

**BoAML 22<sup>nd</sup> Annual  
Financials CEO Conference**  
***The Financial Crisis – 10 Years On***

September 28<sup>th</sup>, 2017

Bankia

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**1**

**Industry dynamics in Spain**

**2**

**Bankia's case: from restructuring to growth**

**3**

**Looking to the future**

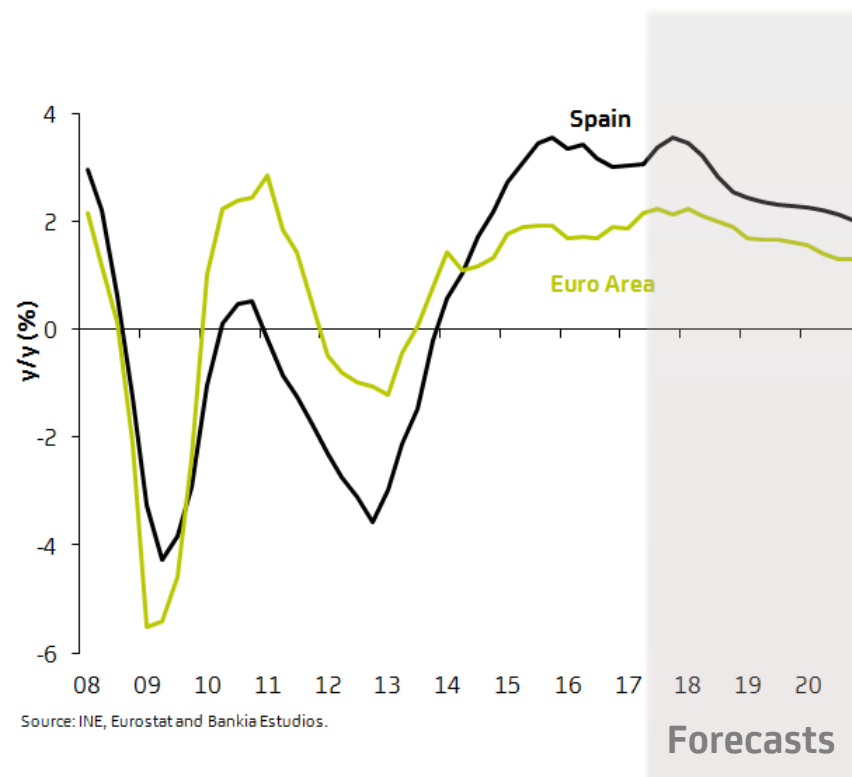
# > Industry dynamics in Spain

## The financial crisis – 10 Years On

### 10 years after the financial crisis, Spain is benefiting from a resilient growth rate

Spain is growing at a faster rate than EMU over the last three years...

GDP Growth – (%)



#### GROWING EXPORTS

**Exports of goods**  
**+18%** 2017e vs 2012

Source: INE & Bankia Estudios

**Number of exporting business**  
**+21%** 2016 vs 2011

Source: ICEX & Bankia Estudios

#### TOURISM

**International tourist arrivals**  
**+46%** 2017e vs 2012

Source: INE & Bankia Estudios

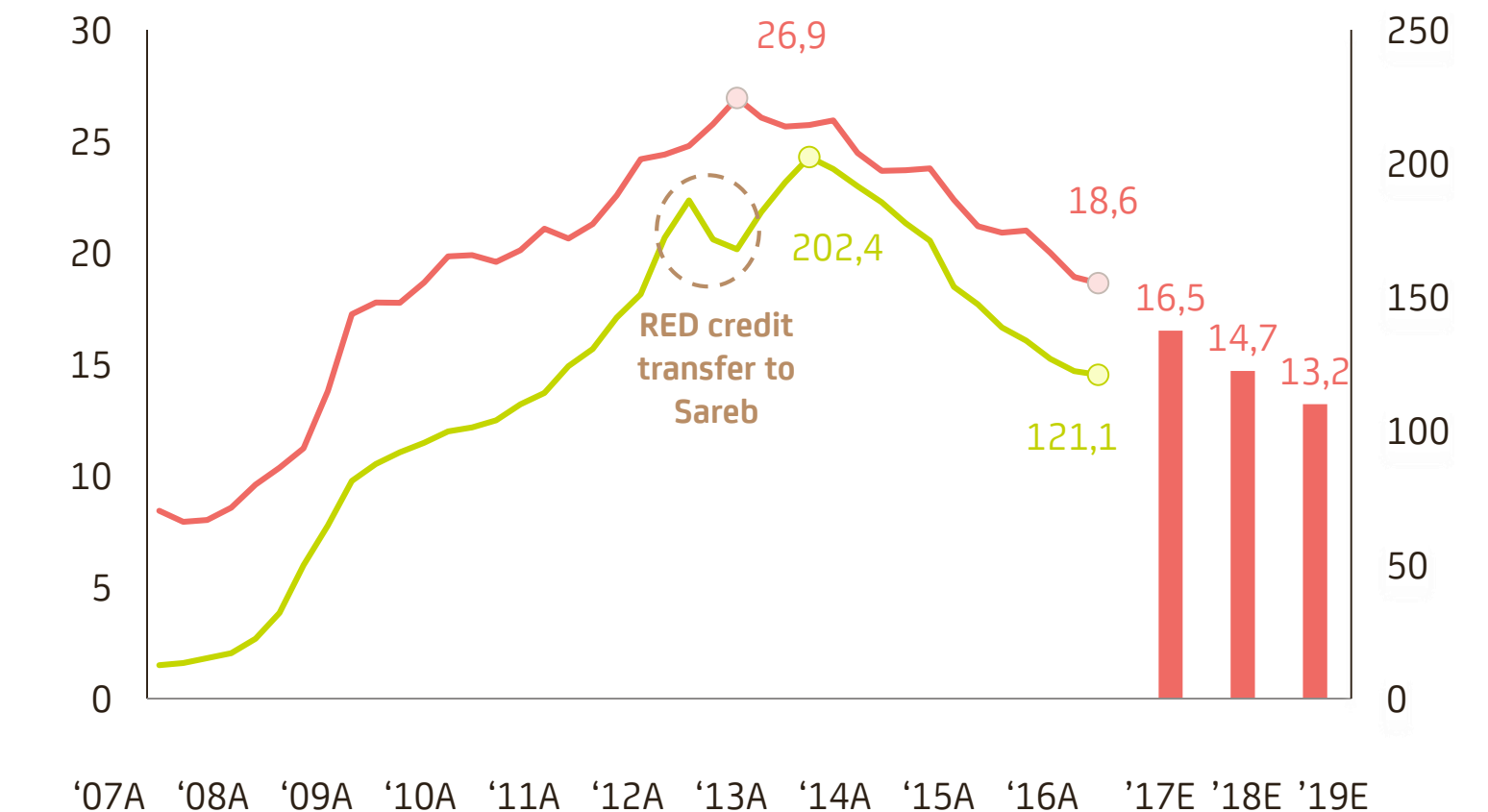
**Weight of tourist activity in GDP**

2010	2016
10,2%	11,2%

Source: INE

... and unemployment and NPLs are going down at a steady path

Spain Unemployment Rate – (%)      NPLs volume – (€Bn)



Source: Company Information, Bloomberg as of 23 of June 2017, Bank of Spain as of May 2017 and International Monetary Fund (World Economic Outlook Database) as of April 2017

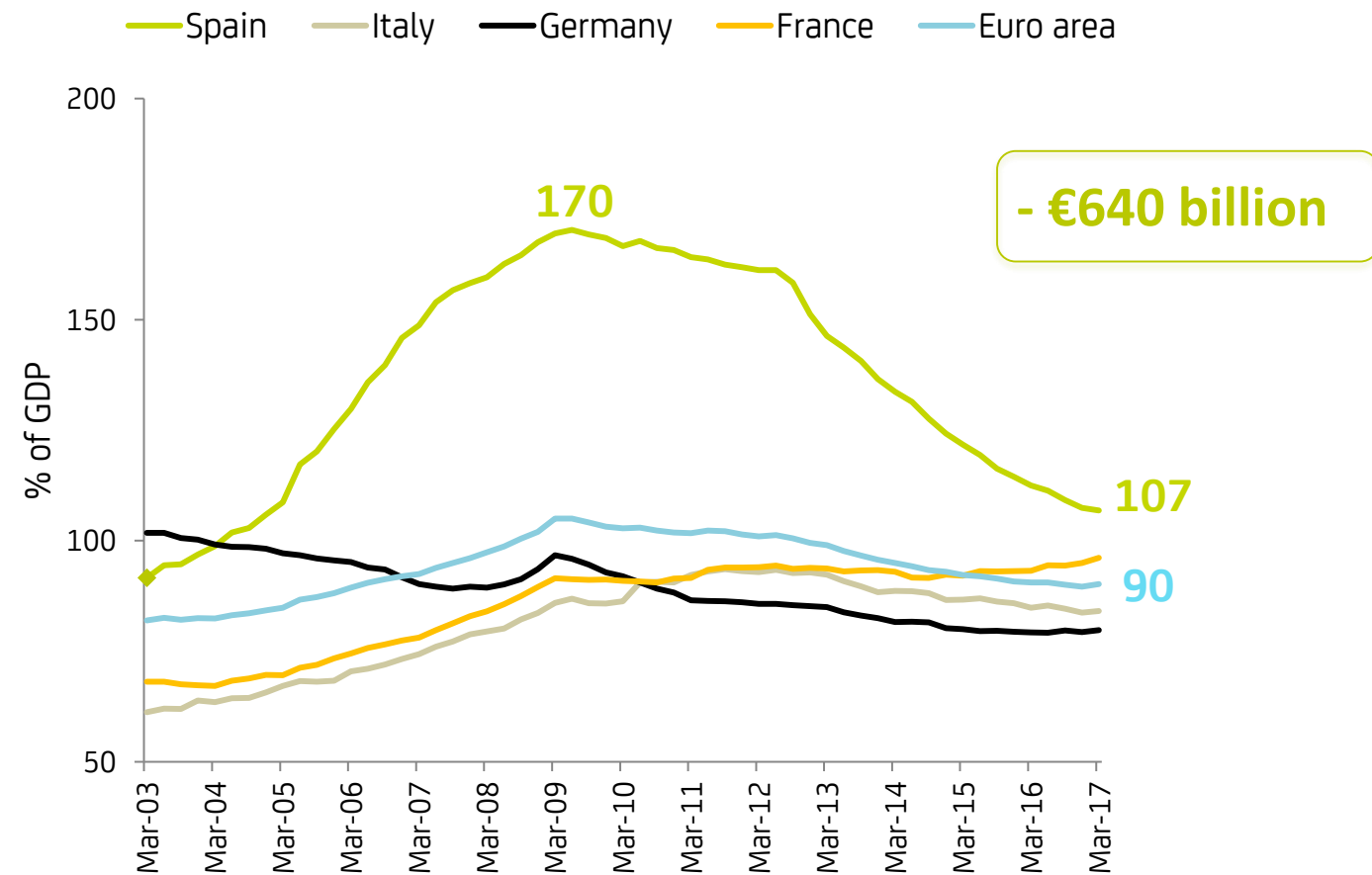
## > Industry dynamics in Spain

### Healthy deleverage process of the industry

## Loans to households and corporates / GDP reaching pre-crisis levels

Outstanding stock of loans continues to shrink...

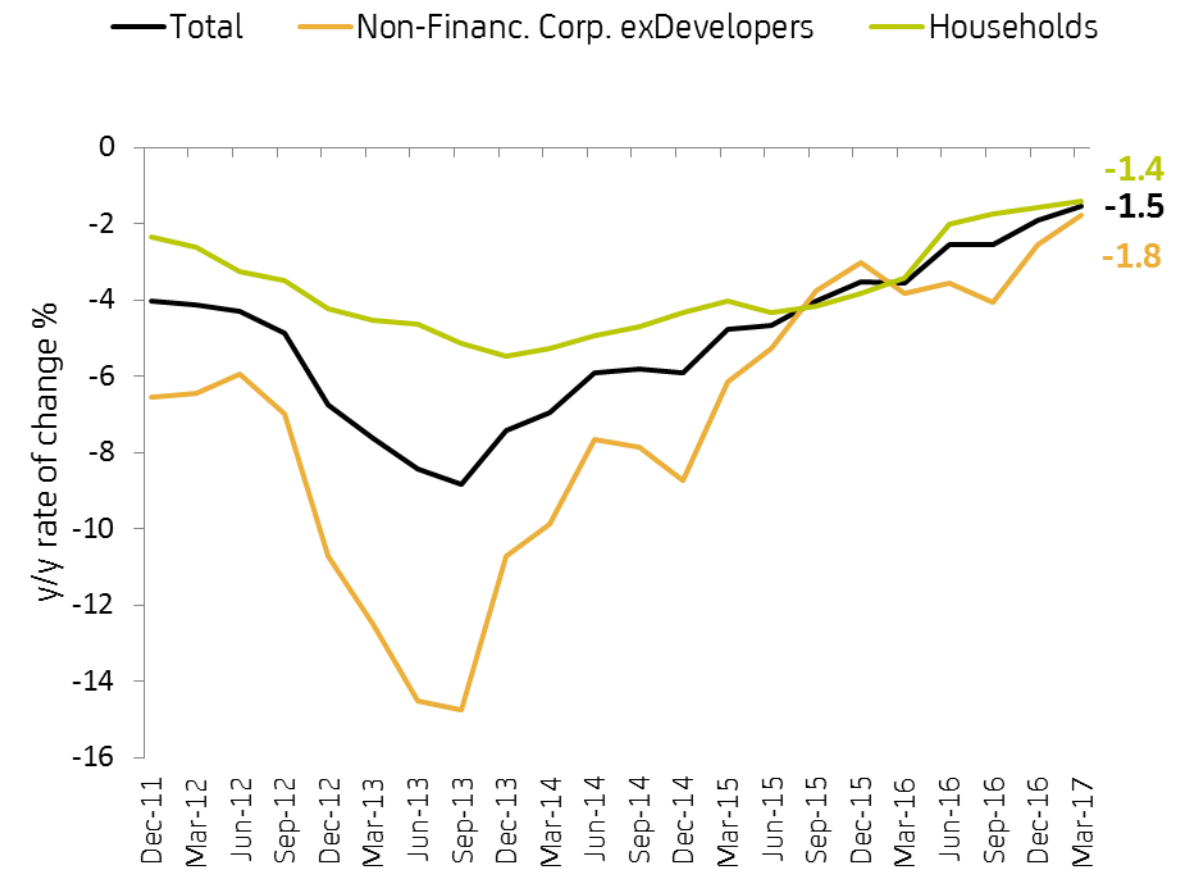
### Loans. Households & Non-financial corporations



