

Bankia

Barclays Global Financial Services Conference

New York

> 12th September 2017

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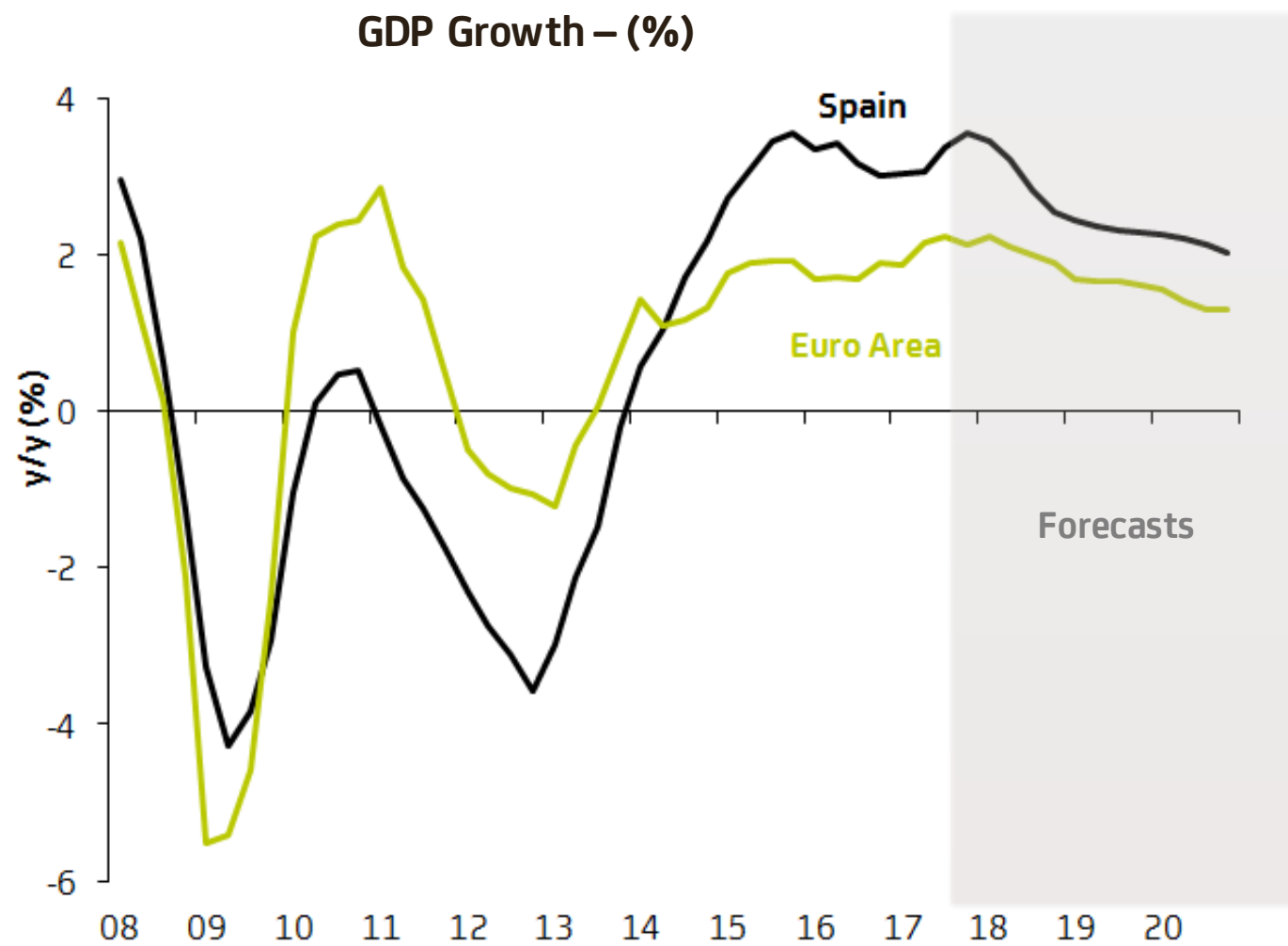
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The recovery in Spain

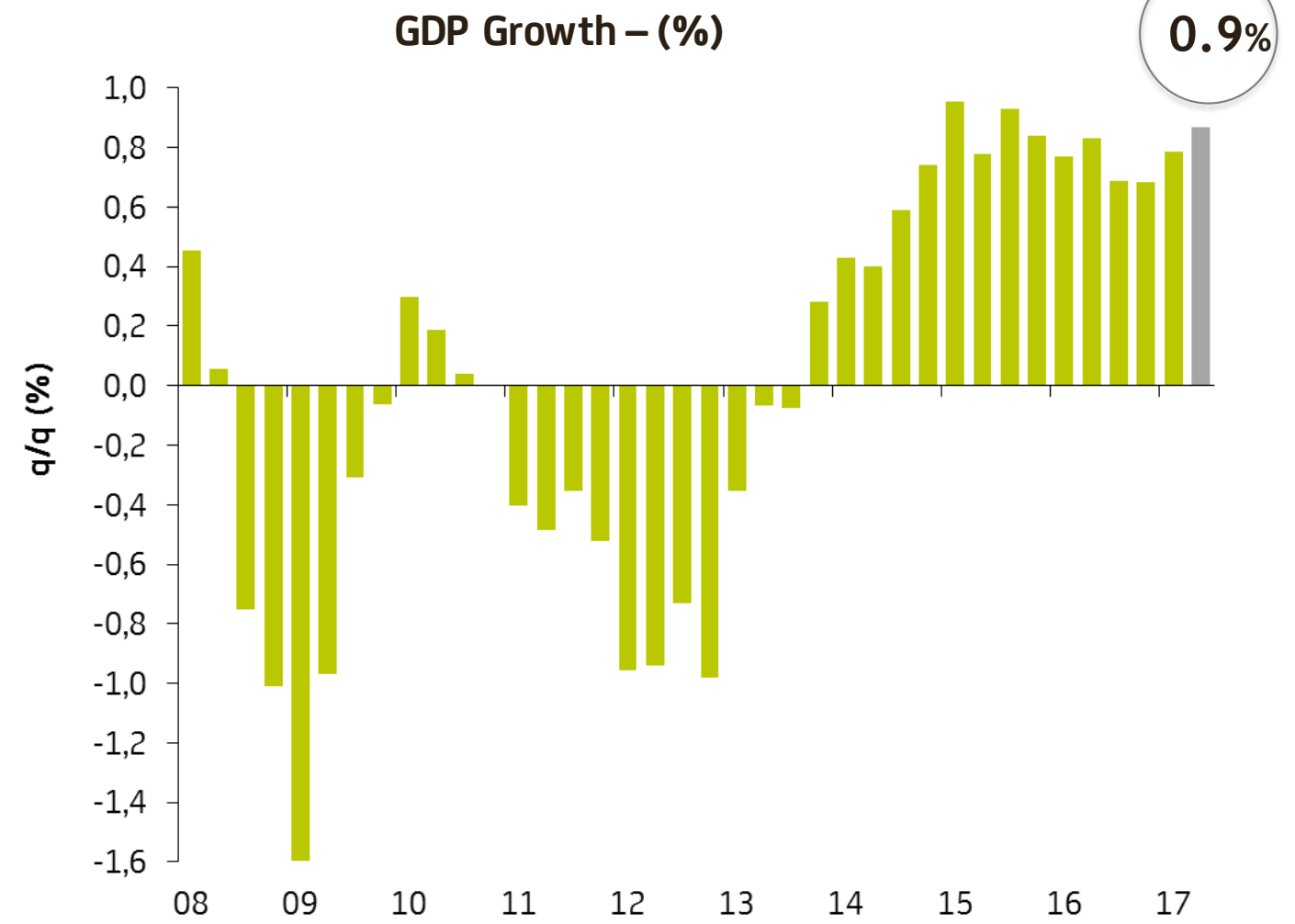
One of the most dynamic economies in Europe

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

... with a resilient growth over the last quarters



Source: INE, Eurostat and Bankia Estudios.



Source: INE and Bankia Estudios.

