

ANNUAL  
REPORT 2018





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# CONTENTS

**CHAIRMAN'S STATEMENT 02****MILESTONES 06****01. WHO WE ARE 08**

- 01.1 ASPIRATION AND VALUES **10**
- 01.2 GOVERNING BODIES **12**
- 01.3 BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE **16**
- 01.4 VALUE CREATION **20**
- 01.5 BUSINESS MODEL AND STRUCTURE **24**
- 01.6 RESPONSIBLE COMMITMENT **30**
- 01.7 BRAND **36**
- 01.8 SHAREHOLDING STRUCTURE **38**
- 01.9 PEOPLE **44**

**02. STRATEGY 58**

- 02.1 2018–2020 STRATEGIC PLAN **60**
- 02.2 RESPONSIBLE MANAGEMENT **66**
- 02.3 DIGITAL TRANSFORMATION **74**
- 02.4 INNOVATION **80**

**03. FIRST YEAR OF A NEW STAGE 84**

- 03.1 ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT **86**
- 03.2 KEY INDICATORS AND FINANCIAL INFORMATION **92**
- 03.3 SHARE PERFORMANCE, DIVIDEND AND REPAYMENT OF AID **96**

**04. CORPORATE GOVERNANCE 104**

- 04.1 THE MODEL **106**
- 04.2 ADVANCES IN CORPORATE GOVERNANCE **110**
- 04.3 DIRECTORS **114**
- 04.4 CORPORATE INTEGRITY **122**
- 04.5 INTERNAL CONTROL AND REGULATORY COMPLIANCE **126**

**05. BUSINESS MODEL 140**

- 05.1 THE CUSTOMER AT THE HEART OF WHAT WE DO **142**
- 05.2 RETAIL BANKING **148**
- 05.3 BUSINESS BANKING **162**
- 05.4 CAPITAL MARKETS **170**
- 05.5 PRIVATE BANKING **172**
- 05.6 ASSET MANAGEMENT **174**
- 05.7 BANCASSURANCE **178**
- 05.8 REAL ESTATE ASSETS **180**

**06. RELATIONSHIP WITH SOCIETY AND THE ENVIRONMENT 182**

- 06.1 SOCIAL FOOTPRINT **184**
- 06.2 RESPONSIBLE PURCHASING **198**
- 06.3 TRANSPARENT COMMUNICATION **204**
- 06.4 ENVIRONMENT **210**

**07. RISK MANAGEMENT 220**

- 07.1 A STRATEGIC PILLAR **222**
- 07.2 RISK PROFILE **226**
- 07.3 POLICY ON THE FINANCING OF CONTROVERSIAL ACTIVITIES **242**

**08. GRI CONTENT INDEX 244****09. EXTERNAL REVIEW REPORT 260****APPENDIX: KEY HISTORICAL DATA 262**

# CHAIRMAN'S STATEMENT

BANKIA HAS COMPLETED THE FIRST YEAR OF ITS 2018-2020 STRATEGIC PLAN WITH THE CUSTOMER AT THE CENTRE AND THE FIRM COMMITMENT OF THE WHOLE TEAM.

2018 was a particularly important year for Bankia.

Although from a macroeconomic and regulatory point of view the challenges of previous years persisted, affecting the sector's profitability, from a strategic point of view 2018 marked a turning point in Bankia's recent history.

At the macroeconomic level, the growth trend seen in recent years reached maturity and was threatened by various geopolitical

events, including Brexit and the trade war, which triggered a sharp downturn in the financial markets, especially in the second part of the year.

The European banking sector's stock market performance during 2018 was challenged, mainly due to the European Central Bank's delay in raising interest rates.

This situation weighed more heavily on investors' decisions than the steady improvement in the solvency of the Spanish

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*The functional and technological integration of BMN was completed successfully in record time, reaffirming Bankia's position as Spain's fourth largest financial institution.*

banking system, marked by increases in asset quality and profitability.

Despite this complex environment, at Bankia we completed a very important year in our history.

The main challenge we faced at the start of the period was the need to integrate BMN, both functionally and technologically.

It was a complicated process but was carried out successfully in record time, strengthening Bankia's position as Spain's fourth largest financial institution and market leader in six of the country's Autonomous Communities. Nearly eight million customers have placed their trust in us, which unquestionably is not only great news for the whole of the Bankia team but also a huge responsibility, which we accept in all modesty but also with pride.

2018 was also the first year without business restrictions, after the Restructuring Plan imposed by the European Commission was brought to a successful conclusion at the end of 2017. The lifting of restrictions meant we could engage in new businesses, such as real estate development finance, certain capital market and corporate banking transactions and the creation of joint ventures with companies that specialise in other lines of business, thus adding momentum to sales.

In the absence of restrictions and motivated by our firm commitment to providing finance for Spanish companies, in 2018 we granted 16,459 million euros

in business loans, expanding our market share to 7.57%.

The new momentum was also reflected in sales of value-added products for retail customers, including consumer finance, where we increased our share to 5.56%, and mutual funds, where we also grew our market share, to reach 6.55%.

This improvement in sales was achieved despite the huge effort that went into integrating BMN. Together with continued cost containment and the synergies resulting from the merger, it contributed to the achievement of an attributable profit for 2018 of 703 million euros, which also reflects the action taken to reduce non-performing assets.

This result helped generate sufficient capital to bring the ratio of highest quality capital to 13.8%, making us the most solvent of all the large Spanish banks, 524 points above the regulatory minimum.

Thanks to this level of profit and capital generation, the Board of Directors was able to propose to the General Meeting of Shareholders that a dividend of 357 million euros be paid out of profit for 2018, an increase of 5% compared to last year.

And so we have completed the first year of our 2018-2020 Strategic Plan, a plan that rests on three pillars: the customer at the heart of what we do, the digital transformation and the firm commitment of the whole of the Bankia team.

## CHAIRMAN'S STATEMENT

We are convinced that the satisfaction of our customers must be the main focus of our work and that customer satisfaction is only possible through excellent service. For that reason, we continued to improve our commercial positioning, first adopted in 2016, with the launch during 2018 of 'Bankia Fácil' as an expression of Bankia's commitment to making life easier for our customers.

Meanwhile, the financial sector as a whole has not been immune to the digital transformation or the changes taking place in society in the way people relate to one another. The change in our customers' habits has prompted us to make a great effort to adapt our distribution model. This is the biggest strategic challenge we are currently facing.

To meet this challenge, we have created a new Corporate Directorate of Strategy and Digital Transformation, whose main task is to ensure excellent service to our customers through all our digital channels.

In fact, as of the end of 2018 we can say that Bankia is the only bank in Spain that allows customers to make electronic payments through all the main platforms currently available: Apple, Google, Samsung, Paypal and Bizum.

Indeed, our customers' digital activity continues to expand, to the point where, as of December 2018, 45.4% of our customers were digital and 25.8% of our sales were made through digital channels.

With this focus on customers' needs, we are also very aware that the financial sector still falls seriously short in terms of social repute.

For that reason, I consider it essential that we concern ourselves with that reputation, because a sound financial system is vital to sustainable economic growth, which is the means to improve living standards and a precondition for reducing unemployment.

The best way to regain recognition is by listening to what society is asking of us; and when we listen to society, what we hear is that the economic crisis has had a very serious impact on the sector's reputation. The sector has still not recovered the social recognition that every company needs. It can only do so through excellent corporate governance and adherence to a strict code of ethics.

That is one of our main challenges for the year just started.

For my part, on behalf of the whole of the Bankia team, I would like once again to sincerely thank our customers and shareholders for the trust they have shown in us day after day.

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*The satisfaction of Bankia's customers has to be the main focus of our work.*

We are very aware of their support: it is the best incentive we have to continue to build the financial institution that society demands, so that we can continue to finance households and companies and thus contribute to our country's social and economic improvement.



**JOSÉ IGNACIO GOIRIGOLZARRI**  
CHAIRMAN OF BANKIA



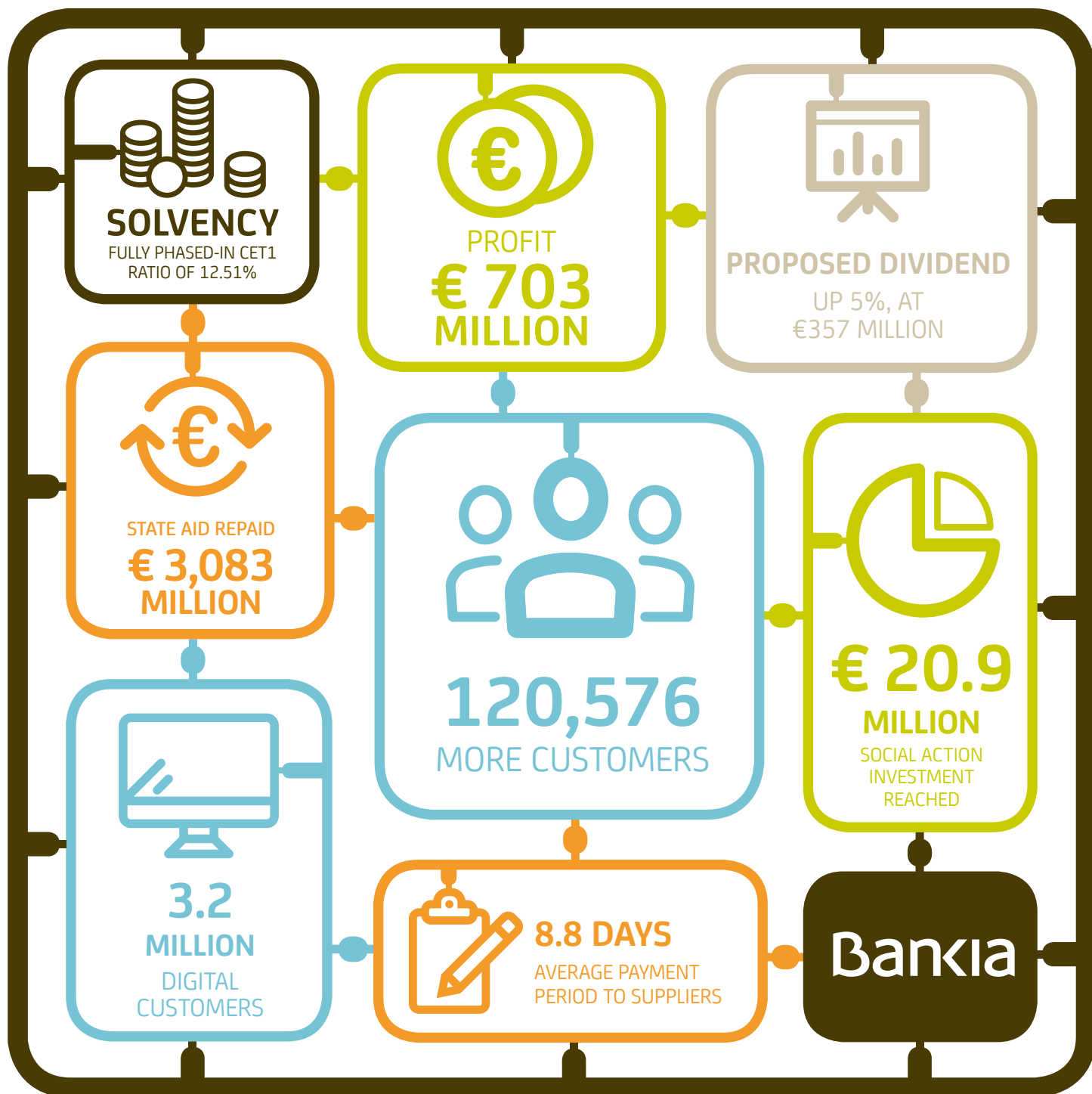
# MAIN MILESTONES OF 2018



\* In January 2019, Fitch raised Bankia's long-term rating from BBB- to BBB, with a stable outlook.



# THE YEAR IN NUMBERS



# 01. WHO WE ARE

Bankia is a financial institution that operates throughout Spain and whose activity is centred on retail and business banking. Its main shareholder is the State and its corporate headquarters are in Valencia.





# 01.1 ASPIRATION AND VALUES



BANKIA ASPIRES TO BE THE BANK OF CHOICE FOR SOCIETY. THAT ASPIRATION AND THE CORPORATE VALUES ARE THE MAIN DRIVERS OF THE BANK'S CULTURE AND DETERMINE HOW IT RELATES TO ITS ENVIRONMENT.

The aspiration to be the bank of choice for society and the corporate values are the main drivers of Bankia's culture. They are the basis of its business strategy and management model and determine its working philosophy, both internally and externally, in relation to its stakeholders: customers, shareholders, employees, suppliers and society at large.

Bankia's values are present in its policies, making them part of its daily activity. Being

honest, close, professional, passionate and brave and working to achieve its goals are the common elements that mark the bank's personality.

On the basis of these six values, which set out Bankia's road map, the bank's professionals work to promote the kind of behaviour and business practice that will enable it to achieve its strategic goals.

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*Being honest, close, professional, passionate and brave and working to achieve its goals mark the bank's personality.*

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## OUR ASPIRATION

We work from principles to be the bank of choice for society.

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## OUR 'SOMOS BANKIA' VALUES

### **We are honest**

We behave honestly and decently at all times, both in our external dealings with customers and institutions and in our internal relationships with other people in Bankia, in accordance with the principles set out in our ethics code.

### **We are close**

We are constantly alert and attentive to the needs of customers and of Bankia's people and communicate with them proactively and plainly, listening, exchanging information and building relationships of mutual trust.

### **We are professional**

We apply the bank's guidelines and standards in all our dealings with external and internal customers, with total transparency, giving priority to their interests and those of the institution above any personal interest.

### **We are passionate**

We firmly and resolutely meet all our commitments to customers and the institution, making whatever efforts may be needed to do so.

### **We are brave**

We accept challenges and take action, undertaking ambitious and transformational new projects that will enable us to grow as people and as an institution, so as to always serve customers' interests and needs in the best way possible.

### **We make it possible**

In our work we are oriented to achieving the goals and targets set for us, seeking maximum agility and effectiveness.



# 01.2 GOVERNING BODIES



IN 2018 BANKIA INCORPORATED A NEW DIRECTOR AND IN 2019 REORGANISED THE MANAGEMENT COMMITTEE SO AS TO HAVE A MORE CUSTOMER-CENTRED ORGANISATION.

Bankia has a strong and effective governance structure that operates in accordance with the principles of good corporate governance.

Bankia's governing bodies are the General Meeting of Shareholders and the Board of Directors.

Linked to the board are the Audit and Compliance Committee, the Appointments and Responsible Management Committee, the Remuneration Committee, the Risk Advisory Committee and the Board Risk Committee.

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## GENERAL MEETING OF SHAREHOLDERS

The General Meeting is the highest decision-making body on matters attributed to it by law and the bylaws: appointment and removal of directors, approval of the annual accounts, distribution of dividends, acquisition or disposal of core assets and approval of the directors' remuneration policy, among other things.

## BOARD OF DIRECTORS

As the body that represents Bankia, the Board of Directors has the broadest powers, except in matters reserved to the General Meeting of Shareholders. Among other things, the Board approves the strategic or business plan and the annual management objectives and budget, determines the general policies and strategies of the company and its group (corporate governance and responsible management); and supervises the work of board committees and the bodies to which it has delegated authority.



The board is made up of eight independent directors and four executive directors:

**José Ignacio Goirigolzarri Tellaeché**  
Executive chairman

**José Sevilla Álvarez**  
CEO

**Antonio Ortega Parra**  
Executive director

**Carlos Egea Krauel**  
Executive director

**Joaquín Ayuso García**  
Lead director

**Francisco Javier Campo García**  
Independent director

**Eva Castillo Sanz \*\*\***  
Independent director

**Jorge Cosmen Menéndez-Castañedo**  
Independent director

**José Luis Feito Higuieruela**  
Independent director

**Fernando Fernández Méndez de Andés**  
Independent director

**Laura González Molero**  
Independent director

**Antonio Greño Hidalgo**  
Independent director

Non-director secretary:  
**Miguel Crespo Rodríguez**

Non-director vice-secretary:  
**Antonio Zafra Jiménez**

Bankia's Board of Directors currently has five committees, whose members are appointed on the basis of their suitability (knowledge, aptitudes and experience) for each committee's tasks.

### AUDIT AND COMPLIANCE COMMITTEE \*\*

The Audit and Compliance Committee oversees the effectiveness of internal control, internal audit and risk management systems, as well as the statutory financial reporting process; makes proposals to the Board for the selection, appointment, re-election and replacement of the statutory auditors and conducts relations with the auditors; and examines and supervises compliance with the company's governance and compliance rules.



It is made up of four independent non-executive directors:

**Antonio Greño Hidalgo**  
Chairman

**Francisco Javier Campo García\***

**Fernando Fernández Méndez de Andés\***

**José Luis Feito Higuieruela**

**Miguel Crespo Rodríguez**  
Secretario

\*\*\* By resolution of the Board of Directors at its meeting on 25 February 2019, after consideration of a favourable report from the Appointments and Responsible Management Committee, Eva Castillo Sanz was appointed lead independent director in place of Joaquín Ayuso García, once the latter's term of office expired, effective from the date on which the necessary regulatory authorisations were obtained.

\*\* In 2018, this committee was made up of: Antonio Greño, Joaquín Ayuso, Jorge Cosmen and José Luis Feito.

# 01.2

## GOVERNING BODIES

*Bankia has a strong governance structure in line with good corporate governance.*

### APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE \*\*

The Appointments and Responsible Management Committee has general authority to propose and advise on the appointment and removal of directors and senior managers; assesses the competencies, knowledge, ability, diversity and experience required on the Board of Directors; defines the functions and aptitudes required of candidates to fill vacancies; assesses the time and commitment required for directors to be able to perform their duties effectively; examines and organises the succession plan for the governing bodies; reviews the corporate social responsibility (CSR) policy and monitors CSR strategy and practices; and assesses all aspects of the company's social, environmental, political and reputational risks.



It is made up of four independent non-executive directors:

**Eva Castillo Sanz\***  
Chairman

**Francisco Javier Campo García**

**Joaquín Ayuso García\***

**Laura González Molero**

**Miguel Crespo Rodríguez**  
Secretary

\*\* In 2018, this committee was made up of: Joaquín Ayuso, Francisco Javier Campo, Fernando Fernández and Laura González.

### REMUNERATION COMMITTEE \*\*

The Remuneration Committee has general authority to propose and report on directors' and senior managers' remuneration and other terms of their contracts; reviews remuneration programmes, assessing their appropriateness and results; ensures transparency in remuneration; and monitors adherence to Bankia's remuneration policy.



It is made up of four independent non-executive directors:

**Francisco Javier Campo García\***  
Chairman

**Joaquín Ayuso García**

**Jorge Cosmen Menéndez-Castañedo**

**Laura González Molero\***

**Miguel Crespo Rodríguez**  
Secretary

\*\* In 2018, this committee was made up of: Eva Castillo, Joaquín Ayuso, Jorge Cosmen and Fernando Fernández.



**RISK ADVISORY COMMITTEE \*\***

The Risk Advisory Committee advises the Board of Directors on Bankia's overall risk propensity and risk strategy; oversees the asset and liability pricing policy and proposes risk policies to the Board of Directors; proposes the risk control and risk management policy of the company and the group to the Board of Directors through the Internal Capital Adequacy Assessment Report (ICAAP Report); supervises the internal risk control and risk management function; and proposes the credit risk authority framework to the Board.



It is made up of four independent non-executive directors:

**Joaquín Ayuso García\***  
Chairman

**Eva Castillo Sanz**

**Fernando Fernández Méndez de Andrés**

**Antonio Greño Hidalgo\***

**Miguel Crespo Rodríguez**  
Secretary

\*\* In 2018, this committee was made up of: Francisco Javier Campo, Eva Castillo and Fernando Fernández.

**BOARD RISK COMMITTEE \*\***

The Board Risk Committee is an executive body with responsibility for approving risk-related decisions within the scope of the authority delegated to it by the Board of Directors. It guides and administers the exercise of delegated authority by lower-ranking bodies; approves important transactions; defines overall exposure limits for account holders and groups for each type of risk; and reports to the Board on any risks that may affect the company's solvency, recurring results, operations or reputation.



It is made up of one executive director and two independent non-executive directors:

**José Sevilla Álvarez**  
Chairman

**Eva Castillo Sanz**

**Fernando Fernández Méndez de Andrés**

**Miguel Crespo Rodríguez**  
Secretary

\*\* In 2018, this committee was made up of: José Sevilla, Francisco Javier Campo, Eva Castillo and Fernando Fernández.

\* Appointments by resolution of the Board of Directors at its meeting on 25 February 2019, after consideration of a favourable report by the Appointments and Responsible Management Committee.

# 01.3

## BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE



EVA  
CASTILLO

JOSÉ IGNACIO  
GOIRIGOLZARRI

ANTONIO  
ORTEGA

ANTONIO  
GREÑO

CARLOS  
EGEA

MIGUEL  
CRESPO

JOSÉ LUIS  
FEITO

## BANKIA BOARD OF DIRECTORS

CHAIRMAN  
**JOSÉ IGNACIO GOIRIGOLZARRI**

CEO  
**JOSÉ SEVILLA**

EXECUTIVE DIRECTORS  
**ANTONIO ORTEGA  
CARLOS EGEA**

INDEPENDENT DIRECTORS  
**JOAQUÍN AYUSO  
FRANCISCO JAVIER CAMPO  
EVA CASTILLO  
JORGE COSMEN  
JOSÉ LUIS FEITO  
FERNANDO FERNÁNDEZ  
LAURA GONZÁLEZ  
ANTONIO GREÑO**

SECRETARY  
**MIGUEL CRESPO**

## BOARD COMMITTEES

**AUDIT AND  
COMPLIANCE  
COMMITTEE \***

CHAIRMAN  
**ANTONIO GREÑO**

INDEPENDENT  
DIRECTORS  
**JOSÉ LUIS FEITO  
FCO. JAVIER CAMPO  
FERNANDO FDEZ.**

SECRETARY  
**MIGUEL CRESPO**

**APPOINTMENTS  
AND RESPONSIBLE  
MANAGEMENT  
COMMITTEE \***

CHAIRMAN  
**EVA CASTILLO**

INDEPENDENT  
DIRECTORS  
**FCO. JAVIER CAMPO  
JOAQUÍN AYUSO  
LAURA GONZÁLEZ**

SECRETARY  
**MIGUEL CRESPO**

**REMUNERATION  
COMMITTEE \***

CHAIRMAN  
**FCO. JAVIER CAMPO**

INDEPENDENT  
DIRECTORS  
**JOAQUÍN AYUSO  
JORGE COSMEN  
LAURA GONZÁLEZ**

SECRETARY  
**MIGUEL CRESPO**

**BOARD RISK  
COMMITTEE \***

CHAIRMAN  
**JOSÉ SEVILLA**

INDEPENDENT  
DIRECTORS  
**FERNANDO FDEZ.  
EVA CASTILLO**

SECRETARY  
**MIGUEL CRESPO**

**RISK ADVISORY  
COMMITTEE \***

CHAIRMAN  
**JOAQUÍN AYUSO**

INDEPENDENT  
DIRECTORS  
**EVA CASTILLO  
FERNANDO FERNÁNDEZ  
ANTONIO GREÑO**

SECRETARY  
**MIGUEL CRESPO**



**JOSÉ  
SEVILLA**

**JOAQUÍN  
AYUSO**

**FRANCISCO  
JAVIER  
CAMPO**

**LAURA  
GONZÁLEZ**

**JORGE  
COSMEN**

**FERNANDO  
FDEZ.**

\* At its meeting on 25 February 2019, the Board of Directors agreed on changes in the Appointments and Responsible Management Committee, Remuneration Committee, Board Risk Committee, Risk Advisory Committee and Audit and Compliance Committee.

# 01.3

## BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE





## MANAGEMENT COMMITTEE <sup>1</sup>

- 1** CHAIRMAN OF BANKIA'S BOARD OF DIRECTORS  
**JOSÉ IGNACIO GOIRIGOLZARRI**
- 2** CEO  
**JOSÉ SEVILLA**
- 3** EXECUTIVE DIRECTOR AND DIRECTOR OF PEOPLE, ORGANISATION AND TECHNOLOGY  
**ANTONIO ORTEGA**
- 4** GENERAL SECRETARY  
**MIGUEL CRESPO**
- 5** DEPUTY GENERAL DIRECTOR, BUSINESS BANKING  
**GONZALO ALCUBILLA**
- 6** DEPUTY GENERAL DIRECTOR, FINANCE  
**LEOPOLDO ALVEAR <sup>2</sup>**
- 7** DEPUTY GENERAL DIRECTOR, COMMUNICATION AND EXTERNAL RELATIONS  
**AMALIA BLANCO**
- 8** DEPUTY GENERAL DIRECTOR, CREDIT RISK  
**MANUEL GALARZA <sup>2</sup>**
- 9** DEPUTY GENERAL DIRECTOR, PEOPLE AND CULTURE  
**DAVID LÓPEZ <sup>2</sup>**
- 10** DEPUTY GENERAL DIRECTOR, ASSET MANAGEMENT AND INVESTEEES  
**FERNANDO SOBRINI**
- 11** DEPUTY GENERAL DIRECTOR, RETAIL BANKING  
**EUGENIO SOLLA <sup>2</sup>**
- 12** DEPUTY GENERAL DIRECTOR, TRANSFORMATION AND DIGITAL STRATEGY  
**CARLOS TORRES <sup>2</sup>**

<sup>1</sup> New composition of the Management Committee following the January 2019 reorganisation. After the renewal of the Management Committee, Joaquín Cánovas left the committee.

<sup>2</sup> New member of the Management Committee.

# 01.4 VALUE CREATION



VALUE CREATION IS REFLECTED IN THE WHOLE OF THE GROUP'S BUSINESS LINES, CENTRED ON RETAIL AND PRIVATE BANKING, COMPANIES, THE SELF-EMPLOYED AND SMES.

All Bankia's areas of work are committed to creating value for the group, a commitment which in 2018 was supported mainly by two factors: the resumption of various business activities once the restrictions imposed by the European Union in exchange for the financial aid were lifted; and the merger with BMN.

These two factors, coupled with new business strategies, digitisation, the consolidation of ongoing initiatives, balance sheet clean-up and compliance

with the regulators' requirements, among other things, were the drivers of value creation during 2018.

The range of business activities carried out during the previous five years was extended in 2018 with a return to the financing of real estate developers and companies with access to the capital markets.

Value creation is reflected in the whole of the group's business lines, a model combining full-service banking with specialisation by segment.

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*After the integration of BMN, services to the farming sector have become one of the bank's key business lines.*

### **Retail Banking**

This segment works to attract new customers and boost loyalty, cross-selling and satisfaction among existing customers. To do that, it offers products targeted to each customer segment, such as the 'Cuenta\_ON Nómina' account, with no fees, for all digital customers. The bank also launched 'Bankia Fácil', a range of services designed to meet specific everyday needs and in 2018 positioned itself as the market leader in digital payment services, being the only Spanish bank with functionalities in all platforms.

### **Private Banking**

In 2018, after MiFID II came into effect and due to the integration of the BMN network, Bankia Banca Privada opened its services to customers with a smaller volume of assets. The cut-off point was lowered, allowing a larger number of customers to take advantage of its services. The advisory model includes a wide range of products and services, in which portfolio management predominates. After the merger with BMN, three new Bankia Banca Privada branches were opened in BMN's areas of influence: Murcia, Granada and Palma de Mallorca.

### **Self-employed**

The number of specialised account managers in the self-employed segment was increased in 2018, with customer service being delivered in the customer's place of work. As a result, both service quality and customer loyalty have improved. The events of the year include the launch of the 'Business Pack', which includes the 'Siifacil app', designed to help

self-employed business people manage their invoices.

### **Agricultural Sector**

After the integration of BMN, the agricultural sector has become one of Bankia's core business lines. The group expanded its agreements for the management of farm subsidies under the Common Agricultural Policy (CAP), adapted its product catalogue and streamlined credit approval processes.



# 01.4

## VALUE CREATION

### **SMEs**

One of the bank's main lines of work in relation to small and medium-sized enterprises (SMEs) has been providing them with the funds they need in order to undertake investment projects, through pre-approved financing. In 2018 the bank also worked on developing its product catalogue.

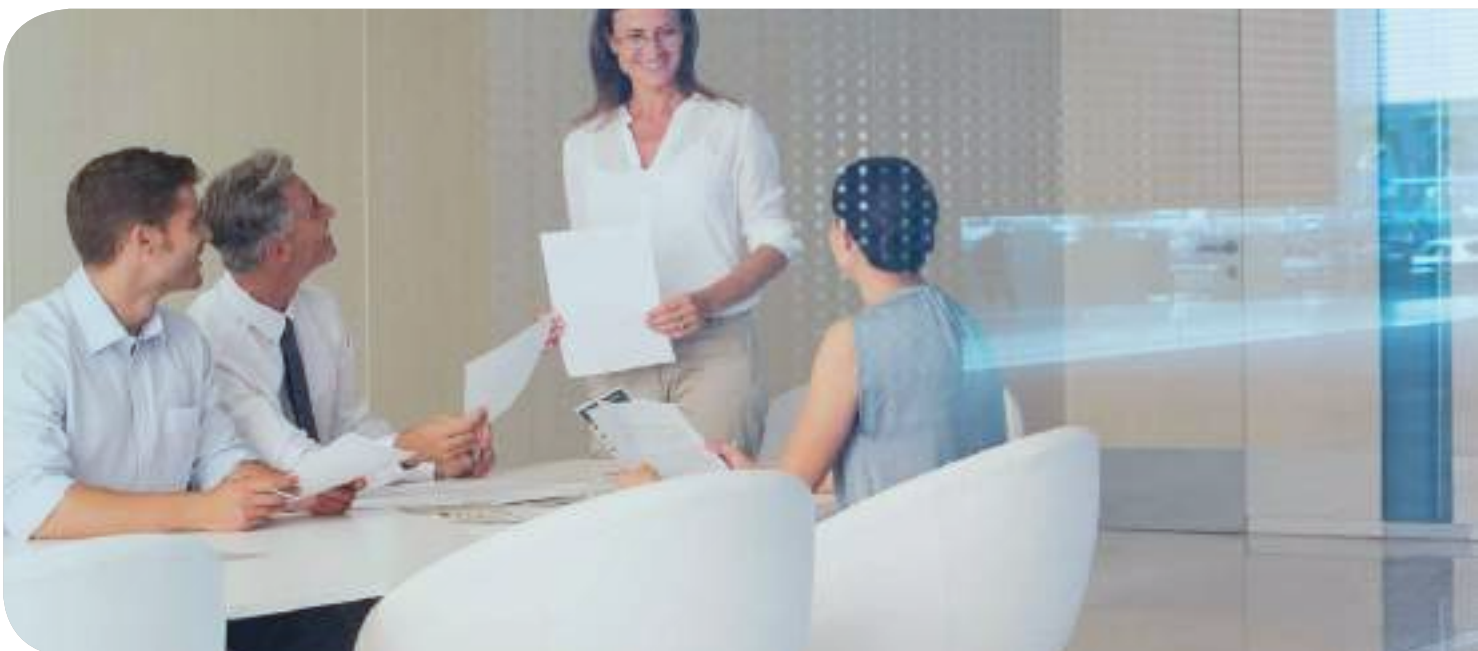
### **Businesses**

Bankia focuses its efforts on designing financing programmes tailored to its customers' business plans, aiming to provide them with, among other things, security and personalised advice. The bank has simplified its products and projects, in order to become more responsive and reduce costs.

In 2018 this segment went a step further in its commitment to putting the customer and customer satisfaction first, with the Business Centre directors and account managers acquiring customer experience certification. In Corporate Banking, the bank succeeded in increasing both its stock of loans and its market share. The growth of green or sustainable lending deserves special mention.

### **Capital Markets**

The services the bank offers to companies include syndicated lending and structured finance, assistance in raising finance other than purely banking finance (bond issues), interest and exchange rate hedging, and financial advice. Bankia took part in more





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*The bank has simplified its projects and products to become more responsive and reduce costs.*

than 100 syndicated loans during 2018 and led the structuring and underwriting of 15 acquisition finance transactions.

#### **Bancassurance**

In 2018 Bankia reorganised the insurance business acquired in the BMN merger. Various steps were taken during the year to equip the branch network with new tools for selling insurance and to implement digital initiatives.

#### **Asset Management**

In what was a complicated year for most markets, the efforts in asset management were centred on reinforcing the advisory business. The highlight in mutual funds was the new Bankia Gestión Experta

service, which has strengthened the group's positioning as a provider of financial advice. The asset management business continues to play a crucial role in generating fee and commission income, as the transfer of funds out of deposits into mutual funds continued in 2018 and is expected to persist in 2019.

#### **Real Estate Assets**

Since it was incorporated in the Corporate Credit Risk Directorate, the Property Management Directorate has channelled its efforts into improving the quality of information available and has built closer relations with other areas of the group, with a view to speeding up sales of foreclosed assets, which currently are ahead of the Strategic Plan.



# 01.5 BUSINESS MODEL AND STRUCTURE



AFTER INTEGRATING BMN, THE GROUP CONSOLIDATED ITS POSITION AS SPAIN'S FOURTH LARGEST FINANCIAL INSTITUTION AND MOVED AHEAD IN MULTI-CHANNEL DISTRIBUTION.

The completion of the integration of BNM confirmed Bankia's status as the fourth largest financial group in Spain, with a countrywide market share of more than 10%.

Bankia's activity is carried out through the following business areas: Retail Banking, Company Banking, Private Banking, Bancassurance, Asset Management and Capital Markets. The activity is carried out through the branch network, made up of different types of branches, and the digital channels.

Bankia has 1,741 full-service branches, together with 130 agile branches and 392 perimeter branches (around the agile branches), among others.

In 2018, the group also expanded its multi-channel distribution, reaching a total of 3.2 million digital customers, after adding a further 530,000 during the year. By year-end, 25.8% of Bankia's sales were made through digital channels.

Along similar lines, Bankia increased the number of 'Conecta con tu Experto' branches to 60 and the number of '+Valor' branches to 13.

As of year-end, the bank's market share in Spain was 8.69% in number of retail branches, 13.23% in mortgages, 11.47% in credit to households, 11.22% in household deposits and 11.29% in card revenue.

Bankia had a year-end market share of 6.53% in the risk insurance business, 6.55% in mutual funds and 8.17% in personal pension plans.

Between January and December 2018, Bankia ATMs recorded more than 265 million transactions. During the year, 989 new ATMs were installed, bringing the total at the end of 2018 to 5,407.

Meanwhile, over the course of 2018, Bankia's 11 "ofibuses" mobile branches, which offer customers in towns and villages with no bank branch all the usual banking transactions, served 13,487 people in the 341 municipalities covered by this service.



**10.12%**

TOTAL MARKET SHARE IN SPAIN

### BUSINESS VOLUME MARKET SHARE BY AUTONOMOUS COMMUNITY

\* Data as of September 2018

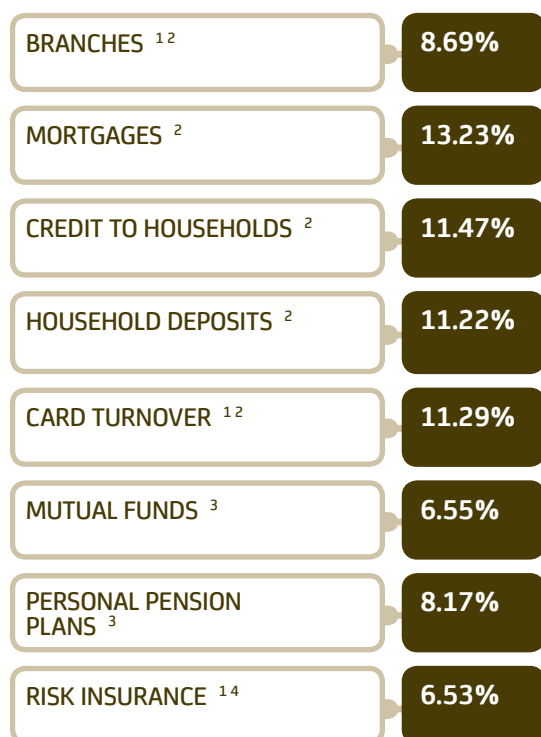


\* Market shares of loans and receivables + deposits, excluding repos  
 \* Market shares of deposit-taking institutions  
 \* Source: Banco de España

# 01.5

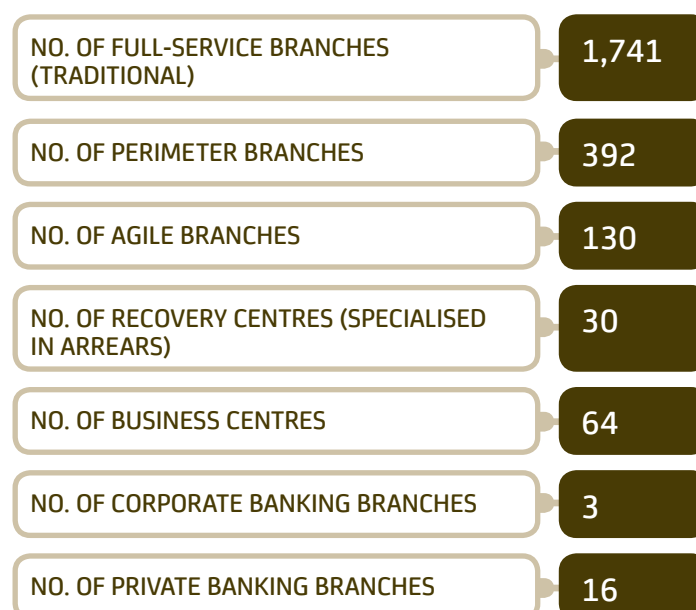
## BUSINESS MODEL AND STRUCTURE

### MARKET SHARES



1 Data as of September 2018  
 2 Source: Banco de España  
 3 Source: Inverco  
 4 Source: ICEA

### PHYSICAL BRANCHES





## MULTICHANNEL DISTRIBUTION



**3,303,798**

MULTICHANNEL CUSTOMERS



**2,525,217**

OFICINA INTERNET USERS



**9,320,592**

TRANSACTIONS CARRIED OUT THROUGH OFICINA INTERNET



**187,380**

OFICINA INTERNET FOR BUSINESSES USERS



**9,081,504**

TRANSACTIONS CARRIED OUT THROUGH OFICINA MÓVIL



**2,922,978**

OFICINA MÓVIL USERS



**60**

'CONECTA CON TU EXPERTO' BRANCHES



**13**

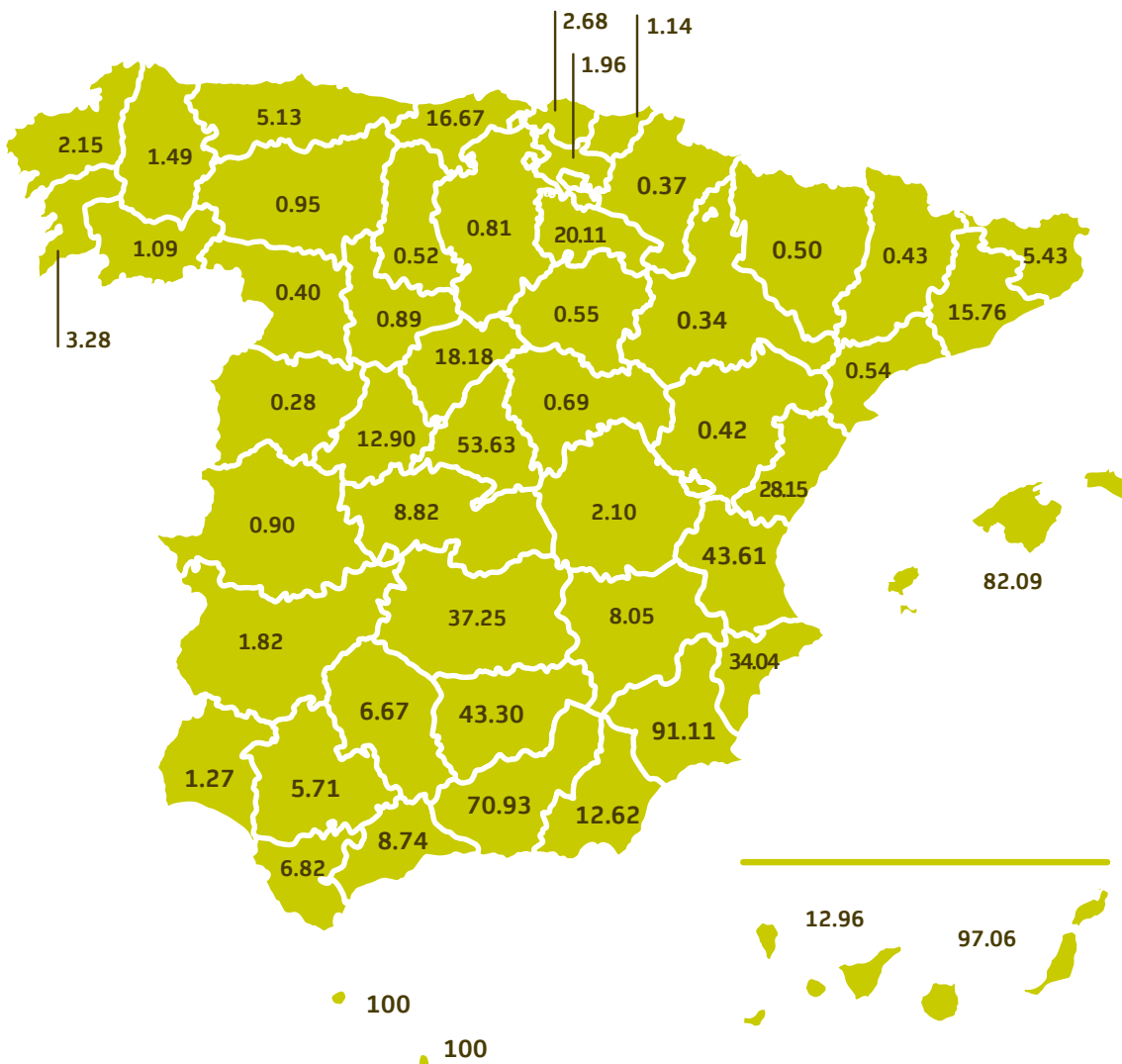
'+VALOR' BRANCHES

ATMS	5,407
NEW ATMS INSTALLED DURING THE YEAR	989
TRANSACTIONS CARRIED OUT THROUGH ATMS	265,025,163
ATMS WITH NFC TECHNOLOGY	3,939
ADAPTED ATMS (AUDIO SYSTEM)	4,860
ATMS IN LOW POPULATION AREAS	535

# 01.5

## BUSINESS MODEL AND STRUCTURE

### PERCENT OF MUNICIPALITIES WITH A BANKIA BRANCH





**DISTRIBUTION OF RETAIL BRANCHES BY POPULATION CENTRE**

< 2,000 inhabitants	7.29%
<= 5,000 inhabitants	6.81%
<= 10,000 inhabitants	7.91%
<= 20,000 inhabitants	7.69%
<= 50,000 inhabitants	12.42%
<= 100,000 inhabitants	10.69%
<= 500,000 inhabitants	24.22%
> 500,000 inhabitants	22.98%
OVERALL TOTAL	100%



**498**

NUMBER OF BRANCHES IN LOW POPULATION AREAS

**OFIBUSES**



MOBILE BRANCHES OPERATING IN THE TERRITORY

**11**



MUNICIPALITIES SERVED

**341**



KILOMETRES TRAVELLED

**39,600**



PEOPLE SERVED BY THE OFIBUS SERVICE

**13,487**

# 01.6

## RESPONSIBLE COMMITMENT



THE RESPONSIBLE MANAGEMENT POLICY HELPS ORIENT THE BUSINESS, PREVENT RISKS AND LAY THE FOUNDATIONS FOR STAKEHOLDER DIALOGUE.

---

### RESPONSIBILITY, SUPERVISION AND ASSESSMENT

Responsible Management at Bankia is overseen by the Board of Directors, although since 2015 oversight authority has been delegated to the Appointments and Responsible Management Committee.

Made up of three independent directors, the Appointments and Responsible Management Committee's functions include reviewing and evaluating the Bank's corporate social responsibility policy and practices and overseeing relations with the different stakeholder groups.

Initiatives and projects in this area are put forward by the Responsible Management

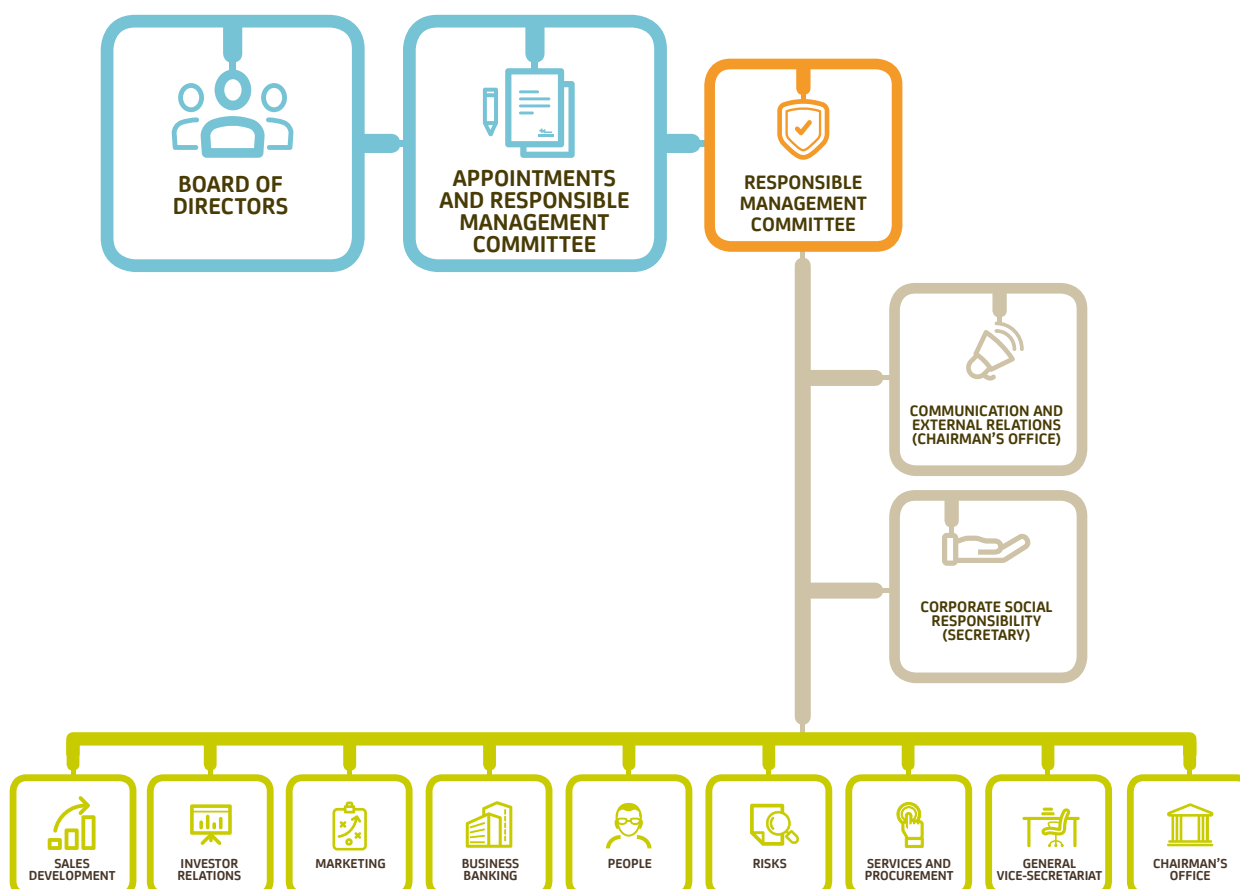


Committee, which includes executives from the units that have direct contact with stakeholders. Ordinary meetings of the committee are held every quarter.

The Responsible Management Committee is chaired by the Deputy General Directorate of Communication and External Relations, while the role of secretary is taken by the Corporate Social Responsibility Directorate, which analyses trends, makes proposals, and coordinates and drives responsible management at Bankia.

During 2018, the committee addressed issues including the new Responsible Management Plan, climate change, reputational risk, relations with analysts and investors, analysis of new regulations and trends, SRI policies, new products with a social and environmental focus, approval of social agreements and investment, and workforce training in responsible management, as well as the approval of the new 2019-2020 Responsible Management Plan.

## RESPONSIBLE MANAGEMENT GOVERNANCE STRUCTURE



# 01.6

## RESPONSIBLE COMMITMENT

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### ACTIVE LISTENING IN ORDER TO IMPROVE

To adapt the Bank's activity to the expectations of the environment it operates in, Bankia performs regular analyses of the most relevant aspects and those that have most impact on its relationships with stakeholders. A team of external consultants ensures the reliability of the methodology used and the accuracy of the results.

At the end of 2017, through active listening to its stakeholders, both internal and external, Bankia conducted a materiality analysis to identify the aspects that are most important for the bank's Responsible Management.

This analysis of material issues for Bankia and its stakeholders served as input for the new 2019-2020 Responsible Management Plan, which was approved at the beginning of 2019.

The issues the external and internal stakeholders (i.e. shareholders and investors, customers, suppliers and society as a whole vs. employees) considered most important were those relating to economic strength, how business relationships are established and honesty in the conduct of the bank's employees, as well as keeping pace with technology.

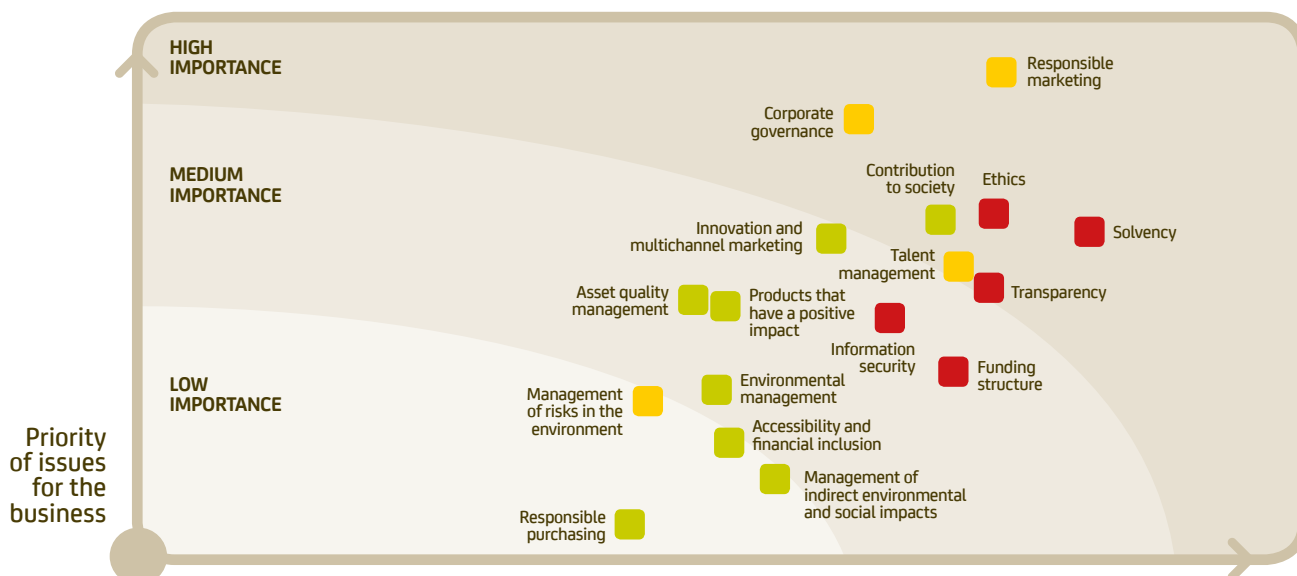
The external perspective has helped understand how each of these issues influences stakeholders' decisions and their opinion of Bankia.

The internal perspective reflects the importance of stakeholder trust for the business, or in other words, how each issue affects the ability to create value for the bank.

The reputational risk variable was included in the materiality analysis so as to gauge stakeholders' tolerance, trust and attitudes in the event that the bank's performance in some respect fails to meet their expectations and so be able to anticipate such incidents.



# MATERIALITY MATRIX



## Priority of issues for stakeholders

Influence on stakeholders' decisions and opinions in relation to Bankia

### RANKING OF MATERIAL ISSUES

(based on importance for Bankia and for stakeholders)

- RESPONSIBLE MARKETING
- CORPORATE GOVERNANCE
- SOLVENCY
- ETHICS
- CONTRIBUTION TO SOCIETY
- TALENT MANAGEMENT
- TRANSPARENCY
- INNOVATION AND MULTICHANNEL MARKETING
- DATA SECURITY
- FUNDING STRUCTURE
- PRODUCTS THAT HAVE A POSITIVE IMPACT
- ASSET QUALITY MANAGEMENT
- ENVIRONMENTAL MANAGEMENT
- ACCESSIBILITY AND FINANCIAL INCLUSION
- MANAGEMENT OF RISKS IN THE ENVIRONMENT
- MANAGEMENT OF INDIRECT ENVIRONMENTAL AND SOCIAL IMPACTS
- RESPONSIBLE PURCHASING

### RISK LEVEL <sup>(1)</sup>

- HIGH
- MEDIUM
- LOW

(1) The risk level represented is explained by the stakeholders' reaction or attitude towards Bankia if the bank disappoints their expectations on each issue.