Source: BCE & Bankia Estudios

... albeit at an increasingly moderate rate

### Loans. Households & Non. Financ. Corp. exDevelopers



Source: BdE & Bankia Estudios

## > Industry dynamics in Spain

### Recovery in the real economy

## Household consumption gaining strength since 2014

### Consumer loans

**+29%** 2017e vs 2012

Source: INE & Bankia Estudios

2014	2017 (July)
€58bn	€75bn

### Point of sale transactions

**+26%** 2016 vs 2012

Source: Bank of Spain & Bankia Estudios

2012	2016
€98bn	€124bn

### Number of credit cards

**+20%** 1T17e vs 1T12

Source: Bank of Spain & Bankia Estudios

1T12	1T17
41,6MM	49,9MM

### Car sales (Thousands)

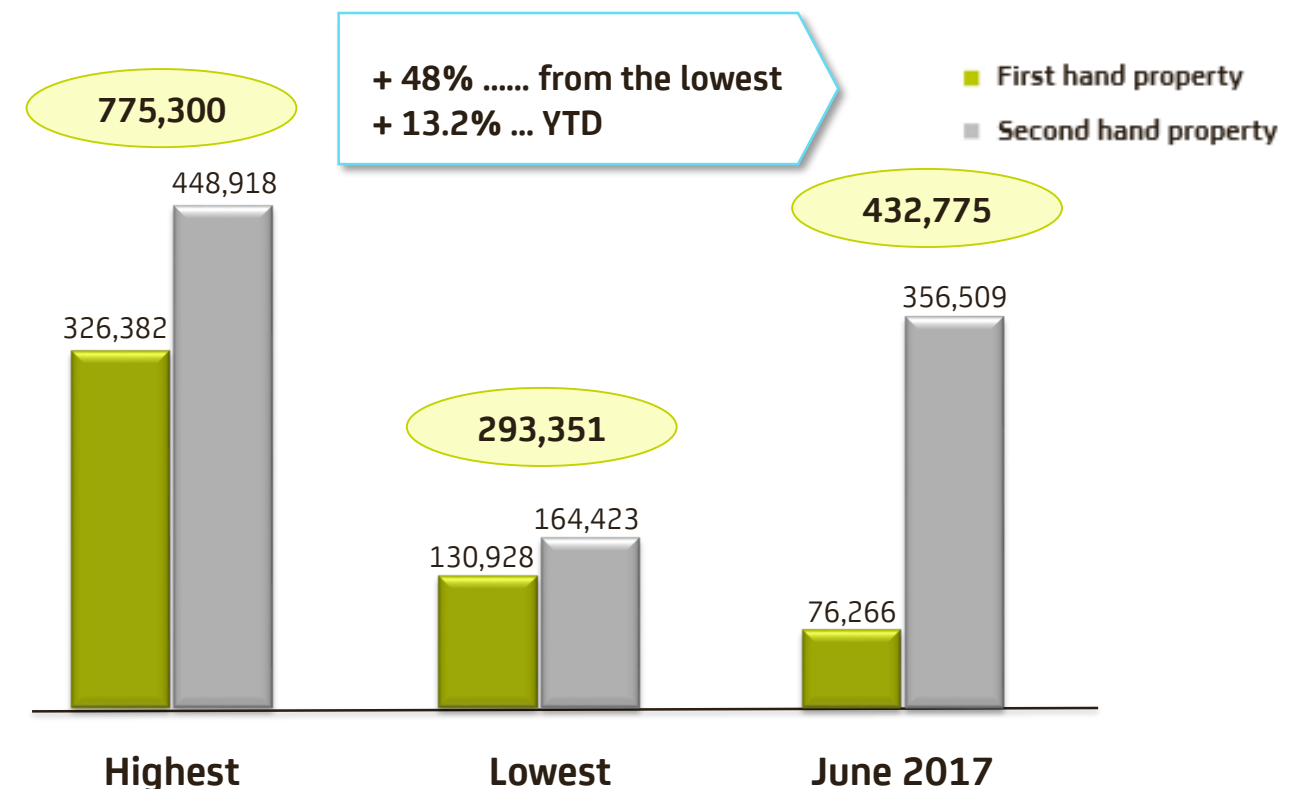
**+71%** 2017e vs 2012

Source: Bankia Estudios

2011	2016
699	1,202

## Recovery of the Real Estate Market

### Number of residential property transactions (yearly figures)



Source: INE

### Prices (€/m<sup>2</sup>)

Source: Min. de Fomento

Highest	Lowest	June 2017
2,101	1,456	1,526

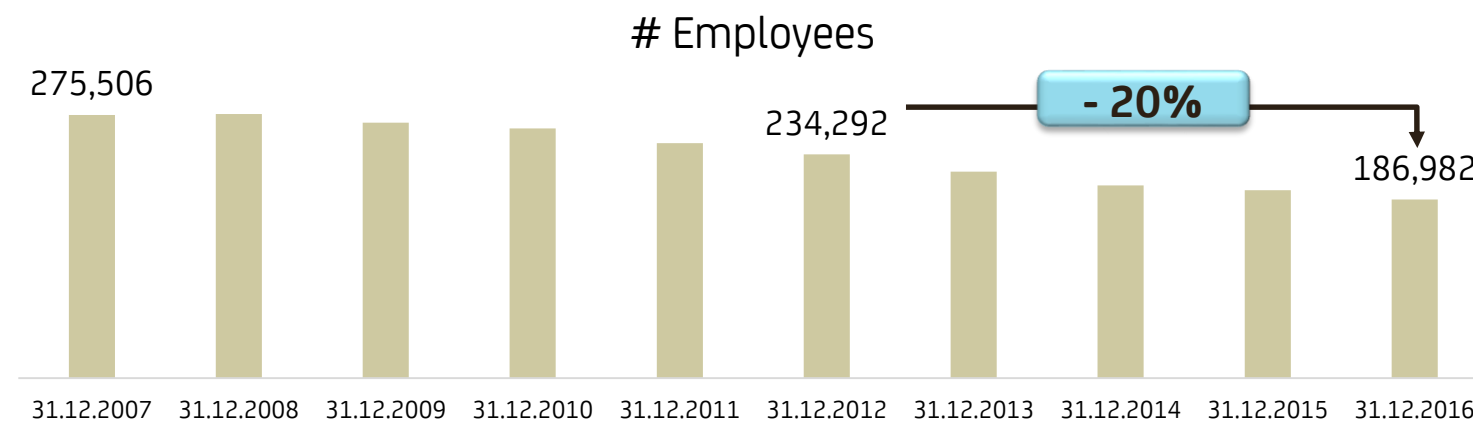
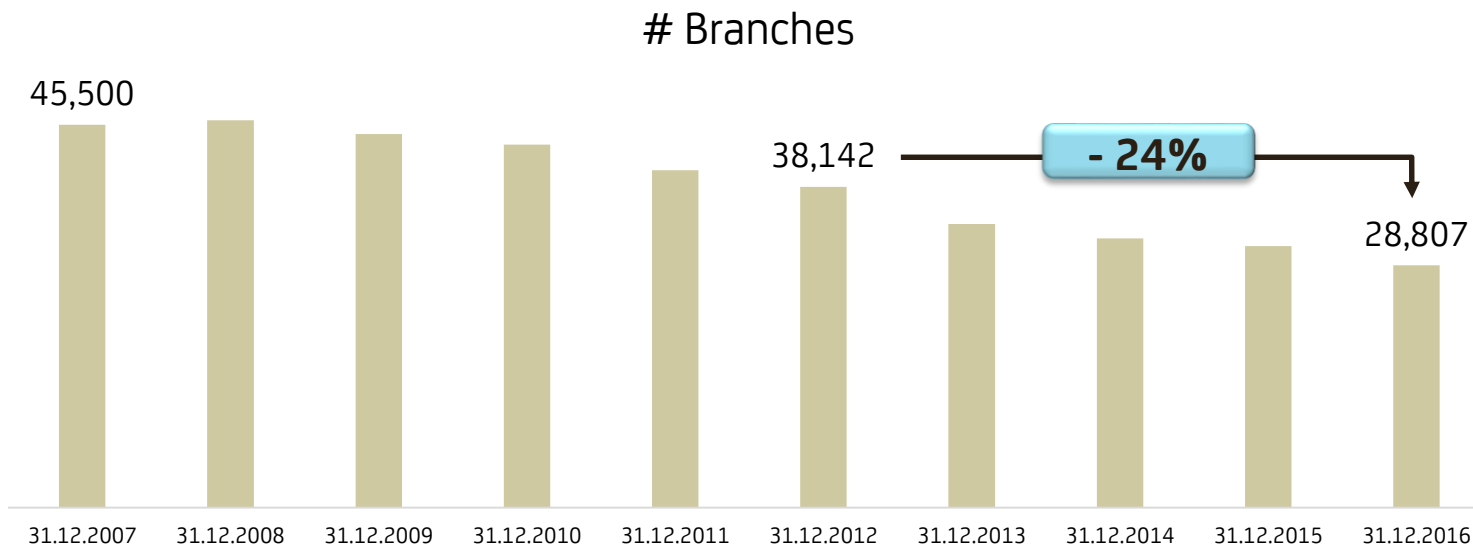
+ 4.8% ..... from the lowest  
 + 2.2% ..... YoY

## > Industry dynamics in Spain

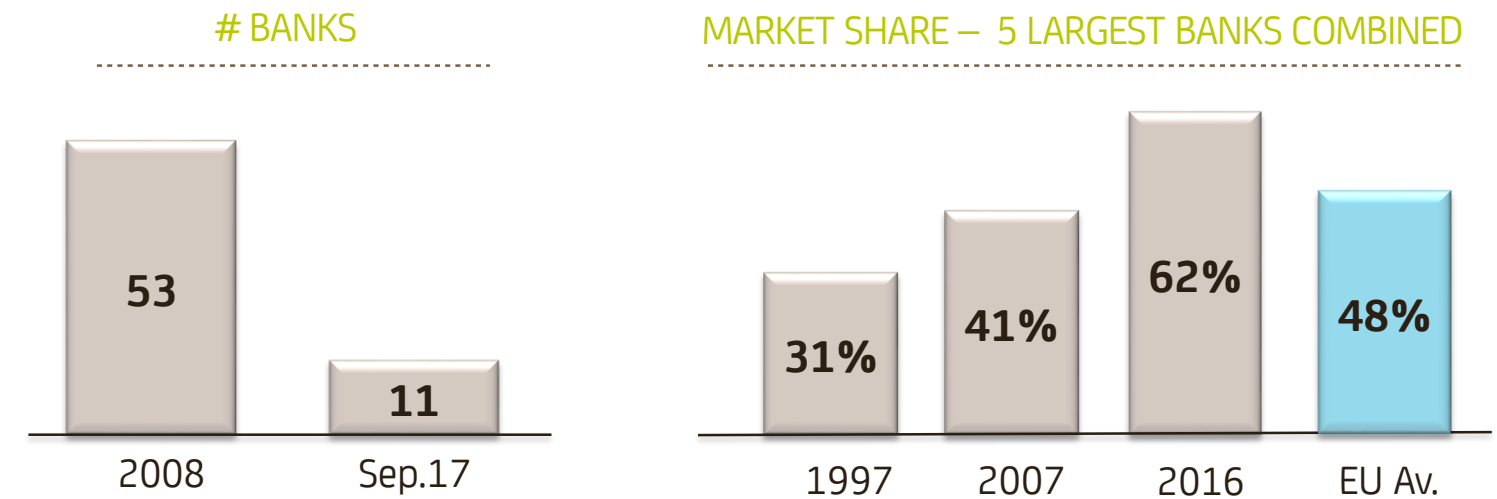
### Restructuring of the Financial system

Spanish financial system has experienced a strong concentration since 2007...

