

Quarterly results presentation

2Q 2016

22 July 2016

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4. Liquidity and solvency
5. Conclusions

1

COMMERCIAL POSITIONING

- New commercial strategy consolidates
- Major advances in digitalization and multi-channel strategy

2

INCOME STATEMENT

- Net profit is up 3.5% compared to 1Q16, despite a complex environment
- Net profit 1H16: €481mn

3

ASSET QUALITY

- NPLs reduced by €1.2 bn in the first half
- NPL ratio at 9.8% at close of 1H16

4

CAPITAL

- 63 bps of capital generation in the half-year (Fully Loaded)

1H 2016 Highlights



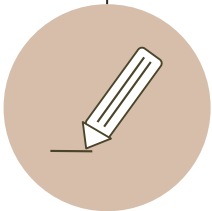
1

COMMERCIAL POSITIONING

CLOSENESS



SIMPLICITY



TRANSPARENCY



In January...



...in May



1H 2016 Highlights



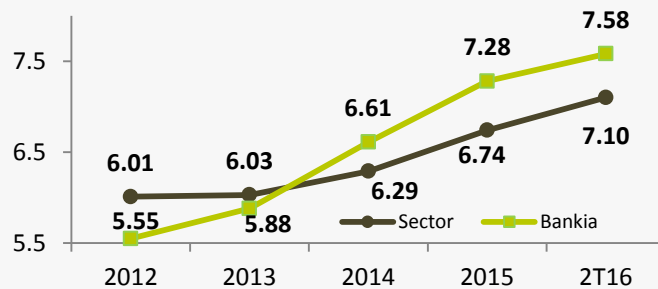
1 COMMERCIAL POSITIONING

Customer focus

Continued increased customer satisfaction...

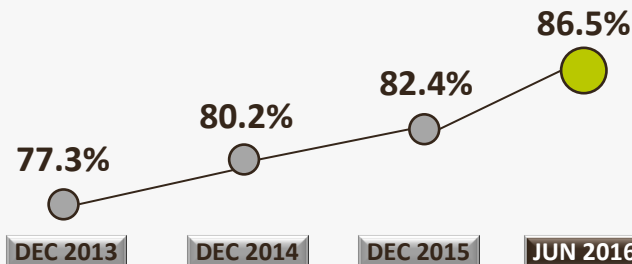
...contributes positively to business performance

Mystery shopping – Bankia vs. sector



Source: STIGA mystery customer satisfaction study

Customer satisfaction index



Source: STIGA customer satisfaction study

Credit cards

Net new credit cards (units)

+203,799 1H 2016

4x
vs 1H15

Direct income deposits

New net direct income deposit (units)

+113,151 1H 2016

+4.5%
in stock vs Dec 15

Consumer loans

New consumer loans

€ 702mn 1H 16

+29.6% 1H 16 vs 1H 15

Micro-enterprises & self-employed

New loans

€1,651mn 1H 16

+7.2% 1H 16 vs 1H 15

1H 2016 Highlights



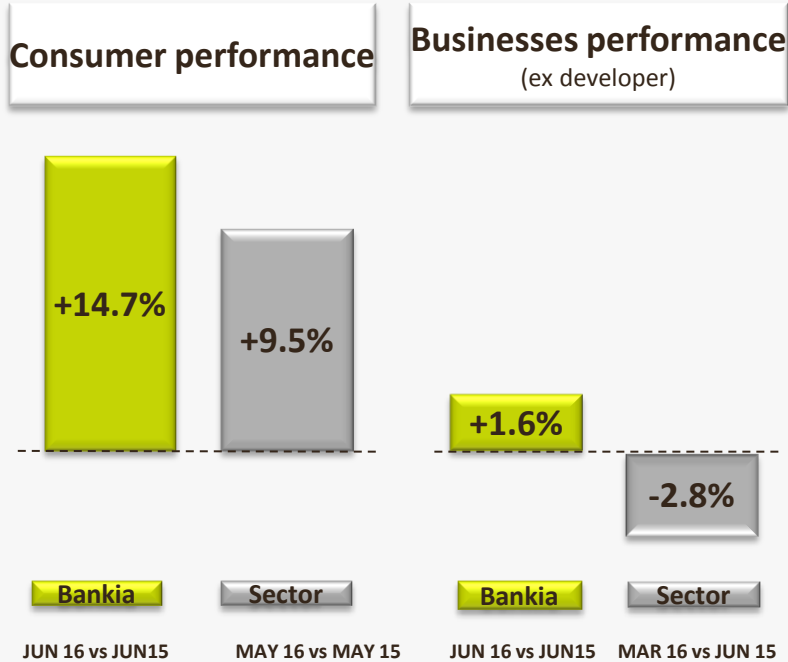
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COMMERCIAL POSITIONING

SMEs and Consumer

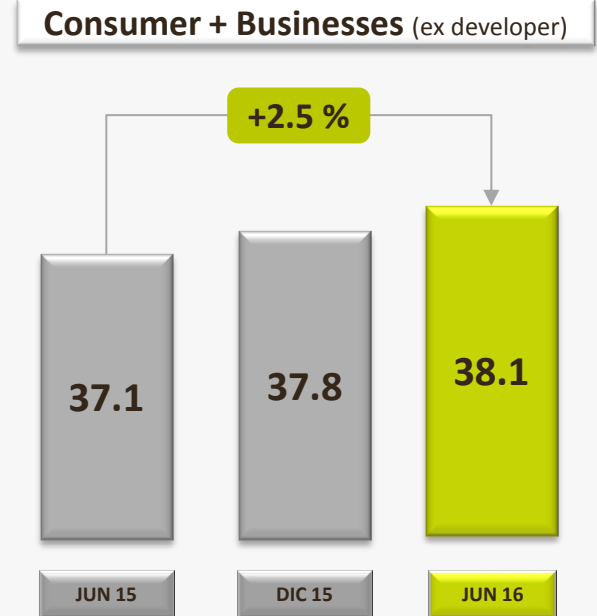
Lending to target sectors continues to grow

Outstanding gross loans performance (ex portfolio sales ⁽¹⁾)
Consumer + Businesses (€bn)



⁽¹⁾ Portfolio sales include non-performing and substandard loans

Outstanding gross loans performance (ex portfolio sales ⁽¹⁾)
Consumer + Businesses (€bn)



⁽¹⁾ Portfolio sales include non-performing and substandard loans

1H 2016 Highlights



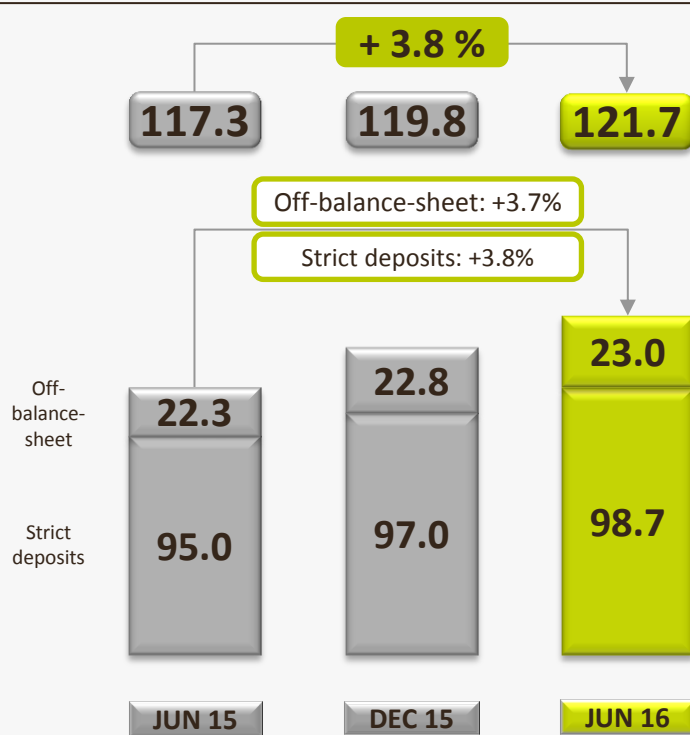
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COMMERCIAL POSITIONING