# 01.6

## RESPONSIBLE COMMITMENT

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*Ongoing stakeholder dialogue is fundamental for Bankia and so resources are allocated for direct, recurring communication.*

### RESPONSIBLE MANAGEMENT POLICY

The general, group-wide frame of reference for Bankia in matters of corporate social responsibility is the Responsible Management Policy, which helps to guide the business, manage risks, identify and exploit opportunities and lay the foundations for stakeholder dialogue, so as to align the Bank's activity with the common goal of ensuring Bankia's sustainability. The principles of this policy are:

1. Value creation: putting the *how* before the *what*.
2. Transparency and good governance: saying what is done and what we do.
3. Ethics and integrity: Ethics and integrity: doing what we say.
4. Respect for human rights.
5. Active listening and dialogue: satisfaction orientation.
6. Clarity, simplicity and understanding: identification with the customer.
7. Recognition and respect: basis of the relationship with the bank's professionals.
8. Responsible hiring: shared growth.
9. Climate change: global demand.
10. Social commitment: local development and community closeness.

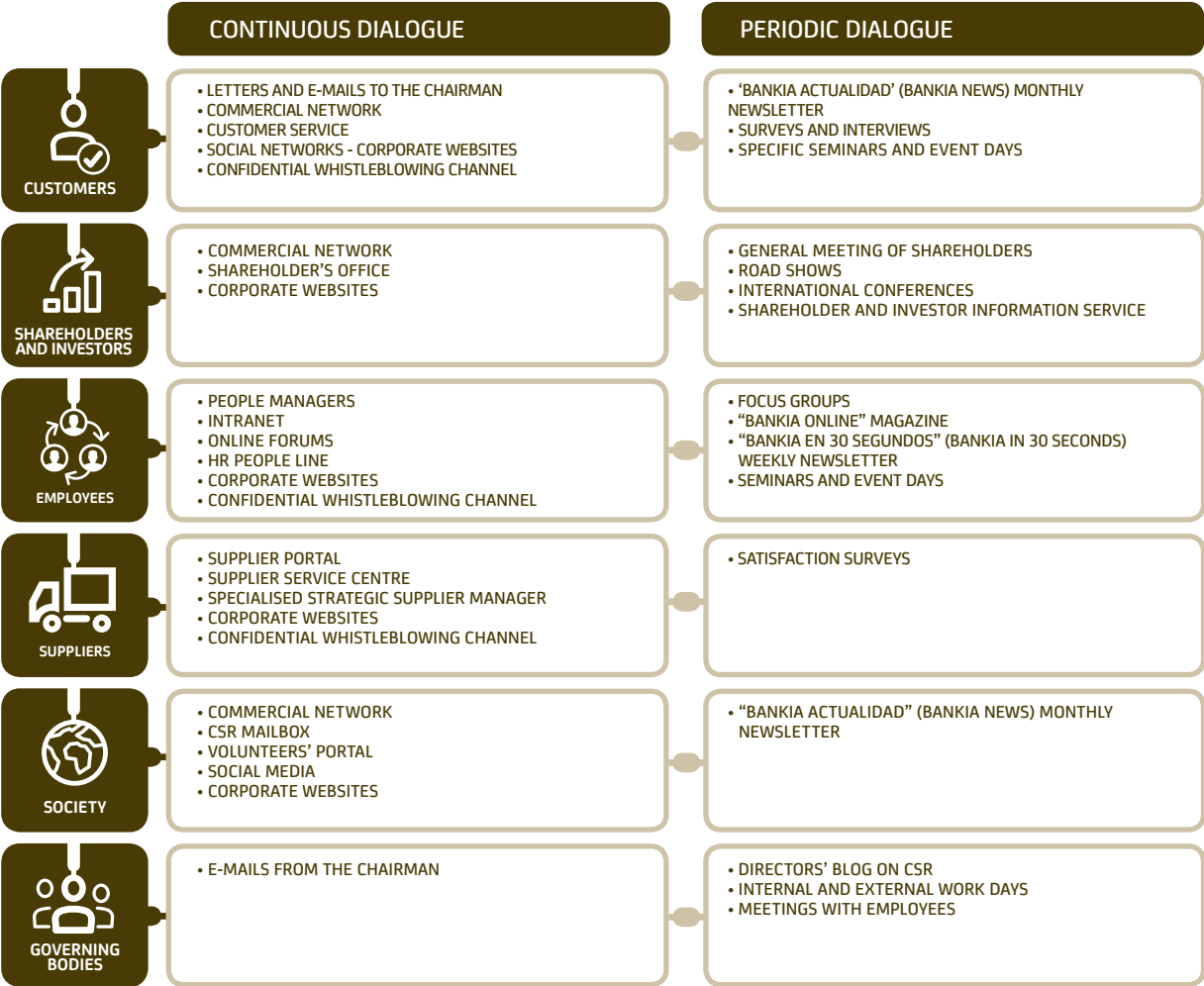
The Responsible Management Policy is approved by the Board of Directors and is reviewed periodically to ensure that it remains aligned with the corporate values and the bank's strategy, as well as with the expectations, requests and demands of our stakeholders.

The Appointments and Responsible Management Committee is responsible for ensuring effective implementation of the strategy and commitments set out in this policy and for assessing compliance.



## CHANNELS OF DIALOGUE

The channels of dialogue the bank uses to give account of its daily activity also allow stakeholders to participate in preparing this report and in identifying priority issues.



# 01.7 BRAND



## BANKIA LISTENS TO ITS CUSTOMERS' NEEDS AND THE TRENDS IN CUSTOMER DEMANDS, SO AS TO PRESENT RELEVANT VALUE PROPOSITIONS.

Brands only have a place in society if society's members so decide. That is why it is crucial to discover the reason why people choose the Bankia brand. They will do so based on their experience with the bank and the Bank's ability to connect emotionally with consumers.

Bankia realises that for that to happen, it must present customers with a value proposition that is relevant to them and motivates them to act. To discover what is relevant, and because it is in the bank's DNA, Bankia listens to customers' needs and

the trends they follow and asks itself how it can help satisfy those needs.

---

### “MAKING THINGS EASY” AS A MOTTO

One of the things customers want is for banking to be easy, to have an account manager who explains things in simple terms and to be able to find the information they need, perform transactions and get answers to

## IMPROVEMENT IN THE BANK'S OVERALL SCORE

Weeks 1 to 52 (January–December)  
Source: GfK



their questions about products and services quickly and easily.

For that purpose the bank has created 'Bankia Fácil', a programme that pulls together all the digital and analog solutions that quickly and simply meet customers' most common needs: withdrawing cash without a card, access to an account manager in a secure channel, always knowing what financing is available or cancelling a product if they are not happy with it.

One of the bank's fundamental goals is to bring the principle of making things easy to bear on the world of payments. Consumers are no longer afraid of shopping online and, although it can be convenient to shop in local stores, we can find everything we want on the Web.

Technology has become a basic necessity and we increasingly use our smartphones to browse the internet and make purchases. For that reason, last year Bankia reached an agreement with the main digital partners to enable all the bank's customers, whatever the platform they use (Apple, Samsung, Paypal, Google or Bizum), to make payments from their devices. Hence the 'No uses dinero' campaign, because paying with Bankia is easy and safe.



## FIRST DOG-FRIENDLY BANK

Another tendency observed in society is that pets, particularly dogs, have become a very important part of many households, with 40% of households having a dog. Aware of the close ties between owners and pets, Bankia has become the first dog-friendly financial institution: dogs are welcome in Bankia branches.



This initiative, together with sponsorship of Perrotón (the biggest urban race with dogs) and the collaboration with Pipper (the travelling dog who recommends places for people who travel with pets), has started to create a space in which Bankia is positioning itself so as to connect with a large part of its audience, showing sensitivity on matters that are crucial to them.

At Bankia we believe we are on the right track and that the work we have done is bearing fruit, as the results of the main brand health indicators show. We shall therefore stick to our principles of proximity, transparency and accessibility during 2019.

# 01.8

## SHAREHOLDING STRUCTURE



THE CAPITAL STRUCTURE PUT IN PLACE AT THE BEGINNING OF 2018, WITHIN THE FRAMEWORK OF THE MERGER WITH BMN, CONSOLIDATED THE BANKIA GROUP'S SHAREHOLDING STRUCTURE.

At the beginning of 2018 Bankia carried out a capital increase through the issue of 205,630,814 shares, which were delivered to the shareholders of Banco Mare Nostrum (BMN) in the merger exchange. As a result, Bankia's total capital was increased to 3,085 million shares. At 31 December, the number of shareholders was 184,643.

38.61% of the bank's capital trades freely on the stock market, while 61.38% of the shares are held by BFA Tenedora de Activos,

Bankia's parent company, which is owned by the State through the FROB (Fondo de Reestructuración Ordenada Bancaria, or Fund for Orderly Bank Restructuring).

Besides BFA, Bankia also has 22.5% of non-Spanish institutional shareholders and 7.04% of Spanish institutional shareholders, plus 9.07% of small shareholders.



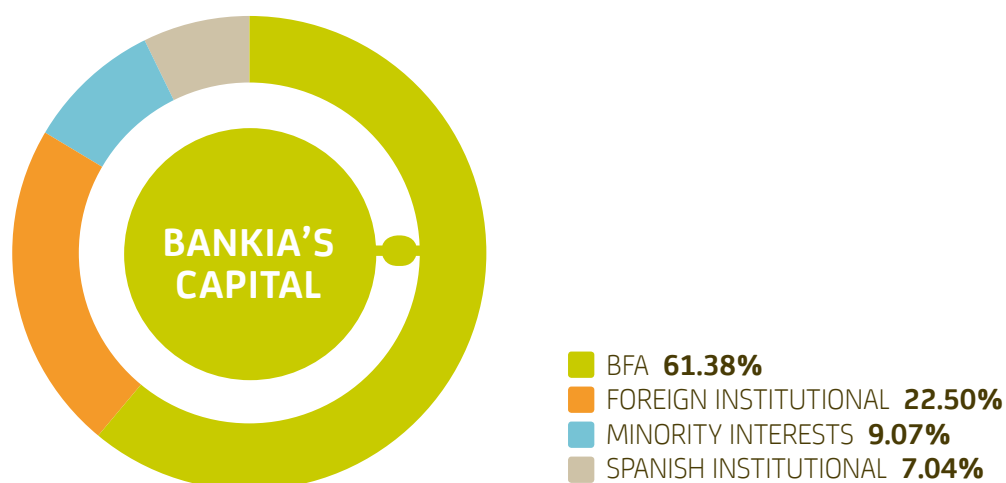
*BFA Tenedora de activos is Bankia's main shareholder, holding 61.38% of the bank's share capital.*

### BANKIA'S MAIN SHAREHOLDERS BY INVESTOR TYPE

	% SHARE CAPITAL AT 31/12/2018	% SHARE CAPITAL POST MERGER EXCHANGE (12/01/2018)	% SHARE CAPITAL AT 31/12/2017	Y-O-Y CHANGE (PP) / No.)	Y-O-Y CHANGE (%)
BFA	61.38%	60.98%	60.68%	0.70	1.15%
Spanish institutional	7.04%	6.76%	4.87%	2.17	44.60%
Foreign institutional	22.50%	23.30%	24.92%	-2.42	-9.70%
Minority interests	9.07%	8.96%	9.53%	-0.46	-4.86%
<b>REGISTERED</b>	<b>3,084,962,950</b>	<b>3,084,962,950</b>	<b>2,879,332,136</b>	<b>205,630,814</b>	<b>7.14%</b>
<b>SHAREHOLDERS</b>	<b>184,643</b>	<b>192,055</b>	<b>190,655</b>	<b>-6,012</b>	<b>-3.15%</b>

### MAIN SHAREHOLDERS BY INVESTOR TYPE

At 31/12/18



# 01.8

## SHAREHOLDING STRUCTURE

### GENERAL MEETING OF SHAREHOLDERS

The 2018 Ordinary General Meeting took place in Valencia on 10 April and was attended, in person or by proxy, by shareholders representing 78.31% of the capital, corresponding to 3,432 shareholders.

From the moment the Notice of General Meeting is published, all the information is available to shareholders on the Bankia website and at the General Meeting Service Office.

Shareholders who wish to raise any matter relating to the agenda may do so through the channels of communication placed at their disposal for that purpose, including the Shareholders' Electronic Forum.

*Bankia shareholders can raise questions about the General Meeting through channels such as the Electronic Forum.*

#### ADVANTAGES FOR SHAREHOLDERS

In 2018, retail shareholders continued to benefit from the “No fees” strategy, without having to have direct income deposit. The only requirement is that they hold one thousand or more shares deposited at the bank.

They are thus exempted from paying service and maintenance fees on all their demand accounts, on all the usual debit cards, on credit transfers through any channel (Oficina Internet, Oficina Móvil and ATMs) and on the paying-in of Spanish cheques.

Shareholders holding one thousand or more shares are also eligible for benefits such as special conditions on the Gold and Platinum cards and a free electronic newsletter (to which they must first subscribe) to keep them up to date with Bankia news.

Shareholders who buy Bankia securities through the bank are also entitled to an exemption from fees on the purchase, administration and custody of the securities. Only the brokerage fee (expenses of the broker-dealer that executes the purchase) and stock exchange fees are passed on.





## COMMUNICATION CHANNELS

Bankia maintains various communication channels to meet its commitment to ongoing dialogue with its shareholders:

### Corporate website

Through its website the bank puts the principles of information equality and symmetry into practice. Available in both Spanish and English, the website content is continuously updated. One of the most practical sections of the website is the Investor's Calendar, which shows the dates of earnings announcements and notices of General Meetings, as well as information about conferences, dividend payments and other material events.

In 2018, the corporate website for shareholders was updated and upgraded, with notable changes to the structure and design of the shareholder and investor sections. The new portal was launched in March 2018.

Besides the continually updated content (dividends, share capital, rating, FAQs, shareholding structure, calendar, presentations, financial reports), other value-added information for shareholders has been added, including:

- Infographics of earnings and the strategic plan, factsheets, in-depth studies, etc.
- A new Analysts' Consensus section, with regularly updated analyst estimates.
- Historical information about the shareholding structure, including monthly data for the last year.
- A new benefit for shareholders, consisting of an exemption from bank fees on the purchase, administration and custody of Bankia shares.

# 01.8

## SHAREHOLDING STRUCTURE

### Shareholder's Office

The Shareholder's Office provides information about the group's business and share price performance and about the benefits of being a Bankia shareholder. During 2018 it answered 680 telephone calls from shareholders and 64 email inquiries.

Other communication channels used include text messages (131,720 text messages sent with the quarterly results, compared to 99,328 the previous year), social media, quality surveys and the branches.



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**64**

EMAIL INQUIRIES  
THROUGH THE  
SHAREHOLDER'S OFFICE



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**680**

TELEPHONE INQUIRIES  
ANSWERED THROUGH THE  
SHAREHOLDER'S OFFICE

### Shareholder and Investor Information Service newsletter

This free digital publication is emailed to all subscribers, who may choose to receive it in Spanish or in English. It is issued quarterly, coinciding with the quarterly results presentation, although special editions are issued for important milestones such as the General Meeting, dividend payments or specific operations.

The newsletter provides information about the bank's results, financial reports, news, material disclosures, indicators, studies and presentations, events, videos, infographics and other useful links. Seven newsletters were sent in 2018, both in Spanish and in English.



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**131,720**

TEXT MESSAGES SENT  
DURING 2018 WITH THE  
QUARTERLY RESULTS



## INSTITUTIONAL INVESTORS

During the year, the Investor Relations and Ratings Directorate took part in 12 road shows, 15 international conferences, 12 field trips (investor group visits to Madrid) and numerous individual meetings and conference calls to explain the bank's performance and results, answer questions and share opinions.

In all, 474 contacts were seen in these meetings, of which 410 were institutional investors (both equity and fixed income) or investment management companies, 43 were analysts and 21 belonged to rating agencies and counterparties. A total of 289 investment firms from 28 different countries, 86.2% of them international, 32 analyst firms and 10 rating agencies and counterparties were represented at the meetings.



# 474

CONTACTS WITH  
INSTITUTIONAL INVESTORS,  
ANALYSTS AND RATING  
AGENCIES



# 62.8%

OF INSTITUTIONAL  
INVESTORS APPLY  
RESPONSIBLE INVESTMENT  
POLICIES

Bankia also took part as a speaker in five financial conferences addressed to global investors. It broadcast five webcasts, four with the quarterly results and one announcing the 2018-20 Strategic Plan (also with a live audience), using a platform that allows live questions and answers.

## NOT ONLY FINANCIAL INFORMATION

Following the principles of proactivity and transparency, Bankia keeps its various stakeholders (analysts, investors, management companies, shareholders, rating agencies, bank counterparties, proxy advisors and other institutions and public bodies) constantly informed through periodic communications and meetings.

Apart from the financial content, the bank also provides information on social, environmental and corporate governance matters, which are increasingly demanded by the public. In fact, 62.8% of Bankia's institutional investors apply responsible investment policies.

In order to protect the right to equal treatment and non-discrimination, all the information is published in the corporate portal or via the CNMV.

# 01.9 PEOPLE



## ACTIVE DIVERSITY MANAGEMENT HELPS GENERATE MORE INCLUSIVE LEADERSHIP WITHIN THE ORGANISATION AND REINFORCES WOMEN'S PROGRESS TOWARDS MORE SENIOR POSITIONS.

People management during 2018 was affected by the workforce adaptation and commercial network restructuring motivated by the absorption of BMN.

As regards the workforce, in February Bankia reached an agreement with organisations representing more than 90% of the Group's unionised workforce for the elimination of 2,000 jobs through voluntary redundancies and functional and geographic mobility.

Thus, 80% of applications for the voluntary redundancy programme and 183 voluntary

changes of geographical assignment within Spain were approved. The process was completed satisfactorily at the end of November, the agreed targets having been met seven months earlier than planned.

As regards the branch network, the absorption of BMN allowed not only an increase in business volume in many geographic areas but also further progress in the bank's digitisation, with the expansion of multichannel business and the opening of additional '+Valor branches in Andalucía. As of year-end, Bankia had a total of 60 branches and 572 multi-channel account

managers, as well as 13 '+Valor' branches with 129 sales advisers.

To coordinate the bank's digital transformation, in October Bankia created the Digital Transformation and Strategy Corporate Directorate, which is divided into various specialised units, tasked with transforming the bank's structures, culture and way of working.

To tackle these functional areas, Bankia is hiring talent internally and externally, while implementing a broad-based development and training process.

At the end of 2018, as part of its ongoing cultural transformation and to consolidate key components of its management style, the bank launched the 'Conversaciones para el liderazgo digital', as a continuation of the conversations conducted in 2017.

Through these conversations, all the corporate executives and the bank's Top 300 managers had talks with their supervisors with a view to becoming more aware of and reflecting on their leadership style, so as to bring it into line with the ongoing transformation.

At the same time, to improve cross-organisational communication and knowledge, branch and central services managers completed 114 temporary assignments in different areas of the organisation.

Along the same lines of improving organisational empathy, the bank's retail risk analysts are expected to be given temporary assignments in area head offices and the branch network over the course of 2019.

To help adapt and align the workforce to the new structures and business needs, a more in-depth knowledge of the bank's professionals was acquired through an additional 1,404 interviews, on top of the 1,556 interviews of BMN employees conducted in the second half of 2017.

This enhanced knowledge of the workforce was used to adapt functions and assignments within the organisation, resulting in a total of 4,959 reassignments and 555 appointments, 82 of which were in the Top 300 group; 118 in the Top 600; 259 commercial network managers; and 96 deputy commercial network managers.



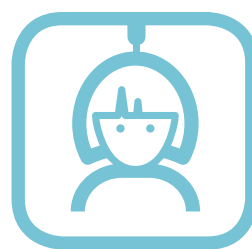
**555**

NUMBER OF SENIOR MANAGEMENT APPOINTMENTS COVERED INTERNALLY



**325**

NUMBER OF EMPLOYEES PROMOTED INTERNALLY



**230**

NUMBER OF FEMALE EMPLOYEES PROMOTED INTERNALLY

# 01.9

## PEOPLE

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### TALENT MANAGEMENT

In 2018 talent management was affected both by the digitisation process and by gender diversity considerations.

Diversity management helps to generate more inclusive leadership in the organisation and reinforces women's progress towards more senior positions.

The following development actions focusing on these two levers of change were carried out in 2018:

**Senior Management Development Programme (SMDP).** Fourth edition in collaboration with CLA-FT (IE Business School), in which all the bank's corporate executives took part. The programme paid special attention to strategic and operational decision making to anticipate future

challenges and consolidate the inclusive leadership style in a diverse and changing digital environment.

**"Take the initiative" Programme.** Centred around gender diversity, this programme was delivered to 20 female commercial network and central services managers belonging to the talent group, who will be mentored over a period of approximately 18 months by another 20 managers selected from the bank's Top 300. The main objective of this edition is to understand diversity as a driver of growth and competitiveness, promoting gender balance and the creation of an inclusive culture.

**Equivalentents Programme.** Launched at the end of 2018 for a period of one year, the aim of this programme is to create awareness, generate debate and strengthen the bank's positioning and sensitivity to existing gender paradigms in the company, enabling a change of habits and behaviours to become more tolerant, supportive and accepting of diversity.

**Digital\_eSports Development Programme.** The 16 participants in the first edition, all of them managers from the talent group, had the opportunity to build digital skills such as critical thinking, forward vision, decision making, trust, drive, self-motivation and communication, all this in an innovative and disruptive environment that exploits the advantages offered by the new digital technologies. Further editions of this new programme are planned for 2019.

**Lidera-T Sessions.** The second edition of these skills workshops was started





in September 2018. The participants included 91 managers and 89 management candidates from the bank's talent group, both from the commercial network and from central services. This line of work will continue in 2019.

**Senior Management Coaching (SMC).** The second edition of the programme, in which 22 talented managers from the commercial network and central services took part, concluded at the beginning of 2018.

**Development Programme for Commercial Network Managers.** Two further editions were carried out between October and November. A total of 30 talented managers from the commercial network are taking part in this programme, which is scheduled to end in mid-2019.

**Development Programme for newly appointed Commercial Network Managers.** A total of 29 people took part in the first two editions, started in 2018. Further editions will be held in 2019.

**Development Programme for newly appointed Central Services Managers.** The first edition of this programme, which follows a similar approach to the previous one, is scheduled for the first quarter of 2019, with a total of 15 participants.

**Development Programme for Central Services Managers.** The seventh edition of this programme, in which 14 managers from the talent group took part, ended

during the last quarter of 2018. The eighth edition, scheduled to end in 2019, with 15 participants, started in that same quarter.

**Communication Coaching Programme.** This programme was created in 2017 to strengthen managers' skills in issuing and preparing persuasive messages. 12 managers from the bank's Top 300 took part in 2018.

**Transformational Leadership Programme.** Three Top 300 managers took part in the two editions held by Fundación CEDE's International Center for Leadership Development (ICLD) in 2018.

**Scholarships for Excellence 2018.** A total of 25 scholarships were granted. The scholarships, for a maximum amount of 10,000 euros, are for professionals who have presented high-level training projects, mainly relating to the new digital environment and business transformation.

**Bankia Dual Vocational Training Programme.** This programme has already trained two groups of customer account managers. A third edition, with 50 students, will be held during 2019. A fourth group will start training in 2019.

**Coverage of vacancies.** Most of the vacancies that arose in the bank during 2018 were filled internally. However, various external selection processes were conducted and 30 people were hired to fill specific, markedly technical or technological positions.



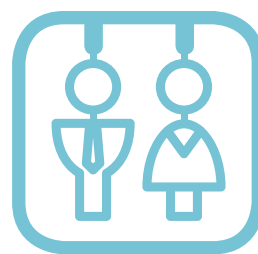
**119**

PARTICIPANTS IN THE  
MANAGEMENT SKILLS  
DEVELOPMENT PROGRAMME



**178**

TALENT: PARTICIPANTS IN  
THE 'LIDERA-T' DIGITAL  
TRANSFORMATION SKILLS  
WORKSHOPS



**40**

PARTICIPANTS IN THE  
MENTORING PROGRAMME

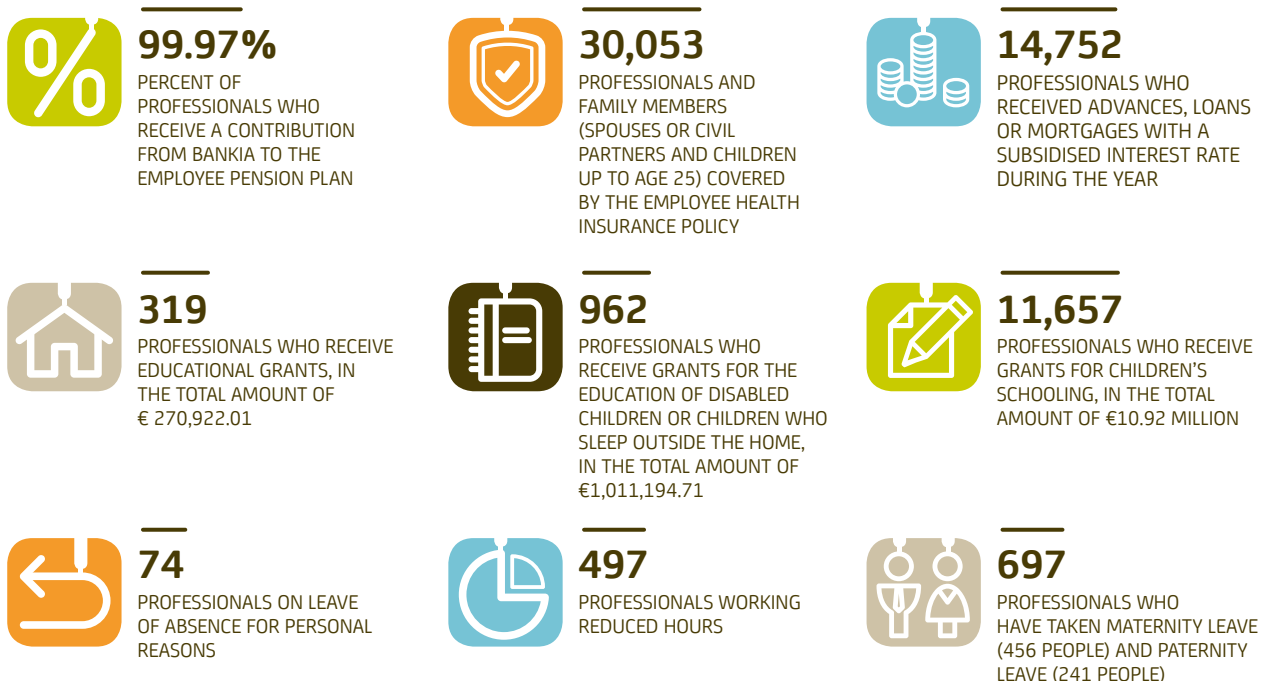
**01.9**  
PEOPLE



## EMPLOYMENT CONDITIONS



## EMPLOYEE BENEFITS



## TRAINING

Bankia has an annual training plan that contributes to the development of its professionals' knowledge, competencies and skills.

More than one million hours of training were given in 2018, 62% of them through digital channels. The professionals who joined as a result of the BMN merger received more than 100 hours of induction training.

Other training actions included the following:

- Nearly 2,000 people (area managers, branch managers and a group of senior managers) took part in programmes to foster the bank's culture, values, management style and business model. A business simulator was developed which, through gamification, reinforces the key points of our customers' experience and the sales framework.
- A new training course, aimed at enabling more than 5,700 professionals to obtain the financial adviser certification required by the MiFID II directive, achieved a more than 83% success rate. The training lasted seven months, combining online learning with face-to-face sessions.

Bankia opened its Sales School to reinforce its professionals' key capabilities. The school has been attended by Business Banking account managers and executives and a group of the bank's financial advisers. Additionally, specific training was given to accompany the launch of new business lines, including 'Conecta con tu Experto', '+Valor', 'Bankia Gestión Experta' and 'Bankia Renting'.

- Other important training programmes include those given to meet, among other things, the regulatory requirements for insurance mediation and the prevention of money laundering and the financing of terrorism; those targeted at central services staff to reinforce their technical competencies; and the Scholarships for Excellence.

### HOURS OF TRAINING BY GENDER



**422,530**

HOURS OF TRAINING GIVEN TO MEN



**601,881**

HOURS OF TRAINING GIVEN TO WOMEN

### HOURS OF TRAINING BY PROFESSIONAL CATEGORY



**10,653**

HOURS OF TRAINING GIVEN TO SENIOR MANAGERS



**265,890**

HOURS OF TRAINING GIVEN TO MIDDLE MANAGERS



**747,868**

HOURS OF TRAINING GIVEN TO THE REST OF THE EMPLOYEES

# 01.9

## PEOPLE

TRAINING INDICATORS	2018	2017
Investment in training (millions of euros)	6.66	6.93
No. of training initiatives carried out	1,092	916
Professionals who received training	15,173	12,336
No. of training hours per employee	67.5	74.42
Online training hours as % of total training hours	62%	59.07%
No. of training hours given in technological integration projects	316,147	89,962

### KNOWLEDGE IN RESPONSIBLE MANAGEMENT AND SUSTAINABILITY

During 2018 Bankia launched a voluntary online Responsible Management training activity for 100% of the workforce, which features, among other things, videos of the members of the Responsible Management Committee explaining in practical terms what responsible management means for the bank and what it entails in each specific field of action

The goal of this activity is for the bank's professionals to understand the context in which corporate social responsibility (CSR) is exercised and the extent to which it is exercised in Bankia.

The course explains how CSR and sustainability are part of the agenda for companies and the financial services sector, how CSR serves as a lever in readying companies to face the major global challenges (such as the Sustainable Development Goals, climate change, business ethics, commitment to human rights, demographic change, new technologies, etc.) and how it is deployed in Bankia through responsible management:

- What responsible management means for Bankia
- How Bankia ensures responsible management and how it is integrated in strategy
- Who carries responsibility for responsible management
- The bank's relationships with its stakeholders
- The relevant issues for Bankia's responsible management
- The importance of managing environmental, social and corporate governance risks



## REMUNERATION POLICY

Bankia has a remuneration policy based on compliance with regulations and the following principles:

- Balance of remuneration components.
- Results orientation: recognition of excellence.
- Strategy: time horizon.
- Loyalty: bank, shareholders and customers.
- Simplicity: regulation and communication.
- Compatible: risk and management.
- Internal fairness.
- External competitiveness.
- Gender equality.

The remuneration of each professional remunerates everything that person does in the performance of his or her duties, both within the bank and in other bodies or investees. The components of remuneration are as follows:

**Fixed remuneration.** According to the position held and any functional or personal supplements applicable in each case.

**Variable remuneration.** Linked to the additional, extraordinary contribution and related to job performance. The amount is determined by the degree of achievement of the objectives that were set. Variable remuneration:

- Takes into account the overall performance of the bank and the unit to which the professional belongs, together with an individual assessment.
- Is not guaranteed.
- Is directly proportional, in amount, to the date of hiring, promotion or reassignment and the level of achievement.

The variable remuneration policy helps prevent conflicts of interest that may harm customers' interests, ensures compliance with the rules of conduct for the provision of investment services and avoids creating incentives that may lead the persons responsible to put their own interest (or that of the company) before the interest of customers.

The individual performance assessments that are used to determine variable remuneration are not based solely on sales volumes but also take other qualitative criteria into account, including compliance with regulatory standards of conduct, fair treatment of customers and customer satisfaction.

Variable remuneration is reviewed each year to check that it does not limit Bankia's ability to maintain a sound capital base and that the interests of shareholders, customers and other stakeholders are protected.

# 01.9

## PEOPLE

### DIVERSITY

The Diversity Plan, which was approved by the Management Committee in October 2018, lays down diversity guidelines for the period to 2020. It is intended to implement the objectives of the 2018-2020 Strategic Plan, which include reaching 40% of women managers.

The Group regards gender diversity as a driver of change. The Diversity Plan places special emphasis on inclusive leadership and women's advance into more senior positions. The plan focuses on:

- The company's commitment: manage and develop gender diversity as a strategic factor, to be monitored by the Management Committee.
- Training and awareness: reflect on gender diversity from a broad, inclusive perspective, making managers and employees aware of the importance of managing diversity and actively seeking to avoid unconscious prejudice and bias.
- Talent development: develop detailed plans for different employee groups, with specific actions for talented women.
- Indicators and monitoring: set goals, measure progress and degree of achievement, and take additional measures where necessary.

The goals and measures proposed by the Diversity Plan are based on best practices and recommendations for gender diversity development, taking the main barriers to the promotion of women into account.

Bankia has signed the Diversity Charter, promoted by Fundación Diversidad (Alares), which sets out a series of core principles relating to equality of opportunity and anti-discrimination.

Also, in 2019 the bank is expected to start participating in the 'Conquistando la igualdad' ('Conquering equality') project as a sponsor. This is a collaborative platform set up to foster and accelerate diversity initiatives through ideas contributed by participants and members or staff of any group, and to manage and prepare the initiatives until they are eventually put into practise, optimising their innovation potential.

## OCCUPATIONAL RISK PREVENTION

The Occupational Risk Prevention Policy is approved by the Management Committee and any updates are approved by human resources management, with annual reviews.

In 2018 Bankia reinforced its commitment to health and well-being by announcing a framework of action to promote healthy work environments and life styles.

To stimulate a healthy company culture in an open, collaborative way and make its professionals co-responsible, the bank has opted to conduct interviews and listening workshops.

The issues covered in the first phase, with the active participation of 47 employees, include health and work-life balance, as well as the psychosocial dimensions most in need of optimisation, all this subject to the principle of transparency, prior consultation and participation of union representatives. This is a pioneering initiative in the financial sector.

The challenges for the future include setting up a cross-organisational group, which will involve different departments and units, to continue to develop and implement well-being initiatives on a joint basis.

Besides its ongoing collaboration with Spanish Red Cross and Asociación Española contra el Cáncer, Bankia has started the AHA Programme, aimed at building awareness and forming and reinforcing healthy habits (eating, physical exercise and so on). By the end of 2018, the published content had received almost 10,000 visits and 359 contributions or comments.



**666**

PROFESSIONALS TRAINED  
IN OCCUPATIONAL RISK  
PREVENTION

### EMPLOYEE HEALTH AND SAFETY

Absenteeism rate	3.24%
Occupational accident rate	0.17%
No. of ordinary sick leaves	4,852

# 01.9

PEOPLE

*To accompany the integration of BMN, an internal communication plan has been implemented to unify the teams' corporate culture.*

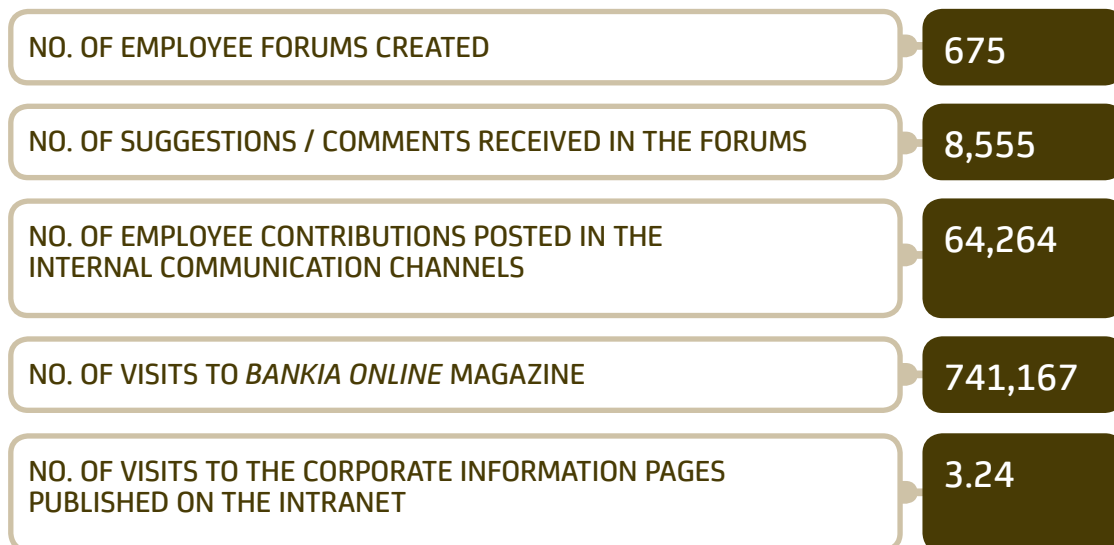
## ACTIVE LISTENING AND CULTURAL CONSOLIDATION

In recent years Bankia has maintained an internal communication strategy based on active listening to its professionals and consolidation of the bank's culture. To do this it has its Intranet, which provides employees with the corporate, operational and business information they need in order to achieve their goals and perform their day-to-day tasks. The 'En30segundos' electronic newsletter offers a weekly summary of the most important news relating to Bankia.

The 'Somos Bankia' inhouse magazine has also established itself in recent years among the bank's professionals as a platform for active participation. It is the professionals themselves who feed it with proposals for reports, photographs and comments highlighting recognition and team work, as well as the Bankia culture.

Meanwhile, the focus groups held each week with employees from the bank's various regional and organisational groups help identify areas for improvement in various fields.

## INTERNAL COMMUNICATION





Added to these channels in 2018 were new bottom-up and two-way communication tools that encourage participation and active listening among professionals, including the digital transformation website and the 'Hablamos' forums, which have served to identify and implement improvements and communicate good practices. Gamification also helps build the innovation culture, reinforce the pride of belonging, retain users and increase recurring participation.

Throughout the first half of 2018, following the integration of Bankia and BMN, an ambitious internal communication plan was implemented to foster the cultural integration of the teams and give recognition to the huge effort made by the professionals of both entities to achieve a successful integration in such a short time.

## COMMUNICATION AS A FUNDAMENTAL PILLAR OF MANAGEMENT STYLE

Over the course of 2018, building on the work done in 2017 to consolidate Bankia's management style, further steps were taken to develop critical aspects of the bank's leadership model:

- **Management Communication Framework in Central Services.** The purpose of implementing this framework is to ensure the flow of information and communication required to optimise business operations and strengthen team commitment by situating their work in a broader context and giving it meaning. Work started with the Corporate Directorate of Technology and Organisation and was extended to the Corporate Directorate of Legal Services in the last quarter of 2018. The implementation process comprises several phases.

First, the moments of communication specific to each area are defined, directorate by directorate, through workshops with Top 300 and Top 600 managers.

Subsequently, additional workshops are organised with specialists to identify the elements they consider key for communication, which were conveyed to their supervisors.

Thus, each directorate has its own Management Communication Framework, tailored to its real needs. To reinforce the process, managers took part in a one-and-a-half-day residential training course, in which they were encouraged, through eminently practical, experience-based activities, to reflect on their new habits and prepare an action plan to reinforce them.

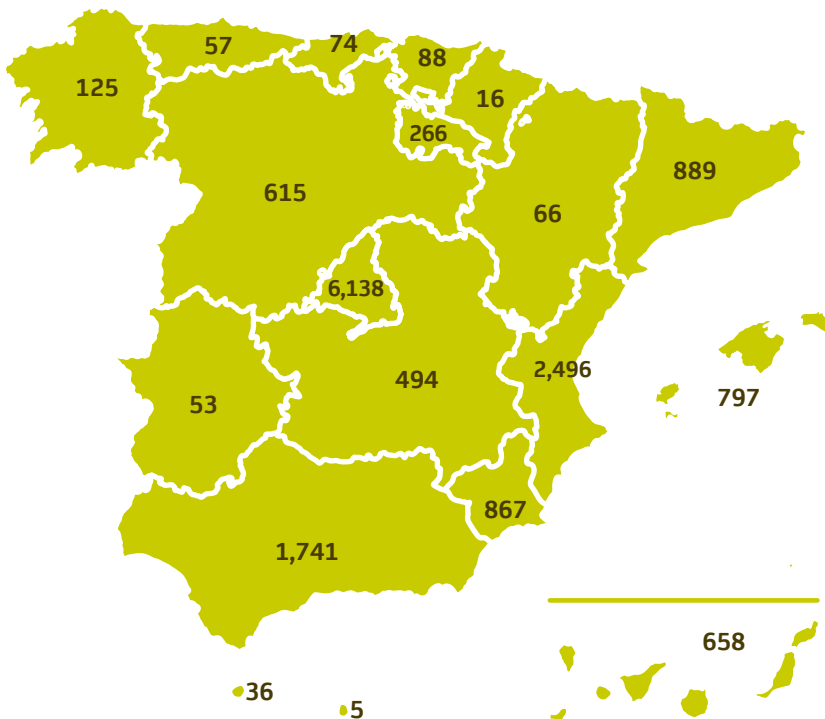
- **Recognition Programme.** The purpose of this programme is to make giving recognition part of the bank's everyday activities. The two most important milestones in 2018 were: the delivery of recognition awards during the Management Committee tour and the launch of the Recognition Guide.
- **Conversations for Leadership.** At the end of 2018 the bank launched the self-assessments which, at the start of 2019, are being used as the basis for further conversations between the bank's Top 300 managers and their supervisors. This time the items to be assessed are closely related to the promotion of key habits for driving the bank's digital culture: adaptation and promotion of change, management of individual commitment and responsibility, and contribution of a holistic vision.

**01.9**  
PEOPLE



**WORKFORCE PROFILE**

**GEOGRAPHIC DISTRIBUTION OF PROFESSIONALS**



**15,486**

TOTAL NUMBER OF PEOPLE WHO WORK IN BANKIA, S.A.

**15,481**

NO. OF PEOPLE WITH POSITION IN SPAIN

**5**

NO. OF PEOPLE WITH POSITION OUTSIDE SPAIN\*

Cuba 2  
Shanghai 3

\* In representative offices with no banking activity.

**DISTRIBUTION BY BUSINESS**



**13,358**

NO. OF PROFESSIONALS IN THE BUSINESS (NETWORKS, INTERMEDIATE UNITS, BUSINESS BANKING, ETC.)



**2,128**

NO. OF PROFESSIONALS IN CENTRAL SERVICES

## EQUALITY AND DIVERSITY



**6,771**

NO. OF MEN IN THE WORKFORCE (43.72%)



**8,715**

NO. OF WOMEN IN THE WORKFORCE (56.28%)



**19 YEARS**

AVERAGE LENGTH OF SERVICE



**45 YEARS**

AVERAGE AGE OF THE WORKFORCE

## BY SENIOR MANAGEMENT FUNCTION\*



**2,393**

MEN IN WORKFORCE (57.24%)



**1,788**

WOMEN IN WORKFORCE (42.76%)

\* Including central services directors and business unit directors and deputy directors.

## BY AGE



**0.24%**

PROFESSIONALS UNDER 30 AS % OF TOTAL WORKFORCE



**75.60%**

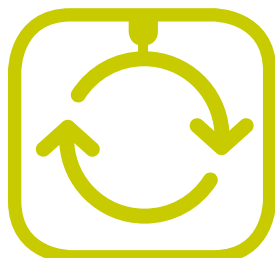
PROFESSIONALS AGED 30 TO 50 AS % OF TOTAL WORKFORCE



**24.16%**

PROFESSIONALS OVER 50 AS % OF TOTAL WORKFORCE

## UNWANTED EXTERNAL TURNOVER



**0.64%**

### BY GENDER



**0.36%**  
MEN



**0.28%**  
WOMEN

### BY AGE



**0.01%**  
UNDER 30



**0.48%**  
30 TO 50

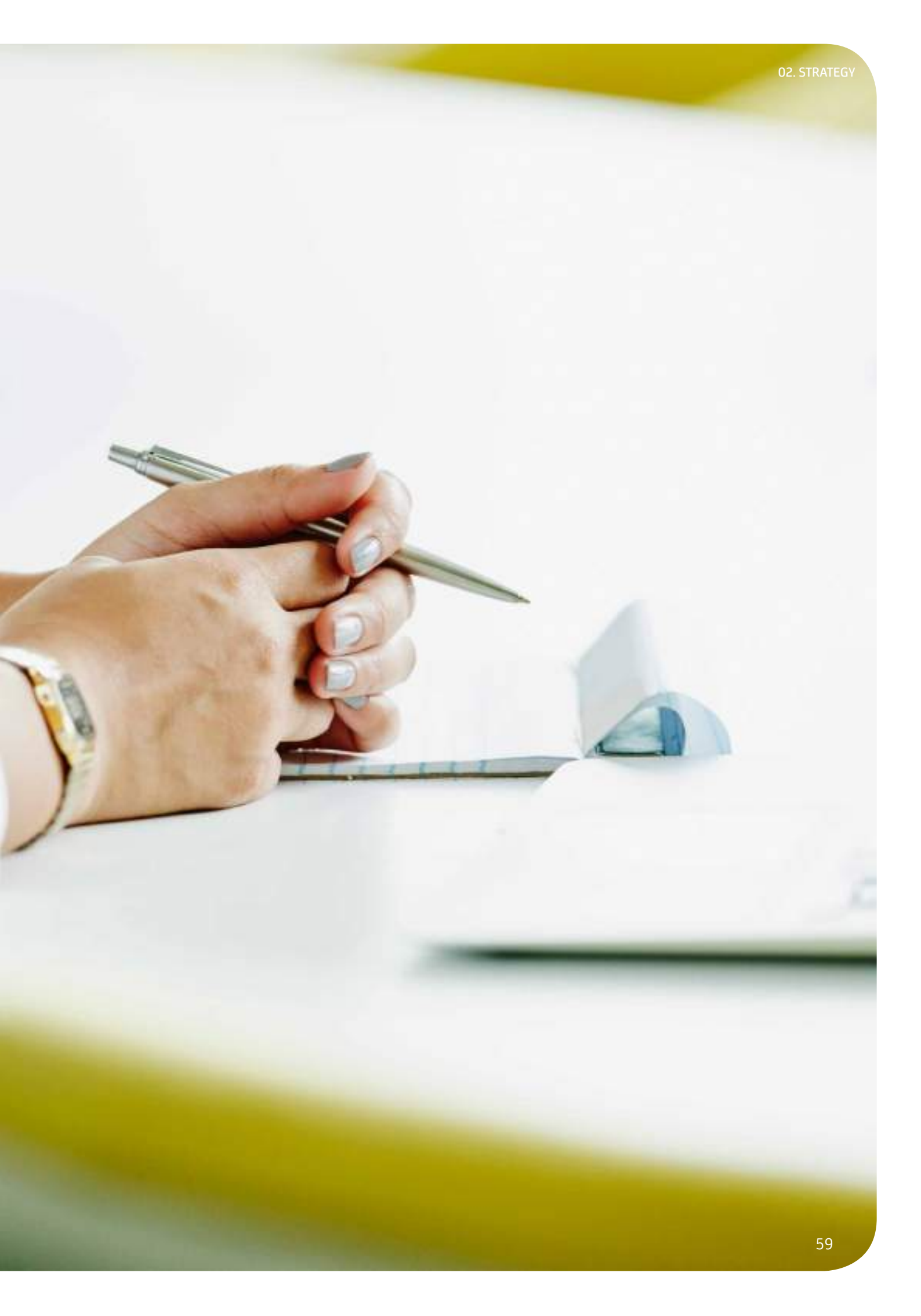


**0.15%**  
OVER 50

# 02. STRATEGY

Bankia's strategy for the next few financial years, starting from the BMN merger, aims for improvements in efficiency and cost control, increases in profitability and revenue, and a rapid reduction of real estate assets.





# 02.1

## 2018–2020 STRATEGIC PLAN



2018 WAS THE FIRST YEAR OF BANKIA'S NEW STRATEGIC PLAN, THROUGH WHICH THE GROUP ASPIRES TO BECOME THE BEST BANK IN SPAIN BY 2020.

The bank presented its new road map for 2018-2020 after having met all the commitments of the previous Strategic Plan and having established itself as Spain's fourth largest financial institution.

The plan is aimed at making Bankia the most profitable, most efficient and most solvent of all the large banks and the one with the most satisfied customers, the most committed teams and the widest social recognition.

The lines of action now under way build on a solid foundation of corporate governance,

oriented towards the principles and values that underpin everything the bank does.

The four objectives driving the strategy start from the merger with BMN; efficiency, cost control, revenue growth through increased sales of high value products, and accelerated reduction of non-performing assets. The bank started the plan from a position of balance sheet strength, thanks to the provisions and write-downs recorded in previous years, buoyed by strong sales momentum once the restrictions imposed by the European Union were lifted and by the impetus provided by the merger with BMN.

The plan targets, set out below, are calculated on the assumption of Spanish GDP growth of more than 2% over the three years, a Euribor of 0.73% at the end of the period and a gradual recovery in lending.

**Profits:** reach 1,300 million euros in 2020 (62% more than in 2017), bringing the return on equity (ROE) to 10.8% and the return on tangible equity (ROTE) to 11%; all this through cost containment and business volume growth.

**Revenue:** expand the customer base by 5% in retail customers (400,000 more) and 20% in corporate customers (12,500); and increase market shares in mortgages (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 the case of credit cards), among others.

**Costs:** reduce costs by 2.5%, in line with the policy pursued in recent years. The synergies generated by the merger with BMN over the period of the plan are estimated at 190 million euros, compared to the 155 million announced initially.

**Dividends:** increase the payout ratio from 45% to 50%, so as to bring earnings per share in 2020 to around 0.43 euros, well above the level of 0.26 euros recorded in 2017.

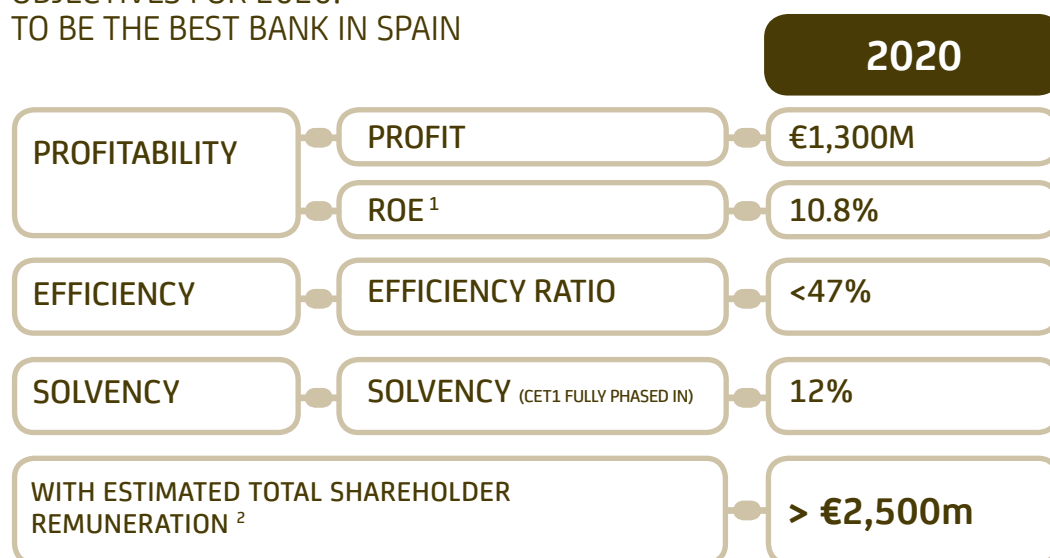
**Solvency:** reduce the balance of non-performing assets (non-performing loans and foreclosed assets) by 8,800 million, to 8,400 million, so that the NPA ratio falls below 6% gross (12.5% in 2017) and 3% net. On completion of the plan, the NPA ratio will be 3.9%, and the NPA coverage ratio 56%; and the ratio of provisions to loans will be 24 basis points.

Together with the purely financial parameters, the 2018-2020 Strategic Plan underlines Bankia's commitment to improving the quality of service provided to its customers by adapting to customers' demand, which is increasingly digital. For that purpose, the plan provides for IT investments in the amount of 1,000 million euros, more than half of which will be used to transform the business model.

Another of the plan's objectives is that by 2020 at least 40% of the bank's senior management positions should be held by women.

Keeping pace with society is one of the bank's fundamental goals. Bankia therefore focuses on what it considers to be the main challenges facing society today: education and employment, the environment and responsible digitisation.

## OBJECTIVES FOR 2020: TO BE THE BEST BANK IN SPAIN



<sup>1</sup> Adjusted to fully phased in CET1 of 12%

<sup>2</sup> Includes the cash payout and the capital returned in excess of 12% CET1 fully phased in

# 02.1

## 2018–2020 STRATEGIC PLAN

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*The Company resulting from the agreement between Bankia and CA CF will allow the group to deliver more value to its customers.*

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### CONSUMER FINANCE ALLIANCE

Bankia and Crédit Agricole Consumer Finance (CA CF) reached an agreement for the creation of a joint venture specialising in consumer finance for individuals and the self-employed at the point of sale, which will enable the group to extend its activity to new businesses and so continue to generate value.

The new company will also help Bankia strengthen its competitive position in new business segments, while broadening its range of products and services.

