Quarterly results presentation

2Q 2017

› 26 July 2017

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Highlights of the half-year

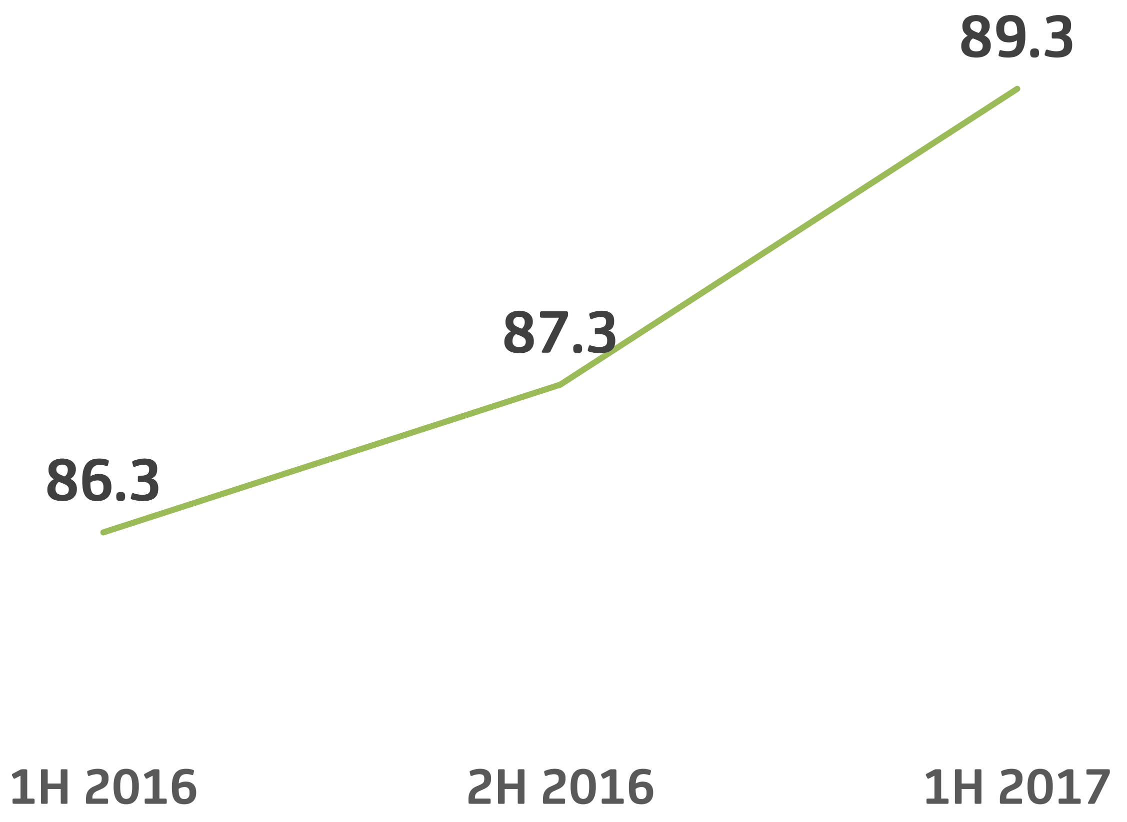
1	**Competitive positioning**	Strong boost to our competitive positioning in the first six months of the year....	**+108,000** New direct deposits of income JUN 17 vs JUN 16 **2.3x** New mortgages 1H17 vs 1H16
2	**Profitability**	...resulting in an increase in profitability in the period...	**+6.7%** Attrib. profit 1H17 vs 1H16
3	**Asset quality**	... and reducing non-performing loans and foreclosed assets...	**(€1.1bn)** Non-performing and foreclosed assets JUN17 vs DEC16
4	**Capital generation**	...with another quarter accumulating capital (45bps)	**+80 bps** CET1 FL JUN17 vs DEC16 **€750mn** AT1 issue **€500 mn** T2 issue

Highlights of the half-year

Commercial positioning | Customer satisfaction

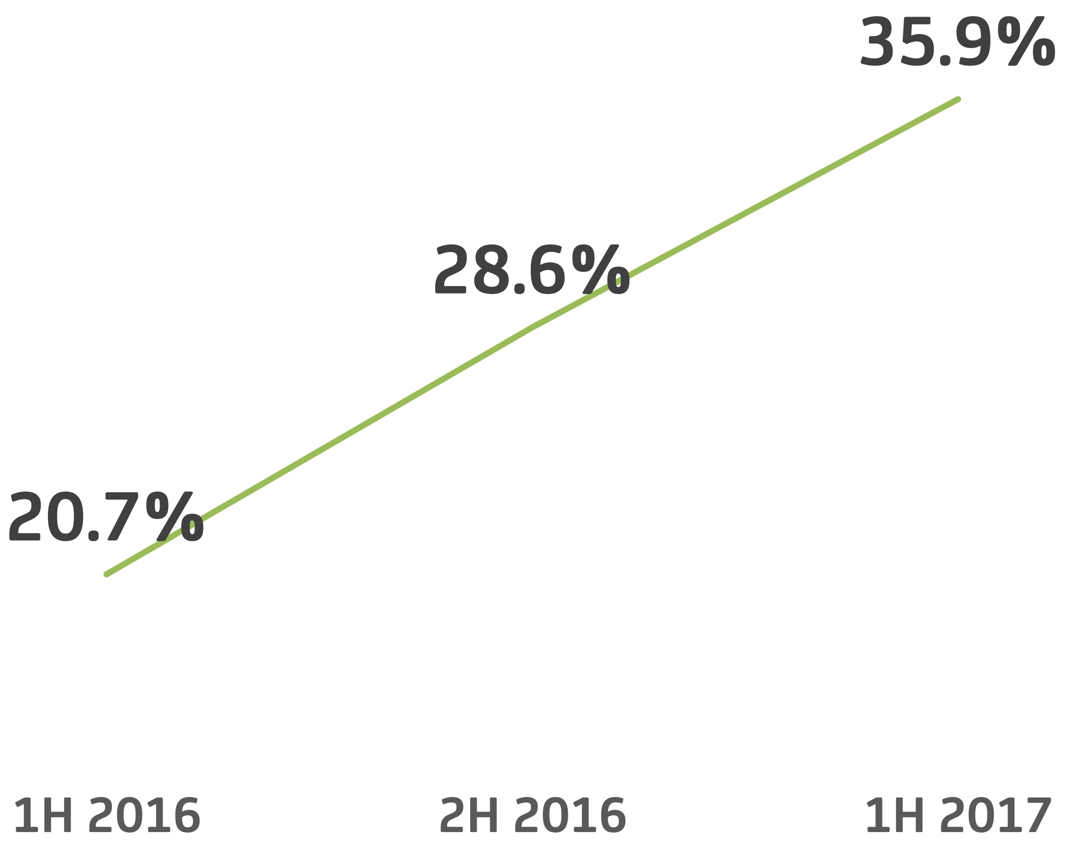
Further increase in quality perceived by our customers…

CUSTOMER SATISFACTION INDEX



Source: Bankia

NET PROMOTER SCORE - BRANCHES



Source: Bankia

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

Highlights of the half-year

Commercial positioning | Commercial activity

New competitive 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

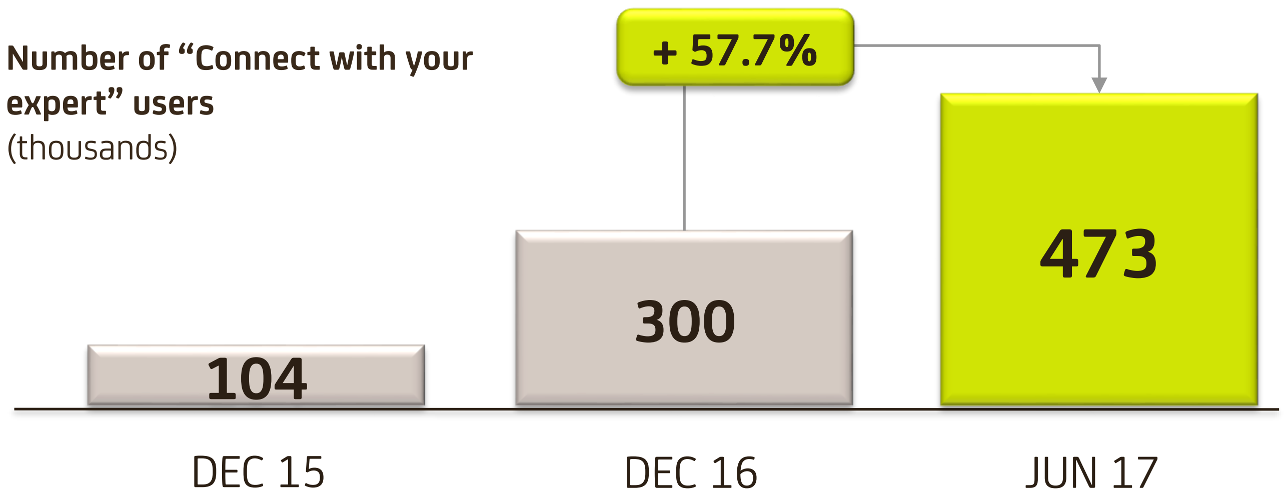
Highlights of the half-year

Commercial positioning | Digital transformation

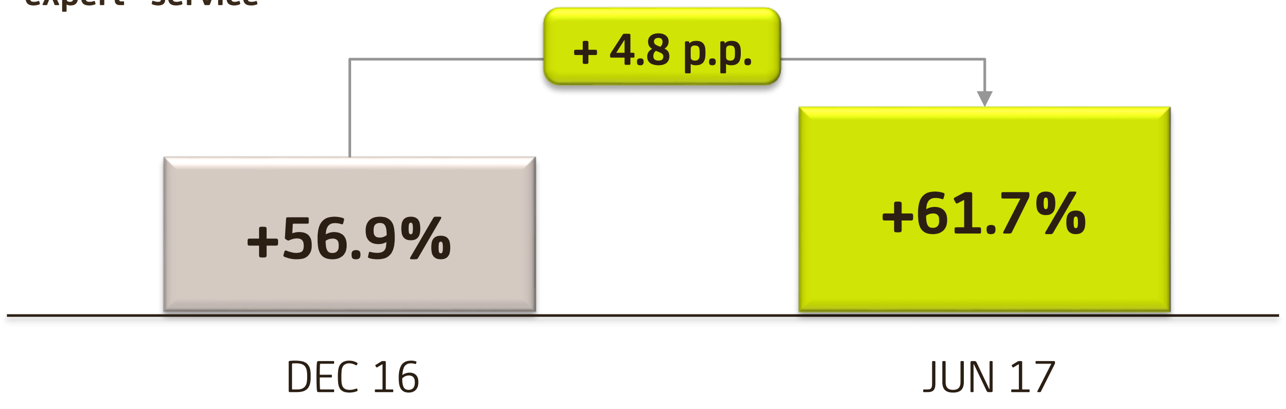
Significant growth in “Connect with your expert” users in the last three months

CONNECT WITH YOUR EXPERT

Number of “Connect with your expert” users
(thousands)

