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BUSINESS BANKING

THE GROWTH OF ITS BUSINESS WITH COMPANIES – BOTH ONE-PERSON COMPANIES AND SMES AND LARGE CORPORATIONS – IS STRATEGIC FOR BANKIA.

Bankia regards business banking as a strategic sector and aspires to become the bank of choice both for self-employed business owners and SMEs and for companies with turnover of more than six million euros and large corporations. The aim is to accompany these businesses in their growth, financing their projects and offering them tools that will be useful in their daily activities.

Bankia has corporate customers in all sectors. The bank works with 14% of Spanish micro-enterprises, 30% of SMEs and one in two large companies.

Over the course of 2017, the bank granted 13,845 million euros of credit to businesses.

SELF-EMPLOYED AND SMES

For Bankia, SMEs and the self-employed are a strategically important customer group, which is why during 2017 it worked to deliver an offer of real value to them.

Particular efforts were made to be present in the main institutional credit facilities, such as the ICO, EIB and SGR facilities, so as to be able to offer SMEs and self-employed business owners the best products at the most competitive prices.

This segment has also enjoyed the benefits of the “Por Ser Tú” programme, which has allowed 257,112 SMEs and self-employed to stop having to pay fees on all their accounts in return for having their social security or tax paid by direct debit.

Additionally, Bankia reviewed its own multi-product credit line and redesigned its lending processes.

In the Retailer segment, it updated the POS terminal services to offer customers the latest technology together with value-added services that facilitate their business, such as financing through the terminal itself.

The farming sector is also strategic for Bankia, so new services have been implemented to facilitate applying for and obtaining European Common Agricultural Policy subsidies. Also, the Agro product catalogue has been adapted and credit approval processes have been streamlined.

Looking to 2018, Bankia will continue to work to position itself as a bank that helps SMEs and the self-employed by offering them value-

added services. It will continue to extend pre-approved finance programmes to a wider audience of customers and potential customers.

And it will focus its efforts on selling to this group through the Bankia Online Empresas and “Connect with your Expert” channels, while also implementing a new marketing action and segmentation model.

COMPANIES

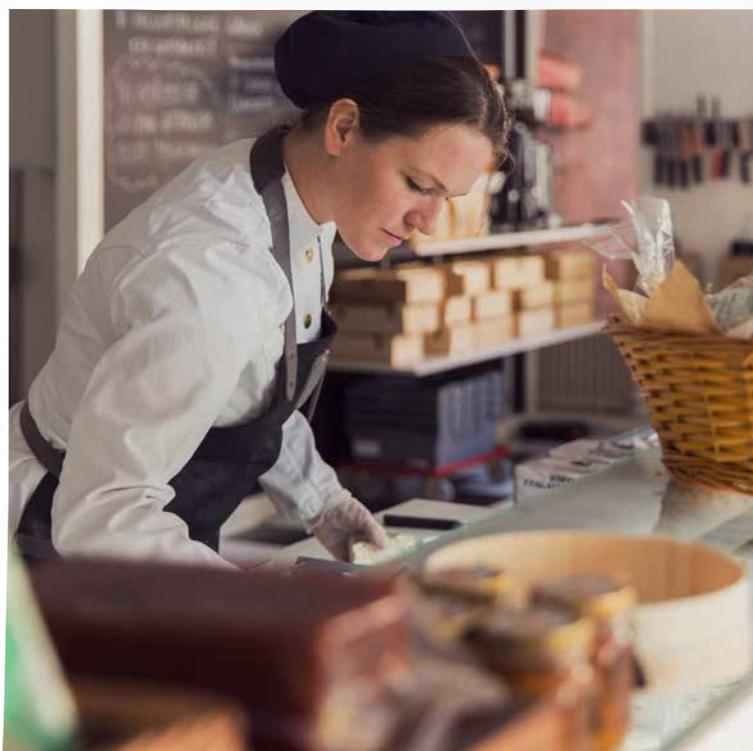
The main customers of the Companies segment are firms with annual sales of more than six million euros, not including large corporates. It has a network of 61 branches throughout Spain, with concentrations in the regions with the greatest activity: Madrid, Catalonia and the Valencian Community.

Its sales and business acquisition functions are supported by a network of specialised account managers, each of whom is assigned a limited number of customers and whose portfolios are structured according to the companies’ turnover, always with the aim of delivering a personalised service.

In 2017, Bankia continued to focus its activity on the client companies and so developed tools to help them manage their businesses more efficiently on a day-to-day basis and also organised industry conferences at which it demonstrated its commitment to this customer group.