#### Installed Capacity reduction...



#### ...and sector concentration



#### Var. 2007-2016

# Branches per 1,000 inhabitants

SPAIN  
0.62 (-39%)

EU AVERAGE  
0.44 (-21%)

# Employees per 1,000 inhabitants

4.03 (-35%)

5.76 (-14%)

Source: ECB & Bankia Research

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**Bankia's case: from restructuring to growth**

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**Looking to the future**



➤ Bankia's case: from restructuring to growth

The Restructuring Plan, a story of success

The Restructuring Plan initiated almost 5 years ago is about to end

2012: STRATEGIC / RESTRUCTURING PLANS. NEW CORPORATE GOVERNANCE



2013: THE TURNAROUND YEAR



2014: DEVELOPING THE COMMERCIAL MODEL



2015: COMPLETION OF THE STRATEGIC PLAN



2016: CHANGE OF OUR COMMERCIAL POSITIONING



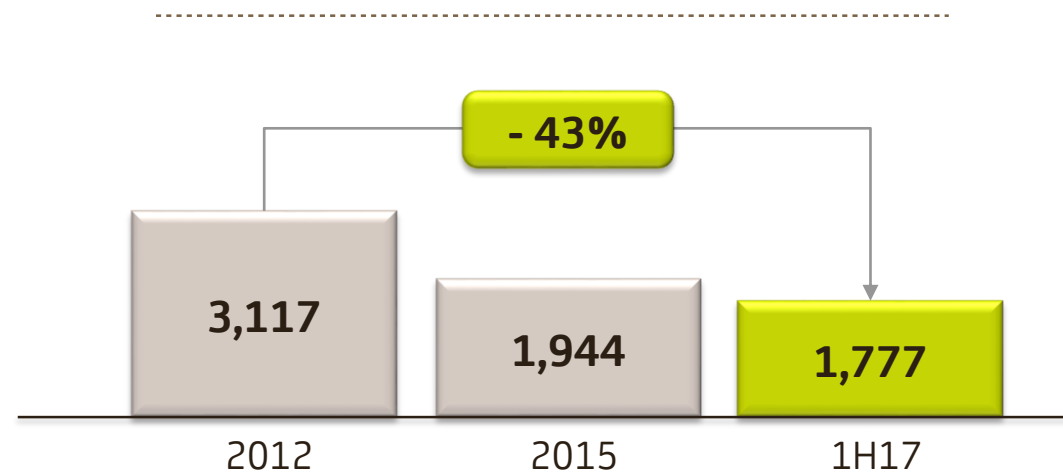
2017: END OF THE RESTRUCTURING PLAN

## > Bankia's case: from restructuring to growth

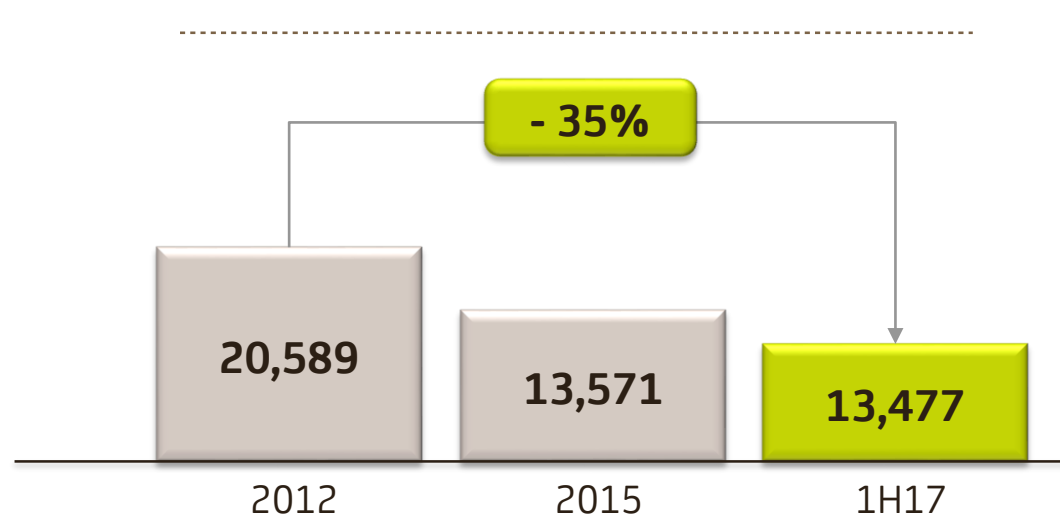
### Delivering 2012-2015 plan targets

#### Integration/Restructuring successfully completed ahead of plan...

##### # BRANCHES



##### # EMPLOYEES



##### INTEGRATION AND 2015 TARGETS

- Bankia's **technological capabilities** allowed the integration of 7 entities in one platform in less than 24 months

	Target	2012	2015	Achievement over target (%)
<b>COST BASE (€bn)<sup>(1)</sup></b>	1.7	2.23	1.55	+128%
<b>COST OF RISK</b>	50bps	74bps	43bps	+129%
<b>LIQUIDITY (LTD RATIO)</b>	<110%	120.4%	101.9%	+178%
<b>CAPITAL GENERATION</b>	480bps	2012-15: +544bps		+113%

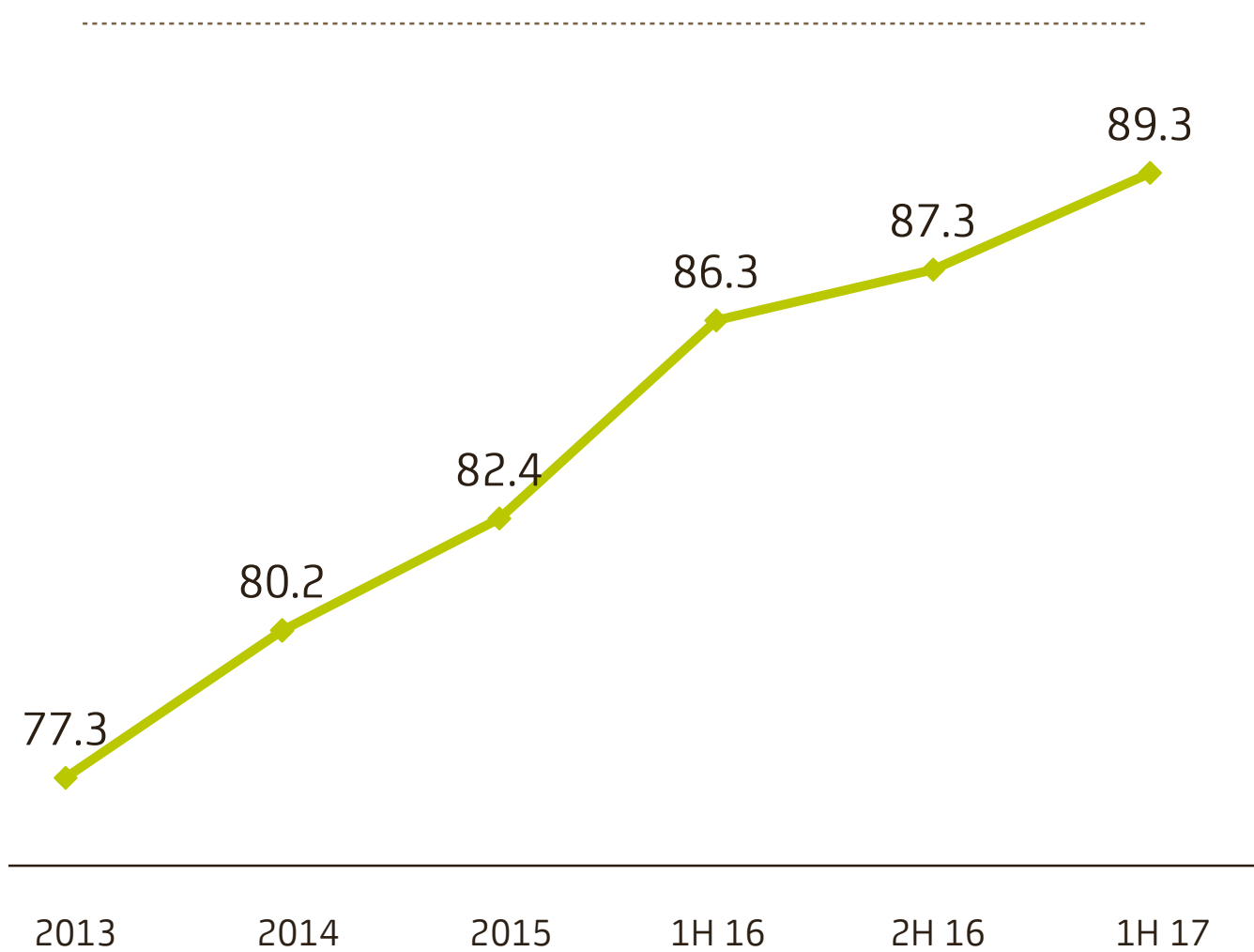
<sup>(1)</sup> Excludes CNB

> Bankia's case: from restructuring to growth

Commercial positioning is paying off... | Customers satisfaction

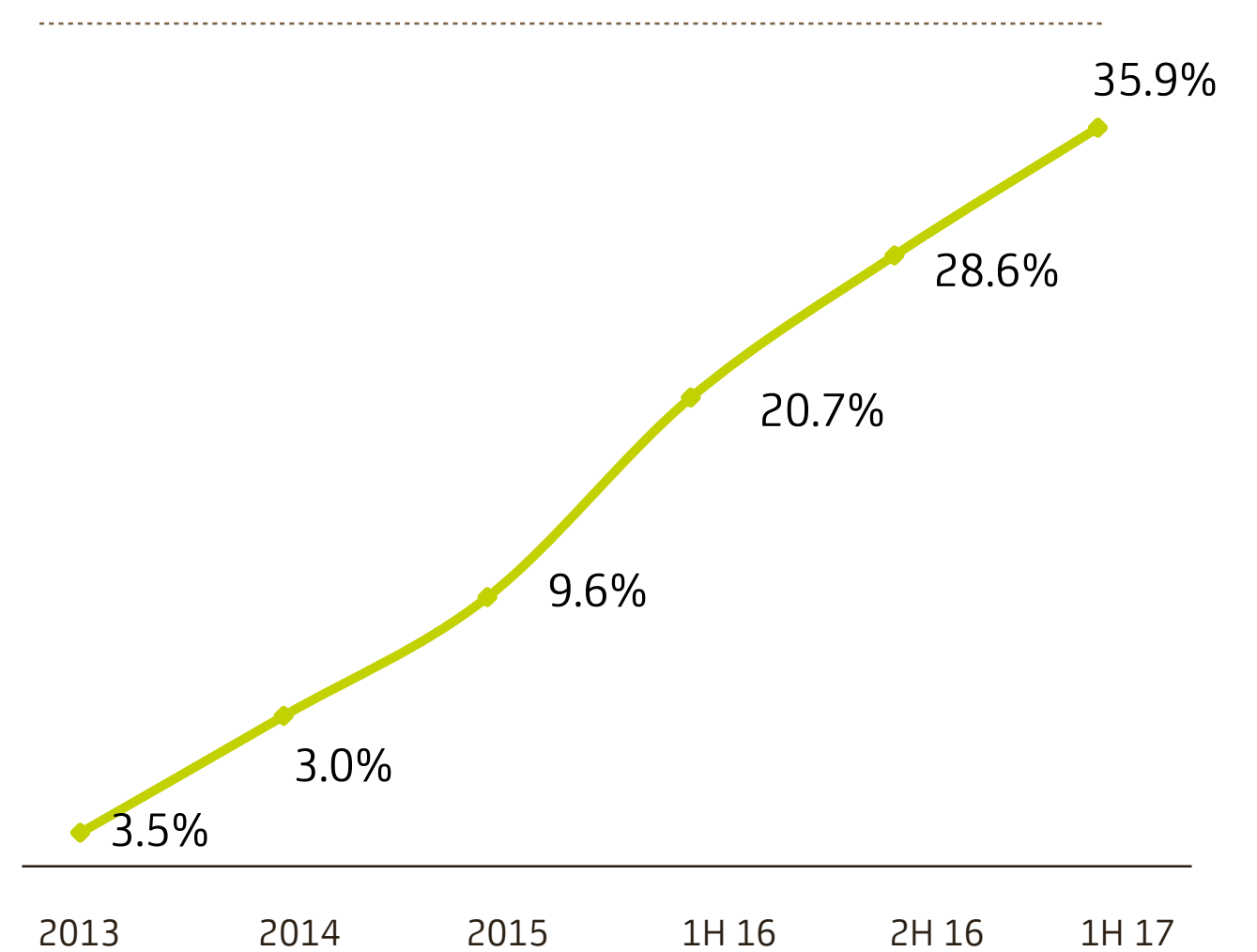
... while reinforcing our commercial activity

