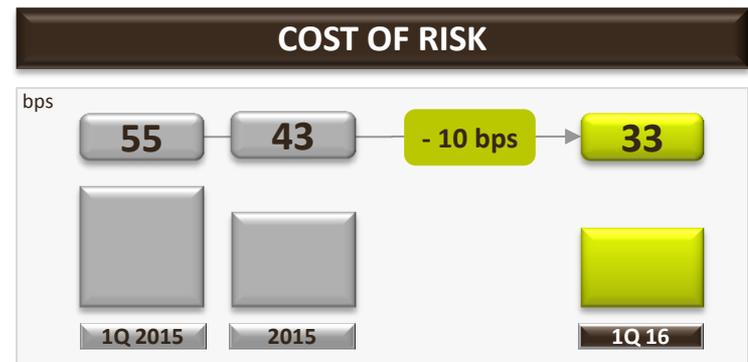
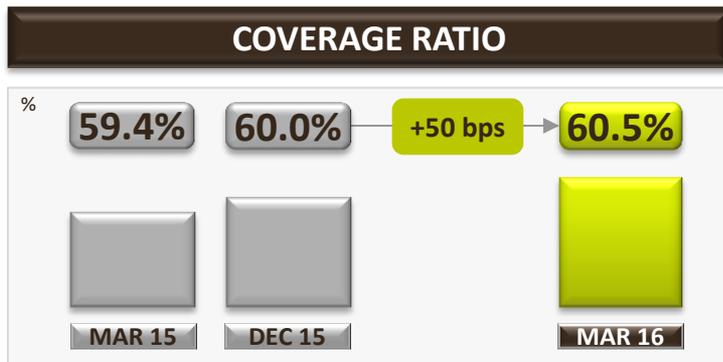
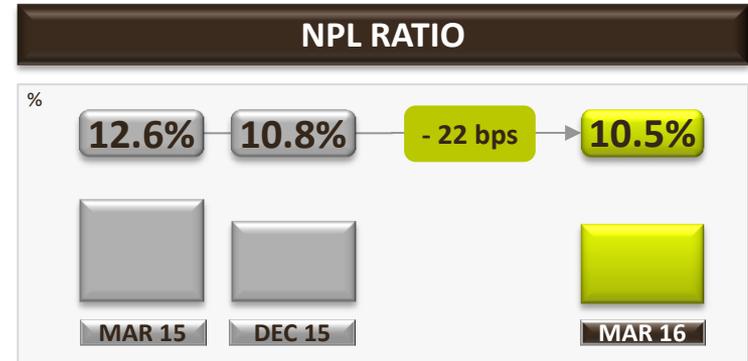
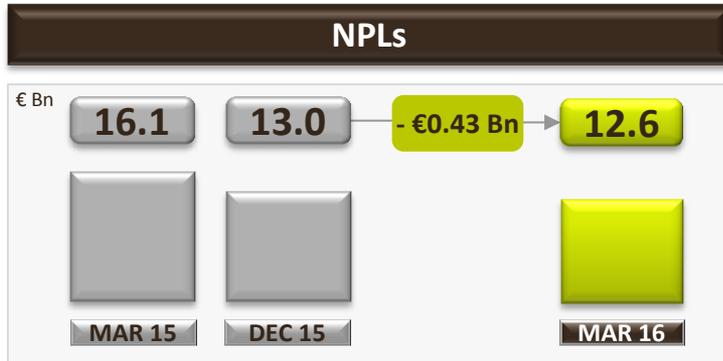
* Operating expenses performance excludes those of CNB in 1Q15

1Q 2016 Highlights



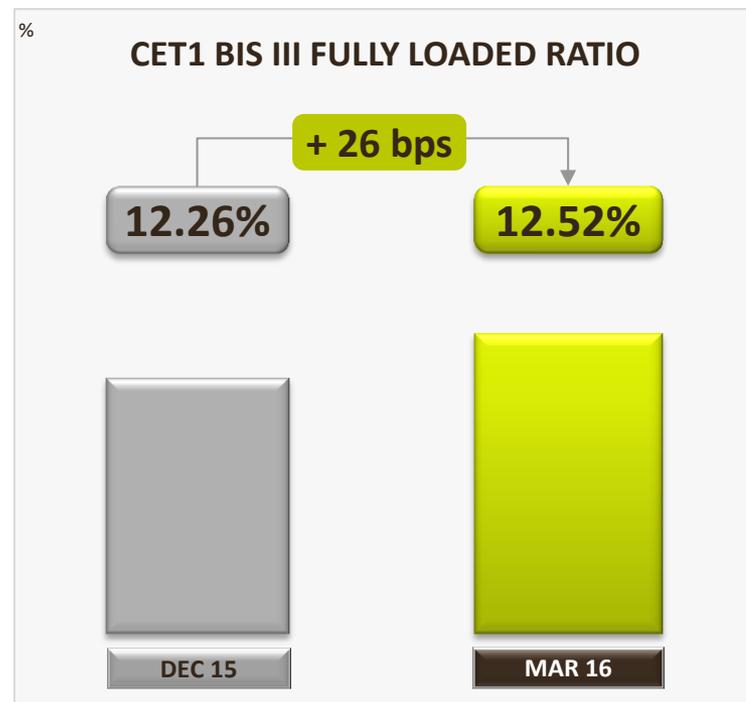
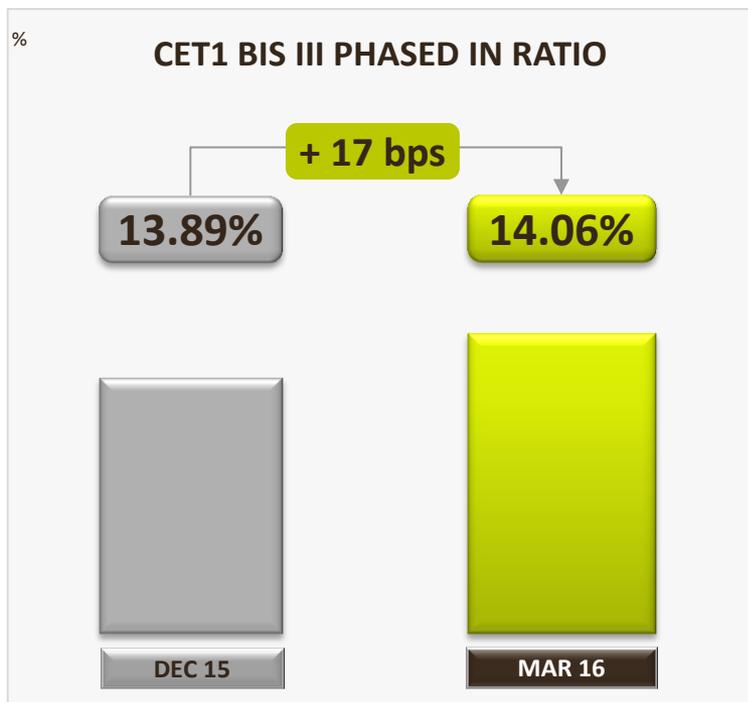
3

