04 . BUSINESS MODEL.
THE MAIN CHARACTERISTICS OF BANKIA’S BUSINESS ARE CUSTOMER FOCUS, SEGMENTATION AND MULTICHANNEL DISTRIBUTION. THE GOAL IS TO PROVIDE A SERVICE THAT IS CLOSE TO CUSTOMERS, PROFESSIONAL AND TAILORED TO CUSTOMERS’ NEEDS AT ALL TIMES.

SATISFACTION INDEX - INDIVIDUAL CUSTOMERS 87.3%

SATISFACTION INDEX - BUSINESS CUSTOMERS 95%

CUSTOMERS WITH FEE EXEMPTION 3.3 MILLION
A RELATIONSHIP OF TRUST WITH CUSTOMERS, WHICH IS ONE OF BANKIA’S GREAT AMBITIONS, CAN ONLY BE ACHIEVED IF CUSTOMERS ARE SATISFIED WITH THE SERVICE EXPERIENCE. CONTINUOUS IMPROVEMENT OF SERVICE EFFICIENCY AND QUALITY IS THEREFORE A PRIORITY FOR THE ENTIRE ORGANISATION. THE DECISIONS TAKEN FOLLOWING THE COURT RULINGS ON FLOOR CLAUSES AND THE BANK’S IPO TESTIFY TO THIS SPIRIT OF SERVICE TO CUSTOMERS.

Aligning the business with customers’ needs, understood as an ongoing process, is the guiding principle of the bank’s planning. Customers’ needs are changing and the bank must be alert and listen to customers so as not to be left behind. One consequence of the listening process was the approval in early 2016 of the SIN Comisiones (“No Fees”) strategy, which decisively increased customer retention and new customer acquisition. This result demonstrates that in-depth knowledge of demand is essential and that Bankia’s commitment of resources to that end are more than justified.

QUALITY MEASUREMENT

To learn about customers’ experience of the bank and detect new needs, over the course of the year Bankia administered more than 100,000 questionnaires. It also took part in mystery shopper campaigns (unannounced customer visits), carried out by independent firms. These activities gave a very clear image of the service provided by the branches, identifying those that set an example and those that have most room for improvement, for which specialised plans are established.

Besides assessing overall service quality, Bankia also systematically analyses the marketing of products in all business segments through the customer contact channels. The aim is to ensure that the products offered are the ones that are most appropriate for each need and that the customers who buy the products know what they are buying.

The bank also carries out continuous research to obtain highly detailed information, at individual branch level, on the starting point for the bank’s positioning in the different business areas and in relation to internal customers. The results of these measurements...
are used to implement actions that will help the bank meet its goal of being close to customers, simple and transparent.

**MYSTERY SHOPPER SURVEY, BANKIA VS. SECTOR**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>5.88</td>
<td>6.61</td>
<td>7.28</td>
<td>7.58</td>
<td>7.64</td>
</tr>
</tbody>
</table>

**INDIVIDUAL CUSTOMER SATISFACTION INDEX**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>77.3</td>
<td>80.2</td>
<td>82.4</td>
<td>86.3</td>
<td>87.3</td>
</tr>
</tbody>
</table>

Source: Objective quality research (EQUOS-STIGA)
The efforts made during 2016 helped define a new form of customer relationship, one that forging a much stronger tie and that has benefited the business. These efforts led to the formulation of a Relationship Style, the purpose of which is to use customer conversations more effectively to strengthen customers’ ties with Bankia. The challenge for 2017 is to implement this Relationship Style throughout the bank, building exclusive relationships with customers.

The rollout of the Relational Quality Model, planned for this year, will be an important milestone because it will help to generate higher satisfaction levels and an enhanced customer experience, and thus also an increased volume of business. The focus will be on redesigning the moments of truth, so as to offer customers the best possible service at the most important touch points in their relationship with the bank.

Another important line of work in 2017 is to start a certification process for branch professionals, with the aim of turning them into customer advice experts. At the same time, all the measurements that are need in order to have an accurate diagnosis of customers’ needs and how well Bankia covers them will be maintained and implemented.

As an independent body, the Customer Service Department (CSD) ensures that customers’ relationship with Bankia is the best it can be and entirely fair, governed by full respect for applicable law and good banking practices. The CSD not only handles customer complaints and claims but also helps prevent the most common problems by correcting the causes of customer dissatisfaction.

In 2016, the CSD implemented a variety of initiatives, ranging from quality sampling to reviews of particular procedures that have been the subject of complaints, such as floor clauses or the Bankia IPO. It also promoted the creation of task forces to tackle issues that are the subject of recurring complaints (means of payment, execution of wills, overdraft fees).

