

Barclays Global Financial Services Conference

**New York
13th September 2016**

Bankia

Bankia

LET'S KEEP WORKING



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Challenging environment

The banking industry is facing profitability challenges

Low interest rates

12M euribor
-200pbs
since Jan 2012

Low asset growth

-2.8% Gross Loans to
Businesses (ex developer)
June 15-March 16*

-2.1% Household Loans
June 15-June 16

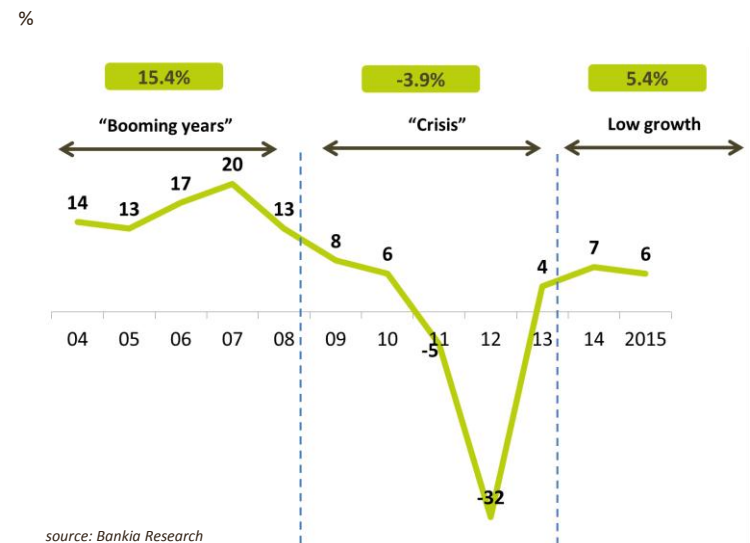
High regulation

From the boom (2004-08)
until 2015 capital has
grown massively
(+69% for Spanish banks)

*latest available data

Profitability under pressure

Spanish banks ROE (%)



After deep adjustments Spain is now registering solid macro improvements

The macro environment is helping to strengthen banks' balance sheet ...

Strong GDP growth above EMU and above expectations at ~3% for 2016 and ~2.5% for 2017

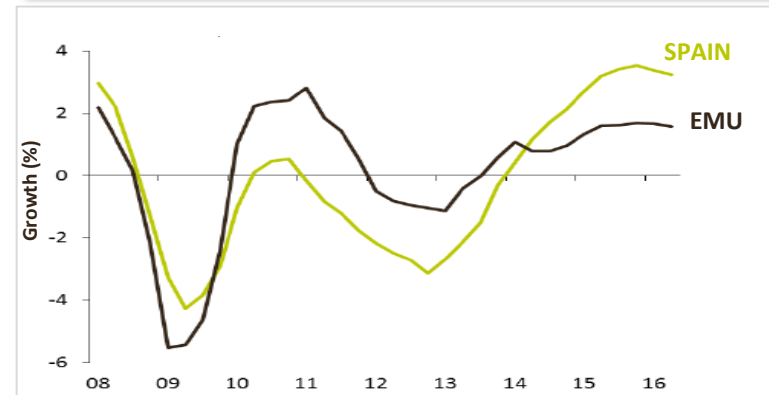
Unemployment rate down -27% since peak (-1.34 million)

Increase in house prices for 9 consecutive quarters (+9.9% since bottom)

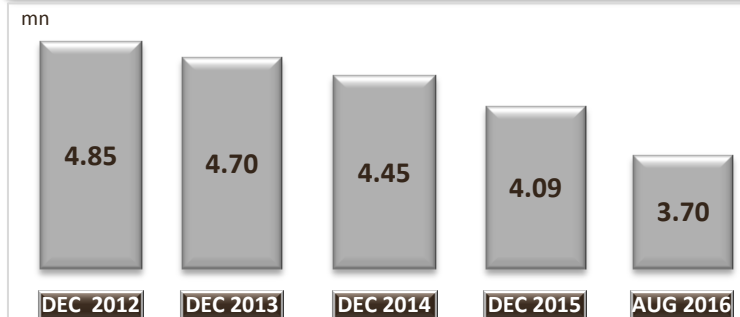
The number of tourists at record levels during Jan-Jul 2016 reaches 42.4 million (+11.1% vs same period in 2015)

NPLs following the good macro evolution (-37% since December 2013)

GDP Growth



Unemployed population



Source: Ministry of Employment

sources INE, M^o Empleo, Bank of Spain and Bankia Research

Profitability in the Spanish industry

Challenges ahead ...

