

Bankia

2nd Quarter 2011 Results

27 July 2011

Bankia



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The Initial Public Offering of Bankia



Bankia's shares started trading at 12:00pm on July 20, 2011 in the stock exchanges of Madrid, Barcelona, Valencia and Bilbao



825mm new shares issued at €3.75, raising €3,092mm (pre- Greenshoe)



Approx. 60% of the shares allocated to retail and 40% to institutional investors



Bankia now has over 347.000 shareholders



14th largest Spanish listed company with a market capitalisation of €6.4bn⁽¹⁾
Expected inclusion in IBEX 35








The IPO enhances Bankia's solvency and credit profile

An IPO done in a challenging economic environment and in a record period of time

(1) As of July 26, 2011

Summary remarks for 2Q 2011

-  **Strong liquidity and capital position following the IPO**
-  **Resilient net interest margin**
-  **Reduction of the commercial gap**
-  **Integration Process progressing ahead of plan**
-  **Operating costs under strict control**



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Guidelines for Bankia financials



- Bankia was created following a segregation of assets and liabilities from Banco Financiero y de Ahorros on the 6th of April, 2011
- Therefore financial information for FY2010 and 1Q 2011 is presented on a pro forma basis
- For comparison purposes, financial information for Bankia for 2Q 2011 is available on a pro forma basis for the Income statement and on a real basis for the Balance Sheet statement. In any case, the differences between the Income statement prepared in a pro forma basis vs. the Income statement prepared in a real basis are not significant, with NIM being €1,269mm vs. €1,169mm, total revenues being €2,085mm vs. €2,063mm and net attributable income being €205mm vs. €201mm, respectively
 - All information on this document is presented on this basis
 - Deloitte (company's auditor) has performed a limited review on consolidated 2Q 2011 financials prepared on a real basis
 - All financial information has been prepared in accordance with IFRS-EU required to be applied under Bank of Spain's Circular 4/2004
 - In the Appendix to this presentation, Bankia's full Balance Sheet and Income statement is presented

Key financial highlights

€mn		1Q 2011	2Q 2011	1H 2011
Income Statement	Net Interest Income	635	634	1,269
	Fees and Commissions	289	283	572
	Trading Income and Other Revenue	124	120	244
	Total Revenues	1,048	1,037	2,085
	Operating Expenses	(512)	(697)	(1,209)
	Pre-provisioning Income	536	340	876
	Loan Loss Provisions	(524)	(100)	(624)
	Other Provisions and extr. Income	113	(85)	56
	Profit Before Tax	125	155	280
Net Attributable Income	91	114	205	
Balance Sheet		March 31st 2011	June 30th 2011	
	Total Assets	282,439	285,478	
	Customer Loans ⁴	191,384	191,706	
	Customer Deposits	153,479	159,349	
Shareholders' Equity	13,276	13,297		
Key ratios		1Q 2011	2Q 2011	1H 2011
	Net interest margin ¹	0.90%	0.89%	0.88%
	Cost to income ratio	48.9%	67.2%	58.0%
	RoE ¹	2.7%	3.4%	3.0%
	RoA ¹	0.1%	0.2%	0.1%
	NPL ratio ²	5.7%	6.4%	6.4%
	NPL coverage ²	62.9%	54.2%	54.2%
Core Tier 1 ratio	7.8%	9.9% ³	9.9% ³	

(1) Calculated over end of period figures and annualised, given lack of historical data (2) Calculated on loans and contingent liabilities (3) Post IPO (4) Includes customer loans from the trading portfolio

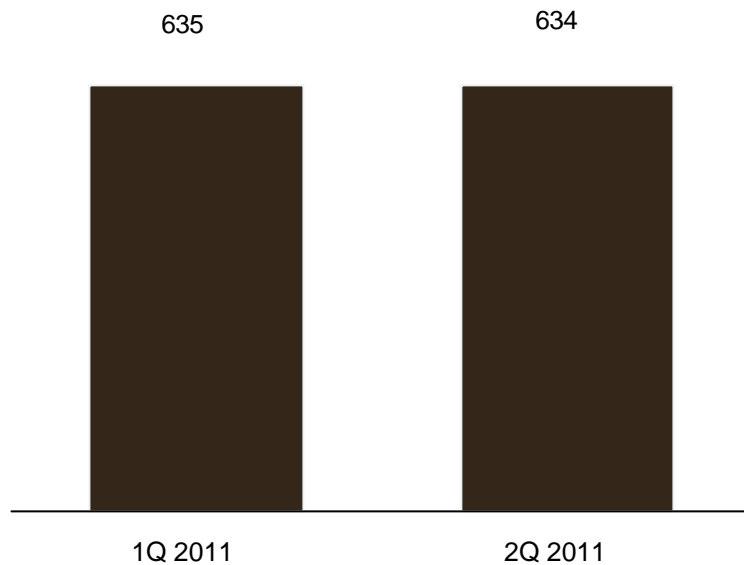


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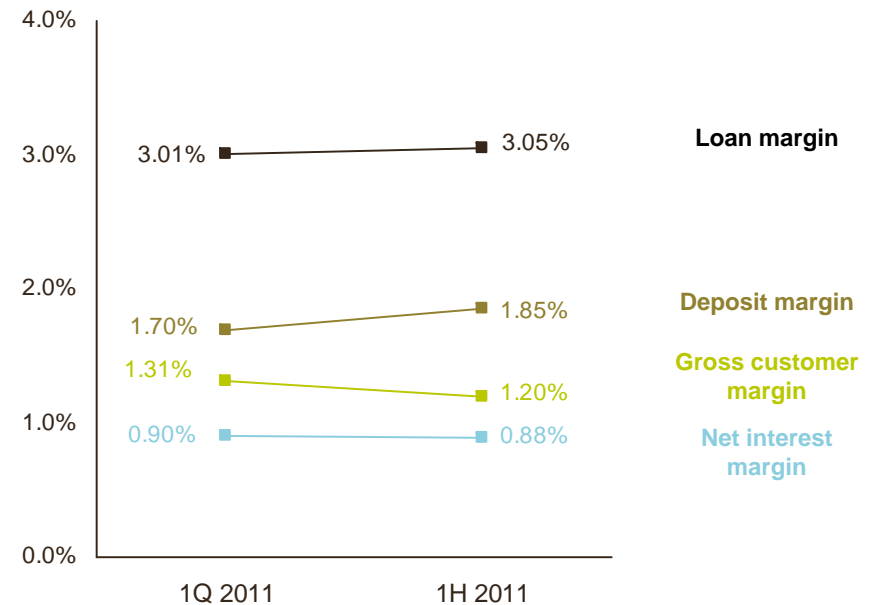
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Net interest income remains resilient...

