Audit Report on Financial Statements
issued by an Independent Auditor

BANKIA, S.A.
Financial Statements and Management Report
for the year ended December 31, 2019

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 915 727 200
Fax: 915 727 238
ey.com

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 44)

To the shareholders of Bankia, S.A.:

Audit report on the financial statements

Opinion

We have audited the financial statements of Bankia, S.A. (the Company), which comprise the balance sheet at December 31, 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and the financial position of the Company at December 31, 2019 and of its financial performance and its cash flows, for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 1.3 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.
A member firm of Ernst & Young Global Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of credit impairment losses on loans and advances at amortised cost

Description	Estimating the impairment loss allowance for credit risk is one of the most significant and complex elements of the Bank's financial reporting process. The accompanying notes 2.9, 3.1 and 11 and Appendix IX to the accompanying financial statements explain the main principles and criteria applied by the Bank to estimate impairment losses and disclose the estimated amounts, which are assessed individually or collectively. The approach used for individual estimates takes into account mainly the identification and classification of impaired exposures or those with a significant increase in risk, the debtor's expected future cash flows and, where appropriate, estimates of the realisable value of the related collateral. The collective estimate is made using internal models that take into account matters such as the aggregation of transactions, distributing them in homogeneous groups based on their credit risk (e.g. borrower, type of transaction, guarantee or collateral); the identification and classification of exposures with a significant increase in risk or defaulted exposures; risk parameters (exposure, probability of default, loss given default), and scenarios and forecasts of future economic conditions. Therefore, the estimate of impairment loss allowances for credit risk on the portfolio of loans and advances at amortised cost was considered a key audit matter.
Our response	Among the audit procedures carried out in this respect, we assessed and evaluated internal control and performed substantive tests on impairment allowances assessed both individually and collectively. Regarding internal control, our tests focused on: ▶ Reviewing compliance of the policies and procedures established by the Bank and the internal model with applicable regulatory requirements. ▶ Reviewing, in the granting process, the procedures established by the Bank to evaluate the borrower's creditworthiness based on future cash flows and its financial information. ▶ Evaluating whether the regular review process of credit files for monitoring of their classification and identification of impairment, where applicable, is performed adequately. ▶ Assessing the classification criteria for exposures based on the ageing of arrears, the transaction terms, including refinancing or forbearance, and the monitoring indicators or warnings in place. ▶ Assessing the relevant controls in place for managing and valuing the guarantees related to credit transactions. ▶ Checking the reliability and coherence of the information sources used in the calculations.

We also performed substantive procedures, consisting mainly of:

- Evaluating with the involvement of our financial risk specialists: i) the reasonableness of the methodology and segmentation of borrowers into the various credit risk portfolio categories; ii) the correct classification of credit transactions into the appropriate categories based on whether there has been a significant increase in credit risk or a default event has occurred; iii) the completeness of the information used for estimating impairment; iv) historical credit risk loss rates; and v) the reasonableness of the assumptions used regarding the future performance of the macroeconomic variables in the various scenarios used.
- Performing checks, for a sample of transactions, of underlying data to validate key information used by the internal models.
- Re-calculating credit losses assessed on a collective basis.
- Assessing the suitability of the discounted cash flow models and the valuation of collaterals for the individual assessment model.
- Reviewing a sample of loan files for which impairment was assessed individually to verify whether, where applicable, the related impairment losses have been classified and recognised correctly.

Finally, we assessed whether the accompanying financial statements contain the disclosures required in the financial regulatory framework applied by the Bank.

Estimate of impairment losses on real estate assets from foreclosures

Description

In Notes 2.15.2 and 2.20 to the accompanying financial statements, the Bank describes the process for estimating impairment losses on foreclosed real estate assets based on third-party appraisals adjusted to reflect the Bank's experience in sales of these assets. Notes 14, 17 and Appendix VIII to the accompanying financial statements describe the Bank's exposure to these assets and the impairment losses recognised.

The process for estimating impairment losses on these assets involves a significant degree of judgement by management, as a result of which we have considered it to be a key audit matter.

Our response

Our audit procedures included, among others, assessing and evaluating internal control and performing substantive tests, which consisted primarily of:

- Assessing the ability, capacity and objectivity of the specialists engaged by the Bank to appraise its real estate assets and the appropriateness of their work for use as audit evidence.
- Analysing, based on a sample of appraisals, the reasonableness of the valuation procedures and approaches used by the specialists engaged by the Bank's management, with the involvement of our specialists.
- Analysing the reasonableness of the key assumptions used in the internal valuation model.
- Checking the reliability and coherence of the information sources used.
- Re-calculating the discounts used in the internal model.
- Re-calculating impairment losses on real estate assets arising from foreclosures.

Lastly, we assessed whether the accompanying financial statements contain the disclosures required in the financial regulatory framework applied by the Bank.

Provisions for legal contingencies

Description

In Notes 2.18 and 19 to the accompanying financial statements, the Bank describes the legal and administrative proceedings to which it is party arising from its ordinary operations.

Based on the information available, the Bank has estimated the probability of having to settle an obligation arising from past events or circumstances and the impact on the financial statements, in respect of provisions, or the disclosures included therein, in respect of contingent liabilities.

In general, these proceedings are subject to uncertainty and are completed after a lengthy period of time, resulting in complex estimation processes. Notes 2.18 and 19 to the accompanying financial statements disclose the amounts and relevant information related to these proceedings.

Our response

Our work consisted mainly of:

- Obtaining an understanding of the control environment and the Bank's policies for identifying and classifying legal proceedings and claims, and for estimating the related provisions.
- Obtaining and analysing, with the involvement of our legal specialists in the most significant matters, the information prepared by the Bank's legal advisors regarding the ongoing proceedings in relation to the provisions recognised and the contingencies disclosed. We reviewed, among others, the supporting legal or regulatory documents for the purposes of evaluating the events and circumstances surrounding each case analysed that could have a material impact on the financial statements.
- Obtaining confirmation letters from external lawyers to weigh their assessment of the expected outcomes of claims or lawsuits against the provisions and contingencies identified by the Bank.
- Performing substantive audit procedures to evaluate historical data and assumptions used by management to estimate the provision and its adequacy.
- Assessing the recognition and changes in accounting provisions.

In addition, our audit included assessing whether the information included in the accompanying notes meets the requirements in the financial reporting framework applied by the Bank.

Evaluation of the Bank's ability to recover deferred tax assets

Description

In accordance with the Bank's policies, as explained in Note 2.14 to the accompanying financial statements, deferred tax assets are only recognised when it is considered probable that there will be sufficient future taxable income to enable their application. As indicated in Note 24 to the accompanying financial statements, at 31 December 2019, the Bank had deferred tax assets amounting to EUR 9,783 million, of which the recovery of EUR 6,859 is guaranteed through the monetisation mechanisms established in Royal Decree Law 14/2013 and article 130 of the Law on Corporate Income Tax.

	Management assesses the Bank's ability to recover deferred tax assets based on estimates of future taxable profit using the Bank's financial projections and business plans and taking into account applicable tax legislation. Therefore, the assessment of the Bank's ability to recover deferred tax assets is a complex exercise requiring significant judgement and estimation.
Our response	We performed audit procedures to evaluate the assumptions used by management to estimate the recovery of deferred tax assets, focusing our analysis on the economic and financial assumptions used by the Bank to estimate future taxable income. We also carried out a sensitivity analysis of income and evaluated the disclosures in the accompanying notes.

Automated financial reporting systems

Description	The continuity of the Bank's business processes is highly dependent on its IT infrastructure. Access privileges to the various systems are granted to employees so they can perform and fulfil their duties. These privileges are relevant, since they are designed to ensure that changes in applications are authorised, implemented and monitored appropriately and constitute key controls for mitigating the potential risk of fraud or error caused by access and changes to applications.
Our response	In the scope of our audit, we evaluated the general controls over the key information systems for financial reporting. Our work consisted mainly of assessing the general systems of access controls, change management and applications development, and their security, as well as the application controls established in the key processes for financial reporting, with the involvement of our IT specialists.

Other information: management report

Other information refers exclusively to the 2019 management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the financial statements.

Our opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is defined in the company audit governing regulations, which establishes two differentiated responsibility levels:

a) A specific level that is applicable to the statement of non-financial information, as well as to certain information included in the Annual Corporate Governance Report, defined in article 35.2. b) of Law 22/2015 on Accounts Auditing, which solely consists of verifying that the aforementioned information was included in the management report or otherwise report on it.

b) A general level applicable to the remaining information included in the management report, which consists of evaluating and reporting on the agreement of the mentioned information with the financial statements, based on the knowledge of the Company acquired from the audit of the financial statements and without including information other than that obtained as evidence during such audit, as well as evaluating and reporting whether the content and presentation of this section of the management report comply with the applicable regulations. If we conclude, based on the work performed, that there are material misstatements, we are compelled to report on this.

Based on the work performed, as described in the above paragraph, we verified that the management report includes a reference explaining that the non-financial information mentioned in section a) above is included in the consolidated management report of Bankia, S.A. and subsidiaries (the Group) to which the Company is the parent company, that the information included in the Annual Corporate Governance Report mentioned in that paragraph is included in the management report, and that the remaining information included in the management report agrees with that included in the 2019 financial statements and their content and presentation comply with the applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in note 1.3 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 24, 2020.

Term of engagement

The ordinary general shareholders' meeting held on March 22, 2019 appointed us as auditors of the Bank for one year, starting on the year beginning as of January 1, 2019.

Previously, we were appointed as auditors by the ordinary general shareholders' meeting for one year and we have been carrying out the audit of the financial statements continuously since the year commenced January 1, 2013.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(signed in the original version)

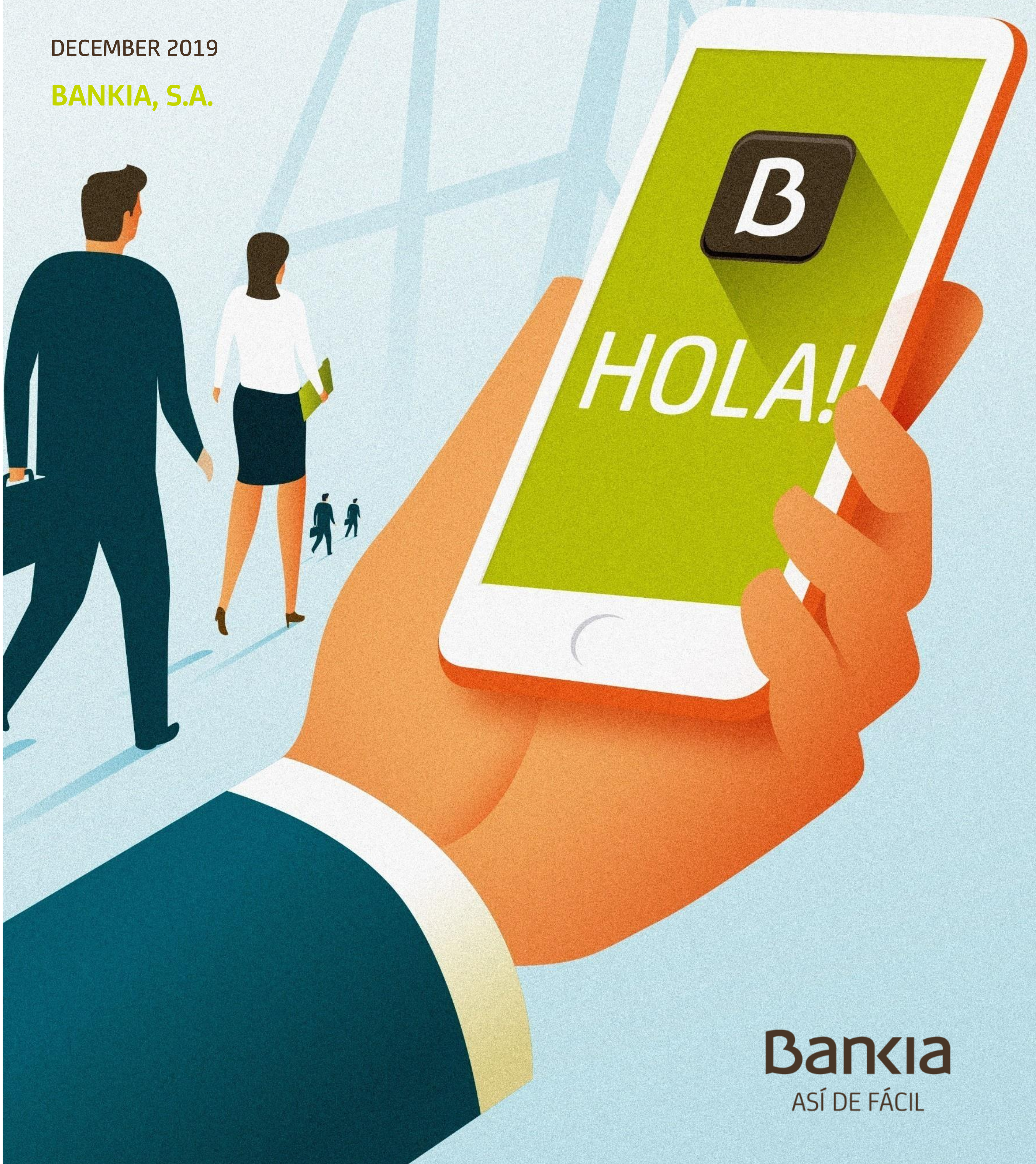
Jaume Pallerols Cat
(Registered in the Official Register of Auditors under No. 22702)

February 24, 2020

2019 FINANCIAL STATEMENTS

DECEMBER 2019

BANKIA, S.A.