**Total
Revenues**

for the industry* ...

- ✓ Low interest rates
- ✓ Mortgage floors
- ✓ Fixed income portfolios
- ✓ Equity stakes contribution
- ✓ Trading income

...and for Bankia

- ✓ Low interest rates
- ✓ Fixed income portfolios

...puts the focus on the “lower part” of the P&L to increase profitability.....

**Operating
Costs**

61.0% recurrent C/I ratio

1.52% NII+fees-opex / RWAs

50.5% recurrent C/I ratio

1.90% NII+fees-opex / RWAs

Cost of Risk

82 bps Cost of Risk
2Q16

24 bps Cost of Risk
2Q16

*Weighted average figures for the biggest 6 banks in Spain excluding Bankia. Santander and BBVA include Banking and Real Estate activity in Spain.

Bankia Levers

1

**COMMERCIAL
STRATEGY**

2

EFFICIENCY

4

PROFITABILITY

3

**ASSET
QUALITY**

5

SOLVENCY

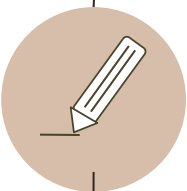
1 COMMERCIAL STRATEGY

Our Values

CLOSENESS



SIMPLICITY

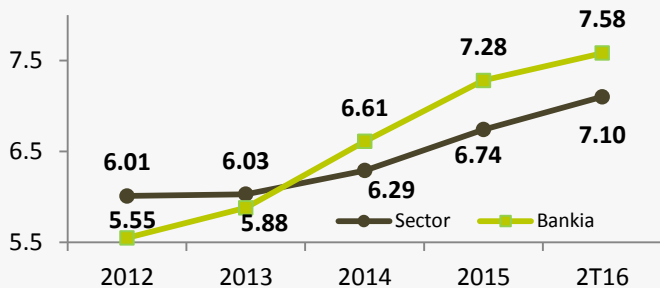


TRANSPARENCY



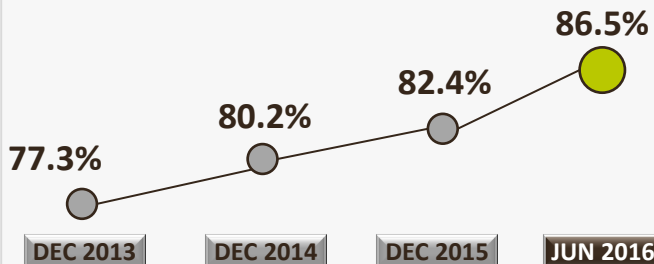
Continued increased customer satisfaction...