CUSTOMER SATISFACTION INDEX



Source: Stiga

NET PROMOTER SCORE - BRANCHES



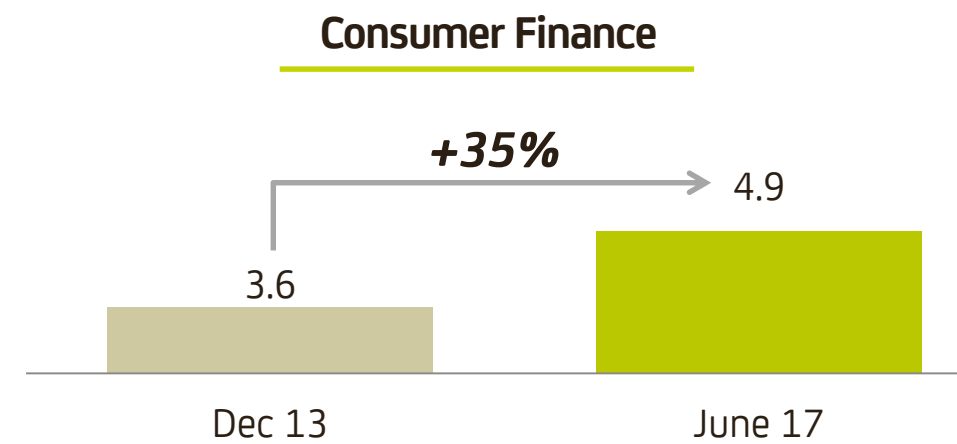
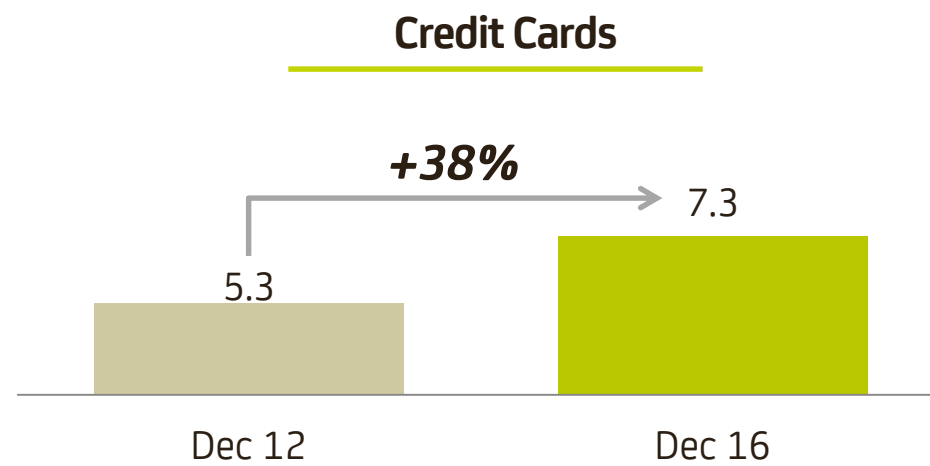
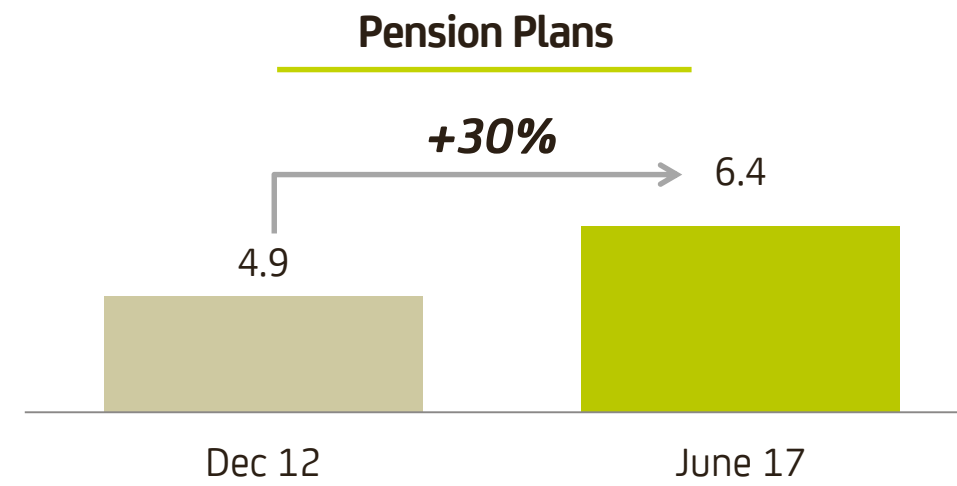
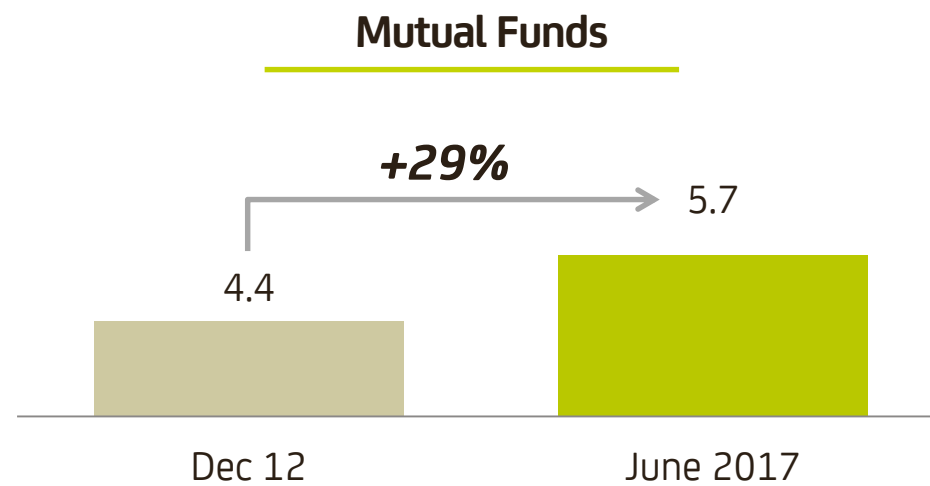
Source: Stiga

NPS: net promoter score, calculated as % of promoters - % of detractors. On a scale of 0 to 10, promoters give a score of 9 or 10, while detractors give a score of between 0 and 6.

> Bankia's case: from restructuring to growth  
Commercial positioning is paying off... | Market shares

Resulting in increasing customer base and market shares...

MARKET SHARES (%)



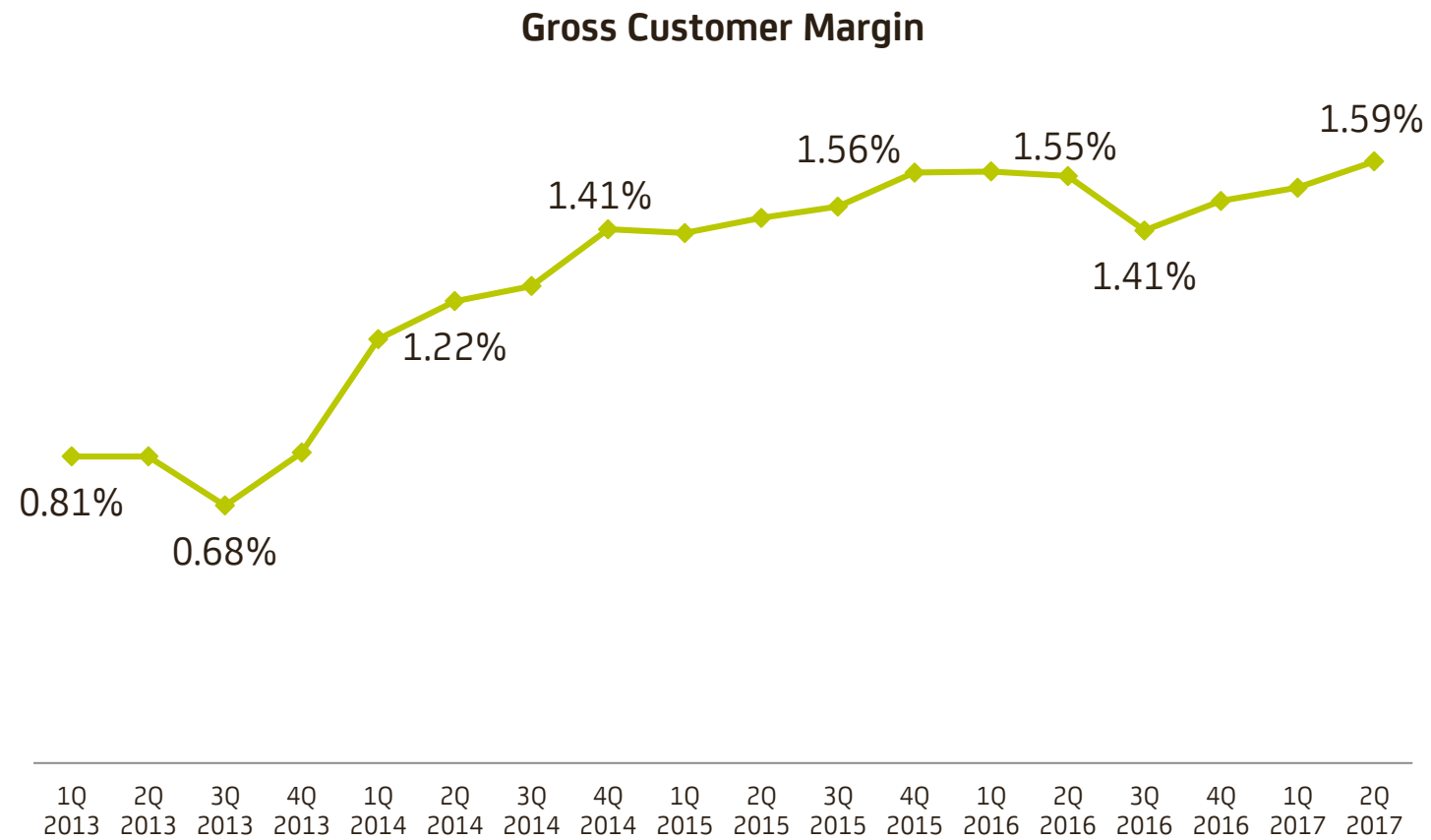
Source: Bank of Spain, Inverco, Servired and Company Information

> Bankia's case: from restructuring to growth

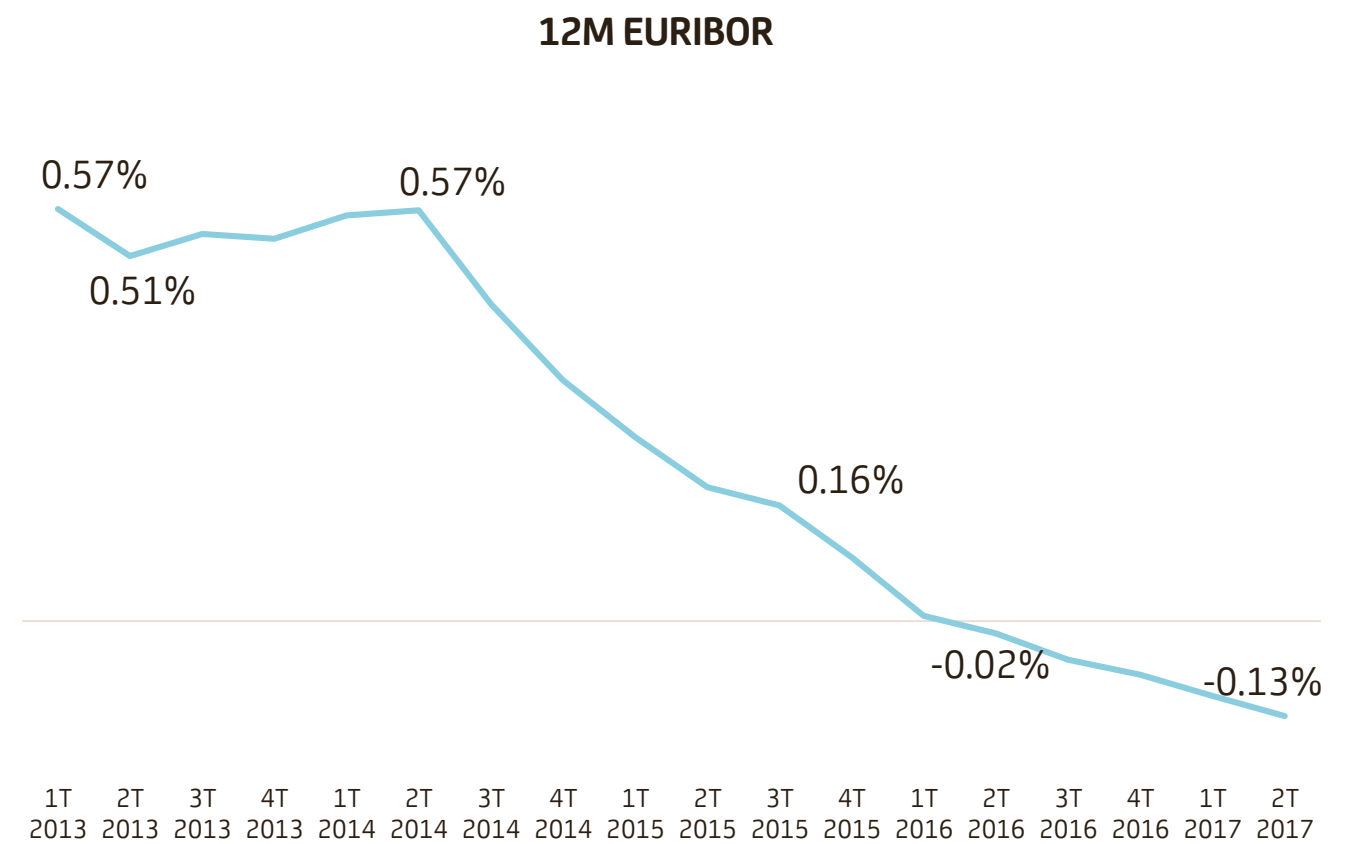
Commercial positioning is paying off | Margin Dynamics

... showing a positive trend in the “banking business”

GROSS CUSTOMER MARGIN DYNAMICS IMPROVEMENT...