Bankia

ASÍ DE FÁCIL

CONTENTS

PAGE

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy. the Spanish-language version prevails

BANKIA, S.A.

Balance sheets at 31 December 2019 and 2018

(Thousands of euros)

ASSETS	NOTE	31/12/2019	31/12/2018 (*)
Cash, cash balances at Central banks and other demand deposits	**7**	**12,826,591**	**4,354,390**
Financial assets held for trading	**8**	**6,702,504**	**6,320,607**
Derivatives		6,530,330	6,035,137
Equity instruments		1,381	3,901
Debt securities		170,793	281,569
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*67,682*	*590*
Non-trading financial assets mandatorily at fair value through profit or loss	**9**	**34,435**	**9,348**
Equity instruments		-	-
Debt securities		237	187
Loans and advances		34,198	9,161
Central banks		-	-
Credit institutions		23,263	-
Customers		10,935	9,161
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Financial assets designated at fair value through profit or loss		**-**	**-**
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**11,979,857**	**15,622,815**
Equity instruments		75,816	66,484
Debt securities		11,904,041	15,556,331
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*7,568,250*	*7,138,310*
Financial assets at amortised cost	**11**	**156,179,198**	**156,747,204**
Debt instruments		33,165,031	33,860,266
Loans and advances		123,014,167	122,886,938
Central banks		-	-
Credit institutions		5,464,732	4,432,818
Customers		117,549,435	118,454,120
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*25,284,204*	*23,310,362*
Derivatives – Hedge accounting	**12**	**2,491,810**	**2,619,883**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in subsidiaries, joint ventures and associates	**13**	**1,772,674**	**2,713,637**
Subsidiaries		1,322,649	2,549,079
Joint Ventures		9,034	3,818
Associates		440,991	160,740
Tangible assets	**14**	**2,597,428**	**2,171,142**
Property, plant and equipment		2,122,925	1,657,402
For own use		2,122,925	1,657,402
Leased out under an operating lease		-	-
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property		474,503	513,740
Of which: leased out under operating lease		474,503	513,740
Memorandum item: acquired in leasing		*504,863*	-
Intangible assets	**15**	**312,047**	**205,523**
Goodwill		-	-
Other intangible assets		312,047	205,523
Tax assets		**10,214,679**	**10,449,957**
Current tax assets		431,863	460,768
Deferred tax assets	24	9,782,816	9,989,189
Other assets	**16**	**1,721,479**	**1,672,042**
Insurance contracts linked to pensions		1,061,912	1,034,030
Inventories		-	-
Other		659,567	638,012
Non-current assets and disposal groups classified as held for sale	**17**	**2,047,280**	**3,459,184**
TOTAL ASSETS		**208,879,982**	**206,345,732**

The accompanying Notes 1 to 44 and Appendices I to XI are an integral part of the balance sheet at 31 December 2019.

(*) The balance sheet for 2018 is presented solely and exclusively for comparison purposes. See Note 1.5.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy. the Spanish-language version prevails

BANKIA, S.A.

Balance sheets at 31 December 2019 and 2018

(Thousands of euros)

LIABILITIES AND EQUITY	NOTE	31/12/2019	31/12/2018 (*)
Financial liabilities held for trading	**8**	**6,783,073**	**6,078,800**
Derivatives		6,511,840	5,956,719
Short positions		271,233	122,081
Deposits		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		-	-
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities at amortised cost	**18**	**186,159,113**	**184,060,914**
Deposits		167,385,330	165,712,473
Central banks		13,808,756	13,856,000
Credit institutions		26,447,898	21,771,822
Customers		127,128,676	130,084,651
Debt securities issued		17,302,153	16,749,890
Other financial liabilities		1,471,630	1,598,551
Memorandum item: subordinated liabilities		*2,983,031*	*2,989,889*
Derivatives – Hedge accounting	**12**	**85,541**	**182,331**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Provisions	**19**	**1,685,484**	**1,846,702**
Pensions and other post-employment defined benefit obligations		1,038,224	1,080,822
Other long term employee benefits		-	-
Pending legal issues and tax litigation		210,614	183,294
Commitments and guarantees given		301,731	373,119
Other provisions		134,915	209,467
Tax liabilities		**452,531**	**536,194**
Current tax liabilities		-	-
Deferred tax liabilities	24	452,531	536,194
Share capital repayable on demand		**-**	**-**
Other liabilities	**20**	**885,606**	**1,106,381**
Of which: welfare fund (only savings banks and credit cooperatives)		-	-
Liabilities included in disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**196,051,348**	**193,811,322**
Own funds	**21**	**12,701,647**	**12,421,199**
Capital		3,069,522	3,084,963
Paid up capital		3,069,522	3,084,963
Unpaid capital which has been called up		-	-
Memorandum item: Uncalled capital		-	-
Share premium		619,154	619,154
Equity instruments issued other than capital		-	-
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		-	-
Retained earnings		-	-
Revaluation reserves		-	-
Other reserves		8,500,365	7,980,060
(-) Treasury shares		(50,343)	(96,646)
Profit or loss		562,949	833,668
(-) Interim dividends		-	-
Accumulated other comprehensive income	**22**	**126,987**	**113,211**
Items that will not be reclassified to profit or loss		52,907	51,684
Actuarial gains or (-) losses on defined benefit pension plans		34,056	29,939
Non-current assets and disposal groups classified as held for sale		(9,453)	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		28,304	21,745
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		-	-
Items that may be reclassified to profit or loss		74,080	61,527
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		(113)	(292)
Hedging derivatives. Cash flow hedges [effective portion]		(8,006)	(2,299)
Fair value changes of debt instruments measured at fair value through other comprenhensive income		82,199	62,554
Hedging instruments [not designated elements]		-	-
Non-current assets and disposal groups classified as held for sale		-	1,564
TOTAL EQUITY		**12,828,634**	**12,534,410**
TOTAL EQUITY AND TOTAL LIABILITIES		**208,879,982**	**206,345,732**
MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS	**25.2**	**36,883,441**	**34,048,575**
Loan commitments given		23,394,354	21,070,128
Financial guarantees given		376,728	427,621
Contingent commitments given		13,112,359	12,550,826

The accompanying Notes 1 to 44 and Appendices I to XI are an integral part of the balance sheet at 31 December 2019.

(*) The balance sheet for 2018 is presented solely and exclusively for comparison purposes. See Note 1.5

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy. the Spanish-language version prevails

BANKIA, S.A.
Income statements for the years ended 31 December 2019 and 2018

(Thousands of euros)

	NOTE	2019	2018 (*)
Interest income	26	2,457,957	2,471,354
Financial assets at fair value through other comprehensive income		143,279	233,106
Financial assets at amortised cost		2,187,680	2,249,915
Other interest income		126,998	(11,667)
(Interest expenses)	27	(468,641)	(442,758)
(Expenses on share capital repayable on demand)		-	-
A) NET INTEREST INCOME		**1,989,316**	**2,028,596**
Dividend income	28	234,890	411,016
Fee and commission income	29	1,058,368	1,042,062
(Fee and commission expenses)	30	(82,539)	(78,090)
Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, net	31	288,776	399,874
Financial assets at amortised cost		71,247	1,539
Other financial assets and liabilities		217,529	398,335
Gains or (-) losses on financial assets and liabilities held for trading, net	31	26,466	48,036
Reclassification of financial assets out of measured at fair value through other comprehensive income category		-	-
Reclassification of financial assets out of measured at amortised cost		-	-
Other gains or (-) losses		26,466	48,036
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	31	905	(429)
Reclassification of financial assets out of measured at fair value through other comprehensive income category		-	-
Reclassification of financial assets out of measured at amortised cost		-	-
Other gains or (-) losses		905	(429)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or (-) losses from hedge accounting, net	31	(11,531)	(28,534)
Exchange differences [gain or (-) loss], net		15,455	14,735
Other operating income	32	55,302	57,101
(Other operating expenses)	33	(303,033)	(297,562)
Of which: Mandatory provisions to welfare fund (only savings banks and credit cooperatives)		-	-
B) GROSS INCOME		**3,272,375**	**3,596,805**
(Administrative expenses)		(1,596,289)	(1,659,474)
(Staff expenses)	34	(1,100,444)	(1,124,440)
(Other administrative expenses)	35	(495,845)	(535,034)
(Depreciation)	36	(199,677)	(172,485)
(Provisions or (-) reversal of provisions)	37	(21,658)	16,755
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	38	(457,260)	(429,581)
(Financial assets at fair value through other comprehensive income)		552	(971)
(Financial assets at amortised cost)		(457,812)	(428,610)
C) TOTAL OPERATING INCOME, NET		**997,491**	**1,352,020**
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	39	(95,276)	(160,522)
(Impairment or (-) reversal of impairment on non-financial assets)	40	(14,022)	(22,970)
(Tangible assets)		(14,022)	(22,970)
(Intangible assets)		-	-
(Other)		-	-
Gains or (-) losses on the derecognition in non-financial assets accounts and investments, net	41	(329)	1,271
Negative goodwill recognised in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	42	(117,552)	(133,583)
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**770,312**	**1,036,216**
(Tax expense or (-) income related to profit or loss from continuing operations)	24.3	(207,363)	(202,548)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**562,949**	**833,668**
Profit or (-) loss after tax from discontinued operations		-	-
F) PROFIT OR (-) LOSS FOR THE YEAR		**562,949**	**833,668**

The accompanying Notes 1 to 44 and Appendices I to XI are an integral part of the income statement at 2019.
(*) The income statement for 2018 is presented solely and exclusively for comparison purposes. See Note 1.5.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy. the Spanish-language version prevails

BANKIA, S.A.

Statements of recognised income and expense for the years ended 31 December 2019 and 2018

(Thousands of euros)

	2019	2018 (*)
Profit or (-) loss	**562,949**	**833,668**
Other comprehensive income	**13,776**	**(374,217)**
Items that will not be reclassified to profit or loss	**1,223**	**(12,870)**
Actuarial gains or (-) losses on defined benefit pension plans	5,881	(26,893)
Non-current assets and disposal groups held for sale	(13,504)	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	9,370	8,507
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
Amount of change in fair value of a financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability	-	-
Income tax relating to items that will not be reclassified	(524)	5,516
Items that may be reclassified to profit or loss	**12,553**	**(361,347)**
Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	256	603
Translation gains or (-) losses taken to equity	256	603
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	(8,153)	11,234
Valuation gains or (-) losses taken to equity	(8,153)	11,234
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments [not designated elements]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Fair value changes of debt securities measured at fair value through other comprehensive income	28,064	(534,931)
Valuation gains or (-) losses taken to equity	241,234	(136,578)
Transferred to profit or loss	(213,170)	(398,353)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	(2,234)	6,884
Valuation gains or (-) losses taken to equity	(2,234)	6,884
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	(5,380)	154,863
Total comprehensive income	**576,725**	**459,451**

The accompanying Notes 1 to 44 and Appendices I to XI are an integral part of the statement of recognised income and expense at 2019.
(*) The statement of recognised income and expenses for 2018 is presented solely and exclusively for comparison purposes. See Note 1.5.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A.