Mystery shopping – Bankia vs. sector



Source: STIGA mystery customer satisfaction study

Customer satisfaction index



Source: STIGA customer satisfaction study

...contributes positively to business performance

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

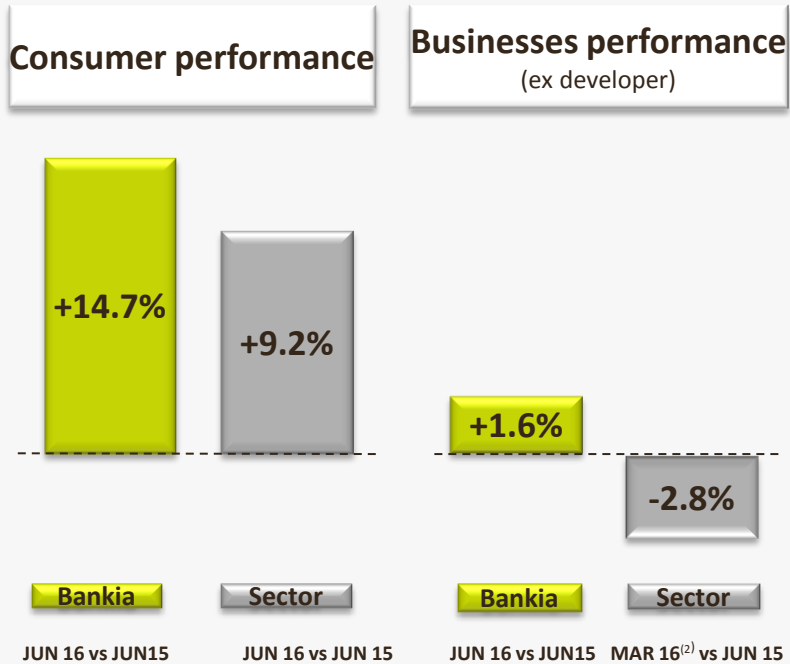
€1,651mn 1H 16

+7.2% 1H 16 vs 1H 15

1 COMMERCIAL STRATEGY

Lending to target sectors continues to grow

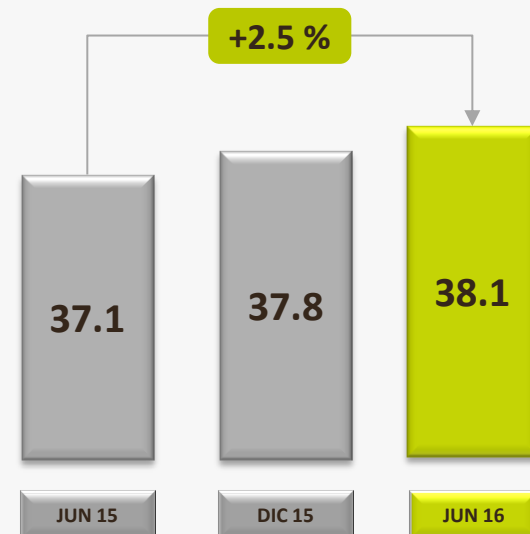
Outstanding gross loans performance (ex portfolio sales ⁽¹⁾)
Consumer + Businesses (€bn)



⁽¹⁾ Portfolio sales include non-performing and substandard loans
⁽²⁾ Latest data available

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

Consumer + Businesses (ex developer)