ASSET QUALITY



NPLs continue decreasing while coverage levels continue to rise

We continue to generate a high level of capital over the quarter



- Solvency ratios include the result attributable to the Group and discount the regulatory adjustment for the future dividend. At March 2016, discount the proportional part of dividend paid out against 2015 results (€302 Mn), i.e. €75.5 Mn
- Including unrealised gains on the sovereign portfolio at 31 March 2016, the CET 1 BIS III FL ratio would have been 13.35%, and the Total Solvency ratio 14.65%

1Q 2016 Highlights

BFA TENEDORA DE ACCIONES S.A.U.



Income statement: BFA Group vs Bankia Group 1Q 2016

€ Mn	BFA GROUP	Bankia
Net interest income	589	577
Dividends, fees & commissions, NTI & other	314	275
Gross income	903	853
Operating expenses	(401)	(399)
Pre-provision profit	502	454
Provisions	(126)	(128)
Results from sales and others	(2)	(11)
Profit before tax	373	315
Taxes	(111)	(78)
Reported profit after tax	262	237



Contents

1. 1Q 2016 Highlights

2. 1Q 2016 Results

3. Asset quality and risk management

4. Liquidity and solvency

5. Conclusions

1Q 2016 Results

Income statement – Bankia Group



		Reported			Ex Sareb effect**		
		1Q15*	1Q16	% diff	1Q15*	1Q16	% diff
€ Mn							
A	Net interest income	659	577	(12.4%)	620	577	(6.9%)
	Fees and commissions	230	200	(13.2%)			
	Gross income	954	853	(10.6%)	915	853	(6.8%)
B	Operating expenses	(404)	(399)	(1.2%)			
	Pre-provision profit	550	454	(17.5%)	511	454	(11.1%)
C	Provisions	(219)	(128)	(41.4%)			
	Results from sales and others	(14)	(11)	(24.4%)			
	Taxes & non-controlling interests	(85)	(78)	(8.5%)			
D	Profit attributable to Group	232	237	2.1%			