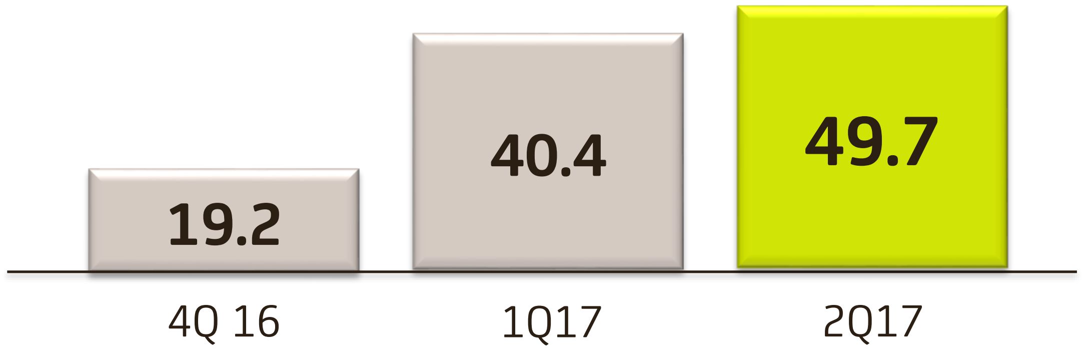


NPS of the “Connect with your expert” service

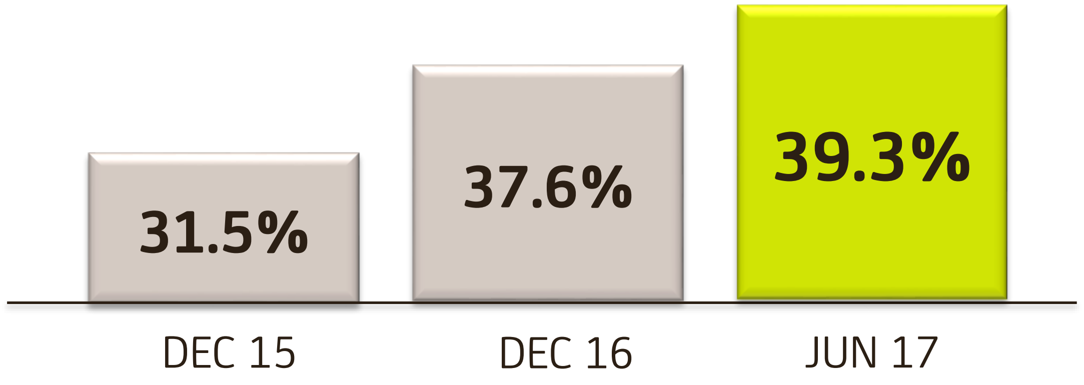


“CUENTA ON” ACCOUNT

New "Cuenta On" accounts (thousands)
Since launch in Nov 16



MULTICHANNEL CUSTOMERS



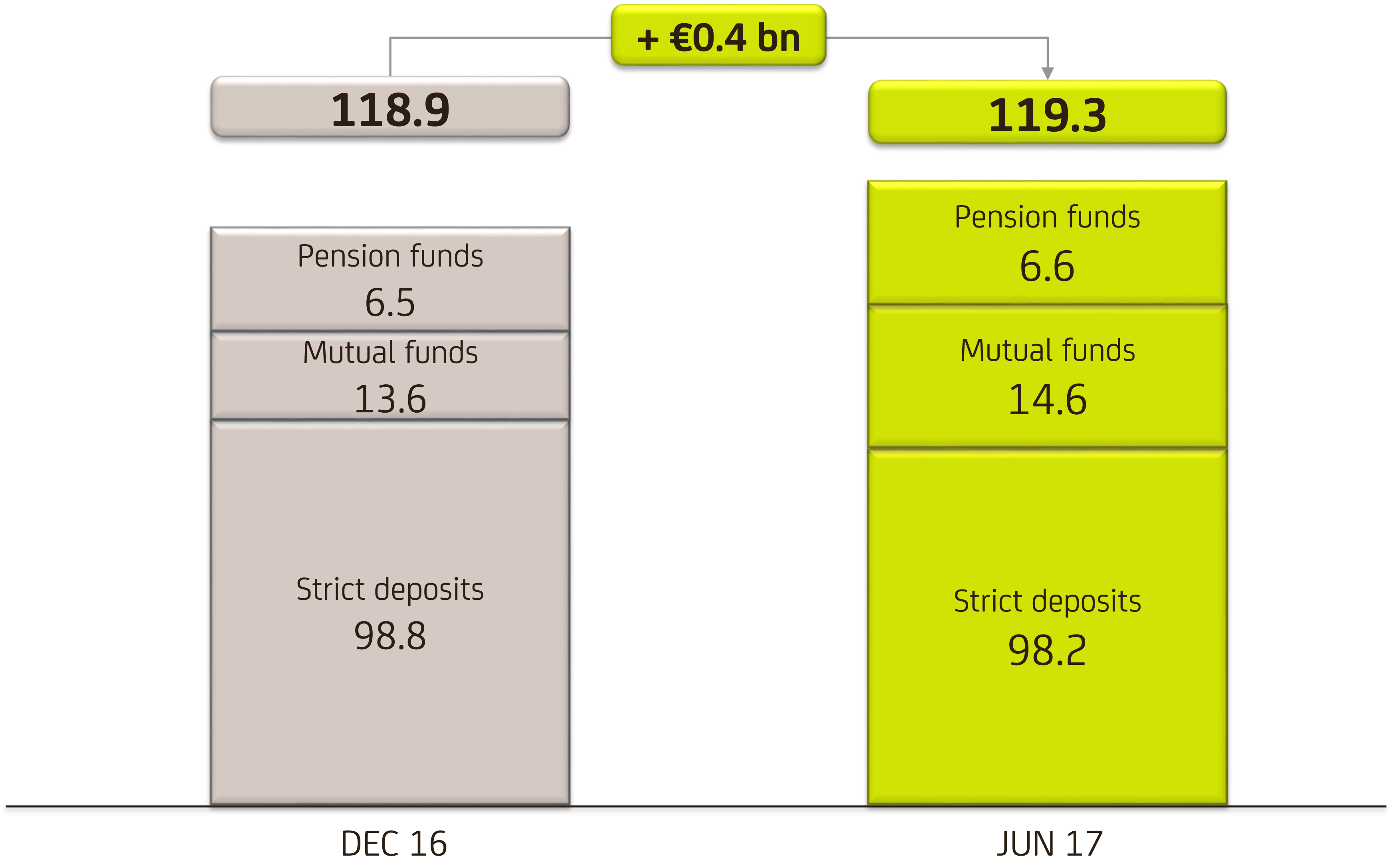
Highlights of the half-year

Commercial positioning | Customer funds

Strong growth of managed customer funds in the quarter

€bn

STRICT CUSTOMER DEPOSITS + MUTUAL FUNDS + PENSION FUNDS



MUTUAL FUNDS MARKET SHARE

5.53% → +14 bps → 5.67%

DEC 16 — Jun 17

Source: Inverco

NEW PRODUCTION IN MUTUAL FUNDS

7.36% → +184 bps → 9.10%

2016 — 1H17

Source: Inverco

NEW PRODUCTION SHARE IN PENSION FUNDS

8.15% → +118 bps → 9.33%

2016 — 1H17

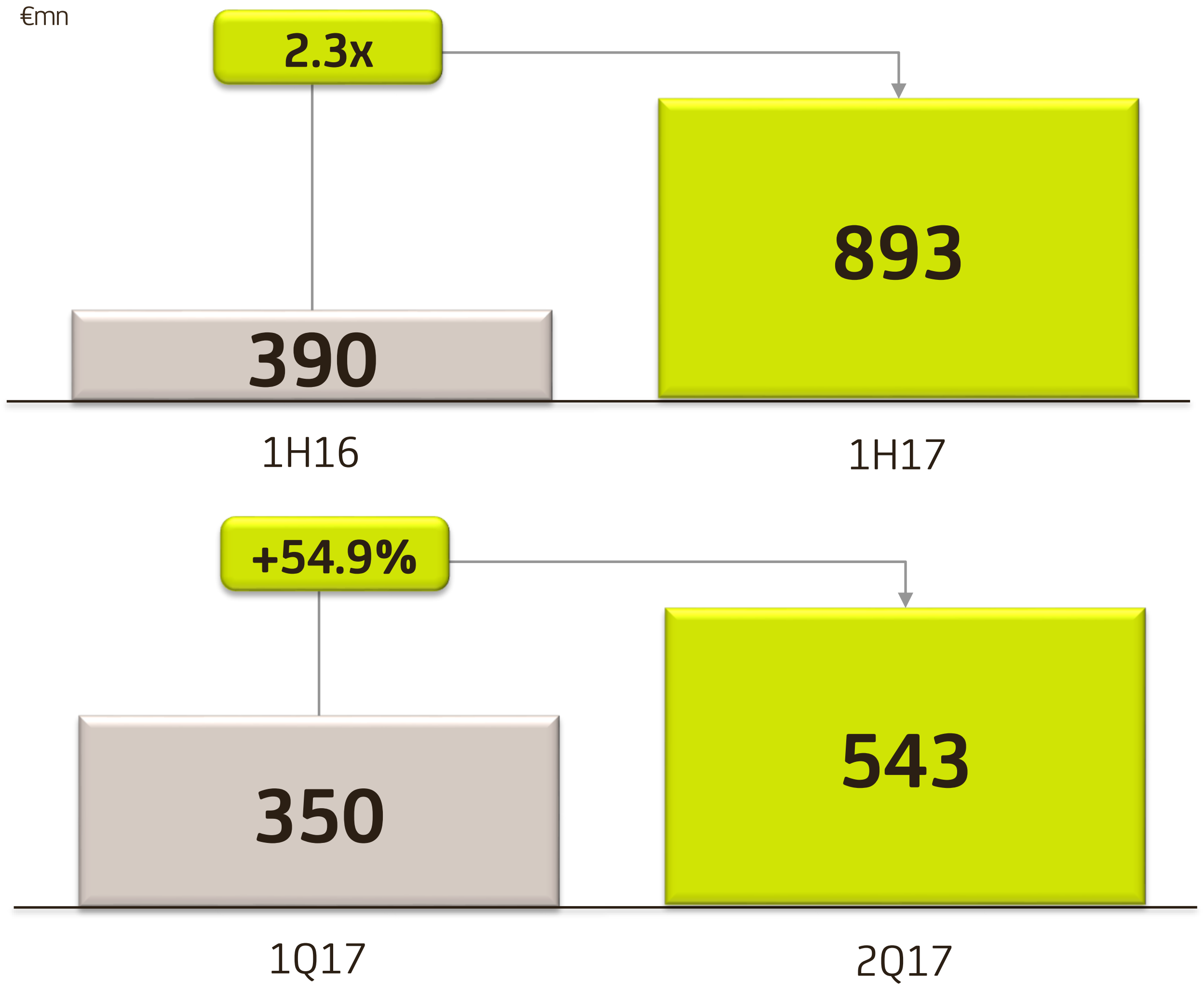
Source: Inverco: (Bankia´s new proudction + Net transfers) / Sector´s new production

Highlights of the half-year

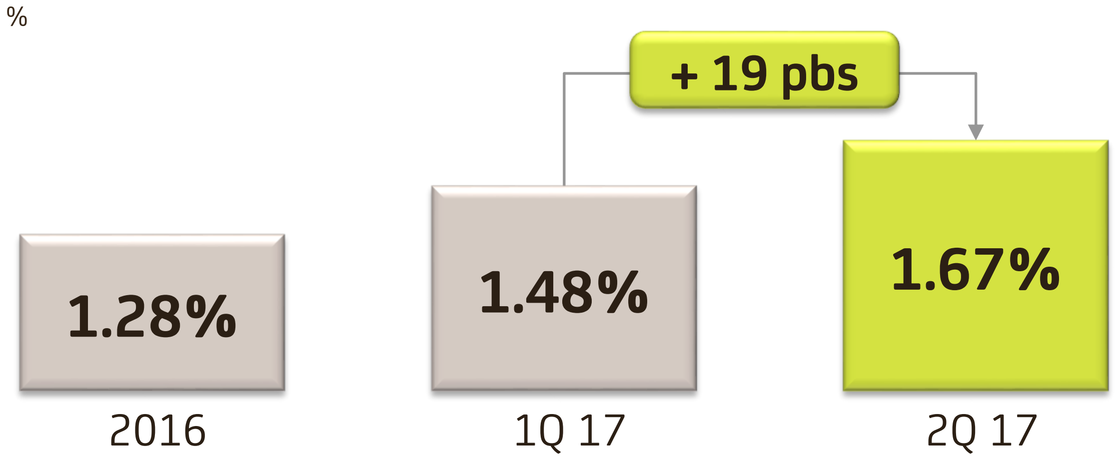
Commercial positioning | Credit stock and new credit performance: mortgages

~€900 mn of new mortgages in 1H17: 2.3 times more than in 1H16

NEW MORTGAGE LOANS



INTEREST RATES ON NEW MORTGAGES



65% average loan to value ratio of new mortgages in 1H17

47% granted at fixed rate in 2Q17 vs. 36% in 1Q17

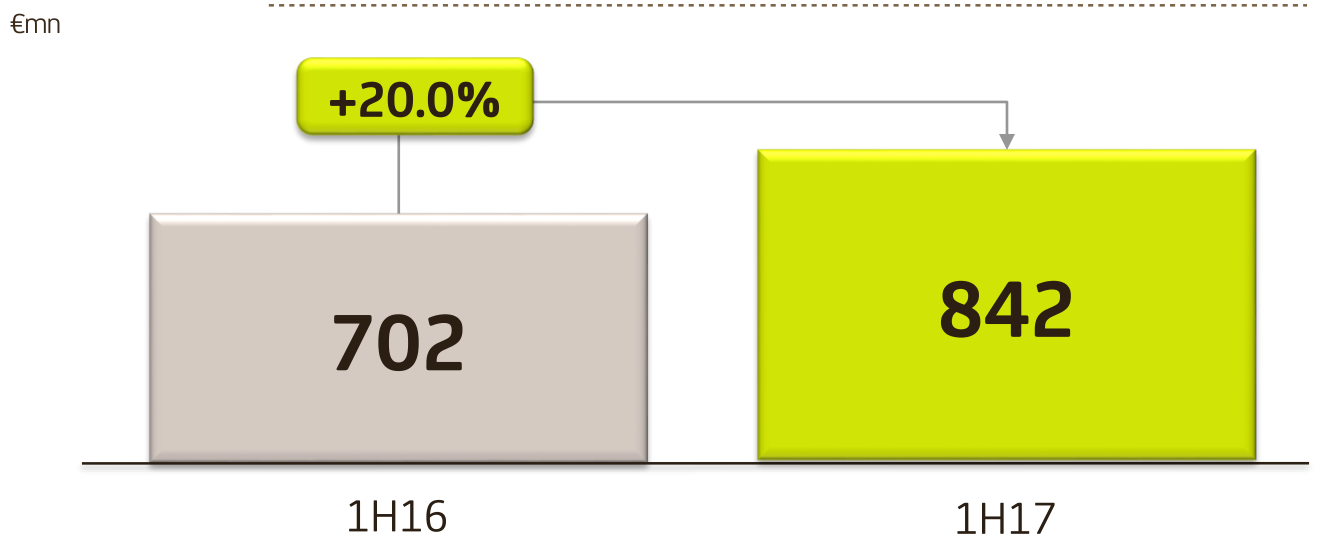
30% of new mortgages in 1H17 are with new customers

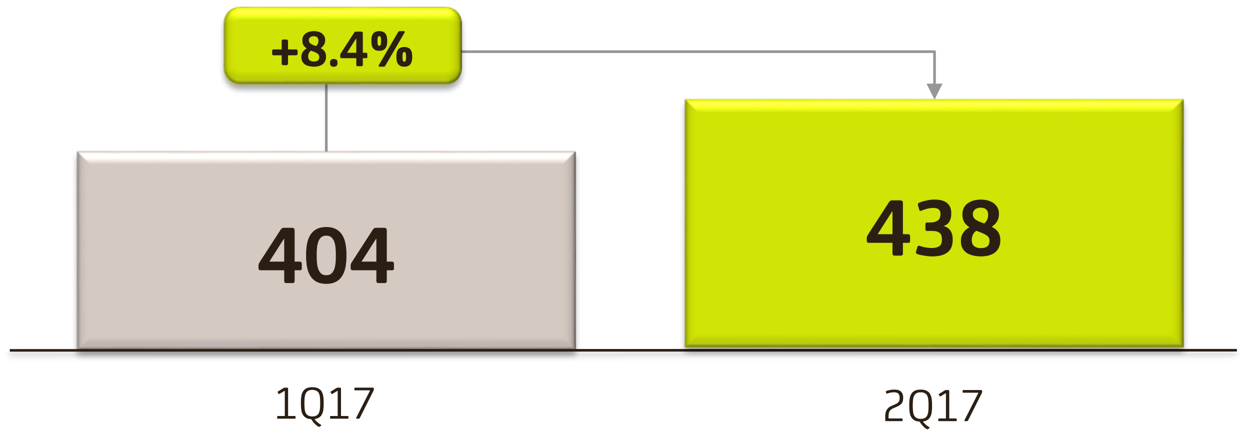
Highlights of the half-year

Commercial positioning | Credit stock and new credit performance: consumer finance

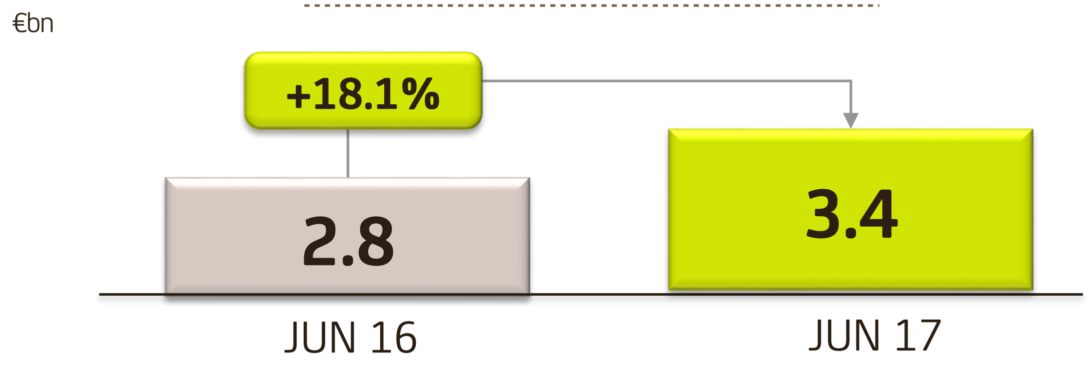
...with 20% growth in consumer loan production in the half-year...

NEW CONSUMER FINANCE LOANS

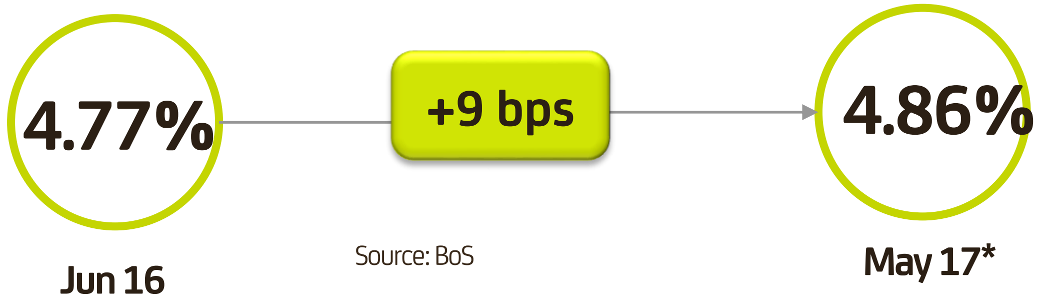




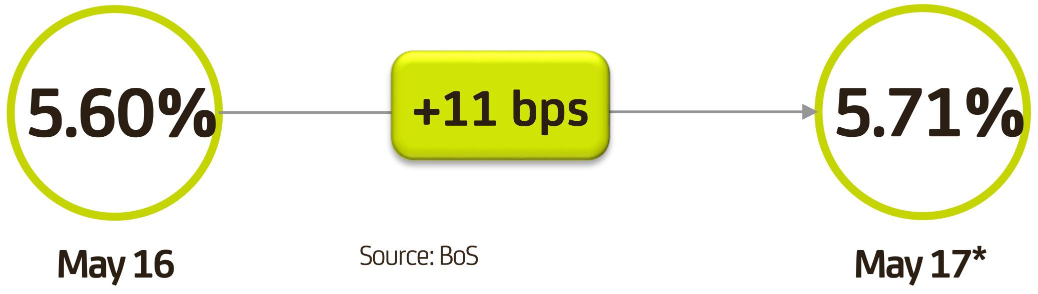
GROSS CREDIT STOCK I CONSUMER FINANCE



CONSUMER FINANCE MARKET SHARE – OUTSTANDING BALANCE



CONSUMER FINANCE MARKET SHARE – NEW LENDING



* Last available quote

Highlights of the half-year

Commercial positioning | Credit stock and new credit performance: SMEs and self-employed