According to the Strategic Plan, CA CF is expected to position itself over the next few years as one of the leading specialised credit institutions in Spain.

The agreement gives each partner an equal interest in the joint venture and specifies that CA CF will propose the CEO and Bankia, the CFO, in a Board made up of top-level executives of the two shareholders and a highly respected independent director.

The partners will agree on the main policies and plans, most notably: strategic and business plans; risk, financial management, regulatory compliance and audit policies; corporate agreements and brand strategy.

CA CF's support for Bankia's own consumer finance business is an essential part of the agreement, so as reinforce the bank's positioning in this segment, which itself is a fundamental pillar of the 2018-2020 Strategic Plan.







Thus, the new company is expected to start operating in mid-2019, once the pertinent authorisations have been obtained and the technology platform is in place.

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## COMPLIANCE IN 2018

The economic environment last year was worse than forecast in the 2018-2020 Strategic Plan. The 12-month Euribor fell 12 basis points, instead of five. Total lending to companies dropped 5.8%, instead of 2.1%. And mutual fund assets decreased by 2.1%, instead of rising 11.8%.

Despite the adverse behaviour of these variables, which directly affect net interest income and business volume, Bankia met its management objectives:

- **Lending.** Consumer lending grew 14.1% and business lending, 4.4%. In both cases, the bank gained market share: 14 and 35 basis points, respectively. In the financial sector as a whole, consumer lending rose 11.9%, while business lending fell 5.8%.
- **Synergies.** The integration of BMN in Bankia brought savings of 130 million euros in 2018, twice the amount forecasted (66 million). The two entities' combined operating expenses totalled 1,870 million, compared to the Strategic Plan estimate of 2,000 million.

- **Non-performing assets.** The target was to reduce the non-performing exposure by 2,900 million euros, but in the end, it was reduced by 6,000 million. Total NPAs were reduced by 35% in just one year.

- **Capital.** 775 million euros of capital were generated in 2018, including deals agreed but not yet authorised, such as the sale of insurance interests agreed with Mapfre after the merger with BMN.

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## INTEGRATION OF BMN

In terms of complexity and speed, integrating BMN was one of the biggest operations undertaken by Bankia during 2018.

The operational and technological integration was completed in a record two and a half months, so that by mid-March 2018, 613 BMN branches and 4,000 BMN professionals were already operating via the Bankia platform.

The integration programme was implemented through three different plans:

- **Functional Plan.** 437 gaps or functional problems were identified. To solve them, 20 plans were carried out, comprising approximately 200 projects, 600 subprojects and 1,600 activities. The plan was gradual, first introducing a transitional model (from legal integration to IT integration) and subsequently the final model.

# 02.1

## 2018–2020 STRATEGIC PLAN

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*The integration of BMN has consolidated Bankia as the fourth largest financial institution in the Spanish market.*

• **IT Plan.** 304 operational and technological gaps were identified and more than 100 IT development projects were carried out. The data migration process required 911 interfaces and an infrastructure plan was designed for the distribution of jobs, devices and ATMs, among other things.

• **Support projects.** Initiatives were launched to facilitate the integration of the BMN people, with various training, documentation and communication actions, and the necessary resources (material, staff, outsourcers, etc.) were provided to complete the process.





In total, 1.7 million customers, six million contracts, more than 1,000 ATMs and 22,000 office devices (computers, printers, servers, etc.) were migrated to Bankia. The former BMN workforce received 259,000 hours of training and, in all, 233 actions were taken, both at the operational or technological level and at the functional level.

This integration was carried out without BMN customers having to do anything and without changes in their usual banking transactions (credit or debit cards, ATMs, direct debits and credits, etc.) or in the contracts they had signed with the bank (accounts, mortgages, insurance, etc.).

#### A MERGER THAT REINFORCES BANKIA'S FOURTH PLACE IN THE MARKET

The merger of Bankia and BMN received all the necessary clearances from the Spanish government and the regulatory and supervisory bodies on 29 December last year. For legal purposes the merger took place a few days later, on 7 January 2018, with the registration of the merger instrument in the Valencia Company Register.

The merger has strengthened Bankia's position as the fourth largest financial institution in the Spanish market, with 223,000 million euros of managed assets. BMN brought to the group approximately 38,000 million in assets and a leading franchise in the regions of Murcia and the Balearic Islands and the province of Granada.

As a result of the merger, the bank's loan volume grew 20%; deposits, 28%; and the customer base, 26%.

After the merger, Bankia has market shares of more than 30% in Granada and the Region of Murcia and 25% in the Balearic Islands. The merger thus further strengthens a group that is already the market leader in large, fast-growing regions such as the Community of Madrid and the Valencian Community.

## 02.2 RESPONSIBLE MANAGEMENT



THE NEW RESPONSIBLE MANAGEMENT PLAN DEVELOPED TO MEET THE CHALLENGES OF THE FUTURE TURNS BANKIA INTO A SUSTAINABLE BANK ALIGNED WITH THE SUSTAINABLE DEVELOPMENT GOALS.

Over the last three years Bankia has implemented a Responsible Management Plan, which was developed taking into account both the bank's responsible management strategy and the interests of its various stakeholders.

The stakeholders were identified through internal consultation with the Responsible Management Committee and the bank's senior managers, giving priority to the stakeholders that were most interdependent with the bank and most likely to influence the bank's activity and decision making.

The two main focus areas of the 2016-2018 Responsible Management Plan were listening and dialogue with stakeholders and continuous supervision and assessment of the actions envisaged in the plan.

To evaluate the degree of compliance, a dashboard was prepared in which the various initiatives and their degree of completion were measured using specific indicators. The dashboard was reported quarterly to the Responsible Management Committee and semi-annually to the Board of Directors.

## THE MAIN INITIATIVES CARRIED OUT IN 2018 WERE AS FOLLOWS

TARGET MET

TARGET IN PROGRESS

### 2016-2018 RESPONSIBLE MANAGEMENT PLAN

STRATEGIC AREA	OBJECTIVE	INITIATIVE	DEGREE OF ACHIEVEMENT
 <p><b>CORPORATE GOVERNANCE</b></p>	<p>Foster a culture of transparency and integrity that protects the interests of all stakeholders and promote diversity in the bank's governing body.</p>	<p>PREPARE AN ACTION PLAN BASED ON THE SUGGESTIONS ARISING FROM THE BOARD ASSESSMENT</p>	<input checked="" type="checkbox"/>
		<p>PROMOTION OF GENDER DIVERSITY ON THE BOARD OF DIRECTORS</p>	<input checked="" type="checkbox"/>
 <p><b>CUSTOMERS</b></p>	<p>Honest relationships that match customers' real needs. In Bankia the customer is the greatest asset, so offering the customer high levels of professionalism and high quality service is a core objective.</p>	<p>STAKEHOLDER PARTICIPATION IN PRODUCT AND SERVICE DESIGN</p>	<input checked="" type="checkbox"/>
		<p>ASSURANCE OF TRANSPARENCY AND CLARITY IN INFORMATION TO CUSTOMERS</p>	<input checked="" type="checkbox"/>
 <p><b>EMPLOYEES</b></p>	<p>Work and move forward under a common project, where a culture of responsible management permeates every aspect of the business and success for Bankia means success for everybody.</p>	<p>INCREASE THE NUMBER OF WOMEN IN SENIOR MANAGEMENT POSTS</p>	<input checked="" type="checkbox"/>
		<p>INCREASE SATISFACTION WITH INTERNAL COMMUNICATION FROM 83.5%</p>	<input checked="" type="checkbox"/>
		<p>INCORPORATE RESPONSIBLE MANAGEMENT IN WORKFORCE TRAINING</p>	<input checked="" type="checkbox"/>
 <p><b>SOCIETY</b></p>	<p>Listen to, identify and support the real needs of the environment. The Bank will work to ensure that growth is positive and sustainable for all parties involved.</p>	<p>INCREASE THE VOLUME OF ASSETS MANAGED UNDER ESG CRITERIA</p>	<input checked="" type="checkbox"/>
		<p>HAVE A PORTFOLIO OF PRODUCTS AND SERVICES THAT CONTRIBUTE TO SOCIAL DEVELOPMENT AND ENVIRONMENTAL PROTECTION</p>	<input checked="" type="checkbox"/>
		<p>INCREASE SOCIAL INVESTMENT AND PROMOTE DUAL VOCATIONAL TRAINING IN THE EDUCATION SYSTEM</p>	<input checked="" type="checkbox"/>
 <p><b>SUPPLIERS</b></p>	<p>Extend the responsible management commitment to the supply chain. Bankia works closely with suppliers to apply best ethical, social and environmental practices and build lasting relationships.</p>	<p>REDUCE THE PAYMENT PERIOD TO SUPPLIERS TO LESS THAN 30 DAYS</p>	<input checked="" type="checkbox"/>
		<p>IMPROVE OVERALL SUPPLIER SATISFACTION</p>	<input checked="" type="checkbox"/>
		<p>100% OF SUPPLIERS CATEGORISED BY LEVEL OF RISK AND APPROVED</p>	<input checked="" type="checkbox"/>
 <p><b>ENVIRONMENT</b></p>	<p>Respect the environment and assume responsibility for any impacts arising from the bank's activity. Work to reduce the bank's environmental footprint and promote responsible attitudes among employees, suppliers and customers.</p>	<p>RENEW THE ISO 14001:2015 ENVIRONMENTAL CERTIFICATION OF THE BANK'S BUILDINGS</p>	<input checked="" type="checkbox"/>
		<p>DEVELOPMENT OF ENVIRONMENTAL AWARENESS AND TRAINING PROGRAMMES FOR THE BANK'S PROFESSIONALS</p>	<input checked="" type="checkbox"/>

# 02.2

## RESPONSIBLE MANAGEMENT

### 2019-2020 RESPONSIBLE MANAGEMENT PLAN

Following successful completion of the bank's first Responsible Management Plan, the new 2019-2020 Responsible Management Plan is designed to align Bankia's sustainability with its strategic objectives and build the capabilities it will need in order to meet the challenges the banking industry is likely to face over the next few years.



### METHODOLOGY FOR PREPARING THE 2019-2020 RESPONSIBLE MANAGEMENT PLAN



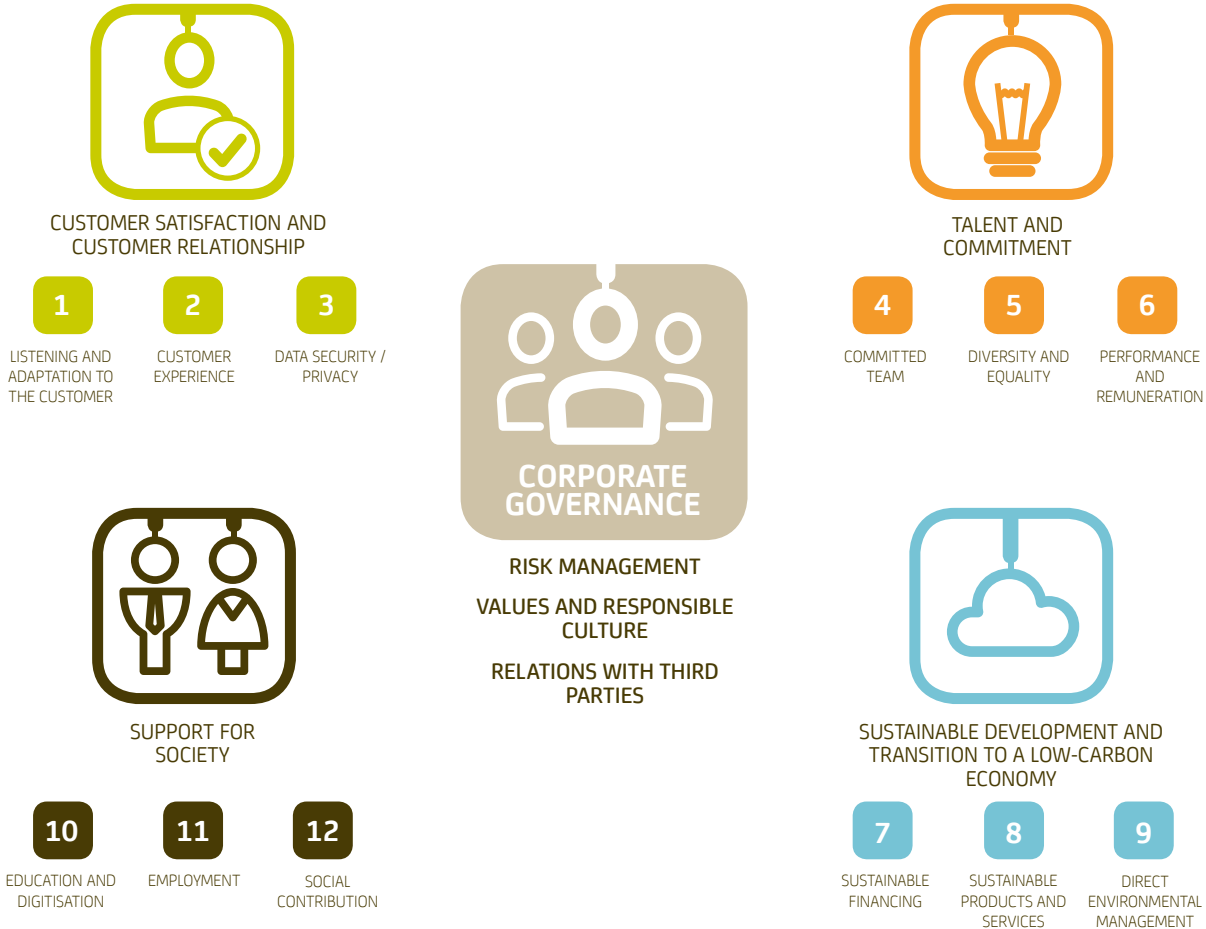


The plan has three main challenges:

- Prevent risks in relation to social and environmental responsibility and good governance.
- Support management through tighter control over internal processes, so as to foster continuous improvement and meet stakeholders' expectations.

- Drive leadership, so that Bankia stays at the forefront of its industry in sustainability.

The abovementioned challenges explain the plan's five strategic areas, which give rise to fifteen lines of strategy, each with its action opportunities, specific objectives, performance indicators and persons responsible.



# 02.2

## RESPONSIBLE MANAGEMENT

The new plan revolves around Corporate Governance, underpinned by sound values and a strong culture based on sustainability, risk management and relations with third parties and through the bank's positioning based on Proximity, Simplicity and Transparency. Corporate Governance stands at the centre of four broad areas: two that are crucial to the bank, namely, customer relations and customer satisfaction, on the one hand, and talent development and the commitment of the group's professionals, on the other.

And two areas that are of strategic importance to the bank and the 2030 Agenda, namely, sustainable development and the transition towards a low-carbon economy, on the one hand, and Bankia's contribution to society in the regions in which it operates, on the other.

The dashboard is reported quarterly to the Responsible Management Committee and semi-annually to the Appointments and Responsible Management Committee of the Board of Directors, so that decisions can be made and action and improvement plans can be designed on the basis of the results obtained.

*The new plan rests on Corporate Governance with sound values and a strong culture, based on sustainability, risk management and relations with third parties.*





*Bankia is firmly committed to the United Nations Global Compact's 10 principles on human rights, labour standards, environment and anti-corruption, and also to the UN's Sustainable Development Goals.*

## GLOBAL COMPACT AND CONTRIBUTION TO SDGs

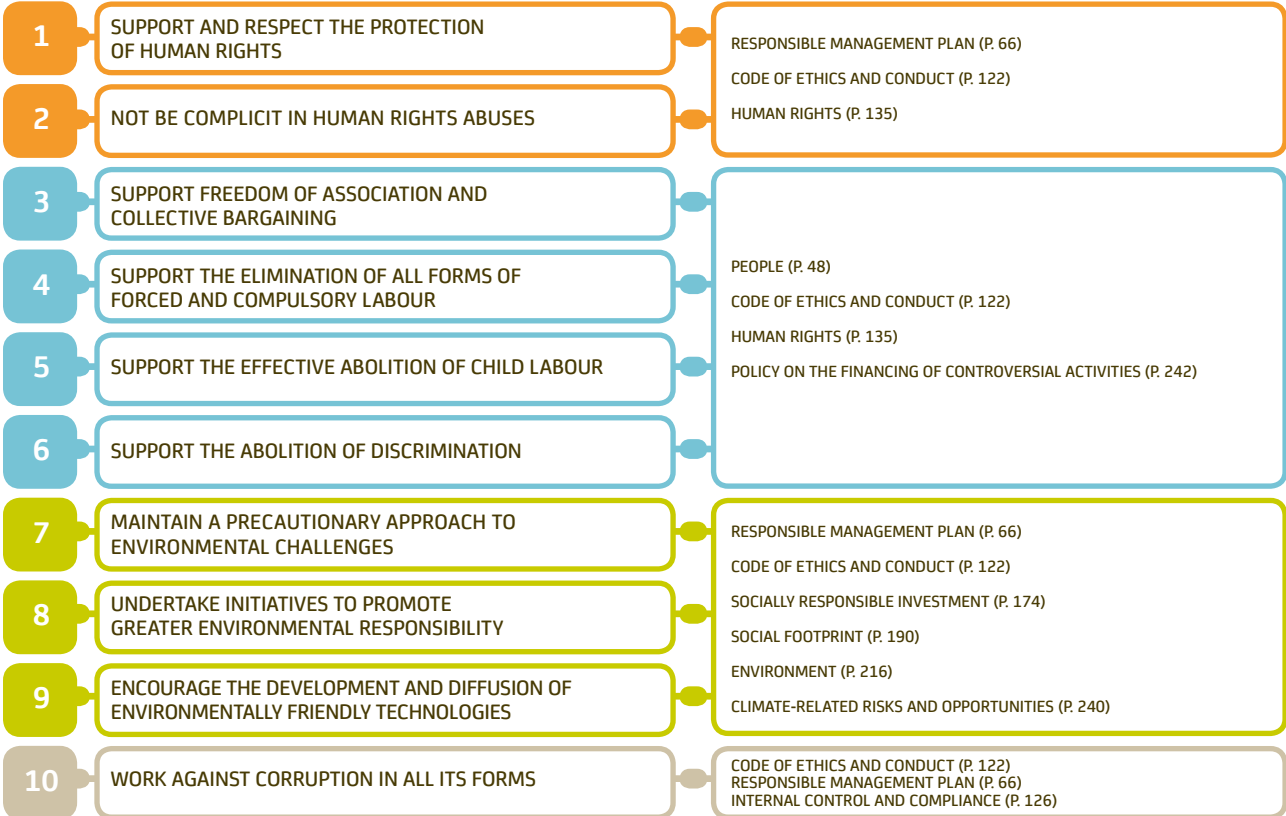
Since becoming a member of the UN Global Compact in November 2013, Bankia has continued to support the Compact's 10 principles on human rights, labour standards, environment and anti-corruption.

In 2015, together with the approval of the 2030 Agenda, the UN also launched the Sustainable Development Goals, which set out a series of measures to end poverty, protect the planet and achieve global well-being.

These two initiatives are important to Bankia insofar as they help set priorities and identify opportunities that will lead to an improvement in sustainability and a better fit between the business model and the challenges over the 2030 horizon.

## PRINCIPLES OF THE SPANISH NETWORK OF THE GLOBAL COMPACT

- LABOUR STANDARDS
- ENVIRONMENT
- HUMAN RIGHTS
- FIGHT AGAINST CORRUPTION



# 02.2

RESPONSIBLE  
MANAGEMENT

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*Bankia's activity mainly affects eight of the 17 Sustainable Development Goals.*

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## RESPONSIBLE MANAGEMENT AND THE 2030 AGENDA

In its commitment to support the 2030 Agenda, Bankia has assessed its contribution to the SDGs taking its activity and mission as a financial institution, as a company and as a corporate citizen into account.

To do that, it has assessed the 169 SDGs from a double perspective:

- Internal perspective – Bankia's contribution to the SDGs: Bankia's performance was assessed in light of the maturity of its contribution to each goal, the link to the strategy defined in the 2019-2020 Responsible Management Plan and the material topics set as priorities for the bank's responsible management.

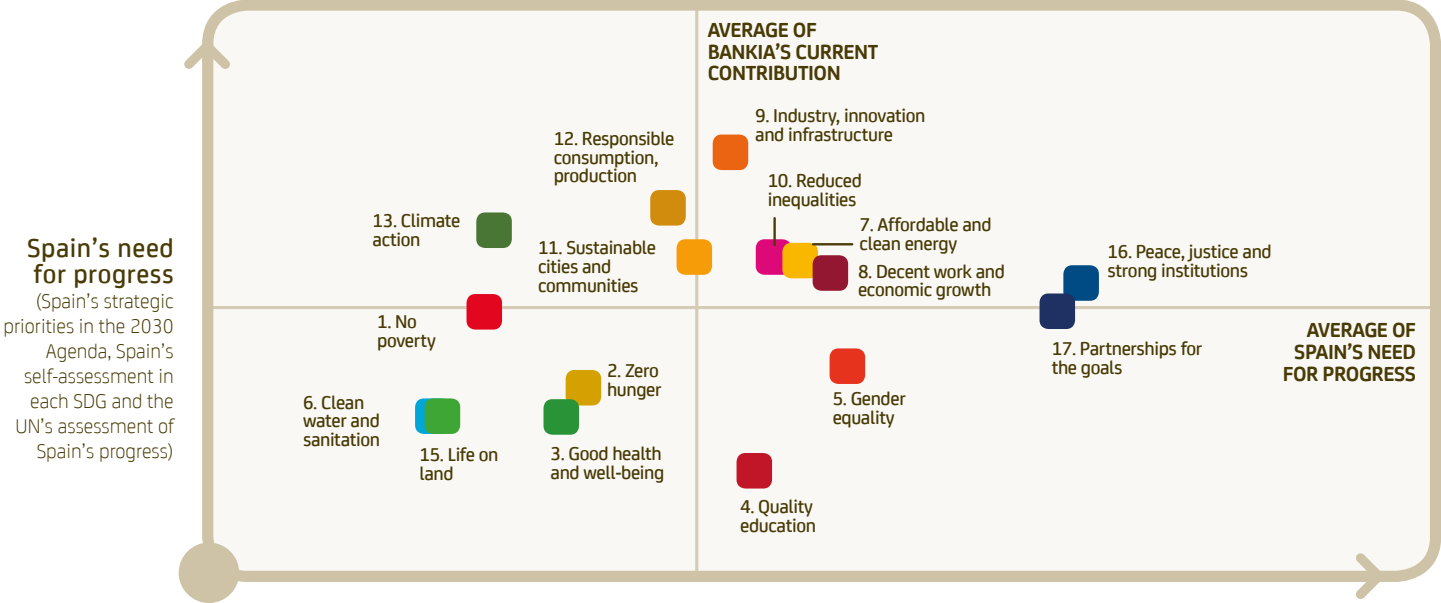
- Country perspective – need for Spain to move forward in each SDG: consideration was given to the priorities reflected in Spain's action plan for the 2030 Agenda, Spain's self-assessment and the United Nations' assessment of Spain's performance.

The result allows Bankia to identify how its activity contributes on a priority basis, taking the need to improve Spain's performance into account, to six of the 17 SDGs (7, 8, 9, 10, 16 and 17), including decent work and economic growth, industry, innovation and infrastructure, and accessible non-polluting energy.

Bankia's activity also puts the focus on contributing to gender equality (SDG 5) and quality education (SDG 4). Likewise, the bank accepts SDG 13 on climate action as a global challenge to fight climate change.



MATRIX: BANKIA'S CONTRIBUTION VS. SPAIN'S NEED FOR PROGRESS



Bankia's current contribution to the 2030 Agenda

(Maturity of the bank's contribution, importance of the material topics, priorities of the Responsible Management Plan)

PRIORITY SUSTAINABLE DEVELOPMENT GOALS FOR BANKIA



## 02.3 DIGITAL TRANSFORMATION



THE BANK HAD ADOPTED A RESPONSIBLE DIGITISATION APPROACH TO THE DIGITAL TRANSFORMATION, GIVING PRIORITY TO PRIVACY AND PROPER HANDLING OF CUSTOMER DATA.

According to Bankia's 2018-2020 Strategic Plan, in three years' time two-thirds of its customers will be digital. To assist this digital transition, the bank has decided to invest more than 1,000 million euros in technology, more than half of which will be used to improve processes and channels. This transformation will be undertaken with an approach based on responsible digitisation, giving priority to privacy and proper handling of customer data.

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### TRANSFORMATION OF DIGITAL CHANNELS

In 2018, the bank adapted its products and services for customers to the new digital world, making improvements in the following areas:

- **Customer acquisition.** The range of options available to new customers has been widened with account opening via videocall. This new system allows real-

*The transformation process has also included advances in the bank's multichannel architecture.*

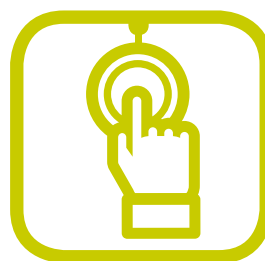
time interaction between the product acquisition systems, the customer's device and an operator service, so that an account can be opened and products acquired in a matter of minutes. The system also performs real-time security checks and fraud detection.

- **Transaction inquiries.** This service is very widely used by customers and has been enhanced through the integration of transactional systems with Big Data, so as to offer advanced visualisations based on categories and comparisons between incomings and outgoings. It also includes a search engine, which has significantly improved the user experience in finding specific account entries.
- **Payment services.** Bankia is the first bank in Spain to bring together all the digital payment platforms currently available in the market by integrating the bank's payment services with the systems of Apple, Google, Samsung, Bizum and Paypal. These integrations also use the bank's API platform and so are ready for future developments in payments.

The transformation process has also included advances in the bank's multichannel architecture. In 2018 Bankia deployed the new cloud services platform, which allows it to respond swiftly and flexibly to the growing demand for funds coming from the new digital channels.

Using a hybrid cloud approach, the new platform strikes an optimal balance between the capabilities of the large public cloud

providers and the advantages of proprietary resource management in a private cloud. It thus combines cost efficiency with data security and regulatory compliance.



**1,000**  
**MILLION EUROS**  
OF TECHNOLOGY  
INVESTMENT



# 02.3

## DIGITAL TRANSFORMATION

The cloud service is also the basis for the new API and microservice architecture, which puts Bankia in a position to meet its reporting obligations under the new European Payment Services Directive (PSD2). The new architecture allows Bankia create an Open Business ecosystem with new partners.

Other improvements made in the channels in 2018 include sales of digital products (such as the 'Crédito\_ON' credit card and the 'ON Nómina' and 'Un&dos' online accounts) and the creation of a mobile version of the websites for businesses. In addition, the bank has launched a Channel Development Plan, aimed at incorporating the best solutions on the market in 2019.

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*The Strategic Plan predicts that two-thirds of Bankia's customers will be digital by 2020.*

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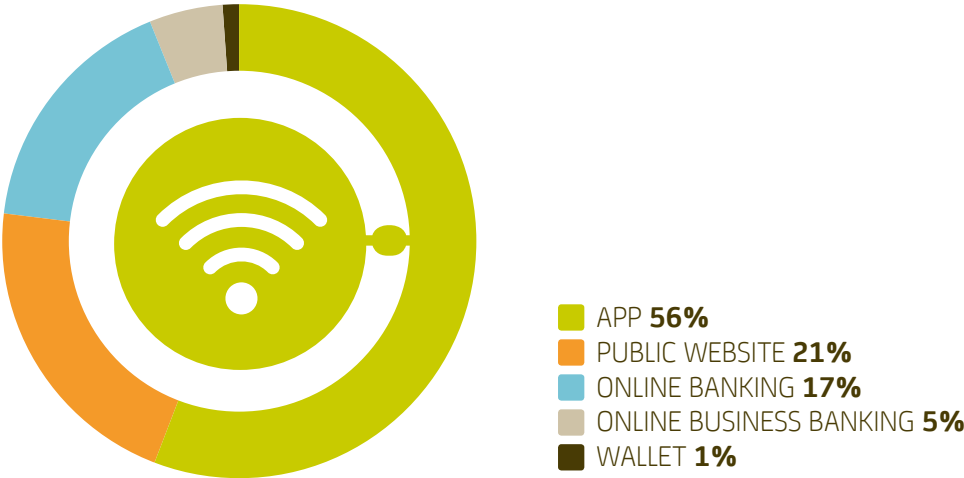
## TRANSACTIONS THROUGH DIGITAL CHANNELS

Between the end of 2017 and the end of 2018, the volume of transactions through Bankia's digital channels (i.e., the public website, online banking for individuals and businesses, the app and the wallet) grew 50%. Some 72% of the increase in the use of these channels is due to the increased use of the app, confirming the validity of the bank's strategic decision to invest in this channel.

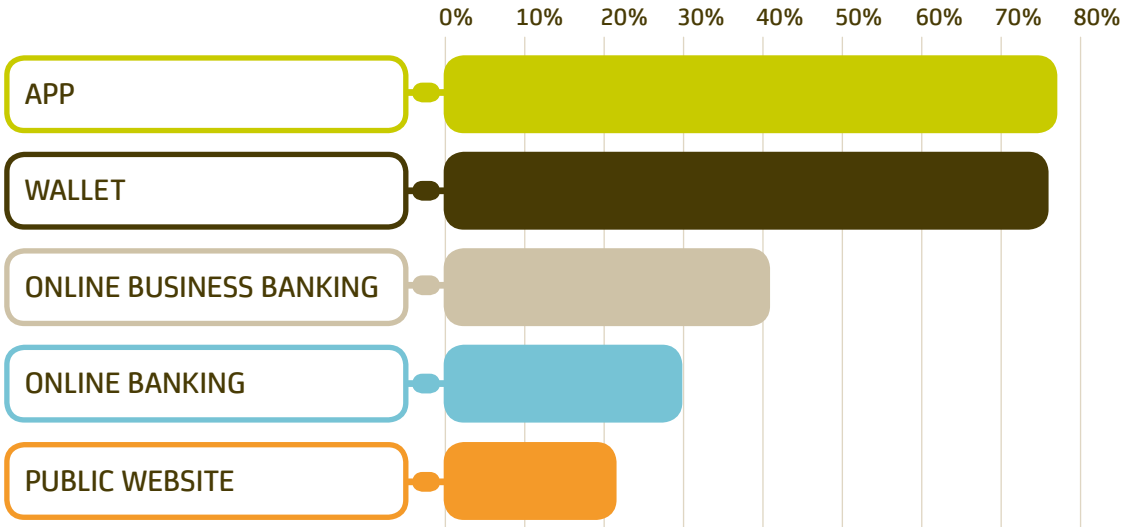




DISTRIBUTION OF TRANSACTIONS BY DIGITAL CHANNEL AT YEAR-END 2018



INCREASE IN TRANSACTIONS IN EACH CHANNEL



# 02.3

## DIGITAL TRANSFORMATION

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*The Corporate Big Data Analytical Platform has artificial intelligence models.*

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### BIG DATA PLATFORM

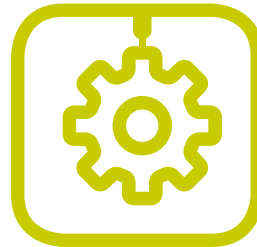
Bankia has a single Corporate Big Data Analytical Platform that has been gradually built up over recent years. In 2018 the platform's computing capabilities were extended to train artificial intelligence models and now include cloud capabilities for processing deep learning models.

The platform serves all the bank's data scientist environments, allowing the people responsible for processes to apply the results quickly so as to offer benefits to customers.

The main features of the platform are as follows:

- It has a centralised knowledge base with great processing power. It has more than 900 data sources and provides daily information and up to 10 years of historical records, both structured and unstructured and both internal and external.
- It manages data in real time; resolves 25 use cases integrated with the bank's operational systems and channels; and intercepts, enriches and processes more than 88 million transactions per month.
- It provides advanced analytics on the data available to the people responsible for processes and currently serves the marketing, cyber security, risks, legal compliance and operations teams.
- It obtains fast results. The management of customers' life moments alone generates more than four million commercial actions each month.

- It is a secure solution that is integrated with the bank's information systems, operational systems and channels. It preserves data reliability for decision making and ensures compliance with security and privacy requirements, as well as with applicable laws and regulations.



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**88 MILLION**  
TRANSACTIONS PROCESSED  
PER MONTH



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**4 MILLION**  
COMMERCIAL ACTIONS  
PER MONTH





## APPLICATION OF ARTIFICIAL INTELLIGENCE TECHNIQUES

Bankia is applying the latest artificial intelligence techniques to automate the processes for the creation of digital products without human intervention and to replace low-value manual tasks, with the aim of having a differentiated sales proposition.

In 2018, use cases affecting important processes in the Bank's activity went into production. The amount of effort expended in critical back-office tasks has been reduced by up to 30%.

The basis of this project is the creation of a Cognitive Platform capable of responding to multiple use cases integrated in the bank's processes and channels, combining the best standard cognitive capabilities in the market (chatbots, image recognition, etc.) with proprietary capabilities in areas where there is scope for competitive advantage.

The platform is implemented in production and integrated in the bank's critical processes. It includes proprietary analytical models based on deep learning techniques, artificial vision and natural language understanding.



# 30%

REDUCTION IN BACK-OFFICE  
ACTIVITIES THANKS TO AI

The main outcomes were the introduction of a methodology that helps to systematically acquire and implement cognitive capabilities; the generation of a business knowledge base through continuous training; and the creation of a team of artificial intelligence experts.

In 2019 the bank will accelerate the adoption of artificial intelligence, with the aim of improving time-to-market for our customers, increasing operational efficiency and creating new digital products. The road map also envisages extending the use of these techniques to all the bank's operations, giving priority to the most important processes.

## 02.4 INNOVATION



INNOVATION PERMEATES ALL BANKIA'S ACTIVITIES, FROM TALENT MANAGEMENT THROUGH CUSTOMER RELATIONS TO CORPORATE GOVERNANCE.

Innovation is part of the bank's day-to-day activity and is present across the organisation in customer service, talent management and the governing bodies, among other aspects.

One of the bank's main projects is Bankia Fintech by Innsomnia, considered Spain's largest open innovation centre. Bankia Fintech is a startup incubator and accelerator in which solutions have already been developed for strategic business segments such as SMEs and the self-employed.

Bankia Fintech is headquartered in the Valencia Royal Marina, which has established itself as Spain's leading innovation centre.

To stimulate business innovation, Bankia sponsors events such as the 'Digital Competitiveness Awards', the 'Comprehedor Awards', the 'Bankia Accelerator by Conector' competition and the 'Innova Pyme' and 'Spain Startup South Summit forums'.

Additionally, to help detect trends in fintech business models, the bank uses 'The Innovation Observatory', whose mission is to

anticipate changes in customers' needs and detect improvement opportunities.

## BANKIA FINTECH

The Bankia Fintech philosophy is based on open innovation and collaboration among the parties involved.

Regular contact with companies helps Bankia choose the right moment to enter into joint ventures with the participating startups, which are tutored by a business partner from the moment they are selected.

In 2018 Bankia Fintech completed its third call for applications. Following the success of this third call, the fourth round will bring together entrepreneurs from Spain and the rest of the world.

A total of 126 projects from 16 countries have been submitted, of which the 18 most likely to contribute value and solutions to Bankia have been selected. Approximately 60% of the companies from the first batch have entered into business agreements with the bank.

## BANKIA FINTECH THIRD CALL FOR APPLICATIONS



**126**

PROJECTS FROM 16 COUNTRIES WERE PRESENTED



**16**

COUNTRIES



**18**

PROJECTS HAVE BEEN SELECTED



**60%**

OF THE COMPANIES SIGN AGREEMENTS WITH THE BANK



# 02.4

## INNOVATION

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### OTHER INITIATIVES

In order to be able to add new products, services and channels to Bankia's portfolio, the Innovation and Cyber Security Corporate Directorate focuses on various core themes covering the bank's business areas and other areas of central services that help identify levers of change.

This has made it possible to explore and develop proof-of-concept trials and minimum viable products in the following areas: blockchain, artificial intelligence, neobanks, roboadvisory and agile management.

The bank has a blockchain laboratory, from which it works to simplify and increase the efficiency of certain processes, such as personal data management. This exponential

technology is expected to transform many industries, financial services being one of the sectors with the greatest potential.

Blockchain uses unalterable, distributed databases, in which transactions are validated by consensus rather than by a centralised decision maker. This opens a raft of opportunities for banks in areas such as real-time cross-border payments, the issuance of digital assets or the management of customers' personal data.

One of the main milestones of 2018 was the development of the 'Stockmind' platform, using blockchain technology. This platform provides instant traceability of any asset, real-time access to all its data (condition, location, ownership) and sharing of those data among all the actors in the chain.





## NEW MODELS

To speed up the loan approval process, Bankia assesses risk using new credit scoring and rating models and uses artificial intelligence applied to IT systems, simulating the human thought process and learning in each interaction.

Artificial intelligence is used in cyber security to detect threats by analysing user behaviour whenever anomalous patterns in network traffic and fraud are observed.

During 2018, the bank also worked on another 40 innovation initiatives, collaborating with experts, trialling new applications and testing the integration capacity in Bankia. To create a more efficient environment, the bank improved various technical tools implemented during 2017:

- Identification of opportunities through the analyses and reports issued by the Innovation Observatory.
- A scoring system that situates each new initiative on a theoretical horizon that measures the estimated time until it becomes a reality.
- A sandbox or testing environment that includes simpler procedures for working with startups.

- An innovation process map, based on the agile management methodology, which industrialises procedures and speeds up the feasibility testing of new products and services.

In 2019 Bankia will continue to develop its innovation model, exploring the most disruptive trends that are likely to afford the greatest competitive advantage.

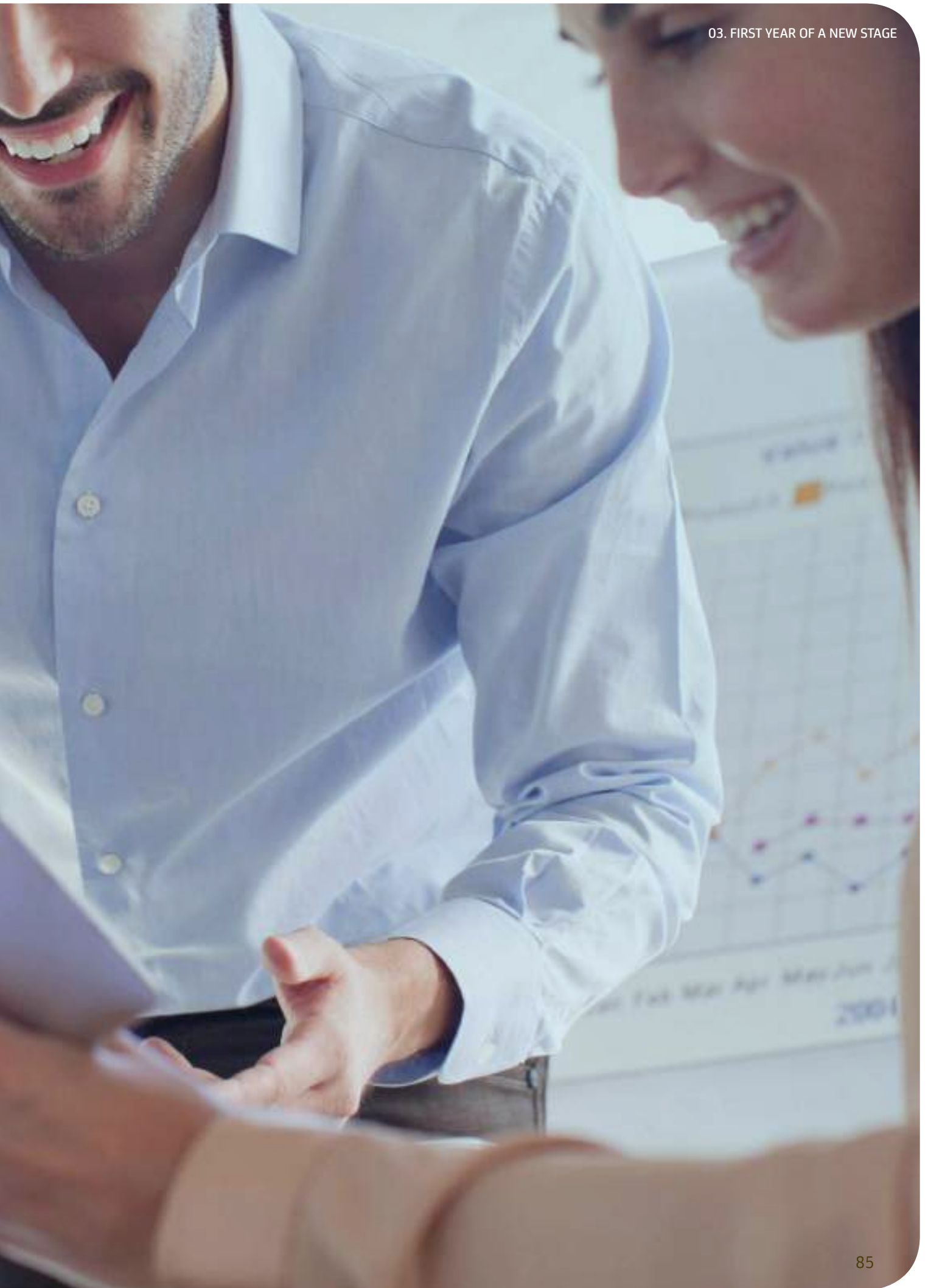
Also, the entity will investigate new use cases for blockchain technology, with the help of the laboratory created in 2017 and continue to extend the agile management methodology to promote cultural change and make innovation the bank's defining characteristic.

Bankia further undertakes to lay the ethical groundwork for the financial environment and the application of the new technologies to the bank's processes.

A man in a blue shirt is holding a laptop, looking at it. Another person's hand is visible in the foreground, possibly pointing at the laptop. The background is a bright, slightly blurred office setting.

# 03. FIRST YEAR OF A NEW STAGE

2018 was a particularly important year for Bankia, above all on account of the functional and technological integration of BMN and the end of the restrictions, which have allowed it to venture into new businesses.



# 03.1

## ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT



THE GLOBAL ECONOMY WAS SOUND IN 2018, BUT EARLY DOUBTS REGARDING THE CONTINUATION OF THE GLOBAL EXPANSION SPARKED A DIP IN INVESTOR SENTIMENT THAT LED TO A SHARP DOWNTURN IN THE RISK MARKETS.

Macroeconomic performance remained solid in 2018. Global growth rose above 3%, exceeding potential for the second year running. Unlike in 2017, however, the performance of the main economies slackened over the course of the year, prompting a decline in the confidence of the economic agents. The United States stood out on the positive side; Europe, Japan and most of the emerging countries, on the negative side.

Of the world's large economies, only the US grew faster in 2018 than in 2017 (2.9%

vs 2.2%). The euro area weakened more than expected, slowing to a rate of 1.8%, down from 2.5% in 2017, reflecting the impact of the cooling of world trade, the change in emissions regulations in the automotive industry, the sharp hike in oil prices (until the October plunge), the uncertainty surrounding Brexit and Italy's budget confrontation with the European Commission.

The complex political situation in Europe, coupled with the US-China trade dispute and the tightening of monetary policy in



*The complex political situation in Europe and the trade tensions between China and the US brought a worsening of the balance of global risks.*

the US, also worsened the balance of global risks, with the result that market sentiment turned sharply negative in the last few months of the year and the main stock indices lost considerable ground.

2018 brought major changes in the normalisation of monetary policy, as the US Federal Reserve intensified its interest rate hikes and the ECB ended its asset purchase programme. Specifically, in the United States the Federal Reserve raised interest rates by one percentage point, to the 2.25%-2.50% range, and trimmed its balance sheet by almost 400,000 million dollars. In the euro area, the ECB went from purchasing 60,000 million of assets in 2017 to halting asset purchases at the end of 2018.

As a result of this tightening of monetary policy, US sovereign yields rose during the year, though less sharply at the longer maturities on account of the prevailing uncertainties and the fact that these maturities are less affected by changes in monetary policy. The spread between the 10-year and two-year maturities fell from 55 to 10 basis points, fuelling fears of a coming recession. In the euro area, meanwhile, the yield of 10-year bonds fell more or less across the board (20 basis points in Germany, 15 basis points in Spain), the most striking exception being Italy, where it rose 75 basis points.

## EXPANSIONARY INERTIA IN SPAIN

Through inertia, the Spanish economy continued to expand strongly in 2018, albeit at a slowing rate, with GDP up 2.5%, slightly less than the previous year (3%).



**2.5%**

GDP GROWTH  
IN 2018



**14.4%**

DECREASE IN  
UNEMPLOYMENT RATE



**1.2%**

INFLATION, WITH AN  
ANNUAL AVERAGE OF 1.7%

# 03.1

## ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT

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*The GDP growth differential between Spain and its European partners widened to 0.7 points, in Spain's favour, during 2018.*

This strong performance contrasts with the markedly weaker performance of Spain's European partners, widening the GDP growth differential to 0.7 points in Spain's favour (0.5 points in 2017).

The observed slowdown in growth is attributable to the loss of certain tailwinds that had been assisting economic growth, notably low oil prices, pent-up spending from the economic crisis, the surge in tourism and the positive performance of trading partners, among others.

In this context, the rate of job creation remained firm. Employment rose for the fifth year in a row. The number of people in employment, in EAPS terms, increased by almost 566,000, bringing the total to just over 19.5 million, while the unemployment rate fell to 14.4%, the best figure for a decade.

In 2018, growth was oriented more towards domestic demand, especially investment in capital goods, which was the fastest-growing component. Buoyed by strong demand and leveraging their borrowing capacity, companies continued to modernise their capital stock and incorporate digitisation in their production processes. At the same time, household spending moderated slightly, though remaining on a positive trend, under the impact of the upturn in inflation and the gradual absorption of pent-up spending, although employment growth has persisted and wages have started to recover.

Construction investment grew faster, driven by the recovery of public investment, following the previous year's slowdown, and above all the upswing in the residential segment.

The housing market remained buoyant, supported by the favourable economic context and the improvement in financing conditions. After five years of recovery, property sales continued to grow at a brisk pace, though still well below pre-crisis levels, and new housing development gained momentum. House prices rose above the rate of inflation on average, but the upward pressure was particularly strong in certain urban areas where demand is high and the supply is especially limited.

Meanwhile, for the first time since 2015, external demand contributed negatively to GDP growth. This was attributable to the less favourable international context, due to the deterioration of world trade and the





# Bankia

slowdown of the main European economies, which translated into a weakening of Spanish exports, both of goods and of services (tourism).

The readjustments, the external surplus and private sector deleveraging continued in 2018. For the seventh year running, the Spanish economy generated a net financing capacity, although as of September the surplus had fallen to 1.5% of GDP (2.1% the previous year). This healthy financial position made it possible for an increase in investment to be accompanied by a decrease in the high level of private debt, which sank to its lowest level since 2004 (153.5% of GDP).

After an initial spike, due to the hike in fuel prices, inflation moderated towards the end of the year, closing at 1.2%, ten points higher than in 2017. The annual average was 1.7% (2% the previous year).

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## OUTLOOK FOR THE WORLD AND FOR SPAIN

At the global level, the most likely scenario for 2019 is that growth will ease slightly. In general, most of the main economies are expected to grow somewhat slower than in 2018 and, among the developed economies, the gap in favour of the US is expected to be narrowed. Forecasts put the average growth at around 2.3% in the US and 1.2% in the euro area. The outlook for monetary policy in

2019 is for further rate hikes by the Federal Reserve, though at a slower rate (the market is expecting no more than an additional 25 basis points), while the ECB could start to raise rates in the last quarter.

Debt yields are therefore likely to increase, though to a very limited extent both in the US and in Europe.

The forecasts for Spain in 2019 point to continued growth, though at gradually decreasing rates, mainly due to slower growth in export markets, resulting in GDP growth in the region of 2.2%.

The main risks to this scenario, at the external level, are possible tensions in the financial markets, an escalation of protectionism and the uncertainty arising from budgetary policy in Italy and Brexit. Internally, the political context may halt the application of the required structural reforms and fiscal consolidation, while high government debt limits the ability of fiscal policy to face future crises.

# 03.1

## ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT

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### SPANISH BANKING SYSTEM

The Spanish banking system has continued to benefit from the buoyancy of the domestic economic environment, as is reflected in the growth of economic activity, the significant improvement in balance sheet quality and the increase in profitability.

The volume of lending to households stopped falling for the first time since 2010, ending the year slightly higher than the previous year. This result was due to a strong performance in new home loans and, above all, the growth of consumer lending in line with economic activity, which has been on an upward trend since 2016.

Meanwhile, the volume of lending to non-financial companies fell during 2018, mainly due to sales of portfolios of non-performing loans in housing-related sectors. Even so, the flow of financing showed a strong recovery in the form of new lending to companies through loans of more than one million euros, while loans of less than one million, usually associated with SMEs, continued their steady growth.

On the funding side, deposits performed favourably, while off-balance mutual funds were affected by increased market volatility in the second half of the year.

This year also saw a major improvement in the quality of banks' balance sheets. The volume of non-performing assets in Spain



fell sharply, to below 75,000 million euros, which is 60% below the level recorded in December 2013, at the high point of the economic crisis. This decline has been assisted by the favourable economic conditions and active portfolio sales by banks under the tightening scrutiny of the supervisor. Thanks to this reduction, the total volume of non-performing loans in the resident private sector returned to 2009 levels.

Business growth and, above all, reduced impairment losses brought an improvement in banks' profitability in their business in Spain. Overall, return on equity remained below the cost of capital, restricted by an operating environment marked by extraordinarily low interest rates and, consequently, very tight margins. In this context, banks continued to seek efficiency gains through strategies such as cost containment, growth through mergers and acquisitions and investment in digitisation.

Capital ratios remained stable during the year, offsetting the negative impact of the temporary adjustments associated with Basel III and the additional capital adjustments arising from the introduction of IFRS 9 on the measurement of financial instruments. The strength of the Spanish banks was confirmed by the stress tests carried out by the European Banking Authority (EBA). In this exercise, the European banking industry in general proved stronger than in the 2016 tests. The Spanish banks in particular showed above-average resilience in the adverse scenario, despite having started from lower capital ratios.

On the regulatory front, the year was marked, at global level, by the end of the second phase of Basel III, aimed at reducing the excessive variability of risk-weighted assets and improving comparability between banks, thus completing the regulatory framework promoted by the G20 after the outbreak of the financial crisis.

In Europe, further progress was made in the roadmap for deepening the Banking Union with the creation of a financial backstop for the Single Resolution Fund, to be provided by the European Stability Mechanism. However, the third pillar of Banking Union, namely, the creation of a Common Deposit Guarantee Scheme, and full implementation of the MREL loss absorption requirement remain to be completed.

# 03.2

## KEY BUSINESS INDICATORS AND FINANCIAL INFORMATION



IN 2018 BANKIA CENTRED ITS MANAGEMENT ON IMPROVING THE DYNAMIC BUSINESS, ACCELERATING THE REDUCTION OF NON-PERFORMING ASSETS AND INTEGRATING BMN IN RECORD TIME.

In 2018, Bankia recorded an attributable profit of 703 million euros, which represents an increase of 39.4% compared to 2017, thanks to the merger with BMN. On a recurring basis, excluding the impact of extraordinary results, the profit was 788 million.

The year was marked, one again, by an adverse environment of extraordinarily low interest rates, which tends to compress the bank's margins. The bank therefore focused its management on three main objectives:

- Improve the dynamic of the business so as to boost current revenue and lay the groundwork for further significant increases in the future.
- Increase the pace of reduction of non-performing assets (both non-performing loans and foreclosed assets), following the recommendations of the supervisory authority.
- Integrate BMN in record time, with the aim of bringing forward a large part of the cost savings envisaged in the Strategic Plan.

At the start of 2019, Bankia carried out a management reorganisation, creating four new deputy general directorates and increasing the number of members of its Management Committee to 12. This change will allow it to adopt a more agile and ambitious approach, both in the short term and in the medium and longer term, oriented entirely to customers' needs.



**703**  
**MILLION EUROS**

ATTRIBUTABLE NET PROFIT



**788**  
**MILLION EUROS**

RECURRING PROFIT

## MARGIN GROWTH

During 2018, Bankia increased its net interest income by 4.1%, to 2,049 million euros (-9.6%, if BMN were included in the income statement for 2017). Fee and commission income rose 23.3% (+3.4% on a like-for-like basis) and net trading income rose 11.8%, driving gross income up 9.9% (-6.3% including BMN) to 3,368 million.

Gross customer margin climbed to 1.58%. The growth was driven by a decrease in the cost of deposits and a slight increase in the yield on loans.

Another item that performed well was operating expenses: despite an 18.3% increase due to the BMN merger, on a constant perimeter basis they fell 4.3%, thanks to early success in capturing merger synergies, which have already reached 130 million euros, compared to a forecast of 66 million at this stage.