NO. OF SME AND MICRO-ENTERPRISE CUSTOMERS	638,149
NO. OF SME ACCOUNT MANAGERS	250
VOLUME OF FINANCING GRANTED TO SMES AND SELF-EMPLOYED (€ MILLION)	13,846

LOOKING TO 2018, BANKIA WILL CONTINUE TO WORK TO POSITION ITSELF AS A BANK THAT HELPS SMES AND THE SELF-EMPLOYED BY OFFERING THEM VALUE-ADDED SERVICES.



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One of the main milestones in Company Banking in 2017 was the launch of “Solucion a Empresas”, an online platform that serves as a toolbox for all companies, not just Bankia customers, to assist them along their growth path.

The bank also introduced “Billib”, a digital platform created in a joint venture with Everis in which companies can manage their collections and payments.

Among other benefits, this platform reduces procurement costs, as it allows companies to negotiate cash discounts with suppliers, and improves liquidity both for the company and for its suppliers, as the collection period is shortened.

During 2017, two simplification projects were undertaken, one to simplify contracts and the other to simplify the fees charged on products and services. The underlying goal is to improve the customer relationship.

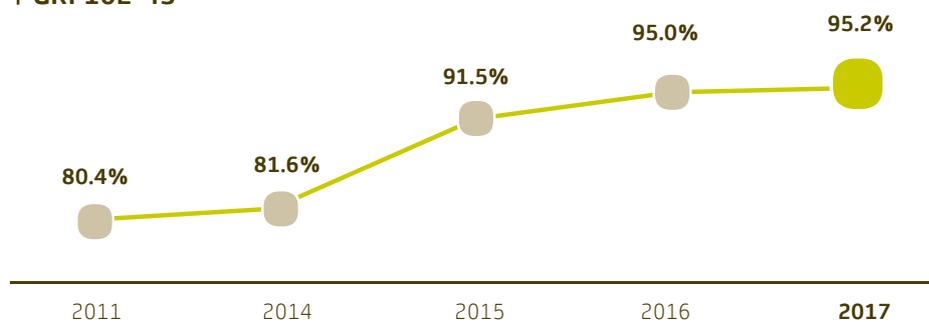
That is precisely the purpose of the Comprehensive Multi-product Line, launched in December, which offers a solution to customers’ needs for credit, bill discounting, foreign exchange insurance, payment financing, guarantees and letters of credit, all in a single product.

With this agreement, the customer only has to sign one document in order to obtain working capital credit, which reduces costs and simplifies

delivery of the documentation in successive novations. The facility is open-ended, allows more than one holder to draw on it simultaneously

BUSINESS CUSTOMER SATISFACTION INDEX

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NO. OF BUSINESS BANKING CUSTOMERS	24,455
NO. OF BUSINESS ACCOUNT MANAGERS	222
VOLUME OF CREDIT GRANTED TO BUSINESS CUSTOMERS (IN MILLIONS OF EUROS)	28,293
VOLUME OF PRE-APPROVED CREDIT MADE AVAILABLE TO BUSINESS CUSTOMERS (IN MILLIONS OF EUROS)	16,631
VOLUME OF FINANCING GRANTED TO BUSINESSES WITH SALES OF MORE THAN SIX MILLION EUROS (IN MILLIONS OF EUROS)	24,429
VOLUME OF MANAGED FUNDS OF BUSINESS BANKING CUSTOMERS (IN MILLIONS OF EUROS)	8,549
BUSINESS BANKING MARKET SHARE	37.70%

and has its pricing terms set out in a separate document, all this in the interests of making it simpler for companies to obtain credit and saving costs.

Meanwhile, closeness is the main objective of the industry conferences for client companies, which address issues such as innovation, digital transformation and competitiveness in different sectors and are an opportunity for the bank to get closer to its customers.

In total, 28 conferences were held in 24 different cities and were attended by more than 1,000 people from 677 companies.

Added to all this are the following actions and achievements during the year:

- Bankia raised its market share in the reverse factoring business from 5.90% at the end of 2016 to 8.09% in 2017. Various business processes in this area were improved to allow further growth: the offer was redesigned, the value date of payments is the date on which the file is processed and the charge at maturity is differentiated by invoice.
- The bank's range of "Business" credit and debit cards was expanded with the launch of the Solred credit and debit card, which provides invoices with a breakdown of the VAT associated with fuel purchases, as well as sales discounts.
- The speed of customers' payments was increased with the introduction of a new type of file-based mass SEPA credit transfer, which is credited to the recipients' accounts with same-day value.
- To improve Bankia customers' access to new business opportunities in three priority regions of the world, Latin America, EMEA (Europe, the Middle East and Africa) and Asia-Pacific, the bank strengthened its commercial relations with local banks in these regions.
- Bankia Online Empresas was revamped to give it a more modern, more visual look and was expanded to include new utilities that allow customers to perform their banking transactions much more quickly, more conveniently and at any time they choose.