One of the SCD’s greatest challenges is to reduce complaint resolution time, which already in 2015 fell from 47 to an average of 28 days. The efforts made in 2016 brought a further reduction to 20 days. This reduction was largely thanks to an increase in response capacity in the branches and the appointment of complaints officers in regional head offices. In 2016 there was also a decrease in the number of customer complaints received (from 67,703 to 34,924) and accepted for investigation (from 49,318 to 32,725).
Among the plans for 2017 are the following:

- Implementation of new procedures, such as the project to improve the treatment of reopened complaint files.
- Training of the operators of outsourced services, following a timetable agreed with the provider.
- Operational improvements to the management tool (quality controls, automation of administrative tasks, etc.)
- Reduction of complaint processing times and increase in resolution quality.

In 2016, the CSD implemented a variety of initiatives, ranging from quality sampling to reviews of particular procedures that have been the subject of complaints, such as floor clauses or the Bankia IPO.

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints accepted for investigation</td>
<td>32,725</td>
</tr>
<tr>
<td>Complaints received from customers</td>
<td>34,924</td>
</tr>
<tr>
<td>Complaints resolved in the customer’s favour</td>
<td>14,454</td>
</tr>
<tr>
<td>Average response time for accepted customer complaints</td>
<td>20 days</td>
</tr>
</tbody>
</table>
As proof of its commitment to serving customers, Bankia was the first bank to put into effect, at the end of January 2017, a procedure for analysing requests for a refund of the additional amounts paid by consumers as a result of the floor clause in their mortgage. The decision was taken after the ruling by the Court of Justice of the European Union and the Royal Decree-Law passed by the Spanish government requiring banks to start such a procedure.

Based on previous experience in similar procedures, Bankia decided to provide a refund in general to all consumers who were in a similar situation to those affected by the abovementioned ruling.

All that customers had to do to use this procedure was go to their Bankia branch, where they could fill out a form requesting a refund, the amount of which, in most cases, was precalculated. Once the necessary checks had been completed, the customer was offered a refund, plus legally required interest. The customer could choose to receive a refund in cash or an amortisation of outstanding principal on their mortgage. This agile, simple and transparent procedure allowed customers to recover the same amount as with a favourable court decision but without the associated costs and delays.

The refund formula has also benefited shareholders, as it has allowed Bankia to avoid potential court costs estimated at around 100 million euros. Bankia had already recorded provisions in 2015 and 2016 totalling more than 200 million euros to cover this contingency.

Floor clauses affected 3% of Bankia’s mortgage portfolio and just over 57,000 customers. In 2015 Bankia decided to stop applying any floor clauses in force at that time.

A system similar to that used for floor clauses was set up in February 2016 to reimburse retail investors who purchased shares of Bankia in its IPO in 2011, without having to satisfy any additional condition and without the costs or delay of an in-court or out-of-court claim.

The refund, upon submission of a refund application in the branches, included the full amount of the initial investment in exchange for the return of the shares. Those who had already sold the shares received the difference between the amount paid in the

FLOOR CLAUSE REFUND

RESTITUTION OF THE INVESTMENT IN THE IPO
At the end of January 2017 the bank announced the launch of a fast-track procedure in BANKIA branches to allow holders of mortgage loans with a floor clause to apply for a refund of the amounts paid as a result of that clause.

In its July 2011 IPO Bankia obtained a total of 1,847 million euros of funds through the retail tranche, which were provided for in full by the BFA-Bankia group in 2014 and 2015. As of 31 December 2016, a total of 1,564 million euros had been refunded to 219,876 investors, who represented 86% of the total. The bulk (810 million) of that amount was refunded through the process initiated in the branches and the rest was settled after legal proceedings.

At that date, refunds were still being processed for 4,854 shareholders (2%), who had invested some 50 million euros in the IPO and had opted to claim through the courts. Another 17,903 shareholders (7%), with an investment of 137 million, had not claimed because they sold before March 2012 with minimal losses or even a gain. There is another group of 12,989 shareholders who have not sought a refund of their investment by any of the means available to them.
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.
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

NO. OF PERSONAL BANKING ACCOUNT MANAGERS AND ADVISERS
2,118

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
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
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 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.

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.

HOME LOANS PROVIDED (IN €’000)

1,075
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’

- Users: 297,514
- Business volume: 11,100 million €
- User satisfaction index: 91.5% vs 87.3% for the bank as a whole
- Sales to customers in this service are 22% higher than sales to other customers
- 67% of the users that have chosen a preferred time of day have chosen the afternoon
- 67% of users have chosen to be contacted by mobile phone
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 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.

<table>
<thead>
<tr>
<th>Multichannel customers</th>
<th>2.182,450</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oficina Internet</td>
<td>1,65 million</td>
</tr>
<tr>
<td>Oficina Móvil</td>
<td>1,12 million</td>
</tr>
<tr>
<td>Telephone Banking</td>
<td>436,000</td>
</tr>
</tbody>
</table>
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.