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The recovery in Spain

Robust growth figures and significant reduction in unemployment

GROWING EXPORTS DUE TO IMPROVEMENT IN COMPETITIVENESS

Exports of goods

+18% 2017e vs 2012

Source: INE & Bankia Estudios

Number of exporting business

+21% 2016 vs 2011

Source: ICEX & Bankia Estudios

TOURISM KEY TO SPANISH ECONOMY

Weight of tourist activity in GDP

<u>2010</u>	<u>2016</u>
10,2%	11,2%

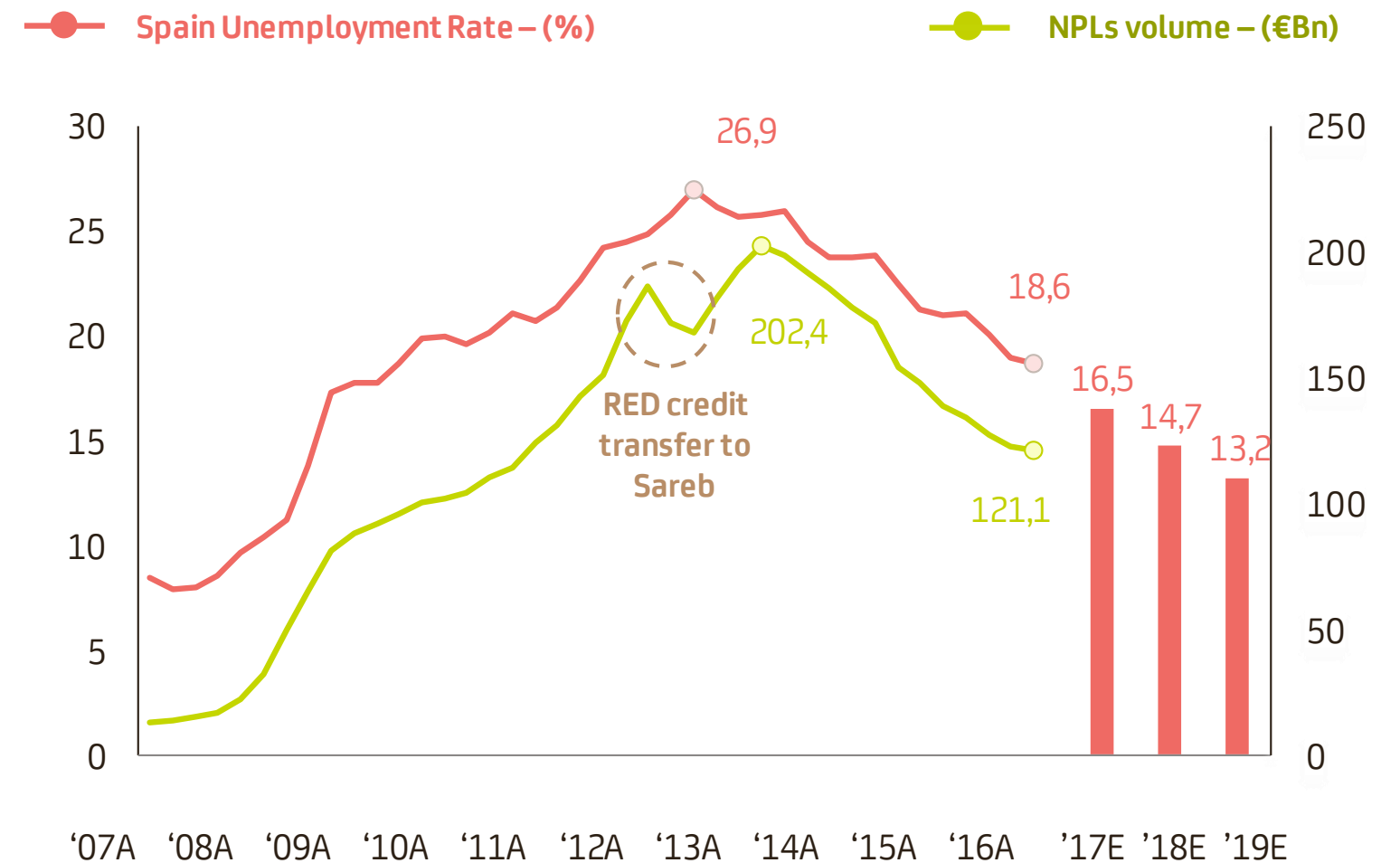
Source: INE

International tourist arrivals

+46% 2017e vs 2012

Source: INE & Bankia Estudios

Unemployment downwards trend correlated with NPL reduction



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

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The recovery in Spain

Household consumption remains strong

Consumer loans	2014	2017 (July)
+29% 2017e vs 2012	€58bn	€75bn

Source: INE & Bankia Estudios

Point of sale transactions	2012	2016
+26% 2016 vs 2012	€98bn	€124bn

Source: Bank of Spain & Bankia Estudios

Number of credit cards	1T12	1T17
+20% 1T17e vs 1T12	41,6MM	49,9MM

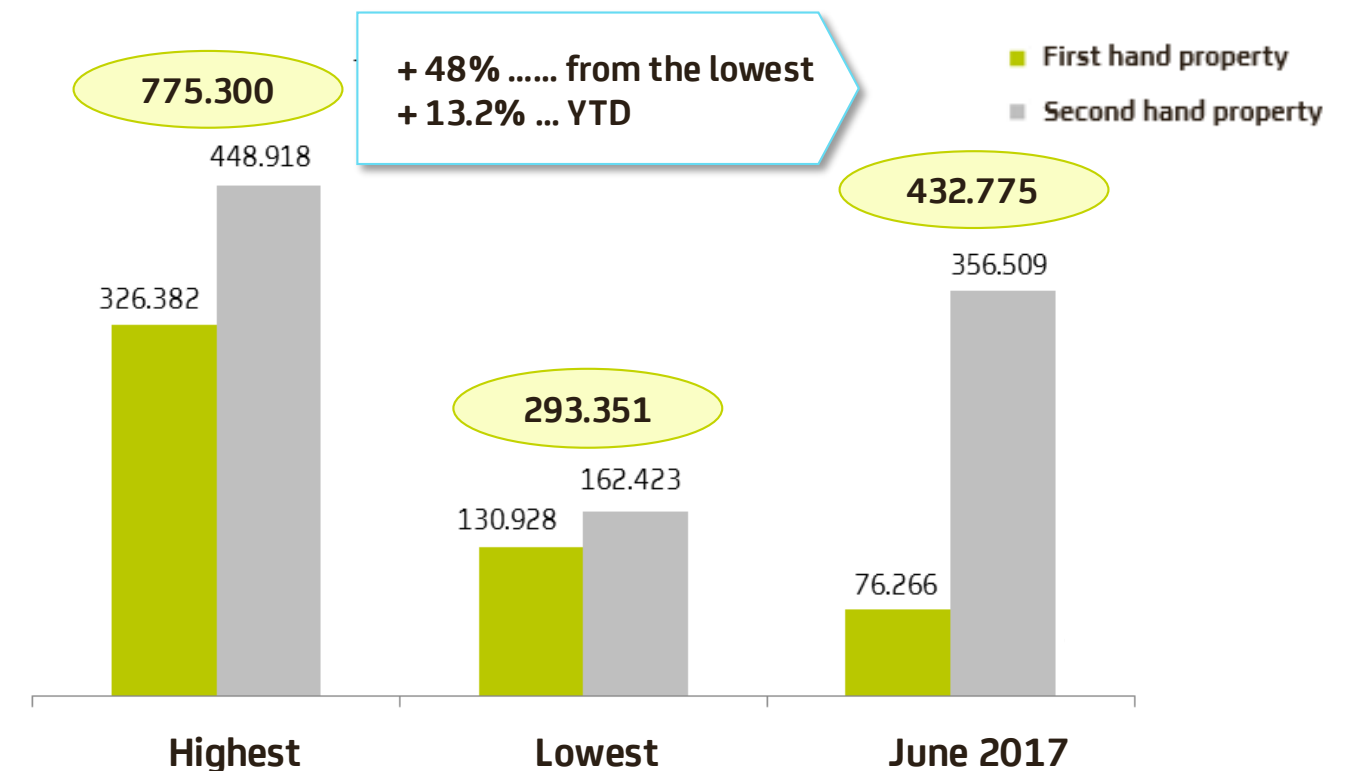
Source: Bank of Spain & Bankia Estudios

Car sales (Thousands)	2011	2016
+71% 2017e vs 2012	699	1,202

Source: Bankia Estudios

Housing recovery gaining strength

Number of residential property transactions (yearly figures)



Source: INE

Prices (€/m ²)	Highest	Lowest	June 2017
	2.101	1.456	1.526

Source: Min. de Fomento

+4.8% from the lowest
+2.2% YoY

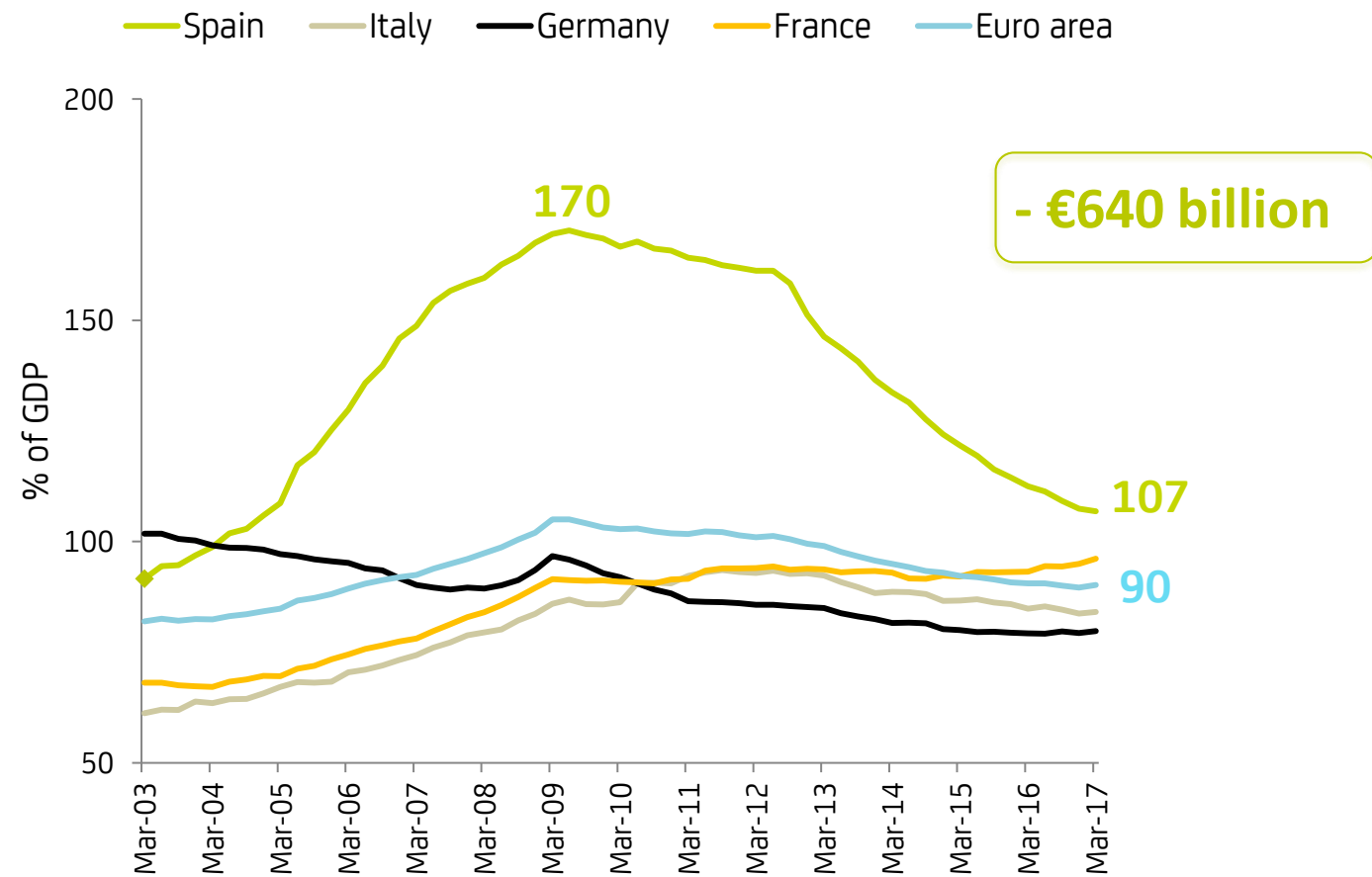
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The recovery in Spain

Deleveraging process reaching its conclusion

Outstanding stock of loans continues to shrink...