**Note: 1Q 15 pro forma figures due to lower margin on SAREB bonds in 1Q16 vs. 1Q15

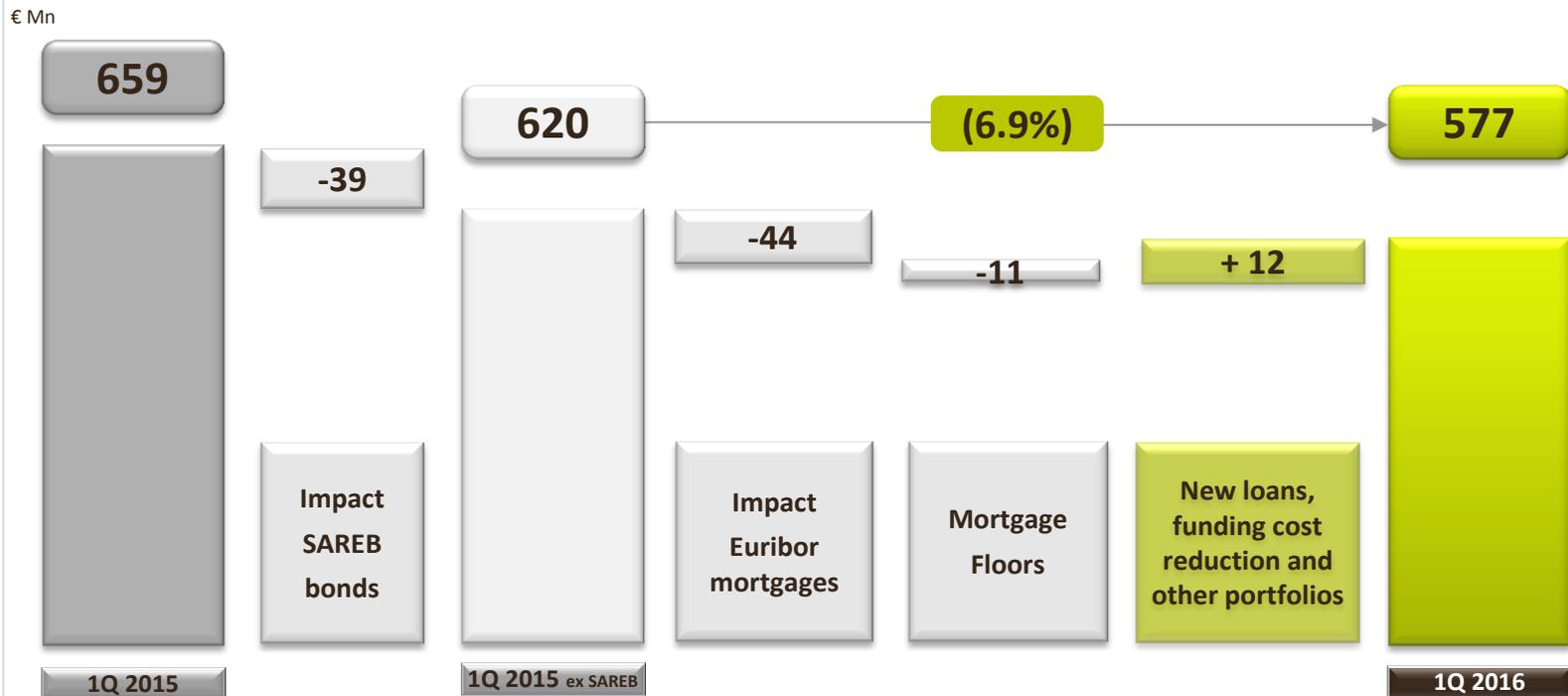
*Note: 2015 results exclude City National Bank contribution to facilitate comparison with 1Q 2016. Attributable profit including CNB's contribution would stand at €244 Mn

1Q 2016 Results

Net interest income



Net interest income performance



Note: 2015 results exclude City National Bank contribution to facilitate comparison with 1Q 2016

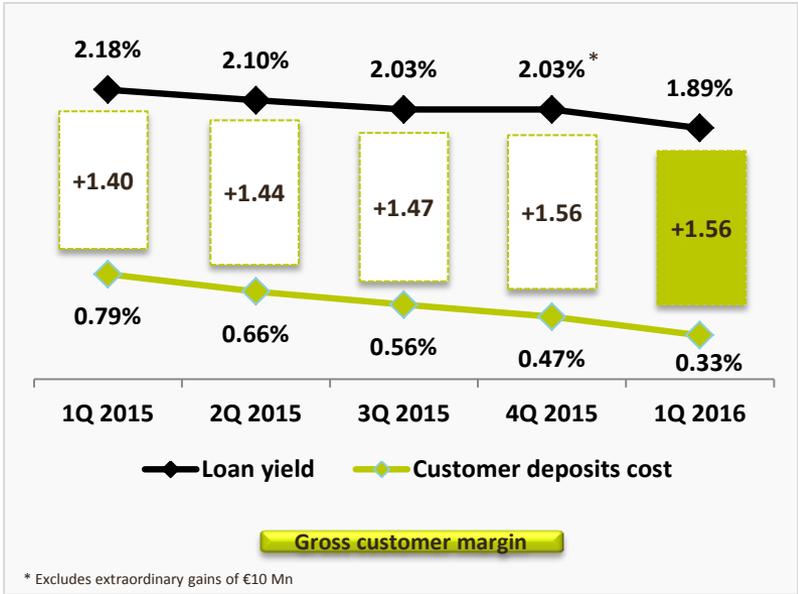
Funding cost reduction and new lending partially offset negative impact of Euribor and floor clauses