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

1

COMMERCIAL STRATEGY

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%

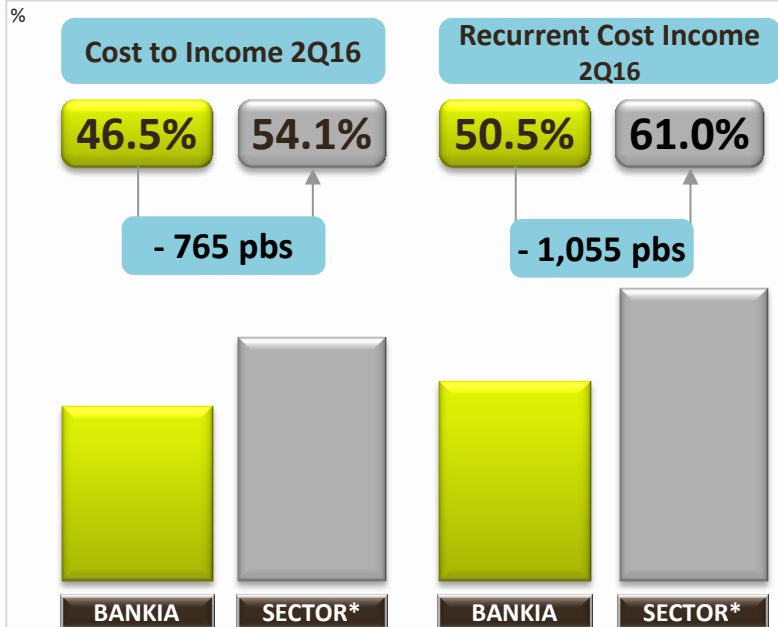
1H16 vs. 1H15

2

EFFICIENCY

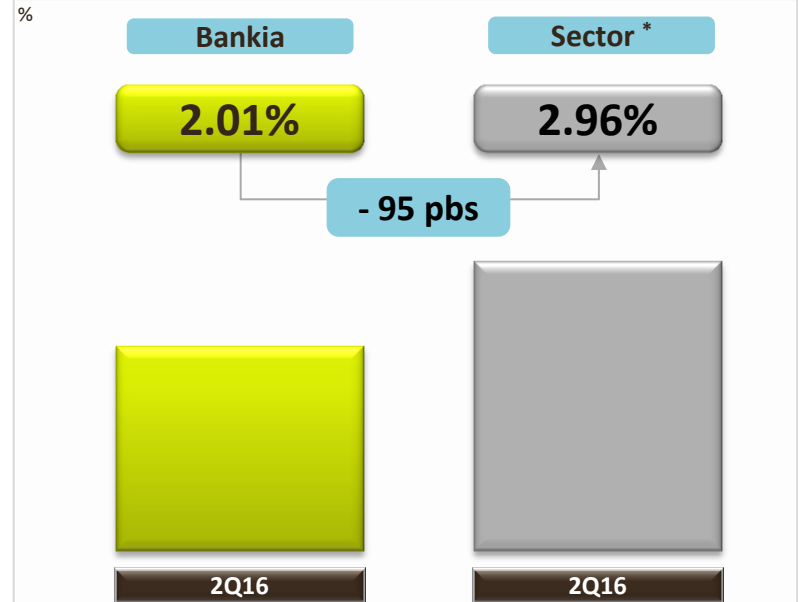
Bankia's leading position

Cost to Income Ratios



*Weighted average cost to income ratio for the biggest 6 banks in Spain excluding Bankia. Santander and BBVA include Banking and Real Estate activity in Spain.

Operating Expenses / RWAs



*Weighted average ratio of the biggest 6 banks in Spain excluding Bankia. Santander and BBVA include Banking and Real Estate activity in Spain.

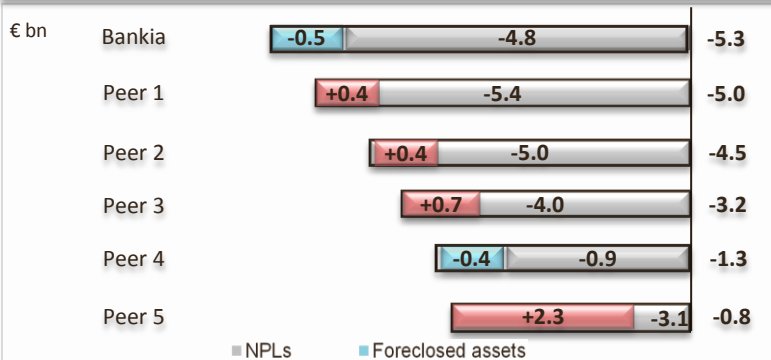
Lower Opex/RWAs represents up to 5p.p. in ROE*

*Calculated assuming equity CET1 of 12.5% and Post 30% tax rate (95pbs/12.5% CET1 * 70%)