...while increasing new lending to targeted businesses

BUSINESS LOAN PERFORMANCE

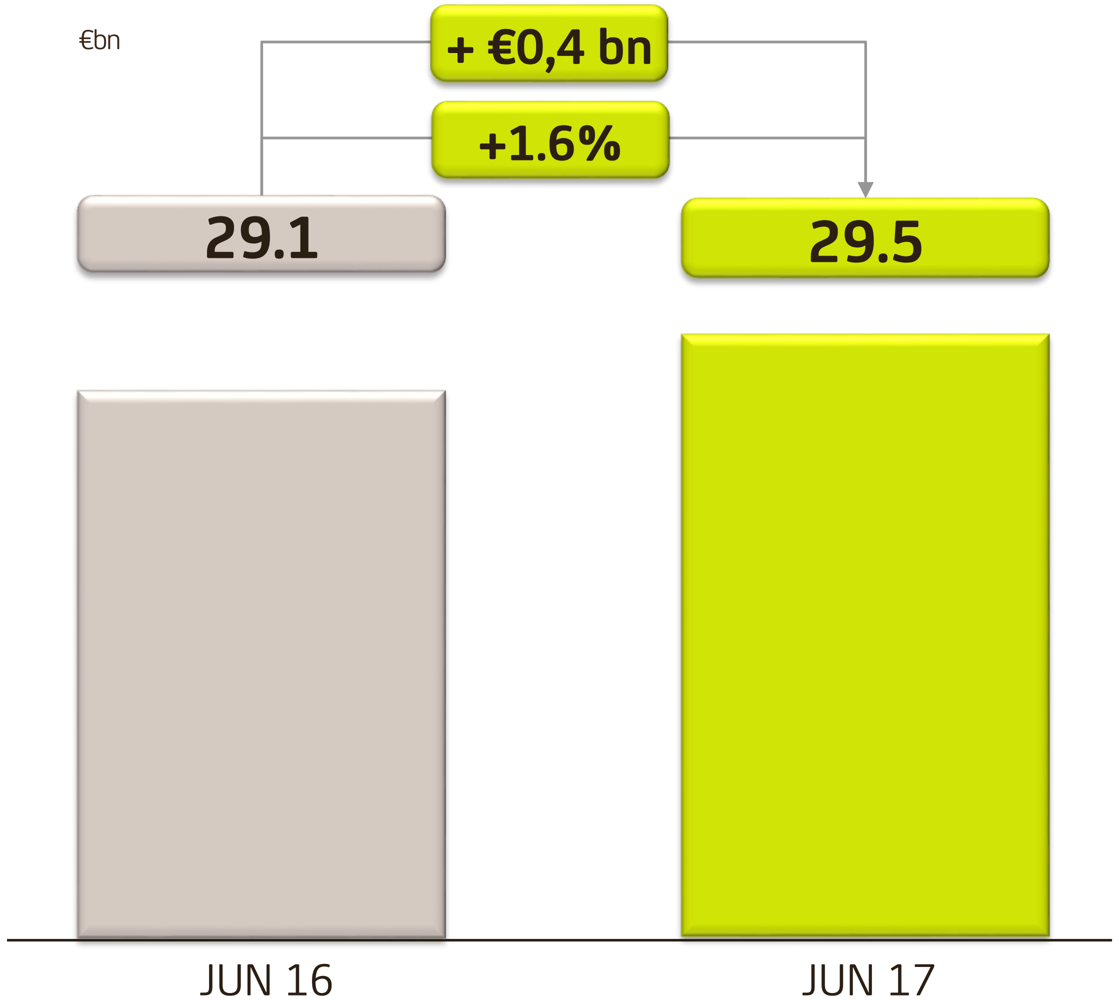
New loans to **SMEs** **+27.9%** 1H17 vs 1H16

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

TRADE FINANCE, DISCOUNTING AND REVERSE FACTORING

BILL DISCOUNTING	TRADE FINANCE	REVERSE FACTORING
Drawdowns	Drawdowns	Amount financed
+19.6%	**+32.7%**	**+48.8%**
1H17 vs 1H16	1H17 vs 1H16	1H17 vs 1H16