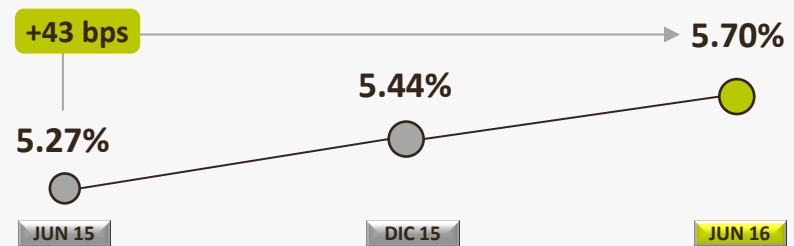
Customer funds

Substantial new customer funds in the half-year

Customer funds (€bn)

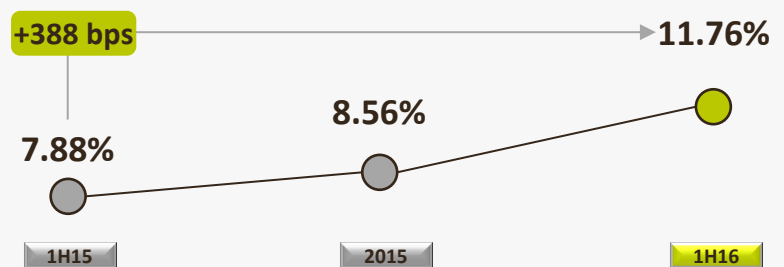


Mutual funds market share (%)



Source: Inverco

Mutual funds new production market share (%)



Source: Inverco

Methodological note: mutual funds new production market share calculated as Bankia mutual fund new production/ sector mutual fund new production

1H 2016 Highlights



1

COMMERCIAL POSITIONING

Multi-channel strategy

...giving better service and gaining in efficiency and productivity

TRANSACTIONS



Out-of-branch transactions

90.7%

vs. 89.7% in Dec 15

% Transactions from mobile phone

24.2%

vs. 18.7% in Dec 15

CUSTOMERS



Multi-channel customers/ Total customers

35.2%

vs. 31.5% in Dec 15

Digital customers/ Total customers

14.7%

vs. 13.8% in Dec 15

CONNECT WITH YOUR EXPERT



"Connect with your expert" users

156,090

+49.5% vs Dec 15

Business volume managed

€7.7bn

+ 71.6% vs. Dec 15

DIGITAL SALES



Consumer loans

+54.6%

1H16 vs. 1H15

Pension plans

+32.8%

1H16 vs. 1H15

1H 2016 Highlights



2

INCOME STATEMENT

€mn

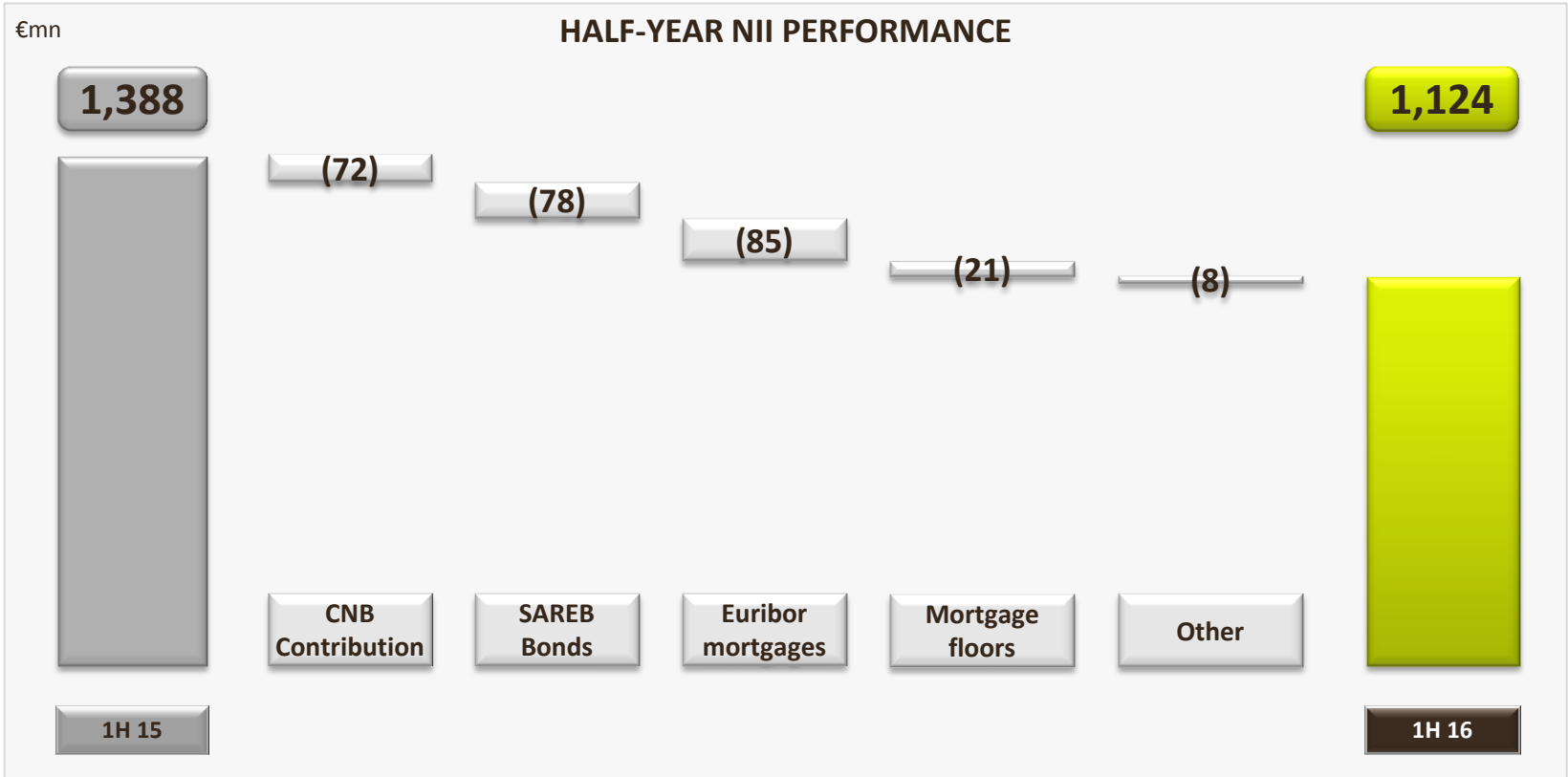
HALF-YEAR INCOME PERFORMANCE

	With CNB	Ex CNB		Diff %
	1H 15	1H 15	1H 16	
Net Interest Income	1,388	1,316	1,124	(14.6%)
Gross Income ⁽¹⁾	2,029	1,951	1,686	(13.6%)
Operating Expenses	(843)	(805)	(786)	(2.3%)
Pre-Provision Profit	1,186	1,146	900	(21.5%)
Provisions	(430)	(431)	(234)	(45.7%)
Other ⁽²⁾	(201)	(188)	(184)	
Profit Attributable to the Group	556	527	481	(8.7%)

⁽¹⁾ Includes €61.4mn contribution to the Single Resolution Fund (SRF) and €57.8mn profit from the sale of VISA Europe in 2Q 2016