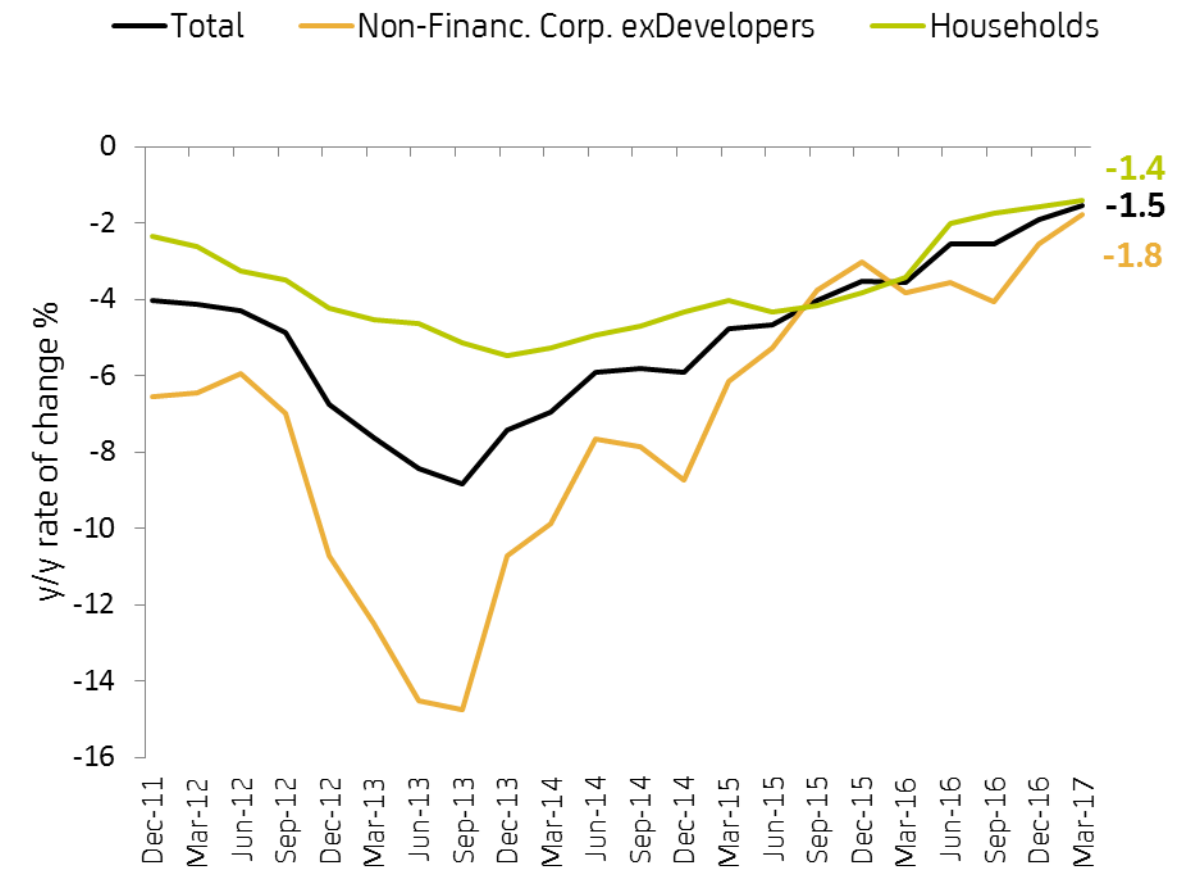
Loans. Households & Non-financial corporations



Source: BCE & Bankia Estudios

... albeit at an increasingly moderate rate

Loans. Households & Non. Financ. Corp. exDevelopers



Source: BdE & Bankia Estudios

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Bankia 1H17

Commercial positioning gathers strength

NEW CUSTOMERS

Net new customers

+107,000

Jun 17 vs Jun 16

NET NEW CARDS

Credit cards (units)

+169,000

Jun 17 vs Jun 16

POINT OF SALES IN SERVICE

Point of sales terminals installed

+15.9%

Jun 17 vs Jun 16

DIRECT DEPOSIT OF INCOME

New direct deposits of income

+108,000

Jun 17 vs Jun 16

CARD SALES

Bankia cards in retail outlets

+12.7%

1H17 vs 1H16

POINT OF SALES ACTIVITY

Total sales

+23%

1H17 vs 1H16

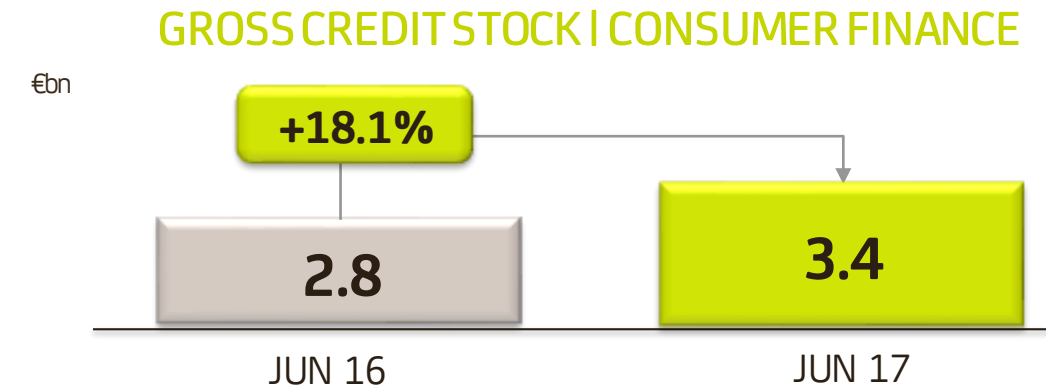
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Bankia 1H17

Lending volumes on the up

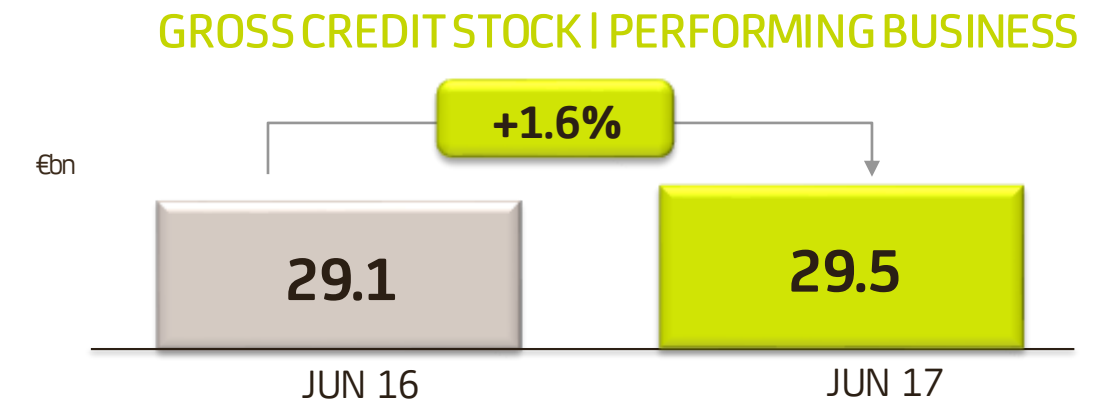
CONSUMER FINANCE

New CONSUMER FINANCE loans **+20.0%** 1H17 vs 1H16
 New CONSUMER FINANCE loans **+ 8.4%** 2Q17 vs 1Q17



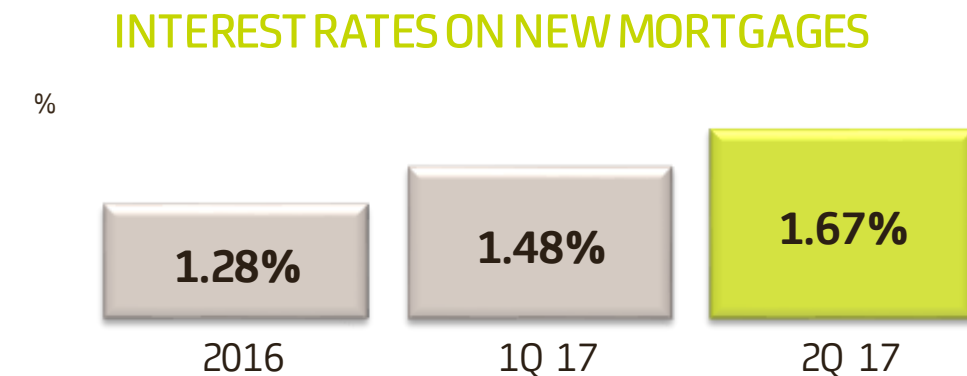
BUSINESS

New loans to SMEs **+27.9%** 1H17 vs 1H16
 New loans to OTHER ENTERPRISES **+10.1%** 1H17 vs 1H16



MORTGAGES

New MORTGAGE LOANS **2.3x** 1H17 vs 1H16
 New MORTGAGE LOANS **+54.9%** 2Q17 vs 1Q17



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Bankia 1H17

Net profit for the half-year is up 6.7% year-on-year based on ...