... IN SPITE OF EURIBOR TRENDS

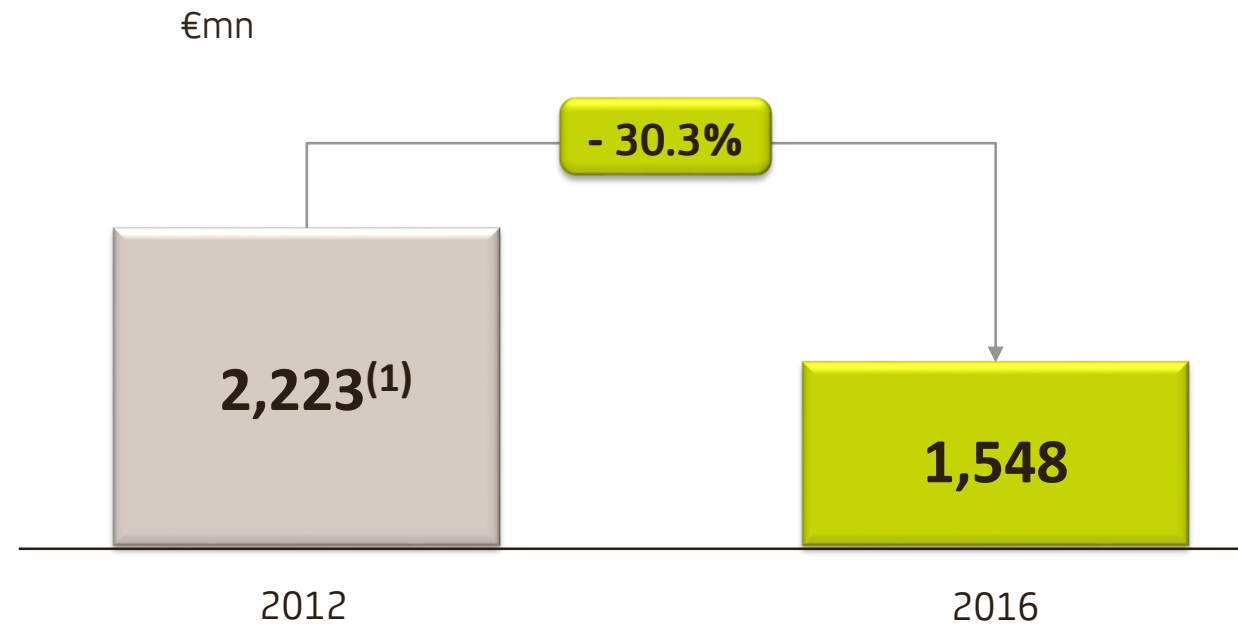


➤ Bankia's case: from restructuring to growth

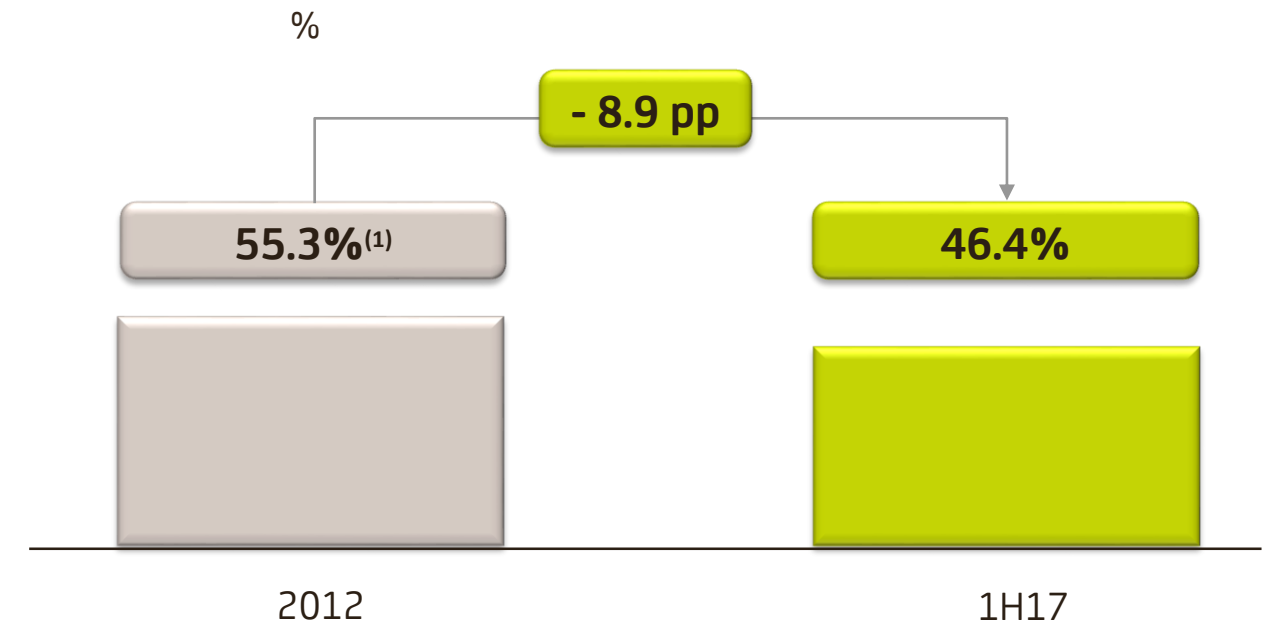
Focus on Efficiency

And with a clear focus in cost control

OPERATING EXPENSES



COST TO INCOME

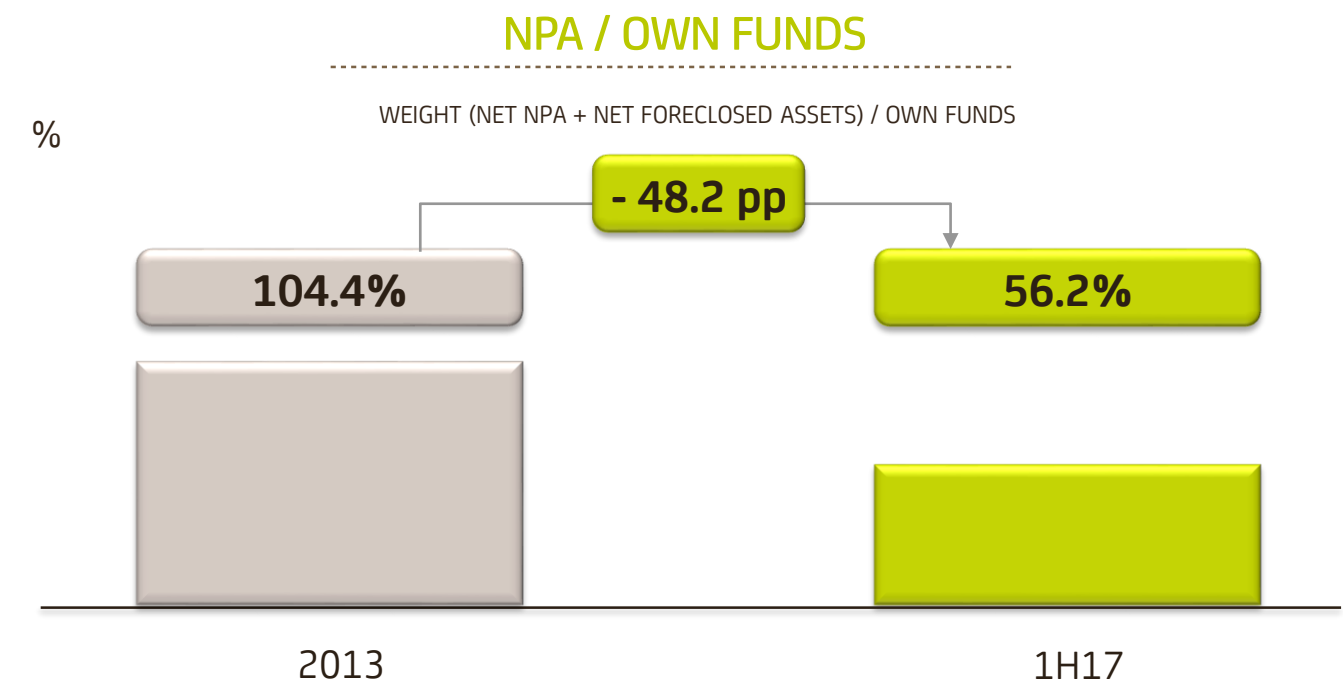
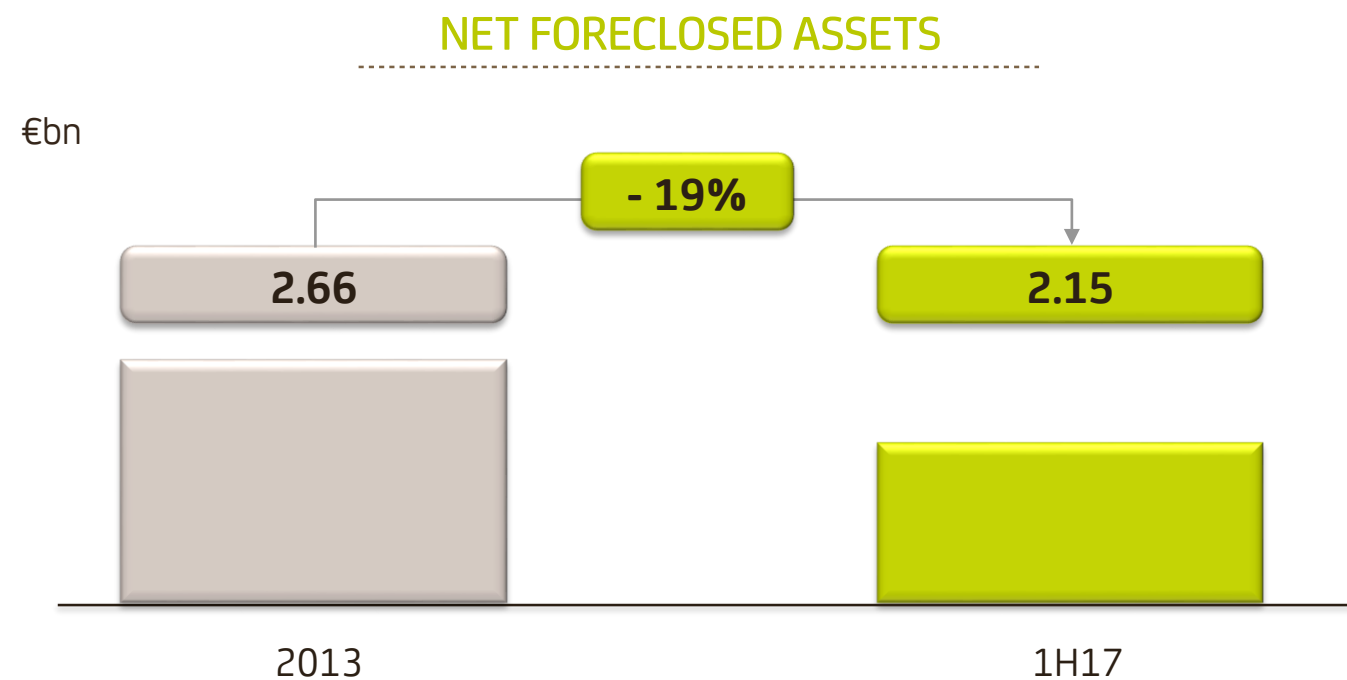
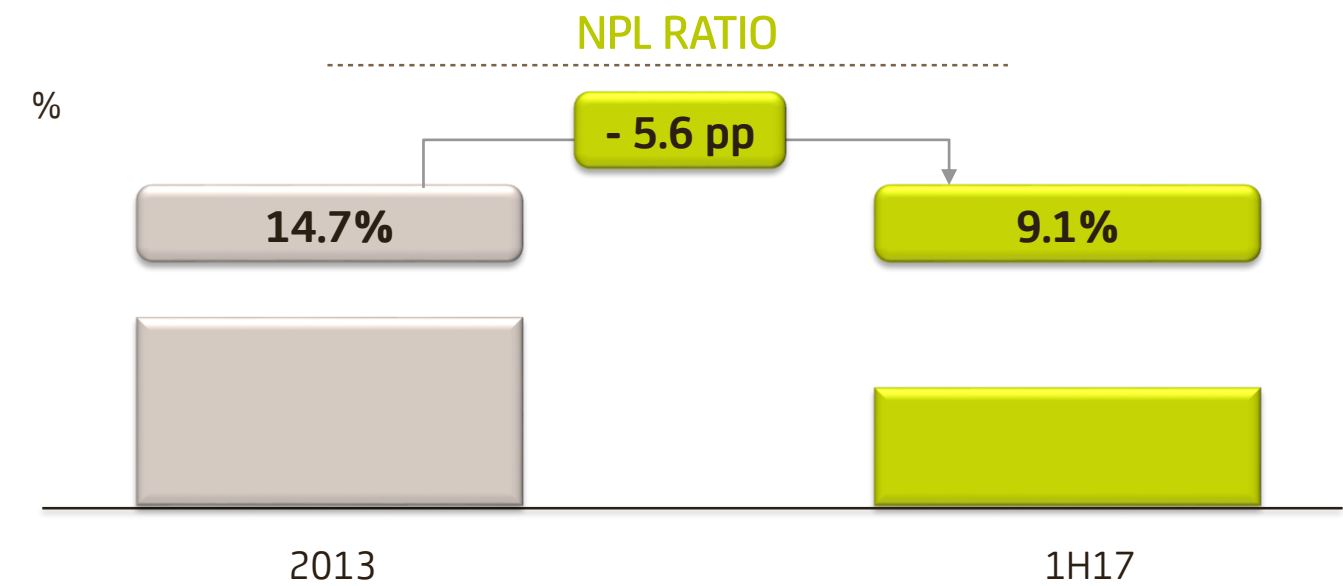
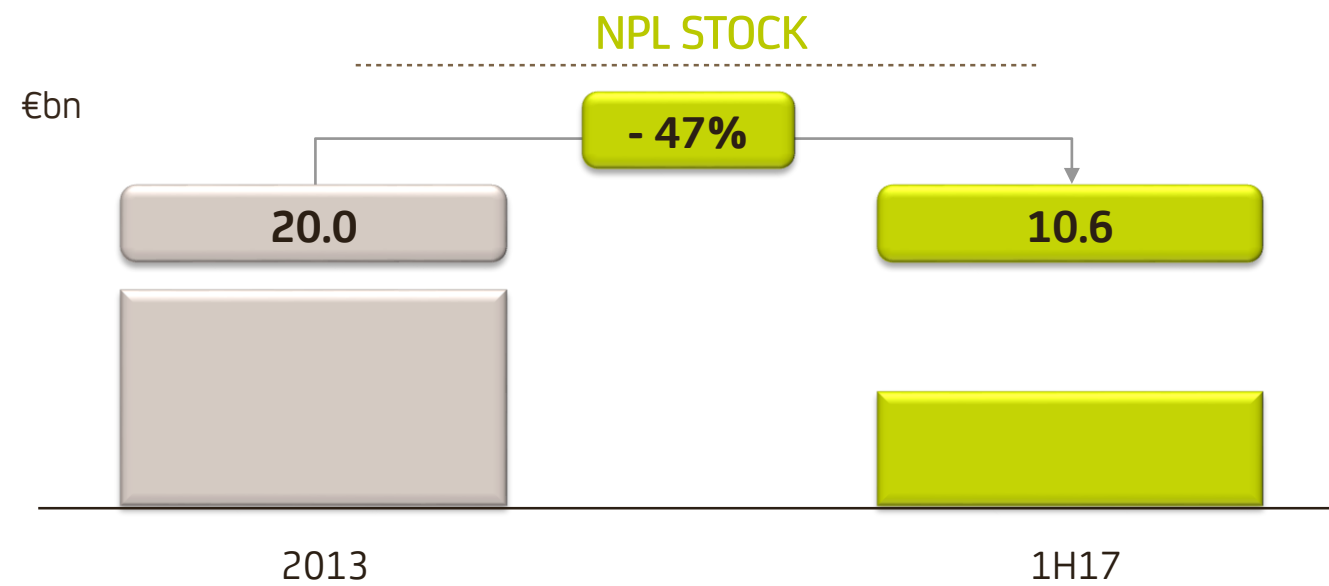