- **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.

- **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...
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.

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### RESULTS OF ‘POR SER TÚ’

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW DIRECT DEPOSITS – SALARY AND UNEMPLOYMENT BENEFIT</td>
<td>154,427</td>
</tr>
<tr>
<td>NEW DIRECT DEPOSITS-PENSIONS</td>
<td>25,038</td>
</tr>
<tr>
<td>TOTAL NEW DIRECT DEPOSITS</td>
<td>172,293</td>
</tr>
<tr>
<td>TOTAL DIRECT DEPOSIT CUSTOMERS</td>
<td>2,668,887</td>
</tr>
<tr>
<td>INCREASE VS. 2015</td>
<td>+6.9%</td>
</tr>
<tr>
<td>INCREASE IN CREDIT CARDS</td>
<td>+279,714</td>
</tr>
<tr>
<td>INCREASE IN DEBIT CARDS</td>
<td>+242,856</td>
</tr>
</tbody>
</table>
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.

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

MORTGAGE LENDING TARGET FOR 2017

€1,600 MILLION
## 04.2 RETAIL BANKING.

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>CUSTOMER SEGMENT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO cards*</td>
<td>Individuals</td>
<td>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.</td>
</tr>
<tr>
<td>Fundación Síndrome de Down</td>
<td>Individuals, self-employed, small retailers, SMEs and businesses</td>
<td>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.</td>
</tr>
<tr>
<td>Paralímpicos card</td>
<td>Individuals, self-employed, small retailers, SMEs and businesses</td>
<td>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.</td>
</tr>
<tr>
<td>Aquí-Allá debit and prepaid card</td>
<td>Immigrants</td>
<td>Offers remittance solutions and facilities to immigrants in Spain who want to transfer money to relatives in their country of origin.</td>
</tr>
<tr>
<td>Carné Joven affinity card</td>
<td>Young people/children</td>
<td>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.</td>
</tr>
<tr>
<td>Agro financing</td>
<td>Individuals and businesses engaged in crop and livestock farming and fisheries</td>
<td>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 repairs and renewal of machinery.</td>
</tr>
<tr>
<td>ICO loans</td>
<td>Self-employed, SMEs, businesses, public and private sector entities (foundations and NGOs)</td>
<td>Credit to businesses, SMEs and specific sectors in the areas of business startup and entrepreneurship, innovation and technology and for internationalisation.</td>
</tr>
<tr>
<td>EIB line</td>
<td>Self-employed, SMEs and midcaps</td>
<td>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.</td>
</tr>
<tr>
<td>Home refinancing</td>
<td>Individuals</td>
<td>Mortgage modification, forbearance and protection of mortgage debtors who have no resources (RD 6/2012).</td>
</tr>
<tr>
<td>Business refinancing</td>
<td>Self-employed, retail establishments, SMEs and mid and large companies</td>
<td>Modification of unsustainable debt and zero instalment loan facilities for business activities.</td>
</tr>
</tbody>
</table>
### PRODUCT CUSTOMER SEGMENT DESCRIPTION

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

**NGO CARDS AT 31/21/2016**

<table>
<thead>
<tr>
<th>NGO CARDS</th>
<th>62,843</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWARDS TO NGOS (€)</td>
<td>116,114.18 €</td>
</tr>
</tbody>
</table>

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.
BUSINESSES NEED NOT ONLY FINANCING BUT ALSO ADVICE. MEETING BOTH THESE NEEDS IS THE FUNDAMENTAL OBJECTIVE IN THIS SEGMENT, FOR WHICH BANKIA HAS A BROAD OFFERING.

Bankia is one of the biggest players in the Spanish market among companies with sales of more than six million euros per year. Its portfolio in this segment comprises more than 20,000 customers and is well diversified among the different sectors, although services, manufacturing and retail account for 46% of the total. The penetration rate is 40.3% in Madrid, 58.8% in Valencia and also very significant in La Rioja, the Canary Islands and Castilla-La Mancha.

Across the various regions it covers, Bankia has 59 business centres, two company corners, a corporate office in Madrid and another in Barcelona. In all of them it operates from a dual perspective of profitability and prudent management, taking a long-term view of its financial relationships with customers. The commercial teams have targets based on contribution to results, cross-selling and close supervision of risks, so as to provide financial support to business ventures that will help them develop.

In pursuing these targets, Bankia adheres to policies that are compatible with its corporate values, including transparency, legality and protection of human rights, which means that certain controversial sectors, specified in the internal operations manuals, are excluded from the relationship. One of these policies, the commercial policy, is based around active management of total customer return, combining price discipline with active pursuit of business opportunities.

