

**Morgan Stanley
European Financials
Conference**

March 2015

Bankia

Mr. Leopoldo Alvear - CFO Bankia



Disclaimer

This document has been prepared by Bankia, S.A. (“Bankia”) and is presented exclusively for information purposes. It is not a prospectus and does not constitute an offer or recommendation to invest.

This document does not constitute a commitment to subscribe, or an offer to finance, or an offer to sell, or a solicitation of offers to buy securities of Bankia, all of which are subject to internal approval by Bankia.

Bankia does not guarantee the accuracy or completeness of the information contained in this document. The information contained herein has been obtained from sources that Bankia considers reliable, but Bankia does not represent or warrant that the information is complete or accurate, in particular with respect to data provided by third parties. This document may contain abridged or unaudited information and recipients are invited to consult the public documents and information submitted by Bankia to the financial market supervisory authorities. All opinions and estimates are given as of the date stated in the document and so may be subject to change. The value of any investment may fluctuate as a result of changes in the market. The information in this document is not intended to predict future results and no guarantee is given in that respect.

Distribution of this document in other jurisdictions may be prohibited, and therefore recipients of this document or any persons who may eventually obtain a copy of it are responsible for being aware of and complying with said restrictions. By accepting this document you accept the foregoing restrictions and warnings.

This document does not reveal all the risks or other material factors relating to investments in the securities/ transactions of Bankia. Before entering into any transaction, potential investors must ensure that they fully understand the terms of the securities/ transactions and the risks inherent in them. This document is not a prospectus for the securities described in it. Potential investors should only subscribe for securities of Bankia on the basis of the information published in the appropriate Bankia prospectus, not on the basis of the information contained in this document.



Contents

1. Strategic Plan evolution

2. 2014 results and main drivers

3. Balance sheet considerations

4. Conclusions

Strategic Plan evolution

On track to meet the goals of our Strategic Plan

2012

Recapitalisation and clean up the balance sheet



2013

The Turnaround Year



2014
2015

Developing our commercial model

IN
PROCESS

2015 Target ROE 10%

Strategic Plan evolution

Working on the Network's segmentation ...

Transforming our commercial footprint

~1,850 Commercial branches (SMEs & retail)

- Concentrated on **medium and high value customers**
- Selective segmentation for **self employees – micro SMEs**
- **Improved productivity** (+35% vs. 2013)
- **Improved sale of products** (+12% vs. 2013)

150 Transactional branches (Oficina Ágil)

- **Extended opening hours**
- Oriented to provide services to high frequency transactions
- Sale of basic products (credit cards, term deposits, etc..)
- Target of **reaching 150 “oficinas ágiles”** in 2015

30 Recovery Centres

- Currently managing 29% of Group NPLs (vs.16% 2013).
- **2015 Target of a total of 30 recovery centres managing +70% of Group NPLs**
- **Controlled cost of risk** thanks to specialization

New branch composition based on client segmentation

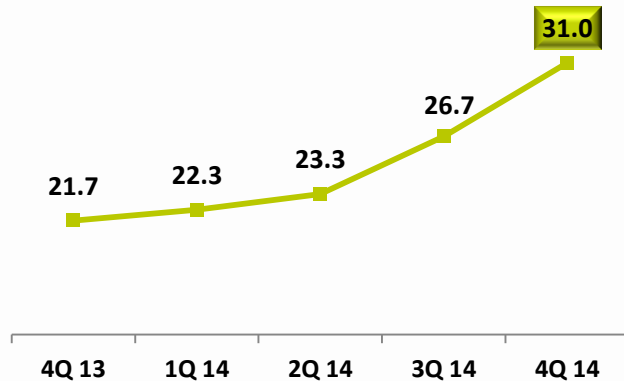
Strategic Plan evolution

... improving productivity and the quality of our service ...

PRODUCTIVITY

(products sold per employee/month) – quarterly average

Average: Dec 2013 – Jun 2014: 22.4



Includes data from all the retail branches: includes at-sight deposits, cards, direct debit and credit, risk insurance, pension plans, mutual funds and others.

