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## RETAIL BANKING.

SPECIALISATION IS ESSENTIAL IN ORDER TO PROVIDE EACH TYPE OF CUSTOMER WITH THE SERVICES THEY DEMAND. BANKIA HAS SEGMENTED ITS SERVICE TO INDIVIDUAL, SME AND SELF-EMPLOYED CUSTOMERS, SO THAT IT CAN GET TO KNOW THEIR NEEDS IN DETAIL. THE STANDOUT RETAIL BANKING INITIATIVE IN 2016 WAS THE FEE EXEMPTION STRATEGY.

Among the bank's different business areas, Retail Banking centres on individuals, small businesses (with annual sales of up to 6 million) and the self-employed, applying a universal banking model. Its main objective is to build customer loyalty and increase customer retention through value-adding products and services, reliable advice and quality service.

In Retail Banking the strategy involves specialising in five different customer profiles: Private Banking, Personal Banking, High Potential, SMEs and Self-Employed, and Individuals. Customers can then be assigned to specific account managers, who will manage their relationship with the bank, so as to achieve higher satisfaction levels and generate new business opportunities. CRM (customer relationship management) and Big Data models are essential for this purpose, as they help detect users' needs at any given time.

To support this strategy, the bank has various types of branches, including universal

banking branches, Agile Branches (with extended opening hours and intended mainly for quick transactions and inquiries), Plus+ Branches (specialising in advice) and the "Conecta con tu Experto" service (providing advice to digital customers).

It is also crucial for Bankia to provide a more consistent, higher quality service to households, which is why all the members of a given family are assigned the same account manager. Specific products are available for different types of customer: children, young people or seniors. They include the Mi Primera Cuenta and Cuenta Joven accounts for children and young people and the Bankia.es discounts section, with special offers in travel, restaurants, fashion, electronics, household, health and beauty.



NO. OF PERSONAL BANKING ACCOUNT MANAGERS AND ADVISERS

**2,118**

AGILE BRANCHES

BRANCHES SPECIALISING IN OVER-THE-COUNTER TRANSACTIONS

ALL-DAY OPENING, EXTENDED TO 6PM

IN HIGH FOOTFALL AREAS

AT STRATEGIC SITES, USING THE BEST PROPERTIES

SUPPORT NEARBY ADVISORY BRANCHES

SELL SIMPLE PRODUCTS

HAVE LARGE NUMBER OF ATMS

AVERAGE CUSTOMER SERVICE TIME

**3' 54"**

AVERAGE NUMBER OF CUSTOMERS SERVED PER DAY

**269**

AVERAGE WAITING TIME TO BE SERVED

**2' 38"**

PERCENTAGE OF CUSTOMERS USING SERVICES IN AFTERNOONS

**19%**

AVERAGE NUMBER OF TRANSACTIONS PER DAY

**232**

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The functions are distributed by retail customer profile as follows:

- **Private Banking.**

For high net worth customers who demand top-quality financial and tax advice, Bankia Banca Privada has the advantages of a financial boutique but with the backing of a large group. This means they have access to a highly specialised service and, at the same time, the transactional capacity of a large bank.

- **Personal Banking.**

Aimed at customers with financial net worth of more than 75,000 euros or net annual income of more than 45,000 euros, Personal Banking provides a personalised service through 2,118 highly qualified account managers and advisers, devoted exclusively to this segment. One of the account managers' tasks is to maintain continuous contact with customers, for which purpose

they have specific functionalities at their disposal in the remote channels.

- **High Potential.**

Each account manager in this segment has responsibility for a portfolio of high potential customers, whose business with the bank is likely to grow and who may become Personal Banking customers in the future. Work with the High Potential segment began in 2015 throughout the commercial network. In branches that have no specific High Potential account manager, this role is performed by the branch manager.

- **SMEs and Self-Employed Professionals.**

Retail branches also serve self-employed professionals, small retailers and SMEs with sales of up to six million euros per year. Customers in this segment are offered tailored advice, which is delivered by specialised account managers or the



**1.457**

Million  
for consumer finance.



**2.3 Mill**

Customers  
a pre-approved line of credit,  
available in less than a minute.