PERFORMING CREDIT STOCK - BUSINESSES



Highlights of the half-year

Profitability and efficiency | Value generation levers

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

Gross income is stable

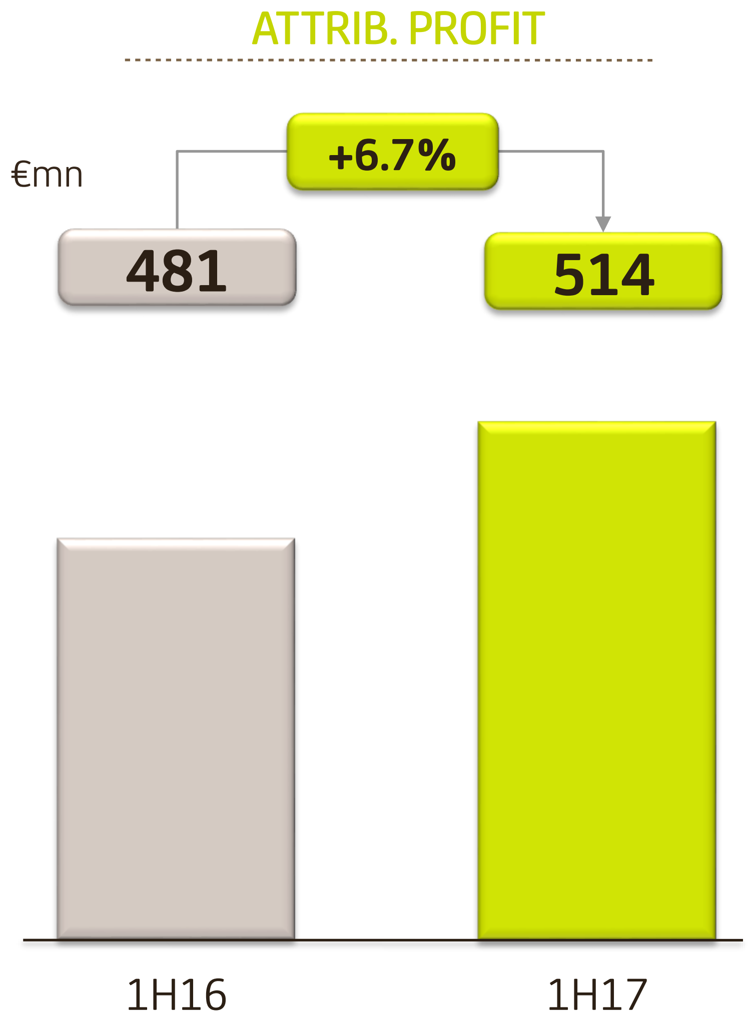
(2.3%) 1H17 vs 1H16

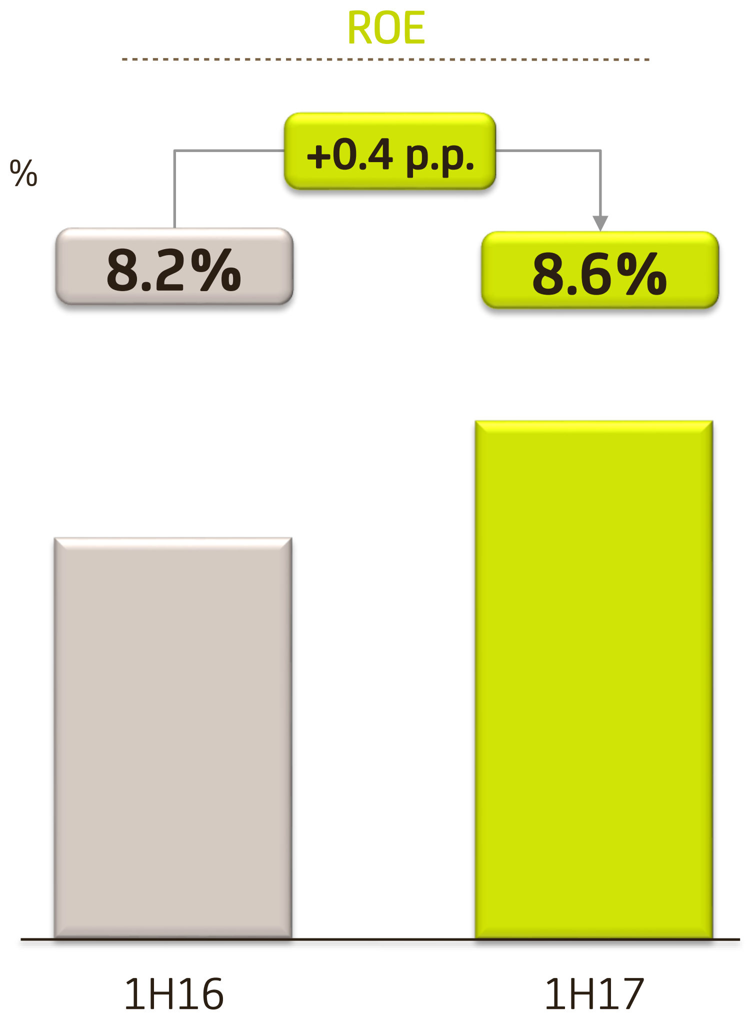
Operating expenses are down

(2.8%) 1H17 vs 1H16

Cost of risk has improved

-3 bps 1H17 vs 1H16



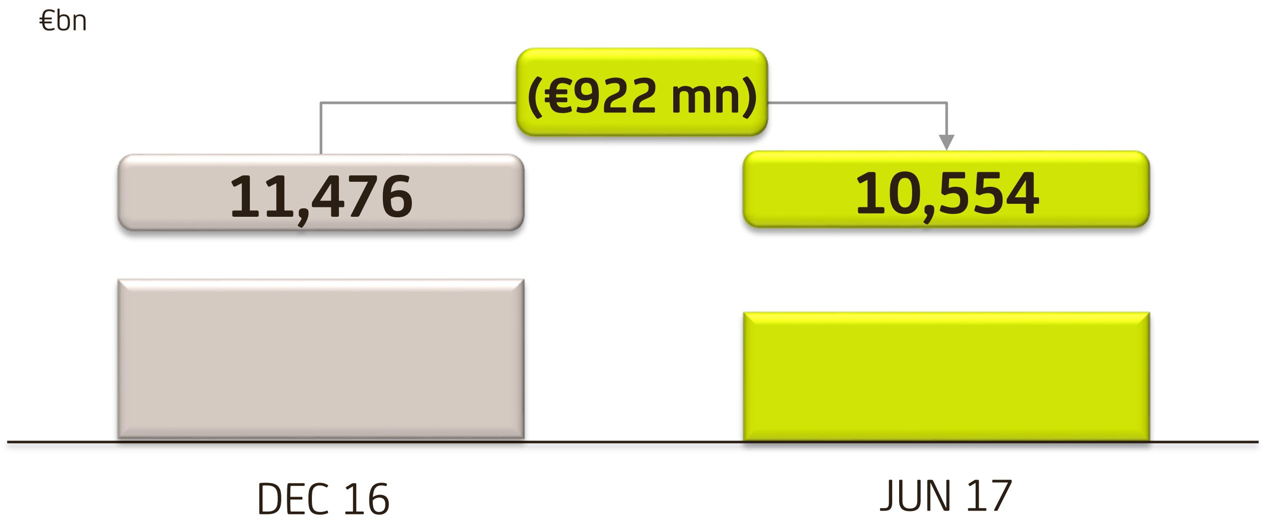


Highlights of the half-year

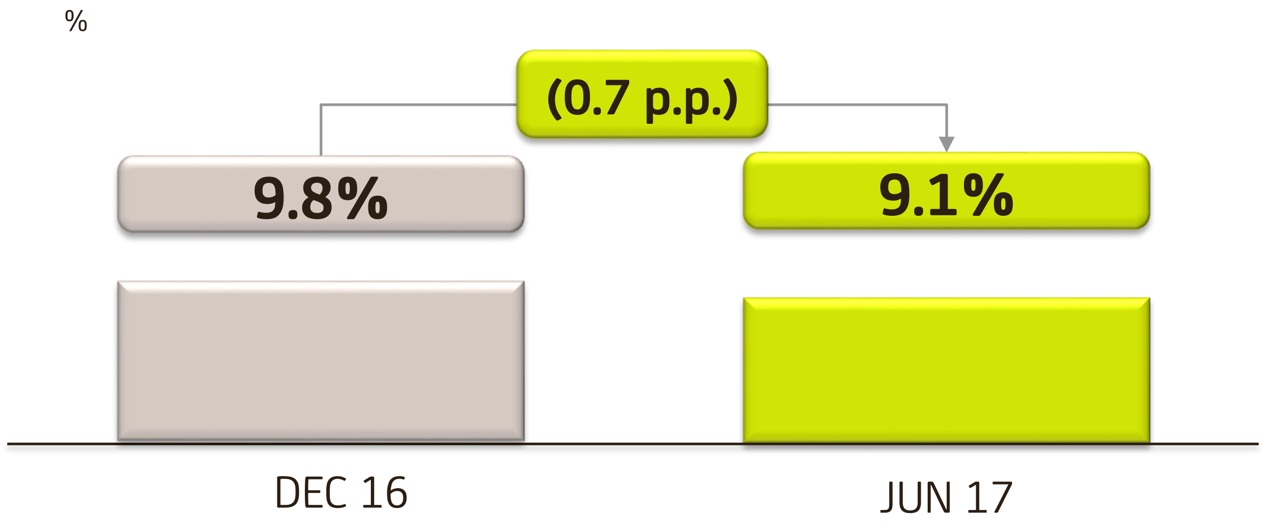
Asset quality | Main metrics

Non-performing loans and foreclosed assets have been reduced

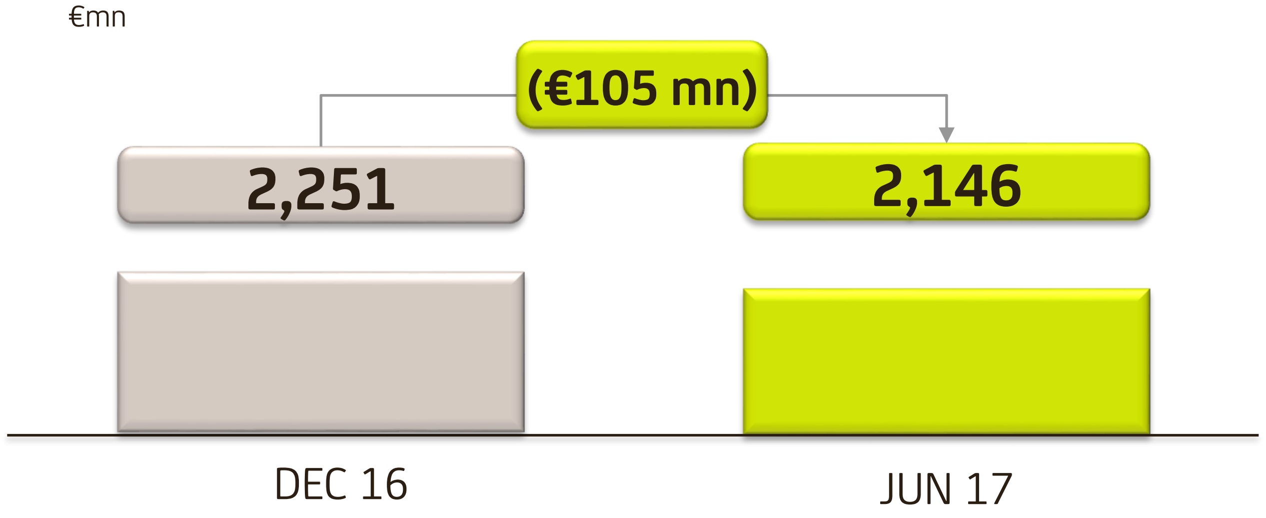
NPLs STOCK



NPL RATIO

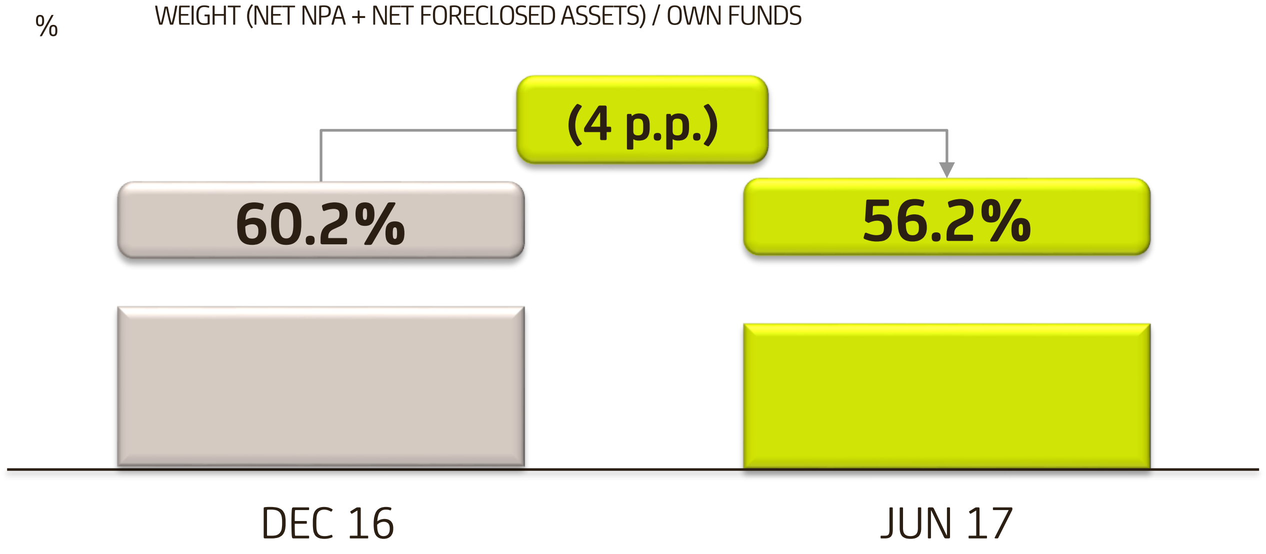


NET FORECLOSED ASSETS



NPA/ OWN FUNDS

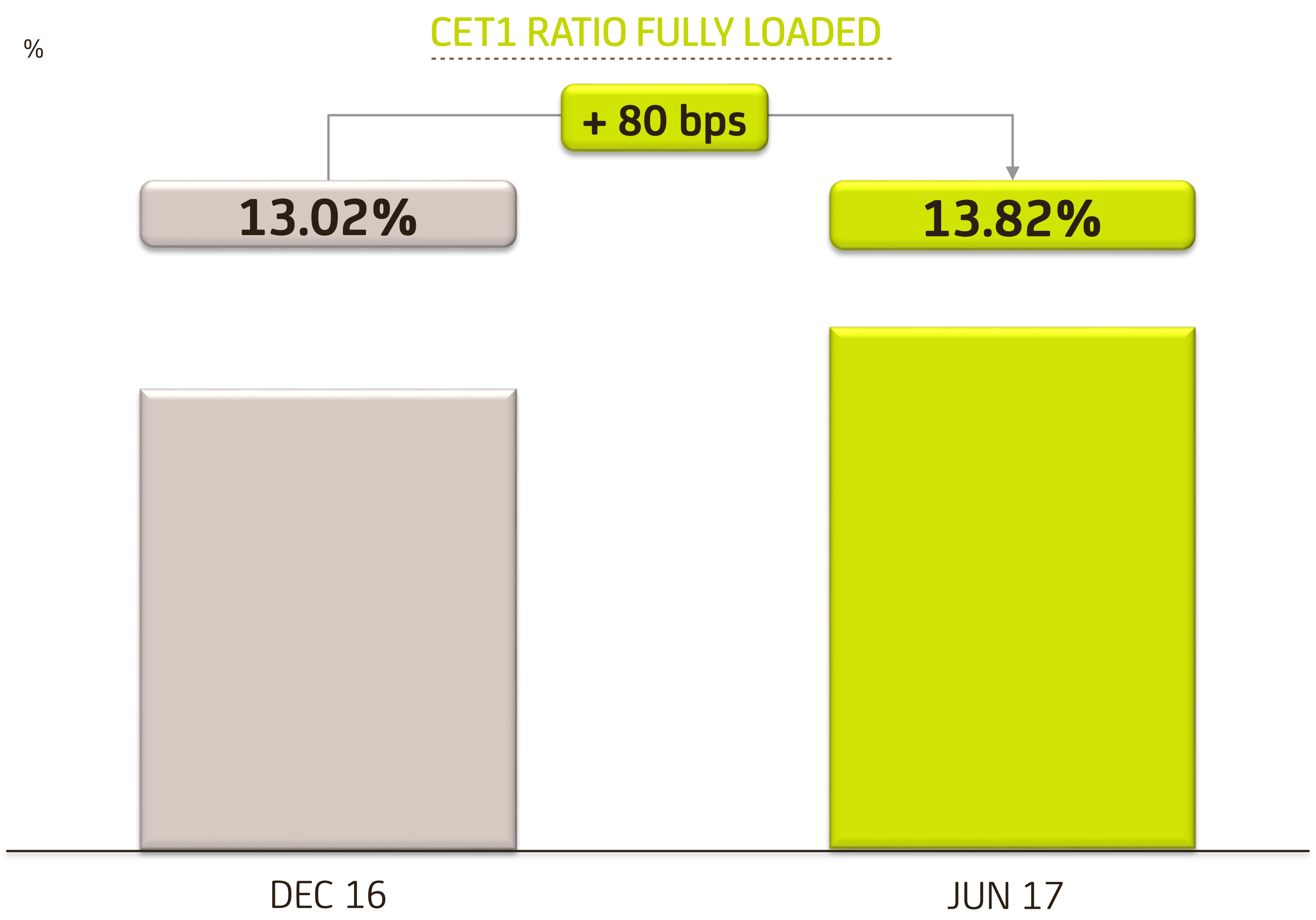
WEIGHT (NET NPA + NET FORECLOSED ASSETS) / OWN FUNDS

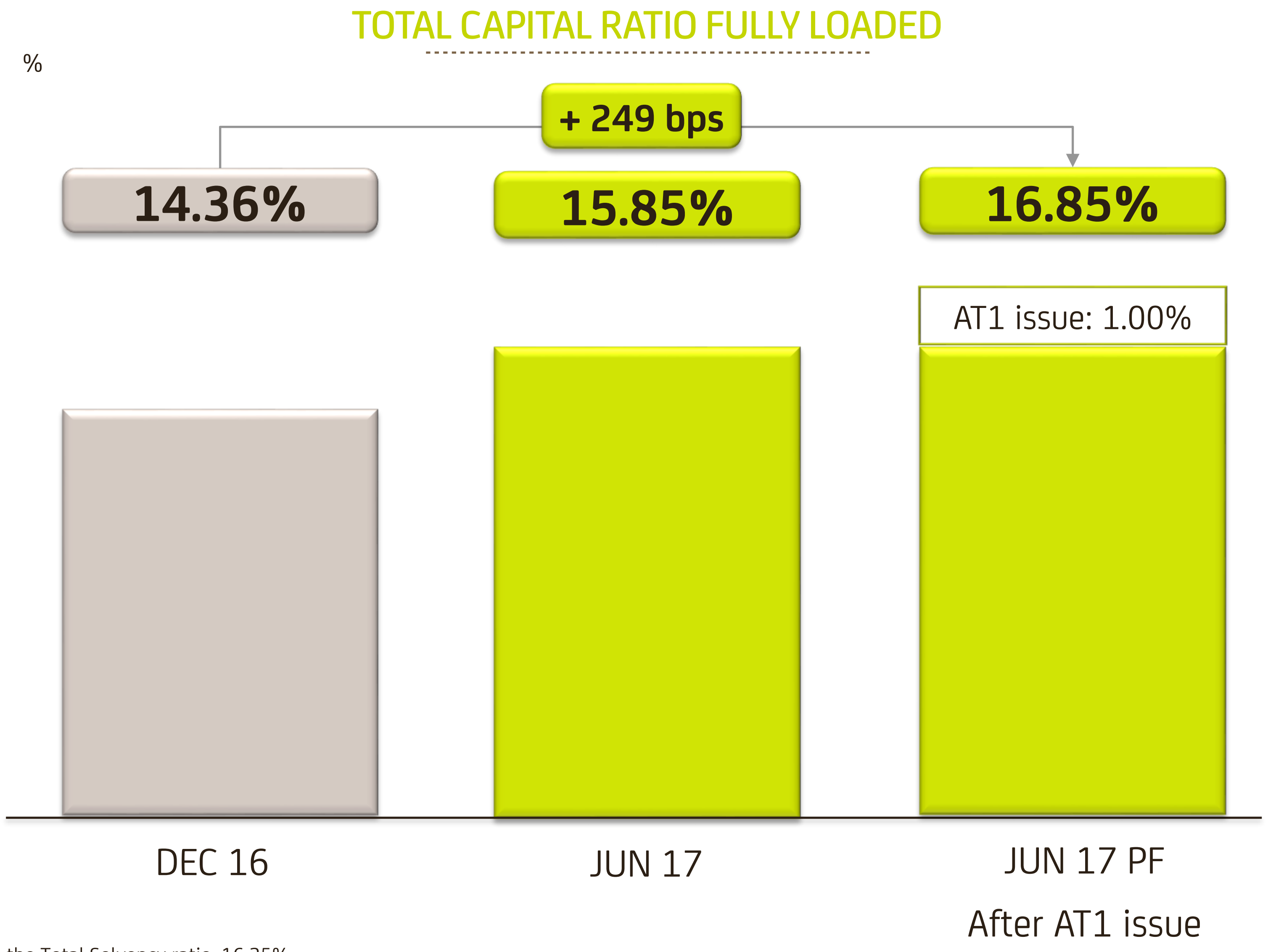


Highlights of the half-year

Capital generation | Capital levels

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%

Highlights of the half-year

Merger with BMN

Makes sense from an industrial perspective…

- **+20%** of Bankia's gross loans
- **+28%** of Bankia's deposits
- **+26%** of Bankia's customer base
- **Complementary** geographically
- The **right time** in the cycle

…and makes sense financially

- **16%** increase in EPS in year 3 (positive from year 1*)
- **€155 mn** estimated synergies before taxes, with 95% obtained in year 2
- **12%** ROIC in year 3

General Meetings of Shareholders of Bankia and BMN on 14th September

* Excluding extraordinary impacts

CONTENTS

2Q 2017 Results

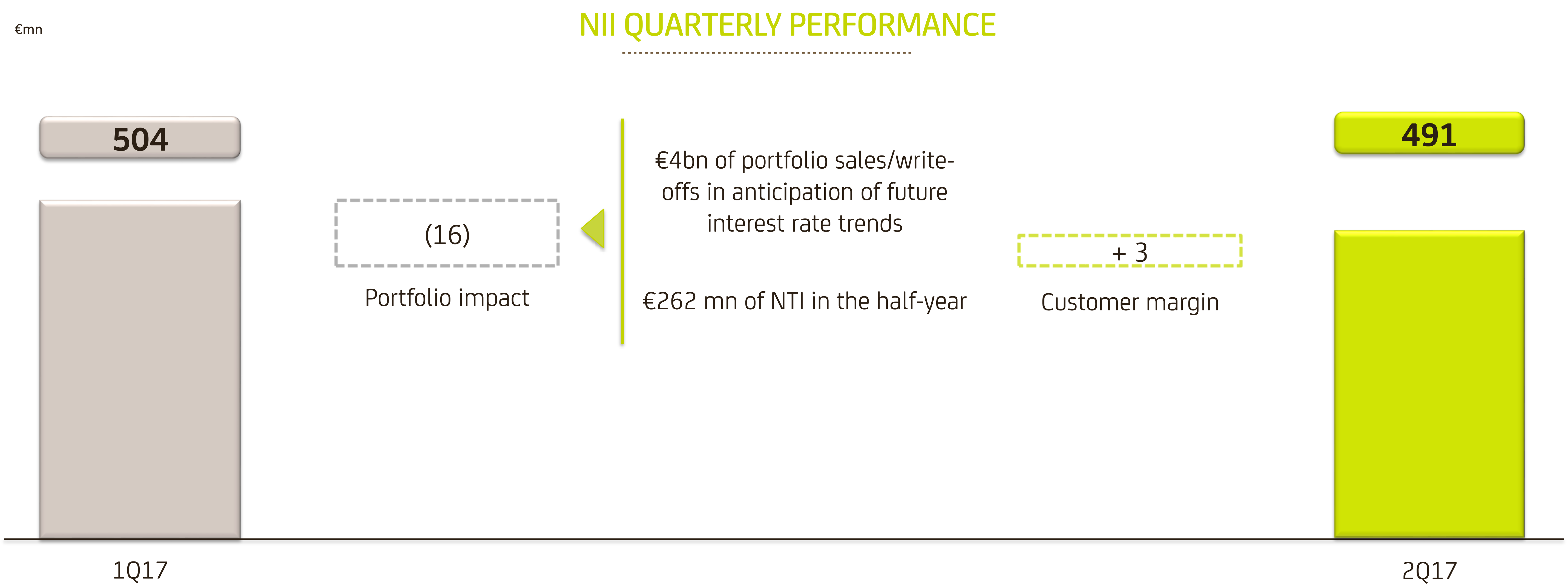
Income statement – Bankia Group

€mn	1Q17	2Q17	Diff %	1H16	1H17	Diff %
Net interest income	504	491	(2.6%)	1,124	995	(11.4%)
Fees and commissions	207	218	5.1%	406	425	4.7%
Trading income	161	101	(37.5%)	119	262	--
Other revenue	14	(48)	--	37	(34)	--
Gross income	**886**	**762**	**(14.0%)**	**1,686**	**1,648**	**(2.3%)**
Operating expenses	(386)	(378)	(1.9%)	(786)	(764)	(2.8%)
Pre-provision profit	**500**	**384**	**(23.2%)**	**900**	**884**	**(1.8%)**
Provisions for loans	(108)	(73)	(32.2%)	(211)	(181)	(14.2%)
Provisions for foreclosed assets	(39)	(18)	(54.0%)	(23)	(58)	-
Taxes, minority interests and other items	(49)	(82)	68.5%	(184)	(131)	(28.8%)
Profit attributable to the Group	**304**	**210**	**(30.8%)**	**481**	**514**	**6.7%**