Does not include term savings. 3Q data seasonally adjusted for August

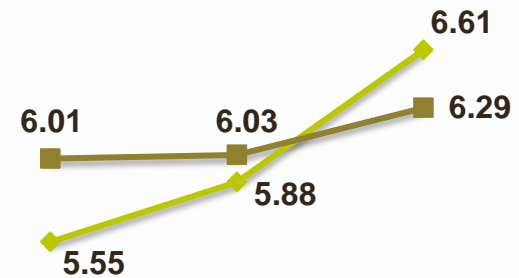
MYSTERY SHOPPING RANKING

Ranking

9th

9th

4th



2012

2013

2014

— BANKIA

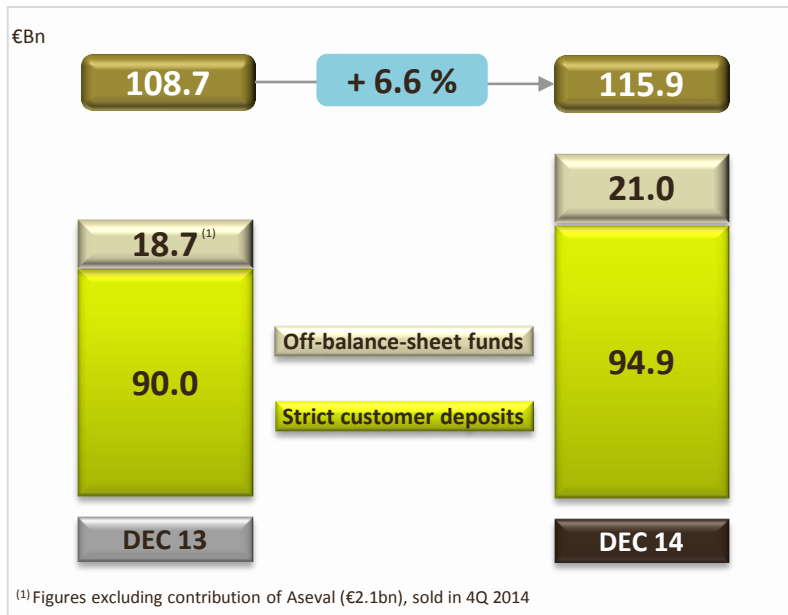
— GLOBAL SECTOR

In the last quarter of the year, the number of New Customers reached 21,600/month, representing a 50% increase vs. the first quarter of the year

Strategic Plan evolution

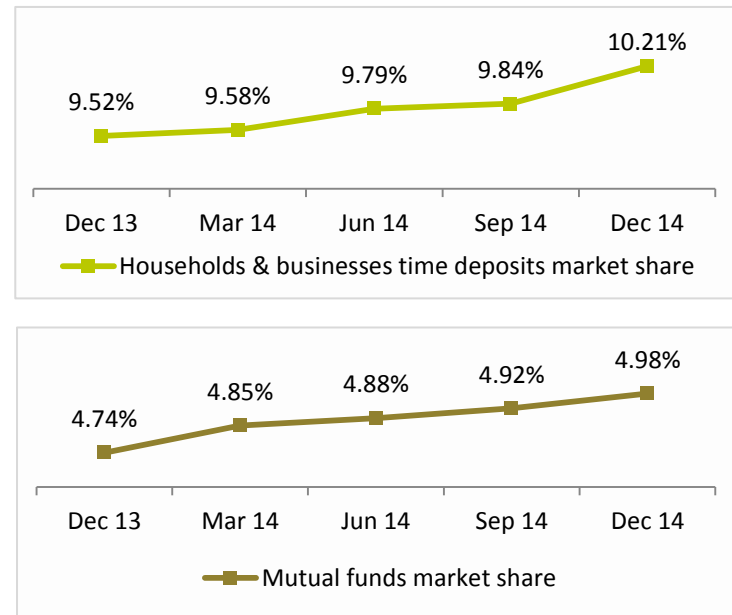
... increasing Customer Funds volumes ... while reducing the cost of funding

CUSTOMER FUNDS



Strengthened relationship with our customers leads to a 6.6% increase in customer funds

SHARE OF NEW CUSTOMER FUNDS

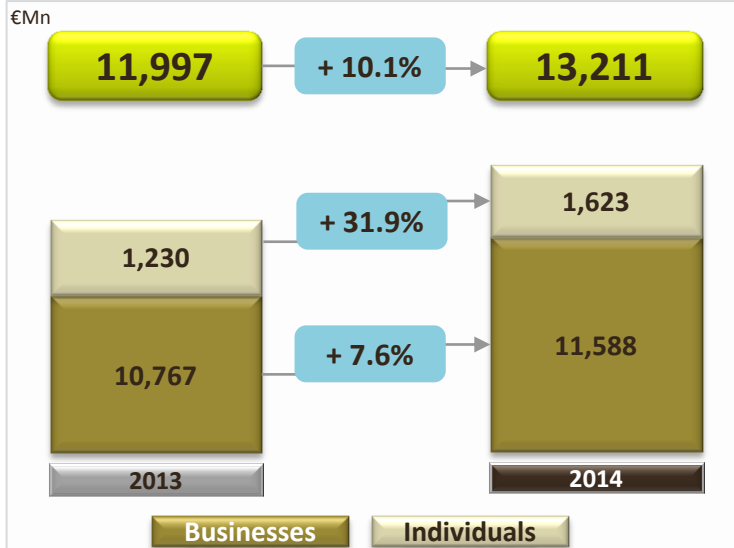


Steady improvement in market share of new customer funds

Strategic Plan evolution

New lending volume up in key segments ...