In 2018, having fulfilled its commitment to Brussels, Bankia will be able to start offering finance to real estate developers again, so as to contribute to the expansion and renewal of the country's housing stock, although the growth forecasts in this sector are moderate. To do this, it has created a Real Estate Developers Directorate and has defined certain target areas linked to the regions with the fastest growth and where the bank's presence is strongest.

"SOLUCIONA EMPRESAS", A TOOLBOX FOR DAILY ACTIVITIES

"Solucionna Empresas" is a completely free online platform, accessible to customers and non-customers alike, which includes a package of digital tools designed to help Spanish companies in making their day-to-day decisions.

These tools cover aspects such as digital competitiveness (Indicex); corporate social responsibility (Responsible Management); cyber security (Secur@ Índex); and information about the countries or sectors in which a company is likely to find most business opportunities for its particular products (Exporta).

"Solucionna Empresas" also includes tools to improve the management of business risks, particularly those linked to foreign trade.

In the period from its launch in November 2017 to the end of the year, "Solucionna Empresas" received more than 300,000 visits and more than 600 companies registered.

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CORPORATE BANKING AND CAPITAL MARKETS

The Corporate Banking segment comprises groups of Spanish and foreign companies with annual sales of more than 300 million euros. These customers generally need more specialised service and more sophisticated products than smaller companies. The large public sector accounts

(Spanish State and Autonomous Communities, among others) are also included in this segment.

The bank's strategy for this customer group is based on a specialised sales organisation, an extensive catalogue of products and services designed to meet the needs of large corporations, pre-classification of risks through the Financing Programmes, comprehensive coverage of the business, and an optimal service for transactional operations.

Unlike other areas of the bank, the sales organisation is structured by sectors of economic activity and has specialised account managers in each sector to efficiently meet these companies' needs from the six units located in Madrid and Barcelona.

Given the complexity and range of products and services demanded by large corporate customers, Bankia also has product specialists covering everything from traditional financing and services to the more complex foreign trade and capital



markets transactions, who work closely with the sales organisation.

These customers' financing needs are covered by the Financing Programmes, which are prepared jointly with the risks area and involve establishing, at yearly intervals, an overall group-level framework for financing that can be used by the group's subsidiaries and greatly facilitates decision making.

On the other hand, large Spanish corporations operating internationally and foreign multinationals established in Spain demand global coverage of their businesses.

Although the bank has been involved in most of the international operations carried out in 2017, the lifting of the restrictions imposed in recent years under the recapitalisation plan opens up new business opportunities in this field.

The existence of a back office devoted exclusively to Corporate Banking ensures optimal service levels in all operations and transactions.

In 2017, despite the low interest rate environment, Corporate Banking succeeded in maintaining the gross customer margin in its segment compared with 2016, thanks to the lower interest on credit balances, in line with the market, and the strong performance of fee and commission income, due to the increase in transactional business, especially in international markets.

Looking at the balance sheet, performing loans increased slightly, while non-performing loans dropped 23.2%. The balance of guarantees grew 20% as a result of increased commercial activity. Customer

IN 2018, HAVING FULFILLED ITS UNDERTAKINGS TO BRUSSELS, BANKIA WILL SEEK NEW BUSINESS IN REAL ESTATE DEVELOPER FINANCE, CAPITAL MARKETS AND CORPORATE BANKING.

deposits fell 5.4%, in line with the strategy of optimising the bank's net interest margin.

In the Capital Markets area, Bankia is an active participant in the domestic fixed-income market, including Spanish Treasury bonds and corporate issuers. It helps companies access non-bank financing in the capital markets through the placement of public or private issues of bonds with Spanish and international institutional investors.

The bank is also a market maker in Spanish government bills, bonds and debentures and a price provider for customers in issuing their own debt securities and for fixed income securities originated by the Bank.

In syndicated loans, Bankia has played an important role in the domestic market. More than 70 deals were closed, supporting customers in very diverse industries. The bank has also reinforced its teams in the Loans Directorate by creating a new Non-Residential Real Estate Finance Directorate for give better coverage to customers' needs.

Included in the catalogue Bankia offers its customers are products tailored to customers' needs for managing interest rate and exchange rate risk.

The Mergers and Acquisitions team has continued to support the bank's customers in their corporate transactions, with a special focus on the mid-market segment and regulated assets. The main operations were in the renewable energy area, where the team completed the fifth merger since the change in the regulations and advised on transactions involving wind, photovoltaic and solar thermal assets.

2018 offers new business opportunities in the Corporate Banking and Capital Markets areas, now that the restrictions associated with the recapitalisation plan have been lifted.