**+4.1%**

NET INTEREST INCOME



**+9.9%**

GROSS INCOME



**+23.3%**

FEE AND COMMISSIONS  
INCOME

# 03.2

## KEY BUSINESS INDICATORS AND FINANCIAL INFORMATION

*In 2018 Bankia succeeded in generating 775 million euros of capital.*

### A MAJOR EFFORT TO REDUCE NON-EARNING ASSETS

During 2018 the bank made a great effort to improve balance sheet quality by reducing non-performing loans (NPLs) and foreclosed assets, as recommended by the European supervisory authorities. Non-performing assets (NPAs) ended the year at 10,900 million, compared to 16,900 million the previous year. This reduction of 6,000 million is more than double the original target of 2,900 million per year for each of the three years of the Strategic Plan.

A large part of the decrease in non-performing assets came from the reduction of non-performing loans, which dropped to 8,416 million, 3,702 million less than in 2017. As a result, the NPL ratio fell to 6.5%, a fall of 2.4 percentage points compared to one year earlier.

The remaining 2,300 million reduction in non-performing assets came from the decrease in foreclosed assets, which fell to 2,462 million. This decrease was achieved through a large asset disposal, in the amount of 3,070 million at the time of the deal, which was announced last December. Bankia also disposed of 13,300 units through organic sales for an aggregate selling amount of 646 million, 7.2% more than one year earlier.

## MORE SOLVENCY, GREATER LIQUIDITY

In terms of solvency, Bankia ended 2018 with a fully phased-in CET1 ratio (that is, applying future legal requirements) of 12.51%, up 56 basis points compared to the previous year, having generated 775 million euros of capital during the year. This figure includes the effect of the sales

of portfolios of non-performing assets and the reorganisation of the bancassurance business arising from the BMN merger. The total capital ratio came to 16.34%, up 161 basis points compared to the previous year.

On a transitional basis (i.e., not applying future requirements), which is the basis taken into account from a regulatory point of view, the CET1 ratio stands at 13.80%. This figure includes the unrealised gains on



available-for-sale debt securities but does not include the sales of non-performing assets. The capital surplus over and above the regulatory requirements specified in the Supervisory Review and Evaluation Process (SREP) thus amounts to 524 basis points.

Bankia also improved its liquidity position, with a loan-to-deposit ratio of 91.2% at year-end, compared to 93.9% the previous year.



# 12.51%

FULLY PHASED-IN  
CET1 RATIO



# 91.2%

LOAN-TO-DEPOSIT  
RATIO

## SALES MOMENTUM

Sales activity during the year was strongly influenced by the merger of Bankia and BMN, which took place in the first few months of the year. As a result, the bank's sales momentum built steadily over the period. In the end, the bank equalled and exceeded the cruising speed achieved in previous years. The year ended with significant increases in mortgage lending (up 6.1%), consumer credit (+12.8%) and corporate finance (+12.6%). Value-added businesses such as payment services and asset management also posted notable gains.

The increased sales momentum also fed through to the customer base. Last year Bankia acquired 120,576 new customers and increased by 103,000 the number of customers with direct income deposit, i.e., the most loyal customers.

At the same time, the pace of adoption of digital channels by customers increased during the year. By year-end, 45.4% of customers (3.2 million, 530,000 more than in 2017) were digital and 25.8% of sales were made through digital channels, compared to 15.9% the year before. A total of 31.4% of consumer loans, 19.4% of new pension plans and 12.6% of mutual fund investments were arranged digitally.

### LENDING



# 120,576

MORE  
CUSTOMERS



# 45.4%

OF CUSTOMERS  
ARE DIGITAL

# 03.3

## SHARE PERFORMANCE, DIVIDEND AND REPAYMENT OF AID



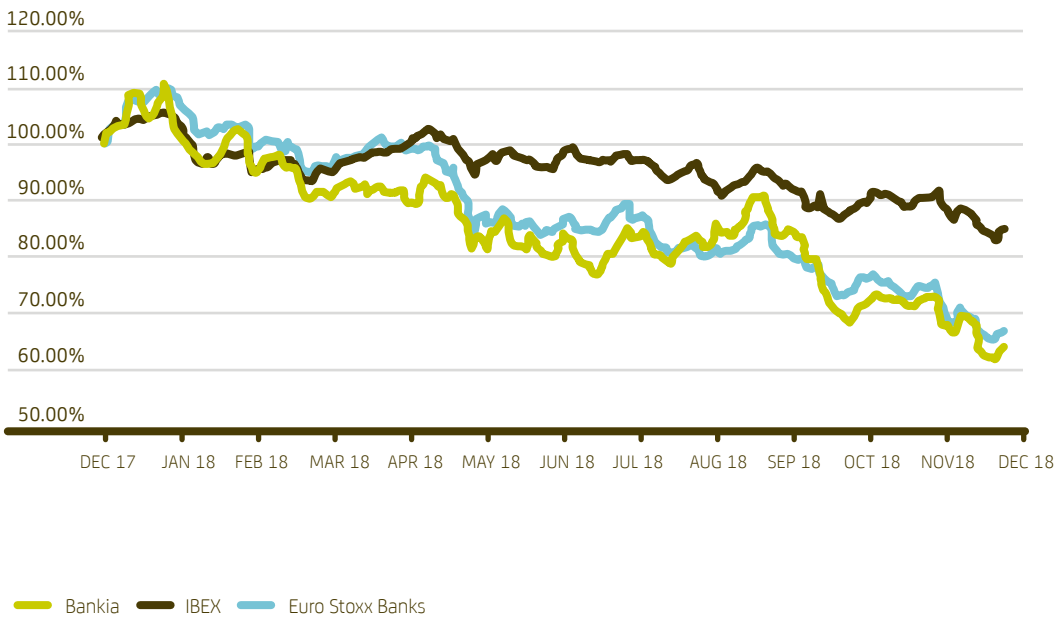
POLITICAL AND ECONOMIC UNCERTAINTIES MARKED THE BEARISH BEHAVIOUR OF THE MARKETS IN 2018.

The markets in 2018 experienced a bearish trend, under the influence of factors including US protectionism, the uncertainty of Brexit, the growth of populist movements, the announcement of the German chancellor's intention to step down and the delay in interest rate rises. In this adverse environment, the Ibex-35 fell 15% and the Euro Stoxx fell 14%.

The financial sector performed even worse, with the European financial sector index, Euro Stoxx Banks, down 33% at year-end.

*The increase in volatility in the market affected stock prices in particular.*

**PERFORMANCE OF THE BANKIA SHARE PRICE, IBEX-35 AND EURO STOXX BANKS DURING 2018**



In the case of the Spanish market, the slowdown in the economy and the highly competitive environment prompted concern as to the sustainability of bank profitability. The result was an increase in volatility in the market, which affected prices especially in the last quarter of the year. Against this background, the Bankia share dropped 35.8%. Average daily trading volume was 7.7 million securities, with an average value of 26.9 million euros per session.



# 03.3

## SHARE PERFORMANCE, DIVIDEND AND REPAYMENT OF AID

*For the first time during 2018, the analyst consensus was made available in the corporate portal.*

Number of shares in issue	3,084,962,950
Average daily trading volume (no. of shares)	7,729,467
Average daily trading volume (euros)	26,872,023
Share price – high (euros)	4.389
Share price – low (euros)	2.485
Quoted price at year-end 31.12.18 (euros)	2.56
Market capitalisation at year-end 31.12.18 (euros)	7,897,50

\*Data at 31 December 2018

At year-end, a total of 33 analyst firms actively covered and provided a target price for the Bankia share (the average price was 3.38 euros at that time). 21.2% of the recommendations were buy, 33.3% sell and 45.5% hold.

Information on the analysts' consensus, with a breakdown by firm, target price, recommendation and analyst, is available in

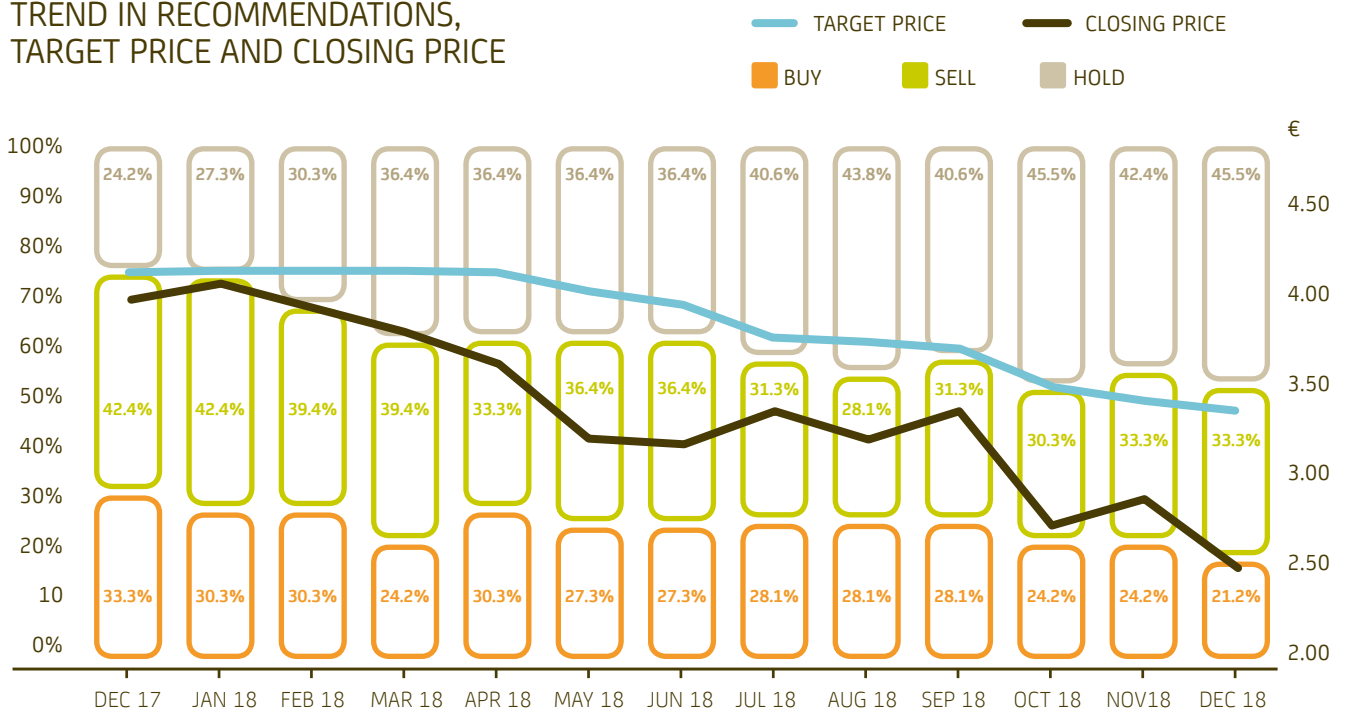
the section about the share in the equity analysts subsection of the corporate portal.

During 2018, more than 350 reports with references to Bankia were published, the target price per firm of analysts was updated more than 120 times and the recommendations were modified on more than 15 occasions.





TREND IN RECOMMENDATIONS,  
TARGET PRICE AND CLOSING PRICE



RATINGS

During 2018 the rating agencies took the strong economic recovery and recent years' progress in reducing the fiscal deficit into account, together with the structural improvements in the Spanish economy, which have strengthened the outlook for sustainable growth.

These favourable expectations were reflected in an upgrade in Spain's sovereign rating by S&P, Fitch Ratings and DBRS. All three lifted their rating of Spain by one notch.

Bankia's investment grade ratings were confirmed in the context of a year marked by the merger with BMN, rapid progress in realising cost synergies and the improvement in balance sheet quality due to the rapid pace of reduction of non-performing assets. The decisions of the main agencies were as follows:

# 03.3

## SHARE PERFORMANCE, DIVIDEND AND REPAYMENT OF AID

- S&P. On 6 April, S&P upgraded Bankia's long-term rating from BBB- to BBB, assigning a stable outlook. This rating action reflected an improvement in S&P's assessment of the "economic and industry environment for banks" operating in the Spanish market, after the upgrade in Spain's rating. The agency expects Bankia's capital to continue to improve through organic capital generation and the issue of hybrid instruments and its non-performing assets to continue to decline over the next two years, while recurring profitability improves after the merger with BMN. On the same date, S&P upgraded Bankia's short-term rating from A-3 to A-2.

On 27 March, after the improvement in Spain's rating, S&P upgraded the rating of Bankia's mortgage covered bonds from A+ to AA-, maintaining the positive outlook. For S&P, the outlook on Spanish mortgage covered bonds reflects the outlook on the Spanish sovereign rating.

After year-end, on 6 February 2019, S&P affirmed Bankia's long-term rating at BBB, with a Stable outlook, and the short-term rating at A-3.

- Fitch. On 6 February, Fitch improved Bankia's outlook from stable to positive, maintaining the rating at BBB-. According to the agency, Bankia's ratings reflect a strengthened domestic franchise after the merger with BMN, strong post-merger capital levels, adequate liquidity and funding sources, and a management team experienced in business combinations. On the same date, Fitch affirmed Bankia's short-term rating at F3 and the

subordinated debt rating at BB+. On 23 March, after a complete industry-level review of the programmes it rates in Spain, Fitch affirmed the rating of Bankia's covered bonds at A and maintained the positive outlook.

After the year-end, on 30 January 2019, Fitch raised Bankia's long-term rating from BBB- to BBB, with a Stable outlook. It also raised the rating of the subordinated debt from BB+ to BBB- and affirmed Bankia's short-term rating at F3. On 5 February, as a follow-up to the 30 January rating action, Fitch raised the rating of the mortgage covered bonds from A to A+, with a Stable outlook.

- DBRS. On 4 July, DBRS affirmed Bankia's long-term rating at BBB (high) and the short-term rating at R-1 (low), maintaining the stable outlook, after its annual review of Bankia's credit profile. On 21 September, it also affirmed the AAA rating on Bankia's mortgage covered bonds.
- Scope. Scope has maintained the same ratings, all with a stable outlook, since 30 November 2017: an issuer rating of BBB+, an unsecured senior debt rating (non-MREL) of BBB+, an unsecured senior debt rating (MREL) of BBB and a short-term debt rating of S-2. Scope also affirmed the rating of Bankia's covered bonds at AAA, with a stable outlook.



Taking the above into account, Bankia has four long-term investment grade ratings.

In October 2013, Bankia decided to end its contractual relationship with the rating agency Moody's. The ratings this agency continues to publish for Bankia are therefore "Unsolicited" and "Non-participating".

Bankia does not participate in Moody's rating reviews, which are based strictly on publicly available information about the bank. Bankia has repeatedly asked Moody's to stop publishing ratings of the bank.

## BANKIA RATINGS PERFORMANCE IN 2018

	S&P Global		FITCH Ratings		DBRS		SCOPE		
	DEC 17	DEC 18	DEC 17	DEC 18	DEC 17	DEC 18	DEC 17	DEC 18	
<b>ISSUER RATINGS</b>									
LONG TERM	BBB-	<b>+1</b> BBB	BBB-	BBB-	BBB (high)	BBB (high)	BBB+	BBB+	
OUTLOOK	Positive	Stable	Stable	<b>↑</b> Positive	Stable	Stable	Stable	Stable	
VIABILITY RATING	bbb-	<b>+1</b> bbb	bbb-	bbb-	---	---	---	---	
SHORT TERM	A-3	<b>+1</b> A-2	F3	F3	R-1 (low)	R-1 (low)	S-2	S-2	
<b>MORTGAGE COVERED BOND RATINGS</b>									
LONG TERM	A+	<b>+1</b> AA-	A	A	AAA	AAA	AAA	AAA	
OUTLOOK	Positive	Positive	Stable	<b>↑</b> Positive	---	---	Stable	Stable	

# 03.3

## SHARE PERFORMANCE, DIVIDEND AND REPAYMENT OF AID

*The cumulative amount paid to shareholders as dividends in the last five years stands at 1,517 million euros.*

### DIVIDEND

The 2018 General Meeting approved the payment of a cash dividend of 11.024 euro cents (gross) per share out of profits for 2017, equivalent to 2.756 cents per share prior to the 1x4 reverse split carried out in June 2017.

The dividend was paid in cash on 20 April to the holders of shares that carried dividend rights on the payment date. The total amount paid, after deducting treasury shares, which are not entitled to dividend payments, was 340 million euros.

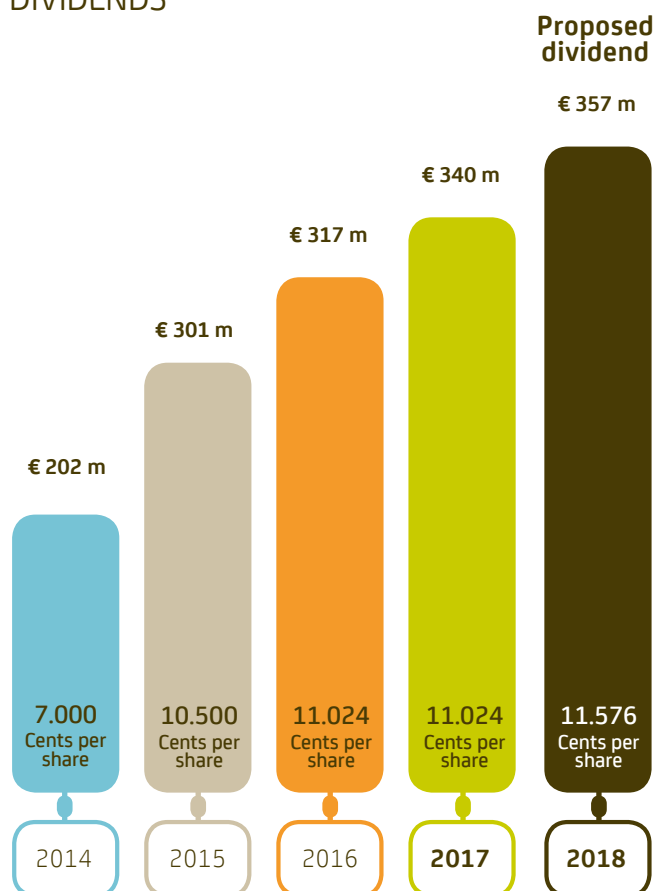
This is 7% more than the amount paid out of profits for 2016 and gives a payout ratio of 41.7% of the Bankia Group's recurring attributable profit for 2017. Calculated using the actual attributable profit, including the costs of the BMN merger, the payout ratio is 67%.

The bank has thus maintained its dividend per share compared to the previous year, although the total amount paid has increased, owing to the increase in number of shares after the capital increase carried out in January 2018 to finance the BMN merger.

One of the items on the agenda for the General Meeting of Shareholders to be held on 22 March 2019 is a proposal to pay dividends of 357 million euros out of profits for 2018, which is 5% more than was paid the previous year, representing 11.576 cents per share.

This is the fifth dividend in Bankia's history and brings the cumulative amount of dividends paid to shareholders to 1,517 million euros. Of that total, 961 million are dividends paid to BFA, owned by the FROB, marking further progress in the repayment of state aid.

### DIVIDENDS





## DIVIDENDS 2018

DATE PAID	EX-DIVIDEND DATE	GROSS AMOUNT (€)	NET AMOUNT (€)	RATE	ACCOUNT
20/04/2018	18/04/2018	0.11024	0.0892944	Ordinary	Profit for 2017

## PROGRESS IN THE REPAYMENT OF AID

Bankia has paid back 3,083 million euros of the state aid it received. Of that amount, 2,122 million euros relate to two capital raisings, in February 2014 and December 2017. The remaining 961 million have been repaid in the form of dividends out of the profits for financial years 2014, 2015, 2016, 2017 and 2018\*.

\* The dividend for 2018 is expected to be paid in April 2019.

As regards the repayment of investments made in the Bankia IPO, in February 2016 the bank set up a voluntary system for returning the money to the 255,623 retail investors who purchased shares in the July 2011 IPO. A total of 1,871 million euros have been returned to investors (compensation, interest and costs).

Meanwhile, Bankia considers the fast-track procedure for requests for refunds of excess amounts paid by customers under floor clauses in their mortgage loans to have come to a conclusion. Since January 2017 the bank has refunded 248 million euros to 49,569 consumers.

## PROCESS OF REPAYMENT OF AID



### CAPITAL RAISING

€ 1,304 m - 7.5% february 2014  
€ 818 m - 7% december 2017

### DIVIDEND PAYMENT

€ 128 m 2014   € 208 m 2017  
€ 195 m 2015   € 219 m 2018  
€ 211 m 2016

# 04. CORPORATE GOVERNANCE

The group's corporate values in matters of business ethics and Corporate Social Responsibility are centred on integrity, professionalism, commitment, proximity and achievement orientation.





# 04.1

## THE MODEL



THE PURPOSE OF BANKIA'S CORPORATE GOVERNANCE SYSTEM IS TO SERVE THE SOCIAL INTEREST, THE ORIENTATION TOWARDS SUSTAINABLE DEVELOPMENT AND VALUE CREATION.

The corporate governance system approved by the Board of Directors is based on the Bankia Group's corporate values in matters of business ethics and Corporate Social Responsibility, namely, integrity, professionalism, commitment, proximity and achievement orientation.

In turn, the corporate governance system is founded on the good governance principles adopted and specified by the bank in the Bankia Group Corporate Governance and Organisational Structure Policy, which follows the recommendations of the

CNMV's Code of Good Governance of Listed Companies, issued in 2015.

Bankia's corporate governance system thus comprises a set of internal rules and procedures in accordance with applicable law and the scope of corporate self-regulation under the law. Its essential purpose is to serve the corporate interest, understood as the interest common to all its shareholders, and to orient the company's activity to the profitable and sustainable pursuit of its corporate purpose and long-term value creation.

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*The purpose of Bankia's corporate governance system is to serve the social interest and long-term value generation.*

Bankia's corporate governance system is made up essentially of the Corporate Documents; the Internal Rules of Conduct and Procedures; and the Corporate Policies, as set out below.

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## CORPORATE DOCUMENTS

- **Bylaws.** The Bylaws set out Bankia's fundamental rules and principles of organisation and operation, which are implemented through the General Meeting Regulations, the Board of Directors Regulations and the Audit and Compliance Committee Regulations.
- **General Meeting Regulations.** These set out the guiding principles of the shareholders' supreme representative body and the rules for the conduct of meetings (notice, preparation, information, attendance, procedure and voting).
- **Board of Directors Regulations.** These set out the principles governing the work of the Board, its basic rules of operation and the standards of conduct for its members, all this in line with corporate governance best practices.
- **Audit and Compliance Committee Regulations.** These were approved by the Board of Directors on 26 April 2018 to reflect the recommendations and guidelines of the CNMV's Technical Guide 3/2017 on Audit Committees at Public

Interest Entities. They lay down basic rules for the committee's composition, operation and responsibilities.

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## INTERNAL RULES OF CONDUCT

The Bankia group also has other internal procedures and rules of conduct that comply with legal or regulatory requirements or implement good governance recommendations. They include the following basic texts:

- **Code of Ethics and Conduct.** This sets out the commitments and guiding principles for Bankia Group directors, senior managers and other employees in their dealings with one another and with the various stakeholders
- **Internal Rules of Conduct in the Securities Markets.** These set out the obligations arising from the bank's status as a listed company. Among other matters, they address the rules on market abuse and conflict of interest management.

Other supplementary internal provisions and procedures include the Customer Protection Rules, the Whistleblowing Channel Regulations and the rules on matters such as the prevention of money laundering and terrorist financing.

# 04.1

## THE MODEL

### CORPORATE POLICIES

These policies set out the guidelines and general principles for the governing bodies and the functions, activities and processes of the company and its group, establishing an action framework that preserves legal certainty. They are general in scope, are intended to remain in place in the long term and have been approved by the Board of Directors, taking legal requirements and good governance recommendations into account.

In particular, Bankia's corporate governance system includes the following policies, among others:

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*Bankia takes both the legal requirements and recommendations on governance best practices into account.*

- **Bankia group Corporate Governance and Organisational Structure Policy.** This sets out the main corporate governance issues and commitments of the Company and its Group, following good governance recommendations in this field, as well as general guidelines for the group's organisational structure through its various subsidiaries and the setup of their governing bodies. The aim is to establish a suitable framework of coordination among the various companies that make up the Group and ensure they operate efficiently.

- **Policy on Information, Communication and Contacts with shareholders, institutional investors and proxy advisors.** This sets out principles aimed at fostering ongoing communication and dialogue with each stakeholder group, especially shareholders, institutional investors and proxy advisors. The aim is to build strong and stable relationships of trust and promote transparency within the framework of the corporate interest.

- **Policy on the selection, diversity, suitability, integration and training of directors and managing directors or similar and other key post holders.** This sets out the basic criteria and guidelines for assessing the suitability of directors and key post holders, with special attention to selection processes, diversity, integration and training.

- **Remuneration Policy for directors, managing directors and persons performing senior management functions who report directly to the Board, an executive committee or the CEO.** This





sets out the principles of the remuneration system and the items of remuneration applicable to persons covered by the policy, in accordance with the specific provisions of the capital adequacy and capital company regulations, as well as with good governance recommendations.

- **Risk Control and Risk Management Policies.** These address, among other matters, the different types of risk, both financial and non-financial (including social, environmental, corporate governance, reputational and tax risks), facing Bankia and its group. They lay the foundations for the information and internal control systems that are used to control and manage those risks, the criteria for determining acceptable risk levels and corrective measures to limit their potential impact.
- **Investment and Financing Policy.** This sets out general guidelines and rules for investment and financing, which are specified in more detail in the company's Strategic Plan.
- **Responsible Management Policy.** This promotes the integration of social, environmental and corporate governance criteria in the management of Bankia and its group, with the aim of orienting their activity towards creating value for the various stakeholders and the communities in which Bankia is present.
- **Dividend Policy.** This sets out the principles that must govern the Board of Directors' proposals and resolutions concerning shareholder remuneration. Those principles include aligning shareholder remuneration

with the company's profits and always seeking sustainable profitability and value creation for shareholders.

- **Treasury Shares Policy.** This sets out the principles and rules of conduct that must govern transactions in the Company's own shares, in accordance with the limits and other specific conditions resulting from the laws and regulations of the securities market.
- **Conflicts of Interest Policy.** This specifies procedures to prevent conflicts of interest affecting shareholders, members of the Board of Directors and Senior Management, professionals, suppliers, customers and other parties directly or indirectly related to any of these groups.

The Bankia group also has succession plans for the chairman, the CEO, the independent directors and senior managers.

Moreover, the Board of Directors may approve other corporate policies where appropriate for setting strategies and management criteria and for monitoring and supervising them.

## 04.2 PROGRESS IN CORPORATE GOVERNANCE



BANKIA CONTINUOUSLY REVIEWS ITS CORPORATE GOVERNANCE MODEL IN LIGHT OF INTERNATIONAL BEST PRACTICE.

Bankia is constantly reviewing and improving its corporate governance model in line with regulatory and supervisory requirements and in accordance with international best practices. The main changes agreed and implemented during 2018 were as follows:

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### APPOINTMENTS TO THE BOARD OF DIRECTORS

In January 2018, as a result of the merger between Bankia and BMN, Carlos Egea Krauel joined the Bankia Board of Directors in the category of “non-executive director” and was subsequently appointed as an executive director.

On 25 October 2018, once the necessary regulatory authorisations had been obtained, the Board of Directors co-opted



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*Bankia ensures that the members of the Board of Directors are suitable to perform their duties.*

Laura González Molero onto the board as an independent director to fill a vacancy resulting from a retirement in 2017. This decision confirms the importance of diversity in the composition of the bank's Board of Directors, given the bank's commitment to increase the proportion of women on its board to at least 30% by 2020.

After these appointments, the Board of Directors is made up of 12 directors, eight of whom are independent non-executive directors and four, executive directors.

experience, so as to enrich decision making and provide contrasting viewpoints.

Accordingly, the bodies responsible for Bankia's director selection process must ensure that the selection procedures avoid any implicit biases that may entail discrimination, aiming for diversity among board members. In particular, the Board of Directors and the Appointments and Responsible Management Committee must ensure that the principle of diversity and non-discrimination in academic and professional background, gender, age and geographic origin is respected at all times.

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## SELECTION POLICY

In 2018, at the proposal of the Appointments and Responsible Management Committee, the Board of Directors approved the Policy on the Selection, Diversity, Suitability, Integration and Training of Directors and General Managers or similar and other key post holders. This policy sets out the principles, criteria and main outlines of the procedures for the suitability assessment of the bank's directors and officers, in particular the selection, diversity, integration and training processes for directors.

One of the policy's core principles is that Bankia must ensure that directors are suitable and that as a group they have the knowledge, competencies and experience required in order to perform their duties. It also requires the bank to foster diversity of nationalities, gender, knowledge and



# 04.2

## PROGRESS IN CORPORATE GOVERNANCE

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### AMENDMENTS TO REGULATIONS

At its meeting on 25 January 2018, after the merger with BMN was completed, the company's Board of Directors agreed to abolish the Bankia-BMN Merger Monitoring and Oversight Committee. As a result, the company's Board of Directors Regulations was amended to remove its final provision.

Likewise, on 26 April 2018 the Board of Directors resolved to amend article 14 (on

the Audit and Compliance Committee) of Bankia's Board of Directors Regulations and to approve the Audit and Compliance Committee Regulations, so as to include the recommendations and guidelines of the CNMV's Technical Guide 3/2017 on Audit Committees at Public Interest Entities.

Both the amendment of the Board of Directors Regulations and the approval of the Audit and Compliance Committee Regulations were duly registered in the Commercial Registry and reported to the CNMV.



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## COMMITMENT TO GOOD GOVERNANCE

Reflecting its firm commitment to the principles of good corporate governance, Bankia fully complied with all 59 recommendations of the CNMV's Code of Good Governance of Listed Companies that are applicable to it. Only four of the 139 Spanish listed companies complied with 100% of the recommendations.



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**100%**

OF THE APPLICABLE  
RECOMMENDATIONS OF  
THE CNMV'S CODE OF GOOD  
GOVERNANCE FOR LISTED  
COMPANIES ARE COMPLIED WITH



## 04.3 DIRECTORS



EXPERIENCE AND INDEPENDENCE ARE TWO OF THE QUALITIES THAT DETERMINE THE SUITABILITY OF BANKIA DIRECTORS, WHO ARE ASSESSED PERIODICALLY.

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### ASSESSMENT

The chairman of the Board of Directors organises and coordinates the assessment of the Board's performance with the chairs of the Audit and Compliance Committee and the Appointments and Responsible Management Committee.

Once a year, under the supervision of the lead director, the Board of Directors assesses the performance of its chairman, based on a

report submitted by the Appointments and Responsible Management Committee.

The suitability of each member of the Board of Directors (and of the Board's secretary) – who must be persons of acknowledged business and professional standing, have the knowledge and experience needed to perform their duties and be in a position to exercise good governance of the company – is also subject to an annual assessment.

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## TRAINING AND INFORMATION

Bankia has a training programme to expand and update directors' knowledge of economic and corporate matters. The content of this programme is adapted each year according to each director's needs, regulatory requirements and international best practices.

The content of the training given during 2018 included:

- Implementation of IFRS 9. Main aspects.
- Business Banking.
- Capital Markets.
- Corporate Banking.
- Multichannel Business.
- Management Information System.
- Prevention of money laundering and the financing of terrorism.
- Main business lines of the Murcia and Alicante Regional Head Office.

Directors regularly receive the latest economic and financial news, as well as updates on responsible management, technological innovation and banking regulations.

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## CONFLICTS OF INTEREST

Detecting and managing potential conflicts of interest is one of Bankia's priorities in corporate governance. For that purpose, it has various information and decision mechanisms, including the following:

- Directors must take the necessary steps to avoid situations in which their interests, whether for their own account or on behalf of others, conflict with the interests of the company and their duties to the

company. They must carry out their duties in accordance with the principle of personal responsibility, exercising their own judgment, independently of any instructions from or ties to third parties.

- All directors must make an initial statement of offices and activities at the time of assuming the post. This statement must be updated immediately if the stated circumstances change or new circumstances arise.
- All directors must make an initial statement of potential conflicts at the time of assuming the post. This statement must be updated immediately if the stated circumstances change or new circumstances arise.

Bankia's conflicts of interest policy sets out the general principles that apply in this matter, in line with the internal rules on conflicts of interest. The internal framework is made up of:

- Bankia General Meeting of Shareholders Regulations.
- Bankia Board of Directors Regulations.
- Audit and Compliance Committee Regulations.
- Bankia Group Corporate Governance and Organisational Structure Policy.
- Internal Rules of Conduct in the Securities Markets.
- Bankia Group Code of Ethics and Conduct.

## 04.3

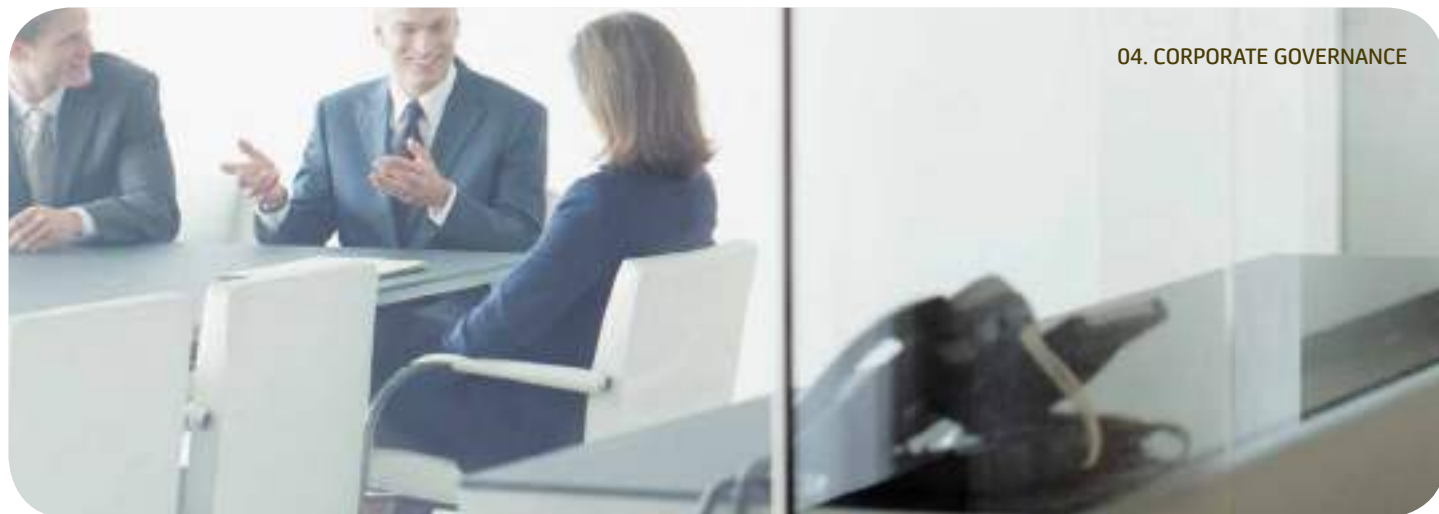
## DIRECTORS

COMPETENCY MATRIX  
BOARD OF DIRECTORS

## DIRECTORS COMPETENCY MATRIX

	José Ignacio Goirigolzarri	José Sevilla	Antonio Ortega	Carlos Egea	Joaquín Ayuso
Status	Executive	Executive	Executive	Executive	Independent
Number of years on the Bankia Board	6	6	4	1	6
Committee membership	-	(5)	-	-	(2) (3) (4) (6)
Membership of other boards	(A) (B)	(A)	(A) (C)	-	(D) (E) (F)
<b>Prior experience</b>					
Senior management experience in banks/ financial institutions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Senior management experience in other (non-financial) industries	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Areas of experience/competency</b>					
Credit institutions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Financial markets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Risk management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Auditing / Accounting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Strategy consulting			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Legal / Regulatory framework	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Public sector					
Technology sector	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Tourism / Transport					<input checked="" type="checkbox"/>
Industrial sector				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Consumer goods / Distribution					
Real estate sector					<input checked="" type="checkbox"/>
Teaching / Research	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

\* At its meeting on 25 February 2019 the Board of Directors agreed on changes to the following committees: Appointments and Responsible Management, Remuneration, Board Risk, Risk Advisory and Audit and Compliance.



- |   |   |   |
|---|---|---|
| (1) Audit and Compliance *  | (A) BFA, Tenedora de Acciones, S.A.U.               | (I) Quintorge, S.L.   |
| (2) Appointments and Responsible Management *                                 | (B) Confederación Española de Cajas de Ahorros      | (J) Red Eléctrica Corporación, S.A.                         |
| (3) Remuneration *  | (C) Cecabank, S.A.                                  | (K) Acerinox, S.A.  |
| (4) Risk Advisory *   | (D) Ferrovial, S.A.                                 | (L) Grupo Ezentis, S.A.                                     |
| (5) Board Risk *  | (E) Autopista del Sol, Concesionaria Española, S.A. | (M) Viscofan, S.A.  |
| (6) Bankia-BMN Merger Monitoring and Oversight<br>(abolished in January 2018) | (F) National Express Group, Plc.                    | (N) Liberty Seguros, Compañía de Seguros y Reaseguros, S.A. |
|   | (G) Meliá Hotels International, S.A.                |   |
|   | (H) General Técnica Industrial, S.L.U.              |   |

Fco. Javier Campo	Eva Castillo	Jorge Cosmen	José Luis Feito	Fernando Fernández	Laura González	Antonio Greño
Independent	Independent	Independent	Independent	Independent	Independent	Independent
6	6	6	6	6		2
(1) (2) (3) (6)	(2) (4) (5) (6)	(3)	(1)	(1) (4) (5)	(2) (3)	(1) (4) (6)
(G)		(F) (H) (I)	(J)		(K) (L) (M)	(N)
	■		■	■		
■	■	■	■	■	■	■
■	■	■	■	■		■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
	■		■	■	■	
	■	■	■	■	■	
			■	■	■	

# 04.3

## DIRECTORS

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### SELECTION AND SUCCESSION PLAN

Bankia has a policy on the Selection, Diversity, Suitability, Integration and Training of Directors and Senior Managers and a senior management succession plan in line with regulatory requirements, the regulators' recommendations and corporate governance best practice.

The policy on the Selection, Diversity, Suitability, Integration and Training of Directors and Senior Managers is approved by the Board of Directors at the proposal of the Appointments and Responsible Management Committee.

Its purpose is to ensure that directors meet the requirements of integrity, knowledge, experience, compatibility and

time commitment to be able to provide independent, professional oversight.

Proposals for the appointment or re-election of directors must be based on an analysis of the Board's needs, taking gender diversity, academic and professional qualifications, age and geographical origin into account, without any implicit biases that could entail discrimination.

The Senior Management Succession Plan (which includes the chairman and CEO, members of the Management Committee and corporate general managers) is analysed by the Appointments and Responsible Management Committee. Among other things, it is designed to identify candidates, detect gaps and create development and career plans to ensure that successors are properly prepared to take on responsibility when the time comes.







## BOARD REMUNERATION

The remuneration policy for members of Bankia's Board of Directors and senior management is based on various principles, including customer orientation, gender equality and a proper balance of remuneration components.

The remuneration comprises a fixed part, based on the person's job and any functional or personal supplements, and a variable part.

The directors' remuneration policy is approved in the General Meeting of Shareholders at the proposal of the Board of Directors.

The fixed remuneration of the bank's executive directors must not exceed 500,000 euros per year and their variable remuneration is limited to a maximum of 60% of their annual fixed remuneration.

The purpose of this policy is to create incentives for the sustainable achievement of the bank's strategic objectives. It is also intended to align the remuneration system with the recommendations of supervisory bodies and to favour shareholders' interests and prudent risk management.

The variable remuneration system for executive directors has certain safeguards for accrual and disbursement.

The variable remuneration only accrues if it is sustainable in light of Bankia's overall situation and if it is justified based on the bank's results. Additionally, the supervisor must expressly authorise the amount, accrual and payment of this remuneration.

The other directors who do not perform executive functions receive a maximum annual fixed remuneration of 100,000 euros and no variable remuneration.

Bankia's directors do not receive any additional amount in the form of attendance fees or remuneration for membership of Board committees. Thus, in 2018 Bankia's chairman, José Ignacio Goirigolzarri, received a fixed salary of 500,000 euros, the same amount as the previous year. José Sevilla and



# 04.3

## DIRECTORS

Antonio Ortega received the same fixed remuneration of 500,000 euros.

These three executive directors earned variable remuneration of 300,000 euros each, which they will start to receive in 2022 and will finish receiving in 2024. Half of this amount will be paid in cash and the other 50%, in Bankia shares. The shares that are delivered will be retained for one year after delivery.

Carlos Egea received fixed remuneration of 232,000 euros during 2018 and no variable remuneration, in accordance with his contract.

In all, Bankia's Board of Directors received 3.35 million euros in 2018. The remuneration received by the Group's senior management amounted to 2.93 million euros.



**BOARD OF DIRECTORS REMUNERATION 2018**

NAME	SALARY	FIXED REMUNERATION	SHORT-TERM VARIABLE REMUNERATION <sup>(1)</sup>	LONG-TERM VARIABLE REMUNERATION <sup>(2)</sup>	REMUNERATION FOR MEMBERSHIP OF BOARD COMMITTEES	INDEMNITIES	TOTAL 2018
Mr. José Ignacio Goirigolzarri Tellaeché	500	-	228	72	-	-	800
Mr. José Sevilla Álvarez	500	-	236	64	-	-	800
Mr. Antonio Ortega Parra	500	-	235	65	-	-	800
Mr. Carlos Egea Krauel <sup>(1)</sup>	203	29	-	-	-	-	232
Mr. Joaquín Ayuso García	-	100	-	-	-	-	100
Mr. Francisco Javier Campo García	-	100	-	-	-	-	100
Ms. Eva Castillo Sanz	-	100	-	-	-	-	100
Mr. Jorge Cosmen Menéndez-Castañedo	-	100	-	-	-	-	100
Mr. José Luis Feito Higuera	-	100	-	-	-	-	100
Mr. Fernando Fernández Méndez de Andés	-	100	-	-	-	-	100
Mr. Antonio Greño Hidalgo	-	100	-	-	-	-	100
Ms. Laura González Molero <sup>(2)</sup>	-	15	-	-	-	-	15

Figures in thousands of euros

- (1) Mr. Egea was appointed a director of Bankia, in the "other non-executive" category, by resolution of the General Meeting of Shareholders held on 14/09/2017 and the appointment was entered in the register of officers and directors on 12/01/2018, with total remuneration of 100,000 euros per annum. Subsequently, he was appointed executive director and his contract as executive director came into effect on 27 April 2018, with total remuneration of 300,000 euros per annum. The amounts shown in the table relate to the period from 1 January to 26 April 2018 as non-executive director and from 27 April to 31 December as executive director.
- (2) Ms. González was appointed director on 6 November 2018, with total remuneration of 100,000 euros per annum. The amounts shown in the table relate to the period from 6 November to 31 December 2018.
- (3) The figure for the annual variable remuneration earned by Messrs. Goirigolzarri, Sevilla and Ortega in 2018 is awaiting the authorisations and approvals required under applicable law.
- (4) The figure for the long-term variable remuneration earned by Messrs. Goirigolzarri, Sevilla and Ortega in 2018 is awaiting final assessment and the authorisations and approvals required under applicable law.

**SENIOR MANAGEMENT REMUNERATION 2018**

	SHORT-TERM REMUNERATION <sup>(1)</sup>	LONG-TERM REMUNERATION <sup>(2)</sup>	POST-EMPLOYMENT BENEFITS <sup>(3)</sup>	TERMINATION BENEFITS	TOTAL 2018 <sup>(4)</sup>
<b>Senior Management</b>	<b>2,535</b>	<b>260</b>	<b>135</b>	<b>-</b>	<b>2,930</b>

Figures in thousands of euros

- (1) Includes the target amount of annual variable remuneration for 2018 of the five members of the Management Committee, amounting to 719 thousand euros, though awaiting final assessment and approval.
- (2) The target amount of long-term variable remuneration for 2018 of the five members of the Management Committee is 350,000 euros, although together with the annual variable remuneration it must not exceed 60% of the fixed remuneration. The amount of long-term variable remuneration accrued in 2018 is awaiting final assessment and the authorisations and approvals required under applicable law.
- (3) Relates to the contributions made for pensions and life insurance premiums.
- (4) The remuneration of Mr. Cánovas relates to the period from 07/05/2018, when his appointment was registered in the register of officers and directors, to 31/12/2018.

# 04.4

## CORPORATE INTEGRITY



BANKIA'S CORPORATE INTEGRITY PRINCIPLES ARE SET OUT IN THE CODE OF ETHICS AND CONDUCT, WHICH IS THE CENTREPIECE OF THE FRAMEWORK FOR THE PREVENTION AND DETECTION OF MISCONDUCT.

Bankia has a Code of Ethics and Conduct setting out rules and standards of professional conduct that must be complied with and applied by all the bank's professionals and directors, across all the group's activities and businesses. Enforcing standards of ethical conduct and corporate integrity is essential to preserve trust in, and respect for, the bank.

The Code's objectives are to specify what is acceptable and unacceptable conduct and to set out the ethical principles and general rules that must guide the conduct of the group and

its professionals towards one another and towards customers, partners, suppliers and any other persons or institutions with which the bank has dealings, whether directly or indirectly.

The Code, which is available on Bankia's corporate website and the Intranet, revolves around the bank's principles and values, namely, commitment, integrity, professionalism, proximity and achievement orientation. The code is organised on three ethical planes:

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*The demand for ethical standards of conduct and corporate integrity is essential to preserve trust in, and respect for, the bank.*

- **Corporate.** The code sets out the values that must inform the group's relations with its professionals, customers, suppliers and society at large. In particular, it aims to prevent institutional conflicts of interest by erecting barriers to stop non-public information on its investment decisions and other activities from being used abusively or unlawfully.
- **Market integrity.** Various procedures and controls are in place to ensure compliance with international standards in this area. In particular, policies have been adopted to prevent market manipulation and misuse of inside information and to foster free market competition and transparency.

Policies have also been developed to prevent corruption crimes. Bankia thus has various mechanisms to monitor integrity and has training plans for managers and other professionals. There are also specific recommendations to prevent corruption in supplier selection, incentives and credit risk.

- **Professionals.** Accepting gifts, money or commissions of any kind for operations carried out by Bankia and influencing matters in which there are actual or potential conflicts of interest is expressly prohibited.

Group professionals have an obligation to know, comply with and help to enforce the Code of Ethics and Conduct. Bankia is committed to fostering awareness of the code and sends out regular reminders to

the workforce to ensure that they know and comply with it. The bank also has channels through which employees can report any suspected or proven infringement of the code.

Bankia's Ethics and Conduct Committee is responsible for overseeing compliance with the code and promoting ethical conduct within the bank. To that end it carries out cross-organisational actions with different organisational units to raise employees' awareness of the need to avoid situations that could potentially lead to infringements.

The tasks of Bankia's Ethics and Conduct Committee include: taking steps to deal with ethically questionable actions, handling reports received through the whistleblowing channel and any conflicts of interest, and reporting any circumstances that could give rise to material risks.

It also responds to any consultations, inquiries or suggestions it may receive with respect to compliance with the Ethics Code, annually assesses compliance with the code, reports to senior management and proposes amendments to the code to adapt it to changes in the business.

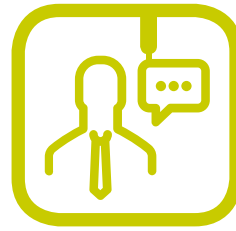
It makes disciplinary decisions in accordance with the powers and authority delegated to it in matters of human resources and organisation, in particular where the proposal or resolution entails disciplinary dismissal.

# 04.4

## CORPORATE INTEGRITY

Without prejudice to any initiatives that are the preserve of the Audit and Compliance Committee, at least once a year, at year-end, the Ethics and Conduct Committee submits a report to the Appointments and Responsible Management Committee on the activities carried out in performance of its duties.

*The bank also has channels through which employees can report any suspected or known infringement of the Ethics Code.*



**100%**

OF THE WORKFORCE HAVE AN OBLIGATION TO KNOW AND COMPLY WITH THE CODE OF ETHICS AND CONDUCT



**62**

REPORTS RECEIVED IN THE CONFIDENTIAL WHISTLEBLOWING CHANNEL SINCE IT WAS CREATED IN 2013



**11**

MEETINGS OF THE ETHICS AND CONDUCT COMMITTEE





## REINFORCEMENT OF THE CONFIDENTIAL WHISTLEBLOWING CHANNEL

To reinforce the Code of Ethics and Conduct, Bankia has a Confidential Whistleblowing Channel, which facilitates the internal flow of information and internal detection of bad practices through a dedicated digital platform or by email. The channel is available via Bankia's corporate website and the Intranet.

The channel has its own regulations, approved by the Audit and Compliance Committee, which establish mechanisms for the reception, filtering, classification and resolution of reports in accordance with Spanish Data Protection Agency standards.

The channel is managed by a specialised external company (currently PwC), under the oversight of the Ethics and Conduct Committee, which is responsible for ensuring that all reports received are assessed independently and that the information is shared only with people whose collaboration is strictly necessary to research and resolve the matter.

The reporting procedure is completely confidential and preserves the anonymity of the whistleblower, except for the persons directly involved in responding to the report and checking the facts. Since November 2018 the anonymity of whistleblowers in the case of reports of the types of infringement classified in the law on the prevention of money laundering and the financing of terrorism is guaranteed absolutely.

In 2018 a total of 11 reports were received through the Confidential Whistleblowing Channel, four more than in 2017.

Like the Code of Ethics and Conduct, the Confidential Whistleblowing Channel is available on Bankia's corporate website and via the employee Intranet.



# 11

REPORTS RECEIVED THROUGH THE CONFIDENTIAL WHISTLEBLOWING CHANNEL IN 2018

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE



BANKIA IS COMMITTED TO COMPLIANCE WITH BANKING STANDARDS AND REGULATIONS.

Internal control and compliance activities have played a more prominent role in European financial institutions in recent years as a result of the increase in regulatory pressure.

Several regulations of decisive importance for the banking industry came into force in 2018, including the new European Payment Services Directive (PSD2), the Markets in Financial Instruments Directive (MiFID II), the General Data Protection

Regulation (GDPR) and the new IFRS 9 accounting standard.

In the face of this wave of regulatory change, Bankia has the necessary organisational resources and effective internal control and risk management systems to ensure compliance with the regulations governing its activities and the principles of good banking practice.



*Bankia has internal control and risk management systems to ensure compliance with good banking practices.*




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**92**

PROFESSIONALS TRAINED  
IN CRIMINAL RISK  
PREVENTION




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**14,455**

EMPLOYEES WHO RECEIVED  
ANTI-MONEY LAUNDERING  
TRAINING

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## CRIMINAL RISK PREVENTION

Bankia has a best-practice criminal risk prevention model for identifying activities that must be stopped, as well as protocols and procedures aimed at preventing conduct that could lead to the commission of criminal offences and ensuring compliance with its Code of Ethics and Conduct.

The model is based on the implementation and regular execution of both general and specific controls through software applications that systematically analyse the risks and the associated controls, so as to detect any circumstance that could entail a heightened risk of the commission of criminal offences.

In 2018, Bankia adapted its criminal liability prevention model to the bank's new situation after the merger with BMN and updated the risk and control map.

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## PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM

Bankia collaborates actively with the institutions responsible for supervising and controlling compliance with European and Spanish laws and regulations on the prevention of the laundering of the proceeds

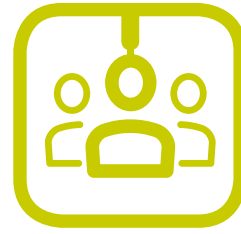
of criminal activities and terrorist financing. For this purpose, Bankia has mandatory rules and procedures aimed at:

- Ensuring compliance with applicable AML/CFT laws and regulations and the recommendations of national and international authorities.
- Assessing the exposure to AML/CFT risk in its activity.
- Implementing the necessary rules of conduct and control and reporting systems to prevent the bank from being used to launder money or finance terrorism.
- Establishing customer acceptance and know-your-customer policies and ensuring that all professionals are aware of and adhere to them.
- Training all its professionals in a culture of compliance, with a view to delivering a good service to its customers.

On 4 September 2018, the Spanish government issued a Royal Decree-Law amending Law 10/2010 on the prevention of money laundering and the financing of terrorism, so as to incorporate the EU's fourth money laundering directive. One of the main changes was the sharp increase in the severity of the penalties for serious and very serious breaches, both for the reporting entity and for the directors or officers responsible for the breach.

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE



**3,964**

PROFESSIONALS TRAINED  
IN MIFID II

On 19 June 2018, even before the Fourth Directive had been fully transposed into Spanish law, the Council of the European Union passed the Fifth Directive in response to the terrorist attacks in Paris and Brussels. The Fifth Directive provides for much stricter surveillance of providers of exchange services between virtual currencies and fiat currencies and custodian wallet providers, as well as restrictions on the use of anonymous prepaid cards, which have proven very attractive for financing terrorist activities. Member States must transpose the Fifth Directive into national law no later than 10 January 2020.

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### PREVENTION OF MARKET ABUSE

The bank took steps to comply with the new obligations and requirements introduced by the European Market Abuse Regulation (Regulation (EU) No 596/2014 of 16 April 2014 and its implementing regulations), which came into force in the summer of 2016, so as to strengthen market integrity and comply with implementation and supervision mechanisms at the European level.