2Q 2017 Results

Net interest income

Net interest income influenced by portfolio strategy



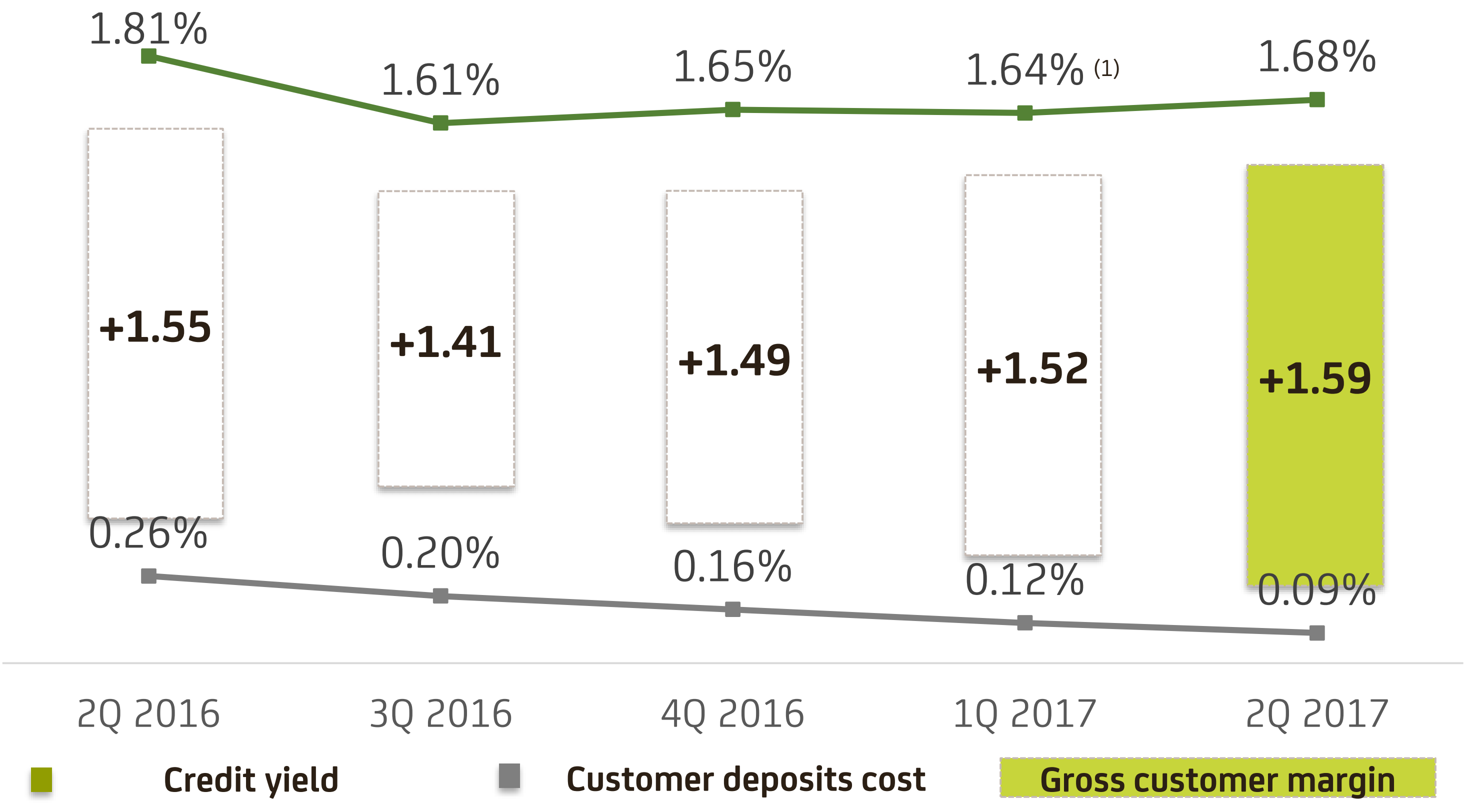
Bankia

2Q 2017 Results

Net interest income

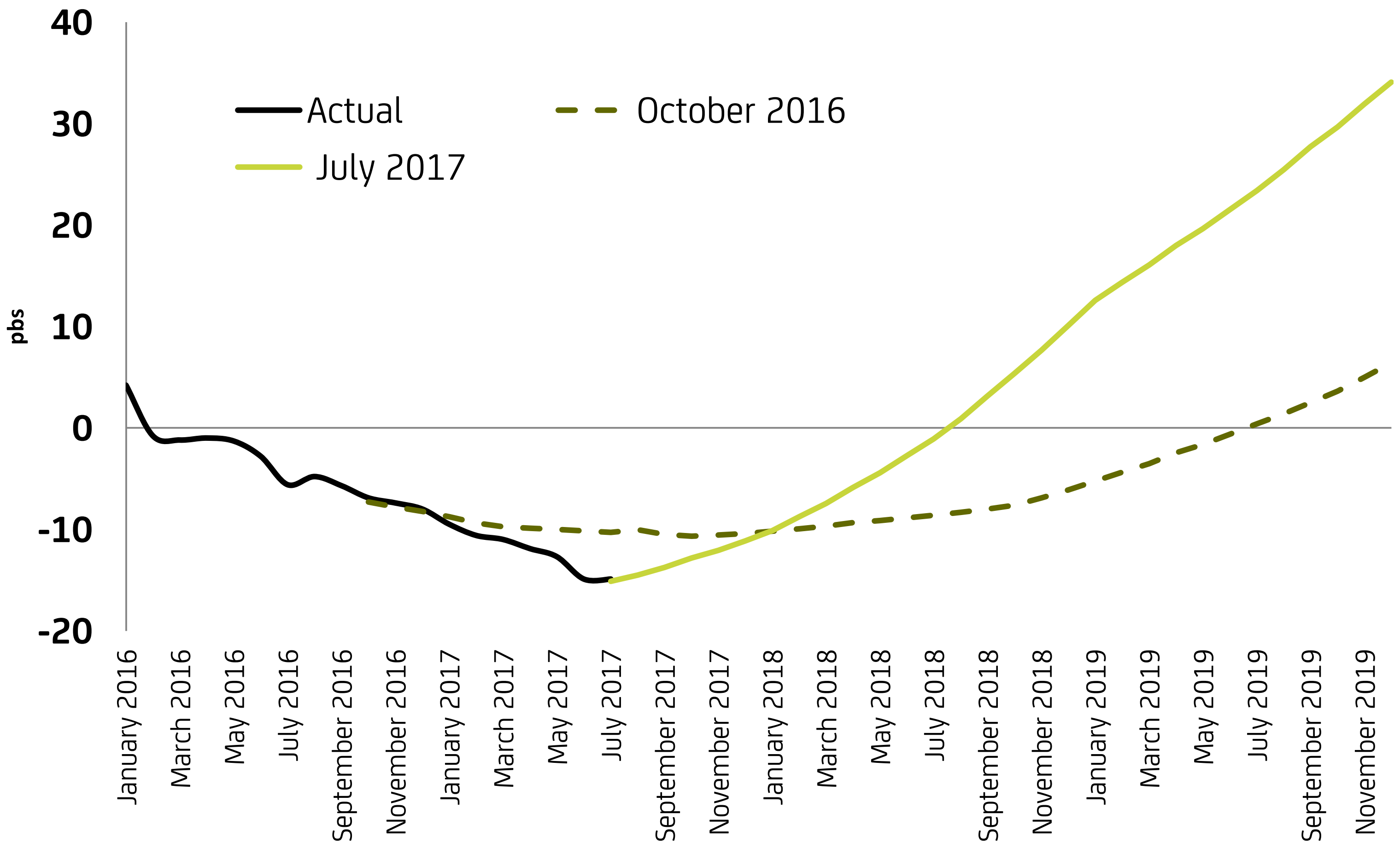
Gross customer margin up 7 bps at 1.59%

GROSS CUSTOMER MARGIN



(1) Does not include the positive impact on the margin from non-recurring transactions totalling €19.6mn in 1Q17

12-MONTH EURIBOR



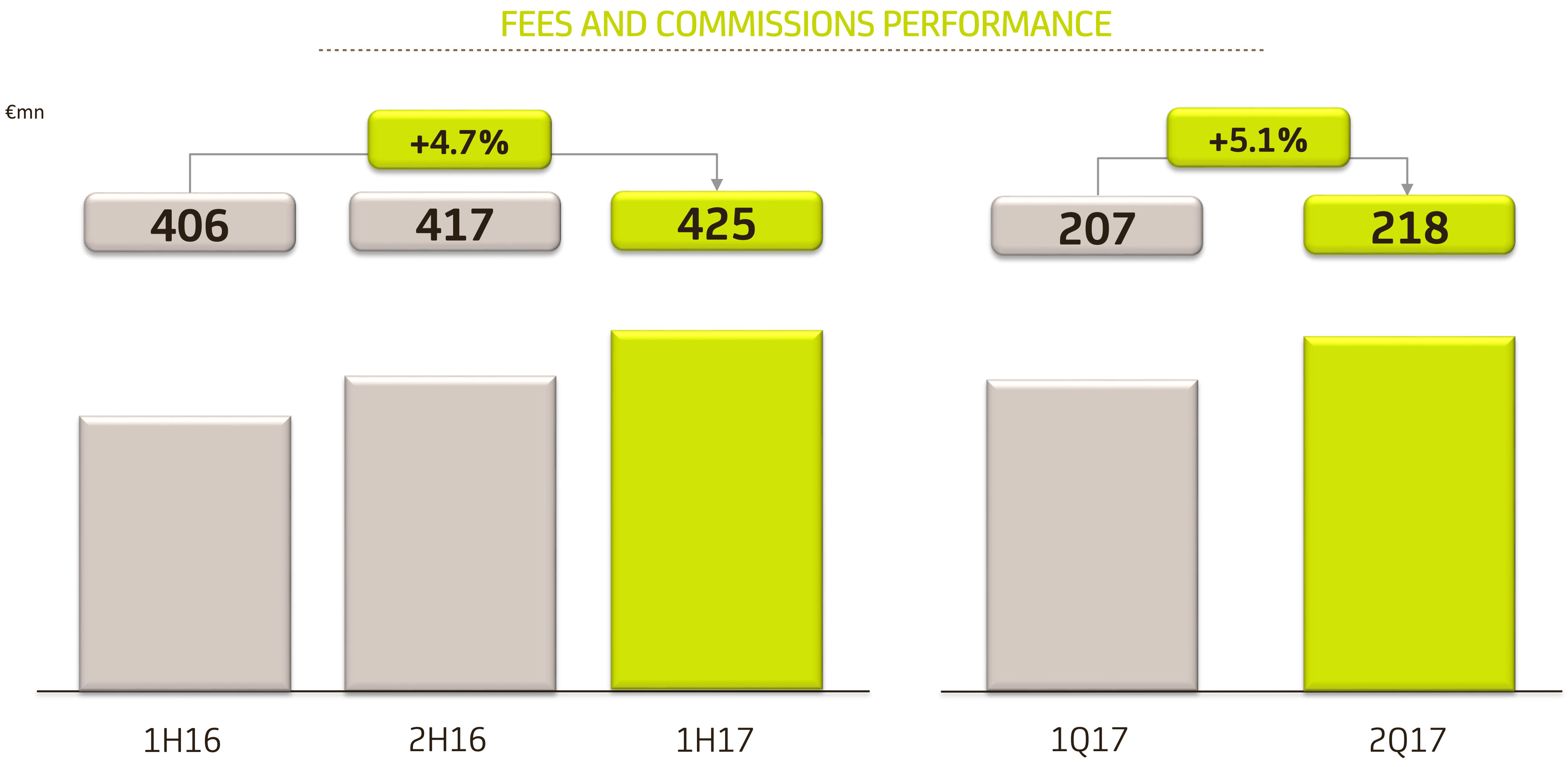
Source: implied yield curve at the reference date

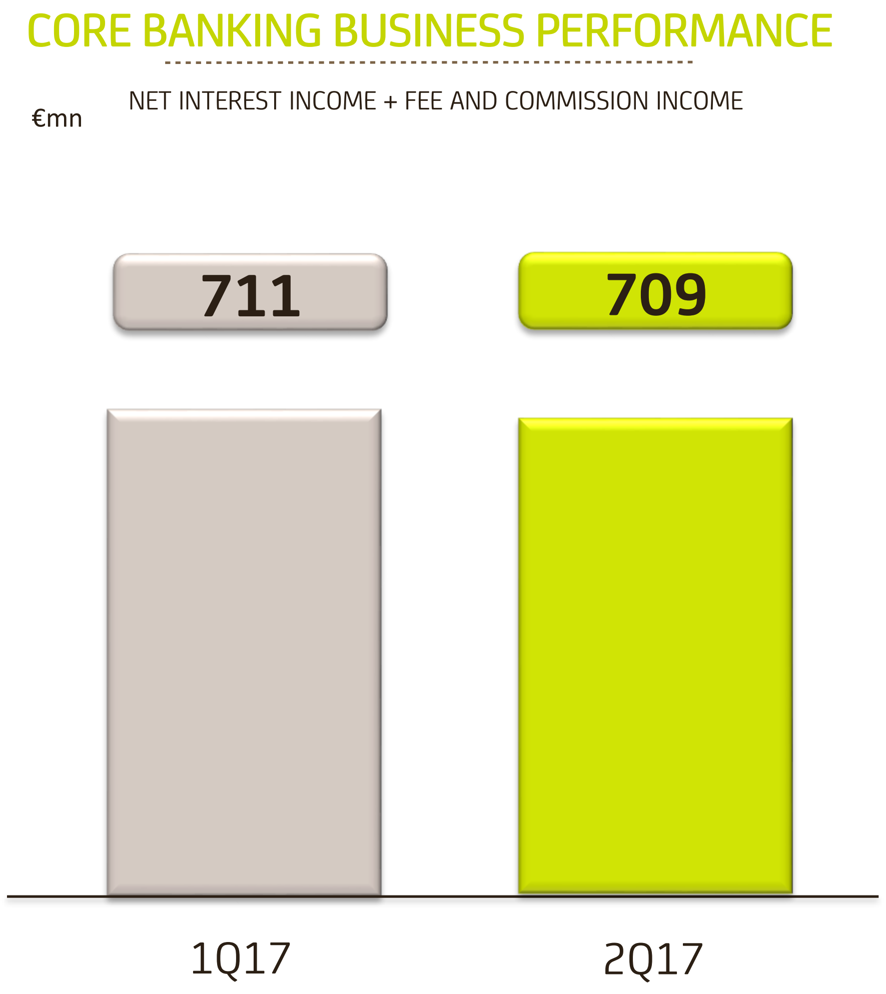
Cost of back book of term deposits at 21 bps and new production at 6 bps

2Q 2017 Results

Fee and commission income

Increased activity with customers drives fee and commission income





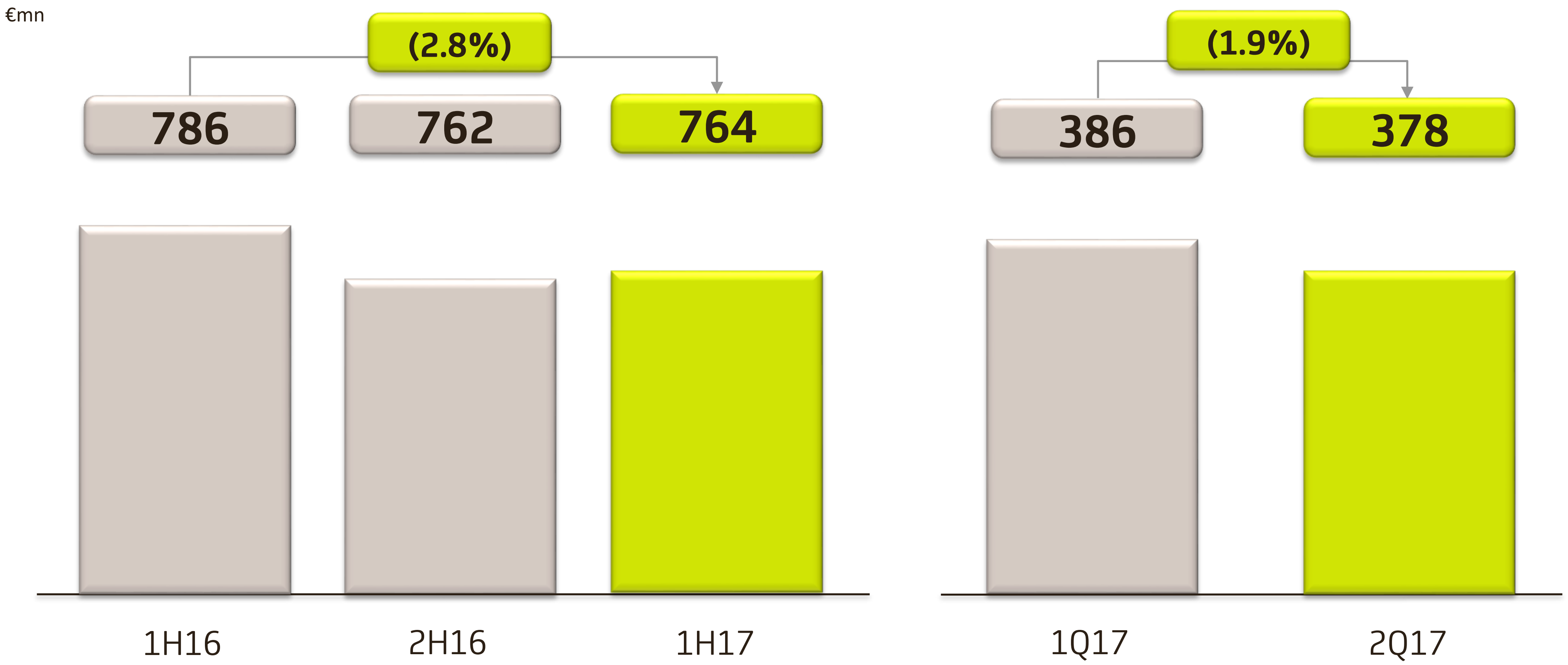
Stability in the core banking business

2Q 2017 Results

Operating expenses

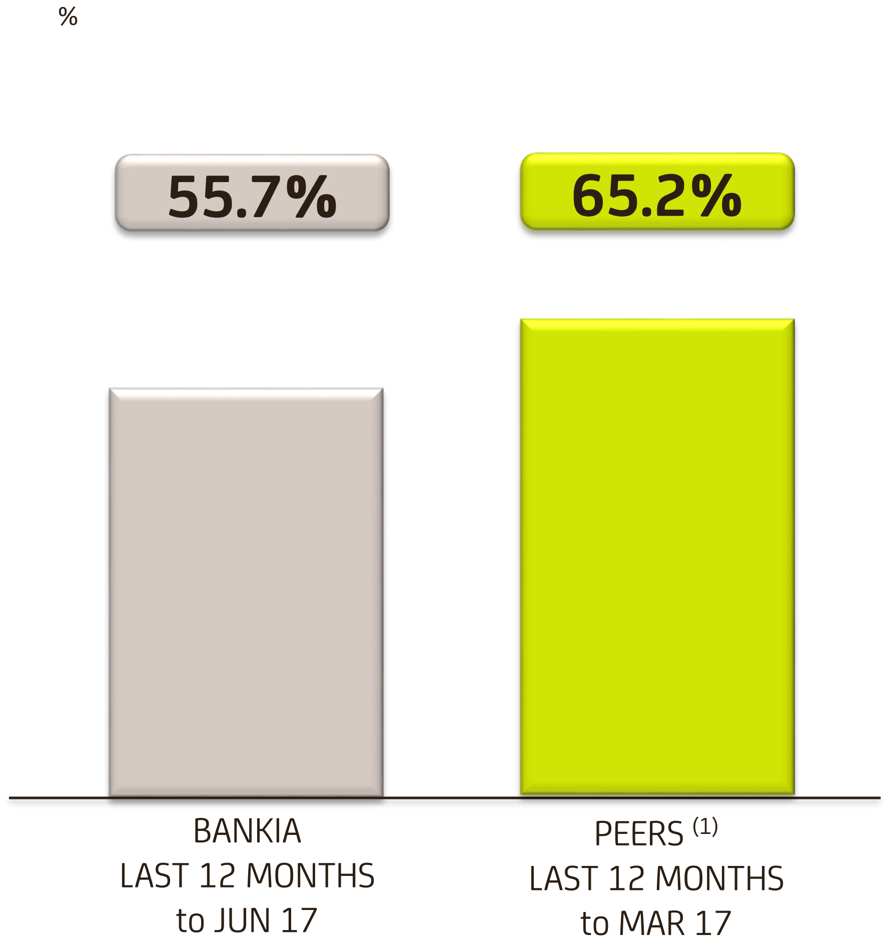
Continuing reduction in operating expenses

OPERATING EXPENSES PERFORMANCE



RECURRING COST TO INCOME RATIO

COST TO INCOME RATIO EX NTI + EXCHANGE DIFFERENCES



(1) The peers include BBVA Spain (including the real estate division), Bankinter (ex Portugal), Caixabank (ex BPI), Liberbank, Popular, Sabadell (ex TSB) and Santander Spain (including the real estate division)