Evolution of net interest income (€mn)



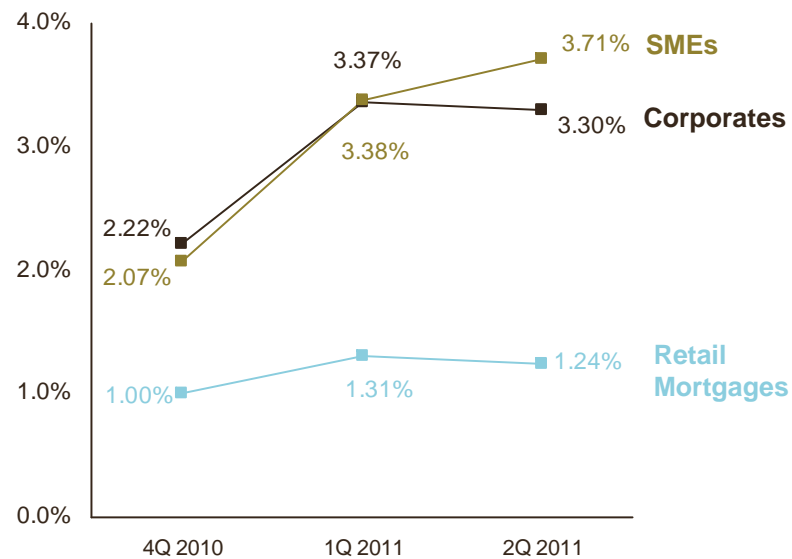
Evolution of net interest margin



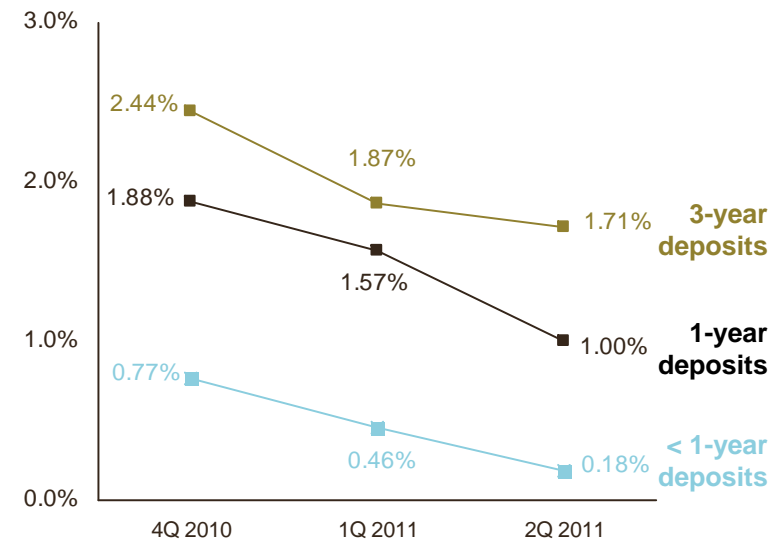
- Net interest income remains stable despite adverse operating environment and balance sheet deleverage
- Increase of interest income, which is already reflecting asset repricing
- Contained increase in interest expenses, due to the increase in the average cost of deposits caused by the increase in interest rates, mitigated by the improvement of spreads

...supported by the repricing of new production

Evolution of loan spreads (New production) ⁽¹⁾



Evolution of deposit spreads (New production) ⁽¹⁾

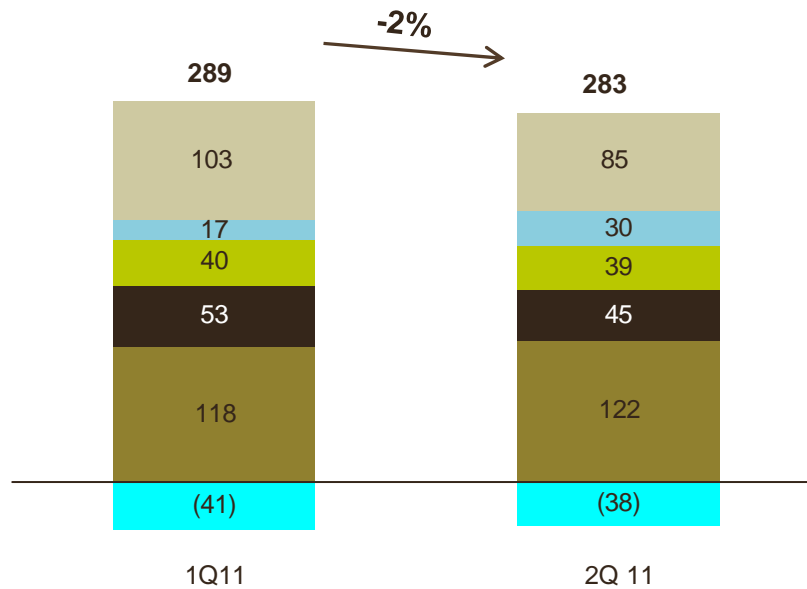


- New production spreads in the loan book remain stable following strong asset repricing in 1Q 2011
- Successful repricing of new production, with significant decreases on deposit spreads

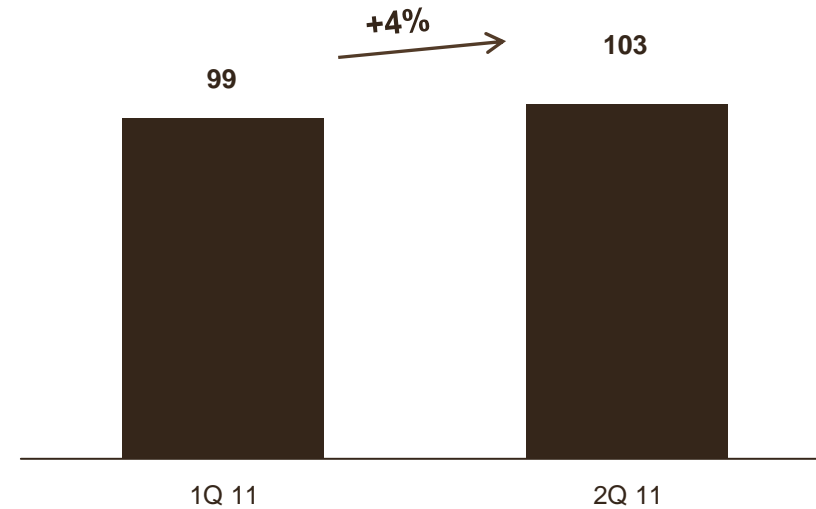
(1) Annualized data for Caja Madrid and Bancaja only

Stable fees and commissions, complemented with recurring trading income

Evolution of net fees and commissions (€mn)



Evolution of trading income (€mn)

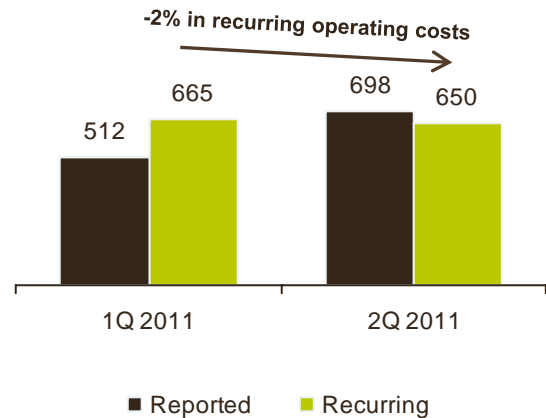


- Collection and payment
- Customer Securities
- Contingent risks
- Asset operations
- Other
- Fees and commissions expense