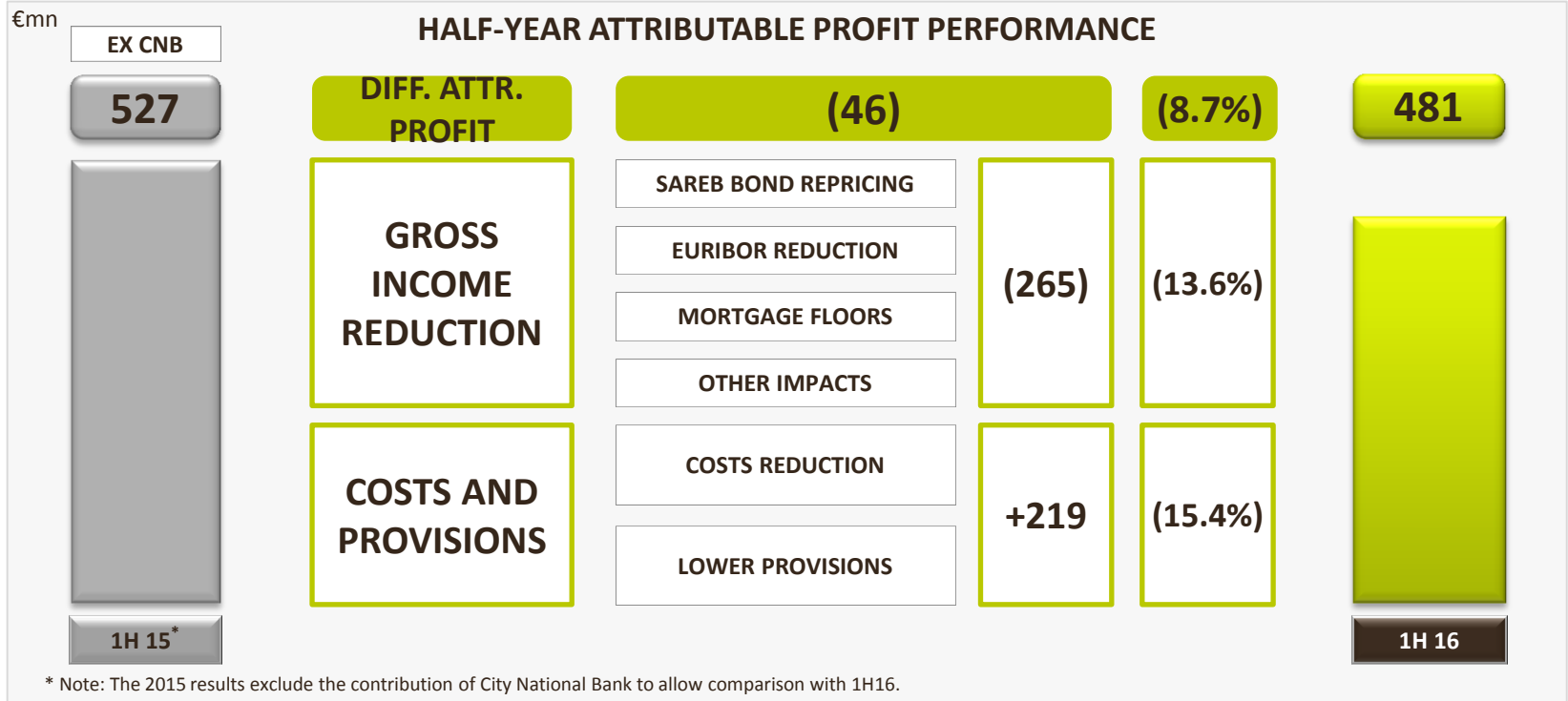
⁽²⁾ Includes gains from sales and other results, taxes and minority interests

Impact on net interest income of SAREB bonds and Euribor effect



INCOME STATEMENT

Costs reduction and decrease in provisions...



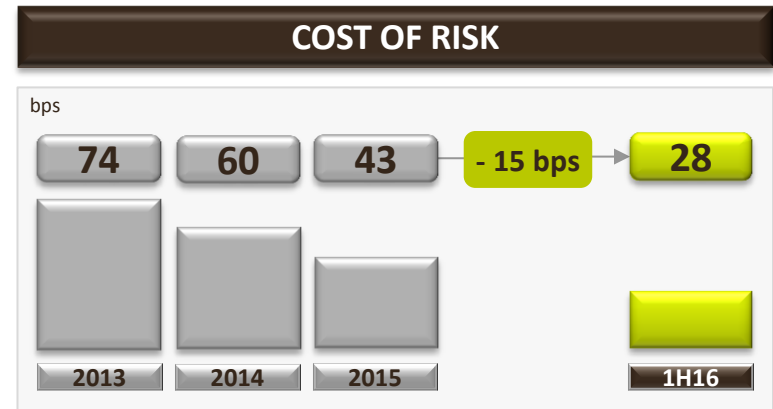
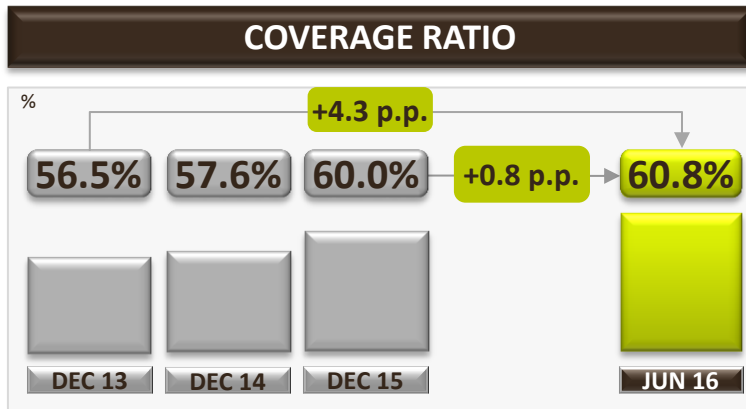
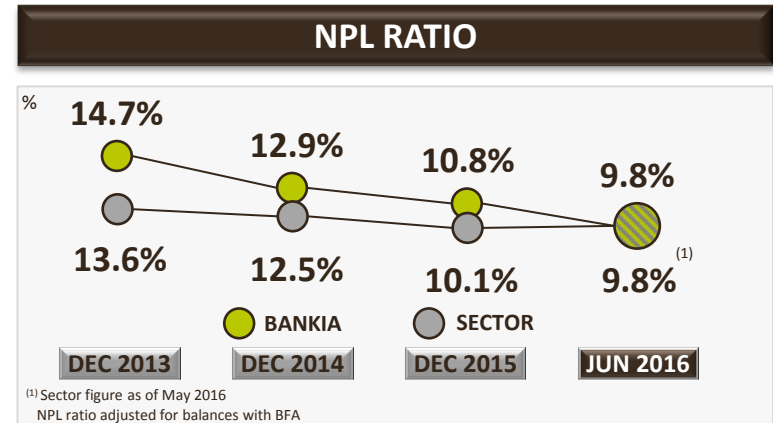
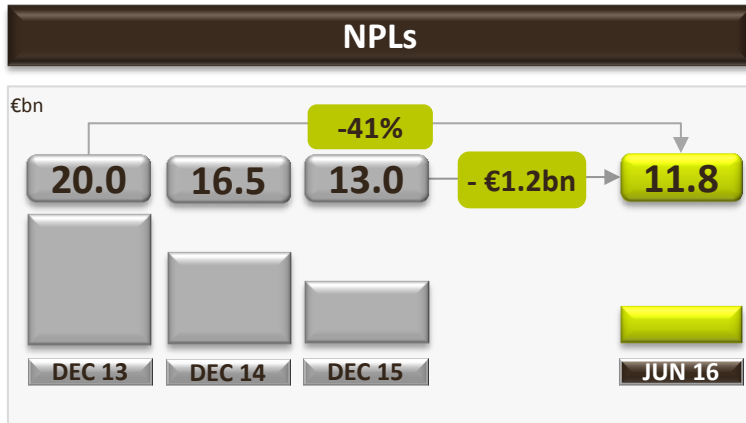
...offset the macro environment

1H 2016 Highlights



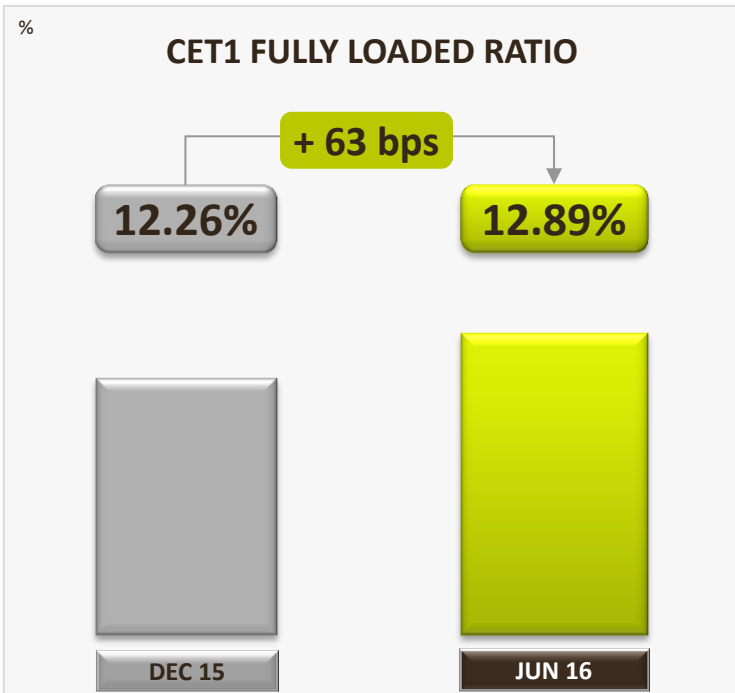
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ASSET QUALITY