Of particular importance were the requirements relating to market manipulation indicators, reporting of abusive practices or suspicious orders or transactions, accepted market practices, market prospecting, managers' transactions,

insider lists, buy-back and stabilisation programmes, investment recommendations, private interests and conflicts of interest.

During 2018, advanced technologies for the prevention of market abuse were implemented, integrated with those already in place in other areas, so as to obtain a comprehensive, unified view and so be able to analyse behaviours and increase the culture of compliance regarding the detection and prevention of activities suspected of constituting market abuse, promoting market transparency and the normal functioning of the market. That culture is further supported by training programmes for employees and development of the appropriate policies, manuals and internal procedures.

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### CONSOLIDATION OF MIFID II

The entry into force, in 2018, of the second Markets in Financial Instruments Directive (MiFID II) and its implementing regulations, which was transposed into Spanish law on 21 December 2018, has entailed a challenge for the bank. Bankia has had to adapt its processes and procedures, as well as its business model. The directive is intended to increase the quality of the distribution of investment services, provide greater investor protection and secure a competitive advantage through the development of these services.

Among other things, it reinforces and consolidates the conduct of business rules, especially for the provision of investment services, so as to offer greater investor protection.

The most significant steps taken in 2018 to adapt to MiFID II, which will have to be consolidated during 2019, include the following:

- **Continuous training of professionals.** Bankia has started specific training plans for practically all employees in the commercial network to ensure that both the information about financial instruments provided to customers and the advice customers are given result in a better service, exceeding regulatory requirements.
- **Product governance.** Investment service design and distribution processes have been restructured so as to bring them into line with best practices.
- **New models for the suitability and appropriateness test.** The suitability and appropriateness tests were reinforced in

2018, adapting the assessment processes to the different market segments and the products marketed, so as to more closely match each customer's risk profile, knowledge and needs.

- **Greater information transparency.**

Without losing sight of the objectives and increasing digitisation of the financial sector, customer notification procedures were strengthened with a view to improving customers' investment decision making, while also reinforcing information systems as regards record keeping of communications in relation to investment transactions and the provision of investment services. This translates into mechanisms that ensure the availability at all stages (pre-contractual, contractual and post-contractual) of relevant information about investment strategies and financial instruments, as well as more detailed, transparent information about the associated costs and expenses, and about communications with our customers.

## NEW DATA PROTECTION AND PRIVACY DIRECTORATE

During 2018, the bank took steps to adapt to the new data protection regulation (GDPR), which affects the entire organisation, gradually working towards full compliance. A total of 12,811 professionals received data protection training during the year.

In line with the GDPR, the main aim has been to ensure common principles, rules and standards on data protection (rights of data subjects and obligations of data controllers) adapted to the digital environment.

Furthermore, to strengthen surveillance of the processes that ensure the privacy of customers' personal information, Bankia has created the Data Protection and Privacy Office (DPPO). This decision is part of the bank's integrated strategy, set out in the 2018-2020 Strategic Plan, of implementing a responsible digitisation process, tailored to the customer.

With this initiative, Bankia meets the requirements set out in the GDPR and strengthens its control over customer information and transparency. Among other things, the DPPO is responsible for overseeing compliance with the requirements regarding the protection of personal information provided by customers.

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE

### AUDIT AND INTERNAL CONTROL

The Corporate Internal Audit Directorate supervises and evaluates the effectiveness of the bank's corporate governance, risk management, internal control and information systems and also verifies compliance with internal and external regulations.

It covers the following areas:

- Commercial Network Audit
- Markets and Structural Risks Audit
- Central Services Audit
- Processes Audit
- Systems Audit

The directorate reports periodically to the Audit and Compliance Committee and to the bank's Senior Management on the implementation and results of the Annual Audit Plan and any audit recommendations and their degree of implementation. This reporting obligation is fulfilled through quarterly presentation of the Audit Follow-Up Report to the Audit and Compliance Committee and the Management Committee.

The Internal Audit function covers all the activities carried out in the group and has unlimited access to the information it needs for the performance of its tasks. In carrying out its work it may contact and gather information from any senior manager or employee of the bank.

Internal Audit has established seven processes, which summarise the work it



**280**

AUDITS OF PROCESSES, PRODUCTS AND CENTRES



**1,126**

BRANCH AUDITS PER AUDIT PLAN



**1,289**

FRAUD PREVENTION ALERTS

does: Preparation of the Audit Plan; Audit of business centres; Audit of processes, centres and systems; Monitoring of audit recommendations; Development and maintenance of audit support applications; Internal audit communication and reporting; Collaboration with and coordination of external audits.

In recent years the Corporate Internal Audit Directorate has also developed various web applications designed to optimise its operations and allow more agile communication between auditors and audit subjects.



## INFORMATION SYSTEMS

Bankia is engaged in a far-reaching transformation project, involving the implementation of an enterprise-wide information governance model in the regulatory, analytics, commercial and risks areas.

The goal is to advance towards an information governance model that meets the highest market standards and complies with the Basel Committee on Banking Supervision's principles for effective risk data aggregation and risk reporting.

In 2018, progress was made in the following areas:

- Centralisation of regulatory reporting in a single unit, which reports to the chief data officer (CDO), providing synergies in terms of resources, governance and specialisation.
- Launch of the IOM (Operating Model) project, which provides the bank with a complete informational structure for its corporate data.
- Creation of the new Data Portal, as an entry point for the consumption of all corporate information.
- Completion of the first phase of the risk data aggregation project, including the regulatory reporting self-assessment exercise. According to the results, Bankia is reasonably compliant with the BCBS principles, in line with market standards.

## TAX POLICY

Responsible tax management, fraud prevention and detection, and tax transparency are principles that support effective, sustainable development of the bank and create trust among stakeholders.

To safeguard these principles, Bankia adopts specific tax risk management and control measures. It also has internal control systems in place and has policies that indicate the proper way to act in various areas, including corporate tax policy and tax risk management, transparency, corporate responsibility and good corporate governance.

The Board of Directors sets tax strategy, approves the risk policy (including the policy on tax risks), supervises internal reporting and control systems, approves investments that entail special tax risk and authorises the creation of, or acquisition of interests in, entities domiciled in tax havens.

The Audit and Compliance Committee, for its part, supervises the tax risk management system and reports to the Board on interests in entities domiciled in countries or territories that are considered tax havens.

Bankia's activity is governed by three tax principles: transparency, compliance with obligations and risk exposure.

The bank maintains a transparent policy on tax management and the payment of its taxes and applies the tax regulations applicable in Spain, which is where it carries out all its activities. It also follows

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE

the guidelines issued by international bodies such as the Organization for Economic Cooperation and Development (OECD).

As regards the principle of risk exposure, Bankia performs an analysis of all transactions that entail special tax risk, based on, among other things, their impact on the bank's reputation, shareholders and customers and on its relations with the tax authorities.

As an expression of its firm intention to collaborate with public bodies, Bankia is an active participant in the Large Businesses Forum, which promotes a more cooperative relationship between companies and the Spanish Tax Agency (AEAT) through the sharing of any general problems that may arise in putting the tax system into effect, on the basis of mutual trust. The bank is also a member of the AEAT's Code of Best Tax Practices (CBTP), which includes recommendations that both sides voluntarily agree to follow.

This collaboration allows Bankia to operate with greater legal certainty, contain compliance costs and reduce the number of disputes with the AEAT. It also strengthens the group's reputation, with the consequent positive impact on earnings.

In 2018, as a CBTP member company, Bankia drew up its second Annual Tax Transparency Report, with information for financial year 2017, which it plans to submit to the Tax Agency in 2019.

This report contains information on certain aspects of Bankia's economic activity and



**1,436**

PROFESSIONALS TRAINED IN CYBER SECURITY



**98**

PROFESSIONALS TRAINED IN DATA SECURITY

funding structure, an explanation of the most significant corporate transactions, details of the group tax strategy approved by the governing bodies and a list of transactions referred to the Board of Directors. It also establishes the extent to which the bank's tax policy is consistent with the principles of the OECD's BEPS (Base Erosion Profit Shifting) package.

## DATA SECURITY

Against the background of growing concern in the global financial sector regarding the potential negative impact of cyber-attacks, last year Bankia completed the 2016-2018 Strategic Security Plan, which brought its security levels into line with those of the world's leading banks. The main achievements are listed below:

- **Protection and defence.** Tools were deployed that significantly improve the control of users with privileges and allow user credentials for the bank's different systems and auxiliary third-party systems to be brought under unified control. Measures were taken to control and block any unauthorised connection to the corporate network and solutions were implemented to detect advanced malware. Also, important decisions were taken regarding the containment of possible information leaks.
- **Surveillance and fraud.** Intelligent models were developed for the automatic detection and blocking of fraudulent



transactions and attacks on the bank's systems. The set of tools for the Security Operations Centre was expanded and strengthened.

- **Prevention and response.** The plan to raise security awareness among employees and customers was completed and training was given in collaboration with national cyber security bodies. Also, steps were taken to comply with the requirements of the Critical Infrastructure Protection Act.
- **Governance and control.** Bankia maintained its security governance model focused on the actions of two committees: the Cyber Security Committee (an executive body made up of top-level managers that meets every month) and the Security Committee (an informative and consultative body, whose functions were redefined in 2018). Also, cyber security control systems were developed, outsourced security services were renewed and a new project participation model was defined that allows closer monitoring of compliance with security requirements.

### A NEW PLAN TO WIN CUSTOMERS' TRUST

In the last quarter of 2018, a new 2019-2021 Strategic Plan was drawn up. Approved by the Cyber Security Committee, the plan is aimed at improving the management of cyber risks and bringing it into line with the strategy of making security a fundamental pillar for gaining customers' trust. The plan's main lines of action are as follows:

- Publicise cyber security actions that benefit everybody.
- Anticipate the regulator's requirements and ensure efficient compliance with regulations.
- Increase customers' trust and satisfaction.
- Achieve greater maturity in cyber security and the fight against fraud, contributing to sustainable profitability that creates shareholder loyalty.
- Have a workforce that is highly committed to cyber security and that acts as the bank's first line of defence.

The plan specifies 19 initiatives, a significant number of which are transformational and which include changes in the cyber risk management models, in the governance of fraud prevention and in information protection.

To put the plan into effect, the Cyber Security area's budget has been increased by 33% and the technical and executive team has been reinforced (growing by almost 24%), with the hiring of specialised staff. Also, a new organisational structure has been implemented in line with best security practices and standards.

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE

*In 2019, Bankia started a human rights due diligence process to assess its impact.*

### MEMBERSHIP OF ADVOCACY GROUPS

Bankia works with various industry institutions, trade associations and business organisations to help grow and strengthen the financial and business sector.

It is also registered in the European Union’s Transparency Register, to which it discloses its membership of any associations or institutions which, by their nature, have influence within Spain or the EU.

Through its presence in these entities and through forums and working groups with other companies, government bodies and third sector entities, Bankia gives voice to the interests of the industry and its stakeholders in economic, environmental, social and governance matters.

The most noteworthy memberships are as follows:







## COMMITMENT TO HUMAN RIGHTS

Bankia is one of the main financial institutions in Spain, with a strong customer base and a consolidated structure of approved suppliers. This fact, coupled with having a large workforce and an impact on society, are the reasons why the bank is fully committed to compliance with and respect for human rights in all areas.

This commitment is stated in the bank's Code of Ethics and Conduct and is implemented in the Memorandum of Respect for and Compliance with Human Rights, which has been approved by the Board of Directors. The UN's Guiding Principles on Business and Human Rights, which the bank accepts,

recognise the role companies play in ensuring compliance with and respect for human rights and state the need to provide victims of human rights violations with the necessary mechanisms to seek redress.

Bankia also make responsibility for human rights part of its strategy through its Responsible Management Plan.

In 2019 the bank launched a Human Rights due diligence process to assess its actual and potential impact. Having analysed the results of that process, Bankia undertakes to adopt the necessary measures to prevent or mitigate any potential impacts and ensure effective compliance both in its own activities and throughout its value chain.

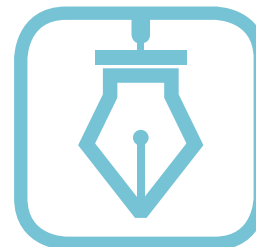
## PILLARS OF BANKIA'S COMMITMENT TO HUMAN RIGHTS



CODE OF ETHICS AND CONDUCT



MEMBERSHIP OF THE GLOBAL COMPACT



MEMORANDUM OF RESPECT FOR AND COMPLIANCE WITH HUMAN RIGHTS

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE

In relation to society, Bankia acts as:

### **Employer.**

Bankia's employment policies are governed by applicable Spanish law. The whole workforce is protected by the employment conditions set out in the Collective Agreement for Savings Banks and Other Savings Institutions.

The collective agreement and the bank's employment policies guarantee non-discriminatory treatment and homogeneous working conditions for all employees, regardless of their gender, age, race, religion, sexual orientation, marital status or social condition. The trade unions take active part in collective bargaining and the bank respects freedom of association and social dialogue.

The workforce includes 468 union delegates, who were elected at the last union elections, held in Bankia in 2018. Members who belong to trade unions devoted 146,760 hours to union activities.

### **Provider of products and services.**

As a provider of products and services, Bankia aims to put its commitment to human rights into effect in several different spheres:

- **Data protection.** The bank preserves and safeguards the privacy of customer data not only by preventing its use for marketing purposes but also by ensuring that all the necessary measures are adopted to prevent information leakage and misuse. Beyond the requirements of data protection regulations, Bankia understands the protection of its customers' information as an ethical obligation.

- **Relations with customers.** The bank does not apply any criterion that might entail discrimination against any person or group on the grounds of gender, age, race, religion, sexual orientation, marital status, social condition or place of residence. To help customers and non-customers make informed decisions about their daily finances, Bankia has undertaken various financial education initiatives that facilitate an understanding of the products and services it offers.

The bank also offers the possibility of purchasing financial products and services through a wide range of face-to-face and remote channels that give the general public better access to banking services.

In addition, Bankia has a Responsible Marketing Code, which is public and which sets out its promise to customers to meet their real needs and create lasting ties. Bankia's Customer Service Department enables any customer of the bank to lodge any complaint, claim or suggestion they see fit regarding any infringement of their basic rights.

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*Bankia's Responsible Marketing Code is public and sets out the bank's promise to customers to meet their real needs and create lasting ties.*

• **Social and environmental impact.** In its banking activity Bankia shows respect for and commitment to human rights by including in its catalogue a set of products with social and environmental purposes, which allow vulnerable or disadvantaged

groups and customers with environmental concerns to benefit from the favourable terms offered by the bank. At the same time, the bank has mechanisms to control and mitigate social and environmental impacts in its lending activity.

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PRODUCTS WITH SOCIAL AND ENVIRONMENTAL IMPACT



SUSTAINABLE  
LOAN



"BANKIA FUTURO  
SOSTENIBLE" MUTUAL  
FUND



FARM INSURANCE



SOLAR POWER  
INSURANCE



MEDICAL  
INSURANCE

# 04.5

## INTERNAL CONTROL AND REGULATORY COMPLIANCE

### Contractor

Bankia has 792 active approved suppliers and its procurement volume amounts to 1.2 million euros. To stimulate, promote and ensure respect for human rights, the bank manages its suppliers in accordance with the Purchasing Policy, which gives special consideration to suppliers' adoption of the principles of the Global Compact, the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization.

The supplier approval process includes an assessment of social, environmental and governance aspects.

Questions related to corporate social responsibility, human rights and the environment account for 33% of the total score. The weight assigned to compliance

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*Bankia is committed to the Equator Principles and gives proper consideration to the social and environmental risks of its own activity and the projects it finances.*

with human rights is reviewed at regular intervals.

### Social agent

Once the restrictions on certain business lines imposed by Brussels in the Restructuring Plan were removed, Bankia joined the Equator Principles. The bank commits to these principles, which entail taking social and environmental risks into consideration when deciding which projects to finance, with the aim of mitigating or eliminating adverse impacts on people, society or the environment.

The strategic focus of Bankia's social action is on the areas of housing and new poverty, employment and training, local development and disability. Specifically, Bankia allocates homes at social rents to individuals and families in situations of vulnerability.





Bankia has adopted the Code of Good Practices for the financial sector and takes voluntary measures to assist families in situations of vulnerability who find themselves at risk of losing their homes. It also helps people find work and improve their employability through training initiatives. The bank collaborates with local social entities working mainly in the areas of employment, diversity, ageing and care. It also supports the integration of disabled people in society and in companies through employment promotion and educational schemes.

#### AN OVERARCHING HUMAN RIGHTS CONCEPTUAL FRAMEWORK FOR 2019

Bankia is working to create a complete regulatory conceptual framework for external and internal implementation and verification of respect for human rights.

The goal, to be implemented in 2019, is to create a single due diligence process for the whole bank, with unequivocal, homogeneous criteria, so that human rights risk management and the identification of human rights opportunities are integrated structurally, not just through the management units concerned.

Accordingly, Bankia has set itself the following tasks for this current year:

- Set up a human rights compliance body within the bank and specify its powers and how they are to be deployed through the organisation.
- Establish a specific communication and accountability system.

# 05. BUSINESS MODEL

The main pillars of Bankia's business model are the customer at the centre, products tailored to customers' needs, multichannel distribution and personalised advice.





# 05.1

## THE CUSTOMER AT THE HEART OF WHAT WE DO



IN CARRYING OUT ITS ACTIVITY THE BANK AIMS TO PROVIDE THE SERVICE THAT IS MOST APPROPRIATE FOR EACH CUSTOMER TYPE, THUS ENHANCING CUSTOMER SATISFACTION.

Bankia's goal is to deliver the service that best fits the needs of each type of customer, in order to be the best commercial bank in Spain. To that end it has specialised advisers, who generate greater satisfaction and new business opportunities.

Customer satisfaction is one of main pillars of the Group's 2018-2020 Strategic Plan. Accordingly, the bank puts great effort into learning customers' opinions of the service they receive from Bankia.

In 2018 more than 263,000 customer surveys were conducted, with a view to improving customers' experience at all relevant moments of their relationship with the bank: when they first start banking with Bankia, when they purchase a particular product or service, when they use the digital channels, when they visit the branches, and so on.

Mystery shopper studies are carried out throughout the sales network to learn about service quality from the point of view of a customer.



*Bankia works to improve the customer experience at all relevant moments in the customer's relationship with the bank.*

These actions, together with the digital tools the bank has put in place, help the branches know their customers' opinion, allowing them to manage the information more efficiently and use it in their day-to-day activity.

In 2018 the bank went a step further in putting the customer at the centre of strategy by introducing the *Quality Scorecard*, an agile, dynamic tool that gives access to quantitative and qualitative information about what customers think and so helps management make swift decisions and offer solutions much more quickly.



**86.90%**

RETAIL CUSTOMER SATISFACTION INDEX



**94.7%**

BUSINESS CUSTOMER SATISFACTION INDEX



**93.10%**

'CONNECT WITH YOUR EXPERT' CUSTOMER SATISFACTION INDEX

NO. OF CUSTOMERS WHO RESPONDED TO SATISFACTION SURVEYS

**262,990**

NO. OF POST-SALE SURVEYS CARRIED OUT

**65,388**

# 05.1

## THE CUSTOMER AT THE HEART OF WHAT WE DO

### CUSTOMER EXPERIENCE AND RELATIONAL QUALITY

Bankia continues to treat customer experience and relational quality as core elements of its positioning, thus ensuring satisfactory experiences for its customers in all channels.

Steps are taken to compare the actual experience with the desired experience, so as to bring the two closer together, in line with the goals of proximity, simplicity and transparency.

The main objectives pursued in 2018 were:

- To facilitate the integration of the people from BMN, so as to achieve effective alignment with the customer relationship management model and the internal management models.

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*Bankia is a pioneer in ensuring that its professionals have customer experience certification.*

- To consolidate behaviours and capabilities in the rest of the commercial network, whose high standards of performance in dealings with customers have continued to improve.

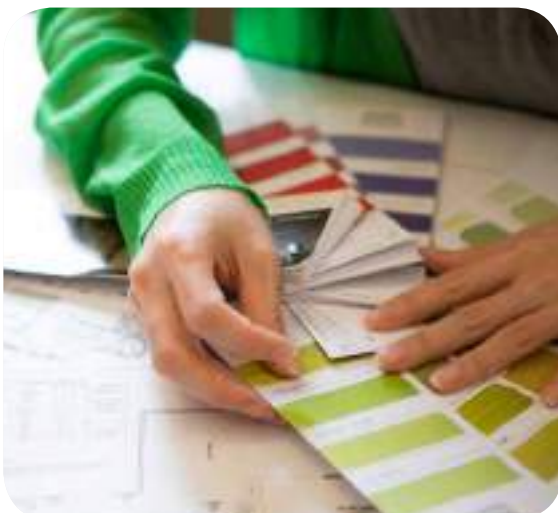
The role of Customer Experience Partner has been created to drive the bank's customer experience and relational quality model. This role will be played by the sales specialists in the area head offices, who thus serve as role models within their area.

The Customer Experience Partners participate actively in driving the model and viralising good practices. They are key players in organising specialised workshops tailored to the bank's different areas and roles (sales specialists in area head offices, branch managers and account managers).

Bankia is a pioneer in ensuring that its professionals have customer experience certification. In 2018 the certification drive was extended to all the regional and area head offices, which have demonstrated their compliance with the highest management standards and results.

The training process in Lasalle IGS Business School continued throughout 2018, with 65 new professionals from the commercial network joining the course to become experts in customer experience management. More than 100 managers have already received this training.

The bank's work in customer emotion management was recognised for the second year in a row, with two awards in the '2nd Emotional Friendly Banks Awards', given by EMO Insights International.





## THE BENEFITS OF KNOWING CUSTOMERS BETTER

The growth of customer knowledge continued during 2018, taking full advantage of technological development and the bank's adaptation to the new technologies. This knowledge helps us identify our customers' needs at all times. The distribution of the bank's products and services is now multichannel, as it draws closer to the goal of distributing through whatever channel the customer chooses at any given time.

In 2018 a consistent sales approach was established throughout the network in a record six months after the merger with BMN. Products and services are distributed consistently for all the bank's customers and across all channels, incorporating all the former BMN branches and customers in the Bankia commercial model and giving all of them access to the benefits of the bank's technology platforms.

Active steps were taken throughout the year to identify customer life events, so as to anticipate customers' needs and offer them the products and services they need when they need them, thus improving the customer experience and customer satisfaction. Thanks to advances in technology, in many cases this can be done almost in real time.

Advanced analytics have been used to develop customer life cycle models that will allow the bank to adapt the products and services it offers to customers' life moments.

For business customers, advanced analytics are used to detect the optimal products for each customer type, with a particular focus on the self-employed and SMEs.

# 05.1

## THE CUSTOMER AT THE HEART OF WHAT WE DO

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*The bank places special emphasis on the customer relationship model and team management.*

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### SYSTEMATIC SALES APPROACH

Implementing a systematic sales approach remains a key part of the bank's model, with a view to achieving consistency in sales activity and developing and reinforcing sales capabilities, with special emphasis on the relationship model (conversations with customers) and the management models (conversations with teams).

In 2018 the activity in this sphere was focused on:

- Implementation of sales systems in the Multichannel Corporate Directorate: 'Conecta con tu Experto' centres.
  - Mentored implementation in the original Bankia branch network.
  - More than 82 specialised workshops on subjects such as: customer experience excellence; expert advisory management; SME and micro-SME account managers; and relationship model and management models in former BMN areas.
- Integration of the former BMN branches, providing training on the bank's operating system (NEO) and implementing it in branches and area head offices.



## CUSTOMER SERVICE

Bankia reinforced its Customer Service Department in 2018. The 2018 milestones for Bankia's Customer Service Department were as follows: reduction and improvement in response times to meet regulatory requirements; review of pre- and post-merger customer complaint handling procedures; maintenance of the lines of communication with internal and external customers, so as to deliver resolutions in a simpler, more familiar and transparent language; and implementation of training actions on new regulations and techniques for written communication.

As regards innovation and new technology solutions, work is nearing completion on the design of a new business report for the sales network (in the Management Information System), containing information about complaints and claims.

A new Request for Services (RFS) form has been implemented for sending complaints and claims and case inquiries to the Customer Service Department.

The best indicators of the work done and the objectives achieved by the Customer Service Department are as follows: 80% of complaints and claims resolved within one month, fewer cases referred to supervisors, and a quality survey score three points higher than in 2017.

Among the challenges for 2019 are to reduce the resolution period for complaints and claims to one month in general or three weeks for claims relating to payment services, to continue with the PST (Proximity, Simplicity and Transparency) project; and to improve the ratio of reports by supervisors in Bankia's favour and the percent of rectifications of unfavourable reports.

In 2019, the department will focus its efforts on: making technical improvements to the CCS (Complaints, Claims and Suggestions) management tool; forwarding proposals to the various business units for implementation of the supervisors' recommendations, while working with the units to find solutions to any shortcomings detected; and continuing to make proposals to resolve document custody issues.



# 54,366

NO. OF COMPLAINTS  
RECEIVED FROM CUSTOMERS



# 05.2 RETAIL BANKING



## THE RETAIL BANKING DIVISION'S GOAL IS TO HAVE LOYAL, SATISFIED CUSTOMERS.

Retail Banking operates under a universal banking model, its primary mission being to acquire new customers, increase existing customers' loyalty and satisfaction and improve cross-selling.

Customers can choose between different service models, depending on their particular needs. Face-to-face service is delivered in the traditional full-service branches and also in the 'Oficinas Ágiles', which have extended opening hours and are designed for quick transactions.

The digital service is channelled through the 'Conecta con tu Experto' service and the '+Valor' centres.

'Conecta con tu Experto' offers customers the possibility of talking to a financial adviser and acquiring any product, including mortgage loans, as well as advice, via secure, private online chat. Through the '+Valor' centres Bankia seeks to reach out to the customers with whom it has the least relationship, with a view to detecting their needs and directing them to the type of service they are looking for.

Retail Banking gives customers access to a range of products adapted to their profile, including children, young people and seniors. Examples include the 'Cuenta ON' account and the 'Tarjeta ON' card, with no fees for all digital customers (in particular those under the age of 25), the only condition being to sign up for the exclusive online correspondence service. They also give access to various discounts (travel, restaurants, boutiques, technology, household, health and beauty) via Bankia.es.

Along the same lines, in October 2018 the bank launched the 'Cuenta ON Nómina', an online payroll account with no transaction or maintenance fees and with the advantage of having a package of products that includes the 'Tarjeta de Crédito ON' credit card, which provides online shopping insurance and extended warranty insurance, discounts in petrol stations and two free cash withdrawals per month in countries outside Spain.

As regards lending, in 2018 Bankia granted more than 2,240 million euros in consumer loans, 10.13% more than in 2017. As of year-end, more than 3.1 million customers had a pre-approved line of credit that can be activated in less than a minute through any of the bank's channels, supplemented by a continuous offer of tailored financing.

During the year, the 'FinanExpress' service issued a total of 326,500 microloans for a total amount of 131 million euros, mainly for the payment of bills and taxes.

The bank's schedule of fees and commissions has been improved and simplified as part of a company-wide project that has significantly reduced the number of fee items by grouping some and eliminating others that had become obsolete. As a result, both the customer contracts and the schedule of fees are now simpler and more transparent.

## RETAIL CUSTOMER PROFILE



**7,424,187**

ACTIVE RETAIL CUSTOMERS



**1,998,940**

PERSONAL BANKING CUSTOMERS



**2,354**

SPECIALISED ACCOUNT MANAGERS IN PERSONAL BANKING



48.40%

PERCENT OF CUSTOMERS

49

AVERAGE CUSTOMER AGE

16.90%

PERCENT OF VERY LOYAL CUSTOMERS



51.60%

51

13.30%

# 05.2

## RETAIL BANKING

*What is important to customers is important to Bankia, which is why the bank has launched 'Bankia Fácil'.*

### BANKIA'S POSITIONING

Bankia continues to work to win the trust of its customers. Hence the launch of the 'Por Ser Tú, te quitamos las comisiones' programme ('Because it's you, we waive our fees'), which already is enjoyed by a large number of the bank's individual and SME customers and exemplifies the principles of proximity, simplicity and transparency.

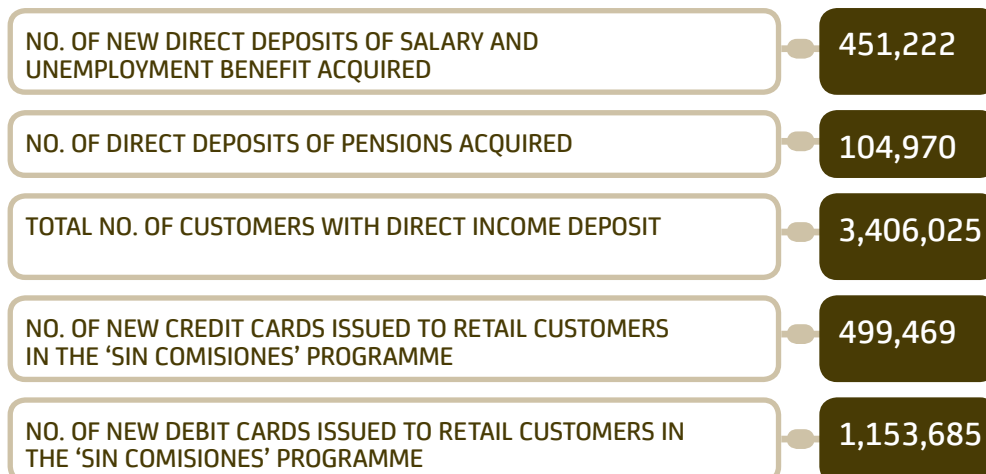
More than 4.3 million Bankia retail customers benefit from the no-fees policy. More than 373,500 new 'Cuenta ON' and 'Cuenta ON Nómina' accounts, which are an essential part of that policy, were opened in 2018.

Also within this positioning is the 'Hipoteca Sin Comisiones' no-fees mortgage, which in 2018 accounted for 73% of total home loans, amounting to more than 2,240 million euros.

All a customer (old or new) needs to do to be eligible for the no-fees mortgage is arrange for direct deposit of income.



**4,309,557**  
RETAIL CUSTOMERS  
WITH FEE EXEMPTION







## BANKIA FÁCIL

What is important to customers is important to Bankia, which is why the bank has listened to them and has created 'Bankia Fácil' to make their daily life easier. Through 'Bankia Fácil', Bankia enhances and improves the services it already offers, grouping them in a set of responses to typical needs:

- Find out what financing is available at any time.
- Withdraw cash from an ATM even if you don't have your card with you.
- Contact your account manager whenever you want.
- Cancel a product if you're not happy with it.
- We'll reimburse you the fee charged for debit card cash withdrawals from another ATM if ours isn't working.
- Transfer credit instantly through any channel.

For new customers, Bankia has strengthened its sales service, so that new customers are aware of all the products and services they have at their disposal. For this purpose, it provides a personalised, browsable video that takes customers through everything from 'Agile Branches' to digital channels and the possibility of having a digital account manager.

Bankia's service model allows customers to decide how they want to relate to the bank. Periodic communications are sent out with specific offers aimed at building customer loyalty.

# 05.2

## RETAIL BANKING

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### RETAIL CUSTOMER INVESTMENT PORTFOLIOS

With the entry into force of the MiFID II Directive in January 2018, the bank has adapted its processes to provide greater transparency and protection to customers, who are offered advice and recommendations tailored to their needs.

The contractual documents have been adapted to the new requirements, operations have been improved and resources have been invested in training employees to ensure they have the knowledge they need to meet the challenges posed by the new regulations and offer compliant advice.

Already more than 9,000 professionals have obtained the required qualifications and the rest will have the opportunity to do so in April 2019. The qualifications in question are those of Expert Financial Adviser, awarded by the Spanish Institute of Financial Analysts (IEAF), and the university degree of Specialist in Banking and Financial Advising, awarded by CUNEF (Colegio Universitario de Estudios Financieros).

During 2018 the customer portfolio management model launched in 2017, which gives the bank's most loyal customers access to a contact person and specialised sales advice, was extended to cover the last few geographical areas in which it had not yet been implemented.

April saw the launch of 'Bankia Gestión Experta', an automated investment fund portfolio management service for the entire

commercial network, allowing customers to delegate the management of their assets to experienced professionals, who assign each customer to one of the four existing portfolios, each with a different risk level.

The model is similar to that of Banca Privada (private banking) but with a minimum investment of only 10,000 euros. In the first six months after launch, more than 50,000 portfolio mandates were given and assets under management reached 2 billion euros. 'Bankia Gestión Experta' is already one of the main drivers of mutual fund sales, both in Bankia and in the financial market as a whole.

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### SAVINGS AND INVESTMENT PRODUCTS

Bankia offers its retail customers a full range of deposit products, consisting mainly of demand and term accounts, mutual funds and pension plans.

In 2018 it launched a capital-guaranteed fixed-income investment fund ('Fondo de Inversión Garantizado Rentas Crecientes') and a capital-guaranteed equity investment fund ('Fondo de Inversión Garantizado Rendimiento Bolsa I'), which attracted 150 and 300 million euros, respectively.

Other new products include a mixed dividend investment fund ('Fondo de Inversión Bankia Mixto Dividendo') and a corporate fixed-income investment fund ('Fondo de Inversión



Bankia Renta Fija Corporativa'). The 'Fondo de Inversión S&P 500' (previously limited to Banca Privada branches) has been made available throughout the entire network and Bankia has continued to market the 'Fondo Bankia Sostenible' fund, which invests in entities selected on the basis of their positive impact on the UN's Sustainable Development Goals.

Sales of pension plans are increasingly less seasonal, attracting regular and extraordinary contributions throughout the year, assisted by the special benefits scheme for funds transferred from other entities. This scheme and the measures to retain funds provide the Bankia network with a powerful sales weapon. 2018 also saw the launch of the 'Bankia Protegido Rentas Premium X' pension plan, with a guaranteed AER of 2%, which has attracted investments of 75 million euros.

In 2018, after the merger with BMN, the pension plans belonging to Caja Granada Vida and Caja Murcia Vida were transferred to Bankia.

## LENDING PRODUCTS

The main events of the year are as follows:

### Consumer finance

- After the merger with BMN, more than half a million more customers have been able to benefit from Bankia's pre-approved loans, which are available through all channels and are open-ended. Already some 80% of consumer finance comes from pre-approved loans.
- In line with the growth of car sales, the bank launched the new 'Préstamo Auto' car loan, with very attractive borrowing terms.
- At the same time, it has repositioned the 'Préstamo Consumo Sostenible' sustainable consumer loan, which is intended mainly for the purchase of ecologically friendly vehicles, the financing of energy-saving home improvements and the acquisition of energy-efficient home appliances. The NIR has been reduced and the account opening fee has been eliminated.
- Sales efforts have focused on the 'Anticipo Nómina' salary advance, in the amount of up to three monthly salary payments or 6,000 euros for a term of up to 12 months. Its main attraction is a 0% interest rate and no fees other than an origination fee. The advance is available at any time and in any place through all Bankia's channels.

# 05.2

## RETAIL BANKING

### Home Loan

- In 2018 the 'No Fees Mortgage' was reinforced with the premium offering for customers above a certain level of income.
- Following the Spanish government's decision to assign the obligation to pay the stamp duty (IAJD) on house purchases to the banks, Bankia has not only raised its rates but has also improved the terms of its mortgages, reducing the level of income needed to qualify for the premium mortgage and reducing the interest rate on undiscounted mortgages ('Básica' and 'Autopromotor').

### NEW VEHICLE LEASING SERVICE

During 2018 the bank worked to provide a vehicle leasing solution to meet the high demand in the commercial network and among customers. Since May 2018 the product is available both in the branches and through digital channels (Bankia Online and app).

In partnership with Alphabet, a specialised leasing company belonging to the BMW group, Bankia has started to market its first vehicles, which include hybrids (bearing the Spanish traffic authority's ECO label), thus also contributing to protecting the environment. In 2019 the first electric vehicles are expected to be added to the fleet.



**25,441**  
NO. OF NEW MORTGAGES ISSUED



**18,610**  
NO. OF NEW MORTGAGES ISSUED UNDER THE "SIN COMISIONES" PROGRAMME



**€ 2,942 MILLION**  
VOLUME OF MORTGAGES ISSUED



**€ 2,240 MILLION**  
VOLUME OF NEW MORTGAGES ISSUED UNDER THE "SIN COMISIONES" PROGRAMME

NO. OF MORTGAGE SIMULATIONS CARRIED OUT THROUGH BANKIA.ES

**734,961**

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*In 2019, the leasing fleet is scheduled to start operating its first electric vehicles, alongside the hybrids.*

The singularly high quality leasing service has been, and will continue to be, an important driver of fee and commission income and customer satisfaction and loyalty.

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## ONLINE CHANNELS

In 2018, after the upgrading and development of the digital channels during the 2015-2017 period and in line with the principles that drove the channels' development (usability, contactability, sales orientation and value-added services), the bank carried out a continuous cycle of review and improvement to ensure the channels stay abreast of technology and remain competitive.

The bank's new positioning strategy, through 'Bankia Fácil', includes sales dialogues that highlight and draw attention to the services that make life easier for customers: cash withdrawal without a card, instant credit transfers, available financing and contact with account managers.

Usability in digital product sales was enhanced in 2018 through simplification of product purchase processes, as already occurs with pre-approved loans, which can be arranged in two simple steps and include a simulation of the installments to be paid.

New "one-click" financing solutions, such as the salary advance, are now included in 'Bankia Online' and the app, in a new section called 'Tu crédito disponible', where the customer can see all the available financing options.

Another important digital channel is Personal Finance Management (PFM), which is designed to help customers manage their household finances. It includes new charts for tracking income and expenses, a breakdown of incomings and outgoings into more precise categories and the possibility of recategorising them, both occasionally and by setting rules for future transactions.

To help customers quickly locate information and functionalities in our channels, 'Bankia Online' has an advanced search function, with predictive autocomplete, for transaction types, Bankia products and services, and account and card activity.

A new plan will be implemented in 2019 to further enhance the digital channels so as to provide customers with an exceptional service, based on user experience and innovation.

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## ATMS

During 2018 Bankia worked to upgrade its installed base of ATMs, both in-branch and off-premises, with a focus on replacing older machines and updating the software.

# 05.2

## RETAIL BANKING

*The security measures for withdrawals, transfers and loans have been reinforced.*

As of year-end, 98% of the bank's 5,407 ATMs (4,670 in branches and 737 off-premises) had been upgraded. Eight out of ten branches had ATMs with advanced functionalities.

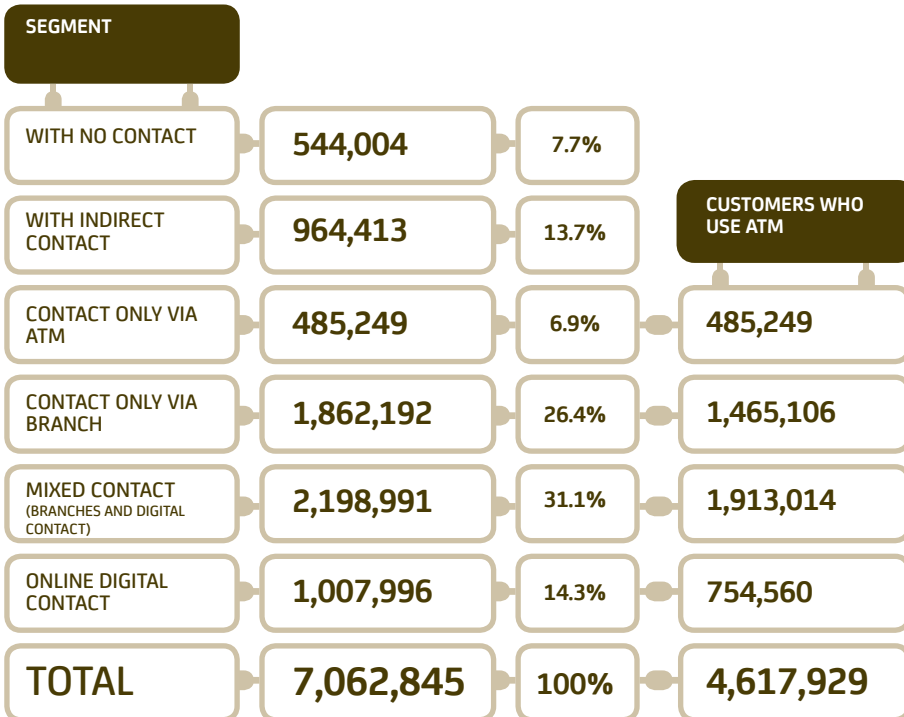
Additionally, security measures were reinforced for some of the more important transactions, including cash withdrawals, credit transfers and granting of loans.



# 2,198,991

PERSONAL CUSTOMERS WHO HAVE MIXED CONTACT WITH THE BANK (BRANCH AND DIGITAL CHANNELS)

### HOW CUSTOMERS RELATE TO BANKIA\*



\* Data for adult personal customers.

## COMMITMENT TO SOCIALLY RESPONSIBLE PRODUCTS

In line with its long-standing commitment, Bankia offers its customers a range of products designed to contribute to the improvement of society and the environment. They include the following:



### CONSUMER FINANCE

#### Crédito joven

Universal personal consumer loan (for education, furniture purchase, vehicle purchase, etc.) for customers aged 18 to 30.

#### Consumo sostenible

Loan to finance sustainable projects such as the purchase of environmentally-friendly vehicles, home improvements to increase eco-efficiency (boilers, windows, etc.) and energy-efficient home appliances.

#### Préstamo sostenible negocios

Loan to finance sustainable projects such as the purchase of environmentally-friendly vehicles, improvements to premises or facilities to increase eco-efficiency and energy-efficient equipment and plant.



### HOUSING

#### Hipoteca verde para promotores

Finance for real estate developments with BREEAM sustainable construction certification, with a rating of "good" or higher, demonstrable on completion.



### INSURANCE

#### Crop and livestock insurance

Cover for activities in the farming, livestock and fishing sector and related activities.

#### Insurance for solar photovoltaic plants

Cover for assembly damage, material damage, general liability and loss of income for lack of sun (hours and intensity).

#### Medical insurance

Access to health care and private treatment.



### INVESTMENT

#### Bankia Futuro Sostenible

Applies exclusive socially responsible financing and investment criteria (it does not invest in companies that fail to respect life or human dignity), as well as value-based criteria (fight against poverty, hunger and inequality; promotion of health, well-being and responsible consumption; protection of the environment, human rights and labour rights), so as to have a positive impact on achievement of the SDGs.



### PAYMENT SERVICES

#### Caritas Card

Debit or credit card through which the cardholder donates 0.7% of each purchase to Caritas in the diocese of Cartagena, in Murcia. The donations are tax-deductible, for which purpose the bank issues the required certificate.



### VEHICLE LEASING

#### Bankia Renting

Vehicle leasing service that includes vehicles with hybrid engines (ECO environmental rating) and will include other fully electric vehicles as the market develops.

# 05.2

## RETAIL BANKING

### PAYMENT SERVICES

2018 was a big year for payment services in Bankia on account of the number of projects started and the volume of payments achieved.

In-store card payments increased by 13% compared to 2017 and online purchases, by 28%. The number of cards in issue rose to more than 8.7 million, with growth in both debit and credit cards, thanks to marketing efforts and the BMN merger.

The focus in 2018 was on credit cards targeted at digital customers, such as the 'ON Nómina' and 'Un&Dos' cards, in partnership with Zankyou. To supplement the mobile payments solution already available in Bankia Wallet, the bank integrated its cards in the three digital systems developed by the world's technology giants, Apple Pay, Samsung Pay and Google Pay.



**8.79 MILLION**

TOTAL NO. OF CARDS ISSUED



**€ 2,693.7 MILLION**

VALUE OF E-COMMERCE CARD TRANSACTIONS

No. of contactless cards (million)	4.62
No. of POS terminals	155,972
No. of Bankia Wallet stickers	86,992
No. of downloads of the Bankia Wallet app	576,100





Bankia has also completed the first phase of the integration of PayPal services and functionalities in its apps, so that its customers can create new PayPal accounts or link to existing accounts and view their PayPal account activity directly from the Bankia channels.

This integration allows customers to securely add cards to PayPal, making it easier to use their cards for purchases and setting Bankia's payment services as customers' favourite.

In February 2018, the bank became one of the first group of banks to provide instant credit transfers, a service for sending cash from one account to another in less than 20 seconds, which is free of charge for 'Por Ser Tú' customers.

Bankia was the first Spanish bank to allow customers to manage and send bulk instant payments in a file, making it the leader in instant payments, with a 39% market share in terms of the amount transferred.

Between February and December 2018, Bankia handled 6.5 million payments in an aggregate amount of 6,500 million euros.

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## DIGITAL MARKETING AND OPEN BUSINESS

Through the new Open Business platform and its centrepiece, 'Bankia Connect', third-party platforms can connect with Bankia's financial core. With the proper authorisation and in compliance with applicable laws and regulations, these platforms can thus access customers' personal and financial information, providing easy and secure customer identification.

In 2018 'Bankia Connect' was used to integrate PayPal, Zankyou and MTV. The bank has also made it possible to acquire credit and debit cards from third-party platforms, so as to offer alternative payment methods at key moments in the purchase process. This functionality, combined with Bankia's data management platform, allows the bank to know to which customers it can offer a product at the right place and time.

# 05.2

## RETAIL BANKING

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*Business intelligence serves to identify and adapt to customers' needs.*

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### BUSINESS INTELLIGENCE

During the last year, the bank made further progress in deepening its knowledge of customers, taking full advantage of technological advances and adapting them to its needs. This knowledge enables it to identify customers' needs at any given time and distribute its products and services through the most appropriate channels.

Also in 2018, marketing and sales activity was made consistent throughout the network, in record time, just six months after the BMN merger. All the bank's customers can receive the same products and services in all the channels and

enjoy the advantages of the bank's use of technology.

Throughout the year, steps were taken to actively identify customers' life events and cycles, so as to better understand their needs and deliver the products and services they need when they need them, often in close to real time, thus improving customer experience and satisfaction.

In business banking, advanced analytics were developed to detect the optimal products for each type of customer, focusing on the self-employed and SMEs, so as to adapt the bank's services to their particular needs.





## MULTICHANNEL DISTRIBUTION: MEETING TARGETS

The targets set by Bankia in its 2018-2020 Strategic Plan with a view to keeping pace with customers in the growing adoption of digital media continued to be met during 2018.

The Corporate Multichannel Directorate was created to manage the 'Contact Centre', '+Valor' and 'Conecta con tu Experto', all of which are encompassed within the remote management distribution model.

The '+Valor' service, created in 2017, was extended to 13 branches, which manage more than half a million customers and are equipped with 125 sales specialists.

'Conecta con tu Experto' also continued to grow, reaching 60 branches, 572 account managers and 755,215 customers managed. The customer satisfaction rate is 93.1%, while the recommendation rate, which serves as an indicator of growth potential, is 52.7%.

Targeted at digital customers, 'Conecta con tu Experto' has become an established part of Bankia's distribution system, thanks to benefits that include access to a personal account manager (always the same person), the possibility of carrying out the full range of transactions (except cash) and extended opening hours.



**755,215**

CUSTOMERS IN  
'CONNECT WITH YOUR  
EXPERT'



**538,025**

'+VALOR'  
CUSTOMERS



**572**

NO. OF SPECIALISED  
'CONNECT WITH YOUR  
EXPERT' ACCOUNT  
MANAGERS

# 05.3 BUSINESS BANKING



THE SELF-EMPLOYED AND RETAIL ESTABLISHMENTS ARE KEY CUSTOMER GROUPS FOR BANKIA, WHICH IS WHY EFFORTS ARE MADE TO OFFER THEM BETTER SERVICES AND CROSS-SELL.

Business finance is a strategic business line for Bankia, which supports entrepreneurial activities on every scale, from single-person businesses to large corporations. In 2018 the bank maintained its firm commitment to provide financing for all Spanish businesses, reaching a market share of 7.57%.

A total of 16,459 million euros were loaned to companies in more than 56,700 individual transactions.

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## SELF-EMPLOYED, RETAIL ESTABLISHMENTS AND AGRICULTURAL SECTOR

Self-employed professionals and business owners and retail establishments are strategic customer groups for Bankia, which is why during 2018 it increased the number of account managers specialising in these segments. The account managers bring service to the customers at their place



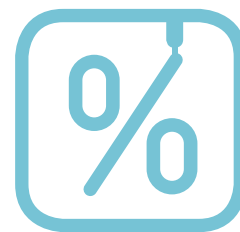
**543,164**

SELF-EMPLOYED  
CUSTOMERS



**279,553**

SELF-EMPLOYED CUSTOMERS  
IN THE 'NO FEES'  
PROGRAMME



**16%**

OF SELF-EMPLOYED PEOPLE  
ARE BANKIA CUSTOMERS

of work, thus significantly improving the service provided and fostering loyalty.

2018 saw the launch of the 'Siifacil App', designed to assist these customers in one of their most important tasks, namely, invoice management. The app is approved by the Spanish Tax Agency and allows immediate consultations from a mobile phone, with the time saving this invariably entails.

The bank has also started up a service for new entrepreneurs to provide advice and assistance in registering with the Finance Ministry and the Social Security agency. The service is completely free and the bank pays all the notary and registry expenses if the entrepreneur forms a limited liability company via the fast-track procedure.

Self-employed customers continue to enjoy the advantages of the 'Por Ser Tú' programme, which already allows 280,000 of them to pay no fees on all their accounts, with the sole requirement of direct deposit of social security or taxes.

Assistance to self-employed customers is also provided through the 'Conecta con tu Experto' platform, which as of year-end 2018 had a portfolio of 46,301 self-employed traders and professionals.

In the wake of the merger with BMN, the agri-food sector has become very important to Bankia, which has extended its agreements for the processing of European aid under the Common Agricultural Policy. The bank has also adapted its range of products and services and has speeded up the credit approval process for the agri-food sector.

Thus, during 2018 Bankia's various regional head offices provided a total of 1,176 advances within the framework of the CAP in an aggregate amount of 14.86 million euros.

Agreements have been reached with several regional authorities to offer financing at very low interest rates for various purposes, including floods, droughts, facility modernisation, irrigation, entrepreneurs and young farmers, etc.

Bankia is keen to contribute directly in projects that help improve the environment and so has created a green loan on very advantageous terms for farmers who wish to switch their diesel water pumps for a clean power generation system such as solar panels.



# 05.3

## BUSINESS BANKING

*During 2018, funds were made available to enable SMEs to carry out investment projects.*

### SMES

One of the main lines of work in 2018 was to provide SMEs with the funds they need in order to undertake their investment projects, through pre-approved financing.

The main projects undertaken in relation to SMEs included the promotion of financing programmes. A total of 30,742 loans in the aggregate amount of 4,596 million euros were granted to SMEs during the year.

The bank also worked to upgrade its range of products and services, adding new items such as vehicle leasing and improving the 'Línea Multiproducto Global', designed to cover short-term funding needs.

It also continued to organise events such as the 'ADN Pymes – La neurona' conferences, which are intended to serve as a meeting point for leading companies from different industries and which have been very well received.

SMEs continue to benefit from the advantages of the "Por Ser Tú" programme for SMEs, which has released 40,000 firms from fees on all their accounts.

In 2019, the portfolio of business banking activity will be reorganised on the basis of a model of specialisation by customer type, which entails having 400 account managers assigned to business banking in the retail network.



**210,114**

NO. OF SME CUSTOMERS



**13%**

MARKET SHARE OF SME CUSTOMERS



**39,809**

NO. OF SME CUSTOMERS IN THE 'SIN COMISIONES' PROGRAMME



**267**

TOTAL NO. OF SME ACCOUNT MANAGERS



## COMPANIES

In 2018, Business Banking took its commitment to customers and their satisfaction with the bank a step further. All the Business Centre managers acquired customer experience certification through a programme given by the La Salle Business School, in which the theoretical content is accompanied by a practical project in each Business Centre.

This programme has been extended to company account managers.

With the same idea of concentrating efforts on the customer, the value proposition has been reinforced by expanding the team of Product Specialists with two new units: the Transaction Banking unit, focused on collections and payments, payment services and card purchases in retail establishments; and the Factoring and Reverse Factoring unit, to drive these services and non-recourse financing.

With these two new units, the Bankia team is organised as follows, with the aim of covering all its customers' needs.



# 05.3

## BUSINESS BANKING



**26,218**

TOTAL NO. OF BUSINESS BANKING CUSTOMERS

The bank has continued to prepare financing programmes tailored to its customers' business plans, offering them security (knowing what they can expect from Bankia in terms of financing), speed (fast responses to their requests), support in financial planning (tailored to each company's challenges) and advice.