Significant growth potential on fees and commission as a result of the integration and implementation of best practices

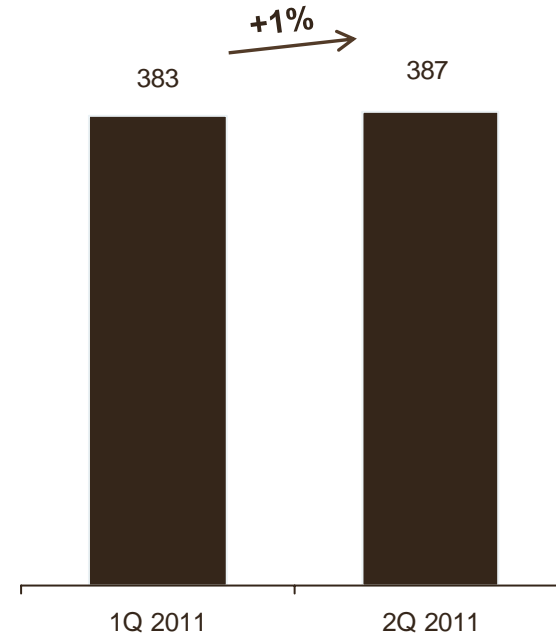
Operating costs remain under strict control

Evolution of operating costs (€mn)

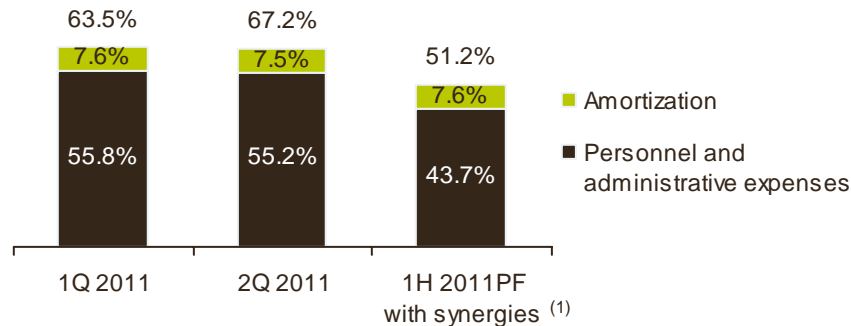


- Recurring operating costs include adjustment for forfeited bonus to employees in 1Q 2011 and one-off integration costs related to the IPO and Group's establishment in 2Q 2011

Recurring pre provisioning profit ⁽²⁾



Evolution of recurring cost to income ratio



- Specific initiatives launched to further decrease operating costs (e.g. Cost control plans)
- Cost savings from the integration will start to be visible in the second half of the year

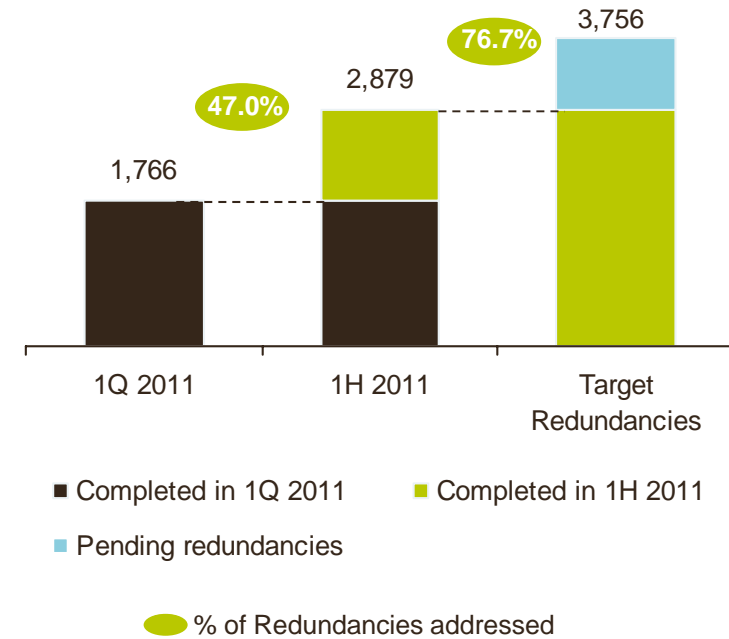
(1) Takes into account €250mm of fully phased synergies (50% of €500mm full year target); (2) Includes recurring administrative expenses

The Integration is Progressing Ahead of Plan...

✓ Branch closures



✓ Redundancies



...setting the path for the delivery of synergies from 2H 2011

Evolution of provisions

Evolution of total impairments and provisions (€mn)

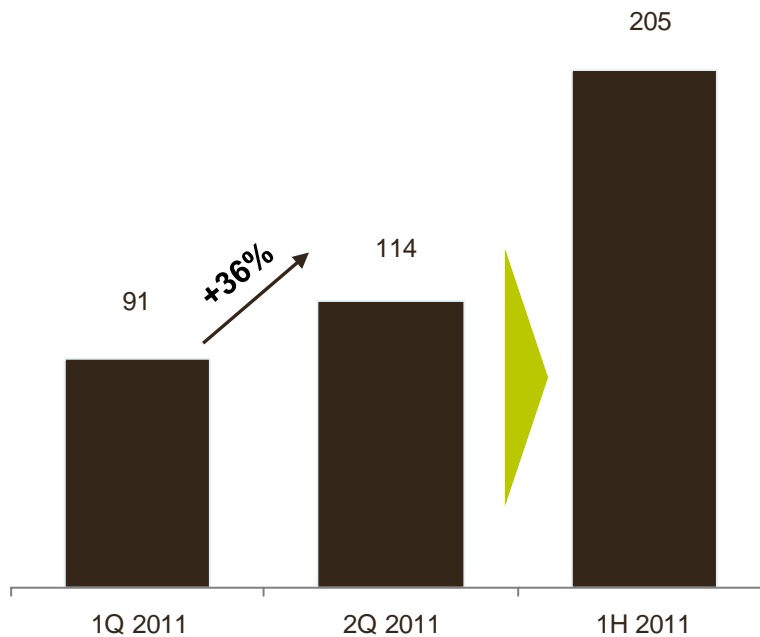
	2Q	1Q
Specific provisions	100	394
Transfer of generic to specific provisions	246	—
Total specific provisioning	346	394
Acquired and other assets provisioning	72	5
Total provisiones sin genéricas	418	399
Generic provisions	—	130
Total provisioning effort	418	529
Cost of Risk ⁽¹⁾	87 bp	83 bp

- Decrease in reported provisions due to the release of €246mn collective provisions
- Non-recurring income in 1Q 2011 was conservatively used to strengthen generic provisions
- At the end of June generic provisions stand at €1.4bn
- Countercyclical nature of the generic provision
- Increase of recurring provisioning, which remains high at €418mn with an implied cost of risk of 87bp ⁽¹⁾

(1) Annualised. Excluding generic provisions

Net attributable income increases to €114mn in 2Q 2011

Evolution of net attributable income (€mn)