Gross income is stable

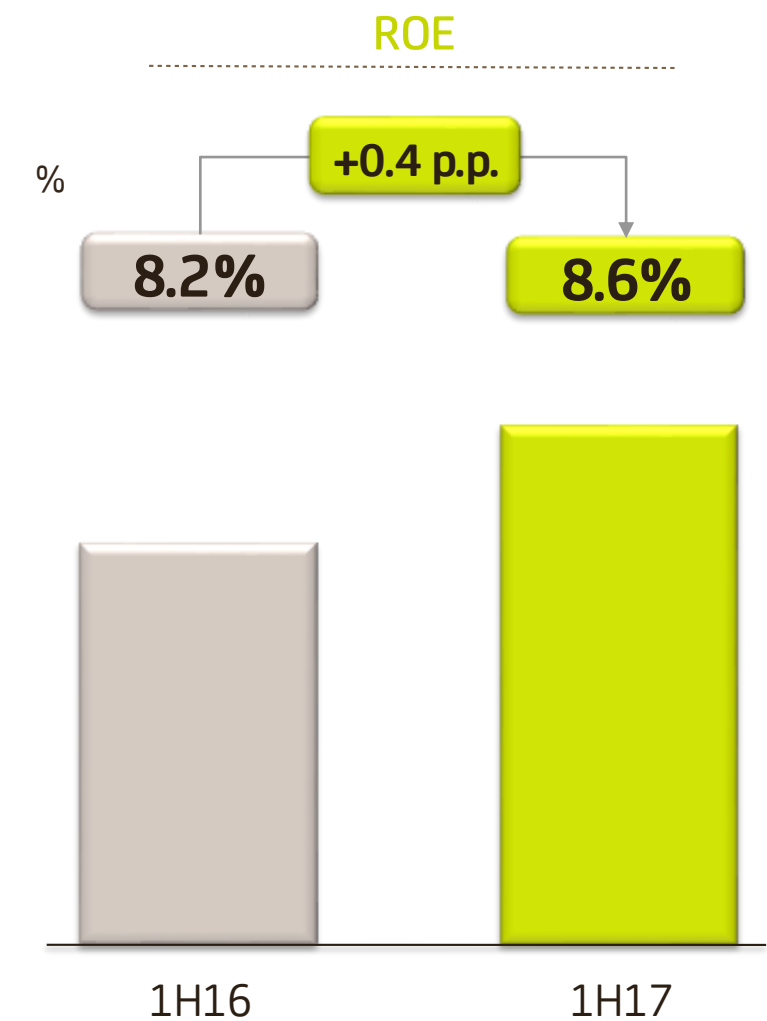
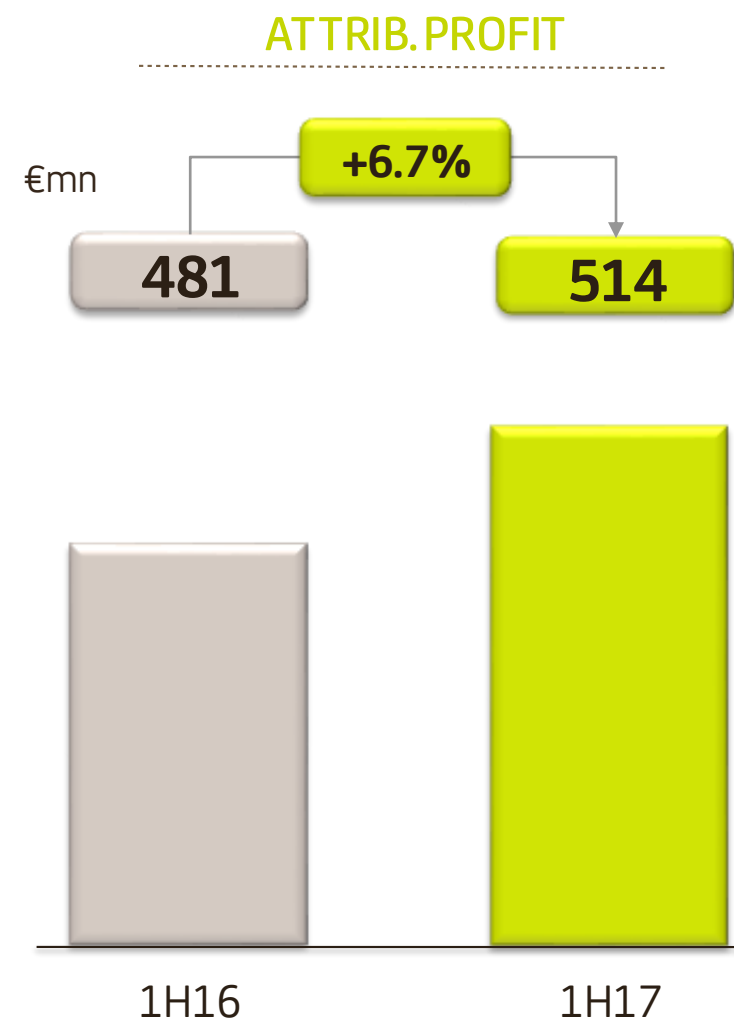
(2.3%) 1H17 vs 1H16

Operating expenses are down

(2.8%) 1H17 vs 1H16

Cost of risk has improved

-3 bps 1H17 vs 1H16



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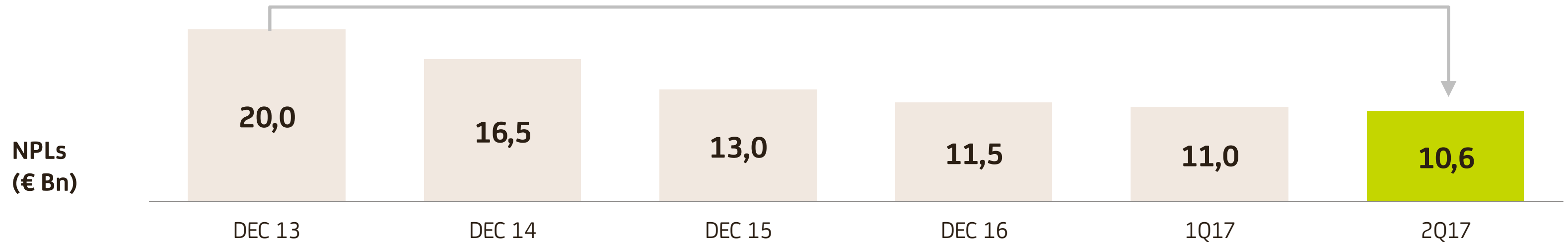
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Sustained reduction of NPLs, with 47% decrease since 2013

NPLS, NPL RATIO AND COVERAGE

NPL ratio	14.7%	12.9%	10.8%	9.8%	9.5%	9.1%
Coverage ratio	56.5%	57.6%	60.0%	55.1%	53.7%	53.9%

47% reduction

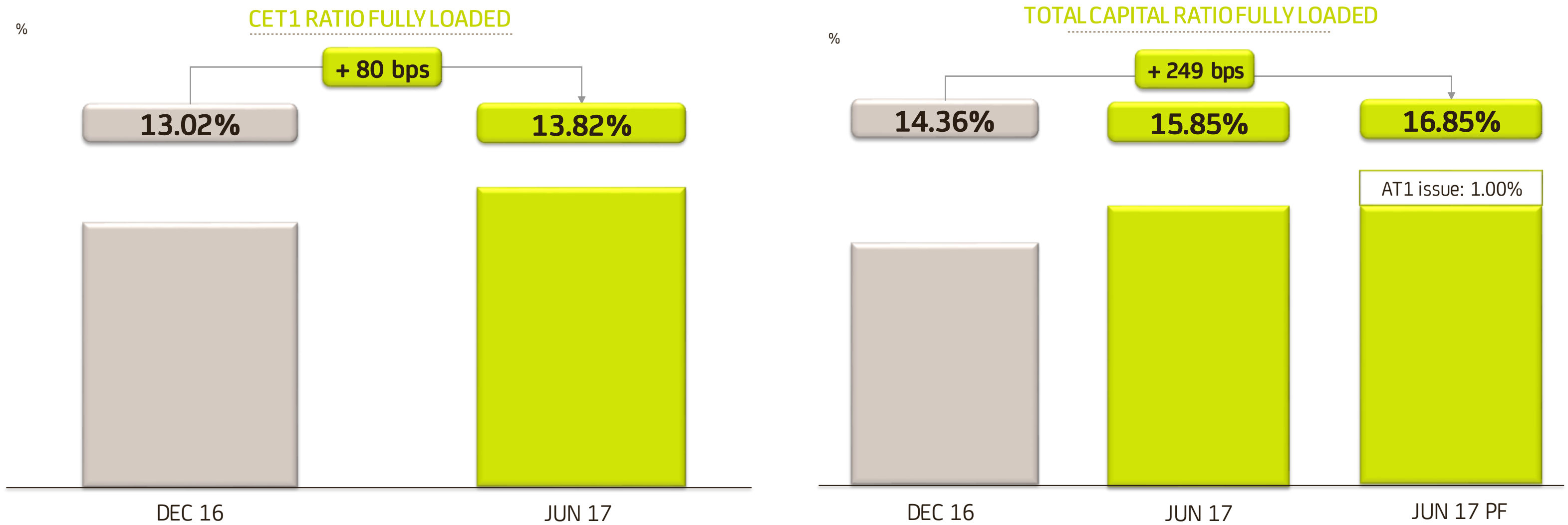


Over 4bn of NPL reduction through wholesale disposals

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80 bps of CET1 capital generated in the first half of the year



The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend
 If the unrealized gains on the sovereign portfolio were included in the fully loaded ratio at 30 June 2017, the CET1 ratio would have been 14.22% and the Total Solvency ratio, 16.25%

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Great reception in the market of subordinated debt and AT1 issues during the year

SUBORDINATED DEBT ISSUE (TIER 2) MARCH 2017

DETAILS OF THE ISSUE

Volume (€mn)

€500 mn

Oversubscribed (# times)

>10x

Coupon

3.375%

Impact on capital

+ 66 bps at total capital level
(Basel III FL)

CONVERTIBLE BOND ISSUE (AT1) JUNE 2017

DETAILS OF THE ISSUE

Volume (€mn)

€750 mn

Oversubscribed (# times)

3.3x

Coupon

6.00%

Impact on capital

+ 100 bps at total capital level
(Basel III FL)