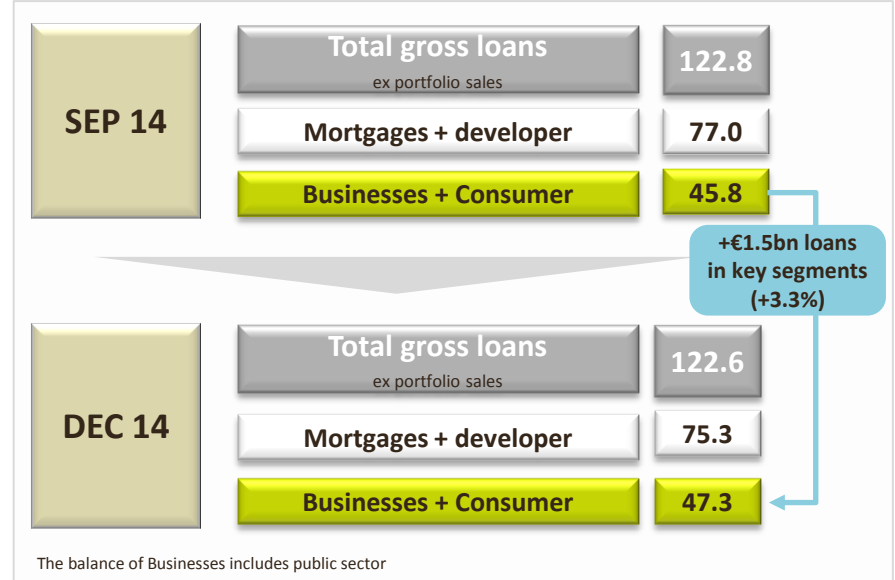
NEW LENDING



Note: Does not include forbearance

New lending volume up 10.1% compared to 2013, with a 48.2% increase in number of loans