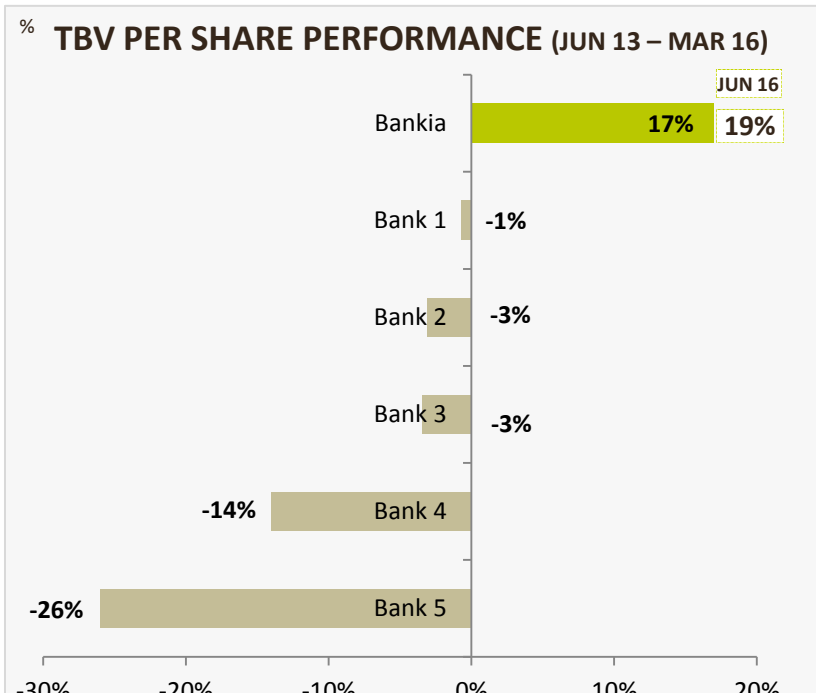


Foreclosed assets decrease by €270mn in the last 12 months

Substantial capital generation over the half-year



Note 1: The solvency ratios include the result attributable to the Group and discount the regulatory adjustment for a dividend similar to that of 2015.
 Note 2: If the gains on the sovereign portfolio were included in the fully loaded ratio at 30 June 2016, the CET1 ratio would have been 13.76%



Banks include: BBVA, Caixabank, Popular, Sabadell and Santander
 Data as of March 2016



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2Q 2016 Results

Income statement – Bankia Group

B

		1Q 2016	2Q 2016	Diff %
€mn				
A	Net interest income	577	546	(5.4%)
	Fees and commissions	200	207	3.4%
	Gross income ⁽¹⁾	853	833	(2.3%)
B	Operating expenses	(399)	(387)	(3.1%)
C	Pre-provision profit	454	446	(1.7%)
D	Provisions	(128)	(106)	(17.6%)
	Results from sales and others	(11)	(16)	
	Taxes and minority interest	(78)	(80)	
	Profit attributable to the Group	237	245	3.5%

(1) Includes €61.4mn contribution to the Single Resolution Fund (SRF) and €57.8mn profit from the sale of VISA Europe in 2Q 2016

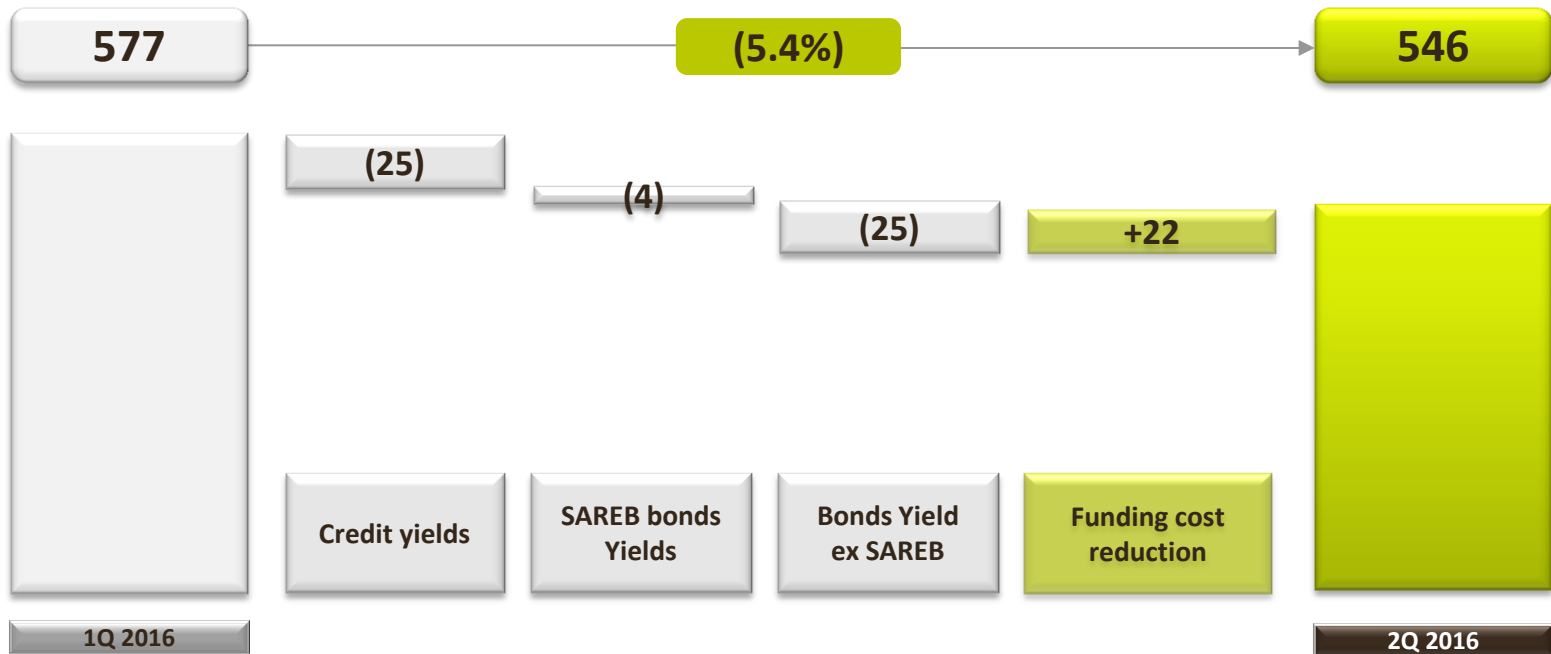
2Q 2016 Results

Net interest income



Net interest income performance

€mn



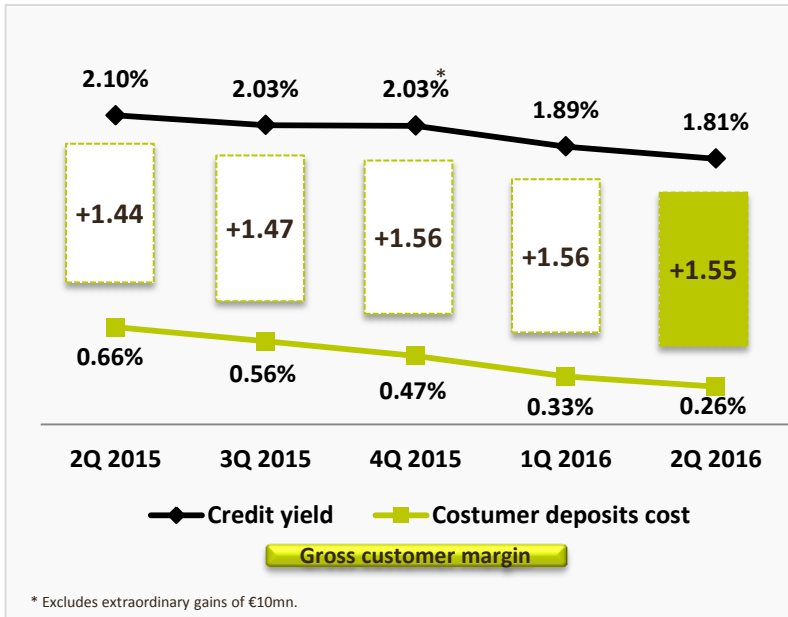
Continued impact of low interest rates on NII, partly offset by new lending and the funding cost reduction