**176,000**

FinanExpress transactions  
for microloans, from card transactions  
via SMS to bill and tax payments.



**260**

SME account managers



Last year BANKIA granted 3,742 million euros of financing to SMEs and self-employed professionals, and 1,457 million in consumer credit and 1,075 million in home loans to households.

branch managers. The efforts made in 2016 to increase the volume of business with SMEs and the self-employed, which Bankia considers a priority, resulted in a clear increase in number of customers and a strengthening of their ties with the bank. Loans to these customers reached 3,742 million euros (3,729 million in 2015). A total of 26,047 loans were granted to SMEs and 30,202 to the self-employed, in both cases considerably more than the previous year.

In May 2016, in order to provide a better service to the self-employed, the new “Sin Comisiones Por Ser Tú” fee exemption programme was launched, requiring only that the customer’s social security be paid by direct debit out of a Bankia account. Another launch aimed at the self-employed and small retailers was the offer of a mobile POS terminal with preferential rates. Special channels were created for franchisors and franchisees, on the one hand, and for associations and community groups, on the other, to help them with their financing and marketing needs. In addition, the system for assigning SMEs and micro-enterprises (annual sales of up to one million euros) to portfolios was redefined in order to extend the specialised service and offer new preclassified and pre-approved financing programmes.

- **Individuals.**

Bankia offers its individual customers a wide range of demand and term deposits, guarantees and debit and credit cards. It also has products that help to establish

HOME LOANS PROVIDED  
(IN €'000)

**1,075**

a longer-term relationship with existing customers and acquire new customers, including direct deposit of income, direct debits for bill payments, mutual funds and pension funds, and risk and savings insurance. In 2016 Bankia boosted consumer finance by granting 1,457 million euros of credit, 20% more than in 2015. At the end of the year, more than 2.3 million customers had a pre-approved line of credit, which can be activated in less than a minute through any of the bank’s channels. This is matched by a permanent offer of personalised financing for the times when the customer needs it most (important purchases, loans falling due). The FinanExpress microloans service, covering everything from card transactions via SMS to bill and tax payments, continued to be offered in all channels throughout the year. There were more than 176,000 transactions of this kind for a total of more than 69 million euros. During 2016 Bankia lent households a total of 1,075 million euros for home purchase.

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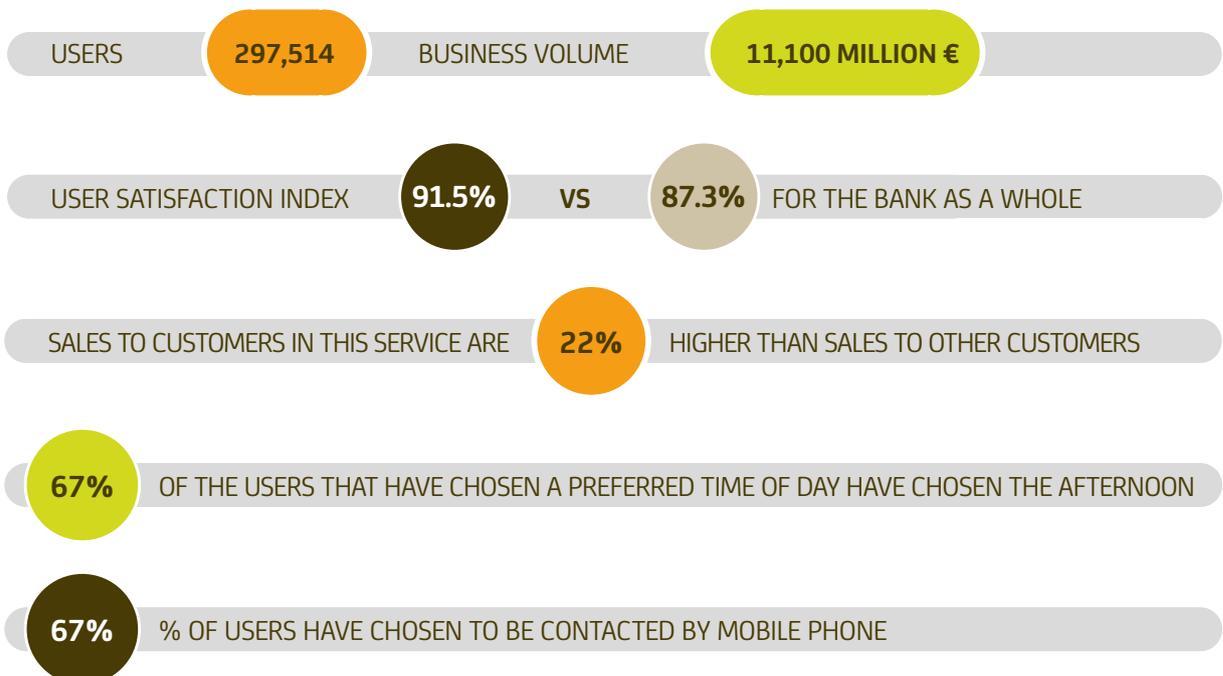
## RETAIL BANKING.