A BETTER RELATIONSHIP WITH CUSTOMERS

Following these principles, in 2016 Bankia continued to build relationships with business customers, putting special emphasis on
technological developments and companies’ digital transformation. Considerable effort went into evolving the tools that help
account managers be more effective, both in terms of sales effort and in terms of planning their activity, by providing them with the necessary knowledge and closeness to their customers. The alerts system was improved and a new portfolio segmentation by amount invested, commercial potential and scope for cross-selling was implemented that helps the bank meet companies’ financial needs more effectively.

One of the big innovations of 2016 was the launch of the InVeinte service, with the support of specialists in information acquisition and the management of government subsidies, whether local, regional, state or European. There were also notable improvements to the usability of the Oficina Internet for Businesses (which started to be implemented in 2015), as regards order submission (payments and collections, receipts, etc.), speeding up customers’ ordinary operations.

In foreign trade, Bankia has a correspondent account in renminbi in a Chinese bank and was the first Spanish bank to exchange information with credit institutions in Iran using SWIFT codes, following the lifting of most sanctions in 2012. All international business is conducted in accordance with the international standards of SWIFT’s KYC Registry, scrupulously complying with anti-money laundering requirements.

As regards communication and contact with customers, in 2016 the bank organized 36 one-day conferences in different parts of Spain to debate issues concerning today’s economy and business digitisation, as well as 11 working breakfasts on future trends and practical applications in the foreign exchange market. The purpose of these events was to improve customer relationships and respond to any needs that will help customers grow their business.

**BUSINESS CUSTOMER SATISFACTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Satisfaction Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>80.4%</td>
</tr>
<tr>
<td>2014</td>
<td>81.6%</td>
</tr>
<tr>
<td>2015</td>
<td>91.5%</td>
</tr>
<tr>
<td>2016</td>
<td>95.0%</td>
</tr>
</tbody>
</table>
04.3
BUSINESS BANKING.

HELPING TO GROW

During 2016 Bankia maintained a rapid pace of lending to companies with annual sales of more than six million euros, both for working capital and for investment. Over the course of the year, it provided 8,617 million euros of credit and loans to this segment. If lending to SMEs and the self-employed is added, the total comes to 12,137 million. In addition, pre-approved credit totalling 16,881 million euros is available to business customers, existing and new. In loan syndication Bankia ranked fourth in the Spanish financial system in 2016, with 4,304 million euros, 8.4% of the total.

Foreign trade finance absorbed 9,900 million, 13% more than in 2015. The customer base increased 14.9%, thanks to the fact that export and import finance grew at a rate of 16.6%, from 7,618 to 8,888 million euros. Once again, guarantees given exceeded 1,000 million euros. The Autonomous Communities in which this type of financing grew most strongly were Aragón (49 million, 104.80%), Balearic Islands (21 million, 71.50%), La Rioja (45 million, 70.63%), Andalusia (157 million, 45.16%), Asturias (34 million, 22.97%) and Castilla la Mancha (33 million, 22.51%). They were followed by Galicia (46 million, 22.26%), Valencian Community (183 million, 17.89%), Navarra (14 million, 15.91%), Cantabria (7 million, 14.51%), Community of Madrid (496 million, 13.77%) and Castilla y León (18 million, 11.05%).

8,617 MILL
Financing granted to companies with annual sales of more than 6 million.

3,520 MILL
SMEs and self-employed annual financing.

16,881 MILL
Pre-approved credit to businesses.
During 2016 BANKIA maintained a rapid pace of lending to businesses, both for working capital and for investment. For operations in Spain in provided 8,617 million euros, plus 9,900 million of foreign trade finance.

QUALITY ABOVE ALL

In the current environment of deleveraging and low interest rates, the challenge for Bankia in the Businesses segment is to build a profitable franchise that is capable of providing increasingly high quality financial services to its customers. At the internal level, that means it is essential to continue to improve the tools provided to sales managers and deliver further operational and process improvements. Externally, the aim is to supplement the offering with non-financial products and services and continue to offer information and news about the world of finance and the economic and digital environment through newsletters and working sessions with customers.