<sup>(1)</sup> Excludes CNB

➤ Bankia's case: from restructuring to growth

Focus on Risk Management

With a significant improvement in asset quality

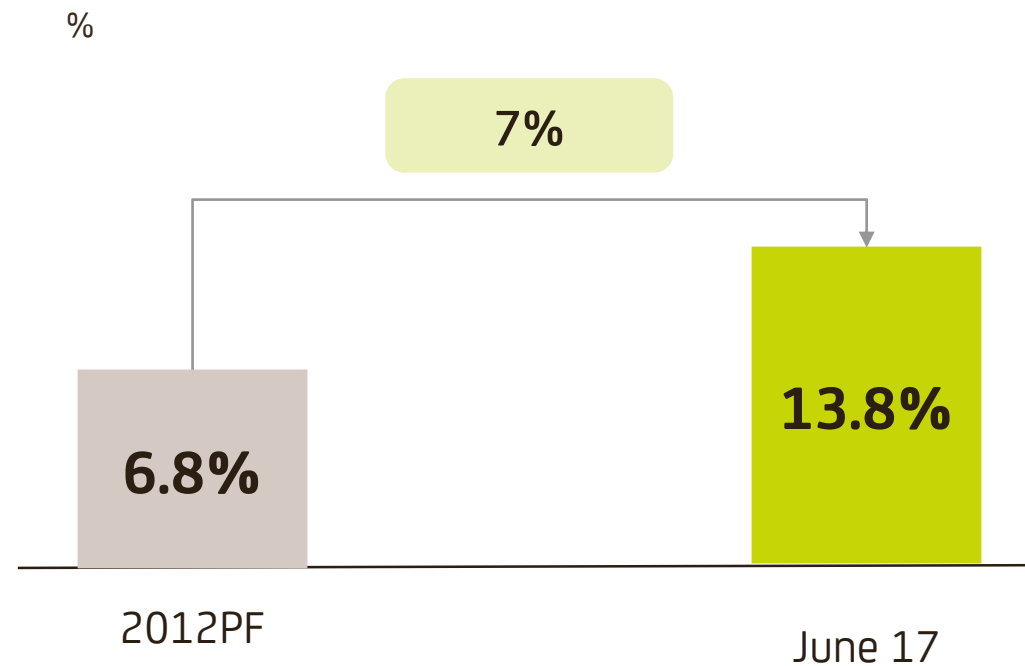


> Bankia's case: from restructuring to growth

Capital generation

**Strong capital generation**

SOLVENCY CET1 FL



RECENT ISSUANCES OF HYBRID CAPITAL

€500MN T2  
MARCH 2017

Coupon  
3.375%

Oversubscription  
>10x

€750MN AT1  
JULY 2017

Coupon  
6.00%

Oversubscription  
3.3x

Our business model allows us to fund profitable growth, increase cash dividend per share and payout ratio, and generate organic capital



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**Looking to the future**

## > Looking to the future

### Merger with BMN

#### Transaction Terms

- Shares Exchange: c. 206<sup>(1)</sup> million of Bankia's new shares in exchange for 100% of BMN's share capital, with no additional cash payment
  - **Implicit valuation of €825mn** for 100% of BMN (based on Bankia's share price as of 23 June 2017 at 4.011 euros)
  - **Implicit 0.41x BMN TBV 2016** pre adjustments
- **BMN receives Bankia shares representing 6.7%** of the resulting entity
  - FROB maintains a 66.6% equity stake pro forma

#### Attractive Transaction For Bankia Shareholders

##### Impacts of BMN Merger

<b>NET INCOME INCREASE</b>	<b>€245mn BY YEAR 3</b>
<b>EPS INCREASE (%) <sup>(1)</sup></b>	<b>16% BY YEAR 3 POSITIVE FROM YEAR 1 <sup>(3)</sup></b>
<b>ROIC (%)</b>	<b>12% IN YEAR 3</b>
<b>ROTE UPLIFT (%) <sup>(1)</sup></b>	<b>~120 bps IN YEAR 3</b>
<b>CET1 FL PF 2017(E)</b>	<b>12%</b>



**Value Creation with Low Execution Risk**



**Optimal Use of Bankia's Excess Capital**

Fuente: Company information

(1) Number of shares to be issued: 205.684.373

Source: Company Information, analyst consensus as of 23 of June 2017

(1) EPS increase calculation and improvement in ROTE based on 2020 analyst consensus for Bankia

**Bankia**

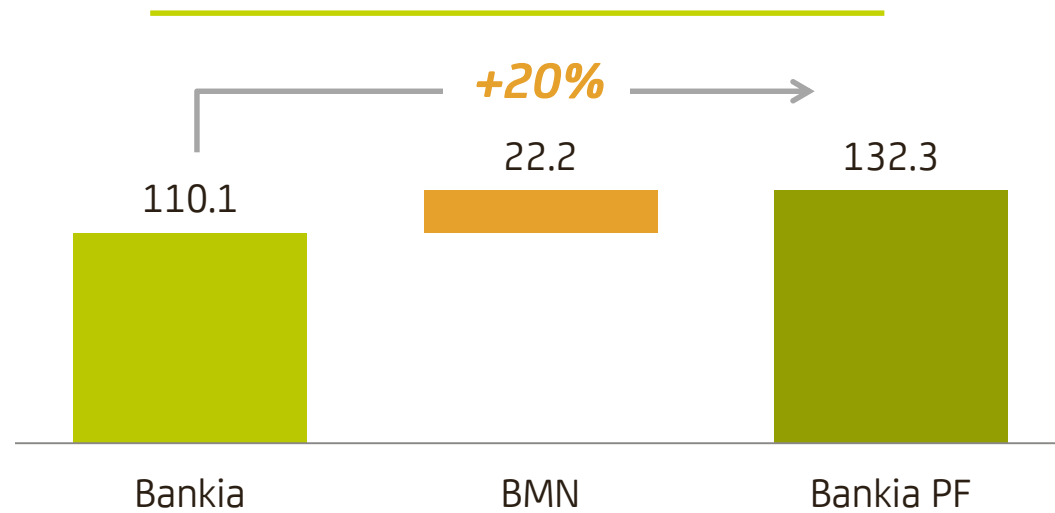
> Looking to the future

Merger with BMN

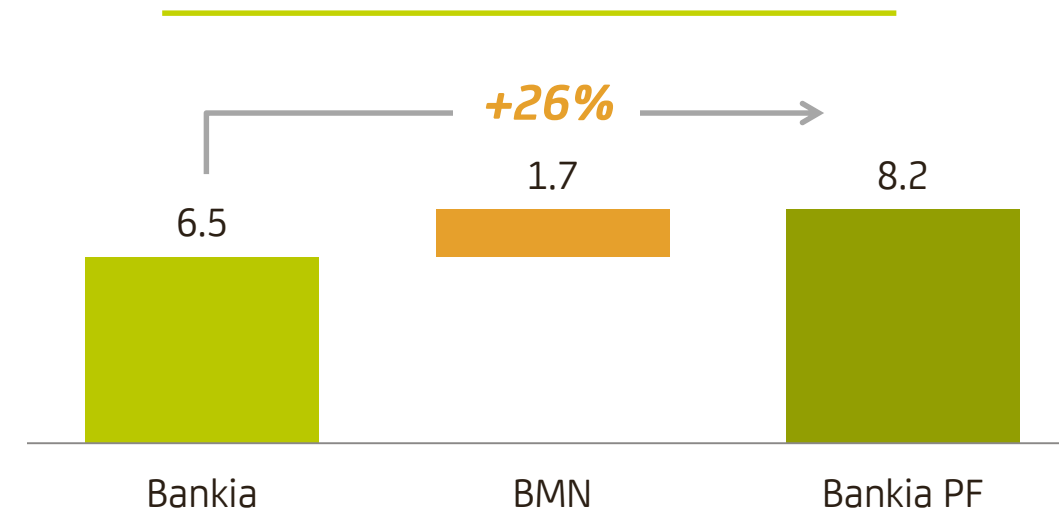
BMN brings a significant increase in scale and client base

As of 4Q16

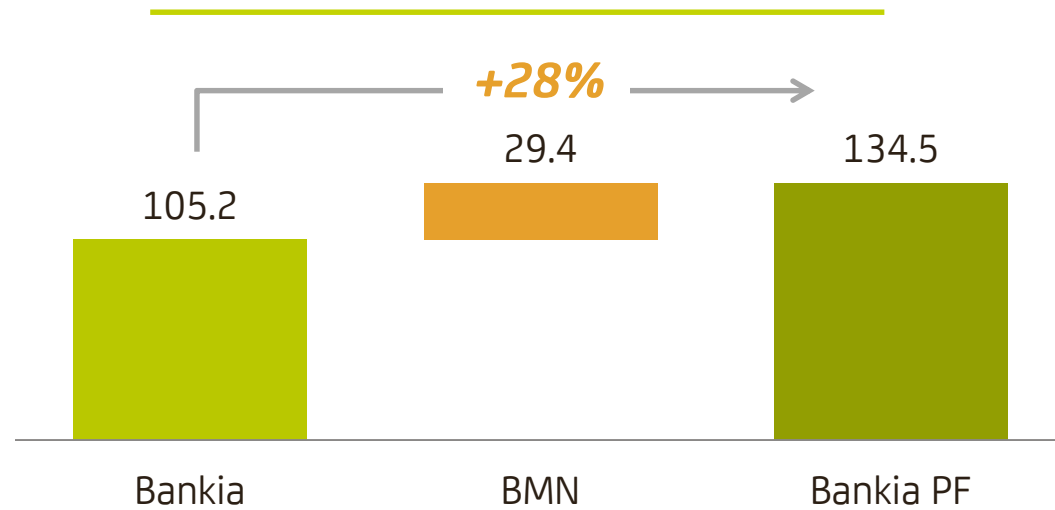
Gross Loans (€bn) <sup>(1)</sup>



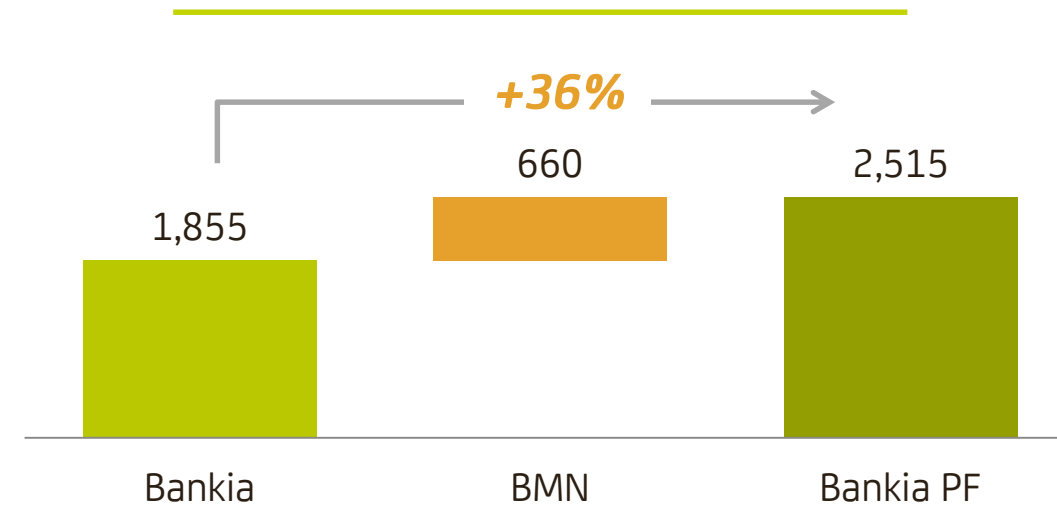
Clients (millions)



Deposits (€bn)



Branches (#)



Source: Company information  
(1) Excluding temporary asset acquisition

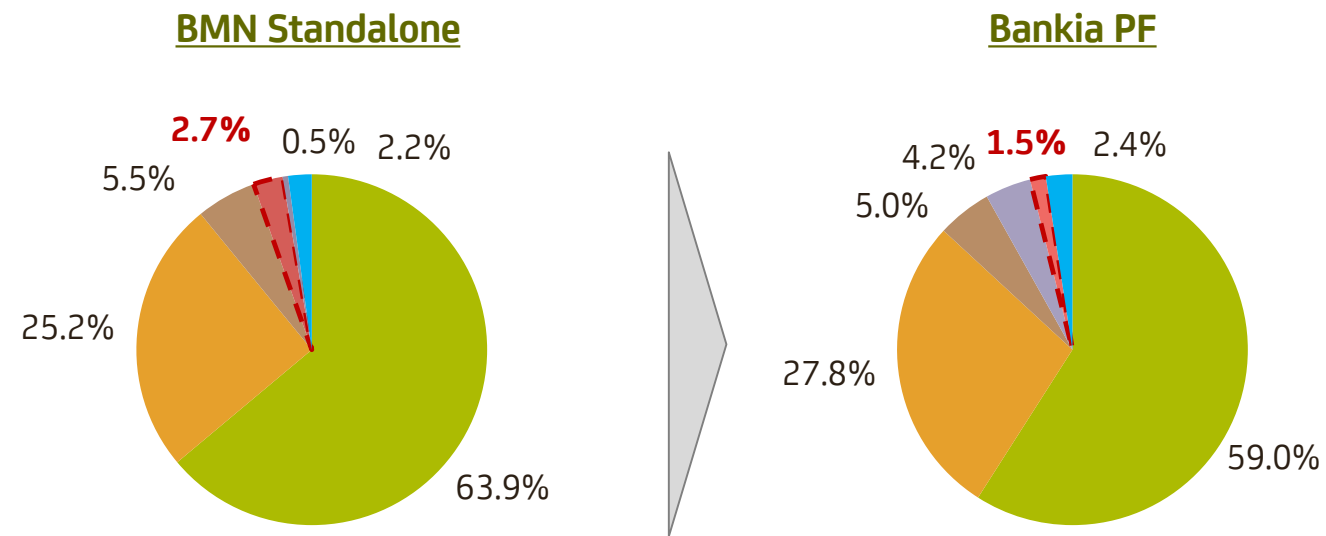
# > Looking to the future

## Merger with BMN

### Bankia will remain being the Entity with Lowest Exposure to Real Estate Developers....

#### Loans to Real Estate Developers 1.5% of Bankia's PF loan book

Gross Loans as of 1Q17 (%)