2Q 2016 Results

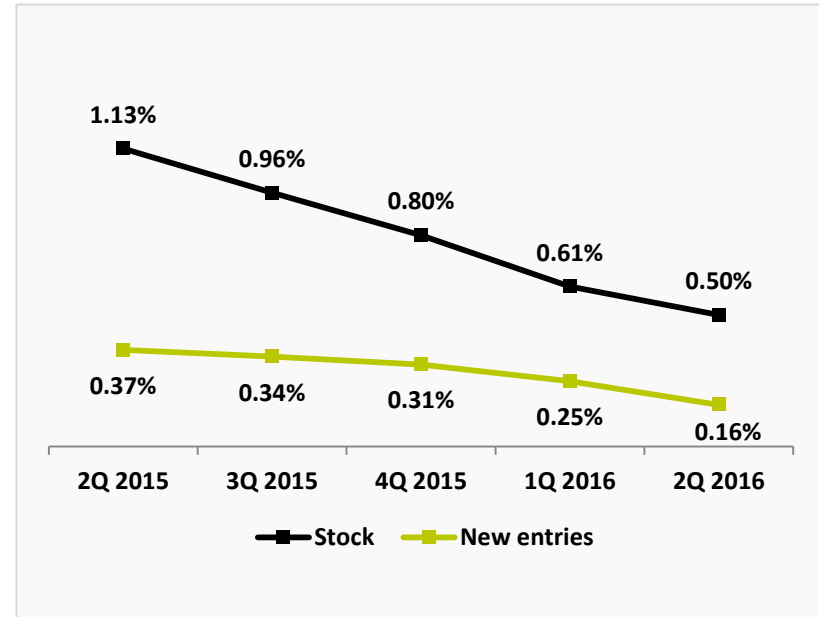
Net interest income

Credit yield and cost of deposits



Gross customer margin remains stable compared to 1Q 2016

Cost of term deposits – Back book vs. Front book



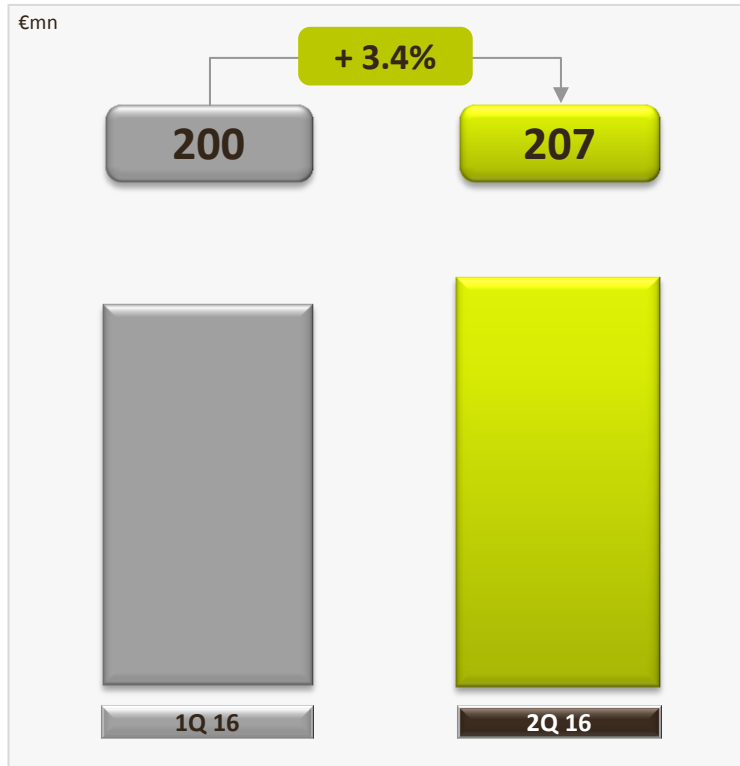
New production maintains pricing differential in relation to back book

2Q 2016 Results

Fees and commissions



Fees and commissions performance



Impact of new competitive positioning
in line with our expectations

Positive performance on fees and
commissions related to financing
products

Fees and commissions on off-balance-
sheet new customer funds remain stable
compared with previous quarter

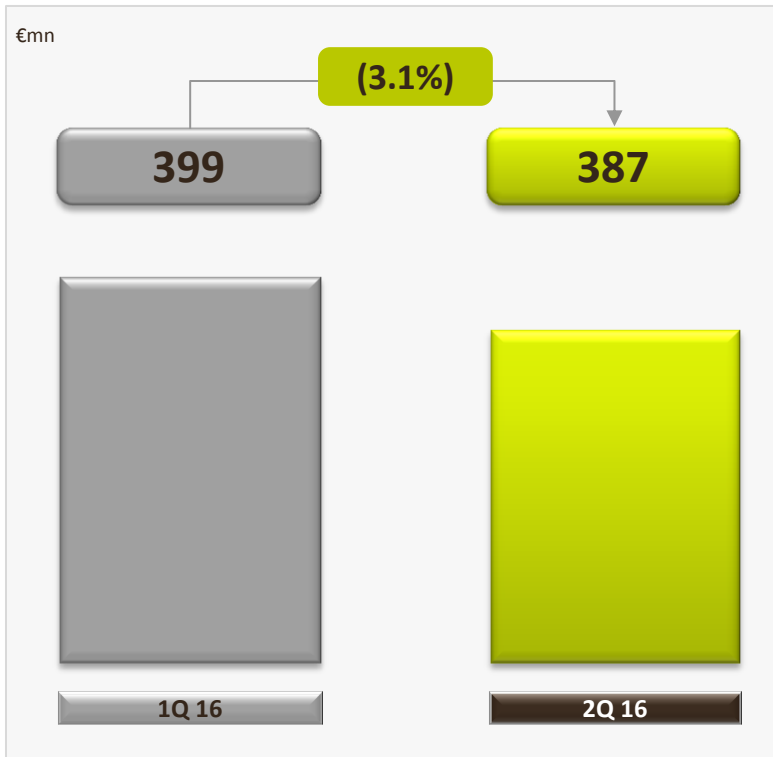
Positive performance on fees and commissions from the sale
of financing and savings products