PARTICIPATION IN TRADE EVENTS

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALÓN MIEMPRESA</strong></td>
<td>The two-day Salón MiEmpresa fair received more than 15,000 visitors. Under the slogan “Supérate” (&quot;Outdo Yourself&quot;), the meeting provided opportunities for sharing of experiences and networking. The fair, which is sponsored by Bankia, offered entrepreneurs and SMEs advice on how to enter the market and help in facing future challenges in areas such as internationalisation, business development, technology, etc.</td>
</tr>
<tr>
<td><strong>FORINVEST</strong></td>
<td>International trade fair for financial products and services, investments, insurance, taxation and technology solutions for the financial sector. One of the speakers at Forinvest 2016 was Bankia CEO José Sevilla.</td>
</tr>
<tr>
<td><strong>SPAIN STARTUP SOUTH SUMMIT</strong></td>
<td>Spain StartUp South Summit, Held in Madrid, the event was attended by more than 10,000 people, including entrepreneurs and investors. It has become one of Europe’s biggest meetings for startups.</td>
</tr>
<tr>
<td><strong>FERIA INTERNACIONAL DE TURISMO DE CASTILLA Y LEÓN, (INTUR)</strong></td>
<td>Bankia sponsors this trade fair for tourism professionals and travellers. The first two days were devoted to professional meetings, including most notably the INTUR Negocios buyers and sellers market. This year the fair attracted more than 44,000 visitors.</td>
</tr>
<tr>
<td><strong>OTHERS</strong></td>
<td>Fenavin Contact Foro Innova Pyme (Alicante and Barcelona) Manager Business Forum (Madrid and Bilbao) FERCAM</td>
</tr>
</tbody>
</table>
BEING PERMANENTLY IN CONTACT WITH CUSTOMERS IS A KEY FUNCTION IN ALL BANKING ACTIVITY, BUT ESPECIALLY WHEN THE CUSTOMERS ARE AS DEMANDING AS PRIVATE BANKING CUSTOMERS, WHO WILL PLACE THEIR TRUST ONLY IN AN INSTITUTION THAT OFFERS THEM EXCELLENT, HIGHLY SPECIALISED SERVICE.

An environment as volatile as that seen in 2016 demands maximum professionalism in advice and wealth management. To provide the best service, Bankia has a highly qualified team of professionals, who offer tailored financial and tax solutions and access to a wide range of national and international products, based on each client’s objectives and risk profile.

This team, which is dedicated exclusively to customers who have a private banking portfolio of more than 600,000 euros or financial net worth of more than one million, is made up of 54 people deployed in 13 branches, which are grouped in four regions.

Their mission is to be in permanent contact with their clients, share with them information about relevant events and analyse the impact of those events on clients’ investments. The fact that they with an open architecture approach to mutual funds, bond and equity issues and structured bonds also gives them an independence of judgment that clients value highly.

One of the great challenges Bankia took on in 2016 was to transform its balance sheet by advising customers to transfer money out of deposits into collective investment vehicles, in response to the decline in interest rates to record low levels during the year.

At 31 December, Private Banking had 5,110 portfolios, as against 5,141 at the end of 2015. Its business volume was 5,434 million euros, up 7.68%. Of this total, 2,369 million related to mutual funds, pension plans and SICAVs. Besides continuing to expand the range of products, the bank’s goal for 2017 is to take advantage of new regulations to introduce more powerful advice tools that will allow it to offer an even better service: simpler, more complete portfolio reports, new investment proposal forms, new communication channels, etc.
NUMBER OF PRIVATE BANKING ACCOUNT MANAGERS

43

NUMBER OF PRIVATE BANKING CLIENTS

7,075

EVENT DAYS WITH CLIENTS

<table>
<thead>
<tr>
<th>TYPE OF EVENT</th>
<th>VENUE</th>
<th>ATTENDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Presentation of Financial Asset Allocation 2016</td>
<td>Madrid</td>
<td>235*</td>
</tr>
<tr>
<td>*Presentation of Financial Asset Allocation 2016</td>
<td>Valencia</td>
<td>170*</td>
</tr>
<tr>
<td>Conference on “Macroeconomic and Market Outlook. Management through Mutual Funds”</td>
<td>Albacete</td>
<td>100</td>
</tr>
<tr>
<td>Conference on “Alternatives to Fixed Income for the Conservative Investor: Absolute return, Market View”</td>
<td>Valencia</td>
<td>170</td>
</tr>
<tr>
<td>Annual conference on “Taxation”</td>
<td>Madrid</td>
<td>370</td>
</tr>
<tr>
<td>Breakfast with clients of Bankia Banca Privada</td>
<td>Vitoria</td>
<td>20</td>
</tr>
</tbody>
</table>

*Clients of Banca Privada and Banca Personal
THE SELLING OF INSURANCE THROUGH THE BRANCH NETWORK IS BECOMING AN INCREASINGLY IMPORTANT PILLAR OF BANKIA’S ACTIVITY. ITS CONTRIBUTION TO FEE AND COMMISSION INCOME IS GROWING, ESPECIALLY AFTER THE STIMULUS IT HAS RECEIVED IN THE LAST TWO YEARS.

The Bancassurance Directorate is responsible for brokering insurance for individuals (life, home, health, auto, etc.) and businesses (retailers, third-party liability, credit, etc.), as well as savings insurance. The insurance distribution network therefore currently relies primarily on the traditional branches, although the penetration of the insurance activity in the bank’s other channels (public website, multi-channel account managers, etc.) improved over the course of 2016, thus extending the offer of insurance products to Bankia’s multichannel customers.