TOTAL LOANS - €Bn

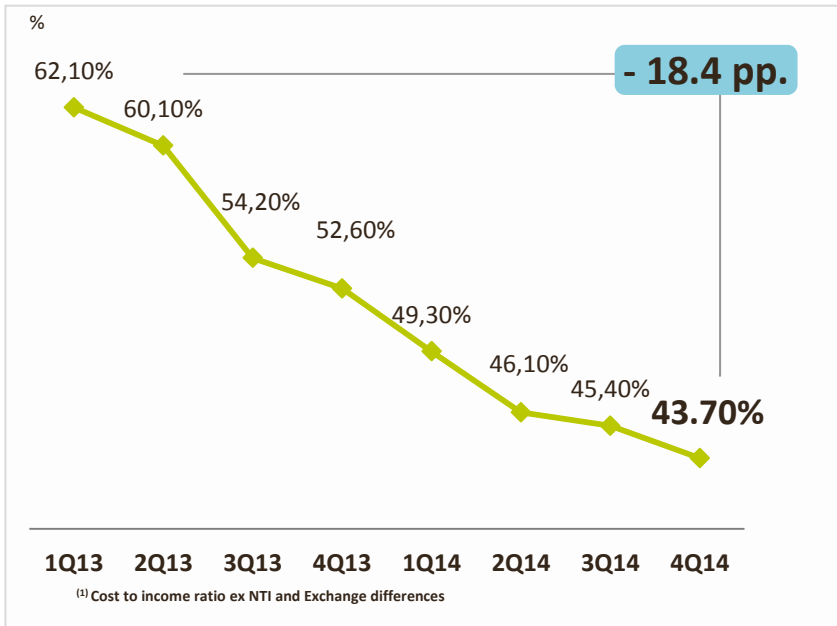


Total loans stabilised in key business segments

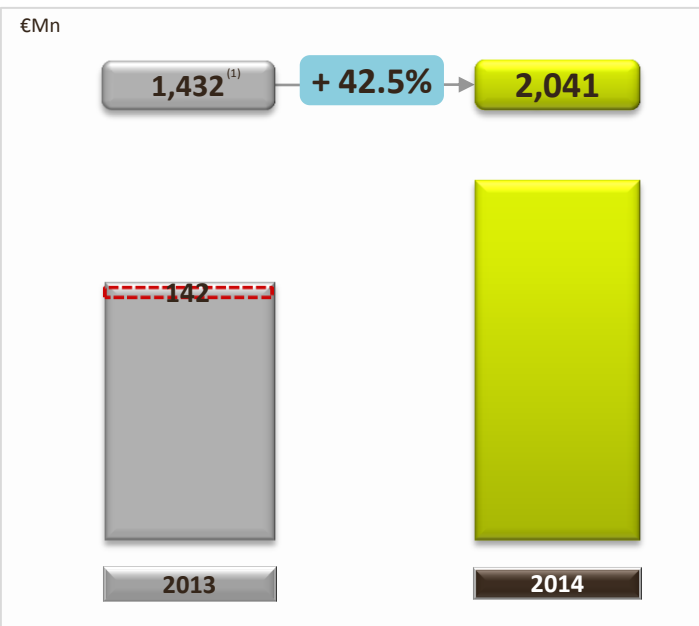
Strategic Plan evolution

... with consistent improvement in the Cost to Income and Pre-Provision Profit

Recurring cost to income ratio ⁽¹⁾



Recurring pre-provision profit ⁽²⁾



(1) Actual figures excluding the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013. Thus the reported profits for these periods were lower.
 (2) Pre-provision profit ex NTI and Exchange differences.

Recurring Cost to Income at 43.7%
Recurrent PPP Increase of 42.5% year on year

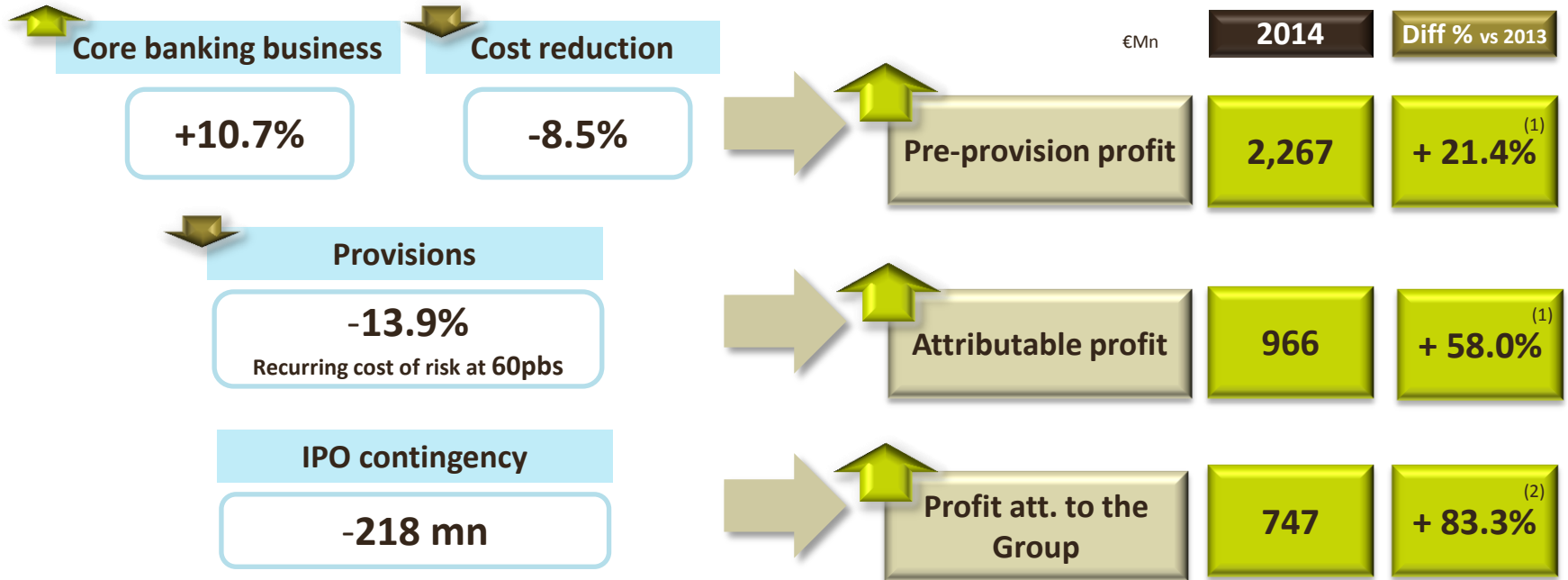


Contents

1. Strategic Plan evolution
- 2. 2014 results and main drivers**
3. Balance sheet considerations
4. Conclusions

2014 results and main drivers

Pro forma income statement – Bankia Group



Attributable net profit reaches €966 million before IPO contingency charge
Recurrent ROE reaches 8.6%, in line with our target of 10%.