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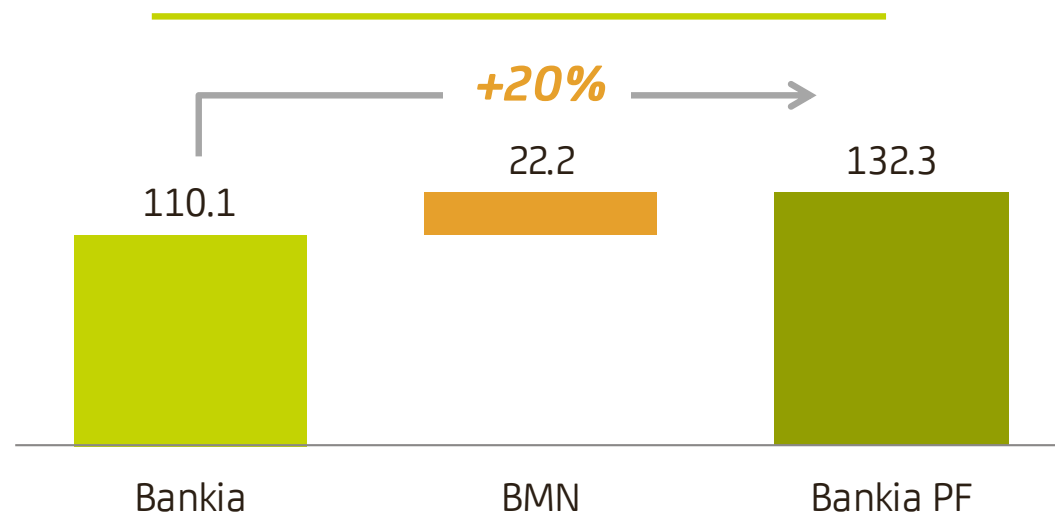
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Merger with BMN

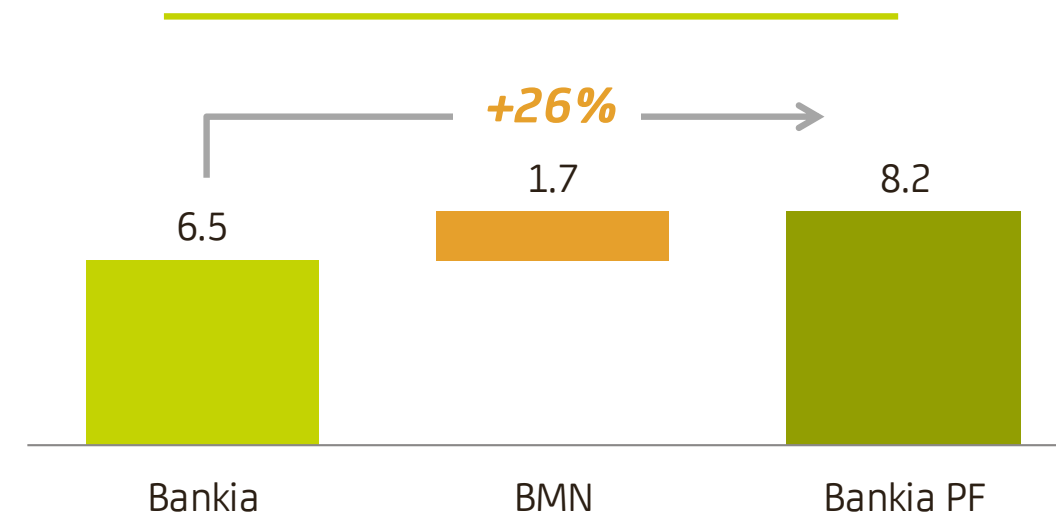
BMN brings a significant increase in scale and client base

As of 4Q16

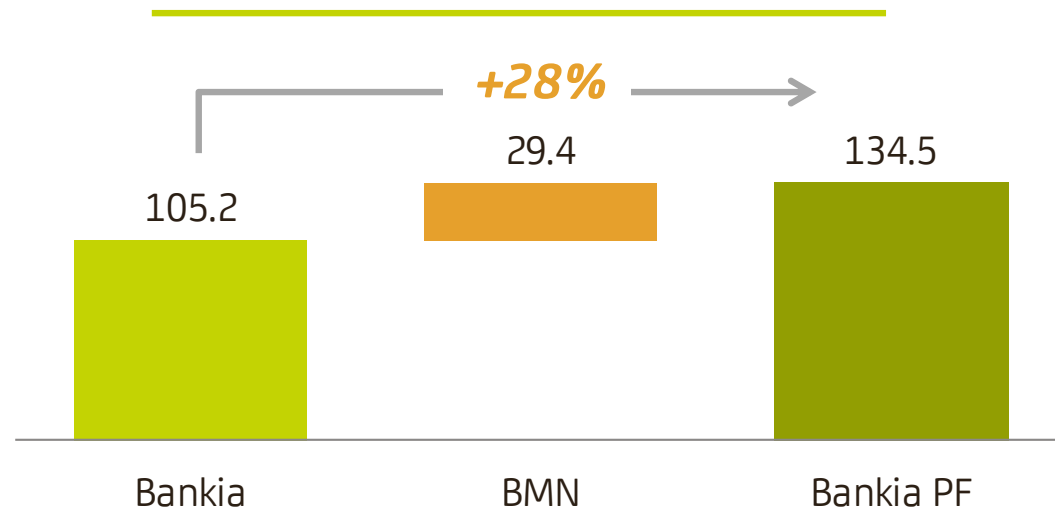
Gross Loans (€bn) ⁽¹⁾



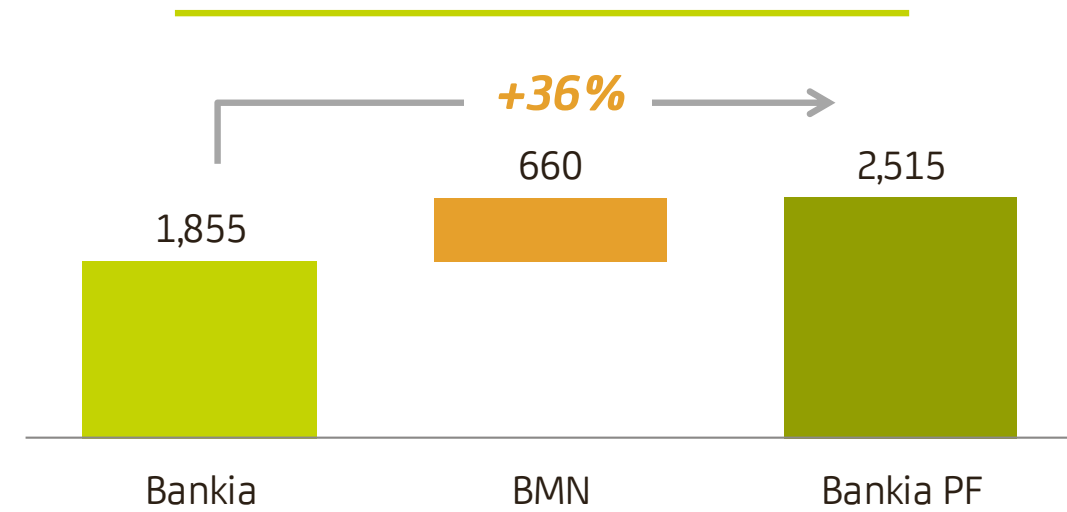
Clients (millions)



Deposits (€bn)



Branches (#)



Source: Company information
 (1) Excluding temporary asset acquisition

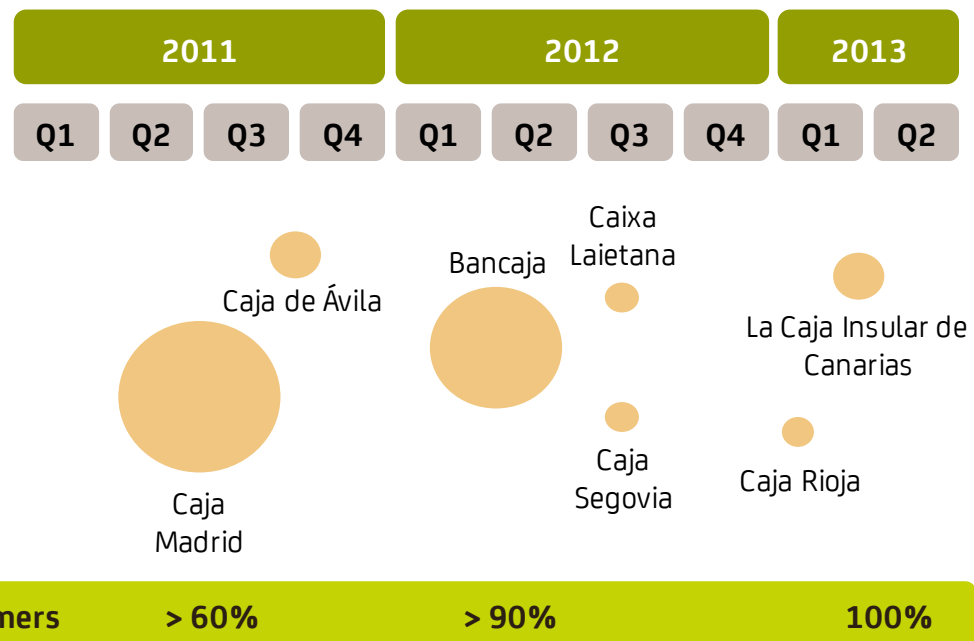
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Merger with BMN

Bankia's Integration Track Record Significantly Mitigates Execution Risks

Bankia Integration 2011-2013

- Successful **integration completed within a record time**
- Bankia's technological capabilities allowed the integration of 7 entities in one platform in less than 24 months



Bankia Restructuring Plan 2012

- Bankia was able to outperform its targets announced in the Strategic Plan in 2012