1Q 2016 Results

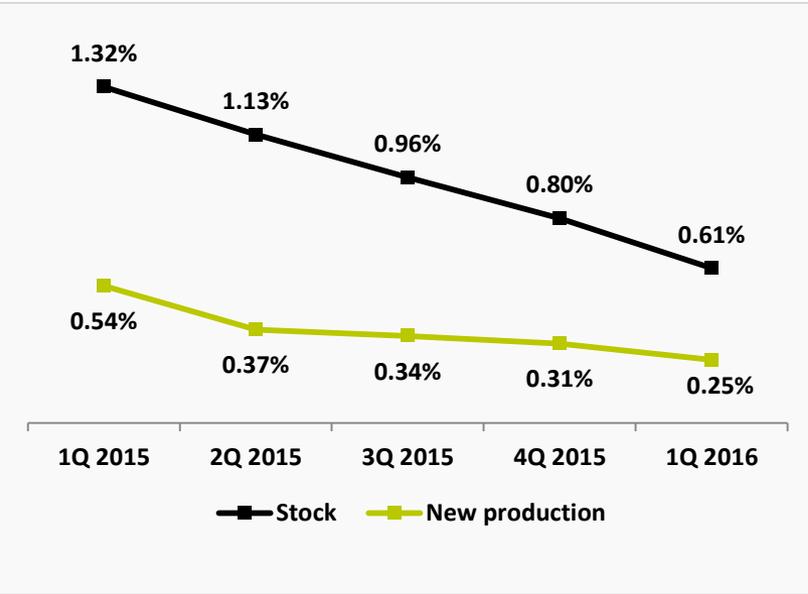
Net interest income



Loan yield vs. cost of deposits



Cost of term deposits – Back book vs. Front book



Gross customer margin up 16 bps from 1Q 2015

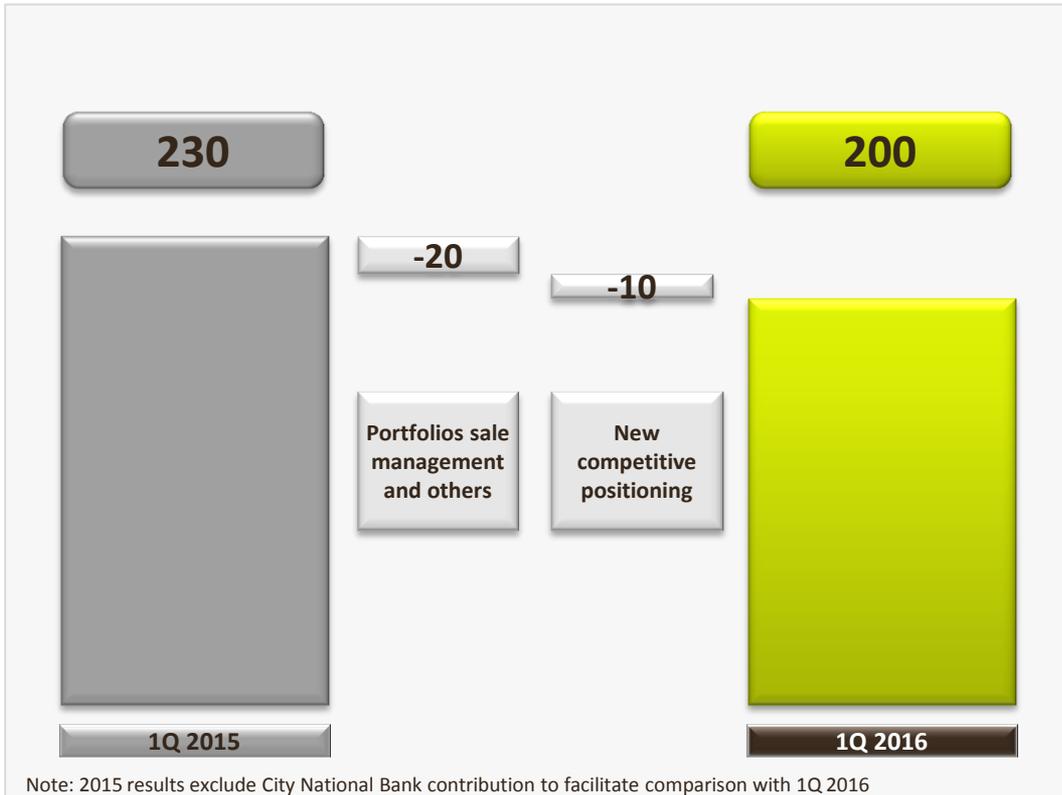
Estimated cost of deposits for full 2016e at 0.43% vs. 0.61% at 1Q 2016. Transfer of term deposits to demand accounts

1Q 2016 Results

Fees and commissions



Fees and commissions performance



+3.0%
Commissions on sales of mutual funds
1Q 2016 vs. 1Q 2015

+10.3%
Commissions on sales of insurance and pension funds
1Q 2016 vs. 1Q 2015

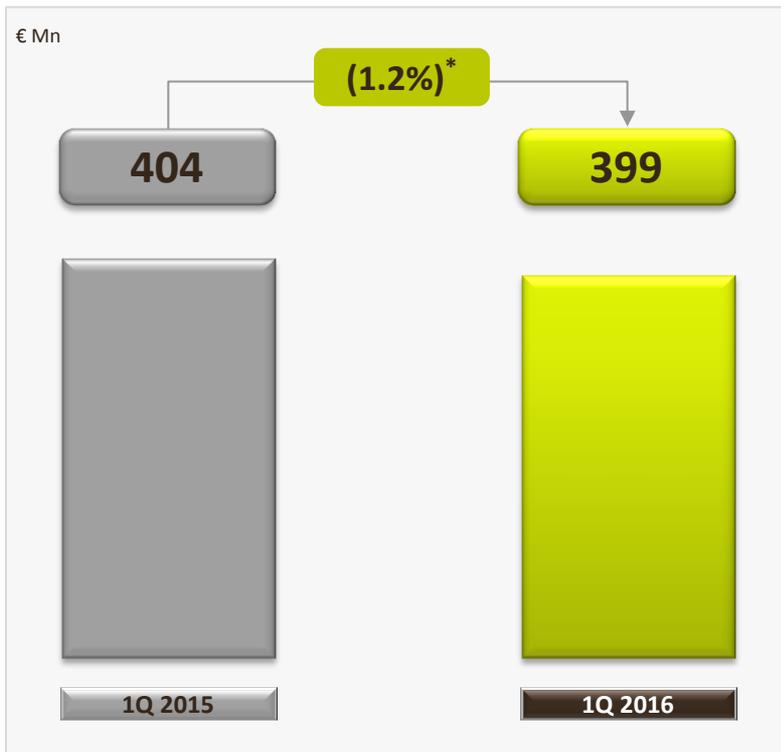
Impact of new competitive positioning in line with our expectations