- Improvement of profitability levels in an adverse operating environment where balance sheet strengthening is the priority
- Significant improvements in profitability expected in 2H 2011 and the coming years as a result of the delivery of synergies from the completion of the integration process and the adoption of best practices

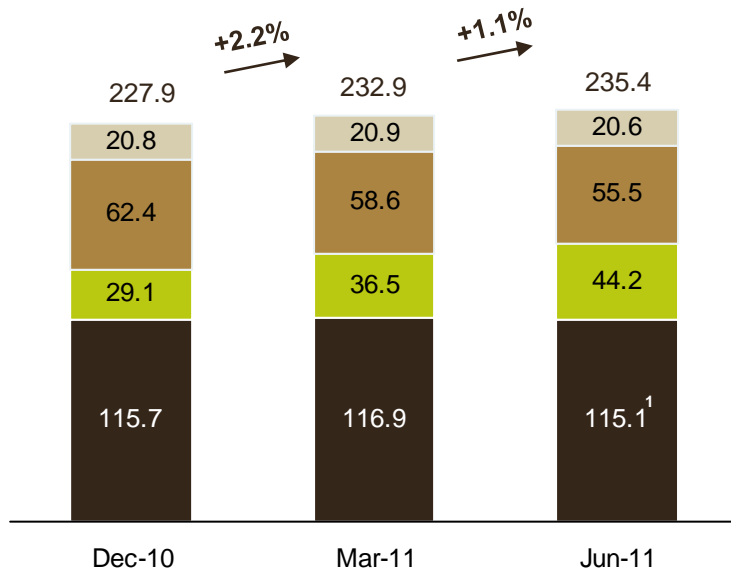


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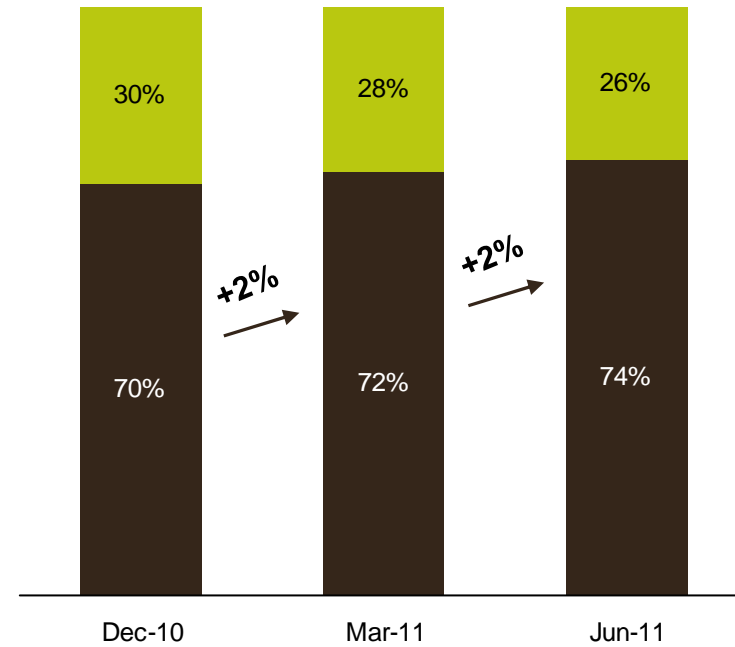
Continued increase of customer funds

Evolution of customer funds (€bn)



- Off Balance Sheet items
- Marketable and subordinated securities
- Other Deposits
- Customer deposits

Evolution of funding structure



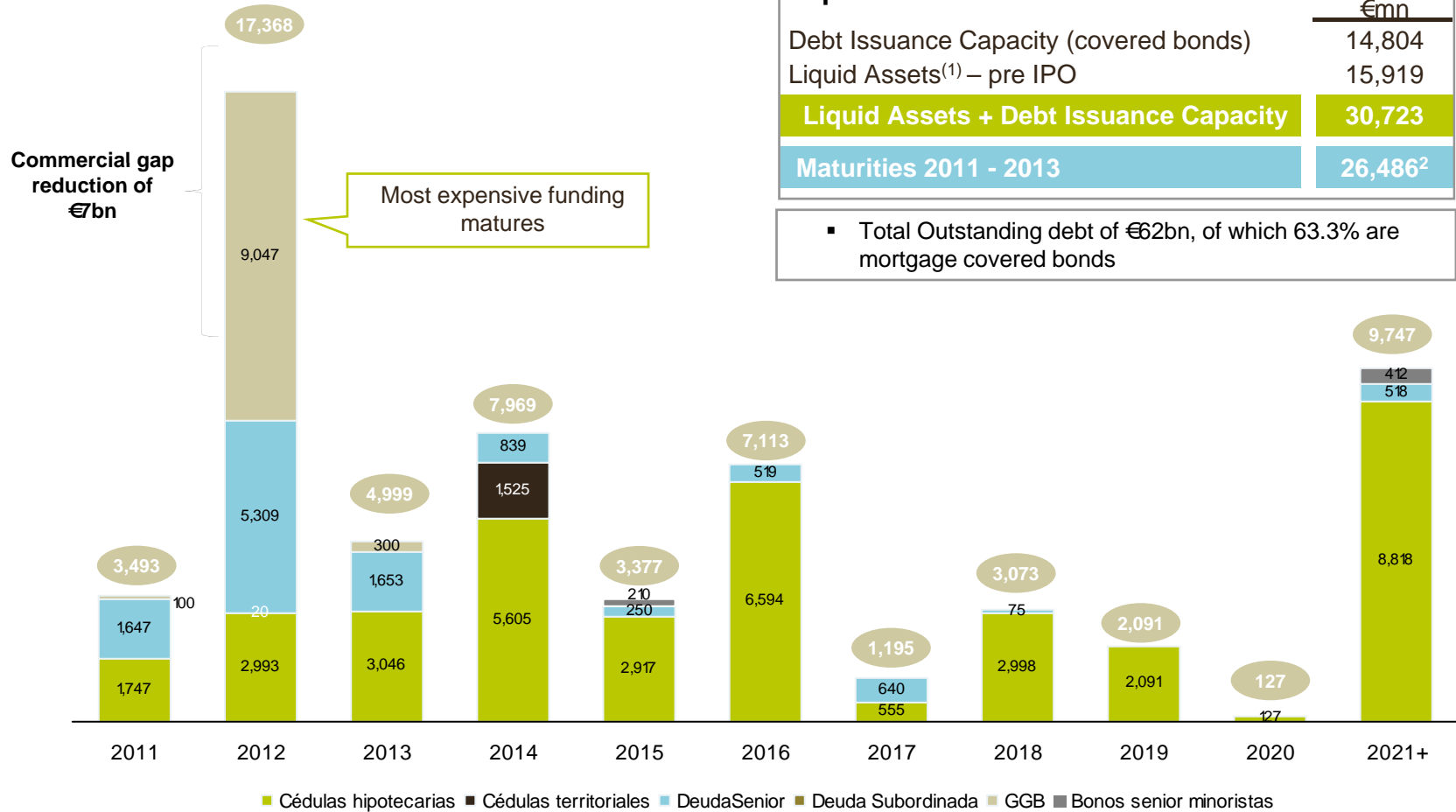
- Marketable and subordinated securities
- Customer deposits