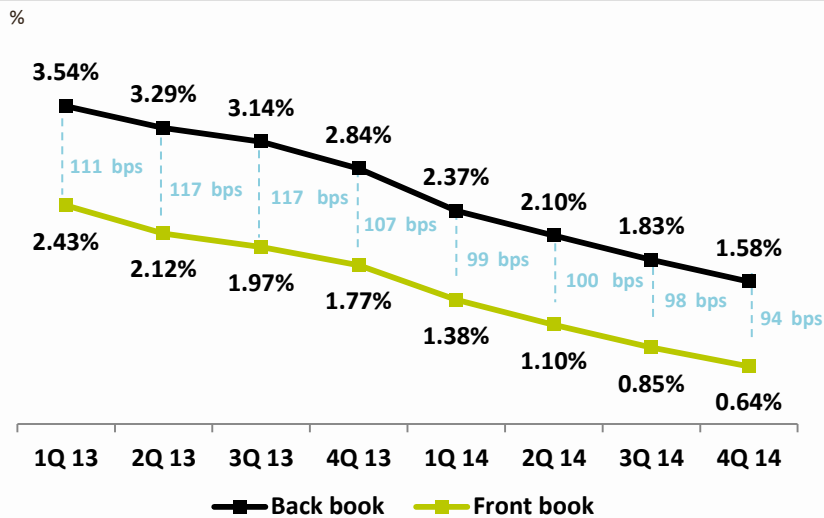
(1) The pro forma income statement for 2013 excludes: i) the cost of the subordinated loan by BFA to Bankia in the amount of €89 million in 1Q 2013 and €53 million in 2Q 2013, which was cancelled on 23 May 2013, and ii) the effect of the restatement of the accounts based on Regulation (EU) 634/2014 and the letter of 23 December 2014 from the D.G. of the BdE. Thus the reported profits for these periods were lower.

(2) 2013 published results include DGF and the subordinated loan effect, while 2014's include the IPO contingency Provision.

2014 results and main drivers

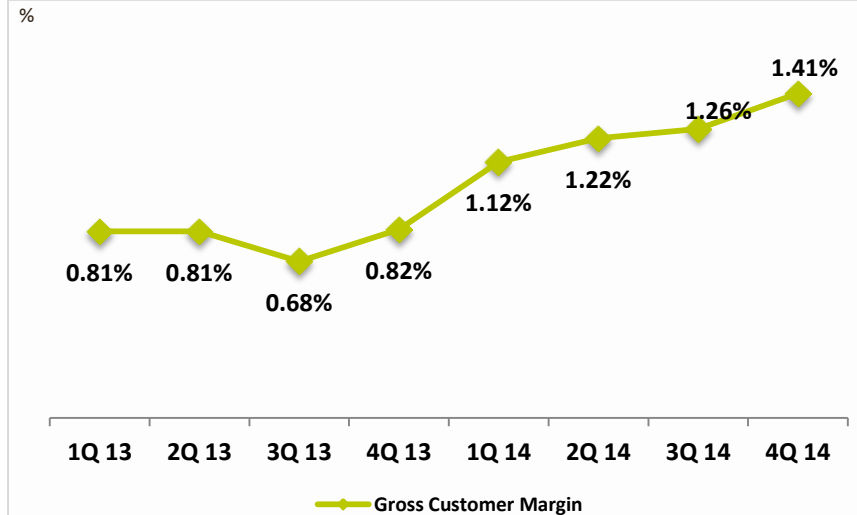
Decline in cost of deposits leads to improvement in gross customer margin

Cost of term deposits – Back book vs. Front book



Back book and front book, quarterly average (excluding impact of City National Bank)

Gross Customer Margin⁽¹⁾



⁽¹⁾ The impact of City National Bank has been excluded from the series.

Term deposits:

- ❑ Volume of ~55 bn
- ❑ Average maturity 16-18 months
- ❑ Spread back vs front book around 100bps

Term deposit repricing leads to:

- ✓ Higher customer margin and
- ✓ Offsetting headwind coming from bond portfolio