• **Digital customers.**

For digital customers who hardly ever use the branches, Bankia has a personalised advisory service called “Conecta con tu Experto”, which in 2016 expanded rapidly. The number of advisers went from 88 to 255 and new offices were opened in Logroño, Valencia, Alicante, Las Palmas and Barcelona, to add to those already open in Madrid. By the end of the year, the service had nearly

300,000 users, who showed a high degree of satisfaction. The goal for 2017 is to exceed 500,000 customers and 600 managers. The service allows customers to perform any transaction, apart from cash withdrawal, at any time. Each user has an account manager, who is always the same person, and can choose at what times and by what means (telephone, email, chat, etc.) he or she wants to be contacted.

### ‘CONECTA CON TU EXPERTO’





BANKIA has 2.18 million customers who use channels other than the branches. To serve the most digital among them, the bank has created the “Conecta con tu Experto” service, which allows users who never go to the branch to have their own personal account manager, who is at their disposal during extended banking hours via whichever remote channel they prefer.

## MULTICHANNEL DISTRIBUTION

The process that was started in 2015, with the Transformation Plan and the creation of the Corporate Directorate for New Distribution Models, continued during 2016. The plan objectives are no different from those of the rest of the Bank's activity (closeness, simplicity and transparency). Its purpose is to provide customers with the best user experience and the greatest satisfaction, through whatever channel they choose to conduct their relationship with Bankia.

### • Renewal of digital channels.

In June the bank launched a new public website that provides easier and more intuitive access to Bankia information and that is strongly sales-oriented. It receives an average of more than 203,639 daily visits and among the most popular items are the new simulators (consumer loans, mortgages and pension plans). To meet the challenge of developing new mobile banking functionalities, in 2016 Bankia modified its app to provide enhanced simplicity, immediacy and context awareness. To accompany this channel renewal, Bankia created a specialised contact centre, operating 365 days a year, to handle all the services that interface with the digital world. In 2017 the bank will create a new online customer area, with improved IT and process architecture and important new functions

|                               |                  |
|-------------------------------|------------------|
| <b>Multichannel customers</b> | <b>2.182.450</b> |
|-------------------------------|------------------|

### Oficina Internet

|                       |               |
|-----------------------|---------------|
| Customers who used it | 1.65 million  |
| Transactions          | 1,339 million |

### Oficina Móvil

|                       |               |
|-----------------------|---------------|
| Customers who used it | 1.12 million  |
| Transactions          | 1,079 million |

### Telephone Banking

|                       |            |
|-----------------------|------------|
| Customers who used it | 436,000    |
| Transactions          | 56 million |

that will help Bankia stay in contact with its customers and offer them the services that provide most value.

### • Modernisation of ATMs.

Bankia has 5,364 ATMs installed in its own and third-party facilities. Already 80% of branches have an advanced ATM that will even accept cash payments and return change. The new machines offer a better user experience, thanks to their simple menus, and actively help the bank know its customers better. To ensure that the ATMs are always available, they are monitored constantly, so that any faults can be resolved in the shortest possible time. The goal for 2017 is to start introducing NFC (Near Field Communication) technology, so that customers can interact with ATMs through mobile devices.