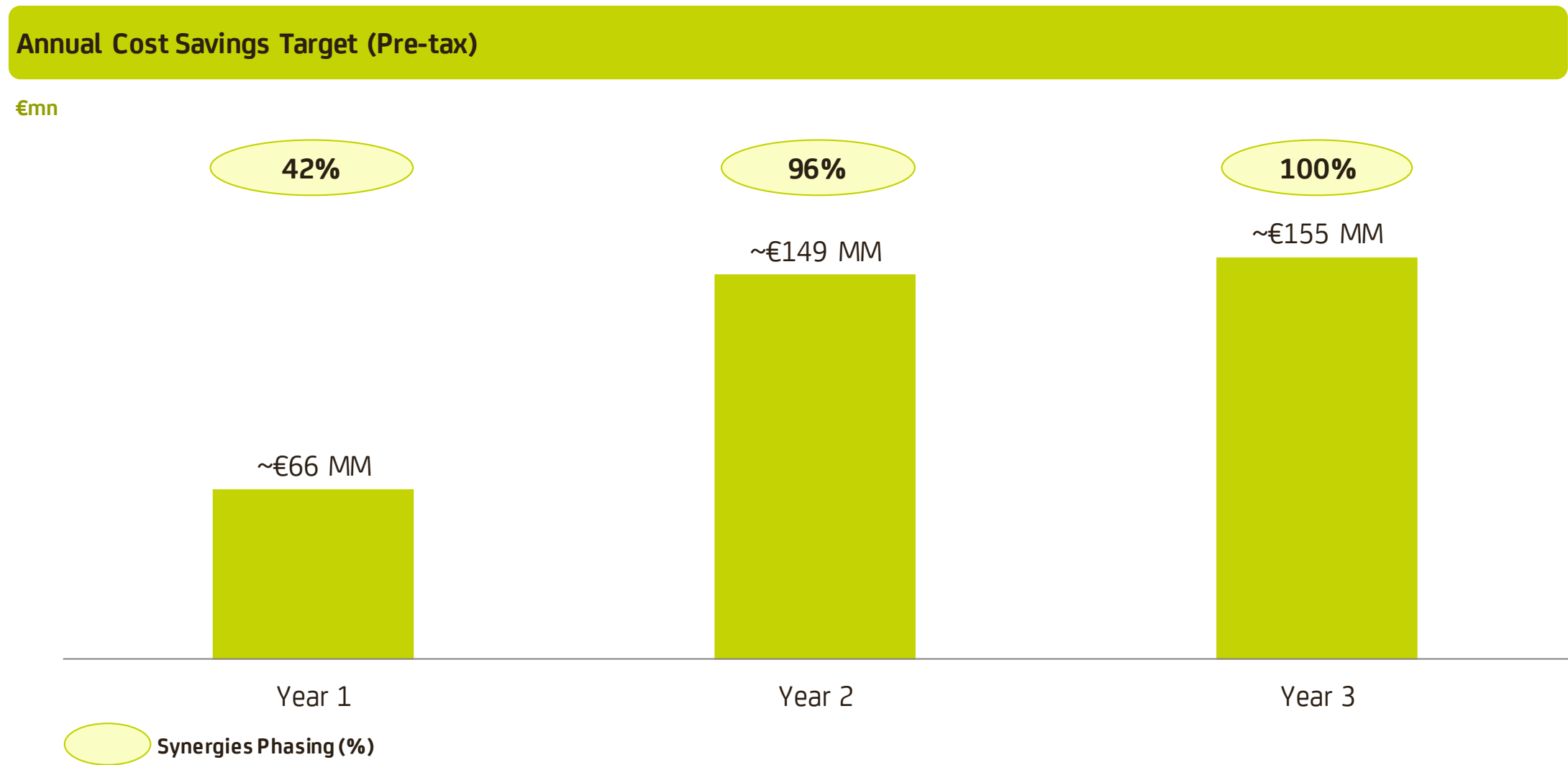
	Target	2012	2015	Achievement over target (%)
COST BASE (€bn) ⁽¹⁾	1,7	2,3	1,6	+117%
COST OF RISK	50bps	74bps	43bps	+129%
LIQUIDITY (LTD RATIO)	<110%	120.4%	101.9%	+178%
CAPITAL GENERATION	480bps	2012-15: +544bps		+113%

BMN integration expected for 1H18

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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

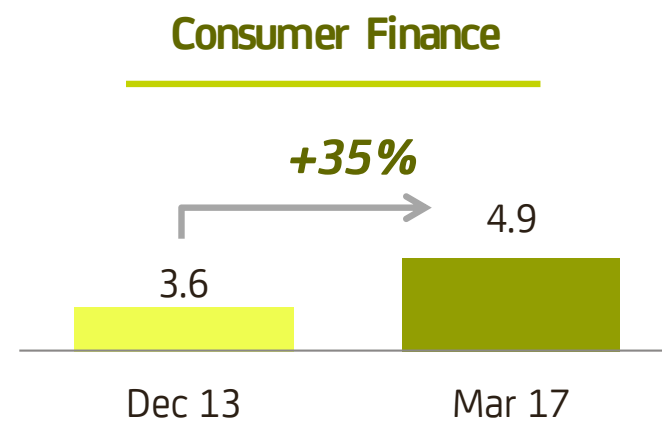
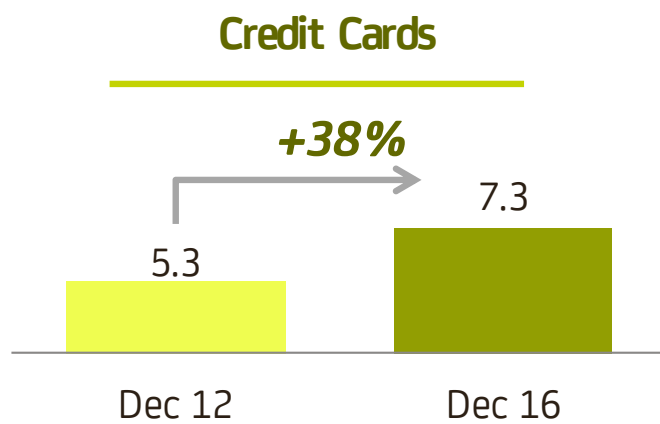
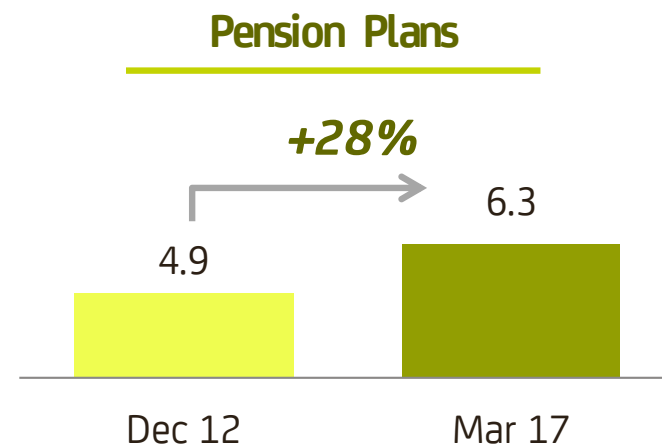
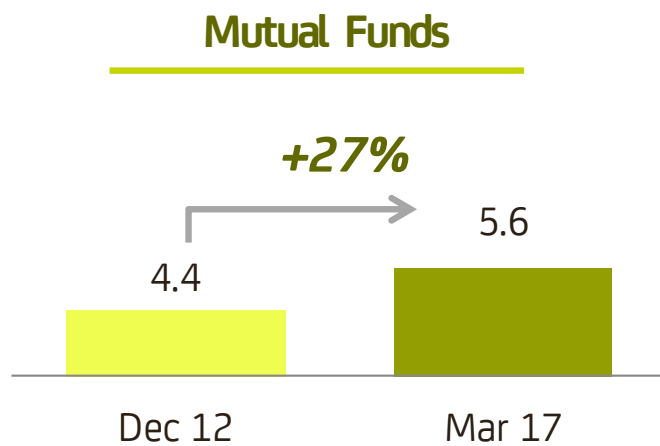
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Merger with BMN

Opportunity to generate revenue synergies (not factored-in in the estimates)

Bankia: significant increase in market shares...

Market Shares (%)



...that could be replicated on BMN's client base

Client Penetration as of December 2016

Product	Client Penetration
Mutual Funds	■ c.200% higher for Bankia
Credit Card	■ >40% higher for Bankia
Payroll and Pensions	■ >35% higher for Bankia

Significant client penetration gap between Bankia and BMN on higher yielding products

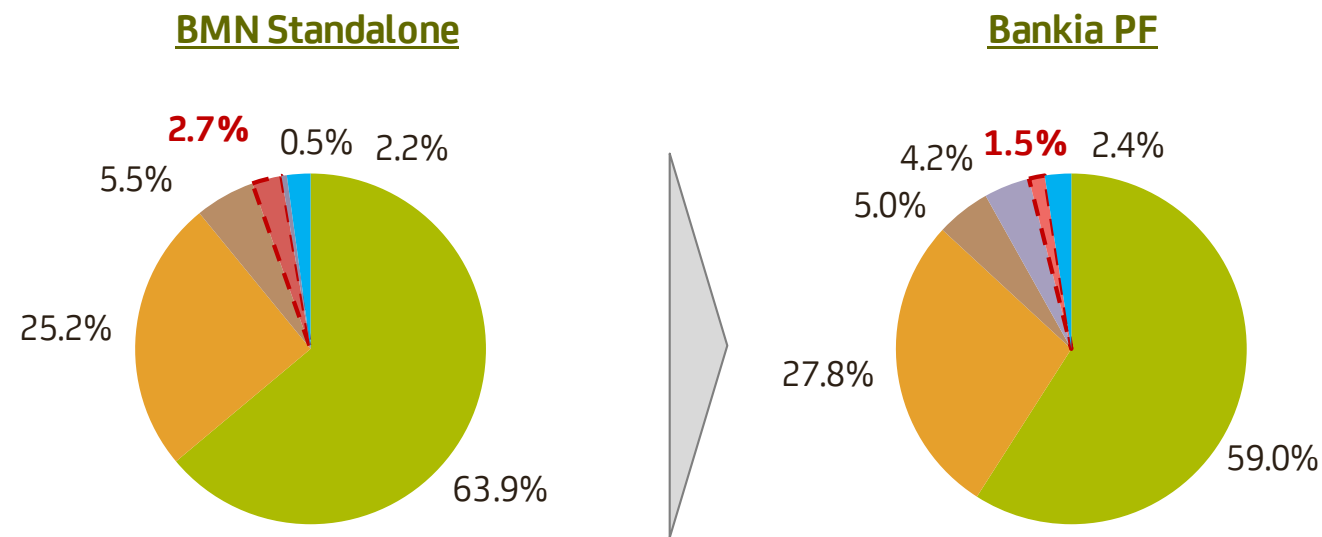
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Merger with BMN

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 (%)