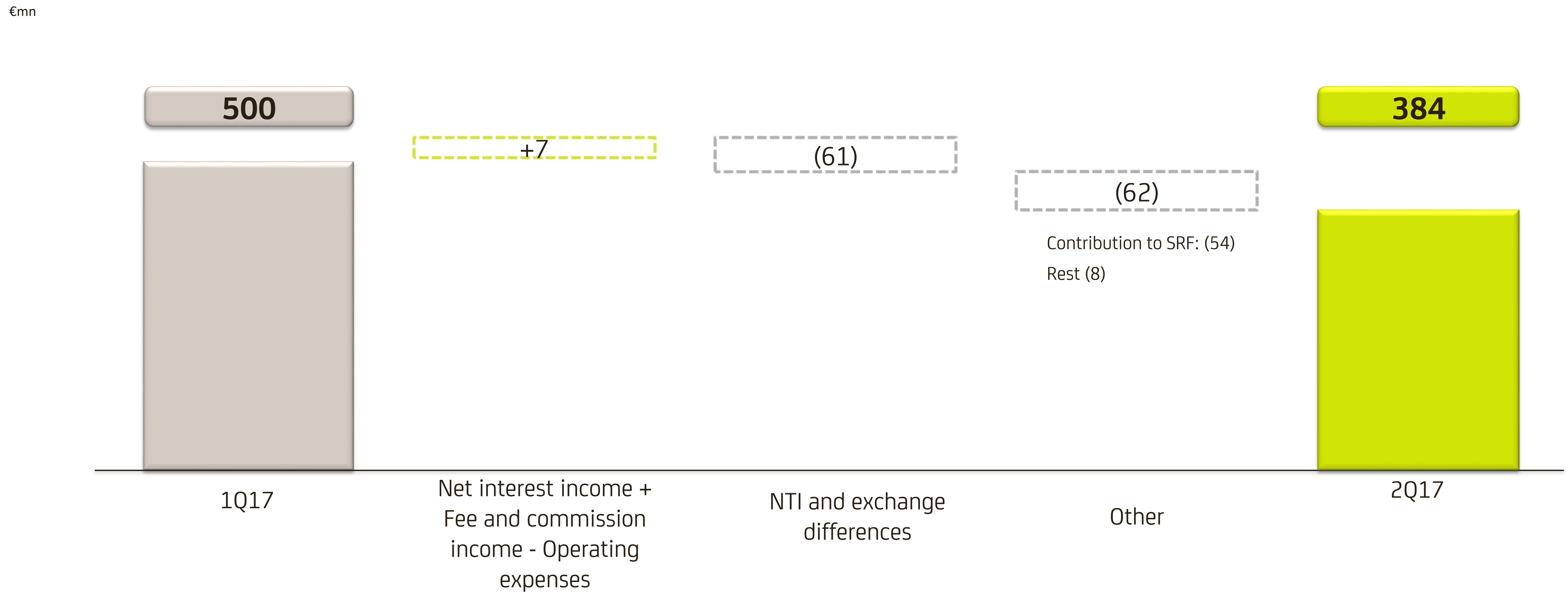
Cost to income ratio of 46.4% in the first half

2Q 2017 Results

Pre-provision profit

Pre-provision profit is down due to lower NTI and the contribution to the resolution fund

PRE-PROVISION PROFIT PERFORMANCE

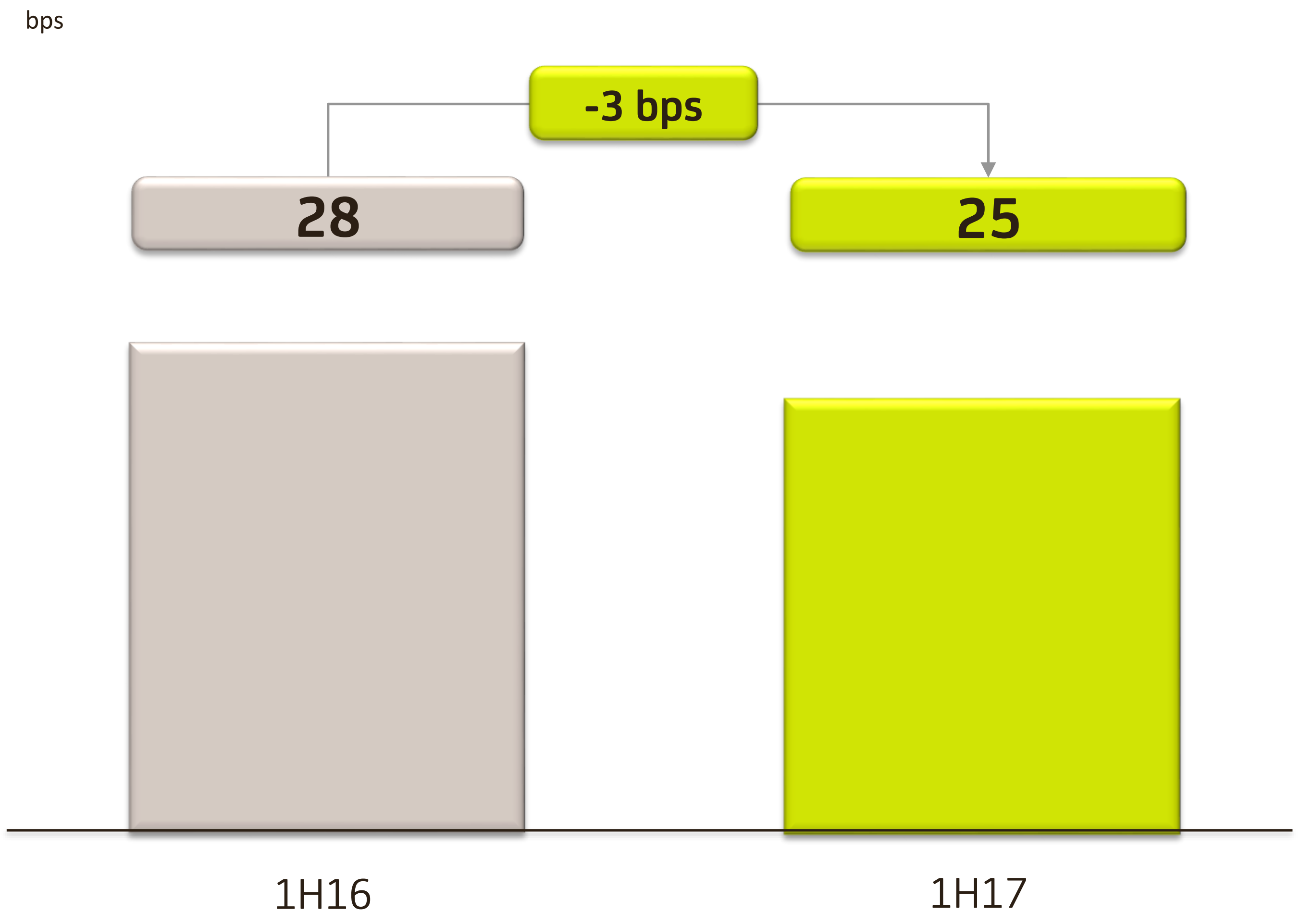


2Q 2017 Results

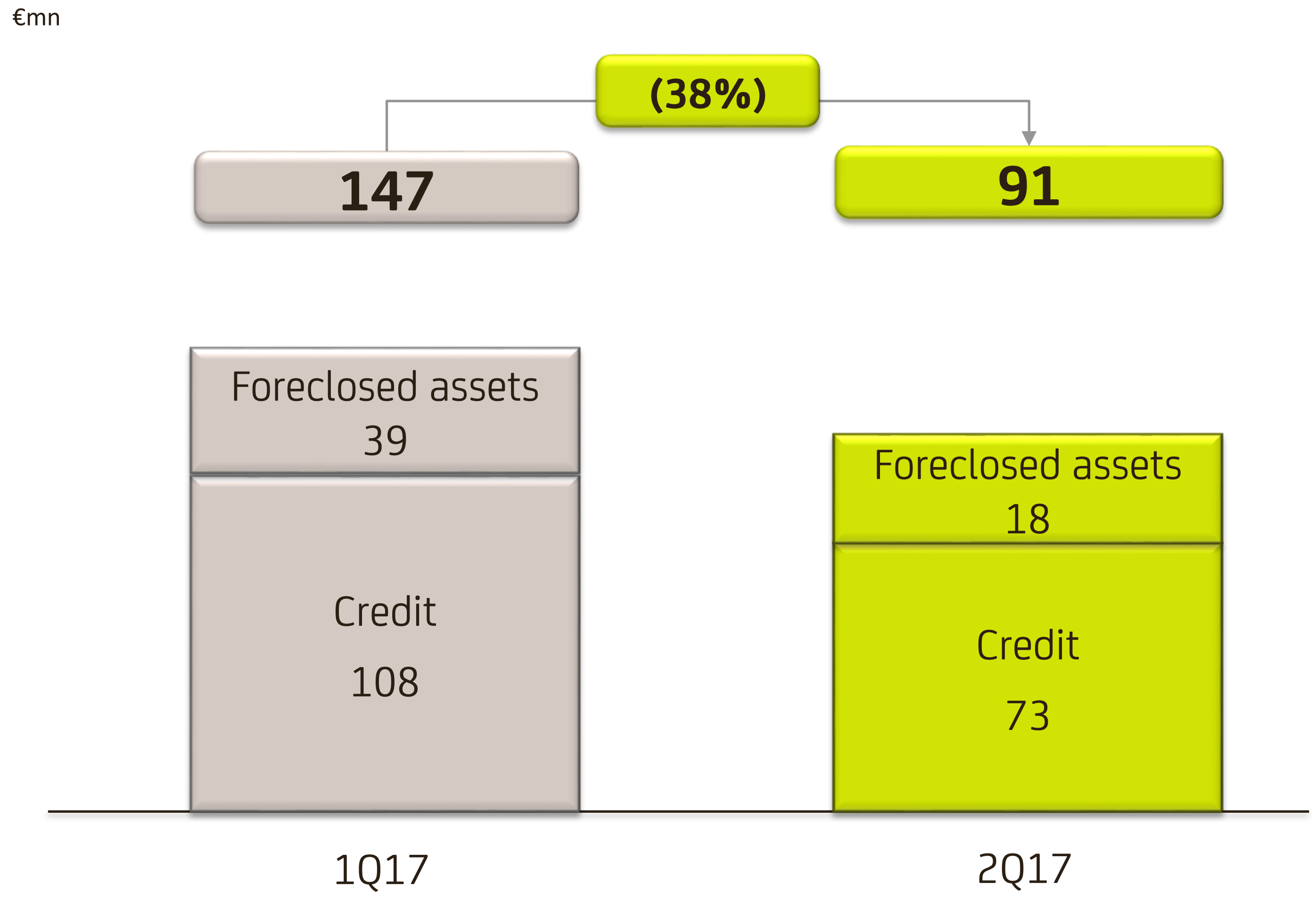
Cost of risk

Cost of risk at 25 bps in the first half

COST OF RISK



PROVISIONING FOR CREDIT AND FORECLOSED ASSETS

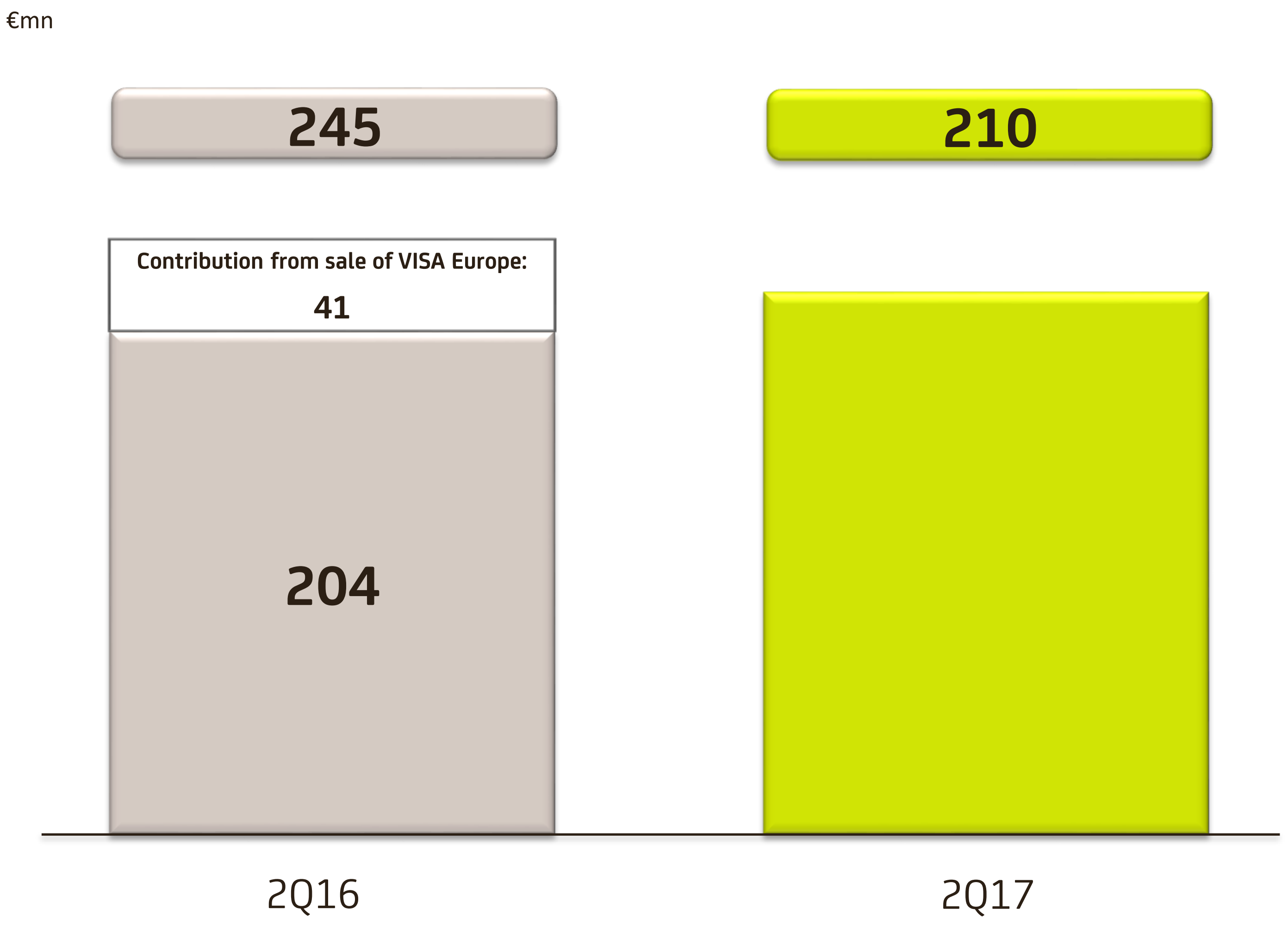


2Q 2017 Results

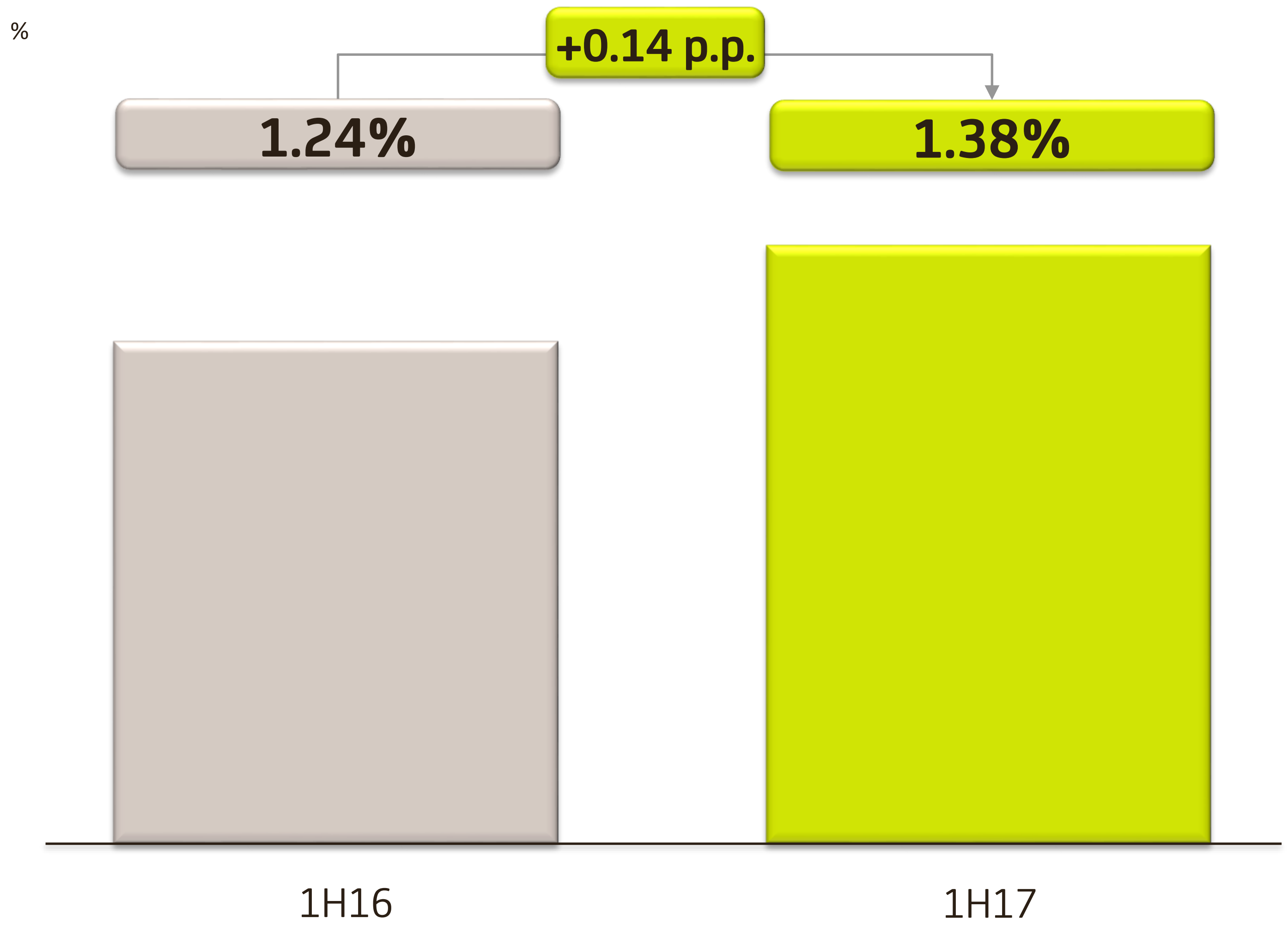
Attributable profit

Attributable profit for the quarter up on same period of previous year without extraordinary results