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The improvements in digital channels and in the ATM network explain why today only 9.4% of Bankia's transactional operations are carried out through physical branches. Driving all these developments is the "Cuando Quieras" plan, which initially was conceived

as a means of relieving the branches of transactional operations but has evolved to become a means of making customers aware of all the possibilities the bank offers them through technology.

|                                       |             |
|---------------------------------------|-------------|
| ATMs                                  | 5,364       |
| New ATMs installed                    | 659         |
| ATMs in areas of low population       | 568         |
| ATMs adapted for the blind            | 3,422       |
| Transactions carried out through ATMs | 242,337,964 |

### • Means of payment .

During 2016 the bank developed and implemented additional mobile payment functionalities. These included, most notably: contactless payments for purchases by mobile phone, using NFC technology, available for phones running Android version 4.4 or higher; and peer-to-peer payments through Bizum, a payment platform owned by 27 Spanish financial institutions that allows users to easily, instantly and securely transfer money to other individuals, using the recipient's mobile phone number or email address as a reference. The cards catalogue was expanded last year with the launch of two new products: the "Dual Plus" pack, which combines two cards with the same limit and PIN, one for day-to-day use

(Dual Compras) and the other for larger, deferred payments (Pago Fácil); and the Débito\_ON debit card, linked to the Cuenta\_ON account, which is aimed at digital customers who operate online and is exempt from fees. "Tax Free" is the name of one of Bankia's new services for retailers, which allows foreign visitors to use Bankia's point-of-sale terminals to recover any VAT they may have paid on their purchases. Thanks to all these initiatives, cards in issue continued to increase during the year, especially credit cards, with the total number of credit cards in issue at year-end reaching 2.27 million.



During 2016 the bank developed and implemented additional mobile payment functionalities, such as mobile payments in retail and peer-to-peer payments using the Bizum app.

|                                       |                  |
|---------------------------------------|------------------|
| Cards                                 | 6,888,282        |
| Value of card transactions            | 22,497,762,633   |
| Value of e-commerce card transactions | 1,489,155,956.10 |
| Contactless cards                     | 1,263,339        |
| POS terminals                         | 110,518          |
| Bankia Wallet stickers                | 102,280          |

#### • E-commerce.

One of the most significant changes digitisation has brought to the financial sector is the emergence of new technological players (known as fintech companies), whose activity centres on traditional parts of the banking business and the provision of information processing services (Big Data, cloud computing). Bankia sees their presence as an opportunity and in 2016 started to collaborate with them in the field of e-commerce. This initiative meets the bank's goal of being where its customers are and constantly offering them a better service (especially in financing and means of payment). In 2017 the team will be joined by new professionals who have a deep knowledge of e-commerce, with a view to developing other business lines.

None of the abovementioned initiatives would succeed if the technological transformation were attempted without paying attention to the people who must make it happen. Their involvement and commitment are key, which is why 2016 saw the start of the Digital Culture Plan, which will accompany the organisation in its

transition to the new digital model. To put this plan into effect, a Change Network has been created, made up of the managers of the retail business line (regional managers, marketing managers and area managers) and the newly appointed Digital Partners, who are branch managers who have been tasked with transferring the digital transformation milestones in their respective areas. The bank also started the Digital School, which in 2016 generated its first training itineraries, and drew up an indicators report that will help measure plan progress.

## 'POR SER TÚ' PROGRAMME

In 2016 Bankia launched a close, simple and transparent programme that offers existing and new personal customers the possibility of gaining exemption from fees. All they have to do is have their income (provided it exceeds 450 euros per month in the case of

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salaries or 200 in the case of pensions and unemployment benefit) paid by direct deposit into their account at Bankia. The exemption covers all accounts, the usual debit cards, Bankia credit cards, credit transfers in Spain or to other EU countries in euros through any channel and in any amount, and deposit of Spanish cheques. Current account cash withdrawals at the more than 5,300 Bankia ATMs and the first four withdrawals in any given month from Euro6000 and Banco Sabadell ATMs are also free of charge.