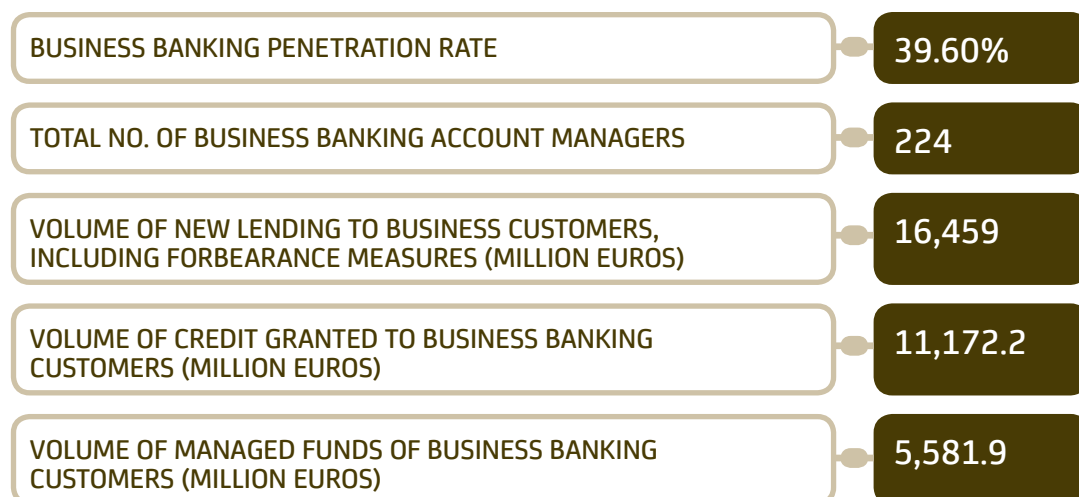
Thanks to the 'Línea Multiproducto Global', products and processes have been simplified, with only one contract to be signed, providing faster product acquisition and saving on borrowing costs (trade finance with and without recourse, payments financing, foreign exchange insurance and guarantees/ letters of credit).

In 2018, once the restrictions associated with the bank's recapitalisation plan were

lifted, Bankia resumed its activity in the real estate development sector, providing financing for 26 residential developments totalling more than 2,100 homes.

The total amount of these developer loans is more than 440 million euros and the proceeds will be paid out gradually over the next two years as the construction work is completed.

To improve the customer experience, regardless of which channel is chosen, Bankia Online Empresas continued to improve its functionalities for file exchange, servicing operations and contracting of services. A mobile version was launched, so that customers can perform their usual account inquiries and transactions much more quickly and conveniently.





Following the BMN merger, the Business Banking Sales Systems and Relational Quality teams were reinforced, with a view to facilitating a swift adaptation to Bankia's way of doing business and dealing with customers.

In 2018, this continuously evolving model was expanded to include new relationship protocols, as well as a new non-customer and digital customer classification that helps prioritise sales contacts. The business events were also expanded with the addition of new events, tenders and sales alerts, and the recommendation model was improved.

2018 saw the launch of the 'Conecta' tool, which is integrated in the 'Soluciona Empresas' platform. The new tool provides information about customers, distributors and suppliers, thus helping to expand business growth opportunities.

The 'Soluciona Empresas' toolbox already includes 10 tools designed to support Spanish companies in their decision making and help them sell more, manage their risks better and source the funds they need in order to grow.

At the same time, in 2018 Bankia positioned itself at the forefront of SEPA payments management for companies, being the first bank in Spain to process bulk payment files. In Bankia Online Empresas, all SEPA transfers, including payroll, are handled as efficiently as possible: either issuing them immediately or, if that is not possible, with same-day value, and only in the last resort as ordinary credit transfers.

## FOREIGN TRADE

Within Business Banking, Bankia has a foreign trade business line, through which the Group offers a range of relevant products and services to support companies that sell mainly or exclusively to customers outside Spain.

The bank offers companies various different payment services in a broad basket of currencies to facilitate their foreign purchases and sales.

For this purpose, the bank provides personalised service through more than 30 trade specialists distributed across its commercial network. It also has the 'Línea Experta Comex' direct customer care service over the telephone or via the internet.

The importance of this business line to the bank is reflected in the numbers. In 2018 Bankia granted 13,911 million euros of financial support for the foreign trade operations of Spanish companies, an increase of 18% compared to the previous year.

The number of trade finance transactions rose 12%, to a total of 236,238.

Bankia's financial support for foreign trade takes the form of export and import finance properly speaking, as well as guarantees and letters of credit issued and received in favour or on behalf of companies.

These are crucial instruments for enabling Spanish companies to bid for and carry out projects outside Spain.



**€ 13,911 MILLION**

TO FINANCIALLY SUPPORT  
FOREIGN TRADE ACTIVITY



**+12%**

GROWTH IN NUMBER OF  
TRANSACTIONS

# 05.3

## BUSINESS BANKING



**€ 15,825** MILLION

STOCK OF LOANS GRANTED TO CORPORATE BANKING CUSTOMERS

The bank has also formed closer alliances with local correspondent banks in high-potential countries that are of particular interest to Spanish exporters. These alliances strengthen the bank's positioning and allow it to offer more attractive financing and commercial terms to its customers in markets such as Morocco and the rest of the Maghreb; China, India, Bangladesh and other Asian countries; and the Middle East.

The bank has thus started to work with various trade finance platforms that will set Bankia on the path towards digital transformation of the foreign trade business line.

Given the increasing integration of Spanish companies in global value chains, Bankia's commitment to facilitate their access to foreign markets was reflected throughout the year in various actions aimed at supporting import and export activity in industries such as solar photovoltaic energy and textiles, among others.

A large number of Spanish companies have benefited from these actions, which have enabled them, for example, to extend the payment period for their imports or obtain advances on their exports.

## CORPORATE BANKING

In Corporate Banking, Bankia offers a specialised sales organisation, a wide range of products and services to meet the needs of large corporations, pre-classification of risks through financing programmes, global business coverage and an optimum transactional banking service.

The goal of providing a service that is as close as possible to the customer has been pursued by designing and implementing new sales systems for the Corporate Banking teams and adapting the sales organisation, so that in the Islas Baleares, for instance, the bank has a unit focused on serving customers in the hotel industry.

In 2018, despite continued deleveraging by large corporations, following the trend started several years ago, and the search for non-bank sources of finance, Bankia succeeded in increasing both its stock of lending to Corporate Banking customers and its market share.

Another highlight was the surge in green or sustainable lending, both in the form of bank loans and in the form of bonds with a green seal, in which Bankia has played an important role, in line with its commitment to sustainability.

## INTENSE INTERMEDIATION ACTIVITY

Bankia has become the bank that provides the most financing to Spanish companies granted by the state financial agency Instituto de Crédito Oficial (ICO). In 2018, it intermediated loans totalling 749 million euros, taking first place among distributors of ICO's subsidised credit facilities, with a market share of 32% and doubling the previous year's figures.

The growth of Bankia's on-lending activity was centred on the ICO Exportadores credit line, under which it disbursed a total of 490 million euros, with a market share of 59.73%, making it the leader in sales of this product and demonstrating its commitment to promoting foreign trade and its customers' export business.

During 2018, in collaboration with the European Investment Fund (EIF), the bank started to market the new Innovfin credit line, aimed at financing innovation projects.

In the field of intermediation with multilateral institutions, Bankia is very active in the financing of projects with funds from the European Investment Bank (EIB), through the EIB SMEs and Midcaps and EIB Agrifood facilities, which offer customers competitive advantages in price. Also, a new credit line (EIB Youth Employment) has been created to channel financing to the companies that are creating jobs for young people.

## COLLABORATION WITH INSTITUTIONS

Bankia continues to work with the main credit facilities offered by institutions such as the Instituto de Crédito Oficial (ICO), the European Investment Bank (EIB) and mutual guarantee companies to offer the best products at the most competitive price.

It has entered into various agreements with prominent mutual guarantee companies to offer financing on much more attractive terms, as regards interest rates and fees, to give customer groups with lower credit quality access to financing. Most notably these include: Avalmadrid, Guarantee (Andalucía), Iberaval (Castilla y León), Avalis (Cataluña), Avalam (Murcia), ISBA SGR (Islas Baleares), Elkargi SGR (País Vasco), Asturgar (Asturias), Comunidad Valenciana SGR, Aval Castilla-La Mancha SGR, SGR AvalCanarias and Extraval SGR (Extremadura).

At the end of 2018, Bankia and the European Investment Bank entered into an agreement for

a total aggregate amount of 800 million euros to finance projects carried out by SMEs and mid-caps, as well as by companies in the agriculture, agri-food, fishing and livestock industries.

To foster communication and contact with customers, in 2018 the following events were organised:

- Day of talks in León on incentives linked to R&D and Innovation, with Zabala Innovation Consulting and the León Employers Federation.
- Day of talks in Castilla y León on financing opportunities for collaborative R&D projects, with Zabala Innovation Consulting and the Burgos Confederation of Business Associations (FAE).
- Clearing the Way for Social Innovation, with Zabala Innovation Consulting and the Asturias Employers' Federation (FADE).
- Day of talks to present Interconnecta, with Zabala Innovation Consulting and the Confederation of Andalusian Businesses.

# 05.4 CAPITAL MARKETS



## BANKIA PROVIDES COMPANIES WITH SYNDICATED AND STRUCTURED FINANCE THROUGH ISSUES OF BONDS TARGETED AT INSTITUTIONAL INVESTORS.

Through the Capital Markets Directorate, Bankia provides business customers with a range of services, including syndicated and structured lending, access to financing other than bank loans through the issuance of bonds (government or corporate bonds) targeted at national and international institutional investors, interest and exchange rate hedging services, and financial advisory services aimed at improving companies' financial structure and competitive positioning (e.g., advising in mergers and acquisitions).

In 2018, once the restrictions imposed on its business activity during the recapitalisation plan had been removed, the bank re-entered the business of long-term lending to large corporations with access to capital markets, in Spain and abroad, as well as project and acquisition finance.

The bank took part in more than 100 syndicated loan operations during the year. Specifically, in the field of project finance it once again played a leading role in renewable energy finance, taking part in the

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*The bank plans to capitalise on its abilities to attract investors interested in financing Spanish companies.*

structuring and financing of one of Europe's largest solar photovoltaic plants, located in the southeast of Spain.

As regards helping companies gain access to non-bank finance, during 2018 the bank reinforced its role as an originator and structurer of bond issues, focusing on the middle market. It also continued to act as a market maker for government debt, supporting the Spanish Treasury in its funding strategy.

In acquisition finance, Bankia led the structuring and underwriting of 15 deals during the year, with a focus on medium-sized companies, thus positioning itself as the financial institution of choice for the provision of banking services to these customers.

In mergers and acquisitions, it maintained its positioning in the renewable energy and solar photovoltaic sectors, as well as in other industries such as road transport and services for the elderly.

Following the effort of adaptation made in 2018, during 2019 the bank plans to capitalise on its origination and structuring capabilities and its penetration among Spanish companies to offer origination and structuring services to domestic customers and international customers interested in participating in the financing of Spanish businesses.




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**+100**

PARTICIPATED IN MORE THAN 100 SYNDICATED LOANS




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**15**

LED 15 ACQUISITION FINANCE DEALS



# 05.5 PRIVATE BANKING



## THE ENTRY INTO FORCE OF THE MIFID II DIRECTIVE HAS HAD A VERY SUBSTANTIAL IMPACT ON PRIVATE BANKING ACTIVITY.

2018 was a year of great challenges for Bankia Banca Privada, on account of a change in its customer segmentation model, following the entry into force of the MiFID II directive and the integration of the BMN network.

Moreover, these challenges had to be met in a highly volatile market environment, in which a high proportion of assets had negative yields, especially the more conservative euro area portfolios.

This translated into an increasing demand for information and monitoring, which explains Bankia Banca Privada's decision to lower the cut-off point from 1,000,000 to 500,000 euros, thus giving a larger number of customers access to its services.

Customers did not have to change branch to do so: while staying with their usual branch, they were given access to a specialist in markets, taxation, investment products and services to supplement the advice given by their usual financial adviser.

*The integration of BMN allowed the bank to open three new Banca Privada branches – in Murcia, Granada and Palma de Mallorca.*

## ADVICE

The entry into force of the new MiFID II Directive has had a very significant impact on the activity of Bankia Banca Privada, whose model of recurring non-independent advice includes a wide range of proprietary and third-party products and services and a typically fluid, transparent relationship.

Portfolio management plays a predominant role, but without neglecting brokerage in cases where customers decide to make their own investment decisions, taking advantage of the opportunities provided by online banking.

Thanks to the integration of the BMN network, three new Bankia Banca Privada branches were opened in BMN's areas of influence: Murcia, Granada and Palma de Mallorca.

As a result, at 31 December 2018 the Bankia Banca Privada team is made up of 95 people, 75 of whom managed 6,504 portfolios, with a total business volume of 6,475.53 million euros.



# 9,930

NO. OF PRIVATE BANKING CUSTOMERS



# 6,504

NO. OF PORTFOLIOS



# € 6,475 MILLION

BUSINESS VOLUME



# 75

NO. OF ACCOUNT MANAGERS

# 05.6 ASSET MANAGEMENT



BANKIA HAS A COMMITMENT TO SOCIALLY RESPONSIBLE INVESTMENT AND TAKES EXTRAFINANCIAL CRITERIA INTO ACCOUNT IN ITS DECISIONS.

Despite the adverse market trend, Bankia continues to win the trust of its customers, with a widening product range and responsible investment criteria.

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## FUNDS

With 17,212 million euros of assets under management, 98% of which is in mutual funds, Bankia Fondos has an extensive

catalogue, with products in all categories (fixed-income, equity, mixed, guaranteed, absolute return, passively managed).

In April 2018, the 'Bankia Gestión Experta' service was launched throughout the commercial network. This service allows customers to delegate their investment in mutual funds to Bankia, conveniently and simply, with full, transparent reporting in compliance with MiFID II requirements. As of year-end, 'Bankia Gestión Experta' already managed 54,655 portfolios and 2,106 million euros of assets.



*The bank continues to gain trust among customers with a broad range of products and responsible investment criteria.*

Noteworthy new products include two guaranteed funds, totalling 450 million euros, which aroused great interest and were fully subscribed within days.

The highlights at corporate level were the satisfactory transfer to Bankia Fondos of the mutual funds previously managed by TREA and marketed by BMN, with assets of 1,618 million euros.

Bankia Fondos has established itself as the fourth largest Spanish fund manager, after ending the year with net inflows of 921 million euros and a market share of 6.55%, according to the Spanish Association of Investment and Pension Funds (Inverco).

The assets managed by the 41 open-ended investment companies (SICAV) administered by Bankia amounted to 221 million euros.

## PENSION PLANS

Bankia has 7,999 million euros of assets distributed across individual, employer and associated pension plans, always following the principle of maximum product customisation to suit each customer's needs and retirement horizon.

In November the pension plans received from BMN (Caja Granada Vida and Caja Murcia Vida), totalling 669.4 million euros, were integrated in Bankia Pensiones.

Net new investments in personal pension plans exceeded 90 million euros, driven partly by good withdrawal figures and the launch of a guaranteed pension plan that ended 2018 with 75 million euros.

The market share in personal pension plans was 8.17% at 31 December 2018.



**358,585**

NO. OF MUTUAL FUND  
UNITHOLDERS



**860,496**

NO. OF PENSION  
PLAN MEMBERS



**€ 17,212  
MILLION**

VOLUME OF ASSETS MANAGED  
IN MUTUAL FUNDS



**€ 7,999  
MILLION**

VOLUME OF ASSETS  
MANAGED IN PENSION PLANS

# 05.6

ASSET MANAGEMENT

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*In 2018, efforts were focused on acquiring new institutional customers in the 'Bankia Futuro Sostenible' fund.*

## NEW 'BANKIA ASSET MANAGEMENT' BRAND

The Group has launched the 'Bankia Asset Management' brand, a new flagship brand that encompasses all the collective investment management activities aimed at both retail and institutional clients.

The purpose is to create a specific asset management image for the group, linked to Bankia, that is recognised both by the bank's distribution network and by customers.

However, the new brand does not entail any change in company name for Bankia Fondos and Bankia Pensiones, which will continue to exist as mutual fund and pension fund management companies, respectively.

**Bankia** / ASSET  
MANAGEMENT





## INVESTMENT UNDER ESG CRITERIA

Bankia Asset Management is committed to socially responsible investment (SRI) and works continuously to integrate extra-financial criteria in its investment decisions, going beyond legal requirements.

In 2018 once again the extent to which ESG (environmental, social and corporate governance) criteria are taken into account in investment decisions was increased, extending coverage of the assets, which already stands at almost 100% in equity instruments and is rising in fixed-income securities and third-party funds.

The commitment to ESG investing was demonstrated by the approval last year of a socially responsible investment policy for Bankia Pensiones, in line with the bank's standards.

The only occupational pension plan that took extra-financial criteria into account in investment decision making was the Bankia Group's Employees Fund; however, those criteria have been extended to all the occupational pension plans managed by Bankia Pensiones.

Throughout 2018 major marketing actions were carried out to acquire new institutional customers in the 'Bankia Futuro Sostenible' fund, which already has consolidated assets of 10 million euros. At the same time, a substantial investment was made in communication through the specialised press to generate awareness of the fund's particular characteristics.

Among the challenges for 2019 is the need to update the internal voting policy to allow more active participation in the shareholders meetings of a larger number of companies and to approach the companies' management teams with a view to influencing their decisions in terms of environmental, social and governance impact.



**€ 918.9 MILLION**

VOLUME OF ASSETS MANAGED  
UNDER ESG CRITERIA

# 05.7 BANCASSURANCE



THE BANCASSURANCE UNIT SELLS POLICIES FOR INDIVIDUALS AND COMPANIES, OFFERING CUSTOMERS SPECIALISED SUPPORT IN MAKING THEIR DECISIONS.

The sale of insurance is one of Bankia's strategic business lines. For this purpose, Bankia has a Bancassurance Directorate, which is responsible for the distribution of life and non-life insurance and for the delivery of specialised support to the bank's sales network. The bank sells policies to cover the risks of individuals (life, home, auto, health and savings) and businesses (trade, credit insurance, general liability and comprehensive).

The BMN merger required a major effort in 2018 on the part of the Bancassurance

Directorate to incorporate processes and operations that needed to be made consistent, as well as different suppliers. The technology and workforce integration was carried out over the course of the year to strengthen the commercial area and unify branch support services. Existing distribution agreements were also reorganised, so as to maintain a single, integrated model based on efficiency and service quality.

Within the framework of this reorganisation, Bankia completed the acquisition of 50% of Caja Murcia Vida (CMV) and Caja Granada

Vida (CGV) from Aviva, so as to become the sole member of both these life insurance companies, and subsequently sold 51% to Mapfre, which thus became Bankia's sole supplier throughout the branch network, except for the branches in the Balearic Islands, which will continue to distribute Caser products.

The exclusive agreement BMN had with Caser for non-life insurance has been terminated, with the result that Mapfre has become the sole supplier for the entire network.

Various steps were taken during 2018 to equip the branch network with appropriate tools for selling insurance, most notably the latest advances in home insurance sales and improvements in the management of the policy portfolio, as well as digital developments.

strongest performers being finance leases and credit insurance (+ 65% and + 219%, respectively).

At 31 December 2018 there were 2.6 million policies in force and the mathematical provisions for life savings insurance totalled 6,149 million.

The Bancassurance business's contribution in direct fees and commissions arising from written premiums was 123 million euros.

The priorities in 2019 were to increase penetration of insurance as a driver of loyalty among Bankia customers, both individuals and businesses; ensure consistency in the teams' sales activities; develop online sales in various business lines; and strengthen sales tools and actions that would boost the productivity of Bankia's employees in this area.

## INDICATORS

As regards business performance, net premiums written during 2018 came to 519 million euros, thanks mainly to the performance of life and home insurance, especially funeral and health insurance.

New business was especially strong during the second half of the year in life risk insurance, with growth of 9% compared to 2017. Premium income from life risk insurance amounted to 115 million euros, without considering savings insurance. The focus in 2018 was on business insurance, the



**2.6 MILLION**

NO. OF RISK AND SAVINGS  
POLICIES IN FORCE



**€ 519 MILLION**

VOLUME OF NET  
PREMIUMS WRITTEN

# 05.8 REAL ESTATE ASSETS



IN LINE WITH THE UNDERTAKINGS GIVEN IN THE STRATEGIC PLAN, BANKIA IS COMMITTED TO REDUCING THE BALANCE OF NON-PERFORMING ASSETS.

The mission of the Property Management Directorate is to reduce the balance of non-performing assets, in line with the commitments set out in the Strategic Plan, with minimum impact on the income statement, by coordinating sales and preparing packages that can be sold outside the retail circuit.

The assets are managed, administered and marketed through Haya Real Estate, which is responsible for property maintenance and

all sales activities (including customer service, dealings with intermediaries, presence at events and publication of offers).

The main achievements of the Property Management Directorate have been to improve the quality of information available, so as to give greater transparency to the stock, and to reinforce relations with other areas of the bank to speed up sales of new foreclosed assets.

## AGILITY AND KNOWLEDGE

As a result, customers have more information about the properties on offer and the bank is able to easily and intuitively monitor all the tasks performed in relation to each asset; and sales processes in the branches have been simplified.

The Property Management Directorate integrated the real estate assets from BMN within the time provided and the assets were immediately made available for sale.

As of 31 December 2018, this activity had contributed 731.8 million euros to the bank, with the sale of 13,548 real estate assets (of which 8,393 are homes).

One of the directorate's main challenges for 2019 is to continue the divestment policy, so as to clean up the balance sheet, and to align all its actions with the bank's positioning, on the basis of the rigour and professionalism that come from a thorough knowledge of the market.



**13,548**

TOTAL NUMBER OF PROPERTIES SOLD

## MAP OF SALES BY AUTONOMOUS COMMUNITY



**€ 731.8**

MILLION

REVENUE FROM PROPERTY SALES

# 06. RELATIONSHIP WITH SOCIETY AND THE ENVIRONMENT

Bankia is committed to improving society and attenuating the impact of its business activity on the environment. The involvement of its professionals is key to this task.







# 06.1

## SOCIAL FOOTPRINT



EMPLOYMENT, TRAINING AND ASSISTANCE TO THE MOST DISADVANTAGED GROUPS ARE AMONG THE BANKIA OBJECTIVES IN WHICH THE BANK'S PROFESSIONALS PLAY AN IMPORTANT ROLE.

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### SOCIAL INVESTMENT

The bank's professionals have a clear commitment to social action.

Bankia pursues a participatory, collaborative strategy, in which employees play an essential role.

In 2018, after incorporating BMN, Bankia extended the reach of its social investment,

adding three new areas of influence: Andalusia, the Balearic Islands and Murcia.

The total amount allocated to social investment was 20.9 million euros, an increase of 8% compared to 2017.

Attending to the closest needs and involving stakeholders in projects was decisive. Moreover, in 2018 a specific line of funding was created to support projects with an environmental impact.

*In 2018, Bankia extended the reach of its social investment, adding three new areas of influence: Andalusia, the Balearic Islands and Murcia.*

SOCIAL INVESTMENT



- RURAL AND LOCAL DEVELOPMENT **37.70%**
- NEW POVERTY/ HOUSING **15.60%**
- EDUCATION **14.60%**
- SOLIDARITY PROJECTS PRESENTED BY EMPLOYEES **11%**
- CORPORATE SPONSORSHIPS **7.30%**
- DISABILITY **6.90%**
- EMPLOYMENT (LABOUR MARKET INCLUSION) **4.50%**
- ENVIRONMENT-RELATED SOCIAL PROJECTS **2.40%**



**€ 20.9**  
**MILLION**  
OF SOCIAL INVESTMENT



**815**  
FOUNDATIONS AND ASSOCIATIONS SUPPORTED THROUGH SOCIAL ACTION PROGRAMMES



**600,821**  
NUMBER OF BENEFICIARIES

# 06.1

## SOCIAL FOOTPRINT

*Employment is the main theme of all the bank's social projects.*

### EMPLOYMENT

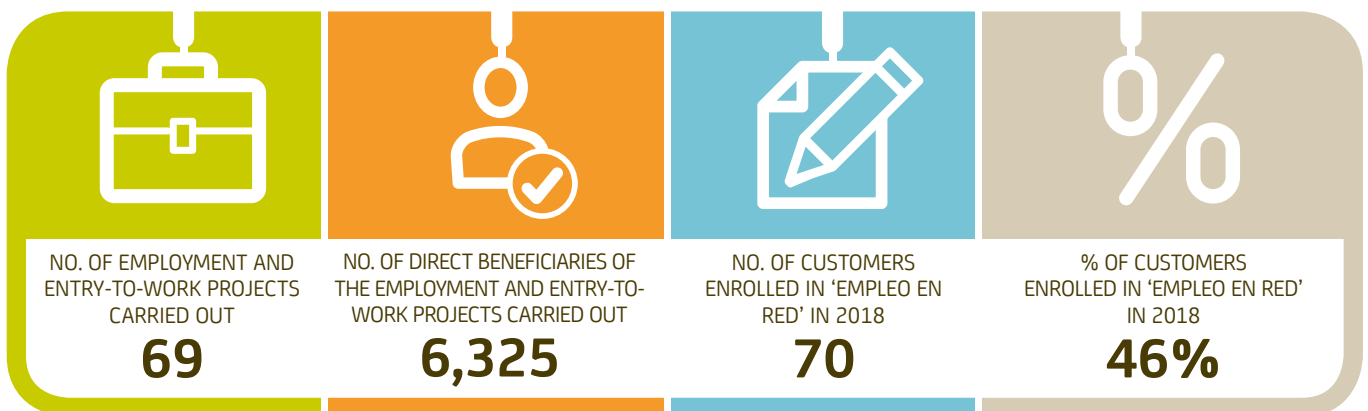
Employment continues to be the main theme of all Bankia's social initiatives. The most important are the programmes carried out with Spanish Red Cross and Caritas.

The Red Cross programme includes retraining for people affected by the economic crisis and employment itineraries for over-45s. In 2018 it reached 3,270 beneficiaries in 30 provinces, who received training and work experience. The Caritas programme provides grants for job creation and reached 863 participants.

Bankia also provided support to unemployed customers whose situation is detected through the bank's daily activity. Help is available through the 'Empleo en red' programme, carried out in partnership with the multinational Randstad and its foundation.

During 2018, 70 customers joined the programme, bringing the total number of customers helped to 1,408, 46% of whom found work. A collaborative CSR programme is also in operation, in which the maintenance service provider ISS and Randstad offer vacancies to Bankia customers with the right profile who are unemployed or in a vulnerability situation. A total of 35 people found work through this programme in 2018.

Another need that has been detected is that of people who have no access to credit to start a business or expand an existing small business, for lack of guarantees. To solve this problem and at the same time combat unemployment and financial exclusion, Bankia contributed to the creation of the microfinance company Oportunitas IMF, which has other private shareholders, including Mapfre, Momo (Everis) and Qredits.





Oportunitas IMF has granted 39 loans since it was created, in a total amount of 303,000 euros. The financing is supplemented with a training and monitoring process, assisted by volunteers and mentors. Reinforcing this programme are two entrepreneurship projects with Secot and Action Against Hunger (Vives Empresa) in Andalusia and Castilla-La Mancha.

## DISABILITY

The main goal in this area is to foster employment by selecting suppliers that employ people with disabilities. One example is Konecta, which works with Bankia's Customer Service Centre and Digital Contact Centre.

In a gesture aimed at orienting procurement policies towards a model that fosters relations with companies that respect diversity, Bankia also subcontracts some services, including some catering services, to Special Employment Centres.

All this without neglecting traditional formulas, such as support for NGOs that run workplace inclusion programmes for people with disabilities, in which the bank invested 1.4 million euros during 2018, with more than 20,800 beneficiaries.



# 36

NO. OF NGOS THAT SUPPORT LABOUR MARKET INCLUSION PROGRAMMES FOR PEOPLE WITH DISABILITIES



# € 1.4 MILLION

INVESTED IN NGOS



# 20,832

NO. OF PEOPLE WITH DISABILITIES WHO BENEFITTED FROM THE LABOUR MARKET INCLUSION PROGRAMMES CARRIED OUT

# 06.1

## SOCIAL FOOTPRINT

*In 2018 Bankia offered social grants through the bank's original foundations in a total amount of 1.84 million.*

### LOCAL DEVELOPMENT

The extension of the areas of influence of Bankia's social action to Andalusia, Murcia and the Balearic Islands as a result of the BMN merger has led to the signing of collaboration agreements with the foundations of Caja Granada, Caja Murcia and Sa Nostra.

A total of 11 calls for applications for grants were issued through these foundations, to which responses were received from 825 NGOs, foundations and associations. The 377 projects that were selected benefited more than 230,000 unemployed or dependent people and people at risk of poverty or discrimination. The total investment in these grants came to 1.84 million euros.

To help develop local associations, Bankia launched 'Indicex Social', together with Fundación Lealtad and the Spanish Association of Foundations. Indicex Social is a free self-diagnosis tool which associations can use to assess their level of communication and digitisation, as well as their information transparency and online presence, with a view to improving their fund raising. In 2018 it was used by 382 institutions.

Bankia also gave its backing to a new local and rural development initiative, Pressura (Fair for the Repopulation of Empty Spain), and the entrepreneurs competition El Hueco Starter.

Foundation	Projects approved	Beneficiaries
Montemadrid	78	88,141
Bancaja	54	94,435
Caja Rioja	25	11,472
La Caja de Canarias	29	6,995
Caja de Ávila	23	2,968
Caja Segovia	29	4,135
Iluro	11	1,142
Caja Castellón	39	6,917
Caja Granada	60	9,719
Caja Murcia	29	7,001
<b>Total</b>	<b>377</b>	<b>232,790</b>



**377**

PROJECTS APPROVED JOINTLY WITH THE FOUNDATIONS



**€ 7.8 MILLION**

TOTAL INVESTMENT IN FOUNDATIONS AND ASSOCIATIONS THAT SUPPORT LOCAL AND RURAL DEVELOPMENT PROGRAMMES



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## ENVIRONMENT

In 2018 Bankia opened a new social investment business line aimed at supporting environmental projects, specifically projects to improve biodiversity and combat climate change.

A working group was set up to study possible actions throughout Spain, which in 2018 were carried out in 13 provinces. Of particular note are the recovery of 60 hectares of pasture in the Tablas de Daimiel national park near Ciudad Real, in partnership with WWF Spain, and the Reforesta programme, together with the Islas Canarias government.

During the last quarter of 2018 and the first quarter of 2019, various restoration and reforestation projects have been carried out, including those at the mouth of the Mijares River in Castellón and in damaged areas of the Cuatro Calas de Águilas conservation area in Murcia. A sea and beach clean-up project and various educational workshops for youngsters based on real-life cases were carried out on the beaches of the Maresme area near Barcelona.

These and other environmental projects are carried out with the collaboration of volunteers from Bankia and local associations.

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*In 2018 Bankia launched a new social investment business line aimed at environmental projects.*

# 06.1

## SOCIAL FOOTPRINT

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### ‘BANKIA EN RED’

Bankia continued to encourage its employees to get involved in the programmes the bank supports. One of the instruments for achieving this is the ‘Red Solidaria’ programme, which allows staff to adopt local projects that need financial support. Last year 275 projects were chosen, representing all the business units and areas in Spain. The funding totalled 1.9 million euros.

Another of Bankia’s traditional actions that reflect its professionals’ commitment is ‘Planta tu Proyecto’, aimed at supporting NGOs in which bank employees are long-term volunteers. In 2018 six projects were selected. The selected projects received a total of 56,084 euros, plus an additional

3,000 euros for Fundación Luchadores AVA, which seeks to improve the quality of life of people with multiple disabilities and which was the finalist that received most votes from the workforce.

Bankia also maintains a support programme for all kinds of solidarity projects in which employees serve as volunteers. Through this programme, called ‘Voluntariado en Red’, the bank contributes 500 euros for a specific action in which at least five bank employees take part, as a team, in performing their task.

As regards professional volunteering to promote mentoring and financial education among vulnerable groups, a total of 104 training days were given last year, with 246 hours of training and 53 volunteers.



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# 30,558

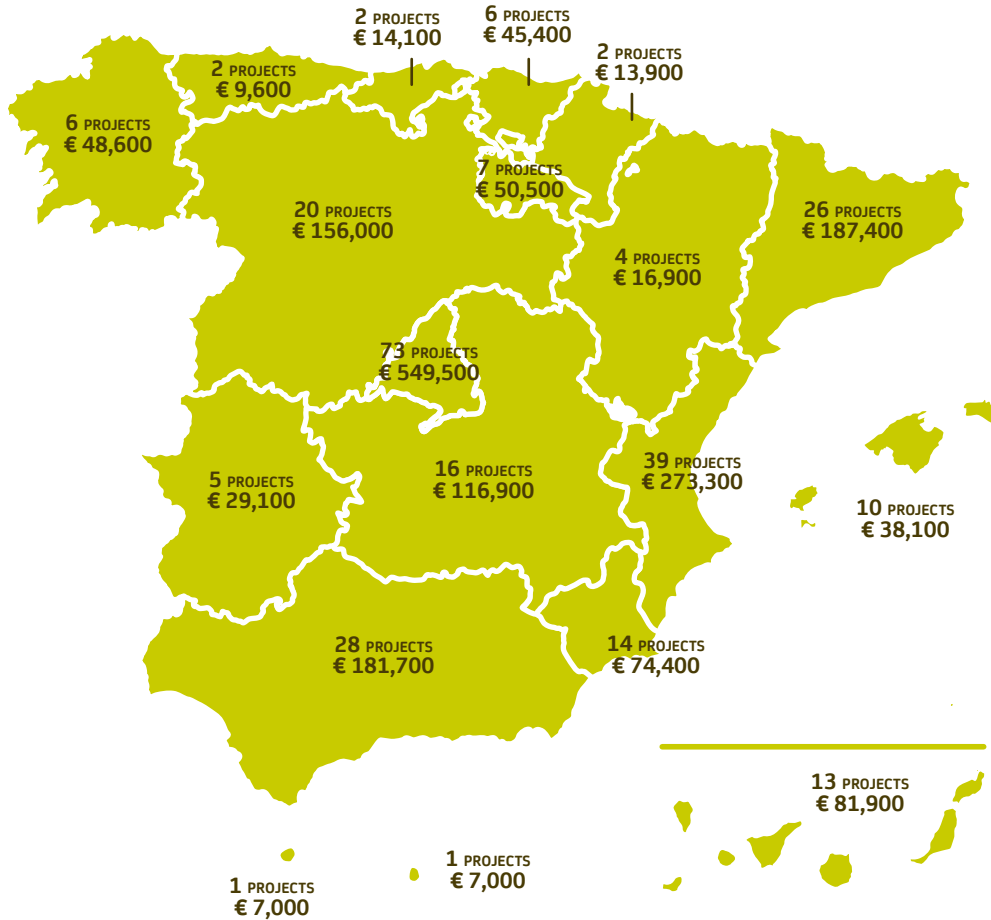
NO. OF BENEFICIARIES OF VOLUNTEERING ACTIONS





**'RED SOLIDARIA' MAP**

**DISTRIBUTION OF PROJECTS AND FINANCIAL CONTRIBUTION**



# 06.1

## SOCIAL FOOTPRINT

### HOUSING AND NEW POVERTY

In 2018, 3.194 homes were made available to vulnerable people on advantageous terms, based on their particular circumstances. The households pay a social rent, while Bankia bears the cost of any maintenance and repairs that may be required.

The amount paid by the bank on this account was 3.04 million euros. Agreements are in place with local authorities in Madrid, Castilla-La Mancha, Islas Canarias, Cataluña, Comunidad Valenciana and La Rioja to expedite housing allocation through local social services departments.

In its New Poverty programme, Bankia supports the donations campaign for food banks in Spain by doubling the amount

donated by its employees. Specifically, a total of 36,092 euros was collected, which was used to purchase 892 litres of oil, 1,760 litres of milk, 1,140 kilos of pulses, 691 units of other food items and 936 baby hygiene kits.

Other noteworthy actions during 2018 include the following:

- The Madrid South Regional Head Office prepared Christmas baskets, with more than a thousand kilos of donated goods, which were delivered to six local associations serving households in a situation of poverty that had been proposed by the branches themselves.
- Bankia volunteers took part in the food collection campaign prior to the 5th Game against Poverty, organised jointly by the Las Palmas Food Bank and the Herbalife Gran Canaria Basketball Club.



**3,194**

NUMBER OF BUILDINGS CONTRIBUTED TO THE SOCIAL HOUSING FUND



**494**

NO. OF CONTRACTS SIGNED WITH HOUSEHOLDS THAT HAVE ALSO OPTED FOR ADDITIONAL ASSISTANCE TO PAY THEIR RENT



Bankia's challenges in social investment for 2019 are: to leverage its impact through collaboration between stakeholders, to increase aid through grants for employment and environmental projects, and to digitise its processes with projects aimed at mass participation through technology platforms.

## DUAL VOCATIONAL EDUCATION

In 2018 the Bankia Dual Education Foundation was able to increase its range of activities, thanks to the consolidation of its Dualiza Bankia brand in the education sector. To make this possible, the bank contributed two million euros, so that work could continue towards the priority goals set six years ago.

In partnership with the FPempresa association, a total of 400,000 euros of Dualiza grants were distributed among 36 projects submitted by 40 schools in 13 autonomous communities. All the winning projects foster collaboration between schools and companies, facilitate the sharing of experiences and give students the opportunity to gain their first work experience.

These collaborative training and dual education activities allow students to enhance their employability and companies to improve their competitiveness.



**€ 400,000**

DISTRIBUTED IN  
DUALIZA GRANTS



**40**

SCHOOLS APPLIED  
FOR GRANTS



**13**

AUTONOMOUS  
COMMUNITIES INVOLVED

2018 witnessed the first edition of the 'Reto Dualiza', an initiative that brings dual education students, teachers and professionals together in multidisciplinary teams to drive innovation processes in companies. Besides innovation workshops, the event also included support and mentoring to reinforce the 'Reto Dualiza' teams. A total of 16 teams were formed and many of their ideas were subsequently incorporated in actual production processes.

# 06.1

## SOCIAL FOOTPRINT

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*In promoting dual education, Bankia invests in enhancing young people's employability.*

In the conviction that only education can increase young people's employability, Bankia is pressing ahead with its Dual Vocational Training Programme, FP Dual Bankia, as well as with other additional courses. Many FP Dual Bankia alumni, trained in the bank's methods and values, have already joined the branches as customer account managers. The third class of students will graduate in 2019.

The programmes for acquiring a specialisation in the most sought-after employment sectors have also been well received by schools, companies and local and regional authorities. There are three of these programmes: Comex for foreign trade, Ditec for digital competencies and Sanec for biomedical research.

Bankia attends the main vocational education and dual vocational education events. It took part in and helped organise initiatives such as the FPempresa Conference, held in Barcelona; the CEFIRE Conference in Valencia; the Formación Profesional y Empresa Conference: the Pasión Dual event in Cartagena; the 4th Alianza para la FP Dual Forum in Malaga; and the 6th Colaboración Público Privada en Educación Conference in Madrid.

All these activities are now showcased on the Bankia Dual Education Foundation's new website at [www.dualizabankia.com](http://www.dualizabankia.com), which has been created as a way of stimulating debate and providing information about vocational training and which aspires to provide students, professors and

professionals interested in the subject with a platform for sharing their ideas.

'Dualiza Bankia' also aims to fill one of the big gaps in the world of vocational training: the lack of data and studies to provide a calm, reasoned and critical analysis of the current situation and put forward possible solutions to existing problems. For this purpose, in collaboration with government authorities, companies and universities, the Bankia Dual Education Foundation's Knowledge and Innovation Centre prepares and distributes reports and publications analysing different aspects of the education system.

These include regional reports analysing the impact of vocational training on the competitiveness of the autonomous communities and the study on career orientation, carried out in collaboration with Instituto de Empresa Familiar, which highlights the difficulty companies face in hiring people who have the technical skills they need.

The greatest challenge, however, is to prepare an agenda that shows the research on vocational training carried out in Spain in recent years. This will be its primary contribution.



## BANKADEMIA, A FORCE FOR FINANCIAL EDUCATION

Bankia is firmly committed to the promotion of financial education in Spanish society and aims to contribute to a wider knowledge and understanding of financial products and how they work.

To do that, it has launched in 2018 Bankademia, Bankia's financial education ecosystem. Bankademia's aim is to improve the level and quality of financial education and make a serious contribution to the development and well-being of individuals and society as a whole. It is affiliated to the Funcas Financial Education Stimulus Programme, which is funded with three million euros and was launched in 2018 by the private non-profit think tank Funcas and the Spanish Confederation of Savings Banks (CECA).

Bankademia offers ten courses on finance, housing, saving and investment, grants and subsidies, taxes, employment, household economy, SMEs and the agricultural sector. Each course comprises a number of teaching units, which are presented in user-friendly, accessible formats: overviews, videos, podcasts.

The communication strategy is "Economics to take away" because that is how Bankademia training is designed to be consumed: at any time, in any place, keeping things simple.

## SPONSORSHIP

Bankia is engaged in other initiatives that also contribute to the local community in the fields of culture, sport and business:

### **Bankia Symphony Orchestra (BSO)**

A professional ensemble made up of young musicians who have completed their formal training but have not yet found a position in a stable orchestra. Its goals are to discover musical talent, provide continuing education and facilitate entry to employment.

In 2018 the Orchestra held two series of concerts, with a total audience of more than 6,700: one in Ávila, Salamanca and Valladolid and the other in Granada, Sevilla and Jaén. Its string quartet performed in the Music in the Garden programme in Madrid's Botanical Garden in June, with more than a thousand people attending.

### **Bankia Escolta a Valencia**

A programme to promote and support music. 2018 saw the launch of the fifth edition of the scholarships for students, with funding of 300,000 euros and 709 beneficiaries, and the

# 06.1

## SOCIAL FOOTPRINT

second Bankia Competition for Valencian Community Orchestras, which was won by the musical societies La Artista, from Buñol in the province of Valencia, and La Pau, from Sant Joan in the province of Alicante. The third “Música a la Llum” concert was held, recovering neglected works by Valencian composers, and work continued on creating the Casa de la Música cultural centre in the Alquería Julià buildings.

### Gran Teatro Bankia Príncipe Pío

A project to operate a concert hall, an exhibition hall, a cabaret and a television set, alongside the large theatre to be housed in the main building of the former Príncipe Pío railway station. A total of 308 performances were given in 2018, with 158,640 spectators in 56 different shows. More than 7,800 tickets were sold through the Bankia employees channel.

### Madrid Book Fair

Bankia was official sponsor for the third year running. During the Fair, an Ofibus mobile branch was on hand to allow visitors and exhibitors to carry out the usual banking transactions on-site. The Fair also provided opportunities for sales promotions targeted to the booksellers association, which organises the Fair.

### Youth Sport

Bankia sponsors the youth academies of the Gran Canaria Basketball Club, the Valencia Basketball Club, the Óbila Basketball Club (in Ávila) and the Segovia Futsal and El Pozo de Murcia futsal teams. More than 3,000 boys and girls benefit from these activities. The actions carried out with the Valencia Basketball Club (Més que un Triple) and the Gran Canaria Basketball Club (Triple Solidario) were extended in 2018 to the Estudiantes





basketball club. In all cases, for every three-point shot scored by the first team during the season, Bankia donates money to the clubs' youth teams.

**Valencian pilota**

The agreement whereby Bankia supports this traditional Valencian sport was renewed for a fourth year. Besides the Professional League and the Individual Championship, the sponsorship included the Bankia Elite Women's League and the Bankia Elite Women's Individual Championship, giving clear support to the women who contribute to the spread of the game of Valencian pilota.

**Support for business associations**

In 2018 the bank also carried out specific actions with various business associations, entrepreneurs associations and chambers of commerce. It sponsored more than 40 information days, which were attended by more than 2,500 people and addressed issues such as SMEs and the digital transformation, tax reform, and company financing.

'La Digitalizadora' programme, carried out with Insomnia in Valencia and Valladolid and addressing issues such as robotics, 3D printing and artificial intelligence in 10 information sessions, deserves special mention.

Bankia took part in trade fairs and forums (Forinvest, Manager Business Forum, AND Pymes, Spain Startup South Summit, eFintech Show) and sponsored various business awards: among others, the CEIM awards, the "Premios al Éxito Empresarial" awards by Actualidad Económica, the In4NBankia awards by the Alicante-based newspaper Información, the Digital Competitiveness awards by the magazine Castilla y León Económica, the Innobankia awards with the publisher Editorial Prensa Ibérica, the "Tu Economía" awards by the newspaper La Razón, the "Comprendedor" awards by Fundación Empresa y Sociedad, the "Andaluces del Futuro" awards by the Joly publishing group and the "Talento Joven" awards by the newspaper Levante.



**€ 300,000**

IN SCHOLARSHIPS TO SUPPORT BANKIA ESCOLTA A VALENCIA



**6,700**

PEOPLE ENJOYED THE BANKIA SYMPHONY ORCHESTRA



**40**

INFORMATION DAYS SPONSORED BY THE BANK

## 06.2 RESPONSIBLE PURCHASING



THE SENSE OF RESPONSIBILITY AND COMMITMENT TO THE COMMUNITY EXTENDS TO THE PROCUREMENT FUNCTION AND RELATIONS WITH SUPPLIERS.

Bankia has a Purchasing Policy, approved by the Board of Directors, which is informed by and founded on the values of professionalism, integrity, commitment, closeness and achievement orientation.

Bankia's global procurement model is designed to assess and control any risks that may arise from our supply chain and is based on the Responsible Purchasing principles.

The procurement policy and the Responsible Purchasing Principles apply to all Bankia Group companies and employees, especially those involved in the procurement of goods and services.

In addition to its general Code of Ethics and Conduct, Bankia also has specific rules of conduct for the purchasing function, based on the rules of the International Federation of Purchasing and Supply Management.



These rules are founded on principles such as loyalty and honesty, objectivity in decisions, transparency and equality of opportunity, confidentiality, integrity and independence in relations with suppliers, and corporate social responsibility.

To detect possible infringements of the bank's Code of Ethics and Conduct, Bankia offers its suppliers a Confidential Whistleblowing Channel, which is managed by an independent third party.

## SUPPLIER SELECTION

Transparency in supplier selection is implemented through a system of authorities and delegated responsibilities, so that decisions are escalated where appropriate and are communicated to all the levels involved.

In its purchasing policy Bankia also encourages diversification among local, national and international suppliers, so as to foster balanced wealth generation.



**1,831**

ACTIVE SUPPLIERS THAT ARE SMES



**1,509**

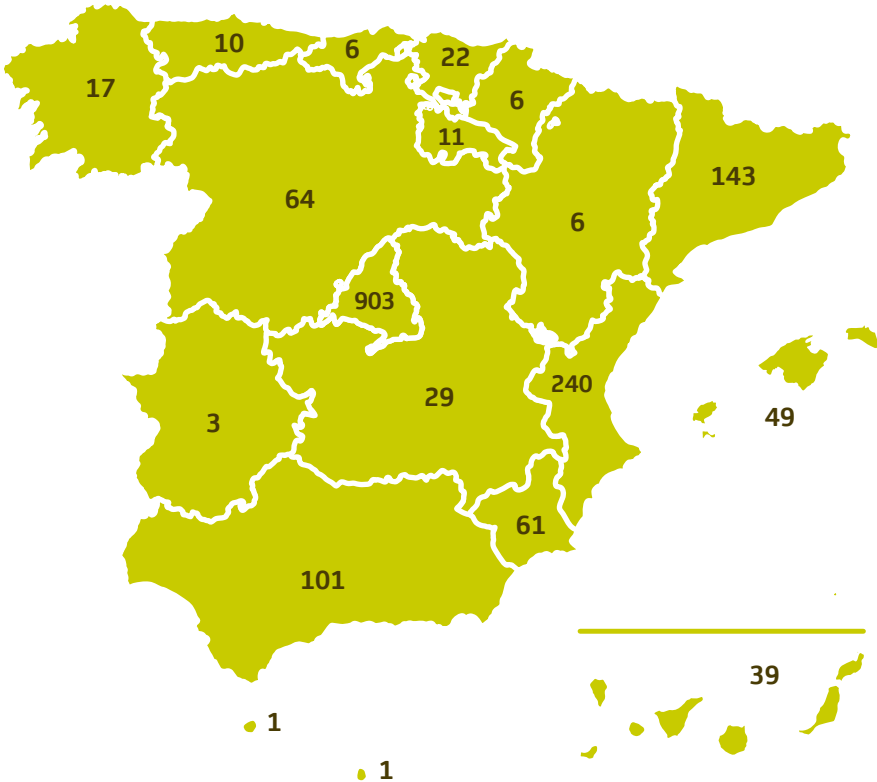
ACTIVE SME SUPPLIERS IN THE BANK'S MAIN AREAS OF ACTIVITY



**322**

TOTAL NO. OF ACTIVE SME SUPPLIERS OUTSIDE THE BANK'S MAIN AREAS OF ACTIVITY

## DISTRIBUTION OF SUPPLIERS BY AUTONOMOUS COMMUNITY



# 06.2

## RESPONSIBLE PURCHASING

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*Supplier approval is a prerequisite for the establishment of a business relationship with Bankia.*

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### APPROVAL AND RATING

Suppliers must be approved before entering into a business relationship with Bankia. In this process all the suppliers are analysed and a decision is made as to which of them do not meet any requirement of exceptionality, such as suppliers included in the Forbes 2000 ranking that offer certified quality and guarantees, or suppliers that are only used occasionally and for non-material amounts.

The assessment includes ethical, social and environmental performance, so that priority can be given to suppliers that meet high standards in this respect.

Suppliers are also required to be compliant with applicable laws and regulations in the

jurisdictions in which the bank operates and consideration is given to alignment with the principles of the Global Compact, the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization.

Suppliers that demonstrate commitment to their employees, quality, the environment and human rights are scored more highly in the approval process and the bank avoids purchasing from companies that have a record of non-compliance with legal, tax, employment, environmental or social obligations.

The approval process also includes an examination of economic, social and environmental risk and suppliers are required to have the appropriate economic risk rating and to provide certain mandatory information.





In 2018, within this framework of principles and obligations, Bankia reinforced the functionality of its Supplier Portal, which allows the bank to conduct relations with suppliers on a more open footing, with an emphasis on transparency, impartiality and equality of opportunity.

Through the new Supplier Portal suppliers are able to easily and securely upload all the information Bankia requires for supplier approval and rating and participate in the various negotiation processes.

and involve the value chain in its plans for the future.

Bankia also sponsors and collaborates with the Spanish Association of Purchasing, Procurement and Supply Professionals (Aerpe), whose aim is to transmit, publish and spread knowledge and conduct research in the field of purchasing.

## BEST PRACTICES

In 2018 the bank renewed its UNE 15896 certification for Purchasing Management, the first supranational standard promoting best business practices at the European level and certifying excellence in purchasing.

Bankia was the first financial institution to obtain this certification, which sets a standard for continuous improvement, minimises risks and ensures that sustainability is taken into account in procurement management.

In 2018 Bankia also held the third annual Suppliers Day, which was attended by 300 suppliers, who shared business strategies, discussed the supplier relationship and reflected on the outlook for the economy. Bankia uses initiatives such as this to convey its commitment to its suppliers, aiming to build a relationship based on communication



**300**

**BANKIA SUPPLIERS  
ATTENDED THE  
SUPPLIERS DAY**

# 06.2

## RESPONSIBLE PURCHASING

### SUPPLIER PROFILE

#### DISTRIBUTION OF ACTIVE SUPPLIERS BY DOMICILE

TOTAL ACTIVE SUPPLIERS	2,768
ACTIVE SPANISH SUPPLIERS (LOCAL SCOPE)	2,576
ACTIVE FOREIGN SUPPLIERS (OUTSIDE LOCAL SCOPE)	192

#### NEW SUPPLIERS

TOTAL NO. OF NEW SUPPLIERS HIRED	231
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#### ACTIVE SPANISH SUPPLIERS BY SECTOR

ACTIVE SUPPLIERS IN LEGAL SERVICES SECTOR	143
ACTIVE SUPPLIERS IN REAL ESTATE/ CONSTRUCTION SECTOR	350
ACTIVE SUPPLIERS IN GENERAL SERVICES SECTOR	251
ACTIVE SUPPLIERS IN ADVERTISING AND MARKETING SECTOR	118
ACTIVE SUPPLIERS IN IT SECTOR	230
ACTIVE SUPPLIERS IN CONSULTING/ AUDIT/ ADVISORY SECTOR	185
ACTIVE SUPPLIERS IN OTHER SECTORS (TELECOMMUNICATIONS, MAINTENANCE, SECURITY, ETC.)	1,299

#### BILLING AND PAYMENT COMMITMENT

TOTAL BILLING (TOTAL VOLUME OF PURCHASES)	€ 1,198.3 MILLION
TOTAL AMOUNT BILLED TO SPANISH SUPPLIERS (LOCAL SCOPE)	€ 1,158.8 MILLION
TOTAL AMOUNT BILLED TO FOREIGN SUPPLIERS (OUTSIDE LOCAL SCOPE)	€ 39.5 MILLION
AVERAGE SUPPLIER PAYMENT PERIOD	8.88
% OF INVOICES PAID WITHIN LEGAL TIME LIMIT (LESS THAN 30 DAYS)	97.07





### DISTRIBUTION OF ASSESSED APPROVED SUPPLIERS

TOTAL NO. OF APPROVED SUPPLIERS THAT ARE ASSESSED

792

STRATEGIC APPROVED SUPPLIERS

31

PREFERRED APPROVED SUPPLIERS

80

TRANSACTIONAL APPROVED SUPPLIERS

681

### SUPPLIERS UNDER CSR CRITERIA

TOTAL NO. OF SUPPLIERS WITH CSR CRITERIA

1,012

TOTAL NO. OF SUPPLIERS WITH SOCIAL OR ENVIRONMENTAL RISK

26

### THE PRIORITY OF SUPPLIER SERVICE



**88.30%**

SUPPLIERS WITH A SCORE OF MORE THAN 7 IN THE SATISFACTION SURVEY

Bankia devotes considerable effort to its relationships with suppliers, who may contact the Supplier Service Department (SSD) to submit complaints, claims or suggestions about invoice payment, the services provided under their contracts or the selection process. All complaints received by the SSD are handled directly by the Chairman's Office staff.

