



04.6 ASSET MANAGEMENT

ASSET MANAGEMENT IS A FUNDAMENTAL PART OF BANKIA'S BUSINESS, ESPECIALLY IN A LOW INTEREST RATE ENVIRONMENT.

In a context such as prevails at present, where funds are predominantly flowing out of deposits into mutual funds, Bankia's asset management strategy is based on offering a full range of mutual funds and pension plans, so that every customer can find something that meets his or her needs.

Last year, the two ranges of risk-profiled funds (Bankia Evolución and Bankia Soy Así) attracted most of the mutual fund subscriptions, accounting for more than 50% of the assets under management.

In pension plans, the range that attracted the most interest among customers were the profiled products (Cautious, Moderate, Flexible and Dynamic).

In order to fully adapt to the new MiFID II regulations, Bankia Asset

Management updated every aspect of its products, systems and client information.

BANKIA FONDOS

2017 was a good year for the mutual fund industry. The investment volume for the first half outstripped the volume for the whole of 2016.

The low interest rate scenario once again made mutual funds one of the preferred investments for Spanish savers seeking a return on their investments.

Among other advantages, these products give customers access to a broad asset portfolio, which helps diversify risk, while generating lower

transaction costs and better returns by pooling the savings of many investors.

Also, the wide range on offer allows customers to find the product that best suits their needs, expectations and profile.

In less than four years Bankia has succeeded in doubling the assets managed in mutual funds, with an additional 2,225 million euros acquired during the year, crossing the threshold of 15,000 million euros to reach a total of 15,240 million.

This growth lifted the bank's market share 27 basis points in 2017, to 5.8%.

A large part of the growth is linked to risk-profiled funds, matched to each customer's risk profile. At year-end, this product already accounted for 8,487 million euros, 56% of total assets under management.

Bankia has two ranges of profiled funds, Bankia Evolución and Bankia Soy Así, each of which offers various risk levels, so that once their risk aversion has been analysed, customers can choose the one that best matches their profile.

The assets under management of the 39 open-ended investment companies (SICAVs) administered by Bankia increased to 240 million euros.

After the merger with BMN, Bankia has consolidated its position as Spain's fourth largest financial institution, with nearly 17,000 million euros of assets under management, adding the 1,530 million from BMN to the 15,240 million already managed by Bankia before the merger. If BMN is included, the bank's market share in mutual funds would increase to 6.38%.

"FUTURO SOSTENIBLE" FUND

To support its range of "green" products, in the summer of 2017 Bankia launched the Futuro Sostenible fund, which adopts an ethical approach governed by the UN's Sustainable Development Goals. The fund invests in companies with good fundamentals and outlook that have a positive impact on achieving 10 of those goals.

Accumulating 10 million euros of assets already, the fund belongs in the International Equity category, has geographical or industry limitations and incurs currency risk.

The investment universe (both direct and indirect) is analysed by an independent expert, which applies filters to select the companies that meet the ethical standards.

The external firm Novaster has been engaged to prepare the first ever impact report on the fund to analyse how its investments have influenced the sustainable development goals.



BREAKDOWN BY SDG

- FOOD AND FIGHT AGAINST HUNGER **16.6%**
- CLEAN WATER AND SANITATION **25.4%**
- CLIMATE CHANGE AND ENVIRONMENT **30.7%**
- HEALTH AND WELL-BEING **17.8%**
- POVERTY AND INEQUALITY **2.9%**



5.80%

Market share
in mutual funds



659,392

No. of mutual
fund investors



€ 15,240 MILLION

Volume of assets
managed in
mutual funds

04.6

ASSET MANAGEMENT

Following the Bankia-BMN merger, Trea Asset Management, which until now managed BMN's investment products, has reached an agreement with Bankia under which Bankia Fondos will manage the products marketed by the former BMN network. Trea Asset Management will continue to act in an advisory capacity in respect of a corporate fixed income fund.

The main challenge for 2018 in the mutual funds segment will be the launch and implementation of "Bankia Gestión Experta", a diversified mutual fund portfolio management service that will allow customers to delegate portfolio decision making to Bankia, for portfolios from 10,000 euros.

These portfolios will be managed by the bank's professionals in accordance with the customer's interests, investment horizon and objectives, so as to take advantage of market opportunities, within their risk profile, as they arise.

With this new service, the bank will further expand its range of advice and strengthen its positioning as a financial adviser.

COMMITMENT TO RESPONSIBLE MANAGEMENT

Bankia Asset Management has a commitment to socially responsible investment (SRI) and is continuously working to extend its scope. The adaptation of the investments to ESG (environmental, social and governance) criteria has increased, both in terms of the number of employer plans in which ESG criteria are applied and in terms of asset coverage.

Initially, the only occupational pension plan that took extra-financial criteria into account in its investment decision making was the Bankia Group's Employees Fund. Gradually, ESG criteria have been extended to all the occupational pension plans managed by Bankia Pensiones. As regards asset classes, the coverage is already practically 100% in equity instruments and is increasing in fixed income securities, so that in most of the occupational pension plans more than 70% of the investment already meets ESG criteria.

Bankia's commitment to promoting socially responsible investment was demonstrated by its participation, with the Bankia Futuro Sostenible fund, in the event held to celebrate the Second Year of the Sustainable Development Goals, promoted by SUST4IN. The bank was also present at the 2017 annual event of Spainsif, which is the leading platform in Spain for promoting the integration of ESG criteria in investment policies. Bankia has been a member of Spainsif since 2011.

Among the challenges to be faced in 2018 are the need to draw up a socially responsible investment policy, adapt the investment model to the bank's standards on controversial weapons and broaden the scope to other financial instruments.



€ 881 MILLION

Volume of assets managed
under SRI criteria

PENSION PLANS

Demographic trends in Spain, where life expectancy is increasing while the working-age population is decreasing, pose a challenge for the public pension system as we know it today.

Aware of the challenge, Bankia maintains its commitment to foster a culture of saving through pension plans, a product that is becoming one of the main pillars of workers' retirement provision.

At year-end 2017, Bankia's domestic market share in pension plans was 6.35%.

Bankia has 7,035.1 million euros of assets distributed in individual, employer and associated pension plans, always following the principle of maximum product customisation to suit each customer's needs and retirement horizon. The assets are distributed as follows: 17.7% fixed income, 55.5% mixed, 21.1% guaranteed and 5.7% equity.

To help citizens easily and quickly plan their retirement, in December Bankia launched a free simulator for customers and non-customers to find out the amount of the public pension they will receive when they retire, plus any supplement obtained through private saving. This tool performed 11,185 simulations in 2017.



7.03%

Market share in personal pension plans



716,922

No. of pension plan member accounts



€ 7,035 MILLION

Volume of assets managed in pension plans