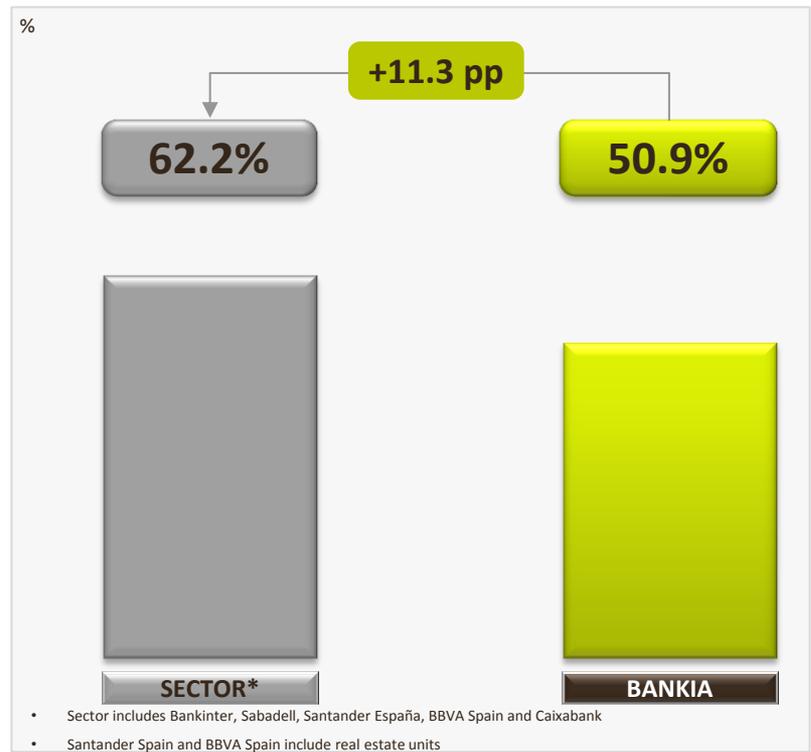
1Q 2016 Results

Operating expenses

Operating expenses



Efficiency ratio ex NTI 1Q 2016



Note: 2015 results exclude City National Bank contribution to facilitate comparison with 1Q 2016

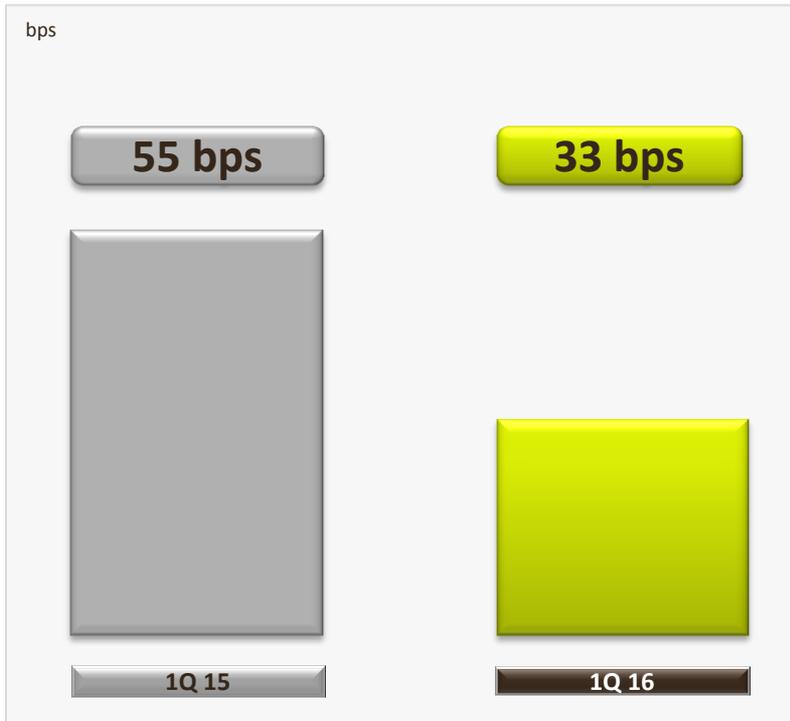
Total efficiency ratio at 46.8% in 1Q 2016