The bank also proactively seeks the opinion of its suppliers regarding their relationship with the organisation. Satisfaction surveys, the results of which are distilled in the Supplier Perception Study, collect suppliers' opinions (both suppliers that were selected and those that were not) on aspects such as friendly treatment, the negotiating process, flexibility in procurement and compliance with payment obligations. The surveys also help the bank measure the extent to which Bankia's values are being effectively transmitted.

## 06.3 TRANSPARENT COMMUNICATION



COMMUNICATION AND TRANSPARENCY PLAY A KEY ROLE IN EXPLAINING WHAT THE BANK DOES AND THE VALUES IT UPHOLDS.

Based on the principle of transparency, which governs all its actions, Bankia maintains smooth, continuous relations with the media. The aim is to provide full, clear and honest information about the bank's activities, the projects it is engaged in, its earnings and its social action.

The bank thus recognises the valuable role the media play in the relationship between business and society. It therefore seeks to facilitate the work of media professionals and provide access to information.

Bankia follows the recommendations on good practice in relations between public companies and the media issued by the CNMV, which were developed through discussions with the business journalists association APIE and the media managers association Dircom.

For instance, the CNMV encourages public companies to invite the media to an earnings presentation at least once a year, so that their chief executive can report on the company's performance and plans for

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*Bankia maintains close relations with the media to ensure a constant flow of transparent, up-to-date information.*

the future. It also recommends that material information be disclosed as soon as possible after the relevant event or circumstance has occurred or become known.

Bankia strives to provide the media with transparent information through a variety of channels, responds to requests from journalists and encourages managers from different areas to participate in seminars and forums with media coverage.

The bank's Media Relations Directorate is in permanent contact with journalists and tries to answer all the questions they put to it. In 2018, at the request of media professionals, the bank started a training initiative on topical issues such as blockchain technology.

During 2018, a total of 370 press releases by Bankia and 249 by other parties were published and 14 press conferences were held. Media Relations also managed 40 videos and 16 newsletters.

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## DIGITAL ECOSYSTEM

The bank's external communication is also channelled through the Digital Content and Communications Directorate, which manages the bank's digital portals and social media accounts, which are used to distribute information about Bankia's activities. This directorate also helps to

ensure consistency in corporate discourse across the various regions in which the bank operates.

One of the spaces in which the bank interacts with society is social media. Bankia is active on Twitter, Facebook, LinkedIn, YouTube, Google+, Slideshare, Flickr, Vimeo and Snapchat. In all these channels it provides information about its activity and enables two-way communication with all its stakeholders.

During 2018, with transparency and customer service as the main pillars of its communication model, Bankia focused its efforts on improving its channels of dialogue. In April it launched @HolaBankia, a specific new customer service channel on Twitter to respond in a personalised way to queries and consultations. In the last eight months of the year, more than 4,500 inquiries were fielded through this channel.

Bankia's commitment to transparency is demonstrated by "Bankia Responde", a new online communication channel through which the bank answers questions about corporate or management matters put to it by the public, whether they are customers or not. Last year a total of 443 questions were asked, 53 of which were answered publicly and 300 privately.

# 06.3

## TRANSPARENT COMMUNICATION

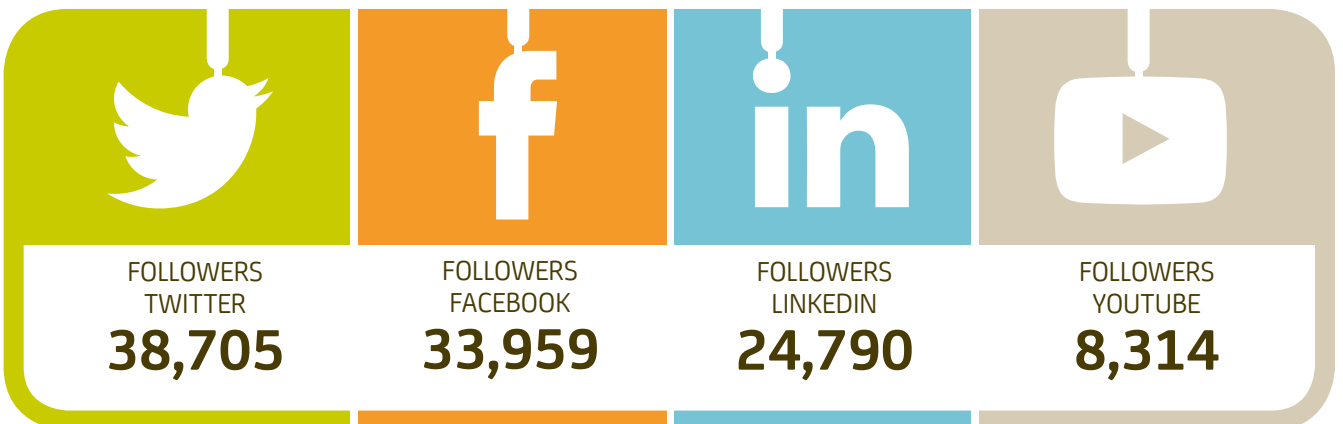
Another milestone in digital communication was the launch in January 2018 of Bankia's LinkedIn profile. The LinkedIn account has been fundamental in delivering information about the bank to its professionals and at year-end had 24,790 followers and 214 publications.

In addition, Bankia has 30 web portals: 13 corporate portals, 2 for employees, 6 for retail customers, 6 for companies and 3 agents.

Among the main corporate portals are the following:

- **Corporate portal** ([www.bankia.com](http://www.bankia.com)). This is the bank's online head office, designed to meet the information needs of its stakeholders (media, analysts, shareholders, investors and society in general). Coinciding with the presentation of the new 2018-2020 Strategic Plan and in a changing environment full of challenges and influenced by an unstoppable digitisation process, Bankia launched its new corporate portal, featuring an updated design and new functionalities. Bankia.com has become the core of the bank's corporate digital ecosystem and a central repository of content in all areas, from strictly financial information to fintech news, guest posts on the Bankia Blog or social action reports. As the bank's electronic headquarters, the portal is subject to specific Banco de España and CNMV regulations.

### SOCIAL MEDIA







- **The Bankia Blog** ([www.blogbankia.es](http://www.blogbankia.es)). A corporate blog providing informational and news content, mainly on subjects in the fields of household economics, finance and business. The content is targeted both at SMEs and self-employed business owners as well as the general public.
- **Bankia Responde** ([www.bankiaresponde.com](http://www.bankiaresponde.com)). A communication channel in which Bankia answers corporate and management questions put to it by the public, whether customers or not.
- **En Acción** ([www.enaccionbankia.com](http://www.enaccionbankia.com)). A portal devoted to giving an account of Bankia's social footprint. The content is related to social action, the environment, dual education and social sponsorship.
- **Bankia Fintech** ([www.bankiafintech.com](http://www.bankiafintech.com)). A portal focused on Spanish and international fintech firms. It provides information about the Bankia Fintech by Innsomnia startup accelerator, fintech news, the main indicators and a calendar of events.
- **BFA Tenedora de Acciones** ([www.bfatenedoradeacciones.com](http://www.bfatenedoradeacciones.com)). A website that provides all the information about BFA.
- **Bankia Annual Report** (<https://informes.bankia.com/>). The online version of the bank's annual reports.

The Digital Content and Communications Directorate also provides support for the management of the following portals:

- **Bankia Estudios** ([www.bankiaestudios.com](http://www.bankiaestudios.com)). A research portal that provides assessments and advice and promotes debate on questions of economics, banking and current affairs.
- **Escolta València** ([www.bankiaescoltavalencia.es](http://www.bankiaescoltavalencia.es)). An online venue for all the information relating to the bank's sponsorship and support for musical bands in the Valencian Community.
- **Dualiza Bankia** ([www.dualizabankia.com](http://www.dualizabankia.com)). A website that publishes the information generated by the Bankia Dual Education Foundation in its commitment to promoting education as a means of improving society, reducing inequality and fostering social cohesion.
- **Bankademia**. ([www.bankia.es/es/Bankademia](http://www.bankia.es/es/Bankademia)). A financial education website aimed at making financial knowledge accessible to all, whether they are Bankia customers or not, so that they can make informed decisions.

Besides the social media and web portals, the bank also used other communication channels, including text messages (SMS) and electronic newsletters to communicate Bankia's quarterly results and the 'Estudios', 'Actualidad', 'En Acción', 'Blog' and 'Accionistas' newsletters were sent out at regular intervals.

# 06.3

## TRANSPARENT COMMUNICATION

*In 2018 the bank pushed ahead with its project to make its written communication clearer and easier to understand.*

### A NEW STYLE

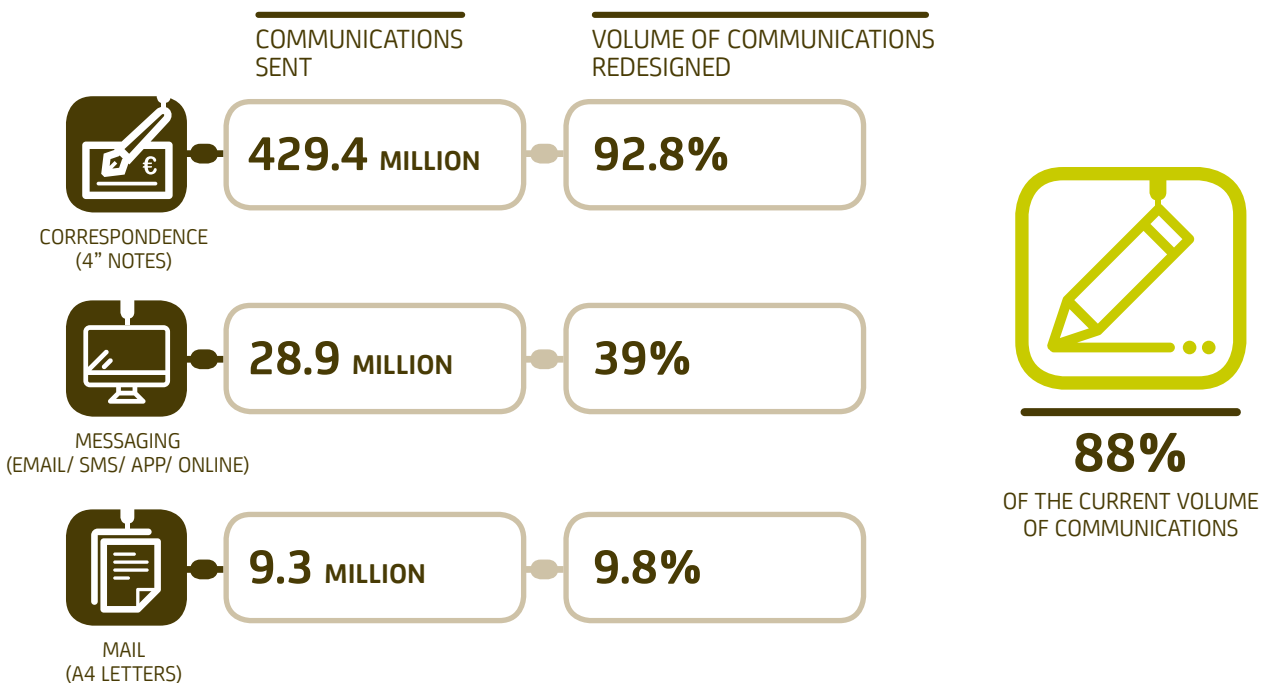
In 2018 Bankia took further action to improve its written communication with customers, with the aim of making its messages clearer and easier to understand.

This new way of communicating was implemented through the adoption of a Bankia style guide, face-to-face training for the bank’s main communicators and a redesign of communications.

The redesign was done based on the communications with the most impact in terms of volume of mailings and their importance for each of the 15 departments involved in the project.

A total of 90 communications, accounting for nearly 90% of the total volume of mailings, were redesigned.

### COMMUNICATIONS SENT BY THE MAIN DISTRIBUTION CHANNELS





In 2019, a new system for the preparation of communications is to be implemented that will reinforce the use of the correct corporate style in written communications to customers.

The virtual classroom also gives access to online training, which includes practical advice and examples of how to communicate using the new Bankia style.

### ÍNDICEX SOCIAL, A DIGITISATION AND TRANSPARENCY SEAL

In 2018 the bank launched Bankia Índicex Social, a free self-diagnosis tool for NGOs, foundations and associations to help them analyse their level of transparency and online presence. The tool evaluates more than one hundred parameters, grouped in seven measurement areas (information transparency practices, affiliation and donations system, online content and social media presence, adaptation of the website to mobile devices, SEO, digital marketing and web analytics).

Bankia Índicex Social generates a free report, with more than 50 pages, including detailed information on all the aspects reviewed, together with personalised recommendations for improvement. The result of the report is encapsulated in an overall score and a separate score is given for each of the seven measurement areas. Bankia Índicex Social is offered with the collaboration of the Spanish Association of Foundations (AEF) and Fundación Lealtad, which certifies whether an NGO, foundation or association complies with the principles of transparency and good practice.



**300**

NGOS ACCREDITED  
SINCE THE END OF  
NOVEMBER



**8,5**

**índicex Social**

# 06.4 ENVIRONMENT



## THE COMMITMENT TO FIGHT CLIMATE CHANGE IS FULLY PRESENT IN THE BANK'S DECISION-MAKING PROCESS.

Bankia aims for sustainability in its business model and works to foster growth that thoroughly respects the environment. Environmental management is therefore an integral part of the bank's decision-making process and is aligned with its business strategies, making environmental governance a part of its overall management. It has an environmental policy, founded on its values, that is expressed through:

- Commitment to the fight against climate change.
- Professionalism, ensuring that its professionals are properly trained and aware.
- Achievement orientation, through the continuous improvement of environmental management, the setting of specific targets and the use of indicator systems.
- Integrity based on transparent action.

- Closeness to suppliers, involving them in joint management of environmental challenges and opportunities.

To put its commitment and concern for the environment into effect, Bankia has the 2017-2020 Eco-efficiency and Climate Change Plan. This plan sets ambitious but realistic challenges and points the path to be followed to achieve one of the 21st century's major goals: carbon neutrality by 2050.

Bankia's Eco-Efficiency and Climate Change Plan is divided into various strategic lines of action, each of which is aimed at achieving specific qualitative and quantitative targets:

- Increase to seven the number of Bankia's emblematic buildings with an environmental management system certified to the ISO 14001:2015 standard.
- Reduce greenhouse gas emissions by 20%, while offsetting unavoidable emissions.
- Reduce energy consumption by 19% and water, paper and toner consumption by 5%.
- Reduce waste generation by 5% and seek alternatives for the main types of waste generated by the bank within the context of the circular economy.
- Promote respect for the environment and transition towards a low-carbon economy by avoiding purchases or procurements that could entail a greater environmental risk or impact.
- Extend the environmental culture throughout the organisation by means of environmental training and awareness building.



**€ 6.3 MILLION**  
TOTAL INVESTMENT IN  
ENVIRONMENTAL MATTERS

<b>CONSUMPTION OF MATERIALS <sup>1</sup></b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>UNITS</b>
Consumption of recycled paper (DIN A4) <sup>2</sup>	869.97	736.92	651.39	Tonnes
Consumption of white paper made from virgin pulp with a low environmental impact (DIN A4) <sup>3</sup>	1.83	1.66	1.55	Tonnes
% of paper used that is made from ECF virgin pulp (DIN4)	100	100	100	Percent
% of paper used that is recycled (DIN A4)	99.79	99.77	99.76	Percent
Consumption of toner cartridges	20,084	13,871	15,057	Units
% of toner cartridges used that are recycled	12.48	24.34	88.38	Percent

<sup>1</sup> Data for Bankia, S.A.

<sup>2</sup> The recycled paper has the following guarantees: European Ecological Label, Ángel Azul and CradletoCradle (Silver).

<sup>3</sup> Paper supplied by manufacturers with FSC and PEFC certifications, which guarantee that the materials used come from sustainably-managed forests.

# 06.4

## ENVIRONMENT

*Bankia prevented the emission of 39,800 tonnes of CO<sub>2</sub> by buying green energy with guarantees of origin.*

ENERGY AND WATER CONSUMPTION <sup>1</sup>	2018	2017	2016	UNITS
Primary energy consumption	19,566	15,580	15,550	Gigajoules
Natural gas consumption	15,501	10,465	10,841	Gigajoules
Liquid fuel (oil and petrol) consumption <sup>2</sup>	4,065	5,115	4,709	Gigajoules
Electricity consumption <sup>3</sup>	353,651	312,950	326,127	Gigajoules
Water consumption <sup>4</sup>	464,393	240,538	244,516	Cubic metres

1 Data for Bankia, S.A.

2 The data on gas consumption for 2018 include data for a new building (The Cube in Granada) that was included in the Bankia group after the BMN merger.

3 100% of the electricity purchased by Bankia comes from renewable sources (green energy with guarantees of origin). The former BMN branches were included in Bankia's green energy supply contract in April 2018. The figures for electricity consumption in November and December 2018 are estimates, as the actual figures were not available at the time of preparing the report.

4 The increase in water consumption is directly related to the inclusion in the Bankia Group of the former BMN branch network and buildings. All the water comes from the mains supply. Actual consumption for the buildings at Las Rozas, P. Castellana, 189 in Madrid, Pintor Sorolla in Valencia, The Cube in Granada and General Salzillo in Murcia. Rest of buildings: estimated consumption based on invoices.





<b>EMISSIONS <sup>1</sup> (tonnes)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Scope 1 emissions <sup>2,3</sup></b>			
Direct CO <sub>2</sub> e emissions from natural gas consumption	886.2	595.2	616.6
Direct CO <sub>2</sub> e emissions from fuel consumption	265.1	354.3	316.8
Direct CO <sub>2</sub> e emissions from refrigerant gas recharging	2,611.8	2,914.5	2,810.1
Direct CO <sub>2</sub> e emissions from business travel <sup>4</sup>	600.9	681.7	705.0
<b>Scope 2 emissions</b>			
Indirect CO <sub>2</sub> e emissions from electricity consumption <sup>5</sup>	2,418.7	0	0
<b>Scope 3 emissions <sup>2</sup></b>			
Indirect CO <sub>2</sub> e emissions from business trips <sup>6</sup>	3,353.7	2,352.0	2,366.5
Indirect CO <sub>2</sub> e emissions from Ofibus mobile branch service	300.2	298.2	294.4
Indirect CO <sub>2</sub> e emissions from commutes (shared transport)	8.1	7.9	8.2
Indirect CO <sub>2</sub> e emissions from consumption of paper (DIN A4) and printer cartridges	1,481.8	1,236.5	1,087.1
Indirect CO <sub>2</sub> e emissions from water consumption	159.7	82.7	84.1
Indirect CO <sub>2</sub> e emissions from waste management	22.5	23.9	26.2
<b>Other emissions <sup>7</sup></b>			
CO emissions	0.24	0.19	0.19
NO <sub>x</sub> emissions	1.82	1.40	1.41

1 Data for Bankia, S.A. In 2018 Bankia integrated Banco Mare Nostrum, which entailed an overall increase in CO<sub>2</sub> emissions as a result of the increase in the number of branches and buildings managed, as well as in the total number of employees.

2 Sources of emission factors used: IPCC 2006/2013, CORINAIR 2007, U.S. EPA, Spain – GHG Inventory Report 1990-2015 (2017), DEFRA 2018, Guide for calculating GHG emissions (2018) - Catalan Office for Climate Change, Environmental Paper Network (2012) and Carbon Impact Studies: Toner Refills at Cartridge World - Comparative Carbon Footprints (2008).

3 The figures are based on the 100-year global warming potentials published in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (2013).

4 This includes the emissions from employees' business travel in leased vehicles. In 2017, following the criteria laid down by the Ministry for the Ecological Transition for the registration of Bankia's carbon footprint, these emissions were transferred from Scope 3 to Scope 1.

5 100% of the electricity purchased by Bankia comes from renewable sources (green energy with guarantees of origin). The former BMN branches were included in Bankia's contract for the supply of green energy in April 2018. The Scope 2 emissions come from the former BMN branches during the period from January to March. Bankia has avoided the emission of 39,822.9 tonnes of CO<sub>2</sub>. Source: Electricity Guarantee of Origin and Labelling System (2017). Comisión Nacional de los Mercados y la Competencia.

6 This includes the emissions from employees' business trips by plane, train, coach and ship and from employees' travel in their own vehicles for work purposes.

7 Source: CORINAIR 2007

# 06.4

## ENVIRONMENT

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*Paper-based correspondence has been eliminated for digital customers.*

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### ENVIRONMENTAL MANAGEMENT

In 2018, Bankia obtained ISO 14001:2015 certification for the building at Calle Triana, 20 in Las Palmas. This certification adds to those already obtained for the buildings at Pintor Sorolla, 8 in Valencia and at Paseo de la Castellana, 189, and Las Rozas in Madrid. Thus, four of Bankia's emblematic buildings now have a certified environmental management system.

greenhouse gas emissions and offsetting its carbon footprint has been recognised with the award of Ministry for the Ecological Transition's "Calculo/ Compenso" seal.

During 2018, the bank offset 12% of its CO<sub>2</sub> emissions in projects through the purchase of carbon credits from the Spanish Reforesta CO<sub>2</sub> project, which is included in the Ministry for the Ecological Transition's register of carbon footprint, offsetting and carbon capture projects, and from two Gold Standard certified international offset projects.

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### CLIMATE CHANGE

Bankia's commitment to implement measures aimed, for example, at reducing

After the integration of BMN, the terms of the electricity supply contracts for any branches and buildings that did not use electricity produced from renewable sources were renegotiated. Thus, since April 2018, 100% of the electricity consumed in







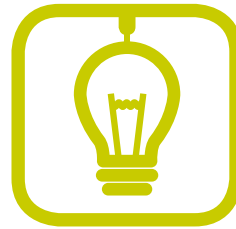
Bankia is green electricity with a guarantee of origin.

Also, within the framework of the specific greenhouse gas reduction plan, more than 3.6 million euros were invested in the renewal of air conditioners, which resulted in a 10.4% reduction in greenhouse gas emissions.

## ECO-EFFICIENCY

During 2018, the bank invested more than 2018 euros in adapting the telemanagement systems of former BMN buildings and branches to Bankia's efficient management criteria.

Paper consumption has been reduced by eliminating paper correspondence for digital customers and expanding the use of digital signatures, so that most contracts with customers are signed digitally.



**100%**

OF THE ELECTRICITY CONSUMED IN BANKIA IS GREEN ELECTRICITY WITH A GUARANTEE OF ORIGIN



**21%**

REDUCTION IN WATER CONSUMPTION IN THE LAS ROZAS AND TRIANA 20 BUILDINGS THANKS TO THE MEASURES IMPLEMENTED



**MORE THAN 2,000**  
MEGAWATTS SAVED THROUGH ENERGY EFFICIENCY MEASURES

# 06.4

## ENVIRONMENT

### WASTE MANAGEMENT

In a European context that promotes the circular economy for the reuse of waste, Bankia continued its campaigns of donations of furniture, electrical and electronic equipment and writing materials. These donations, of which there were 55 since 2016, represent an important contribution to the work of social NGOs and avoid waste generation.

WASTE MANAGEMENT <sup>1</sup> (TONNES)	2018	2017	2016
<b>NON-HAZARDOUS WASTE SENT FOR REUSE OR RECYCLING</b>			
Paper waste	596.80	613.93	688.99
Electronic waste	370.73	419.01	498.32
Toner waste	51.21	35.37	38.39
Battery waste	0	0.10	0.21
Packaging waste <sup>2</sup>	33.17	26.91	19.75
Glass waste <sup>2</sup>	0.89	0.86	0.46
Vegetable oil waste	0.05	0.06	0.05
<b>NON-HAZARDOUS WASTE SENT TO LANDFILL</b>			
Portable electronic device waste	0.09	0.67	0.06
<b>HAZARDOUS WASTE GENERATED</b>			
Hazardous waste handled by an authorised waste management company and recycled	0.10	0.53	0.65
Hazardous waste handled by an authorised waste management company and sent to secure landfill	0.02	0.04	0.03

<sup>1</sup> Data for Bankia, S.A.

<sup>2</sup> The increase in the amount of packaging and glass waste is directly attributable to improved waste separation in Bankia.



## SUSTAINABLE PURCHASING AND SERVICES PROCUREMENT

To foster collaboration with those of its suppliers that have the greatest environmental impact, Bankia offers them the possibility of participating in training and awareness days, in which they are offered basic information about environmental regulations and management and are informed about industry best practices. These information days are also a forum for open dialogue, generating a virtuous circle of continuous improvement and helping to make Bankia a steadily more sustainable and committed organisation.

## ENVIRONMENTAL AWARENESS

To extend the environmental culture among the bank's professionals, a section was created in the 'Somos Bankia' in-house magazine for the publication of practical environmental information. The issues discussed in this section include the circular economy, sustainable households and green financial products.

## COMMITMENT TO SUSTAINABLE MOBILITY AND THE LOW-CARBON ECONOMY

The bank's climate change actions demonstrate its commitment to sustainable mobility:

- E 72.5% of fleet vehicles are hybrids with low CO<sub>2</sub> emissions.
- Parking facilities for bicycles have been provided at the two buildings with the most employees (Paseo de la Castellana, 189 and Las Rozas).
- New technologies continue to be used in all job positions to facilitate videocalls and video presentations, thus avoiding thousands of trips.
- Specific campaigns were conducted via the Intranet to promote alternatives to the private vehicle as a means of transport.

# 06.4

## ENVIRONMENT

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### ALLIANCES AND INITIATIVES

Bankia considers it essential to join initiatives and build alliances that promote increased environmental awareness and allow sharing of experiences, achievements and concerns in the fight against climate change and the preservation of biodiversity. For that reason it participates in the following initiatives:

- **In Spain.** The bank is a member of Forética's Climate Change Cluster, Grupo Español para el Crecimiento Verde and Plataforma Española de Acción Climática. Since 2018 Bankia has also been a strategic ally of Comunidad por el Clima, a group that advocates urgent action against climate change. Within this framework, Bankia took part in the first Green Friday Challenge, an annual

event aimed at showcasing the growing range of responsible goods and services, encouraging people to buy them and promoting changes in consumption habits.

- **At international level.** Bankia participates in Earth Hour (WWF) and RE100. Created by CDP and The Climate Group, REE brings together the world's most influential companies that are committed to the use of renewable power and that have also set public targets for their renewable energy use.

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### CHALLENGES FOR 2019

The environmental challenges for 2019 centre on working to meet the targets of the Eco-Efficiency and Climate Change Plan, which include obtaining ISO 14001:2015 certification for the Calle Miguel Villanueva, 9 building in Logroño; expanding the scope 3 categories reported in Bankia's carbon footprint; and offsetting CO<sub>2</sub> emissions either by directly purchasing emission rights or by collaborating in carbon offset projects and extending energy efficiency measures to new branches.



## INNOVATION, SUSTAINABILITY AND CIRCULAR ECONOMY PROJECTS

With the support of Conector, Bankia presented its third acceleration programme for startups whose product or service fits within the concepts of the circular economy, sustainability or the optimisation of resource management.

The acceleration programme provides:

**Mentoring:** A group of high-level mentors, all of them senior manager at Bankia or other organisations in other areas, will form a three- to five-member board who will monitor the selected startups.

**Training:** Weekly workshops on key issues in a startup's development, with speakers who are experts in different areas.

**Support and monitoring:** The Programme Manager and Conector's financial specialists will help the startups develop their business plan, design the initial round of financing and prepare their pitch to investors.

**Communication:** Help will be provided in drawing up a communication plan.

**Office space:** Access to a work space in a Bankia coworking centre for a team of two people.

**Partners:** Assistance in the form of services and perks valued at more than 400,000 euros, thanks to programme partners such as Amazon and PayPal, among others.

**Access to investment:** On completing the programme, the projects may be presented to a group of investors and business angels at a Demo Day.

The projects that have passed the selection phase and so will be mentored are:

- Hoop. A solution to optimise vehicle occupancy. The Hoop platform puts drivers and passengers who share the same origin or destination in contact with one another.
- Flip&Flip. A brand of sustainable designer rucksacks made out of recycled materials.
- RecircUP. A software platform that is installed in conventional waste containers and equips them with Internet of things technology. It includes gamification, an information dashboard and real-time container monitoring.
- Ecodicta. A subscription platform for clothing rental at affordable prices, with sustainable producers and established brands.
- Rentya. A circular economy platform for product rental between individuals and companies that extends the life cycle of tangible assets.
- Recyclers. An online platform for direct purchase of sustainable upcycling articles from their creators at affordable prices.
- Niimaar: An e-store for zero waste products.

# 07. RISK MANAGEMENT

Risk control has become a matter of prime importance in the banking business in recent years, driven by regulatory pressure and market dynamics. It is a strategic pillar for Bankia that must be applied at all levels of the organisation.





# 07.1

## A STRATEGIC PILLAR



THE GROUP ANALYSES THE VARIOUS RISK VARIABLES IN ALL BUSINESS DECISIONS, SO AS TO ALIGN THEM WITH THE OBJECTIVE OF VALUE CREATION.

Risk management is a strategic pillar of the organisation. Its main objective is to preserve the Group's financial and capital strength by driving value creation and business development in line with the risk appetite and risk tolerance levels set by the governing bodies. To that end it provides tools that allow effective assessment, control and monitoring of requested and authorised risk, management of non-performing loans and recovery of defaulted risks.

The Board of Directors is responsible for determining the policy for the control and management of risks, including tax risks, overseeing the internal information and control systems and ensuring the integrity of the accounting and financial information systems, including financial and operational control and compliance with applicable law.



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*Active risk management, with clear processes, procedures and objectives, is crucial.*

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## GENERAL PRINCIPLES

The main pillars of risk management are as follows:

1. Independence and enterprise-wide scope, so as to ensure availability of the information required for decision making at all levels.
2. Objective decision making, taking all the relevant risk factors (both quantitative and qualitative) into account.
3. Active risk management at every stage of the risk life cycle, from pre-approval credit analysis until the debt is extinguished.
4. Clear processes and procedures, subject to regular review in light of changing needs, with clearly defined lines of responsibility.
5. Integrated management through identification, quantification and homogenisation of all risks based on a common measure (economic capital).
6. Differentiated risk treatment, approval levels and management procedures according to risk characteristics.
7. Development, implementation and diffusion of advanced management support tools.
8. Decentralisation of decision making, based on the methodologies and tools available.

9. Inclusion of the risk variable at all levels of business decision-making (strategic, tactical and operational).

10. Alignment of the risk function's and risk managers' objectives with the objectives of the bank as a whole, so as to maximise value creation.

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## RISK APPETITE FRAMEWORK

The entity has a Risk Appetite and Risk Tolerance Framework which is approved by the Board of Directors. Risk appetite is understood as the amount and type of risk the bank is willing to take in the course of its activity in order to achieve its goals, while respecting regulatory restrictions and any existing commitments. Within the Risk Appetite Framework, systems are in place that allow management to gain a comprehensive view of risk appetite levels, risk tolerance levels and risk-taking capacity in relation to each type of risk and how these levels compare with the bank's risk profile.

The framework has the following advantages:

- It allows compliance with the risk governance requirements and recommendations specified by the regulator.

# 07.1

## A STRATEGIC PILLAR

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*The Risk Appetite Framework is an exercise in transparency and makes planning more consistent.*

- It improves the awareness of risks at all levels of the organisation, which strengthens the corporate culture.
- It entails an effort of transparency towards stakeholders.
- It facilitates consistency between budgeting and planning processes.

The Risk Appetite Framework and the Capital Planning Framework together define the strategic lines of action in matters of risk and capital under normal business conditions.

The Recovery Plan, in contrast, likewise approved by the Board of Directors, specifies the measures to be taken in a hypothetical crisis situation.

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## SOUND CORPORATE GOVERNANCE

EU regulations require banks to establish sound corporate governance procedures, including a clear organisational structure, effective procedures for the identification, management, control and communication of risks, and remuneration policies and procedures that are compatible with appropriate and effective risk management.

BFA-Bankia fully complies with the spirit of these regulations and has a clearly defined distribution of roles and responsibilities among its governing bodies:

- Board of Directors. The Board of Directors is the most senior governing body. It determines and approves the overall internal control strategies and procedures and the policies for the approval, management, control and reduction of risk. It has a number of internal committees, which have different responsibilities in relation to the control and monitoring of risk.
- Audit and Compliance Committee. One of the basic responsibilities of this committee is to supervise the effectiveness of the bank's internal control, internal audit and, where applicable, risk management systems.
- Risk Advisory Committee. This committee's main function is to advise the Board of Directors on the bank's overall risk propensity, both current and future, and its risk strategy.
- Board Risk Committee. This committee is responsible for approving risks within the scope of its authority and for overseeing and administering the exercise of delegated authority by lower-ranking bodies.

## A COHERENT, SPECIALISED ORGANISATION

The bank has an organisational model consistent with the risk function. One of its cornerstones is the status accorded to the Corporate Risk Officer (CRO), which strengthens the CRO's independence and gives the holder of this post direct access to Senior Management and the governing bodies.

In December 2017, following ECB guidelines, the risk management function was reorganised into two corporate directorates:

- **Corporate Risk Directorate.** Responsible for defining all the bank's risk policies and for creating and validating all the risk methodologies and models. It forms a powerful, structured second line of defence.
- **Corporate Credit Risk Directorate.** Responsible for risk approval and monitoring, recoveries and management of the bank's foreclosed assets.

Another essential aspect of the risk function is internal risk control, which is organised in three lines of defence.

The first line is made up of the operational areas, business lines and support units, as well as the risk areas that directly serve the business. They are all responsible for compliance with the risk frameworks, policies and procedures laid down by the governing bodies.

The second line of defence is made of the areas that monitor and supervise risks, that is, the Corporate Risk Directorate and the Regulatory Compliance Directorate.

The third line of defence is represented by the independent Internal Audit function.

## CONTINUOUS TRANSFORMATION PLAN

In Bankia's view, continuously transforming and strengthening its risk function is key to preserving its business model, managing its risks ever more effectively, meeting the supervisor's expectations and keeping the bank's corporate governance in line with market best practice.

For that purpose, the Risk Function Transformation Plan sets six goals:

- 1) Adapt the risk function to the Three Lines of Defence model.
- 2) Work to strengthen Board of Directors oversight.
- 3) Meet the supervisor's expectation even more effectively and strengthen application of the supervisory review (SREP) requirements.
- 4) Promote a holistic, prospective approach to risk in line with the goal of a sustainable and profitable business model.
- 5) Implement an effective risk control model by putting in place an internal tool for identifying, measuring and managing the critical risks.
- 6) Improve credit risk management through a Stimulus Framework that improves the implementation of the new lending strategy and optimises the recoveries model.

# 07.2

## RISK PROFILE



BANKIA'S MANAGEMENT TAKES BOTH CREDIT RISK AND NON-FINANCIAL RISKS INTO ACCOUNT.

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### CREDIT RISK PROFILE

An analysis of the risk profile, having regard to the distribution of risk-weighted assets (RWAs), shows a clear predominance of credit risk, followed by operational risk and market risk.

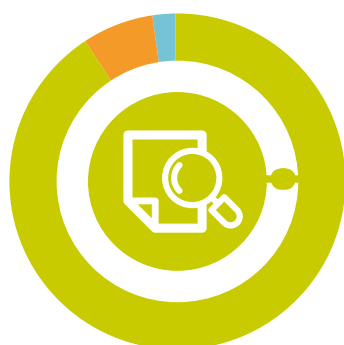
During 2018, the credit risk profile and the level of credit risk were determined mainly by loans and receivables, loans and advances to customers and real estate development.

Thus, the mortgage portfolio accounts for 59% of total loans and receivables, followed in second place by the Businesses portfolio, with 21% of the total.

The distribution of loans to customers between wholesale and retail segments remained similar to 2017, with 31% wholesale and 69% retail. The portfolio of real estate development-related assets represented only 0.5% of total loans and receivables.

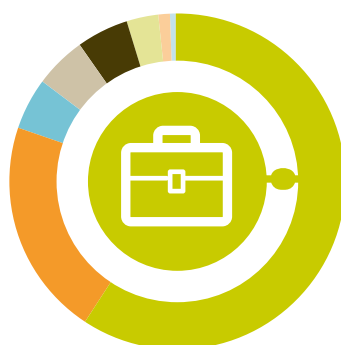
Bankia thus ended 2018 with a sharp decline in non-performing assets, which were down 31% (3,702 million euros), reducing the NPL ratio to 6.5%.

DISTRIBUTION BY RWAS



- CREDIT RISK **91%**
- OPERATIONAL RISK **7%**
- MARKET RISK **2%**

LOAN PORTFOLIO MIX



- MORTGAGE **59%**
- BUSINESSES **21%**
- PUBLIC SECTOR **5%**
- CONSUMER FINANCE AND CARDS **5%**
- MICRO-ENTERPRISES AND SELF-EMPLOYED **5%**
- SPECIALISED LENDING **3%**
- FINANCIAL INTERMEDIARIES **1%**
- REAL ESTATE DEVELOPERS **0.5%**

NON-PERFORMING ASSETS BY COMPONENT



- DOUBTFUL IN ARREARS **64%**
- DOUBTFUL FOR REASONS OTHER THAN ARREARS OR IN CURE PERIOD **36%**



# 07.2

## RISK PROFILE

64% of non-performing assets are classified as doubtful in arrears, while the remaining 36% either are classified as doubtful for reasons other than arrears or else are in a cure period. That means there is no past-due debt in this portfolio with a status of doubtful in arrears.

As regards the quantification of credit risk at year-end 2018, it is worth noting that the expected loss represents 3.83% of the entire exposure. This figure includes the non-

performing portfolio, which is fully covered by the provisions recorded at year-end 2018.

Similarly, regulatory capital amounted to 4,720 million euros, of which 45% relates to the Mortgage portfolio and 35% to the Businesses portfolio.

The bank therefore has more than sufficient provisions and capital to absorb both expected and unexpected losses with a very high level of confidence.

### THE DISTRIBUTION OF CREDIT RISK BY PORTFOLIO

NAME SEGMENT	REGULATORY CAPITAL	EXPECTED LOSS
Public bodies	39.7	105.8
Banks and financial intermediaries	211.8	13.9
Companies	1,652.9	1,846.1
Developers	84.4	278.1
Retail:	2,702.6	2,780.9
Mortgage	2,108.2	2,076.0
Consumer finance	245.0	157.9
Cards	94.8	49.4
Micro-enterprises and self-employed	254.6	497.6
Equity	28.7	0.8
<b>TOTAL</b>	<b>4,720.0</b>	<b>5,025.6</b>

In millions of euros



## CREDIT RISK POLICIES

The Bankia Group's credit risk policies are approved annually by the Board of Directors. The main objectives can be summed up as follows:

- **Responsible lending.** Customers must be offered the financing that best meets their needs, matching both the terms and conditions and the amounts to the customer's ability to pay and providing borrowers who act in good faith with support to overcome possible financial difficulties.
- **Alignment with the Risk Appetite Framework.** The credit risk policies are a set of lines of action and management criteria aimed at achieving compliance with the risk appetite statement.
- **Environment of transparency.** Systems must be put in place to prevent financial crime and fraud, in accordance with applicable law.
- **Setting of criteria that support good banking practice.** Specific policies have been adopted in socially sensitive areas, such as dealings with companies involved in controversial weapons, human rights violations or any activity that could compromise the bank's integrity.
- **Stability of the general criteria.** The general guidelines are intended to remain in force in the long term.
- **Adaptation.** The general criteria must be supplemented with segment- and product-specific criteria, so as to establish a well-defined, unambiguous framework for action.
- **Risk-adjusted pricing.** Each customer must be considered as a whole and each transaction, individually, in accordance with the bank's pricing policies, so as to ensure that business objectives are met and the cost of risk is covered.
- **Data quality.** To adequately assess risk, the information used must be sufficient in quantity and quality.
- **Two-way relationship with the internal rating systems.** On the one hand, the internal rating systems must be based on information that is accurate and sufficiently complete. On the other, lending decisions are influenced by the customer or transaction rating.
- **Continuous monitoring of exposures.** Specific management responsibilities must be assigned, based on policies, procedures, tools and systems that allow proper identification and assessment of exposures throughout their life cycle.
- **Strengthening of the recovery activity.** Recovery action must be swift and aimed at minimising losses.

# 07.2

## RISK PROFILE

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*The risk control function is spread throughout the organisation.*

The foundations for the implementation of credit risk management are as follows:

- Senior management involvement in decision making.
- Holistic view of the credit risk management cycle, so as to plan and specialise each phase (approval, monitoring and recoveries).
- Credit approval model with criteria such as minimum transaction and customer requirements and target profile for each type of material risk, consistent with the Risk Appetite Framework, to be taken into account in risk analysis and decision making.
- Preventive customer monitoring system that involves all the business units and facilitates recovery in the event of impairment of exposures.
- Flexible recoveries model that can be adapted to changes in the regulatory environment.
- Decision support and risk measurement tools based on the exposures' credit quality (credit scoring, rating).
- Clear separation of roles and responsibilities. The risk control function is spread throughout the organisation and is based on a three-lines-of-defence system.

The aim is to have a loan book that is as diversified as possible, both across borrowers and across sectors.

An important aspect of the credit risk policies concerns loan refinancing and restructuring. The bank's priority is to adapt the financing to customers' current capacity to meet their payment obligations.







## GENERAL LENDING CRITERIA

The most important criteria for credit approval are:

- **Responsible lending.** It is important to understand the customer's financing needs, taking the information provided by the customer and that obtained from external sources into account. Customers must be offered the financing that best suits their situation; and the facilities and amounts must match their ability to pay. No loans will be granted for the purpose of restructuring debts to other financial institutions. In collateralised lending, the collateral valuation must be carried out properly and independently.
- **Transparency.** Customers, especially retail customers, must receive the information they need in order to know and understand the risks associated with the proposed financing. The bank must also give customers clear and comprehensible information about the cost of the proposed product compared with that of other products of the same bank. In general, the customer must be provided with pre-contractual information and suitable advice.
- **Social and environmental commitment.** In the case of businesses, the environmental impact of their activity will be taken into consideration and they will be required to comply with applicable environmental laws and regulations, in particular the Environmental Responsibility Act. Bankia will not finance new operations or projects linked to companies which it knows to have been involved in human rights violations.

# 07.2

## RISK PROFILE

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*The return of a transaction must be adjusted for the cost of the various risks it entails.*

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### CREDIT RISK MANAGEMENT TOOLS

Credit risk management is supported by a set of tools which can be classified in the following types according to their function:

- Classification tools.** Credit rating and credit scoring are used to classify borrowers or transactions by risk level. Practically all lending segments are subject to classification, based mainly on statistical models. Classification not only assists risk decision making but also allows management to factor in the risk appetite and tolerance criteria decided by the governing bodies. In addition, risk classification includes a system of monitoring levels, across four exposure categories: high (to be extinguished), medium-high (to be reduced), medium-low (to be maintained) and normal. The aim is to facilitate early management of impaired exposures linked to business activities.
- Quantification tools.** Based on two metrics: the expected loss of the portfolios, which is associated with the calculation of provisioning requirements; and the unexpected loss, which is the likelihood that the actual loss in a given period will substantially exceed the expected loss, thus affecting the level of capital considered necessary to meet objectives. The parameters for measuring credit risk, which are obtained from internal models, are exposure at default, probability of default by rating grade, and loss given default (severity). The bank must have sufficient capital to cover these potential losses; the greater the coverage, the greater the bank's solvency.
- Projection.** Stress tests are another key tool of credit risk management, as they can be used to assess portfolio profiles and capital adequacy in adverse scenarios. Stress testing involves analysing the impact of macroeconomic stress scenarios on the risk parameters and migration matrices.
- Risk-adjusted return (RaR).** RaR is a vital tool for risk management. The return of a transaction has to be adjusted for the cost of the various risks it entails (not just credit risk). It must also be compared with the volume of capital that has to be set aside to cover unexpected losses (economic capital) and meet regulatory capital requirements (regulatory capital).
- Business development.** One of the functions of credit risk management is to create value and develop the business. The Risk Directorate therefore provides tools and criteria to identify potential customers, simplify decision processes and assign credit lines, always within the set tolerance levels.
- Recovery management.** Recovery management starts even before any default has occurred and covers all phases of the recovery cycle. In retail lending, early warning models are used to identify potential problems and provide solutions, which may involve adjusting the terms of the borrowing. In fact, many of the mortgage modifications granted during 2018 were carried out in response to proactive proposals by the bank.

- **Concentration risk management.** In order to analyse and monitor risk concentration, the specific economic capital component is identified as the difference between systemic economic capital and total economic capital, which includes the concentration effect. Additionally, a methodology similar to that used by rating agencies is applied, assessing the main exposures as a percentage of capital and in terms of their income-generating capacity.

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## MARKET RISK

Market risk is the loss that would be incurred in the event of adverse changes in the prices of the financial instruments in which Bankia trades.

The bank's activity in the financial markets is focused on two primary objectives: providing services to customers (banking franchise) and managing its own structural risks.

Market risk is measured using mainly two metrics:

- VaR, which is the maximum loss that can be incurred in a given period with a given confidence level. SVaR (stressed VaR) is the VaR calculated in an extreme market situation.
- Sensitivity, which is a measure of how rapidly the economic value of a portfolio changes in response to predetermined, fixed movements in the variables which affect that value. The main movements in market factors that are used to analyse sensitivity are movements in interest rates (100 basis point change), equity prices (20% change), exchange rate (10% change), volatility (by underlying risk type) and credit risk spreads (by rating).

In 2018 Bankia carried out various activities in relation to market risk, including the integration of its stress testing programme in a single application and the migration of all market risk reports to the integrated environment. The revised standardised approach for the calculation of minimum capital requirements for market risk was also improved.

Furthermore, Bankia responded to requests from the European Banking Authority (EBA) and the European Central Bank (ECB) for it to participate in various exercises. It thus took part in the following market risk exercises.

- ECB Target Review of Internal Models (TRIM).
- EBA 2018 EU-wide Transparency Exercise.
- EBA 2018 Benchmarking Exercise.
- SSM 2018 Short Term Exercise for SREP (STE quarterly report).
- SSM 2018 Reporting of time series concerning back-testing (quarterly report).
- BCBS 2018 QIS Basel III.

# 07.2

## RISK PROFILE

In line with the projects undertaken last year, the challenges for 2019 are: to complete the integration and validation of the revised standardised approach for the calculation of minimum capital requirements for market risk; to review internal policies so as to adapt them to the new capital requirements framework; and once again to participate in the EBA and ECB exercises.

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### COUNTERPARTY RISK IN FINANCIAL MARKETS

Counterparty credit risk is the risk that a counterparty will fail to meet its contractual obligations, giving rise to a loss for the bank in its financial market activity.

The bank's risk control and risk management policy is based on the Policy Manual for Credit Risk in Market Activities, which is approved by the Board of Directors. All the Group's financial market activity is affected by this manual, which includes policies for financial and non-financial entities, as well as for Treasury departments, setting overall limits that function as action frameworks.

Among other things, the manual covers the types of authorised products, the criteria for the allocation of limits, the metrics used for calculating counterparty risk and the measures for mitigating it.

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*In 2018, Bankia took part in several risk exercises organised by the European Banking Authority and the ECB.*

Last year, Bankia carried out various processes in relation to the merger with BMN (the integration of BMN's operations and the novation of the collateral master agreements) and took part in various counterparty risk exercises at the request of the EBA and the ECB, along with other activities in this area.

The challenges for 2019 are to complete the novation of the BMN contracts, integrate and validate the tools needed for the calculation, reconciliation and exchange of initial margin, adapt contracts to comply with the new EMIR regulations and continue to participate in the counterparty risk exercises proposed by the EBA and the ECB.

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### INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is the risk of loss resulting from adverse movements in market interest rates, which affect both net interest income and the value of assets and liabilities. The intensity of the impact depends largely on the different schedules of maturities and repricing of assets, liabilities and off-balance sheet transactions.

The measures relating to regulatory scenarios are incorporated in the bank's Risk Appetite Framework. The limits are adapted to the tolerance and appetite levels set by the Board of Directors. To oversee and monitor these limits, the Assets and Liabilities Committee (ALCO) receives monthly reports on the levels of asset and liability management (ALM) risk,



both in terms of economic value (sensitivity to different scenarios) and in terms of net interest income (net interest income projections in different interest rate scenarios over horizons from one to three years).

The Board of Directors is informed at least quarterly through the Risk Advisory Committee about the situation and monitoring of the limits and is notified immediately if the high-level limits have been exceeded.

To supplement the regulatory scenarios (impact of parallel shifts in interest rates, currently  $\pm 200$  basis points), various other sensitivity scenarios are prepared involving non-parallel shifts in the curves that alter the slope of the reference rates for assets and liabilities.

Last year, Bankia gave priority to the introduction of the metrics associated with the new EBA guidelines on interest rate risk. In particular, reporting and data quality were improved, the new risk model in the banking book started to be reported and the demand account, term deposit and loan prepayment models were implemented.

The challenges for 2019 are to improve the model architecture and the efficiency of the processes associated with the calculation engine and to develop a stress testing programme to assess interest rate risk under stressed conditions. Also, dynamic models that can be used to project the banking book risk metrics are expected to be implemented.

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## LIQUIDITY AND FUNDING RISK

The group aims to maintain a long-term funding structure in line with the liquidity of its assets and with maturity profiles that are compatible with the generation of stable and recurrent cash flows, so that the balance sheet can be managed without liquidity strains in the short term.

To that end, its liquidity position is identified, controlled and monitored daily. In line with the retail business model on which the group's banking activity is based, the main source of funding is customer deposits. To cover any additional liquidity requirements Bankia raises funds in the domestic and international capital markets and has sizeable funding activity in the repo markets.

# 07.2

## RISK PROFILE

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*In 2018, the bank continued to strengthen the liquidity and funding risk management framework.*

For reasons of prudence and to protect itself against possible strains or crisis situations, the bank also holds various assets as collateral at the ECB, which allow it to obtain immediate liquidity. Constant collateral surveillance identifies the assets that can be used immediately as a liquidity reserve in times of market stress, differentiating between those that are accepted by the ECB and those that are accepted by the clearing houses or other financial counterparties (insurance companies, mutual funds, etc.).

The ALCO is charged with monitoring and managing liquidity risk in accordance with the proposals prepared mainly by the Corporate Finance Directorate and with the Liquidity and Funding Risk Appetite Framework approved by the Board of Directors. The ALCO proposes rules for acquiring funding, for each instrument and maturity, so as to ensure the availability at all times of funds at reasonable prices to meet the bank's obligations and finance the growth of its lending activity.

At the same time, the Market and Operational Risks Directorate monitors and analyses liquidity risk and promotes the integration of liquidity risk in management by developing metrics and methodologies for ensuring that the level of risk remains within the set tolerance limits.

In 2018, Bankia continued to strengthen the liquidity and funding risk management framework. For that purpose, a series of qualitative aspects were assessed to determine the extent to which the management framework built around liquidity and funding risk complies with the regulatory and supervisory guidelines. As a result of this exercise, the bank was able to identify various weaknesses and points for improvement and thus enhance the quality of its liquidity risk management framework. For example, various improvements were made to regulatory reporting, the risk measurement metrics were reinforced and reverse stress test scenarios were developed.

The goal for the current year is to further improve regulatory reporting.



## PLAN FOR MANAGING LIQUIDITY STRAINS

Liquidity strains are a matter of concern for the supervisory authorities, who believe such strains can create serious difficulties even for highly solvent entities. To supplement the monitoring of liquidity risk under normal business conditions, an action framework has been designed that will help prevent and manage liquidity stress events.

Its cornerstone is the Contingency Funding Plan (CFP), which specifies both the committees responsible for monitoring and activating the plan and a protocol that assigns responsibilities and specifies internal and external communication flows.

The plan also includes potential action plans to bring the risk profile back within the bank's tolerance limits. To accompany the CFP, specific plan monitoring alerts have been created and other metrics complementary to the regulatory liquidity and funding risk indicators have been developed.

## OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. This definition includes legal risk but excludes reputational risk.

To manage operational risk, Bankia works to promote an operational risk management culture, with a particular emphasis on awareness building, acceptance of responsibility and commitment, and service quality. It also aims to reliably identify and measure operational risk; implement systems for continuous improvement of processes, the control structure and mitigation plans; and develop new risk transfer mechanisms that will limit exposure,

while also ensuring that contingency and business continuity plans are in place.