The bancassurance business’s life saving products are influenced by trends in the economic and financial environment. The geopolitical uncertainties and low interest rates in 2016 did not favour the marketing of this type of insurance. Even so, net premiums written came to 367 million euros, with new production up 2% compared to 2015. At 31 December 2016, a total of 1.9 million policies were in force. The mathematical provisions for life savings insurance totalled 5,418 million at that date. Seventy percent of new production in 2016 was concentrated in the life and home businesses, with significant growth also in the SMEs business, which was up 21% compared to 2015.

One of the keys to Bankia’s good performance in bancassurance was the implementation of the strategic agreement with Mapfre, entered into in 2014, which has allowed the bank to establish a single, integrated insurance distribution model throughout its commercial network, allowing it to offer a more effective, better quality service. For the purposes of the Mapfre agreement, the network means not only the branches but also other channels, especially the digital ones, which are becoming increasingly important for the bank’s insurance business.

Apart from that, Bankia’s efforts in the bancassurance business in 2016 were concentrated on monitoring and supporting
the regional head offices, measuring productivity levels, advising the distribution network, training employees (220,867 hours of training given), optimising marketing systems, simplifying sales operations and improving sales and aftersales support.

The challenges for the next few years include the following: increase the bancassurance business’s contribution to the bank’s fee and commission income, further adapt the product catalogue to customers’ needs (focussing on the business lines most closely related to the banking business, life and home), simplify sales operations so as to increase employee productivity, continue the training plans to improve advisory services, and accompany the bank in its digital transformation, so as to maximise its potential.

PREMIUMS WRITTEN (IN THOUSANDS OF EUROS) 367

POLICIES IN FORCE AT 31 DECEMBER 2016 1.9 MILL.

HOURS OF BANCASSURANCE TRAINING GIVEN TO EMPLOYEES 220,867
DESPITE ADVERSE ECONOMIC AND GEOPOLITICAL CIRCUMSTANCES, DURING 2016 BANKIA CONSOLIDATED ITS POSITION IN THE MUTUAL FUNDS AND PENSION PLANS BUSINESS. IT DID THIS BY ADAPTING ITS OFFERING TO THE PREVAILING CIRCUMSTANCES AND OFFERING THE MOST DEEPLY RESEARCHED ADVICE.

At 31 December 2016, Bankia had more than 20,100 million euros of assets under management in mutual funds and pension plans. Adding to this the bancassurance activity, total managed funds came to 25,585 million.

BANKIA FONDOS

Bankia’s mutual fund manager, Bankia Fondos, has 297,336 investors and a broad catalogue of 88 products in all categories (fixed-income, equity, mixed, guaranteed, absolute return, global, etc.), so that customers can choose whichever one best matches their investment preferences. Funds are marketed through Bankia’s branch network and also through remote channels.

At the end of 2016, Bankia Fondos had 13,325 million of assets under management. Of that total, 13,015 million related to mutual funds, up 8.8% compared to 2015, despite high market volatility throughout the year. According to the Spanish Investment and Pension Fund Association Inverco, Bankia Fondos ranked fifth among Spanish fund managers, with a 5.53% market share, compared to 5.44% the previous year.

The biggest demand in 2016 was for guaranteed funds, where subscriptions reached 794 million euros. The best performers in terms of returns were the risk-profiled funds, particularly the ones with the most assets (Bankia Evolución Prudente and Bankia Soy Así Cauto), which were able to provide positive returns thanks to their diversification and global investment universe.

The assets under management of the 49 open-ended investment companies (SICAVs) administered by Bankia grew to 289 million euros (273 million in 2015).
PENSION PLANS

Pension plans are a fundamental tool for encouraging a culture of saving, as they help employees provide for a more secure retirement, especially now that demographic pressure is threatening the sustainability of the public pension system as we know it.

At 31 December 2016 Bankia had 6,842 million euros in personal, employer and associated pension plans (6,863 million in 2015) – all of which are tailored as far as possible to the needs of each customer – and 715,679 unitholders. It had a market share of 7.21% in personal pension plans in Spain.

The assets were distributed as follows: 21.4% fixed income, 45.9% mixed, 27.3% guaranteed and 5.4% equity.

Distribution is through the branch network, backed increasingly by the online and mobile channels.

SOCIALLY RESPONSIBLE INVESTMENT

Bankia has a provider of socially responsible investment (SRI) services that offers an ESG analysis of more than 4,500 companies. This allows Bankia to apply ESG criteria in its investment policies in employer pension plans. Furthermore, in 2016 the reach and scope of the ESG analysis of the companies already in the portfolio was extended through an increase in the coverage of available ratings.