Focus on enhancing the funding structure

(1) €1.8bn drop on securitizations

Long-Term funding – refinancing needs covered beyond 2013

Maturity profile (€mn)



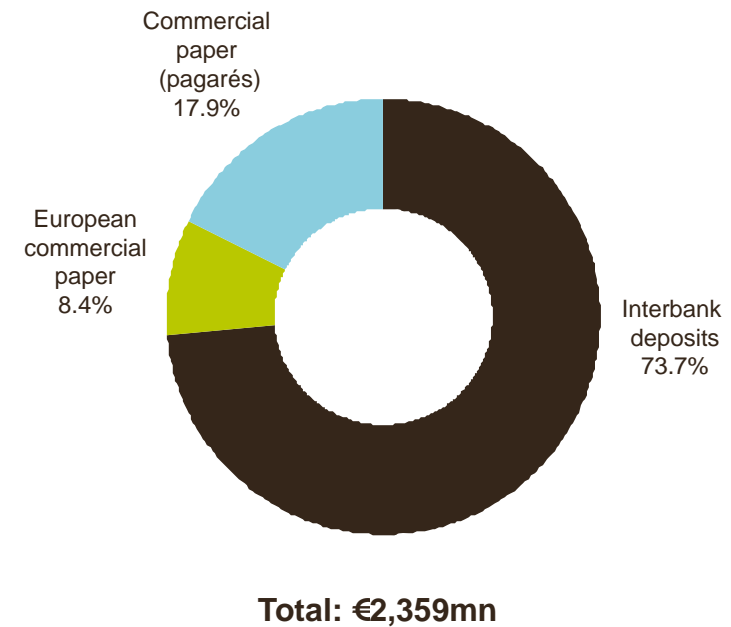
(1) At market value including ECB haircuts (2) Includes €0.6bn of short-term funding and €1,858mn of securitizations and €625mn of commercial paper not accounted for in the maturity profile

Cost efficient and well diversified Short-Term funding

Fixed income REPO and ECB activity (€mn)

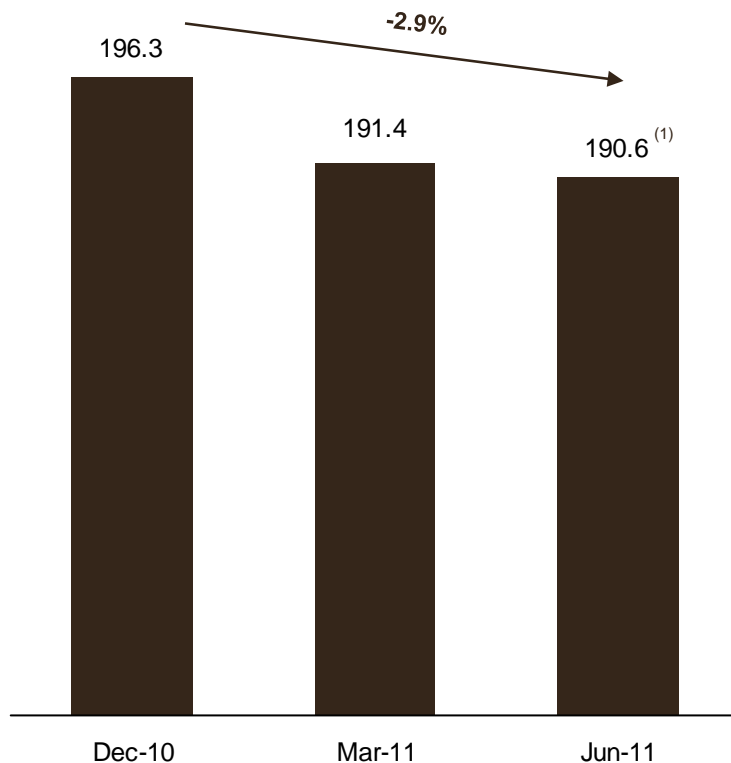
	March 11	June 11
Central Counterparties (CCPs)	19,769	19,678
Bilateral and Institutional Investors	3,502	7,808
Total Short term REPO	23,271	26,486
ECB position (net)	8,675	8,500
Total Short term REPO and ECB	31,946	35,986

Short-term wholesale funding

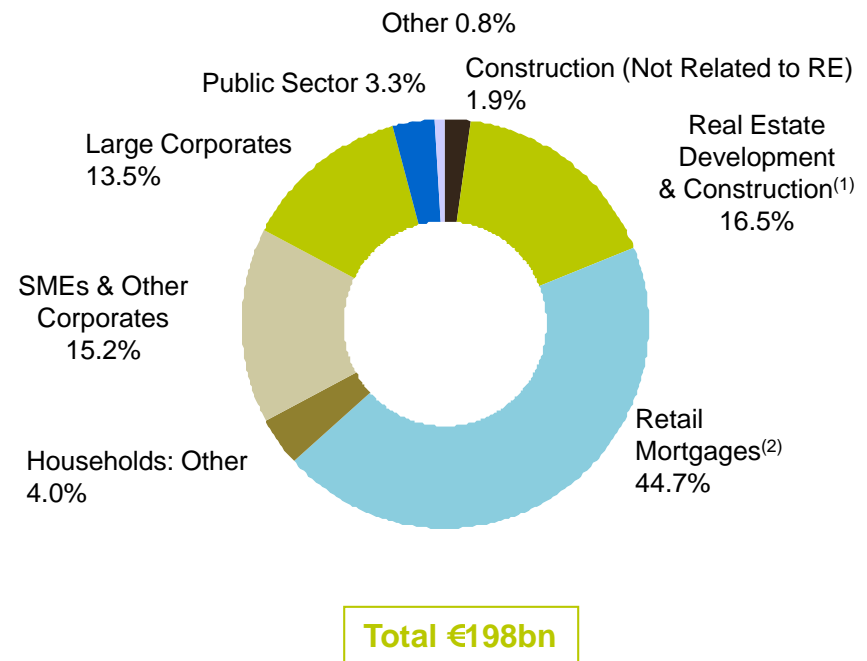


Continued deleveraging on the asset side...