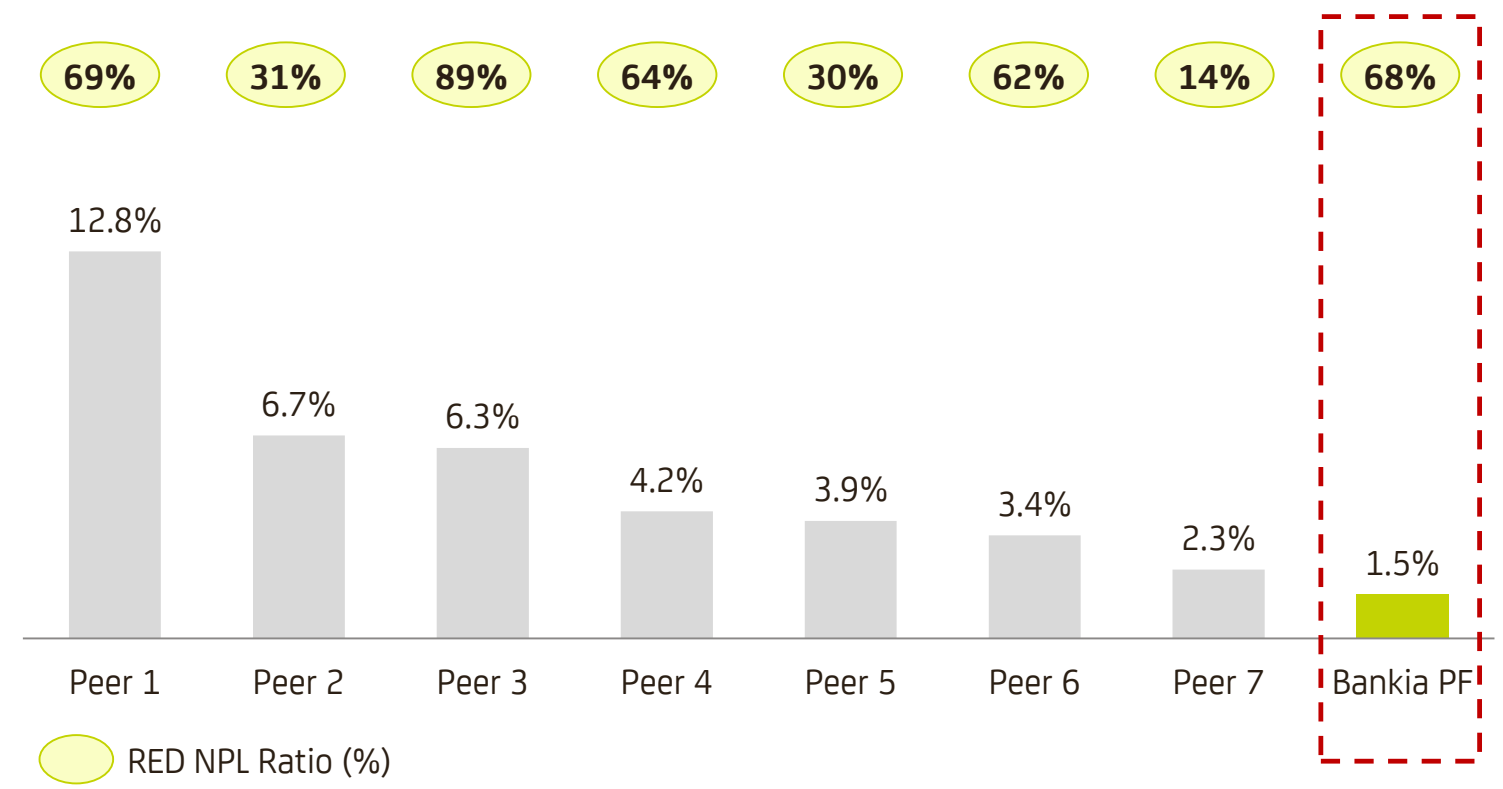
**Total: €21.9 Bn**

**Total: €130.4 Bn**

- Residential Mortgages
- Consumer
- SMEs & Corporates
- Real Estate Developers
- Other Construction
- Public Sector

#### The bank with lowest RED Exposure

Bankia PF as of 1Q17 and Peers as of 4Q16 (%) – RED Loans as % Gross Loans <sup>(1)</sup>



**Lowest RED Exposure combined with one of the highest NPL recognition**

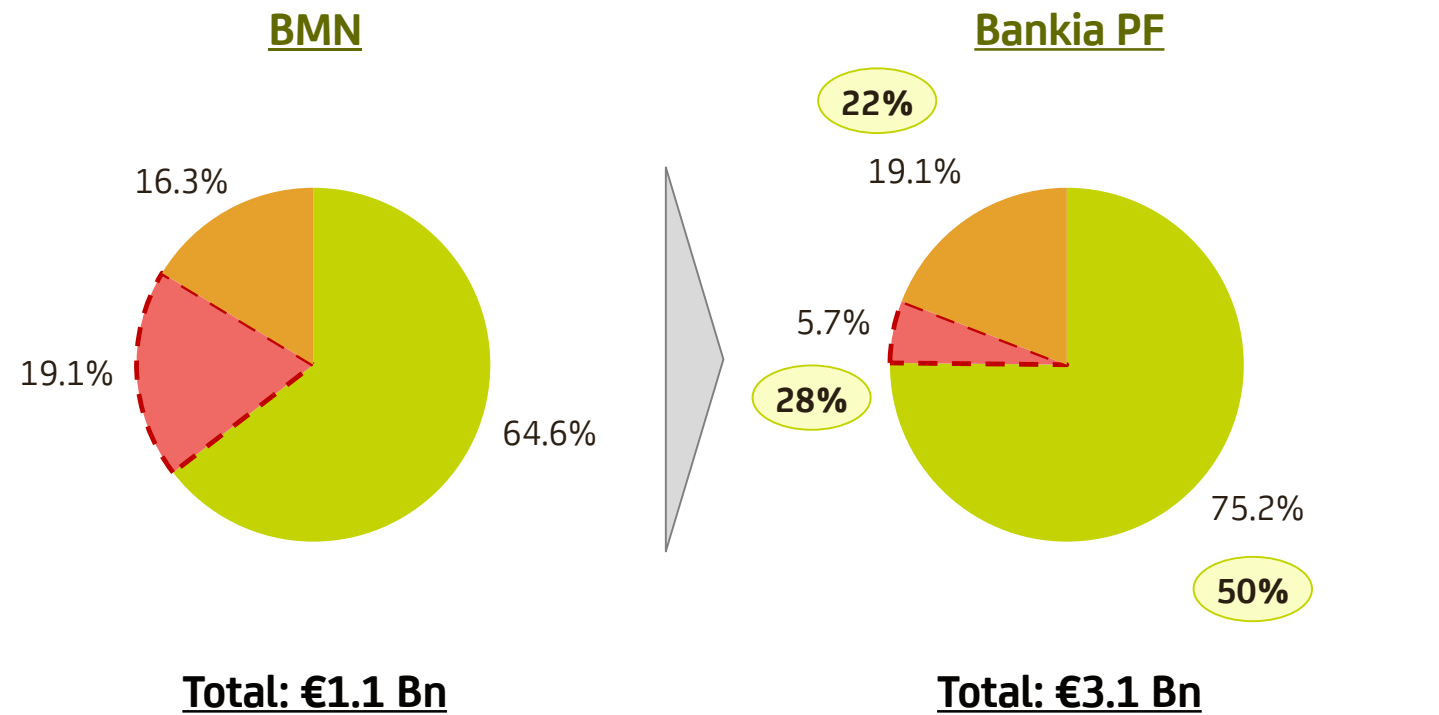
# > Looking to the future

## Merger with BMN

### ... And One of the Lowest Exposures to Foreclosed Assets ...

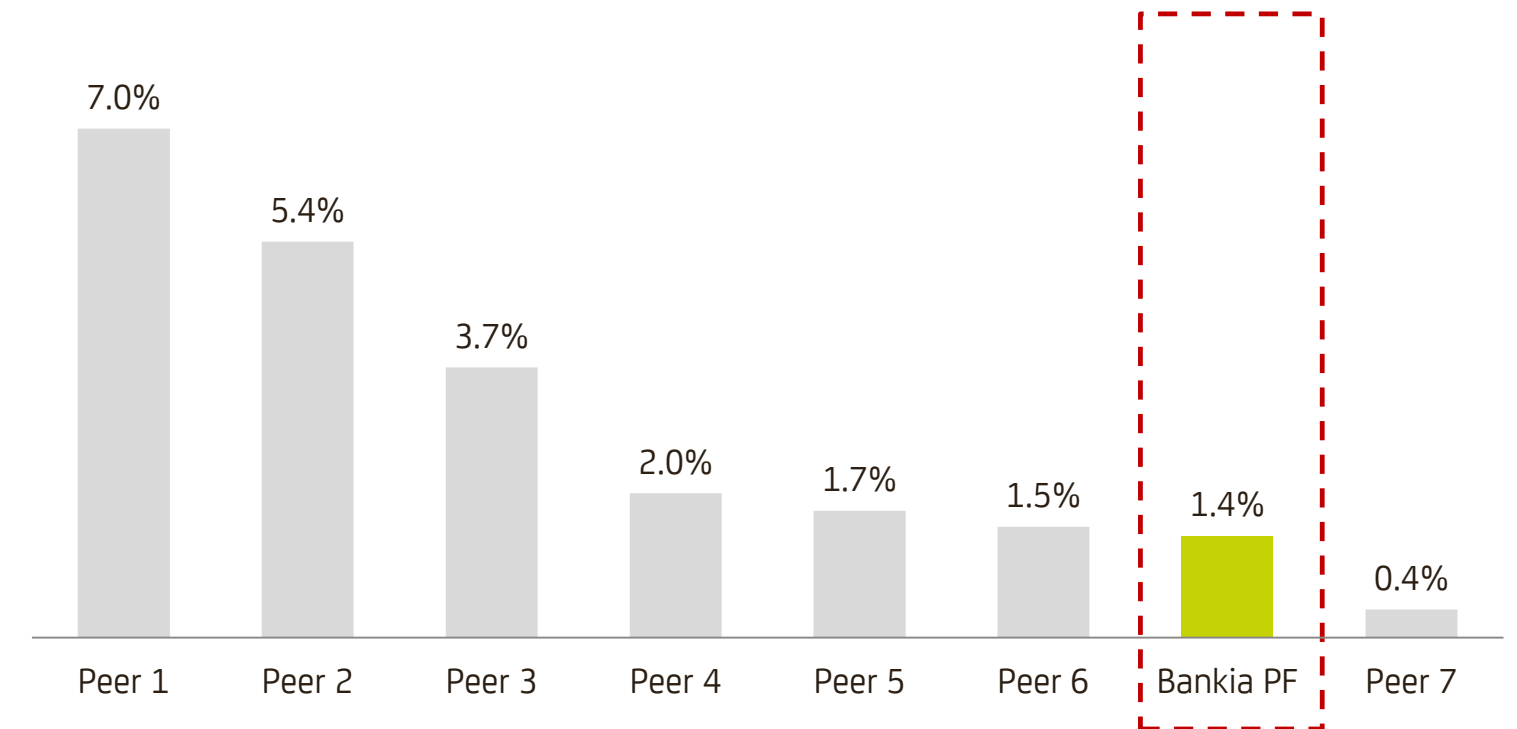
Bankia will continue to have a reduced exposure to Land

Net Foreclosed Assets as of 1Q17(%)(2)



One of the Lowest Net Foreclosed Real Estate Assets Exposure as % Total Assets

Net foreclosed assets / Total Assets (%)<sup>(1)(2)</sup>  
Bankia PF as of 1Q17 and Peers as of 4Q16



■ Finished Buildings & Mortgages<sup>(3)</sup> ■ Land ■ Other ○ Average Peers (4Q16)<sup>(1) (2)</sup>

Source: Company Information

<sup>(1)</sup> Peers include BBVA Spain (Incl. RE Unit), Bankinter (Ex Portugal where disclosed), CaixaBank (Ex BPI where disclosed), Liberbank, Popular, Sabadell (Ex TSB where disclosed) and Santander Spain (Incl. RE Unit)

<sup>(2)</sup> Including equity instruments of entities holding property assets foreclosed or received in settlement of debt

<sup>(3)</sup> Including finished buildings from loans to construction and real estate developers and real estate assets from mortgage lending to households