The analysis that is carried out allows companies to be categorised by a system of letters, similar to that used by investment rating agencies, obtained by combining best-in-class standards with two exclusion criteria: compliance with the Global Compact and non-involvement in controversial weapons.

To control extra-financial risk, the Asset Management Risk Management Directorate presents and analyses the relevant information in the Risks Committee, showing the changes in the ESG rating of the issuers of financial assets.

The Asset Management Risk Management Directorate also prepares information on the ESG rating of the pension fund portfolios and on the implementation of the ESG rating and its presentation to the employer fund control committees.

The Investments Directorate includes the ESG analysis in its decision making, taking fundamental and market criteria into consideration. This also allows the bank to monitor companies more closely as regards their commitment, compliance and future action plans.

VOLUME OF ASSETS MANAGED UNDER SRI CRITERIA IN EMPLOYER PLANS

€892 MILL.
(57% OF TOTAL ASSETS UNDER MANAGEMENT)
04.7 REAL ESTATE ASSETS.

TO CLEAN UP ITS BALANCE SHEET AND MEET REGULATORS’ REQUIREMENTS, THE GROUP IS IMPLEMENTING A PROGRAMME TO DIVEST REAL ESTATE ASSETS. THIS CALLS FOR HIGHLY PROFESSIONAL MANAGEMENT IN ORDER TO OBTAIN THE BEST POSSIBLE RETURN.

BFA-Bankia manages, administer and sells its real estate assets through Haya Real Estate (HRE), whose mission is to dispose of the assets with the least possible impact on accounts. HRE handles technical maintenance, aimed at preserving the assets in optimal conditions, and sales-related activities (advertising, presence at events, relations with property agents, customer service, etc.).

In 2016 the bank created the Property Management Directorate, which brings together the many functions that previously had been carried out by other areas. The creation of this unit has brought greater efficiency and increased visibility of the portfolio as a whole, not only in terms of the physical properties but also in terms of their availability, limitations and encumbrances.

The new directorate coordinates sales through all channels, therefore also through Bankia’s commercial network, and prepares packages of assets for placement outside the retail circuit.

Thanks to the sales efforts, this activity contributed 535 million euros to the bank during 2016, showing a clear improvement both at Autonomous Community level and at the level of Spain as a whole, with sales of 9,350 units, compared to 9,190 the previous year.

The goals for 2017 are to maximise sales, increase transparency in the marketing of properties, prevent agent exclusivity and uphold the bank’s commitment to the local environment by allocating homes for social rent.
<table>
<thead>
<tr>
<th>No. of Properties Sold</th>
<th>Total Revenue Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>626 € 36.8 MILL.</td>
</tr>
<tr>
<td>14</td>
<td>2.2 MILL.</td>
</tr>
<tr>
<td>83</td>
<td>1.7 MILL.</td>
</tr>
<tr>
<td>45</td>
<td>1.509 € 114.5 MILL.</td>
</tr>
<tr>
<td>390</td>
<td>1.688 € 104.3 MILL.</td>
</tr>
<tr>
<td>349</td>
<td>2.930 € 136.5 MILL.</td>
</tr>
<tr>
<td>845</td>
<td>535 MILL. € 535.4 MILL.</td>
</tr>
</tbody>
</table>
BANKIA HAS CHOSEN TO DEVELOP A CLEAR COMMERCIAL BANKING PROPOSITION, AIMING TO MAINTAIN A LEADERSHIP POSITION IN THE SECTOR. FOR THE LAST SEVERAL YEARS IT HAS THEREFORE BEEN CARRYING OUT AN AMBITIOUS PLAN TO DISPOSE OF NON-FINANCIAL ASSETS.

Disposals of non-core businesses are carried out at all times in an orderly manner, after minutely weighing all available options and choosing those that offer the highest return.

As the disposals proceed, the number and volume of transactions has naturally decreased. In 2015 the bank disposed of 220 companies, with proceeds of 909 million euros, as against 65 disposals in 2016, with proceeds of 566.57 million.

The 65 companies sold in 2016 included 16 manufacturing companies, which brought proceeds of 130.72 million euros and gains of 16.45 million, not including the deferred price for Globalvía, 50% of which was transferred to various international funds in October 2015. The 41 real estate companies sold (18 subsidiaries and 23 associates of associates) brought proceeds of 24.78 million euros, 10.48 million more than their carrying value. The total gains from disposals of non-strategic assets came to 34.58 million.

As of 31 December, the group had 87 investees, of which 69 were consolidated.

DOUBTFUL LOANS

In July, BFA-Bankia completed the sale of a portfolio of doubtful and defaulted loans to various sectors, some of them backed by real estate collateral and other collateral, valued at 385.9 million euros. The sale met a dual objective: reduce the non-performing loan (NPL) ratio and free up resources for new lending. Of the 385.9 million total, 253.9 were from Bankia and the other 132, from BFA.