Statement of changes in equity for the year ended 31 December 2019

(Thousands of euros)

Sources of equity changes	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated Other Comprehensive Income	Total
Opening balance at 31 December 2018 [before the restatement]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,980,060**	**(96,646)**	**833,668**	**-**	**113,211**	**12,534,410**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,980,060**	**(96,646)**	**833,668**	**-**	**113,211**	**12,534,410**
Comprehensive accumulated income									562,949		13,776	**576,725**
Other changes in equity	(15,441)	-	**-**	**-**	-	-	**520,305**	**46,303**	**(833,668)**	-	-	**(282,501)**
Issuance of ordinary shares	-	-			-	-	-					-
Issuance of preference shares	-	-	-		-	-	-					-
Issuance of other equity instruments			-		-	-	-					-
Exercise or expiration of other equity instruments issued			-		-	-	-					-
Conversion of debt to equity	-	-	-	-	-		-	-				-
Capital reduction	(15,441)	-			-	-	(34,559)	50,000	-			-
Dividends	-	-	-	-	-	-	(353,515)	-		-		**(353,515)**
Purchase of treasury shares					-	-	-	(64,971)				**(64,971)**
Sale or cancellation of treasury shares					-	-	(12,143)	61,274				**49,131**
Reclassification of financial instruments from equity to liabilities	-	-	-	-								-
Reclassification of financial instruments from liabilities to equity	-	-	-	-								-
Transfers between components of equity			-	-	-	-	833,668		(833,668)	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share based payments	-	-		-				-				-
Other increases or (-) decreases in equity			-	-	-	-	86,854	-	-	-	-	**86,854**
Of which: discretionary provision to welfare funds (only savings banksand credit cooperatives)					-		-					-
Closing balance at 31 December 2019	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**8,500,365**	**(50,343)**	**562,949**	**-**	**126,987**	**12,828,634**

The accompanying Notes 1 to 44 and Appendices I to XI are an integral part of the statement of changes in equity in 2019.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy. the Spanish-language version prevails

BANKIA, S.A.

Statement of changes in equity for the year ended 31 December 2018 (*)

(Thousands of euros)

Sources of equity changes	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated Other Comprehensive Income	Total
Opening balance at 31 December 2017 [before the restatement]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,384,243**	**(79,837)**	**468,752**	**-**	**315,070**	**12,792,345**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies(**)	-	-	-	-	-	-	(487,047)	-	-	-	172,358	(314,689)
Opening balance [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,897,196**	**(79,837)**	**468,752**	**-**	**487,428**	**12,477,656**
Comprehensive accumulated income									833,668		(374,217)	**459,451**
Other changes in equity	-	-	**-**	**-**	-	-	**82,864**	**(16,809)**	**(468,752)**	-	-	**(402,697)**
Issuance of ordinary shares	-	-			-	-	-					-
Issuance of preference shares	-	-	-		-	-	-					-
Issuance of other equity instruments			-		-	-	-					-
Exercise or expiration of other equity instruments issued			-		-	-	-					-
Conversion of debt to equity	-	-	-	-	-		-	-				-
Capital reduction	-	-			-	-	-	-	-			-
Dividends	-	-	-	-	-	-	(338,015)	-		-		**(338,015)**
Purchase of treasury shares					-	-	-	(122,241)				**(122,241)**
Sale or cancellation of treasury shares					-	-	(6,429)	105,432				**99,003**
Reclassification of financial instruments from equity to liabilities	-	-	-	-								-
Reclassification of financial instruments from liabilities to equity	-	-	-	-								-
Transfers betweenh components of equity			-	-	-	-	468,752		(468,752)	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share based payments	-	-		-				-				-
Other increases or (-) decreases in equity			-	-	-	-	(41,444)	-	-	-	-	**(41,444)**
Of which: discretionary provision to welfare funds (only savings banksand credit cooperatives)					-		-					-
Closing balance at 31 December 2018	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,980,060**	**(96,646)**	**833,668**	**-**	**113,211**	**12,534,410**

(*) The statement of changes in equity for 2018 is presented solely and exclusively for comparison purposes. See Note 1.5

(**) First adoption of Circular 4/2017. See financial statements 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (see Notes 1.3 and 44). In the event of a discrepancy. the Spanish-language version prevails

BANKIA, S.A.

Statements of cash flows for the year ended 31 December 2019 and 2018

(Thousands of euros)

	2019	2018 (*)
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**7,161,341**	**2,635,201**
Profit/(loss)	**562,949**	**833,668**
Adjustments made to obtain the cash flows from operating activities	**808,001**	**689,483**
Depreciation and amortisation	199,677	172,485
Other	608,324	516,998
Net increase/(decrease) in operating assets	**4,695,113**	**5,096,622**
Financial assets held for trading	113,296	(751,396)
Non-trading financial assets mandatorily at fair value through profit or loss	(24,182)	(1,281)
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	3,894,113	8,242,065
Financial assets at amortised cost	489,404	(369,873)
Other operating assets	222,482	(2,022,893)
Net increase/(decrease) in operating liabilities	**952,528**	**(4,215,201)**
Financial liabilities held for trading	209,080	(221,348)
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,051,106	(4,338,308)
Other operating liabilities	(307,658)	344,455
Income tax proceeds/(payments)	**142,750**	**230,629**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**1,272,084**	**842,678**
Payments	**(260,838)**	**(485,480)**
Tangible assets	(63,794)	(16,528)
Intangible assets	(160,383)	(122,959)
Investments in subsidiaries, joint ventures and associates	(9,438)	(102,260)
Other business units	-	-
Non-current assets held for sale and associated liabilities	(27,223)	(243,733)
Other payments related to investing activities	-	-
Proceeds	**1,532,922**	**1,328,158**
Tangible assets	38,838	27,877
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	221,105	486,491
Other business units	-	-
Non-current assets held for sale and associated liabilities	1,272,979	813,790
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**38,776**	**(2,878,559)**
Payments	**(4,145,355)**	**(3,977,562)**
Dividends	(353,515)	(338,015)
Subordinated liabilities	(1,006,860)	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(64,971)	(122,241)
Other payments related to financing activities	(2,720,009)	(3,517,306)
Proceeds	**4,184,131**	**1,099,003**
Subordinated liabilities	1,000,000	500,000
Issuance of own equity instruments	-	-
Disposal of own equity instruments	49,131	99,003
Other proceeds related to financing activities	3,135,000	500,000
D) EFFECT OF EXCHANGE RATE DIFFERENCES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**8,472,201**	**599,320**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**4,354,390**	**3,755,070**
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**12,826,591**	**4,354,390**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	951,824	929,835
Cash equivalents at Central banks	11,672,642	3,309,614
Other financial assets	202,125	114,941
Less: Bank overdrafts refundable on demand	-	-

The accompanying Notes 1 to 44 and Appendices I to XI are an integral part of the balance sheet at 2019.

(*) The statement of cash flows for 2018 is presented solely and exclusively for comparison purposes (see Note 1.5).

BANKIA, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(1) Description of the Bank, incorporation of Bankia, reporting framework applied to draw up the financial statements and other information.

(1.1) Bankia description

Bankia, S.A. (hereinafter the "Bank", "Bankia" or the "Entity") is a financial institution incorporated under the name Altae Banco, S.A. (initially under code 0099 in the Bank of Spain's financial institution register) and on record with the companies register (Registro Mercantil). In the first half of 2011, the Bank was assigned code 2038 in the Bank of Spain's financial institutions register. As a credit institution, the Bank is subject to the supervision of the Bank of Spain. On 16 June 2011, Bankia changed its registered office to calle Pintor Sorolla, 8, Valencia. At 31 December 2019, the Bank's branch network comprised 2,275 branches. The company bylaws may be consulted, together with other relevant legal information, at its registered office and on its website (www.bankia.com).

Bankia's bylaws stipulate the activities it may engage in, which are those commonly carried on by credit institutions and, in particular, satisfy the requirements of Law 10/2014, of 26 June, on the Discipline and Intervention in Credit Institutions.

Bankia is the parent of a business group (the "Group" or "Bankia Group"). At 31 December 2019, the scope of consolidation of the Bankia Group encompassed 48 companies, including subsidiaries, associates and joint ventures. These companies engage in a range of activities, including, among others, insurance, asset management, financing, services and property management. Appendices I, II and III list the entities that form part of the scope of consolidation of the Bankia Group at 31 December 2019 (subsidiaries, Joint Ventures and associates over which Bankia, directly or indirectly, exercises significant influence, distinguishing those classified under "Non-current assets held for sale"), and specifying the percentage of voting rights controlled by Bankia in each company.

Bankia's main shareholder is BFA, Tenedora de Acciones, S.A.U., (hereinafter "BFA") which at 31 December 2019 held shares representing 61.80% of its share capital (62.25% including the impact of treasury shares). Therefore, in addition to the operations it carries out directly, Bankia is a subsidiary of the BFA, Tenedora de Acciones Group.

The Bankia's financial statements for the year 2019 were authorised for issue by Bankia's directors at the Board meeting held on 21 February 2020. The financial statements are pending approval by the General Meeting of Shareholders of Bankia. However, the Bank's Board of Directors considers that these financial statements will be approved without any material changes. Bankia's financial statements for 2018 were approved by the shareholders at the general meeting held on 22 March 2019.

In addition to the separate financial statements, Bankia's Board of Directors also prepared the consolidated financial statements of the Bankia Group for the year ended 31 December 2019, in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(1.2) Incorporation of the Bank

The Bank was founded in July 2010 when seven savings banks –Caja Madrid, Bancaja, Caja Canarias, Caja Ávila, Caixa Laietana, Caja Segovia and Caja Rioja– combined into an Institutional Protection Scheme (IPS). Under those initials, the new merged group integrated its organisaction and management, acting as a single entity for accounting and regulatory purposes. BFA was created in December 2010 and under it Bankia was later created, formed by the merger of those seven savings banks.

In 2012, several capital management actions were carried out and public aid was received, after which the Fund for Orderly Bank Restructuring (FROB) became BFA's sole shareholder. On 28 November 2012, the BFA-Bankia Group's Restructuring Plan was also approved by the European Commission, the Bank of Spain and the FROB for the 2012-2017 period. As at 31 December 2017, the Group completed the measures and commitments set out in the Restructuring Plan.

In December 2017, Bankia carried out the merger by absorption of Banco Mare Nostrum, S.A. ("BMN"), which was the result of the 2010 merger of four savings banks –Cajamurcia, Cajagranada, Sa Nostra and Caixa Penedès. Its sole shareholder was the FROB following the capital management measures carried out and the public aid received in 2012 and 2013 under the framework of its Restructuring Plan approved by the European Commission, the Bank of Spain and the FROB in December 2012.

Royal Decree-Law 4/2016, of 2 December, on urgent measures on financial matters, extended the period for the FROB to dispose of its stake in Bankia from five to seven years. It also provided for the possibility of further extensions subject to approval by the Council of Ministers. On 21 December 2018, the Council of Ministers approve a further 2-year extension of the sale period for Bankia's privatisation to December 2021. The aim is to make more efficient use of public funds, maximising the recovery of the public aid given and allowing the FROB to exercise a divestment strategy that is more flexible in finding the right conditions in capital markets.

On 25 January 2019, the FROB, BFA and Bankia publicly announced an agreement regarding the management of the FROB's indirect holding, through BFA Tenedora de Acciones S.A.U, in Bankia, S.A. Under prevailing legislation, this management is designed to favour the recovery of the public aid, ensuring maximum efficiency in the use of public funds and safeguarding the stability of the financial system.

With all the banks receiving public aid from the FROB having completed their restructuring and resolution plans and with the FROB having sold all its public holdings, except in the BFA-Bankia Group, the FROB's policy was updated (article 54.7 of Law 11/2015). The update lends continuity to the way the stake in the BFA-Bankia Group was being managed; i.e. based on responsible monitoring and reporting on the investment; non-intervention in the administration of the credit institution, allowing the administrators to operate with independence; and promoting best practices in the securities market.

(1.3) Reporting framework applied to draw up the financial statements

Bankia's financial statements for the year ended 31 December 2019 are presented in accordance with the provisions of Bank of Spain Circular 4/2017, of 27 November, on public and confidential financial reporting rules and formats for credit institutions ("Circular 4/2017") and subsequent amendments thereto, which implement and adapt to Spanish credit institutions the International Financial Reporting Standards approved for the European Union (IFRS-EU), in accordance with Regulation (EC) Nº 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The other general Spanish business and accounting standards and other applicable Bank of Spain Circulars and standards were also used in the preparation of these financial statements, including, where appropriate, the disclosures required by these standards in these notes to the financial statements.