Evolution of net customer loans (€bn)



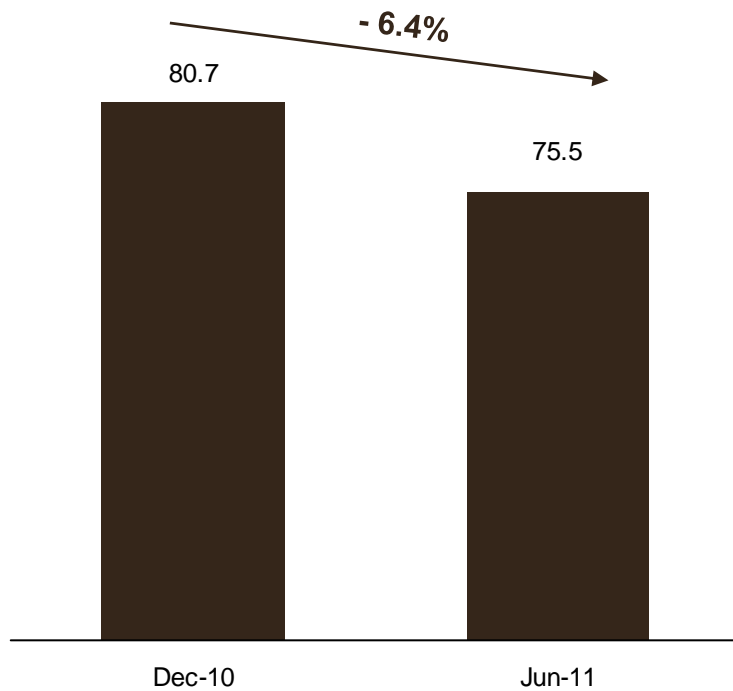
Gross loan portfolio breakdown (June 2011)



(1) Adjusted for the pending sales of assets between Bankia and BFA as of June 30, 2011
 (2) Loans to individuals with first residence mortgages

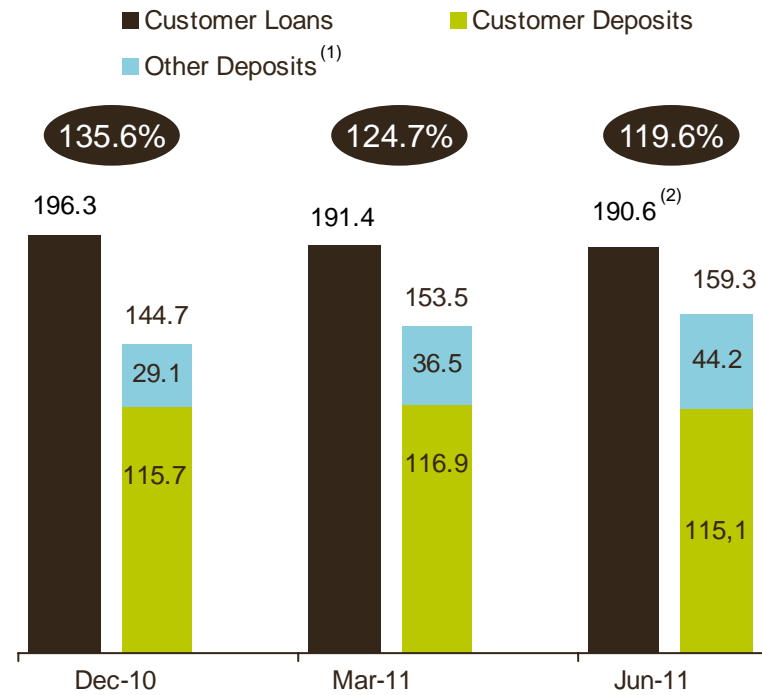
...contributing to enhance the Commercial Gap...

Evolution of the commercial gap (€mn)



Reduction of loan / deposit ratio

Figures in €bn

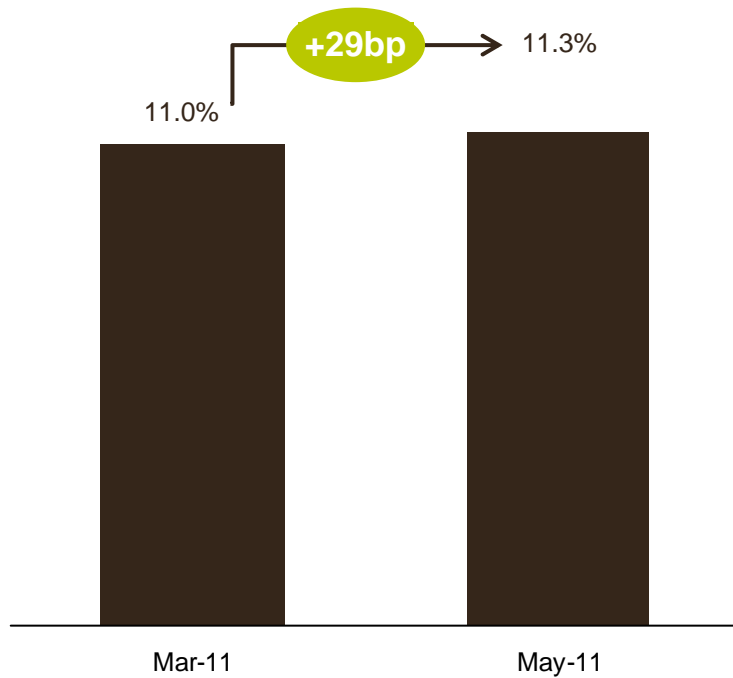


Commercial gap remains stable following a strong reduction of €5.2bn in 1Q 2011

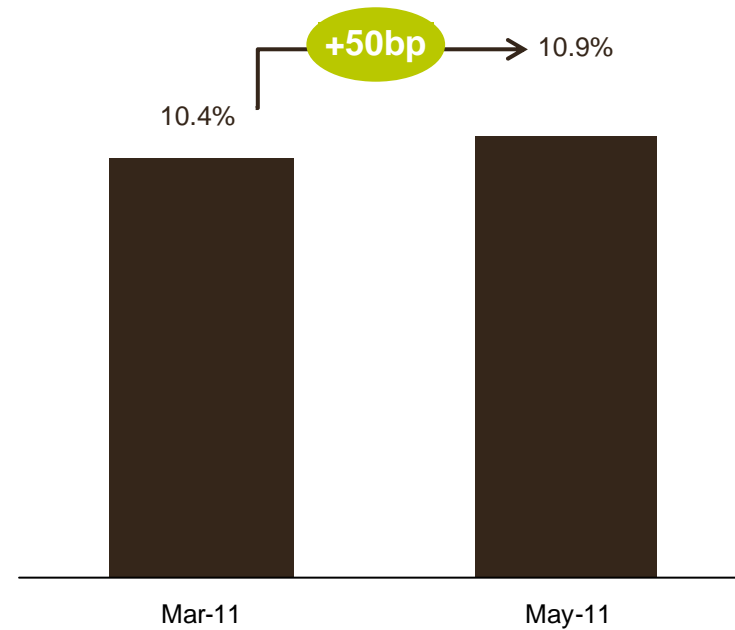
(1) Including REPOs and covered bonds (2) Adjusted for the pending sales of assets between Bankia and BFA as of June 30, 2011

...and achieving an increase in market shares, which reinforces Bankia's position as a leading banking franchise in Spain

Market share by domestic private sector loans



Market share by domestic private sector deposits



Increase in market shares in a difficult operating environment and in the context of an integration process and balance sheet deleveraging

(1) May 2011, Latest available



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Overview of Bankia's asset quality by credit exposure

Breakdown of asset quality by type of loan (€bn)