1Q 2016 Results

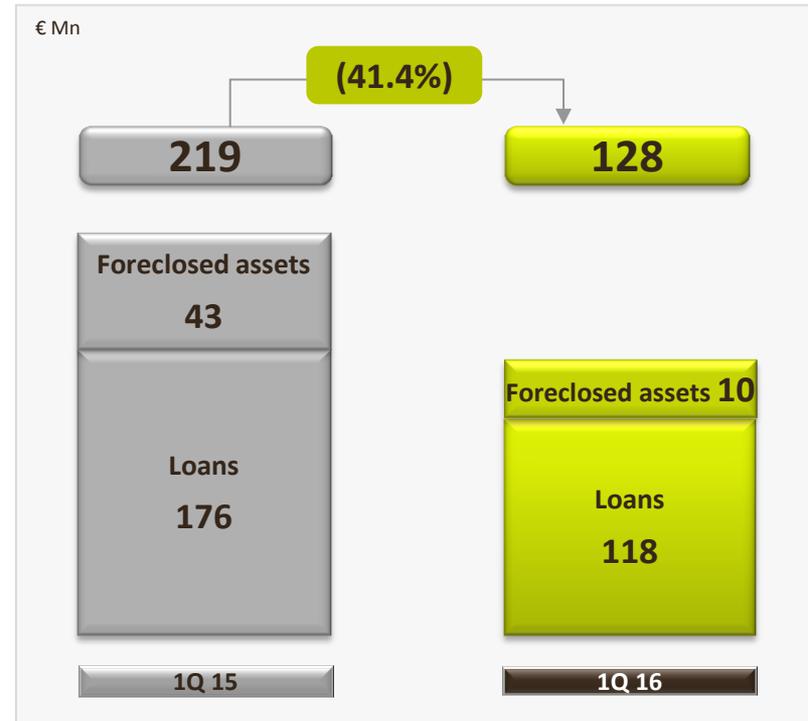
Cost of risk and provisions



Cost of risk (bps)



Provisions



Note: 2015 results exclude City National Bank contribution to facilitate comparison with 1Q 2016

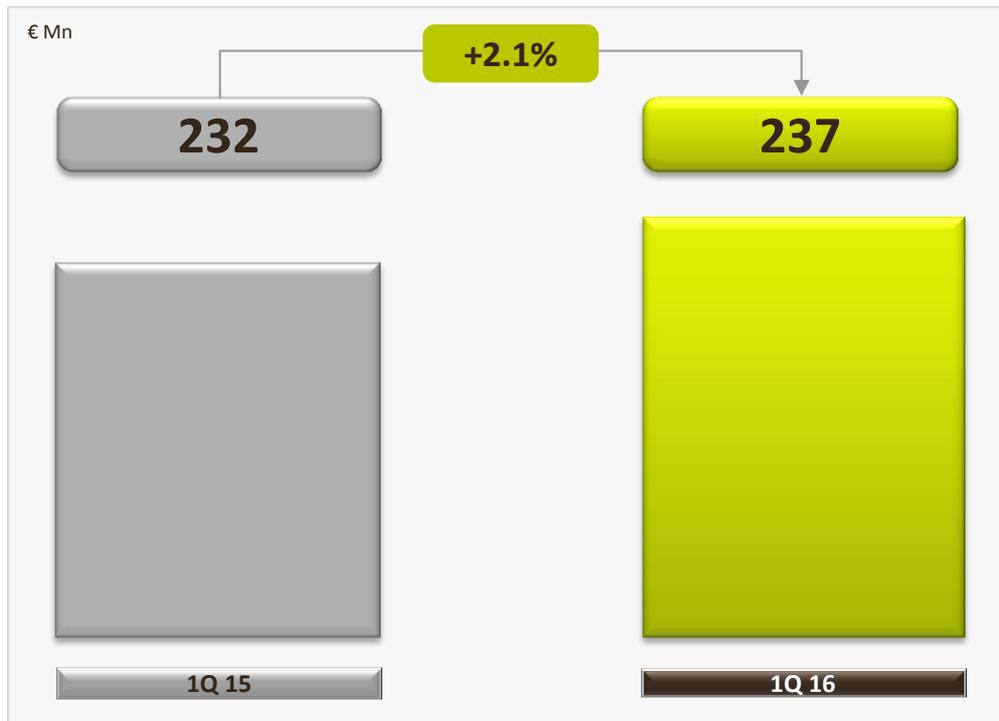
Provisions down 41% year on year

1Q 2016 Results

Attributable profit



Attributable profit



Our capability to contain costs and drive down the cost of risk allow us to offset the impact of the current interest rates environment on gross income

Increase in attributable profit by 2.1% vs. 1Q15

Note: 1Q 2015 results exclude City National Bank contribution to facilitate comparison with 1Q 2016



Contents

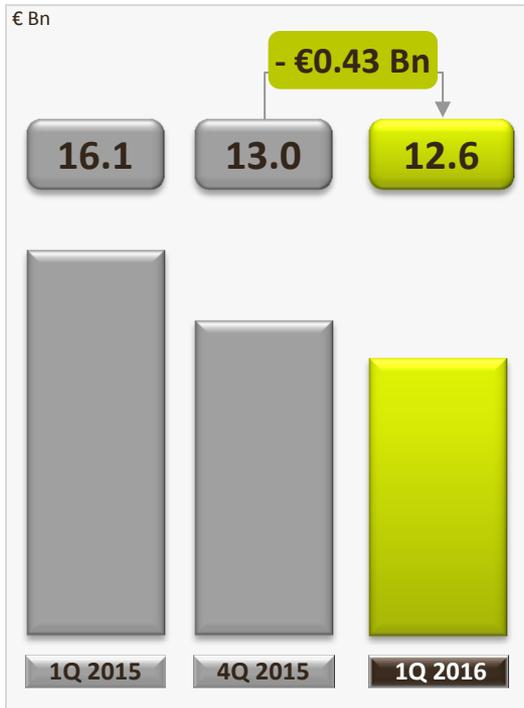
1. 1Q 2016 Highlights
2. 1Q 2016 Results
- 3. Asset quality and risk management**
4. Liquidity and solvency
5. Conclusions