2014 results and main drivers

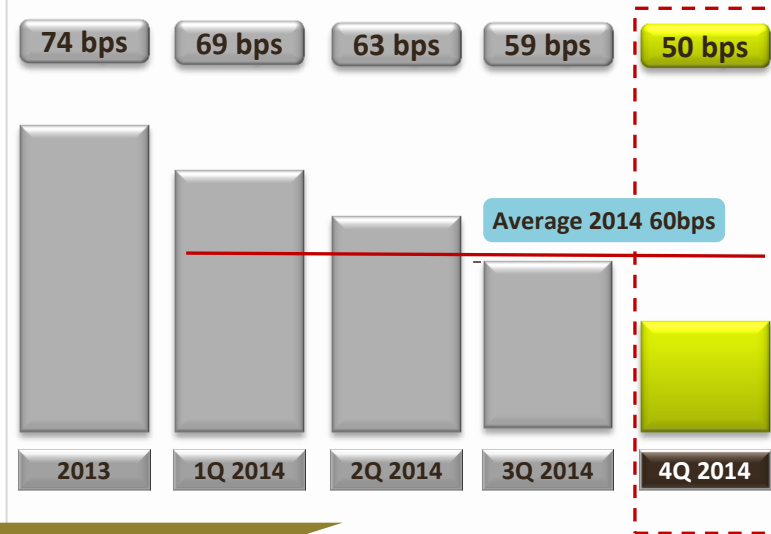
Reducing cost to income and cost of risk