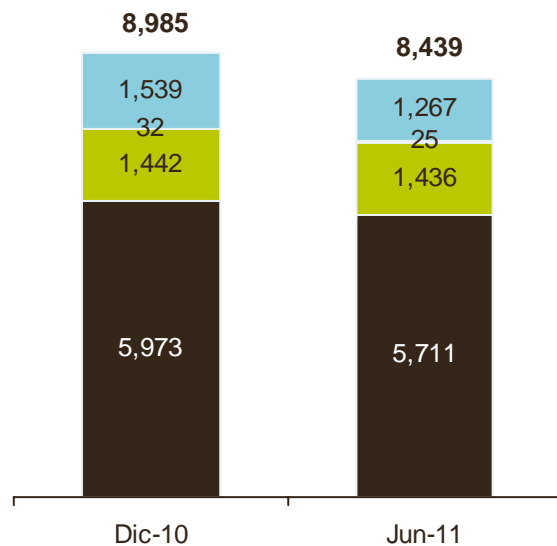
	June 2011			March 2011	
	Total	NPLs (%)	NPL & Substd. (%)	NPLs (%)	NPL & Substd.(%)
Loans to Corporates	93.1	10.2%	18.2%	8.4%	16.9%
Real Estate Development and/or Construction Purposes	32.6 ⁽¹⁾	20.3%	34.3%	16.5%	31.7%
Construction purposes, not related to real estate development	3.7	9.9%	15.0%	8.6%	14.3%
Other corporates	56,7	4.4%	9.2%	3.8%	8.8%
Loans to Individuals	96,2	3.5%	6.0%	3.7%	6.2%
Subtotal gross loans to customers	189.3	6.8%	12.0%	6.0%	11.5%
Public Sector and other ⁽²⁾	8.2				
Total Gross Loans	197.5	6.5%	11.5%	5.8%	11.2%

(1) Adjusted for the pending sales of assets between Bankia and BFA as of June 30, 2011
(2) Includes public sector, international activities and other

Overview of Bankia's provisions and coverage

Evolution of provisions (€mn) and coverage ratios

- Foreclosed acquired assets
- Country Risk
- Generic
- Specific



Focus on Real Estate Portfolio

Real Estate Provision Coverage⁽²⁾ + Collateral with Haircuts

- For total Real Estate Portfolio 85%
- For Real Estate NPLs 100%

2010

1H 2011

Coverage ratio

Coverage ratio

Foreclosed/ acquired assets ⁽¹⁾	33.9%	27,1%
NPLs ⁽²⁾	62.9%	54.2%
Substandard	11.5%	11.1%
Total NPL and substandard	32.0%	31.0%

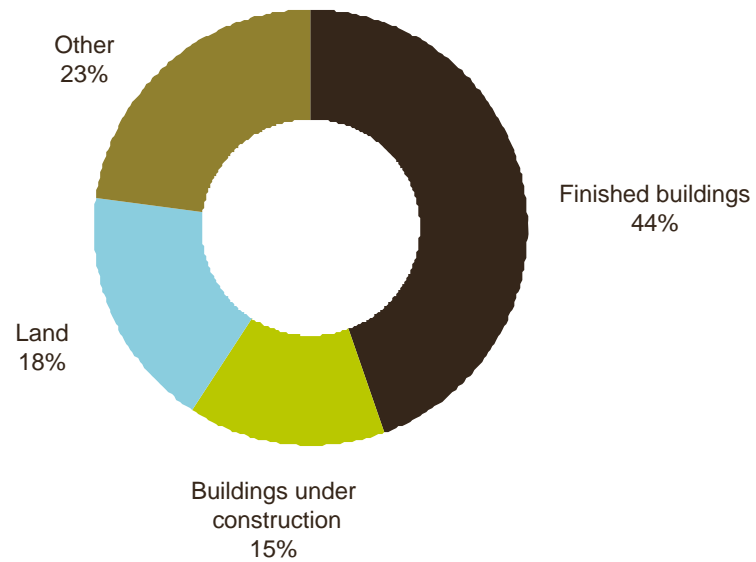
NPL Ratio

6.35%

(1) Foreclosed and acquired assets includes asset associated provisions
 (2) Includes all provisions (specific, generic and substandard)

Focus on loans to real estate developers

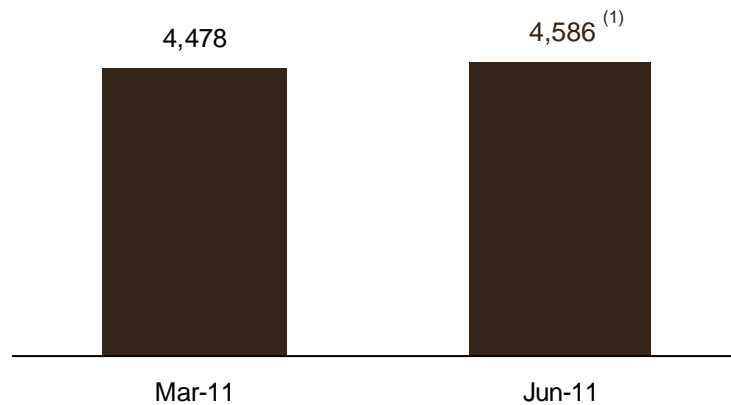
Breakdown of loans to Real Estate Developers by collateral



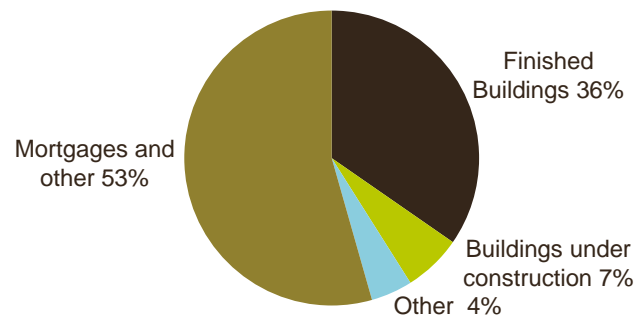
85% when including Real Estate provision coverage and collateral with haircuts

Foreclosed / acquired real estate asset portfolio significantly enhanced following the segregation to BFA

Evolution of foreclosed / acquired assets (€mn)



Breakdown by asset class



- Foreclosed / acquired assets below market levels (3.3% risk exposure vs. Sector's 4.4%⁽²⁾)
- Concentrated in most liquid real estate assets: 90% in finished buildings and mortgages
- Concentrated in the 3 main Spanish regions more than 60% in Madrid, Cataluña and Valencia
- 27% coverage ratio
- Assets sold amount to €265mn as of 2011

⁽¹⁾ Adjusted for the pending sales of assets between Bankia and BFA as of June 30, 2011

⁽²⁾ Data for peer group as of end of 2010

Small exposure to Sovereign Debt

Exposure to Sovereign Debt

<u>€mn</u>	<u>Total</u>	<u>% of Total</u>	<u>AFS</u>	<u>Held-To-Maturity</u>
Spain	12,767	84%	7,495	5,272
France	1,050	7%	0	1,050
Italy	1,000	7%	0	1,000
Belgium	300	2%	0	300
Germany	100	1%	100	0
Other ⁽¹⁾	11	n.m.	5	6
Total	15,228		7,595	7,628