Asset quality and risk management

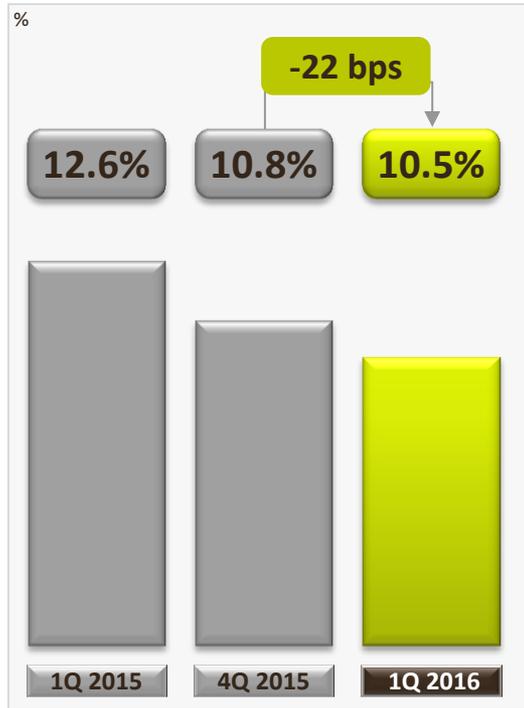
Credit quality



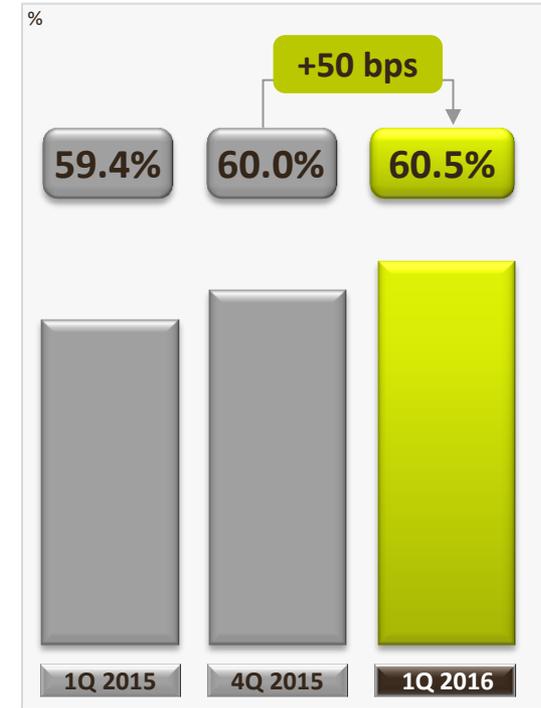
NPLs



NPL ratio



Coverage ratio



Further reduction in NPLs and increase in coverage



Asset quality and risk management

Credit quality

NPLs down by €0.4 Bn over a quarter with no portfolio sales

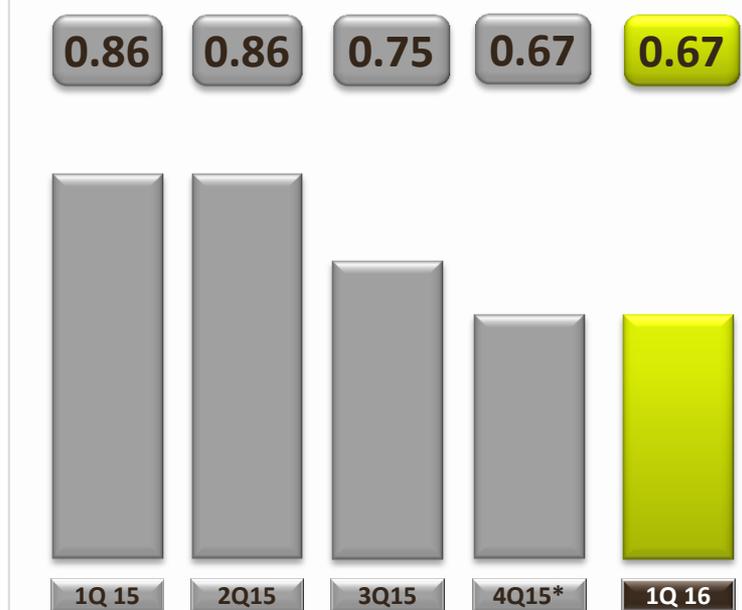
NPLs performance

€ Bn

NPLs at Dec 2015	13.00	
+ Gross new NPLs	+ 0.67	Total reduction € -0.43 Bn
- Recoveries	- 1.02	
Net new NPLs	- 0.35	
- Write-offs	- 0.08	
NPLs at Mar 2016	12.57	

Gross NPLs entries performance

€ Bn



* Gross entries excluding singular transactions

Foreclosed assets down €42 Mn over the quarter



Contents

1. 1Q 2016 highlights
2. 1Q 2016 results
3. Asset quality and risk management
- 4. Liquidity and solvency**
5. Conclusions

Liquidity and solvency: liquidity



The bank's funding profile continues improving...