To maximise the price obtained for the portfolios, the sale was carried out through competitive bidding among institutional investors and top-ranking...
financial institutions. After disposing of this portfolio, the group’s stock of non-performing loans dropped 230.2 million euros, as the remaining 155.7 million euros was fully covered by provisions.

TOTAL GAINS ON DIVESTMENTS OF NON-STRATEGIC ASSETS, IN MILLIONS OF EUROS

34.58
BANKIA’S DECISION TO PUT THE FOCUS ON THE CUSTOMER HAS IMPORTANT CONSEQUENCES. ONE IS THE NEED TO FIND INNOVATIVE WAYS OF IMPROVING THE CUSTOMER RELATIONSHIP. STATE-OF-THE-ART TECHNOLOGY SOLUTIONS ALSO HELP THE BANK MEET CUSTOMERS’ DEMANDS.

The Relational Quality Directorate helps the commercial network build close, simple and transparent relationships with customers, so as to create lasting ties, grow alongside customers and become part of their life. In 2016 the bank started a model called “The Customer at the Centre”, which was piloted in 125 branches in 31 sales areas throughout Spain.

The model is based on three core objectives: management of intensity, management of team commitment, and conversations with customers. “The Customer at the Centre” involves creating communication dossiers for high-impact actions and sales dialogues with customers, as well as participation in promotion workshops, to specify and exemplify the different aspects of the model.

Similar models are being used in other parts of the organisation.

The Relational Quality Directorate has other projects under way, although the main project for 2017 is what is known as the Customer at the Centre rollout project, which will be tried in 600 retail branches. There are also plans to extend the Relational Warmth pilot to the existing 130 agile branches and the 26 branches in the “Conecta con tu Experto” programme.
A customer-centred strategy needs to start from as accurate as possible a knowledge of the customer’s needs, and that is where technology and data processing play a crucial role. Aware of this, the bank is working on two fronts:

- **Big Data.**
  In 2016 Bankia completed its Big Data architecture and started to develop a new analytical environment. It also put in place the basic components of the Commercial Management System, which, among other things, enables the bank to prioritise and optimise commercial actions for multichannel purposes and select the best offer for each customer. More effective use of Big Data has allowed the bank to develop statistical models for the propensity to consume products and services, with daily data refresh, resulting in more targeted offers and a higher success rate in commercial actions. The bank is also developing models that improve the level of pre-classification of risks and the identification of customers at risk of leaving or curtailing the relationship.

- **Marketing actions.**
  Last year, sales of products and services were simplified through the implementation of a system for categorising actions, prioritising customers and adapting tools, so as to facilitate day-to-day management in the branches. This new process will promote the value of closeness to customers in the network, as it will result in an increase in proactive selling. In addition, a new measure of productivity was defined and implemented, focused on the sales that contribute most value to the bank, with the aim of improving efficiency in the network.

Also planned for 2017 is the completion of the Business Intelligence Transformation Project, aimed at prioritising customers by expected value, full adaptation of the bank’s marketing tools and the implementation of a coordinated multichannel marketing system.
OTHER INITIATIVES

During 2016, besides laying the foundations for a higher quality relationship with customers and increasing the knowledge of customers’ needs in order to provide a better service, Bankia also implemented other innovative initiatives, notably the following:

• **Bankia Fintech by Innsomnia.**
  This fintech startup incubator and accelerator is based in the former America’s Cup base in Valencia’s Royal Marina. The 14 companies selected in the first round are all aiming to deliver solutions in fields that are of interest to the bank: risks, the self-employed customer segment, exports, security, cryptocurrencies, mobile payments, wealth, stock market, immigrants, business geolocation and real estate loans. Bankia Fintech by Innsomnia provides the selected startups with business plan support and mentoring, as well as training. The participants are from Madrid, Asturias, Castellón, Alicante, Valencia and Barcelona.

• **BeBankia.**
  This mobile app uses geolocation to display to all users (customers and non-customers) the discounts and special offers available at nearby establishments. The user can save the most attractive offers and search by category (restaurants, health and beauty, sports, etc.) or location. The user can also make payments, register bank cards and see each card’s purchase history.

• **Business Trends Observatory.**
  In July, Bankia and the Valencia Chamber of Commerce presented this initiative, which is intended to help companies obtain all the necessary information about their sector and its trends, in order to decide future strategies. The first sector analysed was food, which is considered strategic at a regional and national level. The Observatory is intended to detect the demand for labour, jobs and skills in the sector, so as to increase employability, as the basis of social cohesion, which helps to create a more fair and more balanced society.
Besides laying the foundations for a higher quality relationship with customers and increasing the knowledge of customers’ needs in order to provide a better service, Bankia also implemented other innovative initiatives.