This measure initially affected the more than 2.4 million customers who in January 2016 had their income deposited directly into their account at the bank. During the year, the bank acquired a further 172,293 salary accounts, which represents an increase of 6.9% compared to the end of the previous year.

As well as acquiring customers with direct deposit of income, Bankia also made progress towards its goal of increasing sales of other value products, such as credit and debit cards.

The fee exemption also applies to customers under 18, customers aged 18 to 25 who receive correspondence exclusively online, customers who own at least 1,000 Bankia shares and customers whose end-of-month balance exceeds 75,000 euros, even if they do not have their income paid by direct deposit. These customers pay no fees for account maintenance or management, use of the usual or standard debit cards, deposit of Spanish cheques in all their accounts and unlimited credit transfers within the EU.

At 31 December more than 3.3 million retail customers of Bankia benefited from these exemptions, which on 11 May were extended to self-employed customers, provided they have their social security paid by direct debit.

### RESULTS OF 'POR SER TÚ'

**NEW DIRECT DEPOSITS – SALARY AND UNEMPLOYMENT BENEFIT** 154,427

**NEW DIRECT DEPOSITS-PENSIONS** 25,038

**TOTAL NEW DIRECT DEPOSITS** 172,293

**TOTAL DIRECT DEPOSIT CUSTOMERS** 2,668,887

**INCREASE VS. 2015** +6.9%

**INCREASE IN CREDIT CARDS** +279,714

**INCREASE IN DEBIT CARDS** +242,856

In January 2016 BANKIA launched the fee exemption strategy for individuals with direct deposit of income, subsequently extended to self-employed and digital customers. By year-end, more than 3.3 million customers of the bank were paying no fees for the most usual transactions.

## HIPOTECA SIN COMISIONES

In January 2017 Bankia launched the “Hipoteca SIN Comisiones” mortgage, which exempts customers from all the usual fees (arrangement, early repayment and redemption), simply for having their income deposited directly in the bank and without having to acquire any additional Bankia product. This is a lasting commitment, based on listening to customers.

At the same time, again with the aim of helping users (customers and non-customers) in their most important investment decisions, Bankia launched a free application that reports the market price of any home in Spain, along with details about the property and the surrounding area. Developed in collaboration with the Idealista property portal, the application is hosted on the bank’s website, is completely free and accepts an unlimited number of queries. The bank also has a mortgage simulator, which provides the user with information about the amount that could be borrowed, mortgage arrangement expenses, monthly payments and how they would change with changes in the Euribor

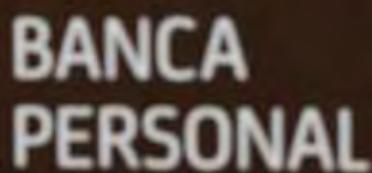
## MORTGAGE LENDING TARGET FOR 2017

# €1,600 MILLION

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## RETAIL BANKING.