Operating Expenses

Recurring **cost to income** ratio already
at **43,7%** in Q4 2014

Critical to maintain **pressure on
expenses** in this low rates environment

Recurrent cost of risk



2015 Target ROE of 10%

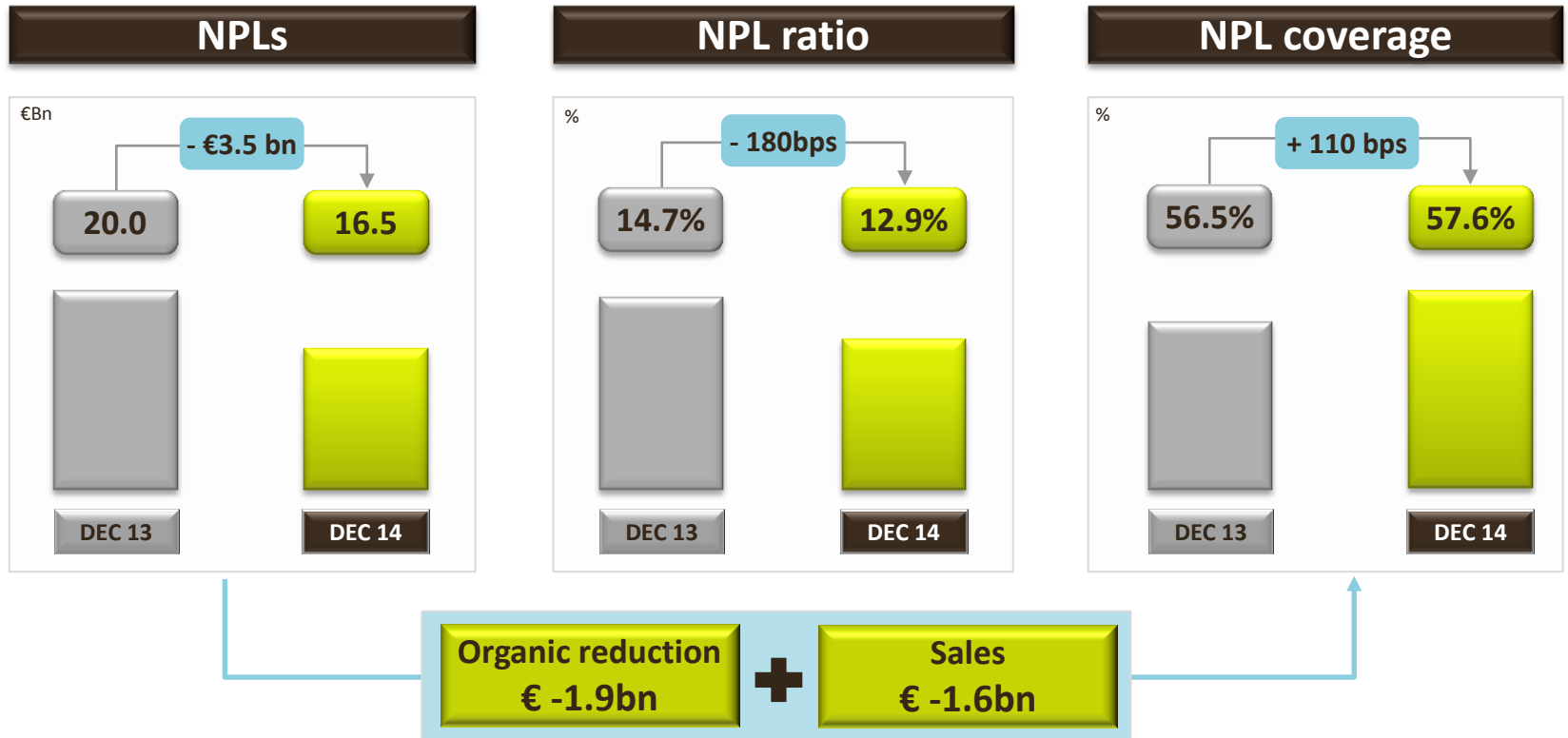


Contents

1. Strategic Plan evolution
2. 2014 results and main drivers
- 3. Balance sheet considerations**
4. Conclusions

Balance sheet – asset quality

NPL reduction and increase in NPL coverage

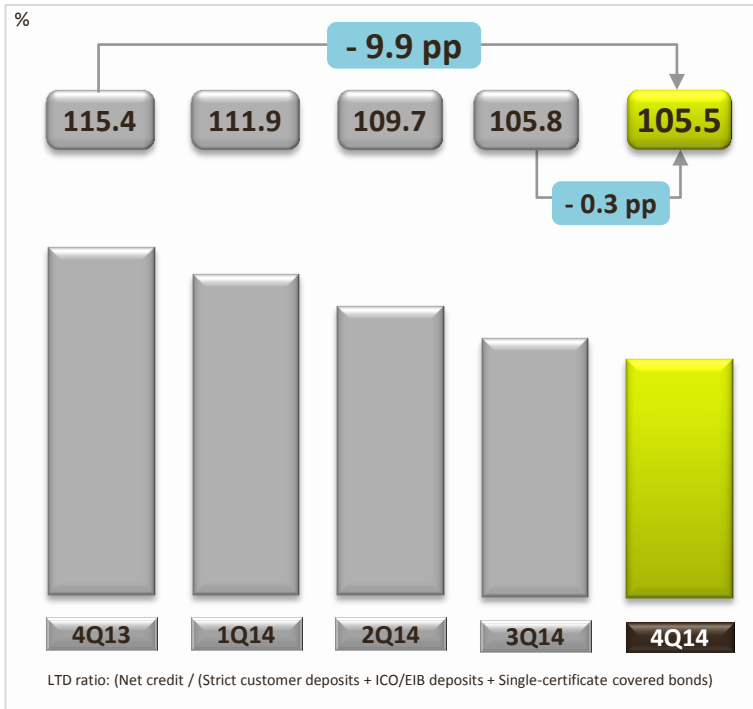


Sustained reduction of NPLs with only €0.2bn of write-offs and €0.2bn of net foreclosed increase, leading to an increase in NPL coverage (+110 bps)