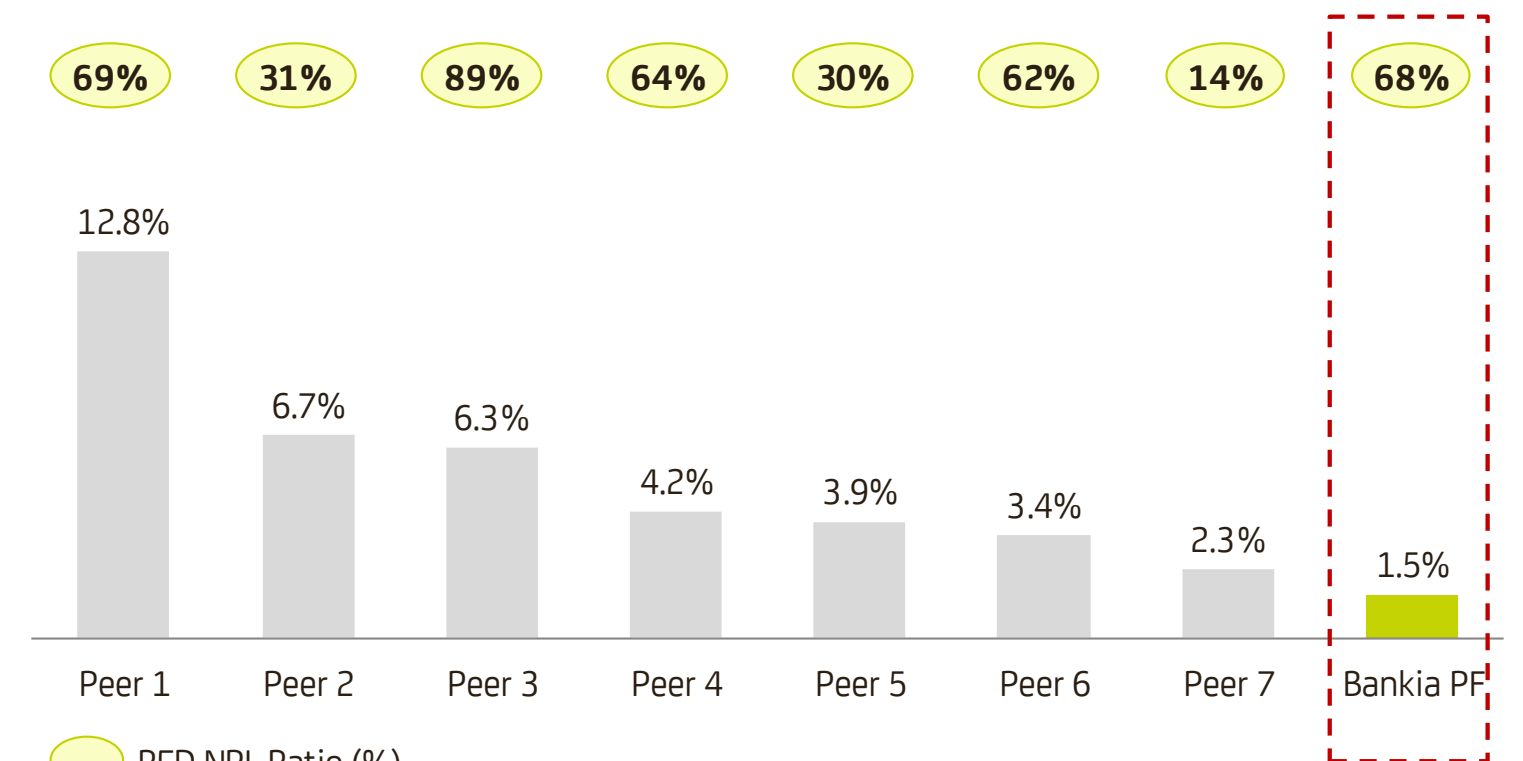
Total: €21.9 Bn

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 ⁽¹⁾



Lowest RED Exposure combined with one of the highest NPL recognition

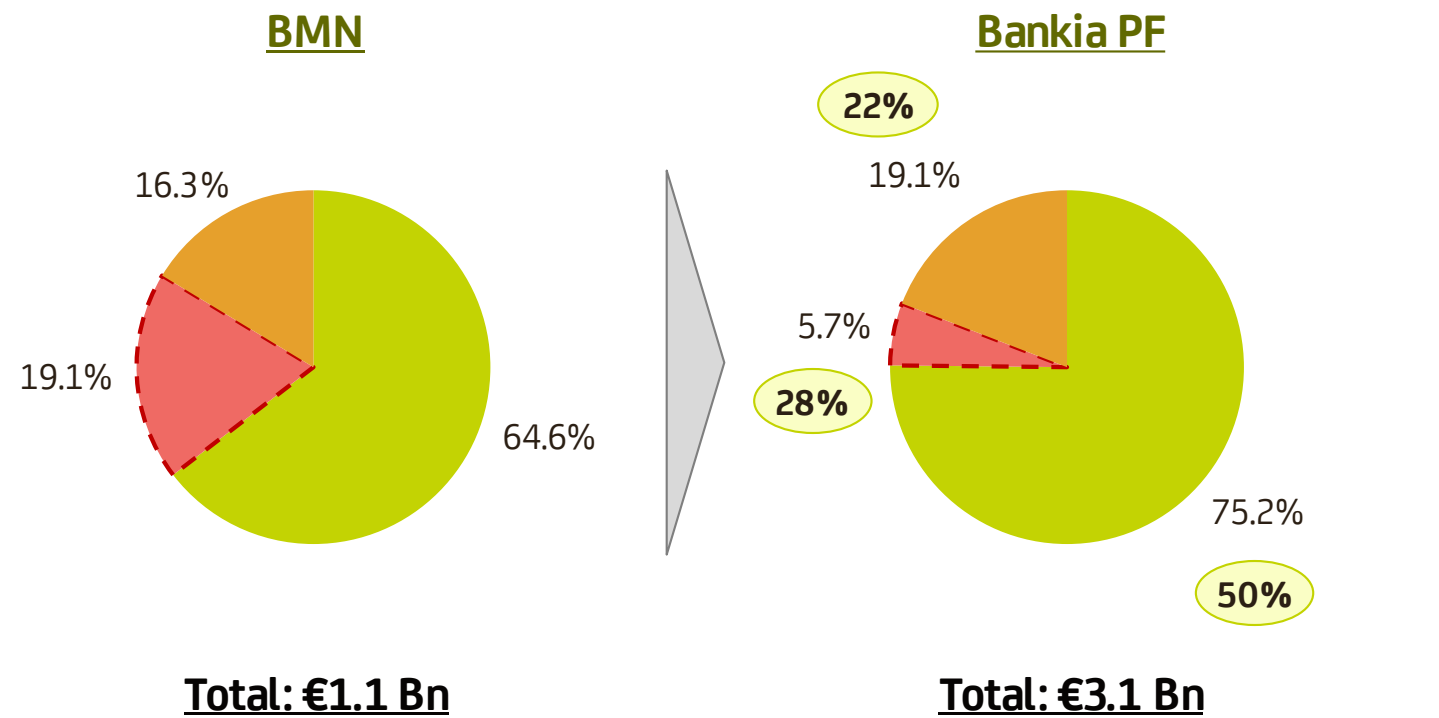
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Merger with BMN

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

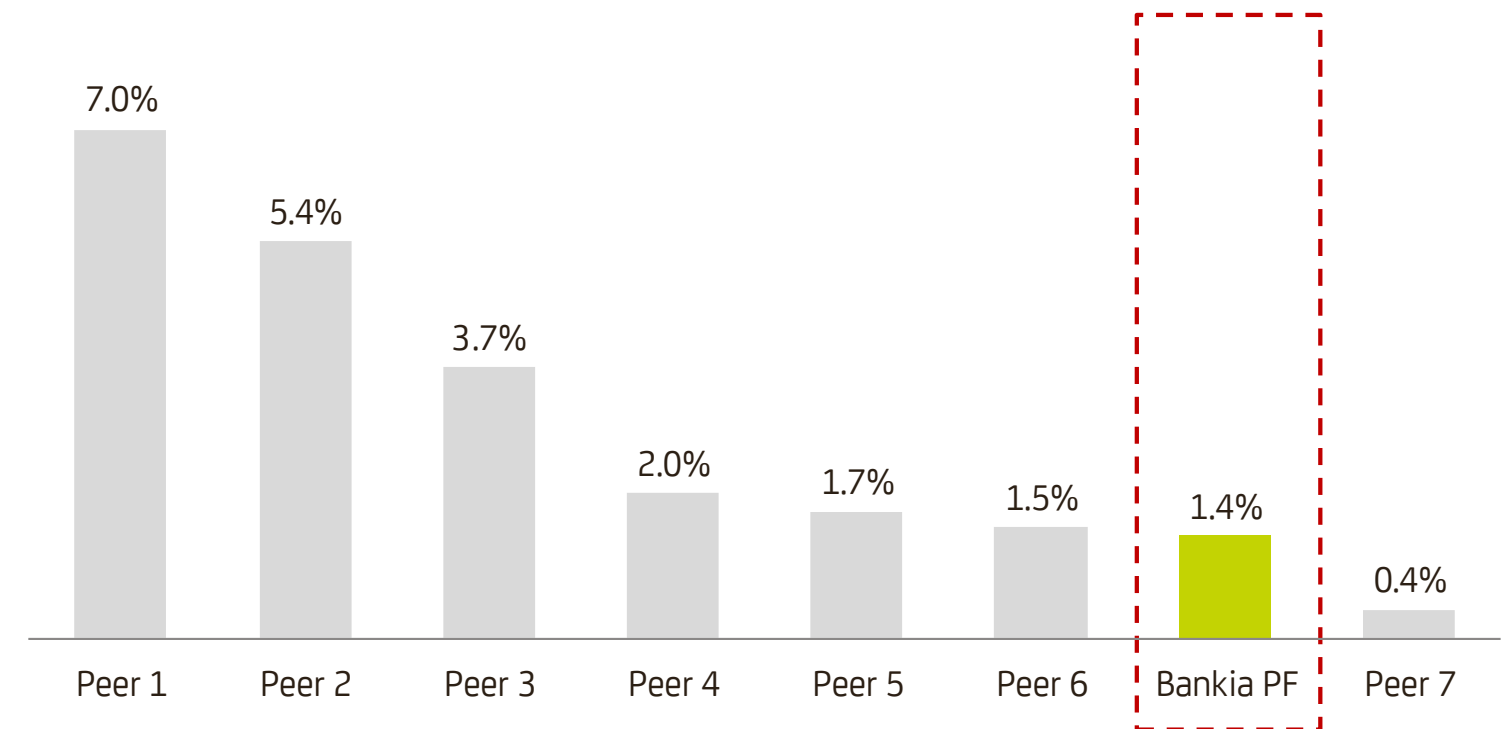
Bankia will continue to have a reduced exposure to Land