The Bank's financial statements for 2019 were prepared taking into account all accounting principles and standards and mandatory measurement criteria applicable in order to give a true and fair view, in all material respects, of the equity and financial position of Bankia, S.A at 31 December 2019 and of the results of its operations and cash flows during the financial year then ended, pursuant to the aforementioned financial information reporting framework, and in particular to the accounting principles and criteria herein.

The main accounting policies and measurement bases applied in preparing the Bank's financial statements for 2019 are summarised in Note 2.

Main regulatory changes during the period from 1 January to 31 December 2019

Main changes in regulations effective from 1 January 2019

On 28 December 2018, Bank of Spain Circular 2/2018, of 21 December, amending Circular 4/2017, of 27 November, on public and confidential financial reporting rules and formats for credit institutions, and Circular 1/2013, of 24 May, on the Risk Information Centre (Circular 2/2018).

The main purpose of this Circular is to adapt the accounting framework for Spanish credit institutions to the changes in European accounting regulations arising from the adoption of IFRS 16 which, as of 1 January 2019, modifies the lease accounting requirements for lessees.

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting is substantially unchanged from accounting under the previous standard with the dual model, distinguishing between finance and operating leases.

For lessees, Circular 2/2018 eliminates the dual accounting model and develops a single model whereby the lessee is required to recognise most leases on the balance sheet similar to the accounting for finance leases under the previous standard. At the commencement date of the lease, the lessee recognises a liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset during the lease term. Lessees are required to recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The standard includes two recognition exemptions for leases: short-term leases or leases for which the underlying asset is of low value.

Under Circular 2/2018, lessees are also required to remeasure the lease liability to reflect changes in lease payments from the commencement upon the occurrence of certain events (e.g. a change in the lease term, or a change in an index used to update those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

<u>First implementation by the Bank</u>

The Bank has chosen to apply Circular 2/2018 to lease contracts in which it is the lessee retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of reserves at the date of initial application, electing the option under the standard not to restate comparative information.

Accordingly, for leases previously classified as finance leases under the previous standard, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are the same, respectively, as the carrying amounts of the lease asset and lease liability at 31 December 2018 measured applying the previous standard. Subsequently, the right-of-use asset and the lease liability are accounted for under the new requirements for leases introduced by Circular 2/2018.

For leases previously classified as operating leases under the previous standard, from 1 January 2019 the lessee have recognised:

- A lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at that date.

- A right-of-use asset, measured at an amount equal to the lease liability recognised as described in the preceding paragraph, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 31 December 2018.

The Bank will also apply the standard to contracts identified as containing a lease and will apply the exemptions for short-term leases or leases for which the underlying asset is of low value.

The impact of Circular 2/2018 first application to 1 January 2019 has resulted in the increase of the heading "Financial liabilities at amortised cost – Other financial liabilities" (Note 18) by approximately EUR 616 million, as well as the heading "Tangible assets – Property, plant and equipment", (Note 14.1), in the same amount. In addition, income and expenses from tangible assets acquired under a lease amounted EUR 61,597 thousand and EUR 12,810 thousand, recognised in “Depreciation” and “Interest expenses”, respectively, in the consolidated income statement for the year ended 31 December 2019 (see Notes 14 and 27).

As indicated above, in accordance with the transitional arrangements contained in Circular 2/2018, the Bank has chosen not to re-express comparative information, so that the principles, accounting policies and valuation criteria set out in the Note 2 of the Bankia S.A. audited annual accounts for the year ended 31 December 2018, are applicable to comparative information contained in these financial statements.

(1.4) Responsibility for the information and estimates made

The information in these financial statements is the responsibility of Bankia’s directors.

In the Bank’s financial statements for the year ended 31 December 2019, estimates were made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported therein. These estimates relate basically to the following:

- The fair value of certain financial and non-financial assets and liabilities (see Notes 2.2 and 2.19).
- Impairment losses and level classification on certain financial assets, considering the value of the collateral received and non-financial assets (mainly property) as well as contingent liabilities (see Notes 2.9, 2.15, 2.16, 2.17 and 2.19).
- The classification of the financial assets as part of the assessment to determine whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (see Note 2.2.4).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term commitments (see Note 2.13).
- Estimate of the recoverable amount and of the cost to sell of non-current assets held for sale, investment property and inventories based on their nature, state of use and purpose for which they are intended, acquired by the Bank as payment of debts, regardless of the format pursuant to which they were reqired. (see Notes 2.15, 2.17 and 2.20).
- The recoverability of recognised deferred tax assets (see Note 2.14 and Note 24).
- The useful life, right of use value and recoverable value of tangible and intangible assets (see Notes 2.15 and 2.16).
- The assumptions used to quantify certain provisions and the probability of occurrence of certain losses to which the Bank is exposed due to its activity (see Notes 2.18 and 19).

Although these estimates were made on the basis of the best information available at 31 December 2019 and at the date of preparation of these financial statements on the events analysed, future events may make it necessary to change these estimates (upwards or downwards). Any changes to accounting estimates would be applied prospectively in accordance with the applicable standards, recognising the effects of the change in estimates in the related income statement in the future.

(1.5) Comparative information

As required by current law, the information contained in these financial statements relating to 31 December 2018 is presented exclusively for the purposes of information for the year ended 31 December 2019 and therefore do not constitute the financial statements for the year ended 31 December 2018.

As explained in Note 1.3, Circular 2/2018 became effective for annual periods beginning on or after 1 January. The Bank elected apply this standard to leases in which it is lessee retrospectively, recognising the cumulative effective of initially applying the standard as an adjustment to the opening balance of reserves at the date of initial application, as permitted in the standard. This should be considered when comparing information as at 31 December 2018 with the information contained in the financial statements for the year ended 31 December 2019.

(1.6) Agency agreements

A list at 31 December 2019 of the Bank’s agents which meet the conditions established in Article 21 of Royal Decree 84/2015, of 13 February, is provided in Appendix X, attached.

(1.7) Investments in the capital of credit institutions

The Bank's ownership interests of 5% or more in the capital or voting rights of other Spanish or foreign credit institutions at 31 December 2019 are listed in Appendices I, II and III.

The breakdown of ownership interests of more than 5% held by non-Group Spanish or foreign credit institutions in the share capital or voting rights of credit institutions forming part of the Bankia Group at 31 December 2019 and 2018 is as follows:

Shareholding institution	Investee	Ownership interest
Banco Popular de Ahorro de Cuba	Corporación Financiera Habana, S.A., en Liquidación	40.00%

(1.8) Environmental impact

In view of the business activities carried on by the Bank (see Note 1.1), it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Bank's equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

(1.9) Minimum reserve ratio

At 31 December 2019, Bankia complied with the minimum reserve ratio required by applicable Spanish legislation.

(1.10) Deposit Guarantee Fund and Single Resolution Fund

The Bank is a member of the Credit Institution Deposit Guarantee Fund (hereafter "DGF") created by Royal Decree-Law 16/2011, of 14 October, whose purpose is to guarantee deposits in cash, securities or other financial instruments at credit limitations, up to a maximum of EUR 100,000 for cash deposits or, for deposits made in another currency, the equivalent amount applying the appropriate exchange rates, and of EUR 100,000 for investors entrusting a credit institution with securities or other financial instruments. These two guarantees by the Fund are different and mutually compatible.

The Management Committee of the DGF determined the annual contribution to be made at 1.8 per thousand of the calculation basis for the part relating to the guarantee of deposits which, added to the 2 per thousand for the part relating to the guarantee of securities, left an accrued amount at 31 December 2019 of EUR 167,261 thousand (EUR 160,384 thousand in 2018), recognised under "Other operating expenses" in the accompanying income statement (see Note 33).

At 30 July 2012, the Management Committee of the Deposit Guarantee Fund of Credit Institutions (FGDEC for its initials in Spanish) agreed to recognise a shortfall among the members, payable by each through 10 equal annual instalments to be settled on the same day as the members must make their ordinary annual contributions over the next 10 years. The instalment paid at each date by the member may be deducted from the member's annual contribution payable on the same date, as appropriate, up to the amount of this ordinary contribution. In this respect, at 31 December 2019 and 31 de December 2018, the Entity recognised a financial liability equal to the present value of the payment commitments assumed and to be settled in the coming years for an amount of EUR 99,919 thousand, and EUR 125,681 thousand and an asset account for the same amount to recognise accrual of the payment in the income statement over the entire settlement period.

Meanwhile, Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms requires Member states to, among other measures, to make financial arrangements to ensure the effective application by the resolution authority of its powers. With the entry into force on 1 January 2016 of Regulation (EU) No 806/2014 of the European Parliament and of the Council, of 15 July 2014, the Single Resolution Board replaced the national resolution authorities and assumed management of the resolution financing arrangements of the credit institutions and certain investment firms under the Single Resolution Fund (SRF) as a key element of the Single Resolution Mechanism (SRM) established with Directive 2014/59/EU. The first ex-ante contributions made by institutions to SRF were for the 2016 contribution period.

In 2019, Bankia made a contribution to the SRF of EUR 75,062 thousand (EUR 71,566 thousand in 2018), using EUR 11,260 thousand of irrevocable payment commitments (EUR 10,735 thousand in 2018), recognising the cash collateral under "Loans and advances" and the remaining EUR 63,802 thousand (EUR 60,831 thousand in 2018) under "Other operating expenses" in the accompanying income statement.

(1.11) Events after the reporting period

On 23 January 2020, Bankia, S.A. signed a contract to sell its stake in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser") to a third party. The price of the sale is estimated at around EUR 166 million, excluding the impact of Caser's treasury shares. The sale is expected to have a positive impact on the Group's capital (total solvency) of 12 basis points. The transaction is subject to compliance with certain conditions precedent, such as obtaining the appropriate regulatory and competition authority authorisations (see Note 1.15).

No other significant events occurred between 31 December 2019 and the date of authorisation for issue of the accompanying financial statements other than those included in this note or other notes to the financial statements.

(1.12) Customer care service

The Board of Directors of Bankia, S.A. approved the "Customer Protection Regulations of Bankia, S.A. and its Group. Among other aspects, the Regulations stipulate that the Bankia, S.A. Customer Care Service must handle and resolve any complaints or claims submitted by those in receipt of financial services from all BFA Group financial companies – one of which is the Bank – covered by the scope of the service (Bankia, S.A. and Group entities subject to Order ECO/734/2004 of 11 March governing Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions).

Information on the activities of Bankia, S.A.'s Customer Care Service at 31 December 2019 and 2018, as required under Ministerial Order ECO/734/2004, is included in Appendix XI attached hereto.

(1.13) Information on deferred payments to suppliers. Third additional provision. "Disclosure requirement" in Law 15/2010 of 5 July

Information on the average period of payment to suppliers in commercial transactions at 31 December 2019 and 2018, as required under Law 15/2010, of 5 July, is included in Appendix XI attached hereto.

(1.14) Segment reporting and distribution of revenue from ordinary Bank activities, by categories of activities and geographic markets

Segment reporting is carried out on the basis of internal control, monitoring and management of the Bankia's activity and results, and developed in accordance with the various areas of business established with regard to the Bank's structure and organisation. The Board of Directors is the highest operational decision-making body of each business.

Business segments are defined bearing in mind the inherent risks and management characteristics of each. For the purposes of business segment reporting of activities and income, the core business units for which accounting and management figures are available are taken as a reference. The same general principles are applied as those used in Bank management information, and the measurement, valuation bases and accounting principles applied are basically the same as those used to prepare the financial statements, with no asymmetric allocations.

The itemised segments on which the information in these financial statements is presented at 31 December 2019 and 2018 refer to the following business areas:

- Retail Banking
- Business Banking
- Corporate Center

Retail Banking includes retail banking with legal and natural persons (with annual income of less than EUR 6 million, included Private Banking and Asset Management), also Bank Insurance Direction distributed through a large multi-channel network in Spain and operating a customer oriented business model.

Business Banking targets legal entities with annual income higher than EUR 6 million, and activity in Capital Markets (trading in derivatives, financial advisory, loan and special finance origination, fixed income origination and trading, and distribution of fixed income products to the network) and has teams of business development specialists (e.g. foreign trade, products and services, business intelligence and sustainable finance). Other customers, legal entities or self-employed professionals with income below this figure fall into the Retail Banking category.

Finally, the Corporate Centre deals with any areas other than those already mentioned, including companies. As well as "Non-current assets held for sale".

Once the composition of each business segment is defined, the following management criteria are applied to determine segment results:

– Internal transfer prices: An internal transfer price, cost or return, as appropriate, which replicates the market interest rates for the term of the various transactions, is applied to average balances of Private Banking and Business Banking positions. The 1-month Euribor rate is applied to average balances of Corporate Centre positions and to the average balances of the Capital Markets.