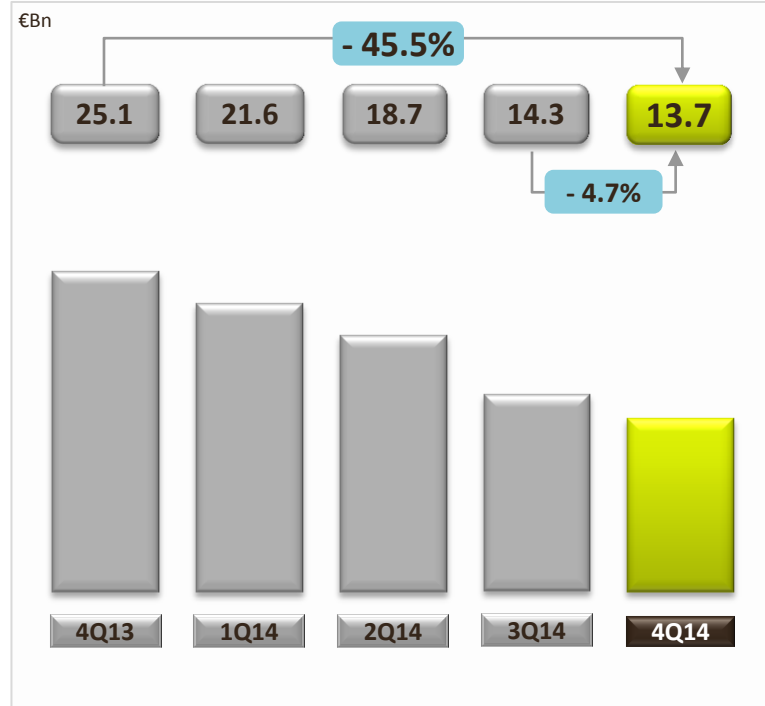
Balance sheet - liquidity

Relentless improvement in liquidity every quarter

Quarterly performance of LTD ratio



Quarterly performance of commercial gap

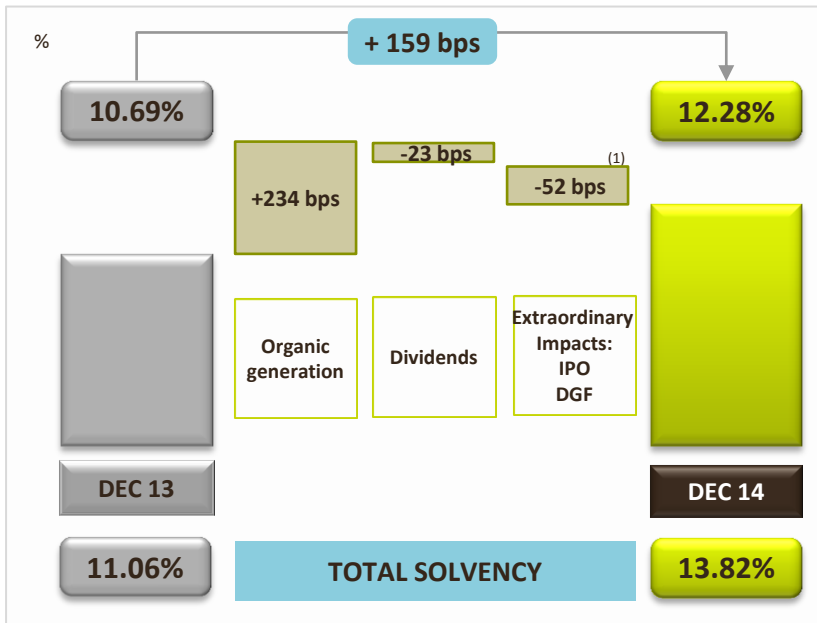


At 2014 year end, LCR ratio and NSFR ratio stand at > 100%

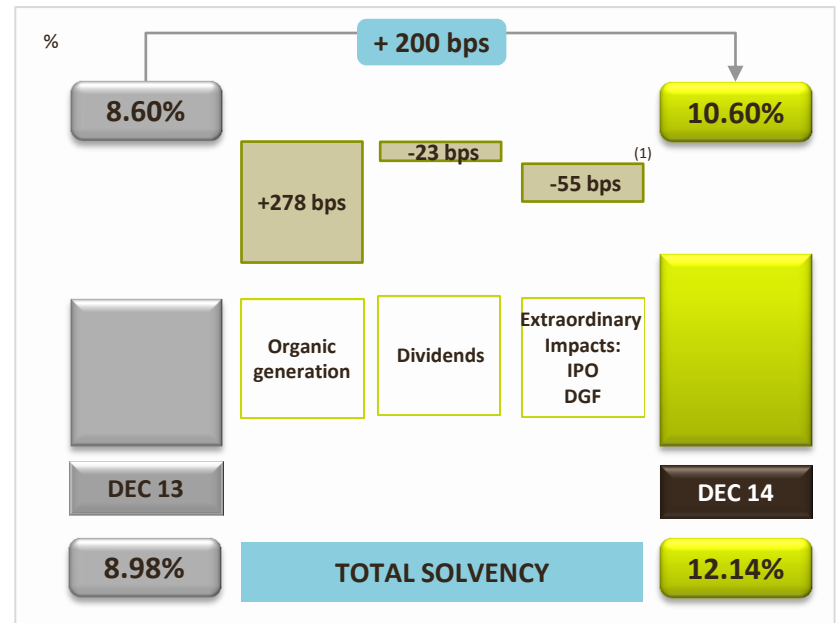
Balance sheet – capital generation

Over 200 pbs of organic capital generation in the year in FL

CET 1 BIS III Phase in ratio performance



CET 1 BIS III Fully Loaded ratio performance



⁽¹⁾ Includes IPO provision, and Impact of Regulation (EU) 634/2014 on contributions to the Deposit Guarantee Fund

CET1 BIS III Phase in ratio stands at 12.28%

CET1 BIS III Fully loaded ratio stands at 10.60%



Contents

1. Strategic Plan evolution
2. 2014 results and main drivers
3. Balance sheet considerations

4. Conclusions

Conclusions

Commercial activity experienced a significant improvement in 2014

Lending volumes stabilized and **growth in SMEs and consumer finance** in Q4

Increased customer deposits and off-balance-sheet business while reducing prices

Improved productivity and efficiency levels

NPLs reduction with increased coverage and **cost of risk at target level**

Allowing a cash dividend payment of €202Mn (27% payout)

Recurrent ROE at 8.6%, on track to meet the target of 10% in 2015

Bankia

Investor Relations

ir@bankia.com