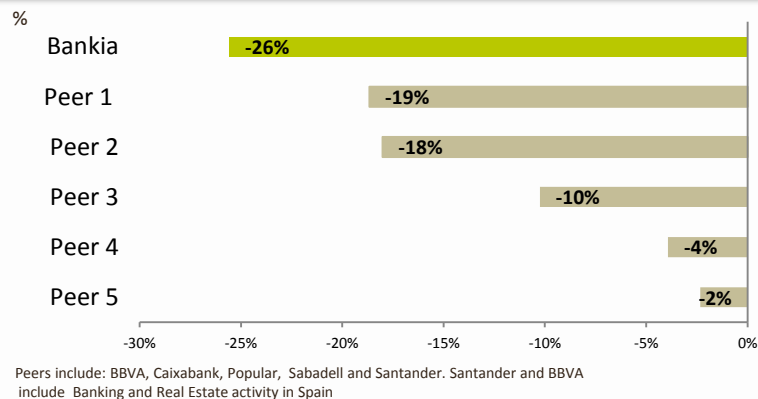
3 STRONG ASSET QUALITY

Positive trend in NPL reduction initiating a sharp drop in Cost of Risk

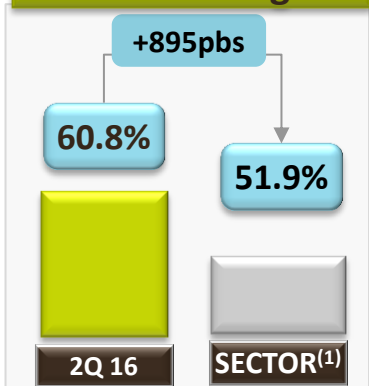
NPLs and foreclosed assets Jun16-Dec14



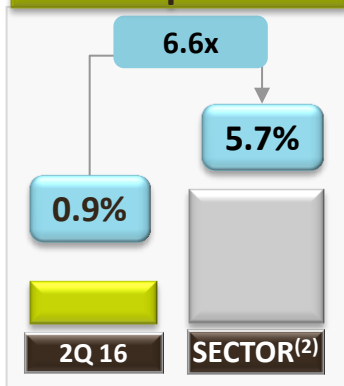
NPAs evolution Jun16-Dec14



NPL Coverage



RE exposure



Cost of Risk evolution



¹ Sector weighted average 2Q16 of the biggest 6 banks in Spain excluding Bankia. Santander and BBVA include Banking and Real Estate activity in Spain. Source: semiannual accounts;

² Same perimeter, Spanish businesses exposure to developers as a % of gross loan book. Source: semiannual accounts

³ Same perimeter, average figure

4

PROFITABILITY

Bankia ahead of its peers

Managing the profitability levers
in today's environment...



Pressure on
Gross Margin



Best in class
Cost to Income Ratio



Low
Cost of Risk

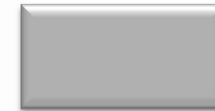
...allows Bankia to be ahead of
peers in profitability

ROE June 2016

8.2%

3.8%

4.4 p.p.



Bankia

Peers*

*Aggregated ratio for the domestic peers: Sabadell, Caixabank and Popular

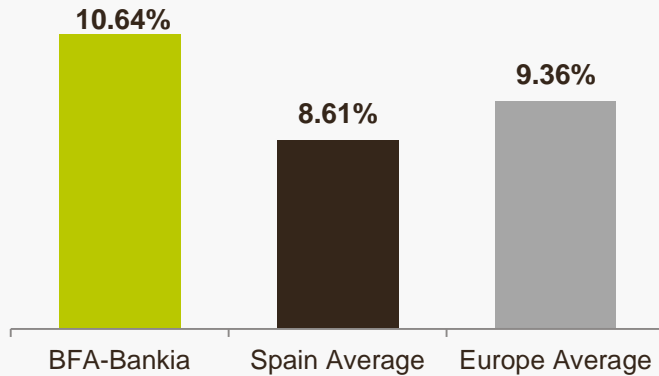
Bankia has proven to be well positioned in the current environment with a
higher return on equity than peers average