– Cost allocations: direct and indirect costs, according to the activity carried out, are allocated to the different segments.

Geographical segment reporting regarding interest and similar income for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Domestic market	2,457,957	2,471,354
Export:	-	-
European Union	-	-
Other OECD countries	-	-
Other countries	-	-
Total	**2,457,957**	**2,471,354**

The table below shows the Bank ordinary income by geographic areas for the years ended 31 December 2019 and 2018:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Domestic market	4,111,133	4,400,480
Export:	-	-
European Union	-	-
Other OECD countries	-	-
Other countries	-	-
Total	**4,111,133**	**4,400,480**

The table below shows the Bank's ordinary income by business segments for the year ended 31 December 2019 and 2018:

31 December 2019:

(Thousands of euros)				
ITEM	Retail Banking	Business Banking	Corporate Centre	Bank
External customers	2,076,769	698,211	1,336,153	4,111,133
Inter-segment transactions	(49,770)	(87,732)	137,502	-
Total ordinary income (2)	**2,026,999**	**610,479**	**1,473,655**	**4,111,133**

31 December 2018(1):

(Thousands of euros)				
ITEM	Retail Banking	Business Banking	Corporate Centre	Bank
External customers	2,077,558	698,952	1,623,970	4,400,480
Inter-segment transactions	(180,676)	(111,674)	292,350	-
Total ordinary income (2)	**1,896,882**	**587,278**	**1,916,320**	**4,400,480**

(1) Comparative information for 2018 includes reclassifications among segments from the information included in the financial statements for the 2018 to make them consistent with the criteria applied in 2019.

(2) In the table above, "Ordinary income" is understood as the balances under "Interest income", "Dividend income", "Fee and commission income", "Gains or (-) losses on financial assets and liabilities not measured at fair value through profit or loss, net", "Gains or (-) losses on financial assets and liabilities held for trading, net", "Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net", "Gains or (-) losses from hedge accounting, net" and "Other operating income" in the accompanying income statement for period ended 31 December 2018, which can be regarded as comparable to the Bank's revenue from ordinary business.

No external customer individually represents 10% or more of the Bank's ordinary income.

Segment results for the year ended 31 December 2019 and 2018 are as follows:

31 December 2019:

(Thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Bank
NET INTEREST INCOME	**1,283,839**	**398,767**	**306,710**	**1,989,316**
Dividend income	-	185	234,705	234,890
Net fees and commissions	870,037	178,752	(72,960)	975,829
+/- Gains and losses on financial assets and liabilities and exchange differences	524	40,398	279,149	320,071
+/- Other operating income and other operating expenses	(158,800)	(8,469)	(80,462)	(247,731)
GROSS INCOME	**1,995,600**	**609,633**	**667,142**	**3,272,375**
Administrative expenses	(934,499)	(61,675)	(600,115)	(1,596,289)
Depreciation	(91,778)	(1,840)	(106,059)	(199,677)
OPERATING INCOME BEFORE PROVISIONS	**969,323**	**546,118**	**(39,032)**	**1,476,409**
Provisions or (-) reversal of provisions	(3,523)	55,137	(73,272)	(21,658)
Impairments or (-) reversal of impairment of financial assets not at fair value through profit or loss	(287,760)	102,176	(271,676)	(457,260)
Impairment losses on other assets (net) and other gains and losses	(193)	-	(226,986)	(227,179)
PROFIT/(LOSS) BEFORE TAX	**677,847**	**703,431**	**(610,966)**	**770,312**

31 December 2018 (1):

(Thousands of euros)

ITEM (1)	Retail Banking	Business Banking	Corporate Centre	Bank
NET INTEREST INCOME	**1,140,778**	**389,748**	**498,070**	**2,028,596**
Dividend income	-	104	410,912	411,016
Net fees and commissions	863,036	156,760	(55,824)	963,972
+/- Gains and losses on financial assets and liabilities and exchange differences	273	46,615	386,794	433,682
+/- Other operating income and other operating expenses	(148,112)	(7,697)	(84,652)	(240,461)
GROSS INCOME	**1,855,975**	**585,530**	**1,155,300**	**3,596,805**
Administrative expenses	(964,966)	(59,822)	(634,686)	(1,659,474)
Depreciation	(61,207)	(1,226)	(110,052)	(172,485)
OPERATING INCOME BEFORE PROVISIONS	**829,802**	**524,482**	**410,562**	**1,764,846**
Provisions or (-) reversal of provisions	(11,963)	56,202	(27,484)	16,755
Impairments or (-) reversal of impairment of financial assets not at fair value through profit or loss	(251,128)	74,368	(252,821)	(429,581)
Impairment losses on other assets (net) and other gains and losses	59	(7)	(315,856)	(315,804)
PROFIT/(LOSS) BEFORE TAX	**566,770**	**655,045**	**(185,599)**	**1,036,216**

(1) Comparative information for 2018 includes reclassifications among segments from the information included in the financial statements for the 2018 to make them consistent with the criteria applied in 2019.

Segment assets and liabilities at 31 December 2019 are as follows:

(Thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Bank
Financial assets at amortised cost - Loans and receivables - Loans and advances – Customers	80,485,273	32,314,690	4,749,472	117,549,435
Other assets	27,275,570	13,940,844	50,114,133	91,330,547
Total assets	**107,760,843**	**46,255,534**	**54,863,605**	**208,879,982**
Financial liabilities at amortised cost - Deposit – Customers	102,368,845	11,172,148	13,587,683	127,128,676
Net inter-segment financing	-	-	-	-
Other liabilities	5,391,998	35,083,386	28,447,288	68,922,672
Total liabilities	**107,760,843**	**46,255,534**	**42,034,971**	**196,051,348**

Segment assets and liabilities at 31 December 2018 [(1)] are as follows:

(Thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Bank
Financial assets at amortised cost -Loans and receivables - Loans and advances – Customers	84,127,060	28,740,947	5,586,113	118,454,120
Other assets	22,619,691	11,017,219	54,254,702	87,891,612
Total assets	**106,746,751**	**39,758,166**	**59,840,815**	**206,345,732**
Financial liabilities at amortised cost - Deposit – Customers	101,631,615	11,584,254	16,868,782	130,084,651
Net inter-segment financing	-	-	-	-
Other liabilities	5,115,136	28,173,912	30,437,623	63,726,671
Total liabilities	**106,746,751**	**39,758,166**	**47,306,405**	**193,811,322**

(1) Comparative information for 2018 includes reclassifications among segments from the information included in the financial statements for the 2018 to make them consistent with the criteria applied in 2019.

(1.15) Changes in the Groups´s composition

Merger between Bankia, S.A. and Bankia Inversiones Financieras, S.A.U.

On 18 November 2019, once all the administrative authorisations were secured, the deed of the merger by absorption between Bankia, S.A., as the absorbing company, and Bankia Inversiones Financieras, S.A.U, as the absorbed company, was executed. Bankia, S.A. was Bankia Inversiones Financieras, S.A.U.'s sole shareholder.

As the absorbed company was a single member company, the special procedure for the absorption of wholly owned subsidiaries provided for in article 49.1 of Law 3/2009, of 3 April, on structural modifications of business corporations, was implemented. Accordingly, the companies' management bodies did not prepare the Directors Report and there was no Independent Expert Report. A capital increase was not required and no exchange ratio was determined. Also applied was the special regime provided in article 51.1 of that law whereby approval from shareholders of the absorbed company in general meeting was not required since the absorption was instrumented in the Common Terms of Merger drawn up by the companies' respective boards and, in the case of absorbing company, posted on its corporate website, and in the case of the absorbed company, published in the Official State Gazette, BORME.

The merger balance sheets were the balance sheets as at 31 December 2018 included in the audited annual financial statements for 2018 of the two entities, closed within six months of the date of the Terms of Merger and approved at the Annual General Meeting of the absorbing company and the sole shareholder of the absorbed company (see Appendix XI). The date of the merger for accounting purposes is 1 January 2019. From that date, the operations of the absorbed company are considered to be carried out by the absorbing company. The merger resulted in an increase in equity of EUR 143 million, recognised in "Other reserves" of the accompanying balance sheet.

The merger is subject to the special tax regime provided for in Chapter VII of Title VII of Law 27/2014, of 27 November, on corporate income tax.

Other transactions

During 2019, the merger by absorption of BMN Mediación, Operador de Banca Seguros Vinculado, S.L.U. (absorbed company) by Bankia Mediación, Operador de Banca Seguros Vinculado, S.A.U. (absorbing company) was carried out.

During 2019, the Group's 49% stakes in Caja Granada Vida Compañía de Seguros y Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A. were reclassified to "Investments in joint ventures and associates – Associates" from "Non-current assets and disposal groups classified as held for sale" as at 31 December 2018. This did not have a significant impact on the Bank's equity following the completion of the sale in 2019 of the remaining 51% stakes (see Note 13.2).

Gramina Homes, S.L. was incorporated in 2019, with the Group holding a 20% interest in its share capital at 31 December 2019 (see Notes 13.3 and 17.5.1).

On 31 December 2019, the stake in Caser, which until then had been considered an associate and accounted for using the equity method, was reclassified to "Non-current assets and disposal groups classified as held for sale". This did not have a significant impact on the Bank's equity (see Notes 1.11, 13.3 and 17.4).

There were no significant changes in the Group's composition or scope of consolidation in 2019 other than those already described.

(2) Principles, accounting policies and measurement bases appliedA summary of the main accounting policies and measurement bases applied to prepare Bankia's financial statements for the year ended 31 December 2019 is as follows:

(2.1) Business combinations, and investments in subsidiaries, joint ventures and associates

(2.1.1) Business combinations

A business combination is a transaction or other event in which an acquirer gains control of one or more businesses. For these purposes, an entity controls another when it has the power to govern its financial and operating policies, under a statue or an agreement, so as to obtain benefits from its activities.

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

In particular, the acquisition of control over an entity is considered a business combination.

The business combinations through which the Bank acquires control of an entity or economic unit are recognised for accounting purposes using the acquisition method, the main phases of which are summarised as follows:

- Identify the acquirer
- Determine the acquisition date
- Recognise and measure the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Other than the exceptions mentioned in Circular 4/2017, in general, the identified assets, liabilities and contingent liabilities of the entity or business acquired are measured at fair value when control is acquired.
- Recognise and measure goodwill or the gain from a bargain purchase in the income statement comparing the price paid in the business combination and the initial value of the identifiable assets, liabilities and contingent liabilities of the acquired business.

In those situations in which the Bank obtains control of an acquiree in which it holds equity interest immediately prior to the acquisition date (a business combination achieved in stages), its equity interests in the acquire, previously held at fair value at the acquisition date, are remeasured and the resulting gains or losses, if any, are recognised in the income statement.

In the case of business combinations carried out without transferring consideration, such as business combinations achieved by contract alone, the Bank recognises, where applicable, the amount of the net assets and liabilities of the acquiree applying the policies and bases contained in Circular 4/2017 (in general and with the exceptions established in Circular 4/2017) at fair value in the Bank's equity, such that any goodwill or gains arising from the purchase are not recognised in business combinations of this type.

(2.1.2) Subsidiaries, Joint ventures and associates

(2.1.2.1) Subsidiaries

Subsidiaries are companies over which the Bank has control. Control over an investee is understood as the exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of investor returns.

Consideration as subsidiaries requires:

- Power: An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities; i.e. the activities that significantly affect the investee's returns;
- Returns: An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.
- Link between power and returns: An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

Appendix I contains significant information on these entities.

Investments in Bank entities are shown in these financial statements under "Investments in subsidiaries, Joint Ventures and associates" in the balance sheet and measured at cost less any impairment losses (see Note 13), except those of subsidiaries classified as non-current assets held for sale, which are recognised and measured as described in Note 2.19.

Dividends accrued in the year on these investments are recognised under “Dividend income" in the income statement.

At 31 December 2019, there were no major restrictions on the transfer of funds from subsidiaries to the parent, either as dividends or repayment of loans or advances.

