

# 01.4

## VALUE CREATION.

BANKIA CREATES STABLE, LONG-TERM VALUE FOR ALL ITS STAKEHOLDERS THROUGH A MODEL THAT COMBINES FULL SERVICE (ESPECIALLY FOR PERSONAL CUSTOMERS) WITH SPECIALISATION BY SEGMENT (TAILORING THE SERVICE TO EACH CUSTOMER'S NEEDS).

The main objective of Bankia's activity is to create sustainable, recurring value, taking a long-term view. This allows the bank to respond to the expectations of its stakeholders, the four most important of which are:

1. Shareholders. The interests of shareholders come first, especially given that a majority of the bank's capital is held by the State, which means that the bank's primary responsibility is to taxpayers.
2. Customers (many of whom are also shareholders). It is only by putting the customer at the centre that the bank is able to create value on a stable basis.
3. Society. The way Bankia can serve society best is by building a strong, efficient and profitable franchise that generates value in its environment.
4. Employees. None of the goals the bank may set itself will be achievable without an

inspiring professional project to which all the people who work in the group are committed.

The value creation policy of each of the main business lines is outlined below.

### • Retail Banking.

This area centres on individuals, following a universal banking model. Its main goal is to build customer loyalty and increase customer retention through value-adding products and services, reliable advice and a quality offering. Continuing this line of work, in 2016 Bankia launched a programme that allows personal customers to gain exemption from fees. The bank also made further inroads in consumer finance by granting more nearly 1,500 million euros of credit, 20% more than in 2015. The strategy is implemented through a multichannel system, in which digital services (the demand for which is growing, especially through smartphones) supplement those offered by the physical



branches and ATMs. Whichever channel the customer chooses, the working philosophy is to deliver the best experience and fully satisfy the customer's needs.

- **Personal and Private Banking.**

Aimed at wealthier customers who expect top-class financial and tax advice, the Private Banking area offers a highly specialised, personalised service. It has a team of highly qualified wealth managers, who advise on a wide range of products, according to each customer's risk profile and investment objectives. Independent advice is one of the things the bank's customers value most. In 2016, portfolio advisory and management services were a focus of attention and the service was extended to customers who want to trade for themselves. In the Personal Banking segment, which targets customers with a financial net worth of more than 75,000 euros, the value creation strategy relies on continuous contact with customers, for which account managers have specific functionalities at their disposal in the remote channels.

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

Self-employed professionals are a priority group for value generation. In 2016 the bank launched a programme that eliminates fees for these customers and offered products and services tailored to their needs. Customers who are self-employed have access to personalised advice. In the micro-enterprise (annual sales of up to one million euros) and SME (between one and six

## CONSUMER FINANCE IN MILLIONS OF EUROS

# 1,457

million euros) segments, Bankia redefined its customer portfolio management model so as to broaden the scope of specialised customer service and established new preclassified and pre-approved financing programmes. The bank keeps in close touch with these customers not only through the branch network but also by attending many events organised specifically for micro-enterprises and SMEs.

- **Business Banking.**

Businesses need not only financing but also advice. Meeting both these needs is the fundamental objective in this segment. The marketing policy combines price discipline -setting minimum prices based on the cost of resources and each customer's risk (which is assessed using advanced internal models approved by the Banco de España)- with active pursuit of cross-selling opportunities. The specialisation in providing specific capital markets products (syndicated loans and related fees and commissions, bond

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origination, derivatives management, currency services) is another important source of business and revenue. In collections and payments, the biggest advances in 2016 were in the means of payment segment (POS terminals). In lending, the application and approval processes for some of the main products (credit lines, guarantees, bill discounting) were redesigned and improvements were made to the foreign trade processes.

- **Bancassurance.**

The bancassurance business is strategic for Bankia on account of its contribution to recurring revenue and its close connection with the financing needs of individual and business customers through their life cycle. The bancassurance area coordinates this activity and provides specialised support to the branches for the marketing of insurance for individuals (life, home, auto and health) and businesses (trade, credit insurance, general liability and comprehensive business), as well as savings and retirement insurance (annuities and capital guaranteed).

- **Asset management.**

Bankia's mutual fund manager has a wide range of products in all categories (fixed-income, equity, mixed, guaranteed, absolute return, global, etc.), so that customers can choose the one that best matches their investment preferences. Funds are marketed through Bankia's branch network and also through remote channels. In the adverse economic and political context that prevailed in 2016, the most demanded products were guaranteed funds. In individual, employer and associated pension plans, the

bank's policy is based on the principle of maximum adaptation to each customer's needs.

- **Real estate assets.**

Creating value also requires cleaning up the balance sheet and complying with regulatory requirements. The group is carrying out a divestment programme to dispose of real estate assets. In 2016 the Property Management Directorate was created to bring under unified control the various functions that previously had been carried out by other areas. The creation of this unit has brought greater efficiency and a better overview of the portfolio as a whole, not only the physical properties but also their availability and any limitations or encumbrances. The new directorate coordinates sales through all channels and therefore also through Bankia's commercial network and prepares packages of assets for placement outside the retail circuit.



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