- Sovereign debt exposure, including treasury bills, represents 6% of total assets and 45% of the on balance sheet fixed income portfolio
- Low sensitivity to interest rate movements
- €10.1bn fixed yield with a duration of 4yrs and €5bn in ASW at + 185 bp
- Unrealised capital losses in this portfolio amount to €127mn

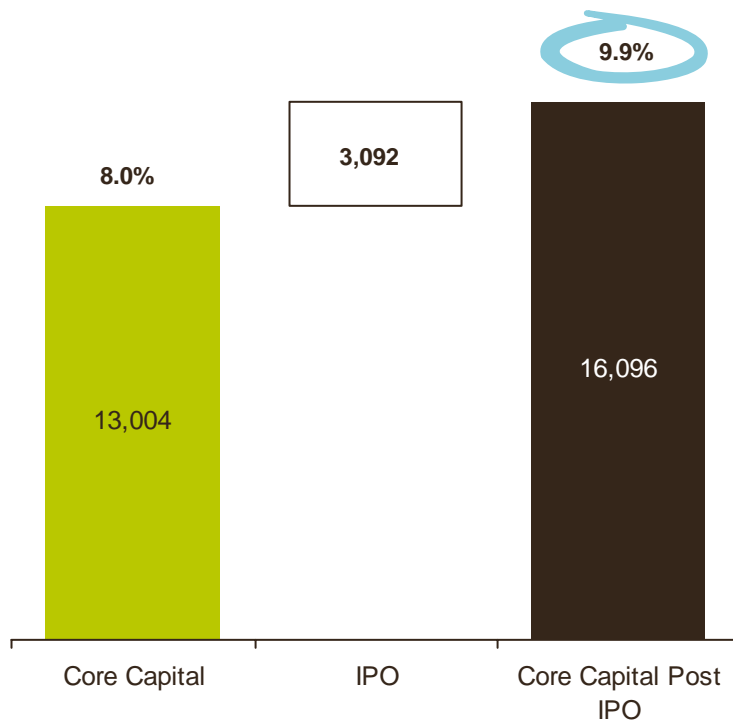
Note: As of June 30, 2011

(1) Including €2mn of exposure to Greece which has already been sold in July

Solid capital position following the IPO

2Q 2011 Bankia's Core Capital Position (Basel II)

Figures in €mn



- Core Capital of best quality (shareholder's equity, with only €160mn of minority interests)
- €1.4bn gross generic provisions available
- Limited Basel III impact
- BFA Group passed 2011 EBA stress tests
 - BFA Group had 5.4% 2012E Core Tier 1 ratio in the adverse scenario, which increases to 6.5% when including existing collective provisions
- Core Tier 1 of 9.9%, which implies c.€3,100mn in excess of the minimum 8% ratio established for listed Spanish banks (Law RD 2/2011)
- Ratings
 - S&P: A- / A2 / Stable
 - Fitch: A- / F2 / Stable
 - Moody's: Baa2 / P2 / Negative



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Closing remarks and outlook for 2H 2011

Strong liquidity and capital position following the IPO

Resilient net interest margin

Reduction of the commercial gap

Integration Process progressing ahead of plan

Operating costs under strict control

Outlook for 2H 2011

- Operating environment will remain challenging
- Increase in interest rates
- Continued improvement in cost control
- Synergies from the integration will enhance operating profitability



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Balance Sheet

(€mn)	Pro forma		Real		(€mn)	Pro forma		Real	
	Mar 2011	Jun 2011	Mar 2011	Jun 2011		Mar 2011	Jun 2011	Mar 2011	Jun 2011
Cash and balances with central banks	3,537	5,807			Financial liabilities held for trading	11,890	11,735		
Financial assets held for trading	13,629	14,279			Other financial liabilities at fair value through profit or loss	-	-		
Other financial assets at fair value through profit or loss	104	107			Financial liabilities at amortized cost	252,455	255,661		
Available for sale financial assets	18,452	19,911			Deposits from central banks	9,706	11,526		
Debt instruments	16,624	18,430			Deposits from credit institutions	29,059	27,191		
Equity instruments	1,828	1,481			Customer deposits	153,479	159,349		
Loans and receivables	214,316	212,758			Marketable debt securities	58,239	55,181		
Loans and advances to credit institutions	17,332	15,209			Subordinated liabilities	316	311		
Loans and advances to customers	191,348	191,679			Other financial liabilities	1,656	2,103		
Debt instruments	5,636	5,870			Changes in the fair value of hedged items	-	-		
Held to maturity investments	10,538	10,513			Hedging derivatives	497	721		
Changes in the fair value of hedged items in portfolio hedges of interest risk	2,515	2,630			Liabilities associated with non current assets held for sale	-	-		
Hedging derivatives					Liabilities under insurance contracts	354	352		
Non current assets held for sale	2,025	3,773			Provisions	1,891	1,571		
Investments	2,715	2,857			Tax Liabilities	1,064	1,283		
Insurance contracts linked to pensions	219	229			Other Liabilities	706	684		
Reinsurance assets	1	1			Equity refundable on demand	-	1		
Tangible assets	4,399	4,316			TOTAL LIABILITIES	268,857	272,008		
Intangible assets	255	224			Equity	13,276	13,297		
Tax assets	4,802	4,973			Capital, share premium and other reserves	12,018	12,016		
Other assets	4,869	3,100			Other equity instruments	-	-		
TOTAL ASSETS	282,439	285,478			Less: Treasury shares	(34)	-		
					Profit for the year attributable to the parent	1,292	1,281		
					Less: dividends and remuneration	-	-		
					Valuation adjustments	79	146		
					Non-controlling interests	227	319		
					TOTAL SHAREHOLDERS' EQUITY	13,582	13,470		
					TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	282,439	285,478		

Income Statement

(€mn)	Pro forma	
	Mar 2011	Jun 2011
Interest Income	1,767	3,563
Interest Expense	(1,132)	(2,294)
NET INTEREST INCOME	635	1,269
Income for equity investments	4	19
Share of profit or loss of entities accounted for using the equity method	0	19
Fee and commission (net)	289	572
Gains/ Losses on financial assets and liabilities	99	202
Exchangeable differences	4	8
Other (net)	17	(4)
GROSS MARGIN	1,048	2,085
General and Personnel expenses	(432)	(1,051)
a) Personnel expenses	(259)	(677)
b) General expenses	(173)	(374)
Depreciation and amortization	(80)	(158)
Provisions	29	31
Impairment losses on financial assets	(524)	(624)
NET MARGIN	41	283
Impairment losses on other assets	3	(22)
Gains on derecognized assets not classified as non current assets	(3)	(6)
Gains on non current assets	84	25
INCOME BEFORE TAX	125	280
NET INCOME ATTRIBUTED TO PARENT COMPANY	91	205
NET INCOME ATTRIBUTED TO NON CONTROLLING INTERESTS	(3)	(4)



Thank you for your attention

Bankia

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