COVERED BOND ISSUES IN
1Q 2016

€2.0 Bn

TLTRO II totalling

€11,500 Mn

Replacing TLTRO I

Liquid assets vs.
wholesale debt

1.2x

... with upgrades in rating by the main rating agencies

Ratings upgrade

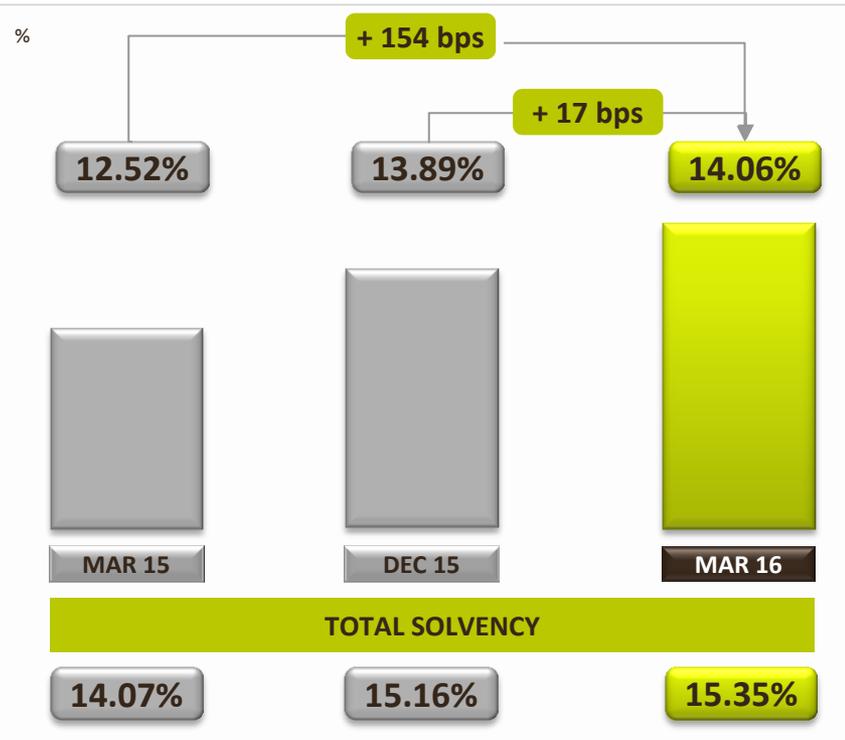
	S&P		Fitch	
	from	to	from	to
LONG-TERM	BB	BB+	BB+	BBB-
OUTLOOK	Positive	Positive	Positive	Stable

Liquidity and solvency: solvency ratios

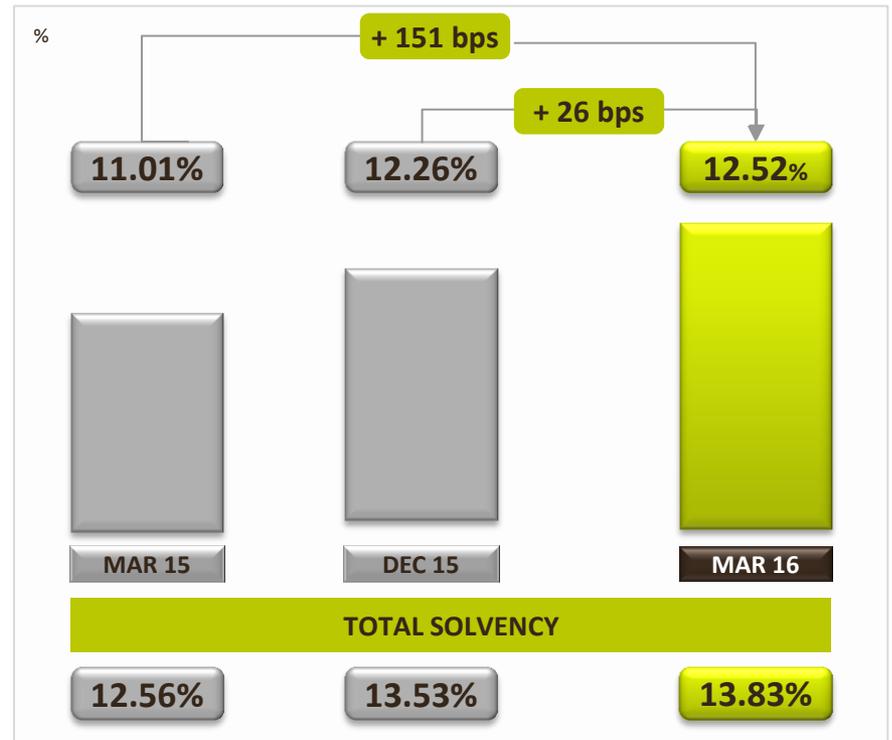
CET1 BIS III FL ratio up +26 bps to 12.52%



CET 1 BIS III Phase in ratio performance



CET 1 BIS III Fully Loaded ratio performance



- Solvency ratios include the result attributable to the Group and discount the regulatory adjustment for the future dividend. At March 2016, discount the proportional part of dividend paid out against 2015 results (€302 Mn), i.e. €75.5 Mn
- Including unrealised gains on the sovereign portfolio at 31 March 2016, CET 1 BIS III FL ratio would have been 13.35%, and Total Solvency ratio 14.65%



Contents

1. 1Q 2016 Highlights
2. 1Q 2016 Results
3. Asset quality and risk management
4. Liquidity and solvency
- 5. Conclusions**

Conclusions

The Group's new positioning already has an impact on the commercial activity evolution (direct deposits, cards, POS, etc.)

SME and consumer finance loan book up 2.3% on 1Q15

Efficiency and cost of risk reduction compensate the complex interest rate environment

NPL ratio continues to fall as coverage increases

Capital up 26 bps over the quarter to achieve a 12.52% (CET 1 BIS III FL)

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