ATTRIBUTABLE PROFIT



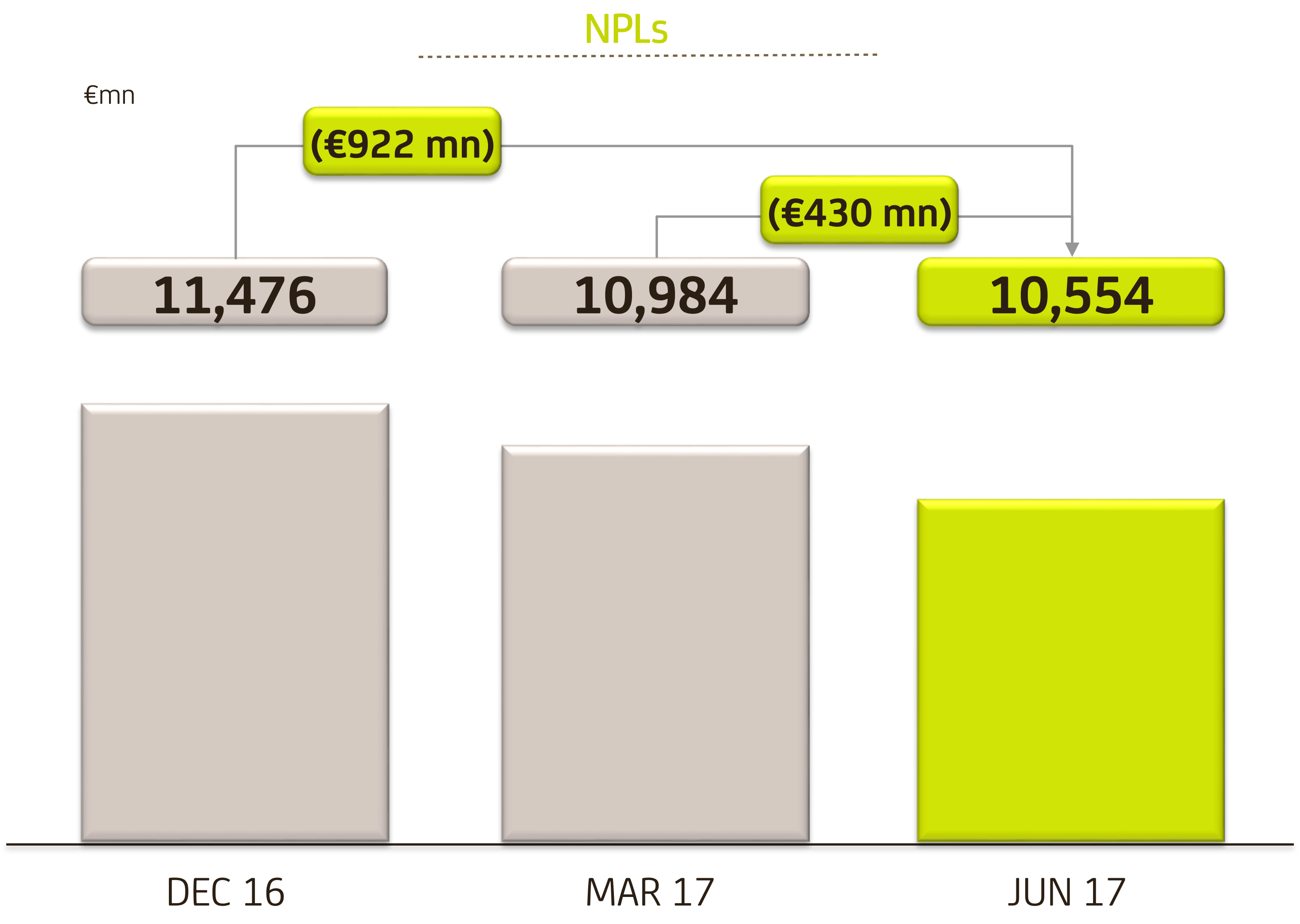
RORWA

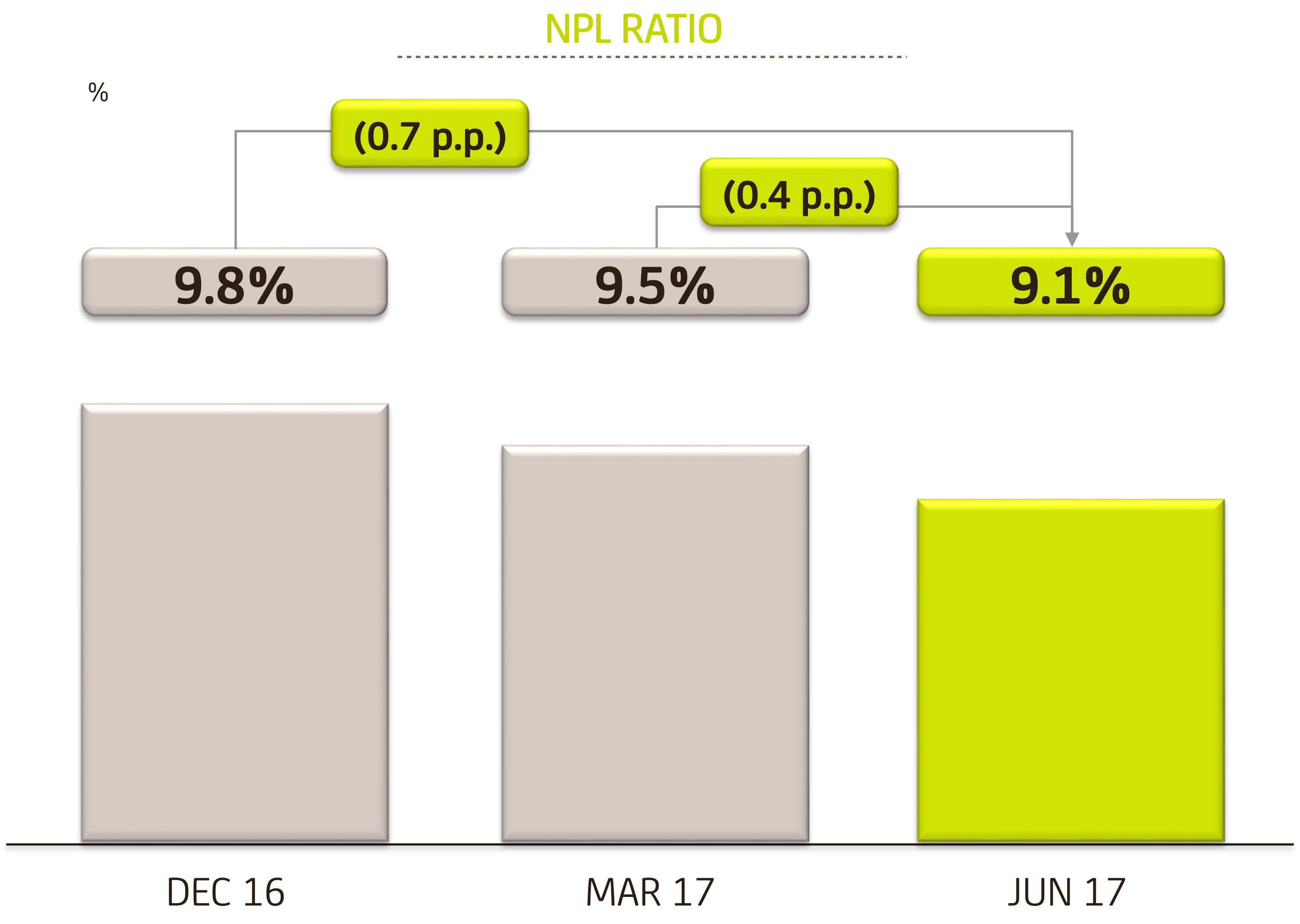


Asset quality and risk management

Credit quality

NPLs down €922 mn in the first six months of the year



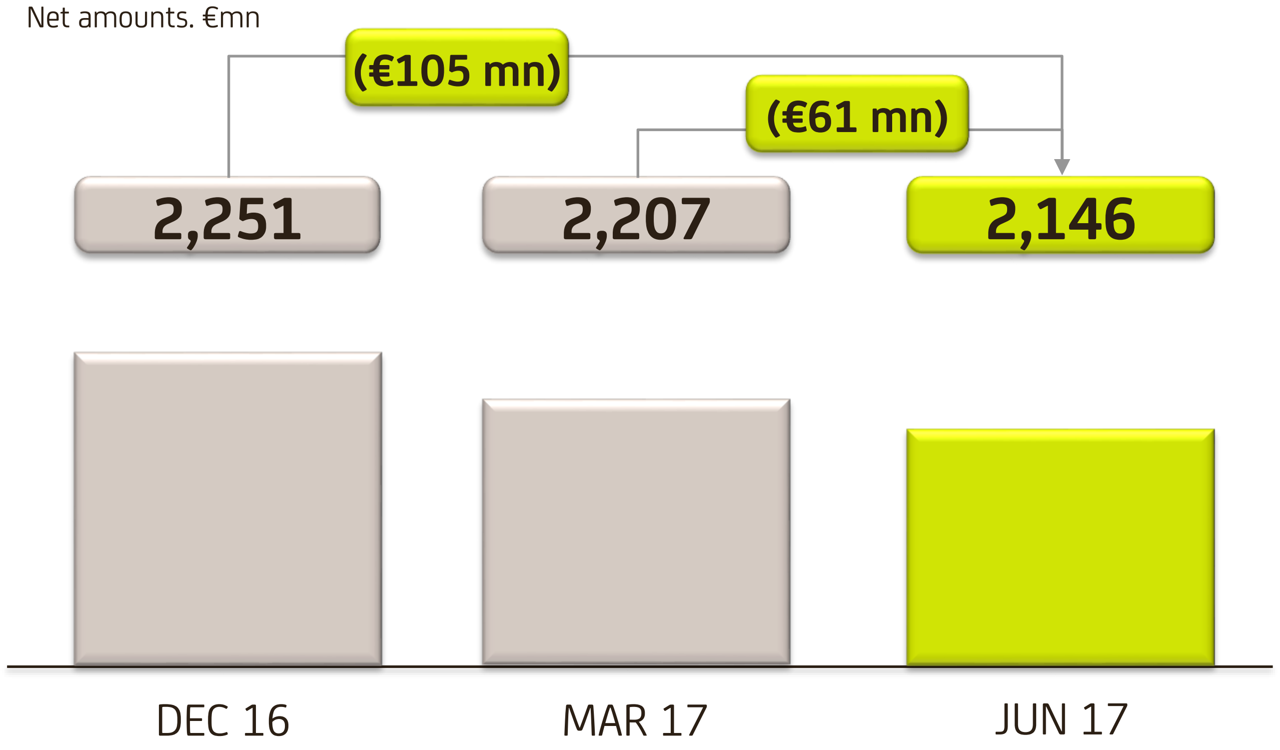


Asset quality and risk management

Credit quality

Further reduction in stock of net foreclosed assets

NET FORECLOSED ASSETS PERFORMANCE

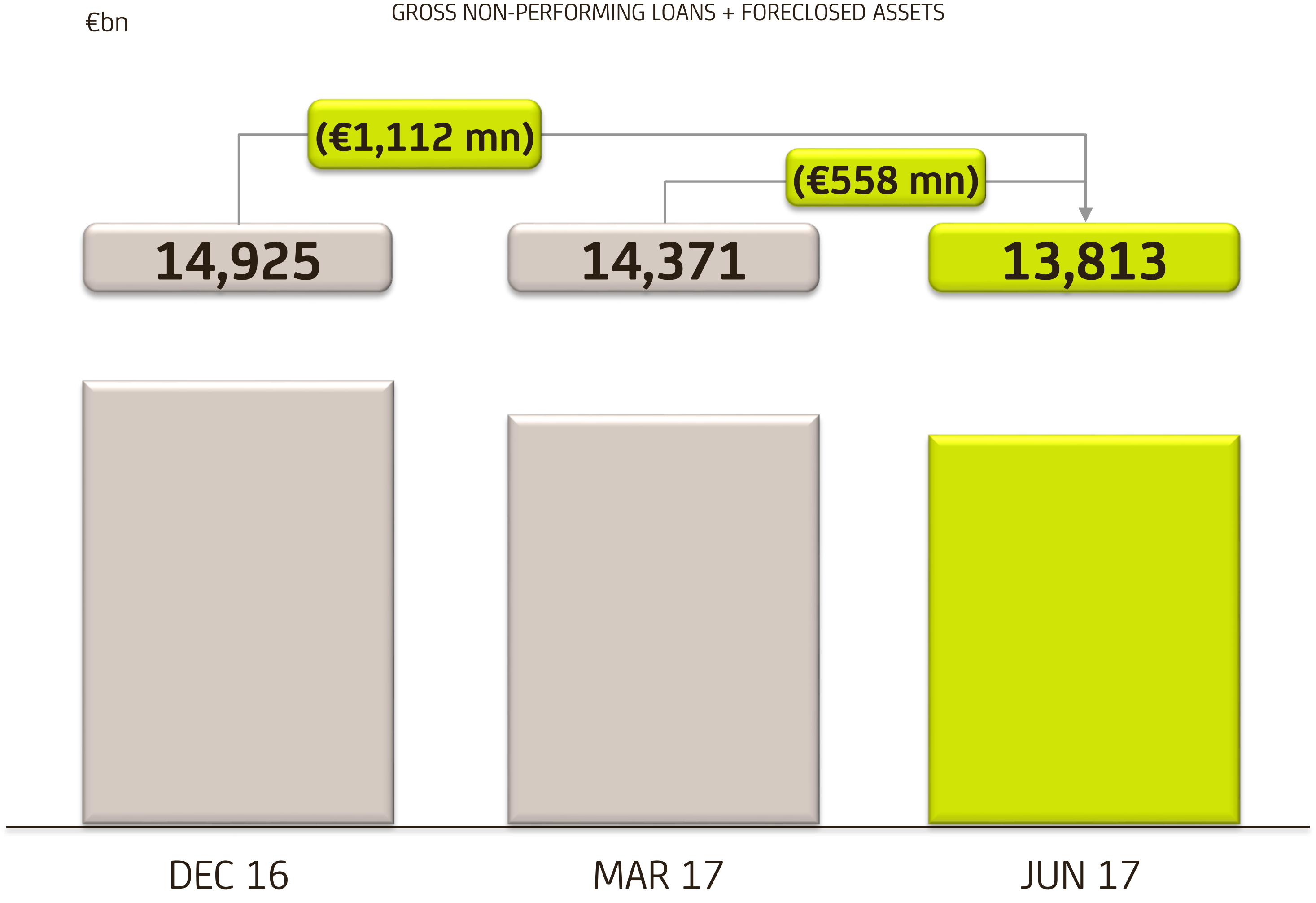


4,326 units sold in 1H17 (+33.6% vs. 1H16)

10.4% units sold in first half as % of total stock at start of year

NON-PERFORMING ASSETS

GROSS NON-PERFORMING LOANS + FORECLOSED ASSETS



Asset quality and risk management

Credit quality

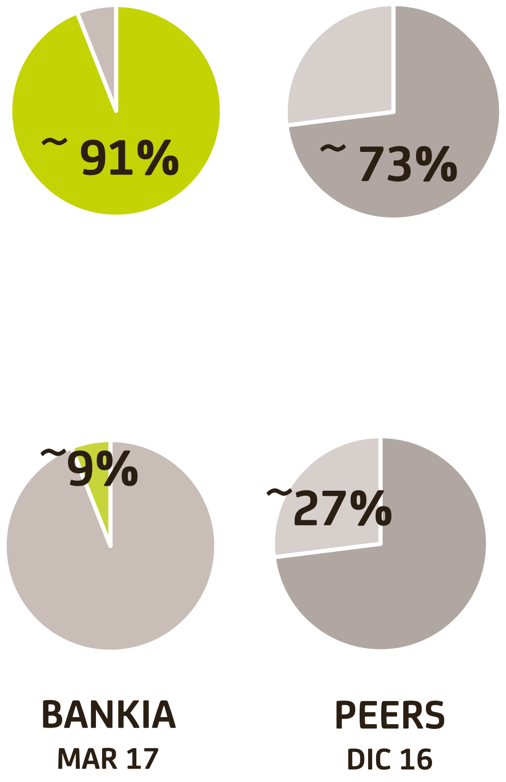
Bankia's coverage levels are high compared to its peers