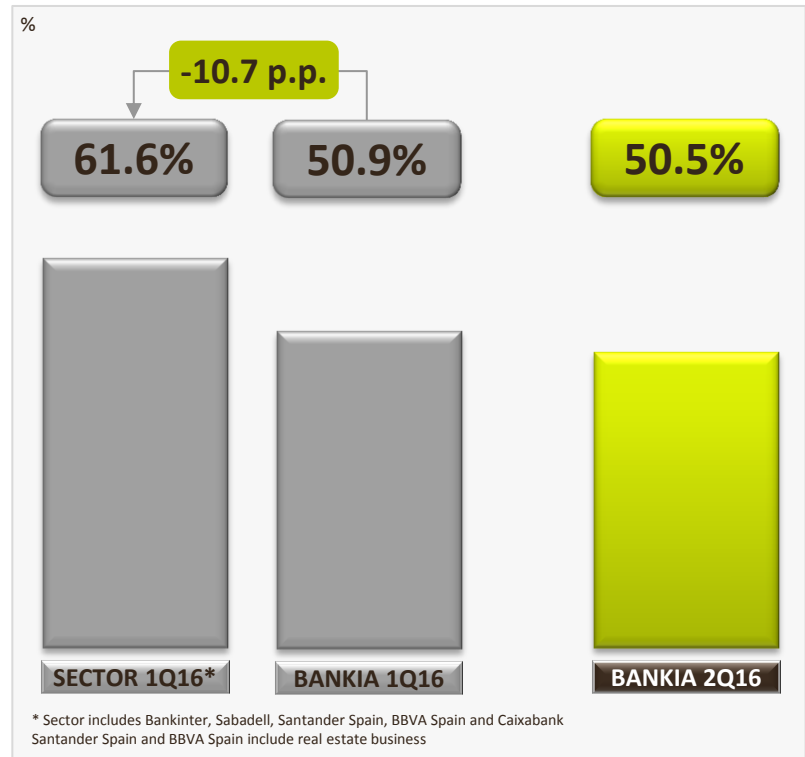
2Q 2016 Results

Operating expenses

Operating expenses



Efficiency ratio ex NTI 2Q 2016



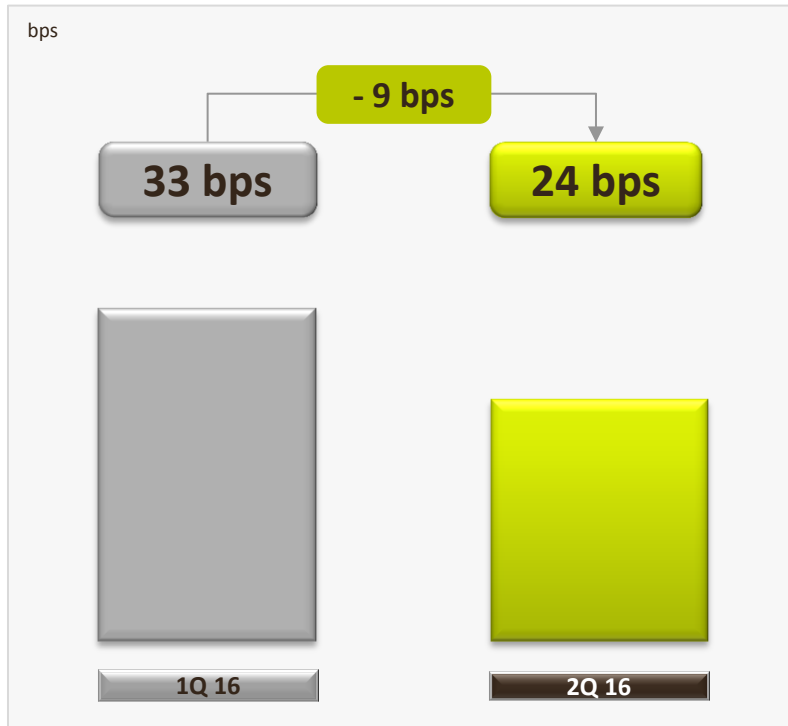
Total efficiency ratio at 46.5% in 2Q 2016

2Q 2016 Results

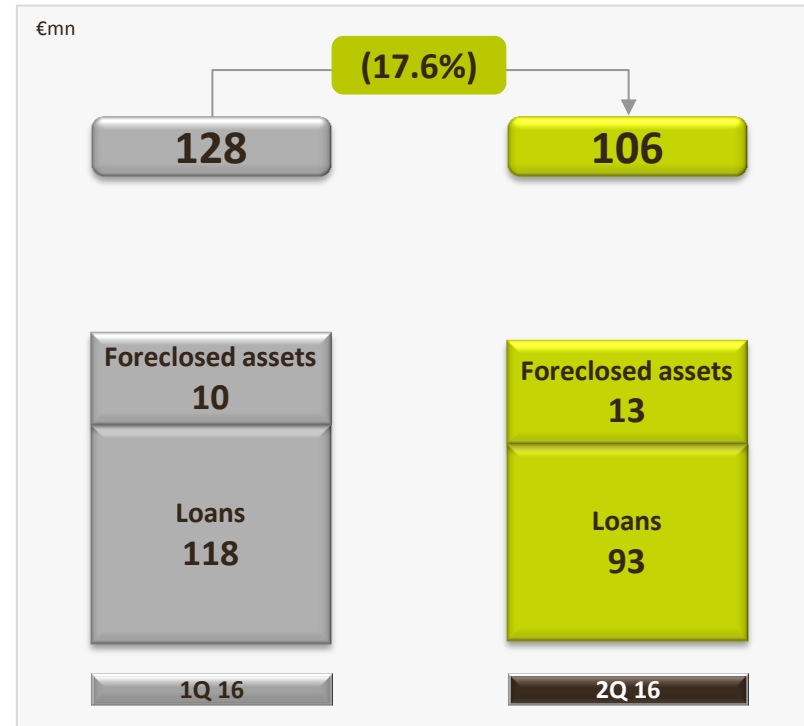
Cost of risk and provisions



Cost of risk (bps)



Provisions



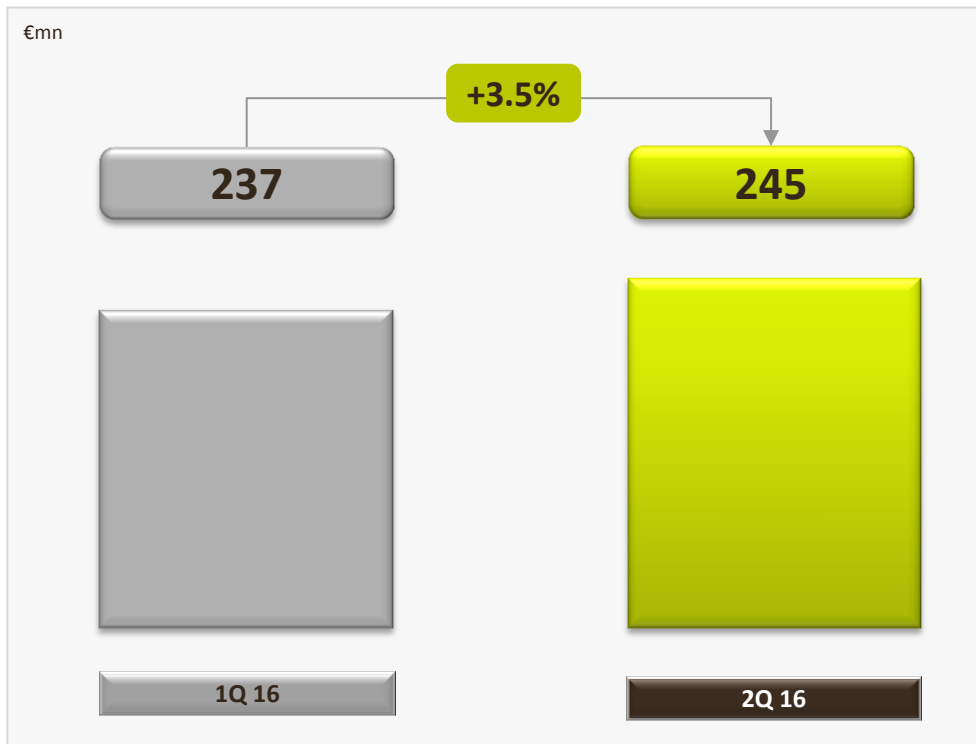
Cost of risk stands at 24 bps in the second quarter

2Q 2016 Results

Attributable profit



Attributable profit



Controlled general expenses and cost of risk reduction allow us to offset the impact of the macro environment on gross income

+3.5% growth in attributable profit compared to 1Q 2016



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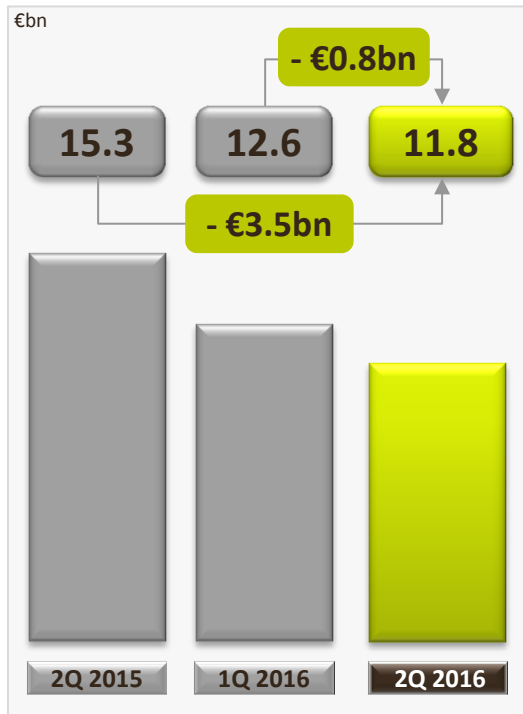
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Asset quality and risk management