# > Looking to the future

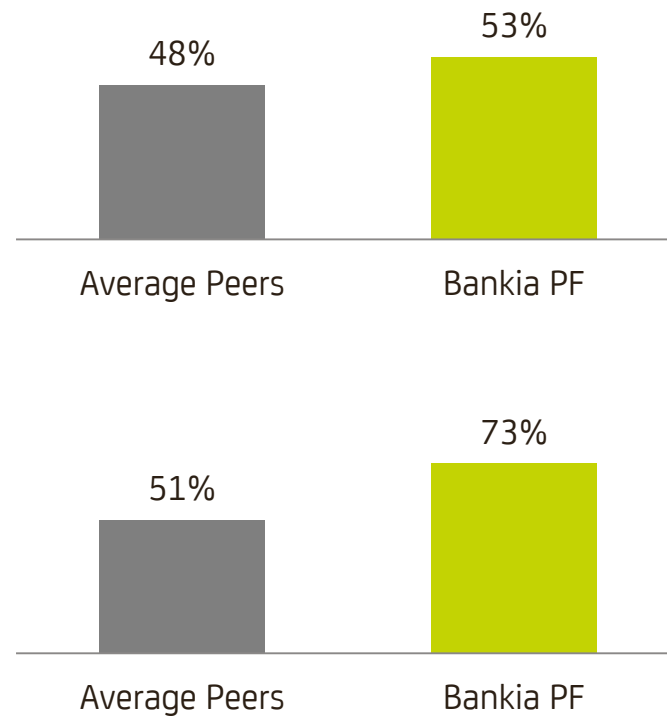
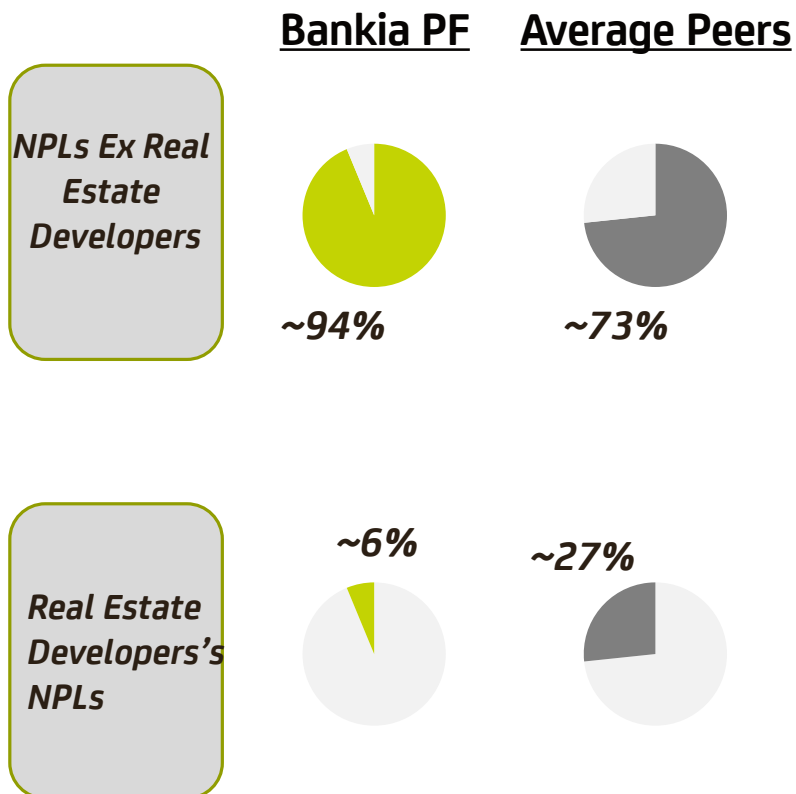
## Merger with BMN

### Bankia Maintains its Prudent Coverage Levels Post Merger

#### Non Performing Loans – PF Coverage 55%

Net NPLs  
Bankia PF as of 1Q17 and Peers as of 4Q16

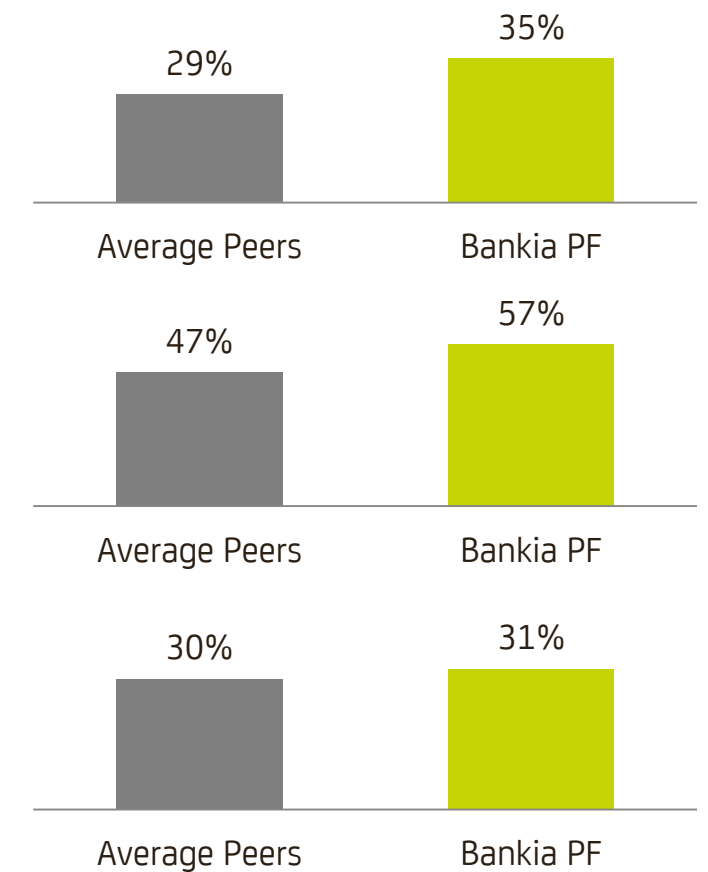
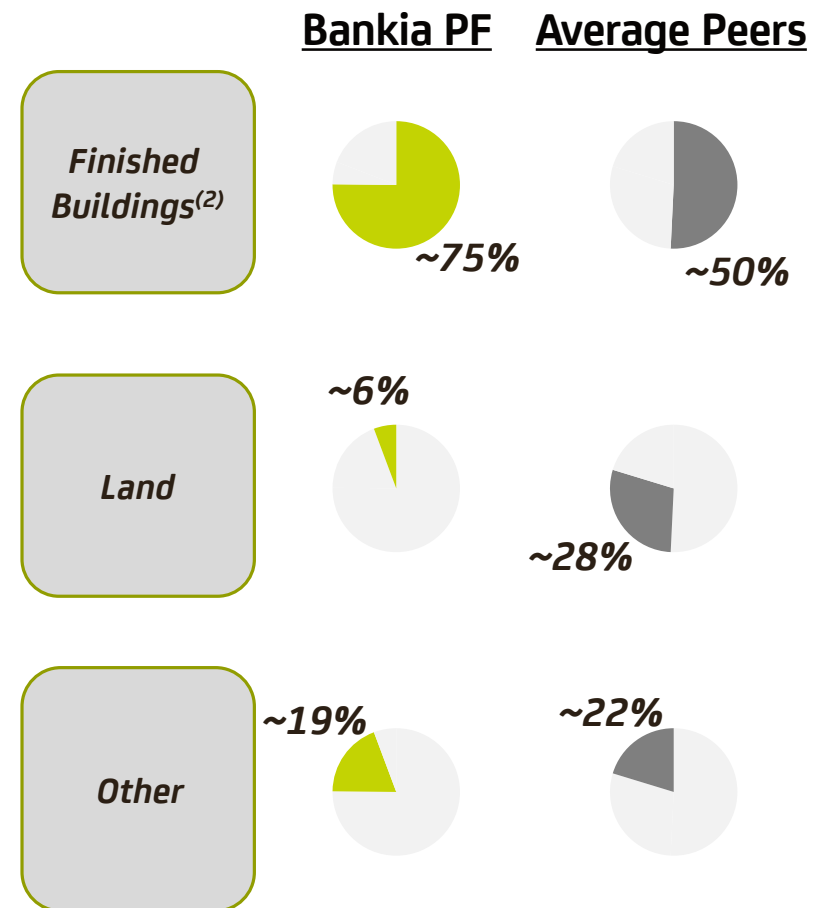
Coverage vs Peers <sup>(1) (5)</sup>  
Bankia PF as of 1Q17 and Peers as of 4Q16



#### Foreclosed Real Estate Assets – PF Coverage 36%

Net Foreclosed Assets  
Bankia PF as of 1Q17 and Peers as of 4Q16

Coverage vs Peers <sup>(1)(3)(4)</sup>  
Bankia PF as of 1Q17 and Peers as of 4Q16



Source: Company Information

<sup>(1)</sup> Peers include BBVA Spain (Incl. RE Unit), Bankinter (Ex Portugal where disclosed), CaixaBank (Ex BPI where disclosed), Liberbank, Popular, Sabadell (Ex TSB where disclosed) and Santander Spain (Incl. RE Unit)

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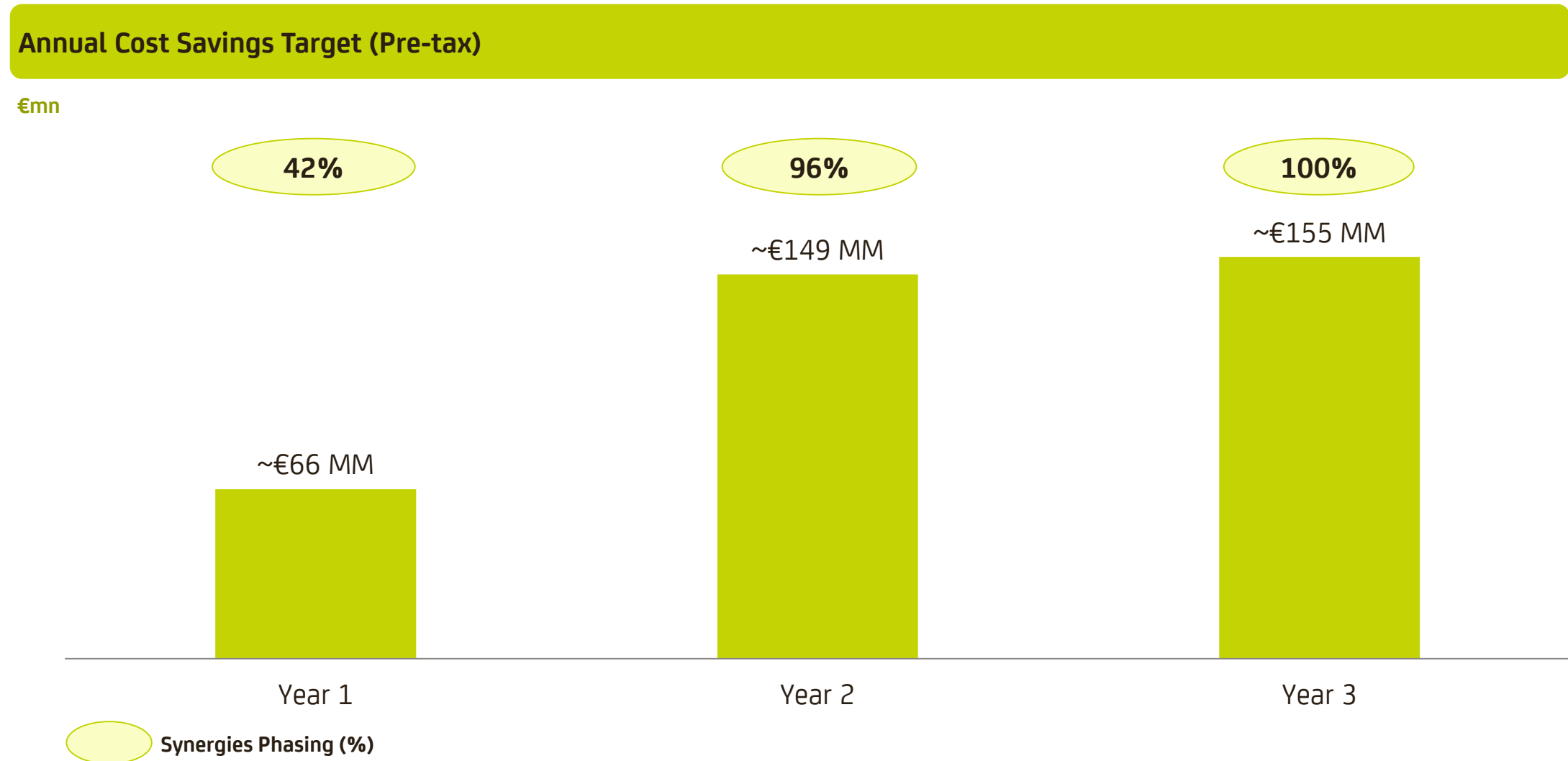
<sup>(4)</sup> Allowances for foreclosed assets from foreclosing (where not disclosed, total reported provisions are considered)

<sup>(5)</sup> Excluding mortgage floors provisions from credit book provisions

> Looking to the future

Merger with BMN

Expected €155 MM of Pre-tax Cost Synergies



- **€155mn reduction in recurrent costs** (pre-tax) expected by year 3
- **€334 MM of restructuring costs** associated (pre tax)

Synergies represent 40% of BMN 2016 cost base - Restructuring costs as 2.15x of synergies run rate

> Looking to the future

End of Restructuring Plan

Restructuring Plan 2012-2017

Ban on acquisitions

Restrictions in certain  
capital markets activities

Certain restrictions with  
regards to corporate clients

- Developer loans
- Syndicated loans
- Project Finance
- Asset Finance
- International Lending

Starting 1 January 2018, Restrictions no longer apply



> Looking to the future

## Bankia transformation

Bankia has moved from a turnaround story...

...to a growth story

# Bankia

LET'S KEEP WORKING