(2.1.2.2) Joint ventures

These are entities over which there is contractually agreed sharing of control. A joint arrangement is a contractual agreement giving two or more entities, or "parties", control of an activity subject to joint control. In a joint arrangement, no party has control over the arrangement, but rather control is shared with the other parties, which implies, contractually, that decisions about the relevant activities require the unanimous consent of the parties that share control. There are different types of joint arrangements, but they can be grouped as follows:

- A joint operation, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. It may be structured through a separate vehicle or not. In the financial statements, the party to joint operations recognises, according to their nature and in accordance with applicable framework:
    - its assets, including its share of the joint ventures assets;
    - its liabilities, including its share of any liability incurred jointly;
    - its revenue from the sale of its share of the output arising from joint operations;
    - its share of the revenue from the sale of the output by the joint operations; and
    - its expenses, including its share of any expenses incurred jointly.
- Joint venture (jointly-controlled entities), in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures must necessarily be structured in a separate vehicle. A party to a joint venture must recognise its interest in the joint venture as an investment and account for this investment in its separate financial statements using the equity method, net of any impairment of the investments.

Investments in joint ventures entities is showed in the part “Investments in subsidiaries, joint ventures and associates – Joint ventures” of the balance sheet in the Financial statements for the year, is was valued by the part that mencioned before, (see Note 13), except which were classified as Non-current assets held for sale, which was valued in the Note 2.19.

Dividends accrued in the year on these investments are recognised under “Dividends income" in the income statement.

Appendices II and III contain significant information on these companies.

(2.1.2.3) Associates

“Associates” are entities over which the Bank has significant influence, but not control or joint control.

The influence is usually evidenced by a direct or indirect holding of 20% or more of the investee's voting rights.

Investments in associates are shown under "Investments in subsidiaries, joint ventures and associates - Associates" on the balance sheet, and are measured at cost less any impairment losses (see Note 13), except for those classified as "Non-current assets held for sale", which are recognised and measured as explained in Note 2.19.

Dividends accrued in the year on these investments are recognised under “Dividends income” in the income statement.

Relevant information on associates is provided in Appendix II and III.

At 31 December 2019, the Bank's investments in entities in which it holds an equity interest of over 20% that have not been classified as investments in associates on its balance sheet are immaterial and relate primarily to entities under the management of a bankruptcy administrator.

(2.2) Financial instruments:

(2.2.1) Initial recognition of financial instruments

Financial instruments are initially recognised on the balance sheet when the Bank becomes a party to the contract in accordance with the provisions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognised from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognised from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognised on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the currency market and equity instruments traded in Spanish secondary securities markets are recognised on the trade date, and debt instruments traded in these markets are recognised on the settlement date.

(2.2.2) Derecognition of financial instruments

A financial asset is derecognised when one or some of these following conditions happens:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards or, although these are not substantially transferred or retained, it transfers control over the financial asset (see Note 2.7).

Financial liabilities are derecognised from the balance sheet when the obligations are extinguished or when they are repurchased by the Bank with the intention either to resell them or to cancel them.

(2.2.3) Fair value and amortised cost of financial instruments

The fair value of a financial instrument on a specific date is the amount at which it could be delivered or settled on that date between knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

Bankia measures daily all the positions that must be recognised at fair value based either on available market prices for the same instrument, or on valuation techniques supported by observable market inputs or, if appropriate, on the best available information, using assumptions that market agents would apply to measure the asset or liability assuming they are acting in its best interest.

Note 23 provides information on the fair value of the Bank's main assets and liabilities at 31 December 2019 and 2018.

Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and interest payments and the cumulative amortisation (as reflected in the income statement) using the effective interest method) of any difference between the initial cost and the maturity amount of the financial instruments. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to the present value of all its estimated cash flows of all kinds over its remaining life, but disregarding future credit losses. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, for the fees and transaction costs that, pursuant to Circular 4/2017, must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined in a similar fashion to fixed rate transactions and is recalculated on the date of every revision of the contractual interest rate of the transaction, taking into account any changes in the future cash flows.

(2.2.4) Classification and measurement of financial assets and liabilities

Financial instruments are classified in the Bank's balance sheet as follows:

- **Financial assets at amortised cost:** financial assets classified in this category present contractual terms that result in cash flows that are solely payments of principal and interest on the principal amount outstanding and are managed within a business model whose objective is to hold assets to collect their contractual cash flows.

  This category includes debt securities, financing granted to third parties in connection with ordinary lending activities carried out by Bank companies and receivables from purchasers of their goods and users of their services, provided the assets are managed within a business model of holding the financial assets in order to collect their contractual cash flows and the cash flows are solely payments of principal and interest on the principal amount outstanding. It also includes finance lease transactions in which the Bank act as the lessor.

  The financial assets included in this category are initially measured at fair value adjusted by the amount of transactions costs that are directly attributable to the acquisition of the financial asset, which are allocated to the income statement using the effective interest method through maturity. Unless there is evidence to the contrary, the fair value at initial recognition is the transaction price; i.e. the fair value of the consideration given.

  As an exception to the preceding paragraph, trade receivables that do not contain a significant financing component are measured initially at their transaction price. In addition, trade receivables that have a significant financing component with an original maturity of less than one year may be recognised initially at their transaction price.

  Assets acquired at a discount are measured at the cash amount paid and the difference between their repayment value and the amount paid is recognised as finance income using the effective interest method during the remaining term to maturity.

  Subsequently, all financial assets included in this category are measured at their amortised cost, calculated using their effective interest rate.

The interest accrued on these assets from their initial recognition, calculated using the effective interest method, and is recognised under "Interest income" in the income statement. Exchange differences on securities included in this portfolio denominated in currencies other than the euro are recorded as according with Note 2.4. Any impairment losses on these assets is recognised Note 2.9. Debt securities included in fair value hedges are recognised according with Note 2.3.

- **Financial assets at fair value through other comprehensive income:** this category includes debt securities whose contractual terms result in cash flows that are solely payments of principal and interest on the principal amount outstanding, are managed within a business model whose objective is to hold assets to collect their contractual cash flows, and give rise to cash flows from the sale of those assets.

  It also includes equity instruments that are not related to subsidiaries, joint ventures or associates, voluntarily and irrevocably designated initially in this category and that shall not be classified as held for trading.

  The instruments included in this category are initially measured at fair value adjusted by the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognised, through maturity, in the income statement by the effective interest method, except for those of financial assets with no fixed maturity, which are recognised in the income statement when these assets become impaired or are derecognised.

  After acquisition, the financial assets included in this category are measured at fair value.

  Changes in the fair value of financial assets classified as at fair value through other comprehensive income are recognised with a balance entry in "Accumulated other comprehensive income" in the balance sheet until the financial asset is derecognised, in the case of debt instruments, and in an item of reserves, in the case of investments in equity instruments. Any impairment losses on these instruments are recognised as set out in this Note. Exchange differences on financial assets denominated in currencies other than the euro are recorded as according with Note 2.4. Changes in the fair value of financial assets hedged in fair value hedges are recognised as explained in Note 2.3.

  The interest accrued on debt instruments calculated using the effective interest method is recognised under "Interest income" in the income statement. Dividends accrued on equity instruments classified in this category are recognised under "Dividend income" in the income statement.

- **Financial assets and financial liabilities mandatorily measured at fair value through profit or loss:** this category includes financial instruments classified as held for trading and non-trading financial assets mandatorily measured at fair value through profit or loss:

  - **Financial assets held for trading:** those acquired with the aim of selling them in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives that have not been designated as hedging instruments, including those separated from hybrid financial liabilities.

  - **Financial liabilities held for trading:** those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from financial asset sales under non-optional repurchase agreements or borrowed securities received on loan or to secure sales rights, and derivatives not designated as hedging instruments, including those separated from hybrid financial liabilities pursuant to applicable regulations.

  - **Non-trading financial assets mandatorily at fair value through profit or loss:** includes debt instruments that cannot be classified as at amortised cost or fair value through changes in other comprehensive income because, due to their contractual terms, they give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding.

    This category also includes equity instruments that are not related to subsidiaries, joint ventures or associates that should not be classified as held for trading and have not been voluntarily and irrevocably been designated initially as at fair value through other comprehensive income.

- **Financial assets and financial liabilities designated at fair value through profit or loss:** this includes, among others, financial assets designated voluntarily and irrevocably initially as at fair value through profit or loss if by doing so it eliminates or significantly reduces accounting mismatches, and hybrid instruments composed simultaneously of an embedded derivative and a host financial liability not held for trading that meets the requirements for accounting for the embedded derivative separately from the host financial instrument.

Financial assets and liabilities classified as held for trading, non-trading financial instruments mandatorily measured at fair value through profit or loss, and financial assets and financial liabilities designated at fair value through profit or loss are measured initially at fair value, with any subsequent changes in fair value recognised with a balancing entry in "Gains or losses on financial assets and liabilities held for trading, net", "Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net" and "Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net" in the income statement, except for fair value changes due to returns accrued on the financial instrument other than from trading, which are recognised under "Interest income", "Interest expenses", and "Dividend income" in the income statement, depending on their nature. Returns on debt instruments included in this category are calculated using the effective interest method.

The amount of the change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss is recognised in "Accumulated other comprehensive income" in the balance sheet, unless it would create or enlarge an accounting mismatch, which must be appropriately documented and justified. In this case, the entity may elect to recognise the full amount of the change in fair value initially and definitively in profit or loss.

- **Financial liabilities at amortised cost:** includes financial liabilities not included in any of the preceding categories.

  This category also includes financial liabilities arising from issues of contingent convertible bonds convertible into ordinary Bankia shares.

  The financial liabilities are initially measured at fair value adjusted by the amount of transactions costs that are directly attributable to the issue of the financial liability, which are allocated to the income statement using the effective interest method defined in prevailing regulations through maturity. They are subsequently measured at amortised cost using the effective interest method.

  The interest accrued on these liabilities from initial recognition, calculated using the effective interest method, is recognised under "Interest expenses" in the income statement, except for coupons accrued on the issuance of contingent convertible bonds convertible into ordinary Bankia shares, which are recognised in equity as they are payable at the Bank's discretion. Exchange differences on liabilities denominated in currencies other than the euro are recorded as set out in Note 2.4. Financial liabilities included in fair value hedges are recognised in accordance with Note 2.3.

Assessment of business models

The business model refers to how the Bank manages its financial assets in order to generate cash flows. The assessment of the business model of the various financial assets recognised in the balance sheet is performed at the level that best reflects how groups of financial assets are managed together to achieve a particular objective.

Accordingly, the assessment is not carried out on an instrument-by-instrument basis, but rather on a higher level of aggregation, based on the following factors:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to Management.
- The risks that affect the performance of the business model and the way in which those risks are managed.
- How managers and Management in charge of these businesses models are compensated.

Contractual cash flow characteristics

The second step in the process carried out by the Bank to classify financial assets is to assess whether the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. This assessment is carried out through an 'SPPI test' (Solely Payments of Principal and Interest).

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest, which also include the consideration for other risks (e.g. liquidity risk) and costs. To perform the SPPI test, the Bank evaluates the facts and circumstances affecting the instrument. Key considerations include:

- Contractual provisions that modify the timing or amount of contractual cash flows: the existence of contingent events that might affect the cash flows, extend the term or trigger prepayment, etc.
- Contractual provisions that do not provide the Bank with consideration for the time value of money and the credit risk: transactions in which the interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate, returns linked to prices or performance of other assets, leverage, etc.
- Non-recourse instruments: financial assets whose contractual cash flows are described as principal and interest, but those cash flows do not represent the payment of principal and interest on the principal amount outstanding.
- Contractually linked instruments: situations in which an issuer may prioritise payments to the holders of financial assets using multiple contractually linked instruments that create concentrations of credit risk (tranches).
- The currency in which the financial asset is denominated.

- De minimis and non-genuine: variables that, while not passing the SPPI test, have an impact that is insignificant or immaterial (de minimis) or that affect contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur (non-genuine). However, if a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis or that cash flow characteristic is genuine, and introduces exposure to risks or volatility that is unrelated to a basic lending arrangement, it does not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Nevertheless, financial instruments that should be considered as non-current assets held for sale in accordance with Circular 4/2017 are recognised in the financial statements as explained in Note 2.19.

(2.2.5) Reclassification of financial instruments between portfolios

When, and only when, the Bank changes its business model for managing financial assets, it reclassifies all affected debt instruments. On the basis that a change in the business model is considered to be exceptional or infrequent.

The Bank has defined the following business models:

- Hold assets in order to collect contractual cash flows, whose objective is to hold financial assets to maturity in order to collect the contractual cash flows. Some sales are permitted, if those sales are infrequent or insignificant in value or that irrespective of their frequency and value are carried out due to an increase in the assets' credit risk.
- Hold assets in order to collect contractual cash flows and sell financial assets, whose objective is to hold financial assets to maturity, but also to sell them in order to realise the contractual cash flows by selling them. These financial assets are measured at fair value through other comprehensive income.
- Hold assets for sale, whose objective is to manage the financial assets in order to realise cash flows by selling them, which normally involves frequent purchases and sales of the assets. These financial assets are measured at fair value through profit or loss.