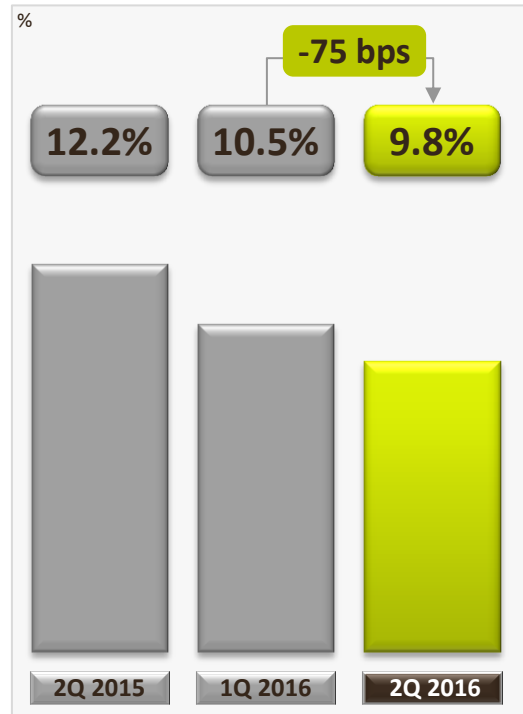
Credit quality



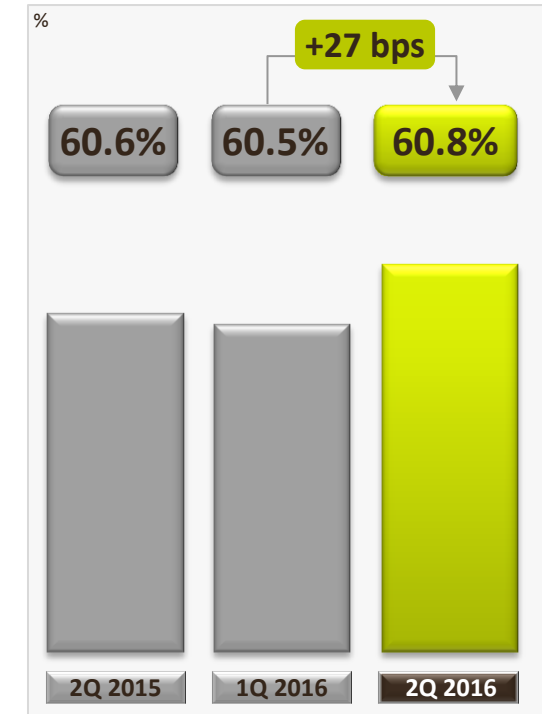
NPLs



NPL ratio



Coverage ratio



Further decrease in NPLs and increase in coverage



Asset quality and risk management

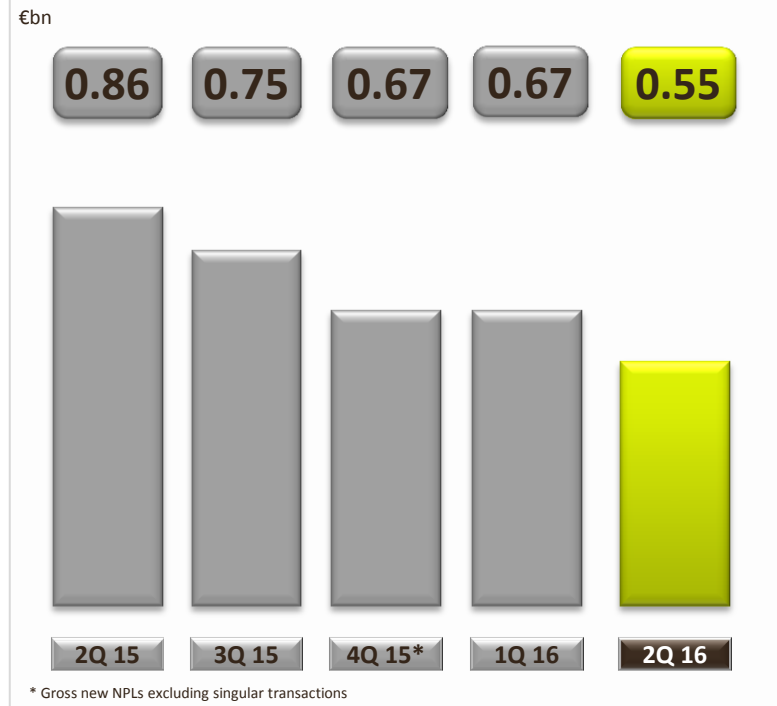
Credit quality

NPLs are down €0.8bn in just one quarter

NPLs performance

€bn		
NPLs Mar 2016		12.57
+ Gross new NPLs	+ 0.55	Total reduction €-0.81bn
- Recoveries	- 1.09	
Net new NPLs	- 0.54	
- Write-offs	- 0.05	
- Sales	- 0.22	
NPLs Jun 2016		11.76

Gross NPLs entries performance



Gross NPLs entries are down once again compared to the previous quarter



Asset quality and risk management

Credit quality

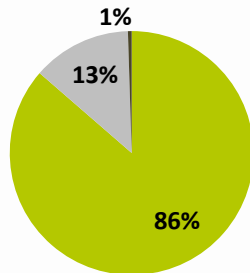
The balance of foreclosed assets continues to fall

Portfolio sales

"OCEAN" PORTFOLIO

NPL reduction through sale

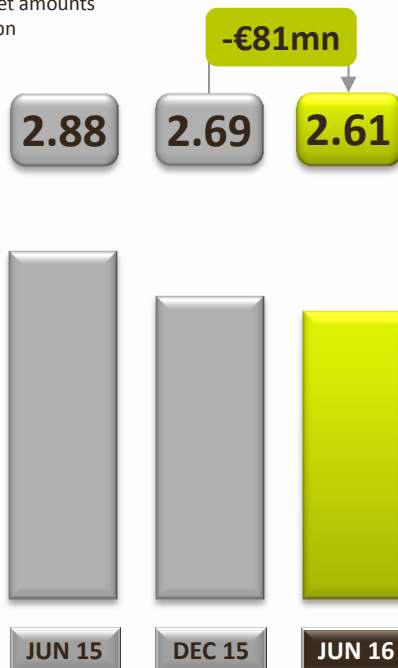
€215mn



■ SMEs ■ Developer loans ■ Others (self-employed)

Foreclosed assets

Net amounts
€bn



Foreclosed asset sales

"LANE" PORTFOLIO

Portfolio sale
comprising 2,100
foreclosed assets
(in progress)