5

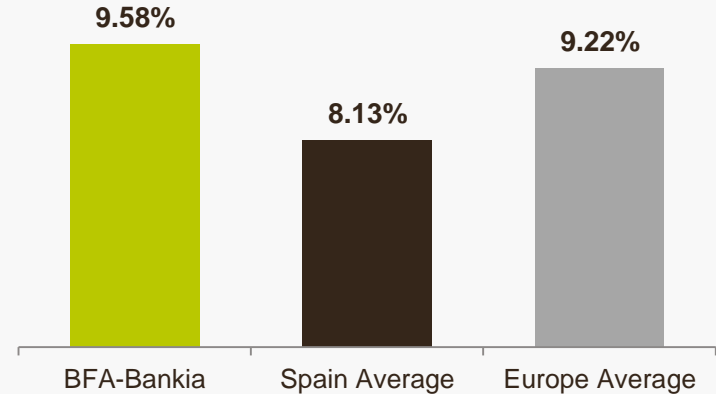
SOUND CAPITAL POSITION

BFA-Bankia Results of 2016 stress test

2018 Adverse Phase In



2018 Adverse Fully Loaded

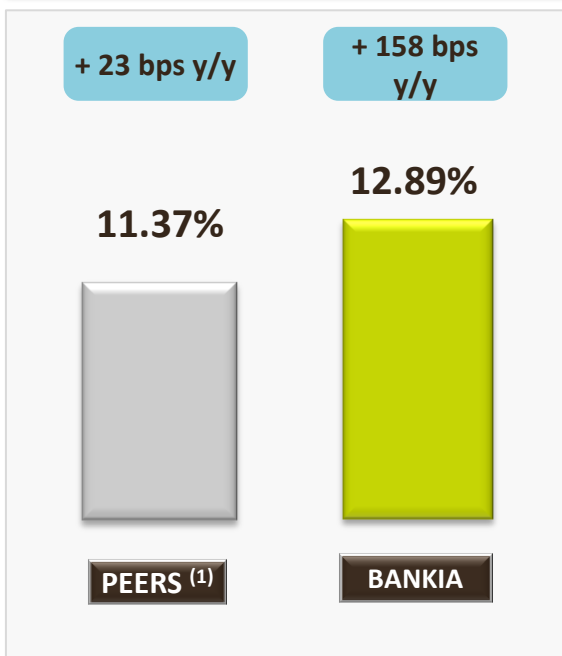


Higher results than Spanish and European average in the Stress test

5 SOUND CAPITAL POSITION

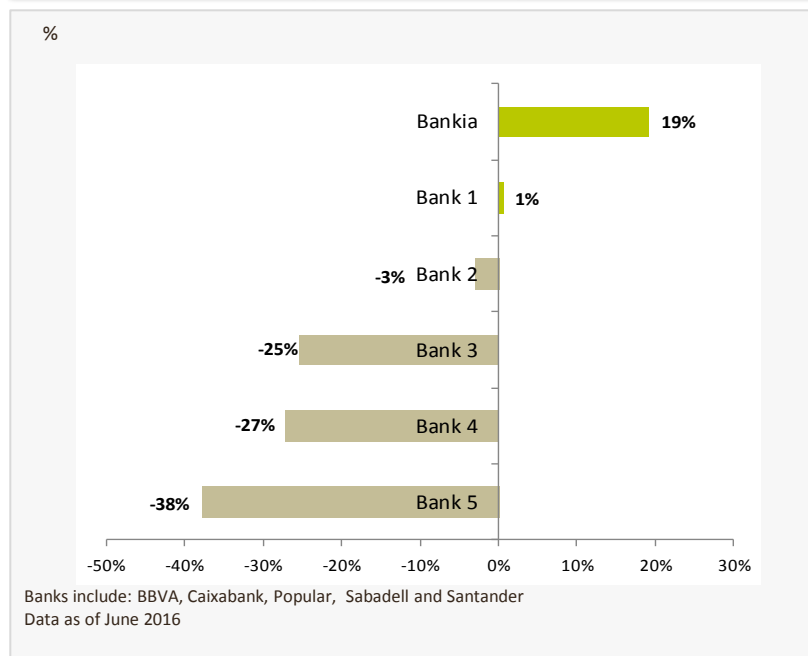
Robust solvency position, allowing the distribution of cash dividends

CET 1 BIS III Fully Loaded



TBV PER SHARE PERFORMANCE

(JUN 13 – JUN 16)



Confortable position to fulfill new regulatory requirements

⁽¹⁾ Aggregated ratio for the domestic peers: Sabadell, Caixabank and Popular. Popular 2016E CET1 FL of 10.8% as disclosed by the Company.

Conclusions

A challenging environment requires a solid starting point...

...where **cost efficiency** is a necessary condition to offset negative headwinds impacting total revenues

...where a reduced **cost of risk** is going to be a key lever for higher than average return on equity

...and with a solid **capital position**, allowing dividend payments in spite of increasing regulatory requirements

...in order to continue generating value for our shareholders

Bankia

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Investor Relations

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