MIX AND COVERAGE, NON-PERFORMING LOANS

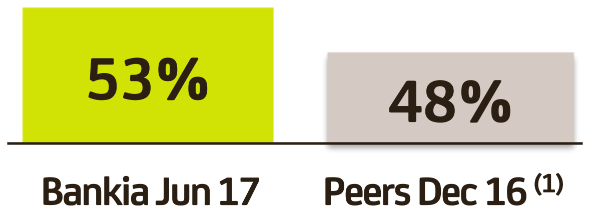
TOTAL COVERAGE BANKIA NPLs: 53.9%

% NPLs EX R.E. DEVELOPERS / NPLs

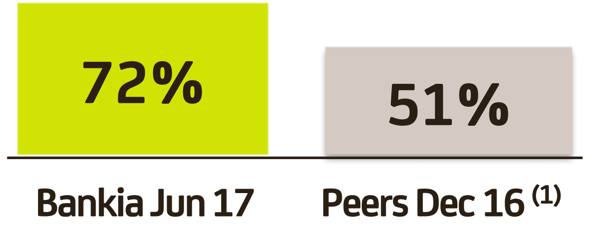
% NPLs R.E. DEVELOPERS / NPLs



NPLs COVERAGE EX R.E. DEVELOPERS



NPLs COVERAGE, R.E. DEVELOPERS



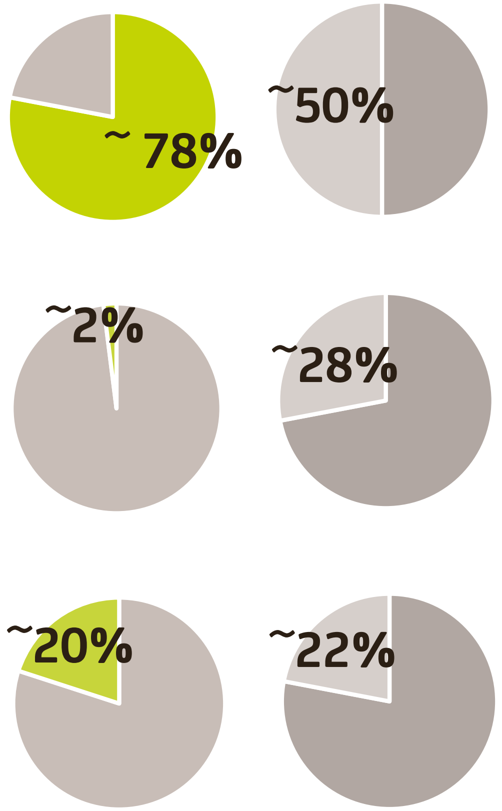
MIX AND COVERAGE, FORECLOSED ASSETS

TOTAL COVERAGE BANKIA FORECLOSED ASSETS: 34.1%

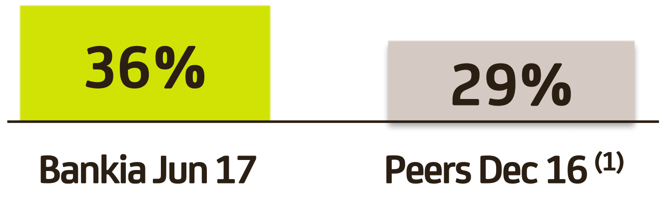
% FINISHED HOMES / FORECLOSED ASSETS

% LAND / FORECLOSED ASSETS

% REST / FORECLOSED ASSETS



COVERAGE FINISHED HOMES



COVERAGE LAND

COVERAGE REST

(1) The peers include BBVA Spain (including the real estate division), Bankinter (ex Portugal), Caixabank (ex BPI), Liberbank, Popular, Sabadell (ex TSB) and Santander Spain (including the real estate division)

Liquidity and solvency

Liquidity

Liquidity indicators are stable…

LTD ratio Jun 2017	98.0%
LCR Jun 2017	153%

…maintaining the rating levels

STANDARD &POOR'S *	BBB- Positive outlook
FitchRatings	BBB- Stable outlook
DBRS *	BBB (HIGH) Stable outlook

* Ratings maintained after merger with BMN

Liquidity and solvency

Liquidity

Great reception in the market for first issue of AT1

CONVERTIBLE BOND ISSUE (AT1)

DETAILS OF THE ISSUE

Volume (€mn)

€750 mn

Oversubscribed (# times)

3.3x

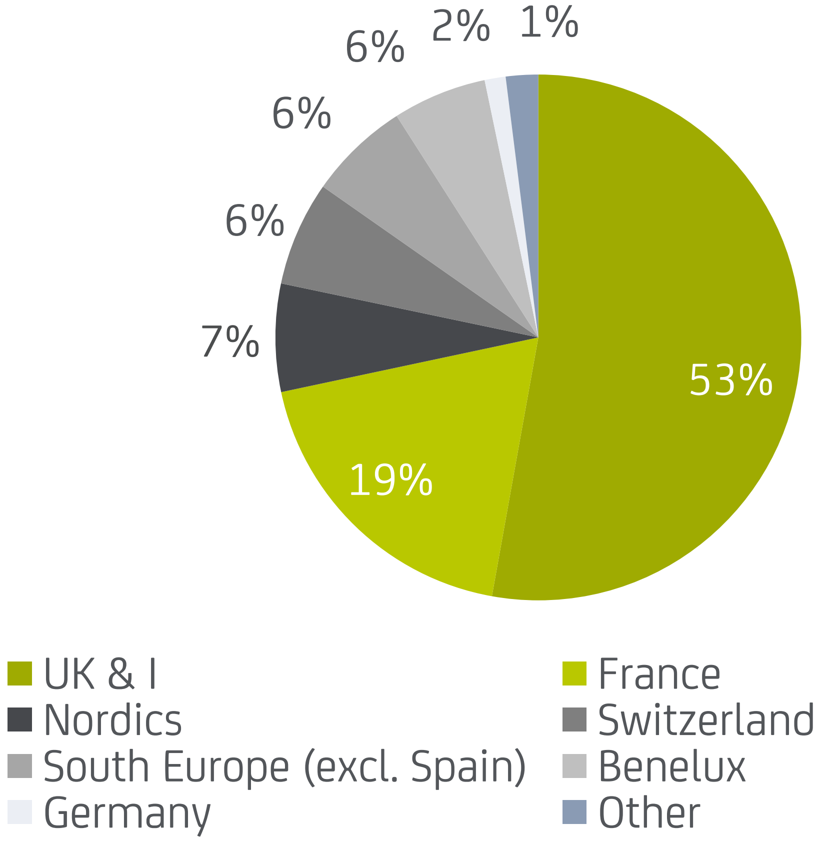
Coupon

6.00%

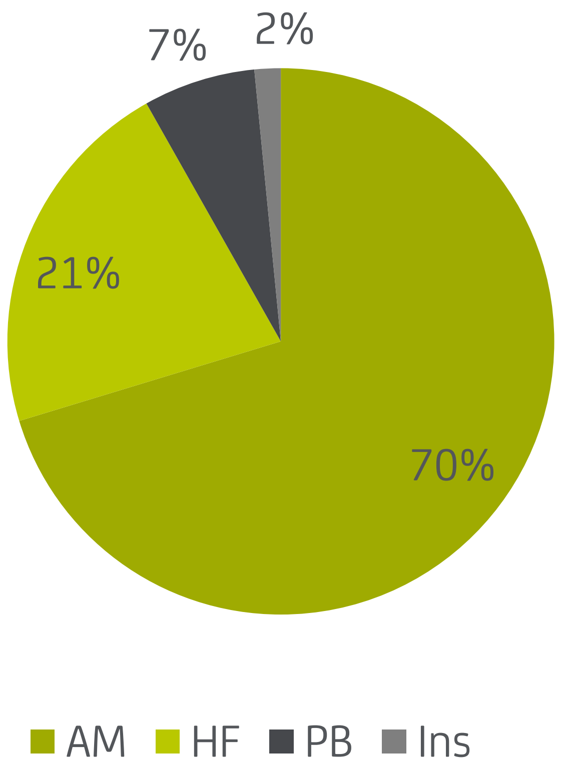
Impact on capital

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

PLACEMENT BY GEOGRAPHY



PLACEMENT BY INVESTOR TYPE

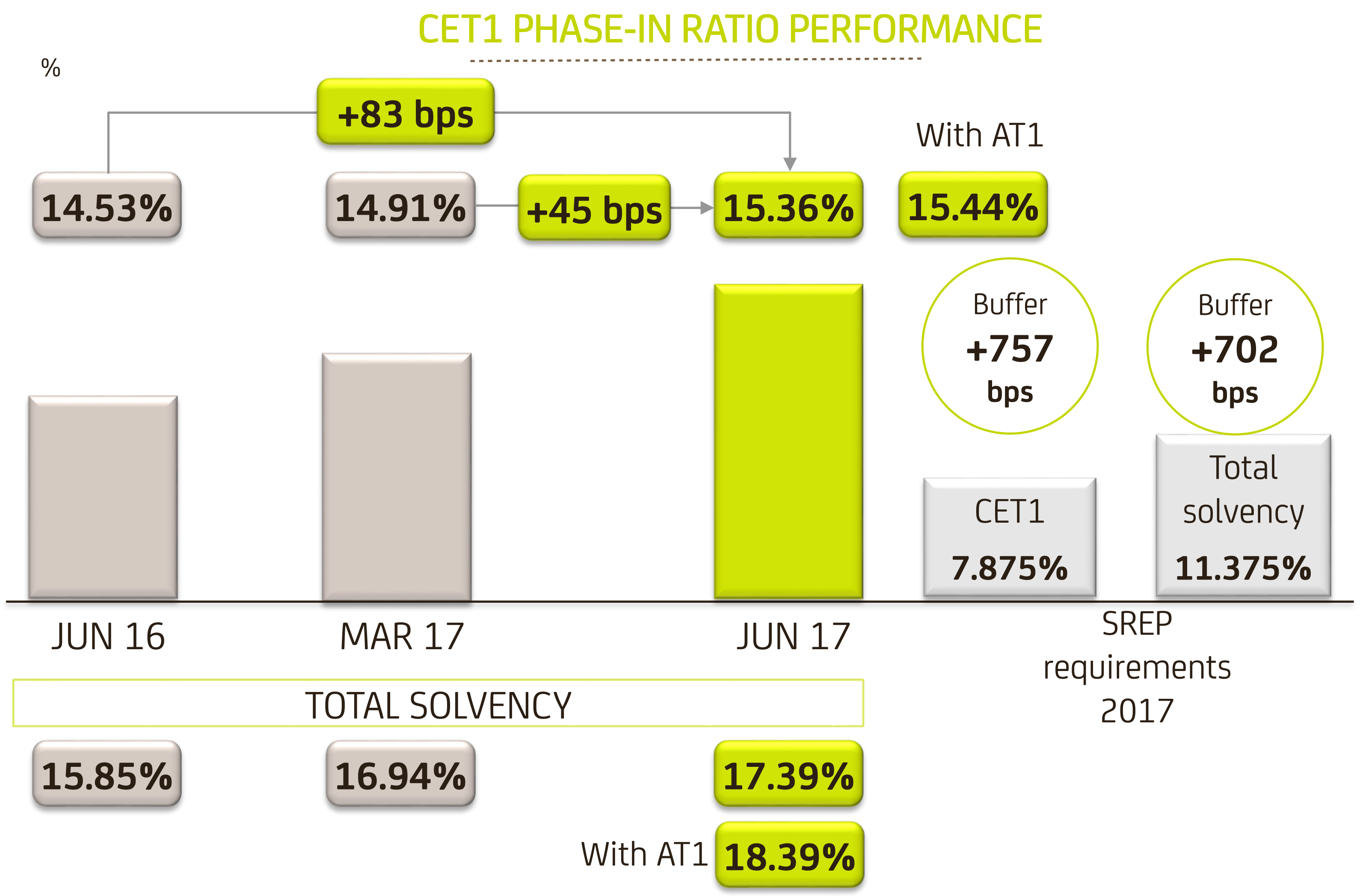


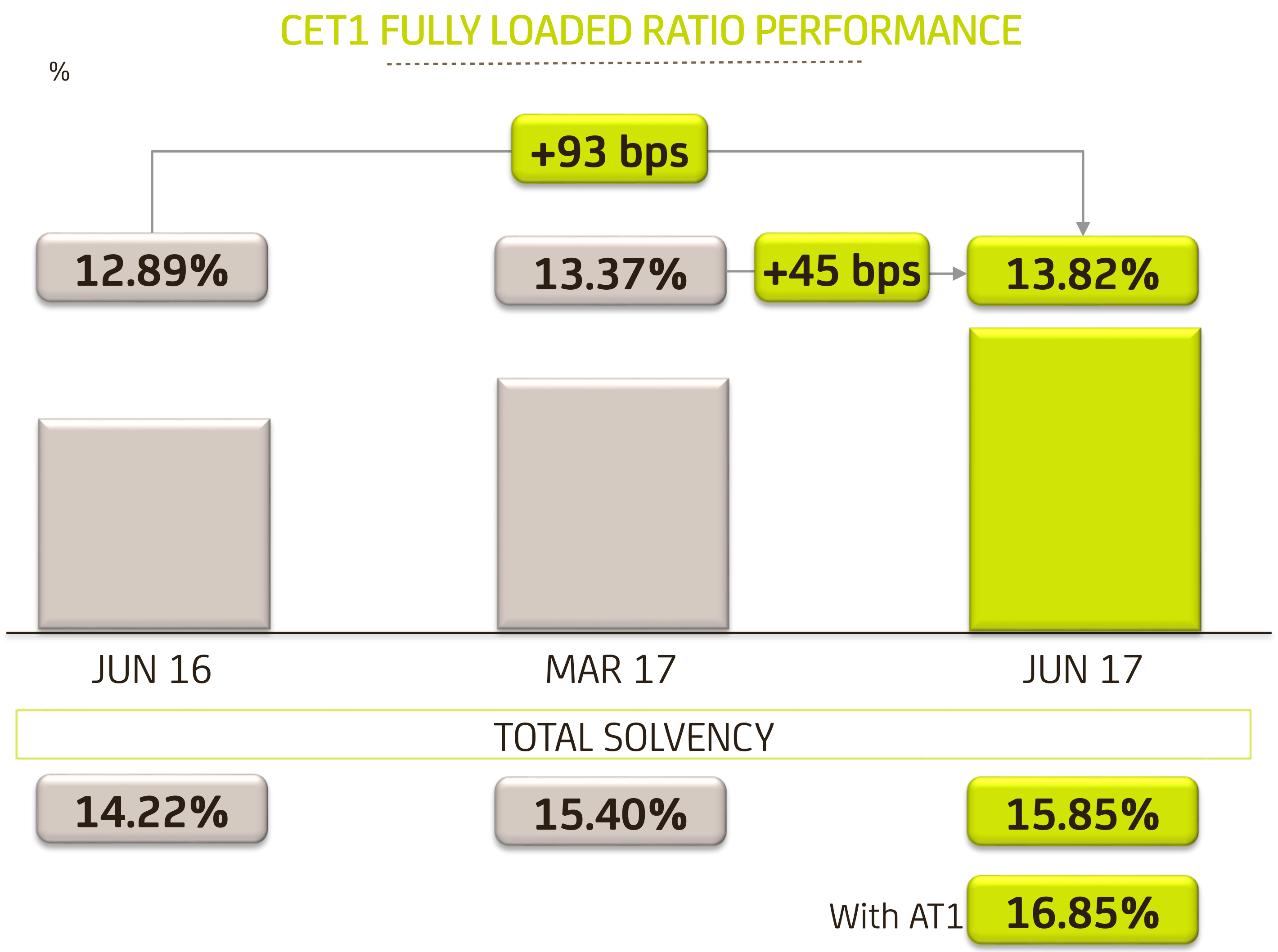
AM: asset managers, HF: hedge funds, BP: bank and private banking, Ins: insurance fund

Liquidity and solvency

Capital ratios

45 bps of capital generation (CET1 FL) in the quarter





The solvency ratios include the profit attributable to the Group and discount the regulatory adjustment for the planned dividend
If the unrealised 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, 17.26%

The €750mn issue of contingent convertible bonds adds 100 bps of capital to the Total Solvency level.

CONTENTS

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

Profitability

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

Capital

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

Merger with BMN

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

Bankia

LET´S KEEP WORKING

Bankia Comunicación

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