**3,237 foreclosed
assets sold through
the retail network
in 1H16**

Foreclosed assets have fallen €267mn in the last 12 months



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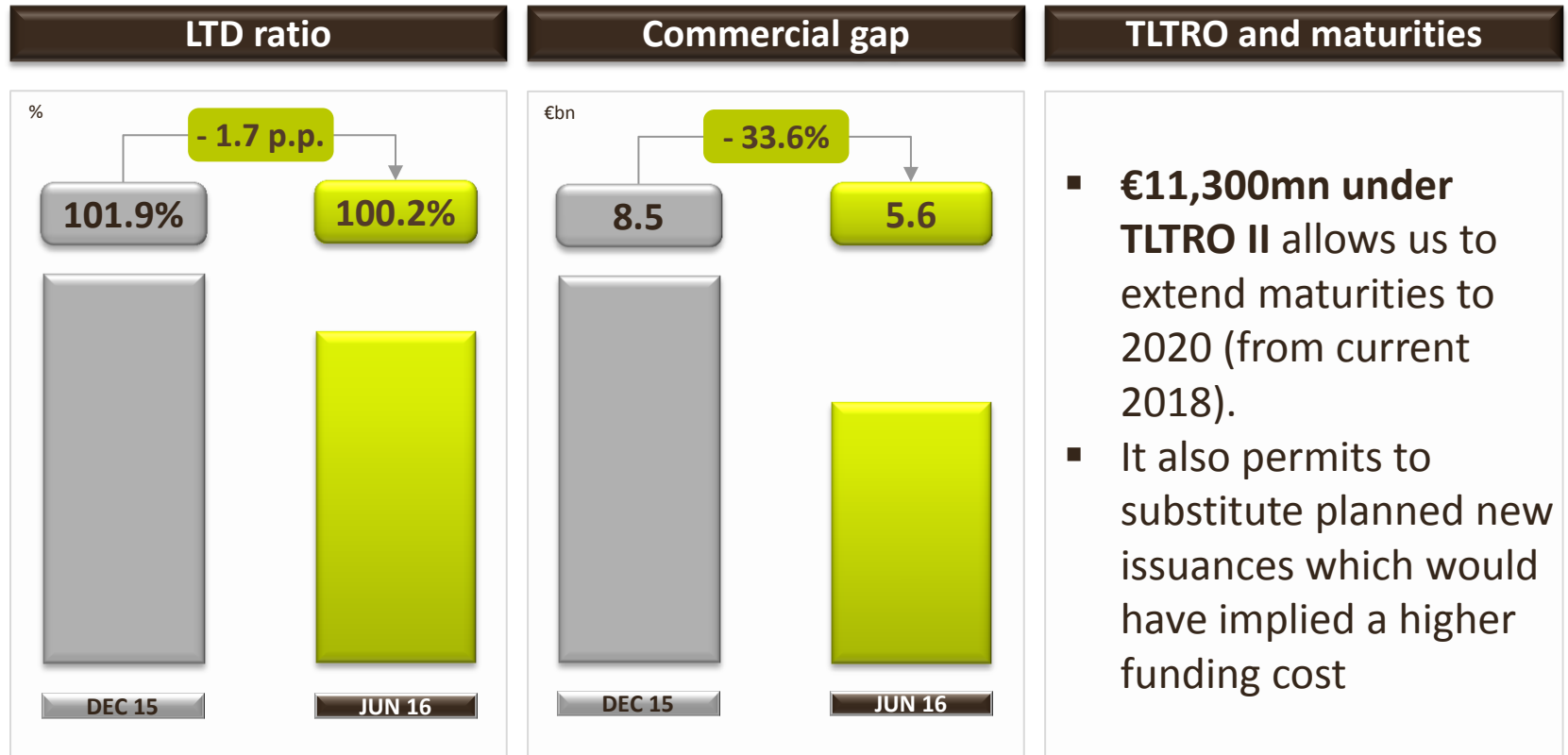
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Liquidity and solvency: liquidity

Liquidity parameters

LTD ratio at 100%



Investment grade ratings assigned by Fitch and DBRS

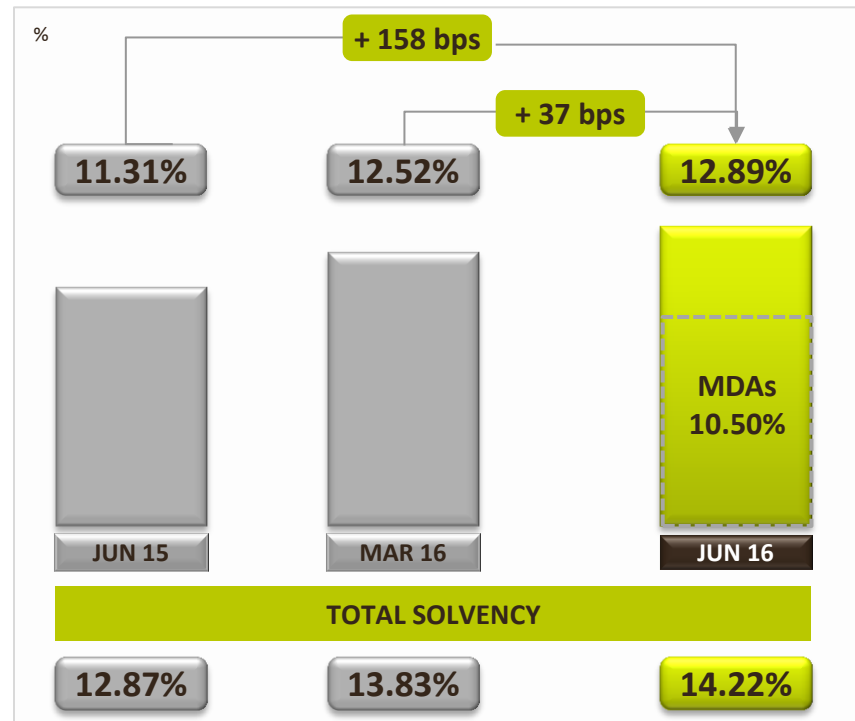
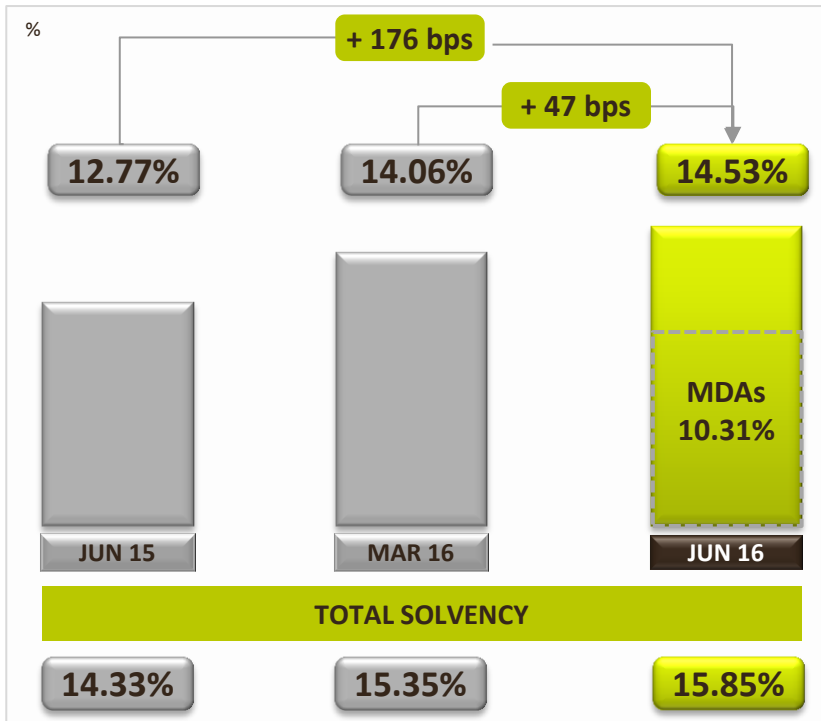


Liquidity and solvency: solvency ratios

37 bps of CET 1 FL capital generated in the quarter

CET 1 phase-in ratio performance

CET 1 fully loaded ratio performance



Note 1: The solvency ratios include the attributable profit for the Group and discount the regulatory adjustment for a dividend similar to that of 2015.

Note 2: If the gains on the sovereign portfolio were included in the fully loaded ratio at 30 June 2016, the CET1 ratio would stand at 13.76% and the Total Solvency ratio at 15.08%

Note 3: MDA (maximum distributable amount) set as the level of regulatory requirements under Pillar I, Pillar 2 (SREP) and capital buffers.

€489mn of capital generated in the first half



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Conclusions



The positive performance of the competitive positioning is reflected in the increase in direct income deposits, cards and new loans in the consumer and self-employed segments

The interest rate environment adversely affects net interest income performance

Thanks to the reduction of general expenses and the decrease in cost of risk, attributable profit is up 3.5% compared to 1Q16

Asset quality: decrease in NPLs and in the NPL ratio, with an increased coverage

Strong capital generation in the quarter: +37 bps (CET 1 FL), 63 bps in the half-year

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