In 2018 the bank carried out the risk self-assessment exercise, reviewing its degree of exposure and the applicability of the controls over the most important risks. Additionally, new roles and responsibilities were created in the Operational Risk Unit, in line with the Three Lines of Defence model that has been implemented.

As regards regulatory reporting, progress was made in the automation of operational risk reporting. And in relation to the management of outsourcing arrangements, Bankia developed an outsourcing governance model, with clear responsibilities in the risk analysis system.

# 07.2

## RISK PROFILE

The bank also took part in three operational risk exercises at the request of the EBA and the ECB.

The goals for 2019 are to closely monitor the IT and cyber security risk management system, so as to reinforce the controls against potential incidents.

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*The Bankia group's employees are aware of the importance of reputational risk.*

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### REPUTATIONAL RISK

In 2018 Bankia devoted major efforts to managing reputational risk, in line with regulatory and supervisory requirements. One of the most important steps taken was to integrate reputational risk in the bank's risk model, culminating in the development of a methodology for quantifying reputational risks and the addition of a monitoring indicator to the Risk Appetite Framework.

Various training sessions and workshops were held to make employees aware of the importance of reputational risks, with the participation of the heads of reputational risk management and coordination at Bankia. Also, the number of organisational units involved was increased, so as to provide a more comprehensive and precise view and facilitate decision making.

These measures brought to completion a project that in 2017 resulted in the design of a synthetic indicator to monitor changes in Bankia's reputation, which serves to determine the main risk events (internal to Bankia or industry-wide) and analyse the quality of the control environment in

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### SOCIAL RISK

Against the background of moderate growth in economic activity and disposable income in Spain and within the framework of its policy of preventing social risks, Bankia maintained its policy of protecting debtors whose financial situation or wealth has been adversely affected by unforeseen circumstances through offering negotiated solutions that will enable them to meet their obligations.

Since 2012, when legislation for the protection of mortgage debtors was enacted, the bank has been sensitive to the vulnerable situation of many Spanish households and has taken measures and provided solutions in the spirit the legislator intended.

Bankia adopted the Code of Good Practices created by Royal Decree Law 6/2012 of 9 March on urgent measures to protect mortgage debtors without resources, and subsequent amendments.

It also takes voluntary measures to resolve, as far as possible, situations in which families are at risk of losing their home



and to prevent situations in which vulnerable families are made homeless.

Such measures are adopted both at the customer's request and through the intervention of social agents (social services departments, NGOs, associations of various kinds, etc.) with which the bank has agreements and a relationship of trust.

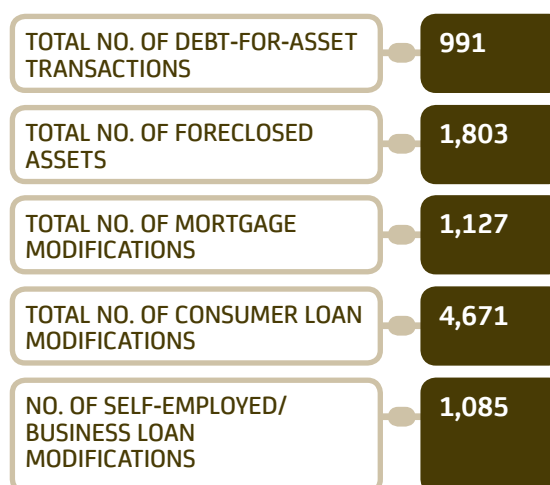
As a result of this policy, in 2018 a total of 1,127 mortgage modifications (more flexible terms to adapt the loans to the household's ability to pay) were implemented, representing a total amount of 114.3 million euros, compared to 1,236 modifications in 2017.

At the same time, the bank accepted 991 debt-for-asset transactions (agreements to cancel the mortgage debt in return for surrender of the home) in the amount of 175.2 million euros, compared to 665 the previous year. In all cases, these were negotiated solutions, aimed at avoiding evictions among especially vulnerable social groups, while at the same time seeking to minimise the loss to the bank.

Since 2012, Bankia has accepted a total of 9,583 home surrenders and has executed 76,638 mortgage modifications. In doing so it has helped mitigate the loss of family homes due to the supervening impossibility of servicing the loans with which they were financed.

Foreclosed assets (i.e. assets the bank recovered under a court order) totalled 2,170 in 2018, compared to 1,823 in 2017. Of this total, 1,803 were homes.

Bankia's help for customers in need also extends to other loans. In 2018, it renegotiated the terms of 4,671 consumer loans (1,549 in 2017), in an amount of 61.8 million euros; and 1,085 loans to self-employed individuals and businesses (793 in 2017), in the amount of 67.7 million. The cumulative totals since 2012 are 66,495 and 19,017, respectively.



# 07.2

## RISK PROFILE

*The constant increase in regulatory pressure can be considered a risk in its own right.*

### CLIMATE-RELATED RISKS AND OPPORTUNITIES

Bankia will follow the recommendations of the UN Financial Stability Board (FSB) in analysing its risks and opportunities in relation to climate change, so as to promote the transition towards a low-carbon economy.

The indications given by the Task Force on Climate-Related Financial Disclosure (TCFD) focus on four areas:



#### GOVERNANCE

ESTABLISH THE GOVERNING BODY RESPONSIBLE FOR ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES



#### RISK MANAGEMENT

INTEGRATE A PROCESS FOR IDENTIFYING AND MANAGING CLIMATE-RELATED RISKS



#### STRATEGY

INCORPORATE THE MEASUREMENT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES IN STRATEGY AND FINANCIAL PLANNING



#### METRICS AND TARGETS

PREPARE METRICS AND SET TARGETS FOR MANAGING THE MOST IMPORTANT RISKS AND OPPORTUNITIES

An initial diagnosis was carried out in July 2018 with the assistance of an independent third party, to discover how Bankia stands in this respect. This was done with the participation of the senior managers of the bank most affected by the TCFD's recommendations: Corporate Credit Risk Directorate, Corporate Risk Directorate, Corporate Services and Procurement Directorate, Deputy General Directorate Business Banking and Corporate Social Responsibility Directorate.

To determine the starting point in relation to the TCFD recommendations, a study was carried out in three phases:

1. Detailed analysis of Bankia's internal information in relation to climate change management.
2. Identification of the key units for the bank's positioning on the TCFD recommendations.
3. Preparation of a road map based on a maturity analysis for each of the recommendations, with a view to carrying out specific actions, classified according to their complexity and priority.



## EMERGING RISKS

According to the European Central Bank, the most important emerging risk factors in 2019 affecting the euro area banking system are geopolitical uncertainties, cyber-crime and IT system failures, as well as the reaction of financial institutions to regulation.

In previous years the impact of regulatory risk was mitigated by specific actions that required major investments on the part of financial institutions. However, the steady increase in regulatory pressure may be considered a new risk in its own right.

The European Banking Union regulations, which currently cover bank regulation, bank supervision and bank resolution, represent a demanding framework for the business.

Particularly important is the Supervisory Review and Evaluation Process (SREP), which is carried out each year and which determines each entity's capital requirements. In addition, in 2018 the European MiFID 2 directive on financial services and the new IFRS 9 accounting standard came into effect, both of which have an impact on management and the business, forcing the Bankia Group to implement new systems and allocate resources to comply with the new regulations.

To facilitate such adaptation processes, the bank has a Regulatory Compliance Committee, one of whose functions is to deliberate on and evaluate regulations, assess the risks of non-compliance in systems, policies or procedures and propose the adoption of appropriate measures.

On the other hand, 2018 saw a marked decrease in the risks arising from economic and fiscal conditions in the euro area, mainly as a result of favourable cyclical forces. At the same time, the geopolitical uncertainties and the possibility of a resurgence of risk in the financial markets increased. Bankia focuses its activity on retail banking, specifically on the households and SME segments. Geographically, the target market is Spain, which significantly reduces the geopolitical uncertainties affecting the banking sector.

However, the market for financial services has been affected by the emergence of innovative technologies. These technologies can be used to increase efficiency, expand the range of services to customers and facilitate access to financial services. But they also entail new risks, which could affect consumer protection and the stability and integrity of the financial system as a whole. Specifically, the spread of digitisation intensifies the risks associated with IT systems, which are much more exposed to cyber-attacks. Bankia therefore has an IT risk management framework and has included a cyber security indicator in its Risk Appetite Framework.

# 07.3

## POLICY ON THE FINANCING OF CONTROVERSIAL ACTIVITIES



BANKIA'S COMMITMENT TO BANKING BEST PRACTICES REQUIRES IT TO SET STRICT RULES ON THE FINANCING OF SENSITIVE ACTIVITIES.

One of Bankia's fundamental goals is to promote good banking practices. Accordingly, it has established rules and specific policies for the financing of industries or activities that are potentially sensitive on account of their social implications.

Bankia prohibits or restricts financing in various areas:

- **Weapons companies.** The bank's policy requires it to reject transactions related to controversial weapons, that is, anti-personnel mines, cluster munitions and

biological or chemical weapons. The financing of projects for countries at war or subject to a UN embargo is also prohibited.

- **Organisations involved in the violation of human rights.** Bankia does not work with organisations involved in the violation of human rights or activities that may entail the infringement of the fundamental rights of the individual. It therefore does not finance transactions with companies that have been proven to violate human rights in areas such as

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*Bankia does not finance companies that violate human rights or projects in countries at war.*

employment conditions, safety at work, equality or freedom of association. Isolated events are not sufficient proof of failure to respect fundamental rights.

- **Illegal activities.** Similar investment and financing restrictions are adopted in the case of illegal activities such as money laundering, terrorism, tax evasion, fraud and corruption.

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## RESTRICTIONS ON FINANCING

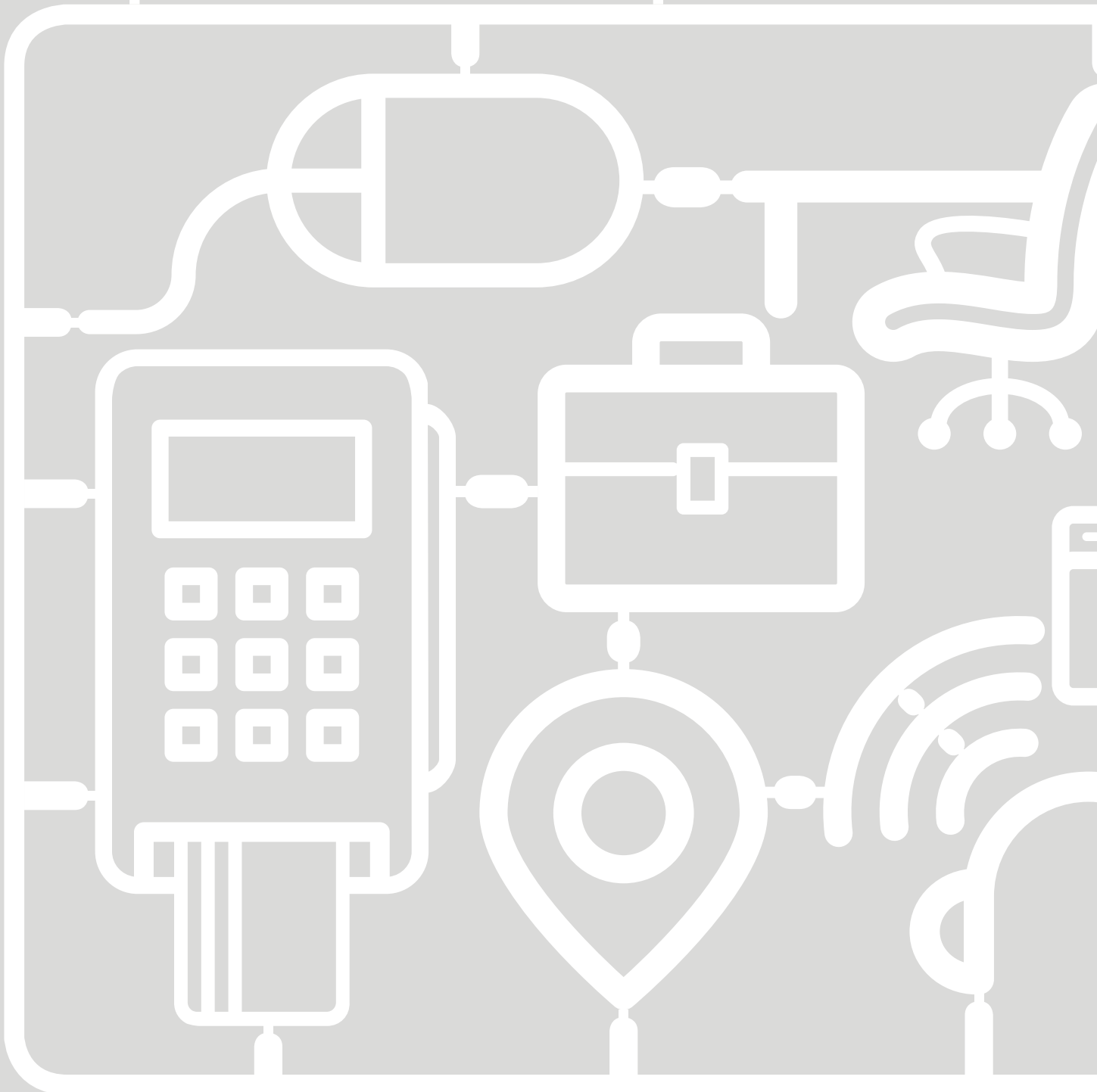
WEAPONS COMPANIES

ORGANISATIONS INVOLVED IN THE VIOLATION OF HUMAN RIGHTS

ILLEGAL ACTIVITIES



# 08. GRI CONTENT INDEX



## SCOPE AND EXTERNAL REVIEW OF NON-FINANCIAL DISCLOSURES

The information contained in this annual report includes all the activities carried out by Bankia, as a financial sector company, and its subsidiaries during 2018.

The scope of the independently reviewed non-financial disclosures in this report references the GRI Sustainability Reporting Standards (GRI Standards): Comprehensive option and the Financial Services Sector Supplement. The GRI Standards include a set of principles and indicators, references to which appear throughout this Annual Report. Compliance with the principles established in the AA1000 APS standard (2018) issued by Accountability has also been taken into account in preparing the Report.

In order to prepare this report, Bankia, through an independent expert, carried out an exhaustive materiality analysis, with a view to conducting various types of consultation with its stakeholders and identifying relevant issues that need to be covered in this report. The GRI content index is presented below.

To determine the content of the report, Bankia has applied the following principles:

- **Stake holder inclusiveness.** Bankia has identified its stakeholders, knows their expectations and has mechanisms for maintaining an active dialogue with them. All this is reported in the section “Our commitment” and in the sections on each stakeholder group.
- **Sustainability context.** The report explains the economic, environmental and social approach of Bankia’s activity, which is analysed in depth in the sections “Our commitment”, “Business model”, “Relationship with the environment” and “Risk management”.
- **Materiality.** Through the materiality study, Bankia has identified its material topics according to their priority for stakeholders and for the business, and also the stakeholders’ level of tolerance for failure to meet their expectations. This study has been included in the 2018 Bankia Annual Report.
- **Exhaustiveness.** The content has been included with the participation and under the supervision of the managers of all the units concerned, so as to ensure that the most important aspects and impacts of each unit – both for the unit’s objectives and for the environment in which it operates – have been taken into consideration.

Throughout the process of compiling and presenting the information, Bankia pays heed to the principles of balance, comparability, accuracy, timeliness, clarity and reliability, which are necessary to assure the quality of the information contained in this report. The content of the report has been verified by EY, the same firm that audits the Consolidated Financial Statements. The Audit and Compliance Committee is responsible for ensuring the independence of the external auditor. The reviewed information covers the financial activities carried out by the Bankia Group. Where the perimeter is other than that of the Bankia Group, this is expressly specified in the content of the report or in the table of GRI indicators. Where an explanation is considered necessary for a fuller understanding, the measurement and data calculation techniques and the estimates used are explained in the tables or in the relevant chapters of the report.

# 08.

## GRI CONTENT INDEX

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 101: FOUNDATION, 2016</b>		
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>	<b>ORGANIZATIONAL PROFILE</b>	
	GRI 102-1 Name of the organization	Bankia, S.A.
	GRI 102-2 Activities, brands, products and services	Pages 24 - 29 Pages 148 - 181
	GRI 102-3 Location of headquarters	Pintor Sorolla, 8. 46002 Valencia
	GRI 102-4 Location of operations	Bankia carries on all its banking activity in Spain. Pages 24 - 29
	GRI 102-5 Ownership and legal form	Bankia is registered in the Valencia Commercial Registry, Volume 9,341, Book 6,623, Folio 104, Sheet: V-17.274.  It is a credit institution subject to supervision by the Banco de España and is registered in the Administrative Register of the Banco de España, with B.E. Code number 2038, BIC code: CAHMESMMXXX
	GRI 102-6 Markets served	Pages 24 - 29 Pages 148 - 181
	GRI 102-7 Scale of the organization	APPENDIX: KEY HISTORICAL DATA (PAGES 262 - 263)
	GRI 102-8 Information on employees and other workers	Pages 44 - 57
	GRI 102-9 Supply chain	Pages 198 - 203
	GRI 102-10 Significant changes to the organization and its supply chain	Pages 60 - 65 Pages 74 - 79
	GRI 102-11 Precautionary principle or approach	Pages 220 - 243
	GRI 102-12 External initiatives	Page 72 Page 134
	GRI 102-13 Membership of associations	Page 134
	<b>STRATEGY</b>	
	GRI 102-14 Statement from senior decision maker	Pages 2 - 5
	GRI 102-15 Key impacts, risks and opportunities	Page 32 Page 69 Pages 74 - 79 Pages 80 - 83 Page 126 Page 139 Page 227 Pages 238 - 241
	<b>ETHICS AND INTEGRITY</b>	
	GRI 102-16 Values, principles, standards and norms of behavior	Pages 10 - 11 Page 71 Pages 122 - 125 Pages 126 - 139
	GRI 102-17 Mechanisms for advice and concerns about ethics	Pages 122 - 125



GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>	<b>GOVERNANCE</b>	
	GRI 102-18 Governance structure	Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-19 Delegating authority	Pages 30 - 31 Pages 224 - 225
	GRI 102-20 Executive-level responsibility for economic, environmental, and social topics	Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-21 Consulting stakeholders on economic, environmental, and social topics	Page 14 Pages 30 - 35 Pages 41 - 42 Pages 54 - 55 Pages 142 - 147 Page 203 Page 208
	GRI 102-22 Composition of the highest governance body and its committees	Pages 12 - 17
	GRI 102-23 Chair of the highest governance body	Page 13
	GRI 102-24 Nominating and selecting the highest governance body	Pages 14 - 15 Pages 106 - 109 Pages 111 - 112
	GRI 102-25 Conflicts of interest	Page 109 Page 115
	GRI 102-26 Role of highest governance body in setting purpose, values, and strategy	Pages 10 - 11 Pages 12 - 13
	GRI 102-27 Collective knowledge of highest governance body	Pages 116 - 117
	GRI 102-28 Evaluating the highest governance body's performance	Page 114
	GRI 102-29 Identifying and managing economic, environmental, and social impacts	Pages 32 - 33 Pages 66 - 70 Pages 222 - 225
	GRI 102-30 Effectiveness of risk management processes	Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-31 Review of economic, environmental, and social topics	Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-32 Highest governance body's role in sustainability reporting	Approval of the content of the 2018 Annual Report by the Board of Directors.
	GRI 102-33 Communicating critical concerns	Pages 30 - 31 Pages 224 - 225
	GRI 102-34 Nature and total number of critical concerns	Page 33 Pages 66 - 70 Page 225
	GRI 102-35 Remuneration policies	Page 109 Pages 119 - 121
GRI 102-36 Process for determining remuneration	Page 12 Page 109 Pages 119 - 121	
GRI 102-37 Stakeholders' involvement in remuneration	Page 12 Page 109	
GRI 102-38 Annual total compensation ratio	<a href="https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf">https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf</a> (Page 339)	
GRI 102-39 Percentage increase in annual total compensation ratio	<a href="https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf">https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf</a> (Page 339)	

# 08.

## GRI CONTENT INDEX

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>	<b>STAKEHOLDER ENGAGEMENTS</b>		
	GRI 102-40	List of stakeholder groups	Page 32
	GRI 102-41	Collective bargaining agreements	Page 48
	GRI 102-42	Identifying and selecting stakeholders	Pages 30 - 31 Page 32 Page 68
	GRI 102-43	Approach to stakeholder engagement	Page 32 Page 35 Pages 41 - 42 Pages 54 - 55 Page 68 Pages 142 - 145 Page 147 Page 169 Page 201 Page 203 Page 218
	GRI 102-44	Key topics and concerns raised	Pages 32 - 33 Page 67 Page 69
	<b>REPORTING PRACTICE</b>		
	GRI 102-45	Entities included in the consolidated financial statements	<a href="https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf">https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf</a> (Page 207)
	GRI 102-46	Defining report content and topic boundaries	Pages 32 - 33 Page 245
	GRI 102-47	List of material topics	Page 33
	GRI 102-48	Restatements of information	No information in Bankia's 2018 annual report has been restated compared to previous reports.
	GRI 102-49	Changes in reporting	There are no material changes in reporting in Bankia's 2018 annual report compared to previous periods.
	GRI 102-50	Reporting period	2018
	GRI 102-51	Date of most recent report	2017
GRI 102-52	Reporting cycle	Annual	
GRI 102-53	Contact point for questions regarding the report	bankiacomunicacion@bankia.com	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option Page 245	
GRI 102-55	GRI content index	Pages 246 - 259	
GRI 102-56	External assurance	Page 261	

## RESPONSIBLE MARKETING

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 33 Pages 142 - 147
	GRI 103-2	The management approach and its components Pages 66 - 70 Pages 142 - 147
	GRI 103-3	Evaluation of the management approach Page 143 Page 147
<b>GRI 416: CUSTOMER HEALTH AND SAFETY, 2016</b>	GRI 416-1	Assessment of the health and safety impacts of product and service categories Pages 128 - 129 Page 130 Pages 144 - 145
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services Page 103
<b>GRI 417: MARKETING AND LABELING, 2016</b>	GRI 417-1	Requirements for product and service information and labeling Not applicable. Not considered relevant for Bankia's activity
	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling Not applicable. Not considered relevant for Bankia's activity
	GRI 417-3	Incidents of non-compliance concerning marketing communications No non-compliance has been identified

## CORPORATE GOVERNANCE

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Pages 12 - 17 Page 33
	GRI 103-2	The management approach and its components Pages 66 - 70 Pages 106 - 121
	GRI 103-3	Evaluation of the management approach Pages 113 - 114
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>	GRI 102-18	Governance structure Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-19	Delegating authority Pages 30 - 31 Pages 224 - 225
	GRI 102-20	Executive-level responsibility for economic, environmental, and social topics Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-21	Consulting stakeholders on economic, environmental, and social topics Page 14 Pages 30 - 35 Pages 41 - 42 Pages 54 - 55 Pages 142 - 147 Page 203 Page 208

# 08.

## GRI CONTENT INDEX

### CORPORATE GOVERNANCE

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>	GRI 102-22	Composition of the highest governance body and its committees	Pages 12 - 17
	GRI 102-23	Chair of the highest governance body	Page 13
	GRI 102-24	Nominating and selecting the highest governance body	Pages 12 - 13 Pages 106 - 109 Pages 111 - 112
	GRI 102-25	Conflicts of interest	Page 109 Page 115
	GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	Pages 10 - 11 Pages 12 - 13
	GRI 102-27	Collective knowledge of highest governance body	Pages 116 - 117
	GRI 102-28	Evaluating the highest governance body's performance	Page 114
	GRI 102-29	Identifying and managing economic, environmental, and social impacts	Pages 32 - 33 Pages 66 - 70 Pages 222 - 225
	GRI 102-30	Effectiveness of risk management processes	Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-31	Review of economic, environmental, and social topics	Pages 12 - 15 Pages 30 - 31 Pages 224 - 225
	GRI 102-32	Highest governance body's role in sustainability reporting	Approval of the content of the Annual Report 2018 by the Board of Directors.
	GRI 102-33	Communicating critical concerns	Pages 30 - 31 Pages 224 - 225
	GRI 102-34	Nature and total number of critical concerns	Page 33 Pages 66 - 70 Page 225
	GRI 102-35	Remuneration policies	Page 109 Pages 119 - 121
	GRI 102-36	Process for determining remuneration	Page 12 Page 109 Pages 119 - 121
	GRI 102-37	Stakeholders' involvement in remuneration	Page 12 Page 109
	GRI 102-38	Annual total compensation ratio	<a href="https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf">https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf</a> (Page 339)
	GRI 102-39	Percentage increase in annual total compensation ratio	<a href="https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf">https://www.bankia.com/recursos/doc/corporativo/20120927/anal/informe-anual-cuentas-anales-consolidadas-2018.pdf</a> (Page 339)

## SOLVENCY

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 33 Pages 92 - 95
	GRI 103-2	The management approach and its components Pages 60 - 65
	GRI 103-3	Evaluation of the management approach Pages 60 - 65
<b>GRI 201: ECONOMIC PERFORMANCE, 2016</b>	GRI 201-1	Direct economic value generated and distributed (thousand euros)
		Gross income 3,367,762
		Net profit from discontinued operations 6,047
		Gains on derecognition or disposal of assets not classified as non-current assets held for sale 4,508
		<b>Direct economic value generated</b> <b>3,378,317</b>
		Dividends 357,115
		Operating costs 505,973
		Staff expenses 1,160,842
		Social investment 20,883
		Income tax and non-income taxes 252,170
		<b>Direct economic value distributed</b> <b>2,296,983</b>
	<b>Direct economic value retained</b> <b>1,081,334</b>	
GRI 201-2	Financial implications and other risks and opportunities for the organization's activities due to climate change. Page 215 Page 240	
GRI 201-3	Coverage of the organization's defined benefit plan obligations <a href="https://www.bankia.com/recursos/doc/corporativo/20120927/anual/informe-anual-cuentas-anuales-consolidadas-2018.pdf">https://www.bankia.com/recursos/doc/corporativo/20120927/anual/informe-anual-cuentas-anuales-consolidadas-2018.pdf</a> (Page 172)	
GRI 201-4	Significant financial assistance received from government Page 7 Page 103	

## ETHICS

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 11 Page 33
	GRI 103-2	The management approach and its components Pages 122 - 125 Pages 126 - 139
	GRI 103-3	Evaluation of the management approach Pages 122 - 125 Pages 126 - 139
<b>GRI 102: GENERAL DISCLOSURES, 2016</b>	GRI 102-16	Values, principles, standards and norms of behavior Pages 10 - 11 Page 71 Pages 122 - 125 Pages 126 - 139
	GRI 102-17	Mechanisms for advice and concerns about ethics Page 71 Pages 122 - 125 Page 139

# 08.

## GRI CONTENT INDEX

### ETHICS

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 205: ANTI-CORRUPTION, 201</b>	GRI 205-1 Operations assessed for risks related to corruption	Page 130
	GRI 205-2 Communication and training about anti-corruption policies and procedures	Pages 122 - 125 Page 127
	GRI 205-3 Confirmed incidents of corruption and actions taken	Page 125
<b>GRI 206: UNFAIR COMPETITION, 2016</b>	GRI 206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices	No legal actions have been identified

### CONTRIBUTION TO SOCIETY

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1 Explanation of the material topic and its Boundaries	Page 33 Pages 184 - 185
	GRI 103-2 The management approach and its components	Pages 184 - 197
	GRI 103-3 Evaluation of the management approach	Pages 184 - 197
<b>GRI 413: LOCAL COMMUNITIES, 2016</b>	GRI 413-1 Operations with local community engagement, impact assessments, and development programs	Pages 184 - 197
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	Not applicable. The means by which Bankia carries on its activity do not have impacts on the local community.

### TALENT MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1 Explanation of the material topic and its Boundaries	Page 33 Pages 46 - 47
	GRI 103-2 The management approach and its components	Pages 44 - 55
	GRI 103-3 Evaluation of the management approach	Pages 44 - 55
<b>GRI 401: EMPLOYMENT, 2016</b>	GRI 401-1 New employee hires and employee turnover	Page 44 Page 57
	GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 48
	GRI 401-3 Parental leave	Page 48

## TALENT MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 404: TRAINING AND EDUCATION, 2016</b>	GRI 404-1	Average hours of training per year per employee	Page 50
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Pages 44 - 50
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews	There are no material changes in reporting in Bankia's 2018 annual report compared to previous periods. Page 51

## TRANSPARENCY

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries	Page 33 Pages 204 - 205
	GRI 103-2	The management approach and its components	Page 35 Pages 204 - 209
	GRI 103-3	Evaluation of the management approach	Pages 204 - 209

## INNOVATION AND MULTICHANNEL MARKETING

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries	Page 33 Page 74
	GRI 103-2	The management approach and its components	Pages 74 - 79 Pages 80 - 83
	GRI 103-3	Evaluation of the management approach	Page 27 Pages 74 - 79

## DATA SECURITY

GRI STANDARD	INDICATOR	REFERENCE		
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries	Page 33 Pages 129 Pages 130 - 131	Pages 130 - 131 Pages 132 - 133
	GRI 103-2	The management approach and its components	Page 129 Pages 130 - 131	Pages 132 - 133
	GRI 103-3	Evaluation of the management approach	Page 129 Pages 130 - 131	Pages 132 - 133
<b>GRI 418: CUSTOMER PRIVACY, 2016</b>	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints on this subject have been identified.	

# 08.

## GRI CONTENT INDEX

### FUNDING STRUCTURE

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 33 Pages 92 - 93
	GRI 103-2	The management approach and its components Pages 60 - 65 Pages 92 - 95
	GRI 103-3	Evaluation of the management approach Pages 60 - 65 Pages 92 - 95

### PRODUCTS THAT HAVE A POSITIVE IMPACT

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 33 Page 157	
	GRI 103-2	The management approach and its components Pages 28 - 29 Page 137 Page 157 Page 177	Page 215 Page 219 Pages 238 - 239
	GRI 103-3	Evaluation of the management approach Pages 28 - 29 Page 137 Page 157 Page 177	Page 215 Page 219 Pages 238 - 239
<b>GRI 203: INDIRECT ECONOMIC IMPACTS, 2016</b>	GRI 203-1	Infrastructure investments and services supported Information unavailable. At present, Bankia cannot guarantee the accuracy of the available information, as the intended use is not always taken into consideration when granting financing to customers.	
	GRI 203-2	Significant indirect economic impacts Pages 72 - 73 Pages 168 - 169 Page 171 Page 177	Page 185 Page 202 Page 211 Page 239

### ASSET QUALITY MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 33 Page 61	Page 222
	GRI 103-2	The management approach and its components Pages 222 - 239	
	GRI 103-3	Evaluation of the management approach Page 61 Page 94	Page 222 - 239
<b>GRI 203: INDIRECT ECONOMIC IMPACTS, 2016</b>	GRI 203-1	Infrastructure investments and services supported Information unavailable. At present, Bankia cannot guarantee the accuracy of the available information, as the intended use is not always taken into consideration when granting financing to customers.	
	GRI 203-2	Significant indirect economic impacts Pages 72 - 73 Pages 168 - 169 Page 171 Page 177	Page 185 Page 202 Page 211 Page 239



## ENVIRONMENTAL MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries Page 33 Pages 210 - 211
	GRI 103-2	The management approach and its components Pages 66 - 70 Pages 210 - 211
	GRI 103-3	Evaluation of the management approach Page 67 Pages 210 - 219
<b>GRI 301: MATERIALS, 2016</b>	GRI 301-1	Materials used by weight or volume Page 211
	GRI 301-2	Recycled materials used Not applicable. Not considered relevant for Bankia's activity.
	GRI 301-3	Products and packaging materials reused Not applicable. Not considered relevant for Bankia's activity.
<b>GRI 302: ENERGY, 2016</b>	GRI 302-1	Energy consumption within the organization Page 212
	GRI 302-2	Energy consumption outside of the organization Not applicable. Not considered relevant for Bankia's activity.
	GRI 302-3	Energy intensity Page 259
	GRI 302-4	Reduction of energy consumption Page 212
	GRI 302-5	Reductions in energy requirements of products and services Not applicable. By the nature of its activity Bankia does not have significant energy requirements.
<b>GRI 305: EMISSIONS, 2016</b>	GRI 305-1	Direct (Scope 1) GHG emissions Page 213
	GRI 305-2	Energy indirect (Scope 2) GHG emissions Page 213
	GRI 305-3	Other indirect (Scope 3) GHG emissions Page 213
	GRI 305-4	GHG emissions intensity Page 259
	GRI 305-5	Reduction of GHG emissions Page 213
	GRI 305-6	Emissions of ozone-depleting substances (ODS) Not applicable. Bankia has not identified any emissions of this kind.
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions Page 213
<b>GRI 306: EFFLUENTS AND WASTE, 2016</b>	GRI 306-1	Water discharge by quality and destination 100% of Bankia's buildings and branches are in urban areas, with a drainage and distribution service provided by water supply companies. Bankia has waste authorization for the building at Paseo de la Castellana, 189, in Madrid.
	GRI 306-2	Waste by type and disposal method Page 217
	GRI 306-3	Significant spills By the nature of its activity, Bankia does not produce any significant spills.
	GRI 306-4	Transport of hazardous waste Bankia does not transport, import or export hazardous waste.
	GRI 306-5	Water bodies affected by discharges of water and runoff Not applicable. By the nature of its activity Bankia does not have discharges of water or runoff.

# 08.

## GRI CONTENT INDEX

### ENVIRONMENTAL MANAGEMENT

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 307: ENVIRONMENTAL COMPLIANCE, 2016</b>	GRI 307-1	Non-compliance with environmental laws and regulations	No material non-compliance has been identified.
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT, 2016</b>	GRI 308-1	Negative environmental impacts in the supply chain and actions taken	Pages 200 - 201
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	No negative environmental impacts have been identified.

### ACCESSIBILITY AND FINANCIAL INCLUSION

GRI STANDARD	INDICATOR	REFERENCE	
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1	Explanation of the material topic and its Boundaries	Page 33 Pages 148 - 169
	GRI 103-2	The management approach and its components	Pages 148 - 169
	GRI 103-3	Evaluation of the management approach	Pages 26 - 29 Pages 136 - 137 Pages 148 - 169
<b>GRI 203: INDIRECT ECONOMIC IMPACTS, 2016</b>	GRI 203-1	Infrastructure investments and services supported	Information unavailable. At present, Bankia cannot guarantee the accuracy of the available information, as the intended use is not always taken into consideration when granting financing to customers.
	GRI 203-2	Significant indirect economic impacts	Pages 72 - 73 Pages 168 - 169 Page 171 Page 177 Page 185 Page 202 Page 211 Page 239

## FINANCIAL SERVICES SECTOR SUPPLEMENT

## CATEGORY: ECONOMIC

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 201: ECONOMIC PERFORMANCE, 2016</b>	GRI 201-1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Page 251

## CATEGORY: ENVIRONMENTAL

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 305: EMISSIONS, 2016</b>	GRI 305-1 Direct greenhouse gas emissions (Scope 1)	Page 213
	GRI 305-2 Energy indirect greenhouse gas emissions (Scope 2)	Page 213
	GRI 305-3 Other indirect greenhouse gas emissions (Scope 3)	Page 213
<b>GRI 306: EFFLUENTS AND WASTE, 2016</b>	GRI 306-2 Waste by type and disposal method	Page 217

# 08.

## GRI CONTENT INDEX

### SOCIAL ASPECTS FOR THE FINANCIAL SERVICES SECTOR

#### RESPONSIBLE PRODUCTS

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1 Explanation of the material topic and its Boundary	Page 33 Page 69 Pages 142 - 147
	GRI 103-2 The management approach and its components	Page 69 Pages 142 - 147 Page 157
	GRI 103-3 Evaluation of the management approach	Pages 142 - 143
FS-6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/ large) and by sector	Pages 24 - 25 Pages 148 - 181
FS-7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Pages 148 - 181
FS-8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Pages 148 - 181
FS-10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Pages 168 - 169 Pages 170 - 171 Page 177 Page 219 Pages 238 - 240
FS-11	Percentage of assets subject to positive and negative environmental screening	Page 177 Pages 238 - 240
FS-15	Policies for the fair design and sale of financial products and services	Pages 66 - 70 Pages 136 - 137 Pages 142 - 147
FS-16	Initiatives to enhance financial literacy by type of beneficiary	Pages 66 - 70 Page 195

#### LOCAL COMMUNITIES

GRI STANDARD	INDICATOR	REFERENCE
<b>GRI 103: MANAGEMENT APPROACH, 2016</b>	GRI 103-1 Explanation of the material topic and its Boundary	Page 33 Pages 66 - 70 Pages 148 - 149 Page 184
	GRI 103-2 The management approach and its components	Pages 148 - 161 Pages 184 - 185
	GRI 103-3 Evaluation of the management approach	Pages 27 - 29 Pages 148 - 161 Pages 184 - 197
FS-13	Access points in low-populated or economically disadvantaged areas	Pages 27 - 29
FS-14	Initiatives to improve access to financial services for disadvantaged people	Pages 27 - 29 Pages 136 - 137 Pages 148 - 161 Pages 184 - 197 Pages 238 - 239

## CALCULATION OF THE INDICATOR GRI 302-3

### ENERGY INTENSITY

$$\frac{\text{Primary energy consumption + Electricity consumption}}{\text{No. of employees}} = \frac{19,566 \text{ GJ} + 353,651 \text{ GJ}}{15,486} = 24.10 \text{ GJ / employee}$$

## CALCULATION OF THE INDICATOR GRI 305-4

### GREENHOUSE GAS EMISSION INTENSITY

$$\frac{\text{Scope 1 emissions + Scope 2 emissions}}{\text{Bankia, S.A. revenue}^{(1)} \text{ (million euros)}} = \frac{4,364.0 + 2,418.7}{4,268.17} = 1.5891 \text{ tCO}_2\text{e/ € mill}$$

(1) In the denominator of the indicator we have used the figure for Bankia, S.A.'s revenue taken from the company's statutory income statement (in thousands of euros).

## BANKIA S.A. REVENUE

REVENUE ITEM	AMOUNT (million euros)	FINANCIAL STATEMENTS
Interest income	2,471.35	Note 26
Dividend income	411.02	Note 28
Fee and commission income	1,042.06	Note 29
Gains (losses) on financial assets and liabilities	418.95	Note 31
Other operating income	57.10	Note 32
Gains (losses) on derecognition of non-financial assets and equity investments, net	1.27	Note 41
Gains (losses) arising from non-current assets and disposal groups	(133.58)	Note 42

# 09. EXTERNAL REVIEW REPORT

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.



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## INDEPENDENT REVIEW REPORT OF BANKIA ANNUAL REPORT 2018

To the management of Bankia, S.A.

### Scope of work

As commissioned by the management of Bankia, S.A. (hereinafter, Bankia), we have carried out the review of the sustainability information included in the Bankia annual report 2018 (hereinafter, the Report) and in the GRI Content Index in chapter 8 of the report. This Report was prepared in accordance with:

- GRI Sustainability Reporting Standards (GRI Standards) and its sector supplement "Financial Services Sector Supplement".
- Principles contained in the AA1000 AP Standard (2018) issued by AccountAbility (Institute of Social and Ethical Accountability).

The boundary determined by Bankia for the preparation of the Report is included in section 08, GRI Content Index "Scope And External Review Of Non-Financial Disclosures" of the attached Report.

The preparation of the sustainability information, as well as its content, is the responsibility of the management bodies of Bankia. They are also responsible for defining, adapting, and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

### Criteria

Our review was carried out based on:

- The Guidelines for reviewing Corporate Responsibility Reports, issued by the Instituto de Contadores Jurados de Cuentas de España (ICJCE).
- Standard ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), with a limited scope of assurance.
- AA1000 Assurance Standard 2008 of AccountAbility under a moderate level of type 2 assurance.

### Applied procedures

Our review consisted in performing inquiries to the management bodies as well as the various business units that have participated in the preparation of the Report, and in applying analytical procedures and sampling review tests as described below:

- Interviews with those in charge of the preparation of the sustainability information in order to understand how sustainability goals and policies are considered, implemented and integrated into Bankia's overall strategy.
- Analysis of the processes for collecting and validating the sustainability information contained in the attached Report.
- Verification of the processes that Bankia has in place to define the material aspects, as well as the participation of stakeholders on those.
- Analysis of the adaptation of the structure and content of the sustainability information as indicated in the GRI Sustainability Reporting Guidelines, its sector supplement "Financial Services Sector Supplement" for the preparation of reports according to the option of exhaustive compliance and the principles of Standard AA1000 AP (2018).
- Test, on a sample basis, of the quantitative and qualitative information of the indicators included in the GRI content index, as well as its adequate compilation from data supplied by information sources. The review tests have been defined in order to provide assurance levels as described before.
- Checking that the financial information included in the Report has been audited by independent third parties.

These procedures have been applied to the sustainability information contained in GRI Content Index in chapter 8 of the report, with the perimeter and scope indicated above.

The scope of this review is considerably lower than a reasonable assurance report. Therefore, the degree of assurance is also less extensive.

This report in no case should be considered an audit report.

### Independence and quality control

We have met the independence requirements and other ethical requirements of the Code of Ethics for Accounting Practitioners issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies the International Quality Control Standard 1 (NIQC 1) and maintains, therefore, a global quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The work has been carried out by a team of sustainability specialists with extensive experience in reviewing this type of information.

### Conclusions

As a result of our review, we conclude that no matter came to our attention that would indicate that the sustainability information included in the Report has not been prepared, in all material respects, in accordance with the Global Reporting Initiative Sustainability Reporting Guidelines, GRI Standards, which includes the reliability of the data, the adequacy of the information presented and the absence of significant deviations and omissions, having reviewed the GRI Content Index included in chapter 8.

With regard to the application of the principles established in standard AA1000 AP (2018), no matter has come to our attention that would cause us to believe that the Group has not applied the principles of inclusivity, materiality, responsiveness, and impact, as explained under "Scope And External Review Of Non-Financial Disclosures".

### Recommendations

We presented our recommendations to Bankia management regarding areas of improvement related to the application of standard AA1000 AP (2018). The most significant recommendations are summarized below:

- **Inclusivity:** Bankia have carried out periodic internal and external queries to stakeholders to ensure its inclusion in Bankia's sustainability strategy. We recommend that further progress will be made in this regard in subsequent years.
- **Materiality:** The most significant aspects regarding sustainability are identified. We recommend continuing to link the relevant issues identified to the Bankia's risk mitigation strategy.
- **Responsiveness:** There are mechanisms available to respond to the main expectations of the stakeholders. We recommend continuing to act in this sense, with active listening and responding to stakeholders expectations.
- **Impact:** The 2018-2020 Strategic Plan of Bankia serves to achieve the company's medium – long-term objectives. We recommend moving forward in the measurement and analysis of the long-term value created by Bankia, developing a process to evaluate and manage the actual and potential impacts of the organization in different areas in which it has influence.

This report has been prepared solely according to Bankia's interest, in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated March 5<sup>th</sup>, 2018. In case of any discrepancy, the Spanish version always prevails).



APPENDIX: KEY HISTORICAL DATA	2018		2017	
	BANKIA GROUP	CHANGE 2018-2017	BANKIA GROUP	CHANGE 2017-2016
NET INTEREST INCOME (MILL.)	2,049	4.1%	1,968	(8.4%)
GROSS INCOME (MILL.)	3,368	9.9%	3,064	(3.2%)
OPERATING PROFIT (BEFORE PROVISIONS.) (MILL.)	1,498	44.3%	1,038	(35.9%)
ATTRIBUTABLE PROFIT/(LOSS) (MILL.)	703	39%	505	(37.3%)
MARKET EFFICIENCY	55.5%	+3.9 p.p.	51.6% *	+2.7 p.p.
ROA	0.3%	-	0.4% <sup>(1)</sup>	-
ROE	5.6%	+1.5 p.p.	6.6% <sup>(2)</sup>	(0.1 p.p) <sup>(2)</sup>
TOTAL ASSETS (MILL.)	205,223	(4.1%)	213,932	12.5%
NET LOANS AND ADVANCES TO CUSTOMERS (MILL.)	118,295	(3.8%)	123,025	17.5%
TOTAL MANAGED CUSTOMER FUNDS (MILL.)	150,894	(1.3%)	152,860 <sup>(3)</sup>	5.3% <sup>(3)</sup>
BUSINESS VOLUME (MILL.)	287,549	(2.7%)	295,669	18.37%
TOTAL NPL RATIO	6.5%	-2.4 p.p.	8.9%	(0.9 p.p)
LOAN LOSS PROVISIONS (MILL.)	4,593	(25.3%)	6,151	(2.7%)
NPL COVERAGE	54.6%	+3.8 p.p.	50.8%	(4.3 p.p)
LOAN-TO-DEPOSIT RATIO	91.2%	-2.7 p.p.	93.9%	(3.3 p.p)
BASEL III CET 1 FULLY LOADED	12.39%	-0.07 p.p.	12.66% <sup>(4)</sup>	(0.36 p.p) <sup>(4)</sup>
BASEL III CET 1 PHASE-IN	13.8%	-0.04 p.p.	14.15% <sup>(5)</sup>	(0.55 P.P) <sup>(5)</sup>
NUMBER OF SHARES (MILL.)	3,085	-	3,085	
YEAR-END SHARE PRICE (IN EUROS)	2.56	(35.8%)	3.99	
MARKET CAPITALISATION	7,898	(35.8%)	12,300	
EARNINGS PER SHARE	0.23 <sup>(1)</sup>	39.4%	0.26	
NUMBER OF BRANCHES	2,298	(5.2%)	2,406	29%
NUMBER OF EMPLOYEES	15,486	(10%)	17,217	30.8%
VOLUME OF NEW LOANS GRANTED (IN MILLIONS OF EUROS)	21,777	24.5%	17,497	19.27%
MORTGAGE MODIFICATIONS (NO.)	1,127	(8.8%)	1,236	(78.03%)
SOCIAL RENTS (NO.)	494	(10.8%)	554	0.9%
HOURS OF TRAINING	1,024,411		917,435	
DIVERSITY: MEN / WOMEN (%)	43.8/56.2			
OPEN-ENDED CONTRACTS	100%		100%	
ELECTRICITY CONSUMPTION (GJ)	353,651		312,950	
ELECTRICITY ACQUIRED FROM RENEWABLE ENERGY SOURCES (GREEN ENERGY)	100% <sup>(2)</sup>		100%	
EMISSIONS AVOIDED THANKS TO ACQUISITION OF ELECTRICITY FROM RENEWABLE SOURCES (T CO <sub>2</sub> )	39,822.9		31,295	
RECYCLED PAPER USED (DIN A4) (%)	99.79%		99.77%	

(1) Attributable profit divided by number of shares.  
(2) In April 2018 the former BMN branches were included in Bankia's contract for a 100% green energy supply.

(1) Profit after taxes as a percentage of average total assets for the period. Excludes BMN merger costs.  
(2) Profit for the year attributable to equity holders of the controlling company as a percentage of average equity. Excludes BMN merger costs.  
(3) Made up of customer deposits, debt securities in issue and assets managed off-balance-sheet.  
(4) Ratio according to the definition that will apply when the phase-in is complete.  
(5) Ratio according to the transitional definition of Tier 1 capital.

\* Without taking the costs of the BMN merger into account.



2016		2015		2014		2013	
BANKIA GROUP	CHANGE 2016-2015	BANKIA GROUP	CHANGE 2015-2014	BANKIA GROUP	CHANGE 2014-2013	BANKIA GROUP	CHANGE 2013-2012
2,148	(21.6%)	2,740	(6.4%)	2,927	14.05%	2,567 <sup>(1)</sup>	(19.73%) <sup>(1)</sup>
3,166	(16.8%)	3,806	(5.1%)	4,009	6.27%	3,772 <sup>(1)</sup>	(8.42%) <sup>(1)</sup>
1,619	(24.7%)	2,148	(5.2%)	2,267	21.38%	1,867 <sup>(1)</sup>	2.24% <sup>(1)</sup>
804	(22.7%)	1,040	39.2%	747	22.27%	608 <sup>(1)</sup>	n.a.
48.9%	+5.3 p.p.	43.6%	0.1 p.p.	43.7%	(8.9 p.p.)	50.50% <sup>(1)</sup>	(5.20 p.p.) <sup>(1)</sup>
0.4% <sup>(1)</sup>	(0.2 p.p.) <sup>(1)</sup>	0.5%	0.2 p.p.	0.3%	0.1 p.p.	0.23% <sup>(1)</sup>	n.a.
6.7% <sup>(2)</sup>	(2.3 p.p.) <sup>(2)</sup>	10.6%	2.0 p.p.	8.6% <sup>(1)</sup>	3.0 p.p. <sup>(1)</sup>	5.61%	n.a.
190,167	(8.1%)	206,970	(11.4%)	233,649	(7.09%)	251,472	(10.90%)
104,677	(5.3%)	110,570	(1.9%)	112,691	(5.40%)	119,118	(11.20%)
145,097 <sup>(3)</sup>	(4.3%) <sup>(3)</sup>	155,402	2.1%	152,242	(3.35%)	108,543	(2.10%)
249,773	(4.7%)	265,971	0.4%	264,933	(4.23%)	276,631	(11.50%)
9.8%	(0.8 p.p.)	10.8% <sup>(1)</sup>	(2.1 p.p.) <sup>(1)</sup>	12.9%	(1.8 p.p.)	14.70%	1.70 p.p.
6,323	(18.9%)	7,794	(18.2%)	9,527	(15.78%)	11,312	(7.60%)
55.1%	(4.9 p.p.)	60.0%	2.4 p.p.	57.6%	1.1 p.p.	56.50%	(5.30 p.p.)
97.3%	(5.6 p.p.)	101.9% <sup>(1)</sup>	(3.6 p.p.) <sup>(1)</sup>	105.5%	(9.8 p.p.)	115.40%	(5.00 p.p.)
13.02%	+0.76 p.p.	12.26% <sup>(2)</sup>	1.7 p.p. <sup>(2)</sup>	10.60%	2.0 p.p.	11.71%	6.77 p.p.
14.70%	+0.81 p.p.	13.89% <sup>(2)</sup>	1.6 p.p. <sup>(2)</sup>	12.28%	1.6 p.p.		
2,879 *	0.0%	11,517	=	11,517	0.00%	11,517	n.a.
3.88 *	(9.6%)	1.074	(13.2%)	1.238	0.32%	1.23	n.a.
11,183	(9.6%)	12,370	(13.2%)	14,258	0.32%	14,212	n.a.
0.28 **	(22.7%)	0.09	28.6%	0.07	0.00%	0.07	n.a.
1,866 <sup>(4)</sup>	(4.0%) <sup>(4)</sup>	1,941	(1.9%)	1,978	(1.54%)	2,009	(35.80%)
13,159	(0.5%)	13,318 <sup>(3)</sup>	(5.7%)	14,382	(6.56%)	15,392	(23.10%)
14,669	(11.6%)	16,600	12.5%	14,756	(0.99%)	14,903	n.a.
5,628	(54.4%)	12,341	(12.3%)	14,079	(39.25%)	23,178	21.70%
549	(13.9%)	638	(2.50%)	654	n.a.	300	n.a.
666,624		774,667		669,293 <sup>(2)</sup>		589,000	
45.4% / 54.6%		45.55% / 54.45%		45.87 / 54.13 <sup>(2)</sup>		46.38 / 53.62	
100%		100%		99.85% <sup>(2)</sup>		99.24%	
326,127		379,638		369,051 <sup>(2)</sup>		461,490	
100%		100%		100% <sup>(2)</sup>		100%	
36,236		39,018		36,905.10 <sup>(2)</sup>		42,944.20	
99.8%		99.78%		99.80% <sup>(2)</sup>		99.50%	

(1) Profit after taxes as a percentage of average total assets for the period.

(2) Profit for the year attributable to equity holders of the controlling company as a percentage of average equity.

(3) Made up of customer deposits, debt securities in issue and assets managed off-balance-sheet.

(4) Number of branches according to the 2017 financial statements.

\* Data on the number of shares and the share price in 2016 as the base year are calculated pro forma after the reverse split carried out in June 2017.

\*\* Attributable profit divided by number of shares. In 2017, in calculating the group perimeter, the integration costs arising from the merger with BMN are excluded from attributable profit.

(1) In 2015, the loans and receivables item does not include either the balances with BFA, mainly for reverse repurchase agreements, or the amounts recoverable from BFA as a result of BFA's having agreed to bear 60% of the estimated contingent liabilities arising from the proceedings associated with the Bankia IPO.

(2) Includes the net profit for the year which is expected to be allocated to reserves.

(3) Figure for Bankia, S.A.

(1) Calculated as attributable profit/equity in order to facilitate comparison with the criterion used in the strategic plan.

(2) Information referring to Bankia, S.A.

(1) Pro forma data.

(2) Calculated as net profit/equity in order to facilitate comparison with the criterion used in the strategic plan.

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