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 (%)⁽¹⁾⁽²⁾
Bankia PF as of 1Q17 and Peers as of 4Q16



■ Finished Buildings & Mortgages⁽³⁾ ■ Land ■ Other ○ Average Peers (4Q16)^{(1) (2)}

Source: Company Information

⁽¹⁾ 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)

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

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

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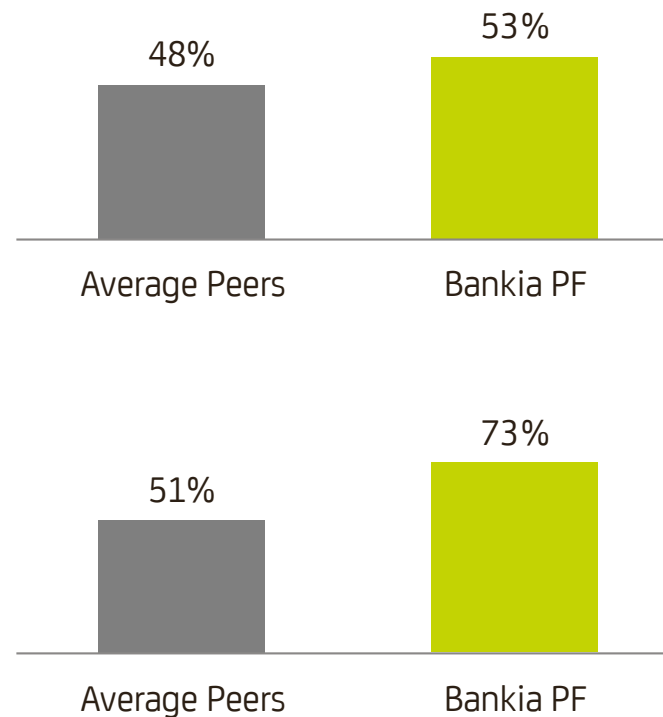
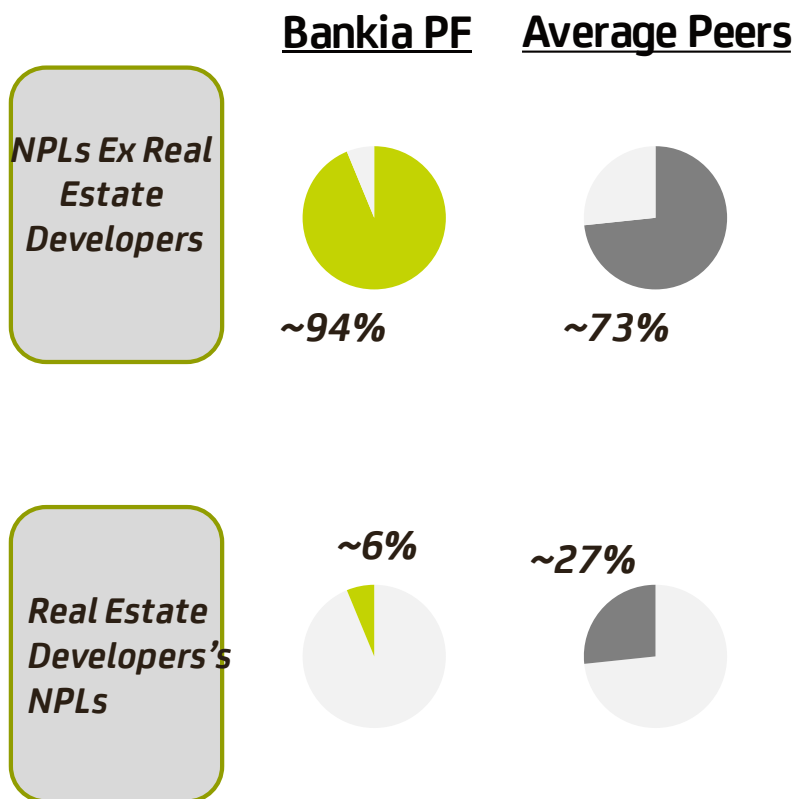
Merger with BMN

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

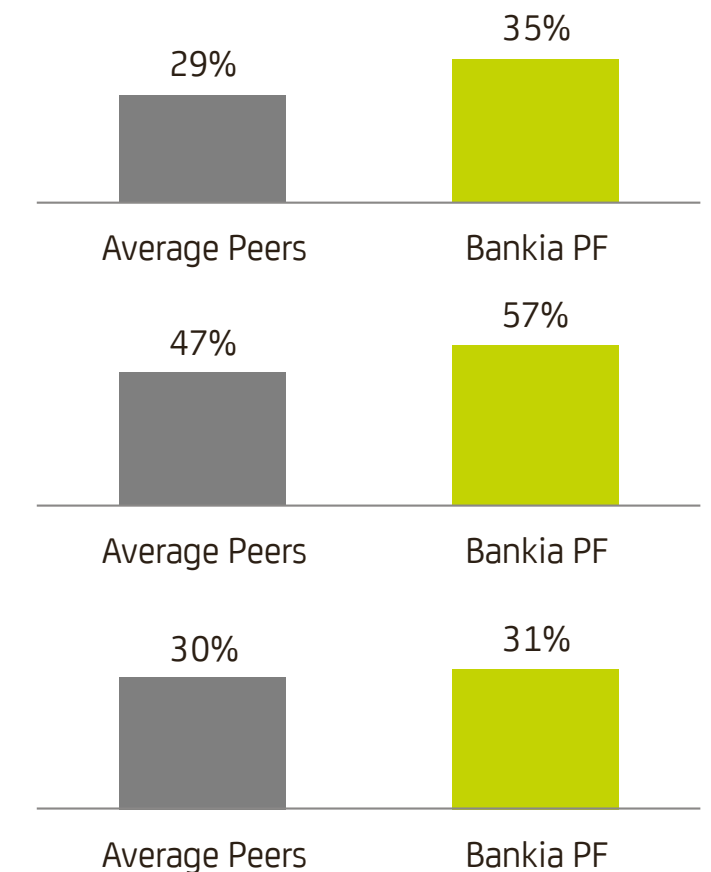
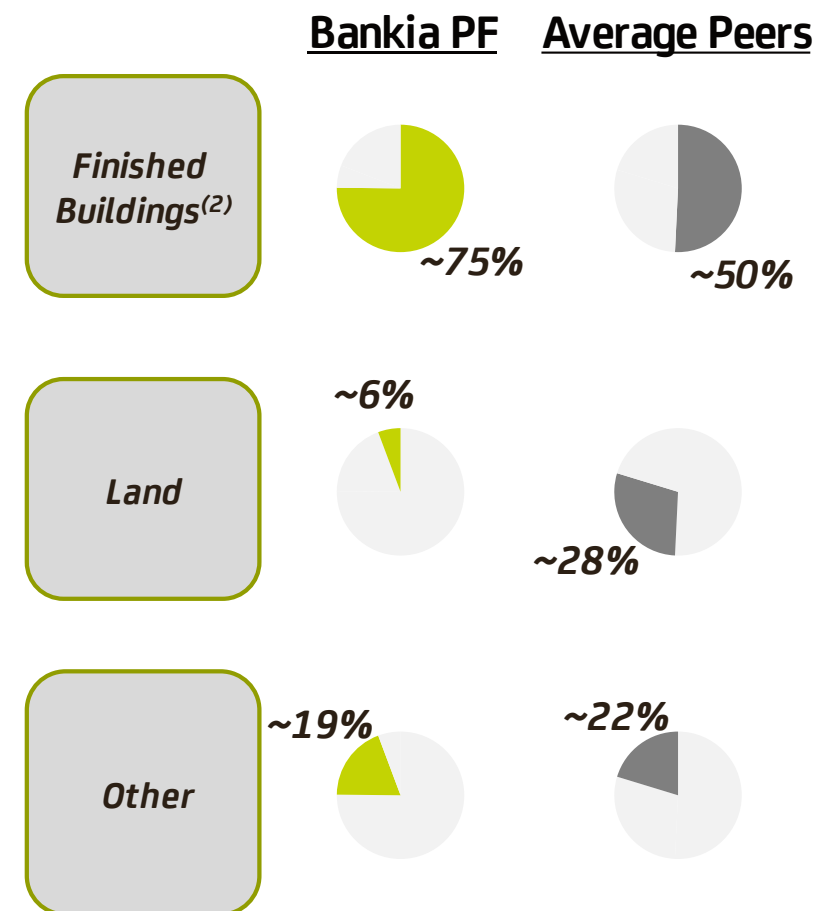
Coverage vs Peers ^{(1) (5)}
Bankia PF as of 1Q17 and Peers as of 4Q16



Foreclosed Real Estate Assets – PF Coverage 36%

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

Coverage vs Peers ⁽¹⁾⁽³⁾⁽⁴⁾
Bankia PF as of 1Q17 and Peers as of 4Q16



Source: Company Information

⁽¹⁾ 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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⁽³⁾ Including equity instruments of entities holding property assets foreclosed or received in settlement of debt

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

⁽⁵⁾ Excluding mortgage floors provisions from credit book provisions

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Merger with BMN

Transaction Terms

- Shares Exchange: c. 206⁽¹⁾ 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

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



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

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› Barclays – Financial services conference

Conclusions

Conclusions

› **Commercial positioning**

Growth in customers and loyalty is reflected in positive performance of the banking business in the main segments: mortgages, consumer finance and businesses

› **Capital**

€504 mn of organic CET1 capital generation and €1,250 mn of bonds issued in the first half of the year.

› **Profitability**

Growth of 6.7% in attributable profit and reduction of €1.1 bn in NPLs and foreclosed assets.

› **Merger with BMN**

The integration with BMN will reinforce Bankia's franchise and have a positive impact on profitability

Bankia

LET'S KEEP WORKING