The following diagram illustrates potential reclassifications of debt instruments among categories:

Reclassification from:	Reclassification to: Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost
Fair value through profit or loss		▪ Fair value at the date of reclassification as gross carrying amount ▪ Recognition of subsequent changes in fair value in accumulated other comprehensive income	▪ Fair value at the date of reclassification as gross carrying amount
Fair value through other comprehensive income	▪ Fair value at the date of reclassification as gross carrying amount ▪ Reclassification of the amount accumulated in accumulated other comprehensive income to profit or loss at the date of reclassification		▪ Fair value at the date of reclassification as gross carrying amount, adjustment for the elimination of the amount accumulated in other comprehensive income (which coincides with amortised cost) ▪ No changes are made to the effective interest rate or expected credit losses
Amortised cost	▪ Fair value at the date of reclassification as gross carrying amount ▪ Recognition of the difference between amortised cost and fair value in profit or loss	▪ Fair value at the date of reclassification as gross carrying amount ▪ Recognition of the difference between amortised cost and fair valur in accumulated other comprehensive income ▪ No changes are made to the effective interest rate or expected credit losses	

There have been no changes in the Bank's business model during the period, and therefore no reclassification of debt instruments.

In no circumstance does the Bank reclassify derivatives to a category other than fair value through profit or loss, nor does it reclassify any financial liabilities.

Reclassification to fair value through profit or loss is not allowed for equity instruments not held for trading and irrevocably designated at initial recognition as measured at fair value through other comprehensive income.

Similarly, the Bank does not reclassify equity instruments measured at fair value through profit or loss to financial assets at fair value through other comprehensive income.

(2.3) Hedge accounting and mitigation of risk

The Bank has elected to continue applying the recognition and measurement criteria for hedges included in sections 28 to 42 of rule 31 of Circular 4/2017.

The Bank uses financial derivatives as part of its strategy to reduce its exposure to interest rate, credit, foreign exchange risk and other risks. When these transactions meet certain requirements stipulated in the apllicable accounting regulation, they qualify for hedge accounting.

When the Bank designates a transaction as a hedge, it does so from the initial date of the transactions or instruments included in the hedge, and the hedging transaction is documented appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the Bank to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Bank enters into hedges on a transaction-by-transaction basis in accordance with criteria explained previously, continually monitoring the effectiveness of each hedge, to ensure that changes in the value of the hedging instrument and the hedged item offset each other.

To measure the effectiveness of hedges designated as such, the Bank analyses whether, from the beginning to the end of the term defined for the hedge, it can expect, prospectively, that the changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge will have been within a range of 80% to 125% of the results of the hedged item.

The Bank discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements for hedge accounting or it revokes the designation as a hedge.

The Bank’s hedging transactions are classified into the following categories:

- **Fair value hedges**: these hedge exposure to changes in the fair value of recognised financial assets and liabilities or unrecognised firm commitments, or a component of any such item, that is attributable to a specific risk and could affect the income statement.

  The Bank applies hedge accounting to reduce the risk that the fair value of fixed-rate assets and liabilities will fluctuate as if they were instruments indexed to a floating interest rate. The Bank only hedges changes in the fair value of the hedged instrument attributed to changes in the reference rate, which constitutes the main element of the total fluctuation in the fair value of the hedged item.

  The Bank uses the hypothetical derivative method to assess effectiveness, by comparing changes in the fair value of the hedging instruments and hedged items attributable to the change in the reference rate, as explained for fair value hedges. This method implies modelling a derivative instrument whose characteristics perfectly match those of the hedged risk, so that the change in the fair value of the hypothetical derivative should be equivalent to the change in the present value of the expected future cash flows of the hedged item. The measurement of hedge ineffectiveness is based on a comparison between the changes in the fair of the derivative actually entered into as a hedge and the changes in the fair value of the hypothetical derivative.

  The Bank also matches the principal of the hedging instruments with the principal of the hedged items.

  The Bank's main hedged positions and the financial hedging instruments used are as follows:

  - Financial assets at fair value through other comprehensive income: fixed-rate debt securities, whose risk is hedged with interest rate derivatives (basically swaps).

  - Financial assets at amortised cost: fixed-rate loans, whose risk is hedged with interest rate derivatives (basically swaps).

  - Financial liabilities at amortised cost: long-term fixed-rate deposits and marketable debt securities issued by the Bank, whose risk is hedged with interest rate derivatives (basically swaps).

  The main reason for the ineffectiveness of this type of hedge may arise from the divergence between payment dates of the hedging instruments and the use of different interest rate curves for the discount of the hedging instruments and the hedged item.

  Specifically, for financial instruments designated as hedged and hedging items, the differences in value are recognised as follows:

  - The gains or losses arising on both the hedging instruments and the hedged items associated to hedged risk are recognised directly in the income statement. The balancing entry of changes in fair value of the hedged item attributable to hedged risk is recorded as an adjustment to fair value of the hedged instruments.

- When hedge accounting is discontinued for a fair value hedge, in the case of hedged items at amortised cost, the value adjustments made as a result of the hedge accounting are recognised in the income statement through maturity of the hedged items, using the effective interest rate recalculated as at the date of discontinuation of hedge accounting.

- **Cash flow hedges**: these hedge exposure to variability in cash flows that is attributable to a specific risk associated with all or a component of a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The Bank applies hedge accounting to reduce the risk that the cash flows of floating-rate assets and liabilities will fluctuate as if they were instruments indexed to a fixed interest rate.

The Bank's main hedged positions and the financial hedging instruments used are as follows:

- Financial assets at fair value through other comprehensive income: Floating-rate debt securities, whose risk is hedged with interest rate derivatives (basically swaps).
- Financial assets at amortised cost: Floating-rate loans, whose risk is hedged with interest rate derivatives (basically swaps).

The Bank uses the hypothetical derivative method to assess effectiveness, by comparing changes in the fair value of the hedging instruments and hedged items attributable to the change in the reference rate, as explained for fair value hedges. The cash flow hedges entered into by the Bank relate entirely to transactions in which the hedged transaction matches the hedging derivative. As a result, no significant causes of ineffectiveness for this type of hedge have arisen.

In the specific case of financial instruments designated as hedged items or qualifying for hedge accounting, gains and losses are recognised as follows:

- The gains or losses attributable to the portion of the hedging instruments that qualifies as an effective hedge are recognised temporarily in equity under "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges [effective portion". Financial instruments hedged in this type of hedging transaction are recognised as explained in "Classification and measurement of financial assets and liabilities", with no change made to the recognition criteria due to their consideration as hedged items.
- As a general rule, in cash flow hedges, the gains or losses attributable to the effective portion of the hedging instruments are not recognised in the income statement until the gains or losses on the hedged item are recognised in the income statement or, if the hedge relates to a highly probable forecast transaction that will lead to the recognition of a non-financial asset or liability, they will be recognised as part of the acquisition or issue cost when the asset is acquired or the liability is assumed.
- The gains or losses on the ineffective portion of the hedging instruments are recognised directly under "Gains or (-) losses from hedge accounting, net" in the income statement.
- The cumulative gain or loss on the hedging instrument recognised in equity under " Equity - Accumulated other comprehensive income" in the balance sheet will continue to be recognised under that heading until the forecast hedged transaction occurs, when it will be reclassified into the income statement or it will correct the acquisition cost of the asset or liability to be recorded, if the hedged item is a forecast transaction that results in the recognition of a non-financial asset or liability.

- **Hedges of net investment in a foreign operation:** these hedge the currency risk deriving from investments in subsidiaries, associates, joint ventures and branches of the Bank whose activities are based or undertaken in a different country or in a currency other than the euro. The treatment for this type of hedge is the same as for cash flow hedges. The amounts recognised as valuation adjustments in equity in accordance with the aforementioned criteria are recognised in the income statement when they are disposed of or derecognised.

(2.4) Foreign currency transactions

(2.4.1) Functional currency

The Bank's functional currency is the euro. Consequently, all balances and transactions denominated in currencies other than the euro are considered to be denominated in "foreign currency".

The detail, by currency and item, of the equivalent euro value of the main asset and liability balances in the balance sheet at 31 December 2019 and 2018 denominated in foreign currency is as follows:

(Thousands of euros)

ITEM	31/12/2019 Assets	31/12/2019 Liabilities	31/12/2018 Assets	31/12/2018 Liabilities
Balances in US dollars				
Cash, cash balances at Central banks and other demand deposits	160,994	-	79,109	-
Finacial assets and liabilities held for trading	236,051	120,998	187,719	104,014
Financial assets at amortised cost	1,350,957	-	1,522,615	-
Financial liabilities at amortised cost	-	1,267,675	-	984,708
Financial assets designated at fair value through other comprehensive income	36,053	-	25,123	-
Other	2,117	15,064	3,420	27,789
Total	**1,786,172**	**1,403,737**	**1,817,986**	**1,116,511**
Balances in sterling pounds				
Cash, cash balances at Central banks and other demand deposits	6,050	-	4,732	-
Financial assets and liabilities held for trading	104,682	106,657	104,020	106,939
Financial assets at amortised cost	175,839	-	160,692	-
Financial liabilities at amortised cost	-	73,353	-	96,180
Other	-	4	3,784	42
Total	**286,571**	**180,014**	**273,228**	**203,161**
Balances in other currencies				
Cash, cash balances at Central banks and other demand deposits	20,662	-	21,812	-
Financial assets and liabilities held for trading	6,314	7,597	791	2,176
Financial assets at amortised cost	226,736	-	119,868	-
Financial liabilities at amortised cost	-	101,677	-	64,346
Other	8	1,786	226	2,843
Total	**253,720**	**111,060**	**142,697**	**69,365**
Total foreign currency balances	**2,326,463**	**1,694,811**	**2,233,911**	**1,389,037**

(2.4.2) Criteria for translation of foreign currency balances

Balances in foreign currencies are translated to euros as follows, depending on type of asset:

- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined.
- Monetary items denominated in a foreign currency are translated to euros applying the spot rate at the reporting date.

(2.4.3) Exchange rates applied

The exchange rates used by the Bank in translating the foreign currency balances to euros for the purpose of preparing the financial statements, taking into account the methods mentioned above, were the official rates published by the European Central Bank.

(2.4.4) Recognition of exchange differences

Exchange differences arising on translating foreign currency balances into the functional currency of entities and their branch offices are generally recognised at their net value in the income statement under "Exchange differences [gain or (-) loss] (net)". As an exception to this rule, exchange differences affecting the value of financial instruments measured at fair value through profit or loss are recognised in the income statement together with all other changes that may affect the fair value of the instrument, under “Gains or (-) losses on financial assets and liabilities held for trading, net” or “Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net”.

However, they are recognised in equity under “Accumulated other comprehensive income- Items that may be reclassified to profit or loss-Foreign currency translation” in the balance sheet until they are realised.

(2.5) Recognition of income and expenses

The most significant accounting criteria used by the Bank to recognise its income and expenses are summarised as follows:

(2.5.1) Interest income, interest expense, dividends and similar items

As a general rule, interest income, interest expenses and similar items are recognised on the basis of their period of accrual using the effective interest method defined in Circular 4/2017. Dividends received from companies other than those within the scope of consolidation of the Bank are recognised as income when the entities’ right to receive them arises.

However, when a debt security is assessed to be impaired individually or collectively because recovery is considered unlikely, except for purchased or originated credit-impaired financial assets, the interest accrued in the income statement is the result of applying the effective interest rate to amortised cost (i.e. adjusted for any loss allowance), recognising an impairment loss for the same amount.

For purchased or originated credit-impaired financial assets, interest income is calculated applying the credit-adjusted effective interest rate to the financial asset.

(2.5.2) Commissions, fees and similar items

Fee and commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognised in the income statement using criteria that vary according to their nature. The most significant fee and commission items are as follows:

- Fees and commissions linked to the acquisition of financial assets and liabilities carried at fair value through profit or loss, which are recognised in the income statement at the settlement date.
- Those arising from transactions or services that are performed over a period of time, which are recognised in the income statement over the life of these transactions or services.
- Those relating to services provided in a single act, which are recognised in the income statement when the single act is carried out.

(2.5.3) Non-financial income and expenses

Non-financial income and expenses are recognised on an accrual basis.

