



## 02.3

## STRATEGY

BANKIA STARTS A GROWTH PHASE, HAVING FREED ITSELF OF THE CONSTRAINTS IMPOSED BY BRUSSELS IN 2012.

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On 28 November 2017, Bankia celebrated the fifth anniversary of the approval of the restructuring plan defined by Brussels and the presentation of the 2012-2015 strategic plan.

In the last five years, among other important milestones, the bank has met the targets set by the European Commission, has paid back a total of 2,656 million euros of state aid in various stages, has earned inclusion in the Dow Jones Sustainability Index (DJSI) and has positioned itself as a benchmark in the fintech sector with the launch of Bankia Fintech by Innsomnia, besides approving the merger with BMN.

Now, Bankia is starting a new phase, in which maintaining its leadership in efficiency, solvency

and profitability will be the main goal and growing, the essential objective.

To do this, Bankia will rely on two fundamental pillars, technology and people, while continuing to put the focus on the customer as the centre of all it does. The new financial year and the end of the limitations imposed by Brussels also allow the bank to open up new lines of activity, which will be especially important in the field of real estate development financing, capital markets and the world of large corporates.

The bank's plans in the more immediate future will continue to be marked by the drive to improve reputation and active listening to customers, with a view to raising satisfaction levels.

As a result of this active listening, in 2016 the bank approved the "SIN comisiones" strategy, which during that year benefited personal, self-employed and digital customers and which at the beginning of 2017 was extended to the mortgage segment, with the "Hipoteca SIN Comisiones" (mortgage without fees).

This commercial positioning will continue during 2018 and will be extended to new customers coming from BMN, provided they meet the requirements.

Another of Bankia's strategic pillars in 2017 was its positioning as a bank for businesses, one of the most important segments for value generation. For that purpose it developed "Soluciona empresas", a set of free digital

tools that will help companies in their everyday activities.

With the aim of enhancing customer satisfaction and increasing the bank's ability to attract new customers, Bankia also presented the funds simulator and the retirement planning simulator, to add to the property simulator and valuation tool introduced in 2016.

Multichannel distribution was reinforced and the "Connect with your Expert" project was supplemented with "Service +Value", an initiative designed for customers who have a less close relationship with the bank. Also, major efforts were made to apply innovation in the Bank's activity, so as to improve the customer experience.

## FRAMEWORK OF THE MERGER WITH BMN

If there is any one event that marked the bank's development in 2017, it was the merger with BMN, announced by the Fund for Orderly Bank Restructuring (FROB) in March and approved by the shareholders of both institutions in September.

After all the necessary authorisations had been obtained on 29 December, the new company was registered in the Valencia Companies Register on 8 January under the name of Bankia. In the first few months of 2018, the bank has been focusing on the IT and cultural integration of the merged entities.

The merger makes sense in both industry and strategic terms and will position Bankia as the fourth largest Spanish bank, with assets of more than 223,000 million, as well as increasing its market presence and expanding its customer base.

*BANKIA'S MAIN GOAL IN THE FUTURE WILL BE TO MAINTAIN ITS LEADERSHIP IN EFFICIENCY, SOLVENCY AND PROFITABILITY.*

According to projections for 2020, the merger with BMN will generate an extra 245 million euros of profit (in addition to the profit Bankia would have on its own), boost earnings per share by 16%, increase the return on equity by 120 basis points and bring the return on invested capital to 12%. The BMN merger will strengthen the franchise and allow Bankia to reach a leading position in rapidly growing markets such as Granada, the Balearic Islands and the Region of Murcia.



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### 2018-2020 STRATEGIC PLAN

Having accomplished all the undertakings given in the 2012-2017 Restructuring Plan and having met the targets of the 2012-2015 Strategic Plan, Bankia is in a good position to start a new phase, in which it aspires to become the best bank in Spain: the most solvent, the most efficient

and the most profitable, with committed teams and satisfied customers, and recognised by society.

To achieve that goal, Bankia will implement the 2018-2020 Strategic Plan, on completion of which it expects to report a profit of 1,300 million euros and shareholder remuneration of 2,500 million euros, more than double the amount distributed in the last four years.

This figure is including the bank's intention to increase its payout ratio to 45%-50% and to return surplus capital above the 12% CET1 fully loaded level.

According to the road map for the next three years, the bank will achieve a ROE of 10.8% in 2020 and the efficiency ratio will drop below 47%, compared to 56% at the end of 2017, after synergies totalling 190 million euros from the BMN



merger. Likewise, the bank's fully loaded CET1 ratio will rise above 12%.

One of Bankia's goals is to be a more digital bank and so it will invest 1,000 million euros in technology. Its targets are to increase the proportion of online sales to 35% by the end of the three-year period and the proportion of digital customers to 65%.

In order to boost its revenue, the bank plans to increase the number of retail customers by 5% (+400,000) and the number of Business Banking customers by 20% (+12,500 companies), while growing fee and commission income by 200 million through sales of value-added products.

Bankia aims to improve its market shares in mortgage origination (from 7.3% to 10.8%), loans to companies (from 6.9% to 7.7%), consumer loans (from 5.5% to 6.6%), mutual funds (from 6.4% to 7.2%) and payment services (from 8.1% to 9% in credit cards).

Its projections also include an improvement in the loan portfolio mix, with mortgage lending representing 54%, lending to companies 34% and consumer finance 6%, as well as an improvement in balance sheet quality.

Specifically, it envisages a reduction of 8,800 million in non-performing assets (non-performing loans and foreclosed assets), which will bring the total stock to 8,400 million euros, and a fall in the NPL ratio to 3.9%.

To meet these targets, the bank expects to operate in a macroeconomic environment dominated by positive trends, with estimated GDP growth above 2%, 1.1 million new jobs created over the period, a rise in the Euribor to 0.76% and credit growth of around 2%.

## A DIGITAL CULTURE PLAN FOR THE WHOLE BANK

Throughout 2017, Bankia pushed ahead with the digital transformation through the Digital Culture Plan. This cross-organisational, multidisciplinary, structural programme is focused on three main themes:

- **Transformation**, achieved through the creation of a change network based on "digital partners" and the preparation of digital productivity business indicators. The change network is the locomotive that will drive the transformation.
- **People**. The establishment of a Digital School has allowed the teams to develop new digital skills and roles. "New ways of doing things", "new attitudes" and "new ways of relating to people" have been developed as a result of the bank's digital transformation.
- **Communication**. Bankia has been working on a more effective, detailed and structured Communication Plan based on specific components (launch videos, app, public website, etc.). Also, a new Digital transformation website has been developed in which all the information relating to the digital world is centralised.