|                     | PRODUCT                          | CUSTOMER SEGMENT   | DESCRIPTION   |
|---------------------|----------------------------------|--|---|
| INDIVIDUALS         | Consumer loan modification       | Individuals  | Absorbs and refinances the loans of customers who are unable to pay off consumer loans  |
|                     | Migrant remittances              | Immigrants   | Family aid remittances to the countries of origin   |
|                     | NGO cards*                       | Individuals  | Debit or credit card where the holder contributes a percentage of the net profit from the use of the card in retail establishments to associations and foundations affiliated with the NGO programme.   |
| PAYMENT INSTRUMENTS | Fundación Síndrome de Down       | Individuals, self-employed, small retailers, SMEs and businesses                           | A solidarity card, where Bankia pays a percentage of the fee revenue to Fundación Síndrome de Down de Madrid. Both individuals and businesses can be holders of this card.  |
|                     | Paralímpicos card                | Individuals, self-employed, small retailers, SMEs and businesses                           | Bankia will donate a percentage of the revenue from fees and use in retail establishments. So that individuals and businesses collaborate with the Spanish Paralympic Committee and Paralympic sports federations at no additional cost or effort.  |
|                     | Aquí-Allá debit and prepaid card | Immigrants   | Offers remittance solutions and facilities to immigrants in Spain who want to transfer money to relatives in their country of origin.   |
|                     | Carné Joven affinity card        | Young people/children  | In collaboration with the Youth Departments of the autonomous communities of the Canary Islands, Valencia, Castilla y León, Castilla la Mancha and Ceuta, Bankia issues the Carné Joven, in the form of a debit card, at no additional cost to the holder. Bankia also helps to the sponsor the Carné Joven youth card in various autonomous communities. |
| FINANCING           | Agro financing                   | Individuals and businesses engaged in crop and livestock farming and fisheries             | Credit to the agricultural, livestock and fishing sector. Advances on CAP funds and subsidies. Investment loans for the acquisition and adaptation of land and the repair and renewal of machinery  |
|                     | ICO loans                        | Self-employed, SMEs, businesses, public and private sector entities (foundations and NGOs) | Credit to businesses, SMEs and specific sectors in the areas of business startup and entrepreneurship, innovation and technology and for internationalisation   |
|                     | EIB line                         | Self-employed, SMEs and midcaps  | Financing of business projects in Spain and the EU for this type of company and self-employed business owners. This line of financing is not available for projects in certain sectors, including weapons production, real estate development, gaming and tobacco production and sale.  |
|                     | Home refinancing                 | Individuals  | Mortgage modification, forbearance and protection of mortgage debtors who have no resources (RD 6/2012)   |
|                     | Business refinancing             | Self-employed, retail establishments, SMEs and mid and large companies                     | Modification of unsustainable debt and zero instalment loan facilities for business activities  |


**BANCA  
PERSONAL**

**BANCA  
PERSONAL**

**BANCA  
PERSONAL**

|                         | PRODUCT                                      | CUSTOMER SEGMENT   | DESCRIPTION   |
|-------------------------|--|--|---|
| <b>CONSUMER CREDIT</b>  | Crédito Joven                                | Young people   | Universal personal consumer loan (for education, furniture, vehicles, etc.) for customers aged 18 to 30   |
| <b>INSURANCE</b>        | Farming insurance                            | Individuals and businesses engaged in crop and livestock farming and fisheries | Cover for activities in the farming, livestock and fishing sector and related operations  |
|                         | Insurance for solar photovoltaic plants      | SMEs and mid and large companies   | Cover for assembly damage, material damage, general liability and loss of income for lack of sun (hours and intensity)  |
|                         | Modular health insurance                     | Individuals  | Access to health care and private treatment. Tailored cover, with modules that can be taken out together or separately, according to the particular need.   |
| <b>ASSET MANAGEMENT</b> | Pioneer Funds – Global Ecology               | Individuals and businesses   | Investment in securities of companies involved exclusively in sustainable development (alternative energy, recycling, water treatment, biotech, etc.)   |
|                         | Employer Plans                               | Individuals and businesses   | Investment according to ESG criteria on a hybrid basis: best-in-class screening, supplemented by exclusion criteria   |
| <b>SERVICES</b>         | NGO credit transfers                         | Individuals and businesses   | Free credit transfers to specified charitable and social entities ( <a href="http://www.bankia.es/is/services/credit-transfers-to-ngo">http://www.bankia.es/is/services/credit-transfers-to-ngo</a> ) |
|                         | Online correspondence                        | Individuals  | Allows customers to view correspondence relating to their products and services in digital (PDF) format via Oficina Internet and Oficina Móvil  |
|                         | Supplier payment service                     | Self-employed, retail establishments, SMEs and mid and large companies         | Allows the customer to centralise payments to suppliers. Streamlined payments processing, cost reduction, control and security  |
|                         | Non-resident certificate application service | Immigrants   | Processing of the application for a non-resident certificate (first application and renewal)  |

## NGO CARDS AT 31/21/2016

**NGO CARDS**
**62,843**
**AWARDS TO NGOS (€)**
**116,114.18 €**

In 2016, a total of 439 organisations were affiliated to the NGO programme: seven linked to the personalised NGO card (Unicef, Acnur, Cruz Roja, Acción Contra el Hambre, Ayuda en Acción, Manos Unidas, Medicus Mundi) and 432 linked to the generic NGO card.