(2.5.4) Deferred income and accrued expenses

These are recognised for accounting purposes at the present value of the estimated cash flows discounted at market rates.

(2.6) Offsetting

Asset and liability balances are offset, i.e. reported in the balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Bank intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

In this regard, when presenting the financial assets subject to valuation adjustments for depreciation or impairment, net of these adjustments, is not considered "offsetting".

In addition, the Bank offset the positions in trading derivatives arranged through clearing houses as they met the criteria for offsetting a financial asset and a financial liability, as follows:

- the entity has a legally enforceable right to set off the recognised amounts of the instruments; and
- the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Circular 4/2017 clarifies when a financial asset and financial liability is eligible for offset. The criteria were considered for the aforementioned set-off. Specifically, regarding the first of the above criteria, the right of set-off cannot be contingent on a future event and must be legally enforceable in the following circumstances: the normal course of business, an event of default and an event of insolvency or bankruptcy of the entity or any of the counterparties.

Regarding the second one, the settlement mechanism through clearing houses must have features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle, so that the result is, effectively, equivalent to net settlement.

Notes 7 and 12 present a detail of net positions by class of derivative. However, in accordance with prevailing regulations, other disclosures regarding offset positions are presented at their gross amount.

(2.7) Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If substantially all the risks and rewards of the assets transferred are transferred to third parties – unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases – the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.

- If substantially all the risks and rewards associated with the financial asset transferred are retained - sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the expected credit losses on the securitised assets, and other similar cases – the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used prior to the transfer. However, the following items are recognised with no offsetting:

    - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortised cost, or, if the aforementioned requirements for classification as other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability.

    - The income from the financial asset transferred but not derecognised and any expense incurred on the new financial liability.

- If the Bank neither transfers nor retains substantially all the risks and rewards associated with the financial asset transferred – sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases – the following distinction is made:

    - If Bankia does not retain control of the transferred financial asset, the transferred financial assets is derecognised and any right or obligation retained or created as a result of the transfer is recognised.

    - If Bankia retains control of the transferred financial asset, it continues to recognise it in the balance sheet for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net amount of the transferred asset and associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties.

Note 25.1 contains a summary of the main circumstances of the principal transfers of assets outstanding at 2019 and 2018 year end which did not lead to the de-recognition of the related assets.

(2.8) Exchanges of assets

Exchanges of assets entail the acquisition of tangible or intangible assets in exchange for other non-monetary assets or a combination of monetary and non-monetary assets. For the purposes of these financial statements, the foreclosure of assets to recover amounts owed to entities by third parties is not considered an exchange of assets.

The assets received in an exchange of assets are recognised at fair value, provided that the transaction can be deemed to have commercial substance, as defined in Circular 4/2017, and that the fair value of the asset received or, failing this, of the asset given up, can be estimated reliably. The fair value of the instrument received is determined as the fair value of the asset given up plus, where applicable, the fair value of any monetary consideration given up in exchange, unless there is clearer evidence of the fair value of the asset received.

If the exchanges of assets do not meet the above requirements, the asset received is recognised at the carrying amount of the asset given up plus the monetary consideration given up or assumed in the acquisition.

(2.9) Impairment of financial assets

The impairment model is applicable to debt instruments at amortised cost, debt instruments measured at fair value through other comprehensive income, and other exposures that give rise to credit risk, such as loan commitments given, financial guarantees given, and other commitments given.

The criteria for assessing and classifying transactions in the financial statements in accordance with their credit risk includes both the credit risk attributable to insolvency and the country risk to which the transactions are exposed. For those credit transactions that are expose to both credit risk attributable to insolvency and country-risk are classified in the category attributable to insolvency risk. Notwithstanding, impairment losses attributable to insolvency are estimated on country-risk basis when the latter requirements are more stringent.

Impairment losses for the period are recognised as an expense in the income statement, with a balancing entry in the carrying amount of the asset. Reversals of previously recognised impairment losses are recognised as income in the income statement. For debt instruments measured at fair value through other comprehensive income, the instrument is adjusted to fair value, with a balancing entry in "Accumulated other comprehensive income" in equity.

A) Classification of transactions for credit risk attributable to insolvency

Financial instruments – including off-balance sheet exposures – are classified into the following categories considering whether there has been a significant increase in credit risk since initial recognition of the transaction or a default event has occurred:

- Stage 1 – Standard exposure: the risk of a default event has not increased significantly since initial recognition of the transaction. The amount of the loss allowance for this type of instruments is equal to 12-month expected credit losses.
- Stage 2 – Standard exposure under special monitoring: the risk of a default event has increased significantly since initial recognition of the transaction. The amount of the loss allowance for this type of instruments is equal to lifetime expected credit losses.
- Stage 3 – Doubtful exposure: a default event in the transaction has occurred. The amount of the loss allowance for this type of instruments is equal to lifetime expected credit losses.
- Write-off: transactions in which the Bank has no reasonable expectations of recovery. The amount of the loss allowance for this type of instruments is equal to its carrying amount and entails the full write-off of the asset.

The Bank uses the following definitions for the purposes of classifying a financial instrument into one of the preceding categories:

Significant increase in credit risk

For financial instruments classified in Stage 1 – Standard exposure, the Bank assesses whether to continue recognising 12-month expected credit losses. The Bank assesses whether there has been a significant increase in credit risk since initial recognition. If so, it transfers the financial instrument to Stage 2 – Standard exposure under special monitoring and recognises lifetime expected credit losses. This assessment is performed from a dual perspective –qualitative and quantitative- and its symmetrical, such that the financial instrument may return to Stage 1 – Standard exposure.

To perform this assessment from a quantitative perspective, the Bank has developed a specific approach for comparing probability of default (PD), whereby current PD is compared to the original PD associated with the rating level at inception. If the assessment shows an increase above absolute and relative thresholds, the Bank considers that there has been a significant increase in the risk of the instrument. These thresholds were calibrated in accordance with the criteria set out in the Bank's Risk approval policy and consider the individual characteristics of the loan portfolios. The election of the thresholds for classification of transactions into Stage 2 – Standard risk under special monitoring was made based on analysis of the Bank's historical experience, in which transactions with similar PD levels were classified in Stage 2 – Standard risk under special monitoring using other quantitative and qualitative criteria.

For purposes of the quantitative comparison, the Bank availed of the simplification allowed in the standard, which entails changes in the risk of a default occurring over the next 12 months as a reasonable approximation to changes in lifetime risk of default of the instrument. This approach is aligned with the Bank's credit risk management practices and provides a reasonable approximation of the changes in the lifetime risk of a default occurring. In this respect, no situations have been identified where the financial instrument only has significant payment obligations beyond the next 12 months, of changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months, or of changes in credit-related factors that only have an impact on the credit risk of the financial instrument beyond 12 months indicating that a lifetime assessment is necessary.

Moreover, for comparison and considering the ageing of current transactions, for those in which no PD was available on origination, the Bank has used the first PD available.

The Bank's credit risk management systems also include other quantitative and qualitative components which, combined or separately, could give rise to consideration that the credit risk of the financial instrument has increased significantly, such as adverse changes in the borrower's financial position, downgrades in credit rating, unfavourable changes in the sector in which they operate, their regulatory or technological environment, among others, that do not provide evidence of impairment. These factors and weightings vary by type of product, type of borrower, and characteristics of the financial instrument, so it is not possible to detail a single set of criteria for determining the occurrence of a significant increase in credit risk.

Irrespective of the assessment based on probability of default and indications of deterioration in the credit risk of the exposure, a significant increase in credit risk is determined in transactions presenting the following circumstances:

- More than 30 days past due rebuttable assumption, based on reasonable and supportable information. The Bank has not applied a longer period of time for these purposes.
- Refinance or restructuring that does not present evidence of impairment. Appendix IX shows the classification and allowance policies and criteria applied by the Bank for this type of transactions.
- Special debt sustainability agreement that does not present evidence of impairment until the cure criteria is applied.
- Agreements with issuers or holders involved in a creditors' agreement that do not present evidence of impairment.
- Repeat default or increase in the default ladder that does not present evidence of impairment of mortgage loans extended to individuals.

However, for assets with a counterparty of low credit risk, the Bank applies the possibility included in the standard of considering that their credit risk has not increased significantly. Such counterparties are primarily Central banks, public administrations, deposit guarantee and resolution funds, credit institutions, reciprocal guarantee companies, and non-financial public sector entities.

Default and credit-impaired financial assets

To determine the risk of default, the Bank applies a definition that is consistent with the one used for internal credit risk management of financial instruments and considers quantitative and qualitative indicators.

In this respect, the Bank considers that default occurs in credit exposures in the following circumstances:

- More than 90 days past due. This includes all transactions of an obligor when the amount of balances more than 90 days past due exceeds 20% of the amount outstanding.
- There are reasonable doubts that the full amount of the asset will be repaid.

A financial instrument is considered credit-impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- Breach of contract, such as a default or past-due event.
- Grant by the lender, for economic or contractual reasons relating to the borrower's financial difficulty, a concession(s) to the borrower that it would not otherwise consider. Appendix IX includes the classification and impairment policies and criteria applied by the Bank in this type of transaction.
- It's becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial instrument because of the issuer's financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may be possible to identify a single discrete event or, instead, the combined effect of several events may have caused the credit impairment.

In any case, the Bank's definitions of default and credit-impaired asset are aligned.

No reasonable expectations of recovery

The Bank classifies as write-off when, after an individualised assessment, it has no reasonable expectations of recovering the contractual cash flows due to the notorious and unrecoverable deterioration of the solvency of the transaction or borrower.

In this respect, the Bank deems the recovery of the following transactions to be remote (automated classification factors):

- Transactions classified as Stage 3 – Doubtful risk due to arrears that have been in this category for more than four years or that, before reaching this age, have 100% impaired for over two years, unless there is effective collateral covering at least 10% of the gross amount of the transaction.
- Transactions of borrowers declared to be in creditor's agreement for which there is evidence that the liquidation phase has been or is due to be declared, except those with effective collateral covering at least 10% of the gross carrying amount of the transaction.

Classification in this category for the above reasons does not preclude the Bank to cease negotiations and legal action to recover the amount.

The Bank also assesses the individual facts and circumstances that could indicate that recovery of the contractual cash flows of the transaction is remote. This could include situations where recovery has been exhausted although the age of default is less than four years; exposures in bankruptcy proceedings for which the expectation of recovery is low; or situations where high costs must be incurred that do not warrant the estimation of recovery.

B) Approaches for estimating expected credit losses attributable to insolvency

The estimation of expected credit losses considers the following aspects, among others:

- The existence of several possible outcomes for determining the various weights based on the probability of occurrence of the various scenarios.
- The time value of money.
- The estimation is based on the latest available information without undue cost or effort, reflecting past events, current conditions and forecasts of future economic conditions.

The process for estimating expected credit losses is carried out on an individual or collective basis.

B.1) Individual estimation of credit losses

The Bank takes into consideration the following characteristics to identify borrowers which, due to their credit exposure and level of risk, require individual assessment:

- Individual assessment to determine the accounting classification: in this case, all borrowers exceeding the EUR 5 million EAD threshold, excluding those identified as having low credit risk, except for those classified as Stage 3 – Doubtful exposure.
- Individual estimation of credit losses: in this case for:
    - All borrowers that exceed the aforementioned threshold and are classified as Stage 3 - Doubtful exposure, as well as those below the threshold classified as Stage 3 - Doubtful exposure and determined by expert judgement, including borrowers classified as Stage 3 – Doubtful exposure for reasons other than arrears, or as Stage 2 – Standard exposure under special monitoring, except those classified on the basis of automatic sorting factors.
    - Also subject to individual assets are borrowers with transactions identified as having low risk classified as Stage 3 – Doubtful exposures but below the threshold of significance.

The approach developed by which the Bank estimates expected credit losses of debt instruments is the negative difference between the present value of estimated future cash flows discounted at the effective interest rate and the respective amounts of credit exposure.

- Forecast future cash flows: includes all the amounts the Bank expects to obtain over the instrument's remaining term. In regard this, it considers both going concern and gone concern approaches; i.e. settlement and enforcement of collateral.
- Credit exposure: carrying amount of transactions at the calculation date and off-balance sheet amounts expected to be disbursed in the future. To estimate the amounts of off-balance-sheet exposures expected to be disbursed bearing credit risk, a credit conversion factor (CCF) is applied to the nominal amount of the transaction.

The assesment of the effectiveness of guarantees and collaterals considers, among other things, the time required to enforce, and the ability to dispose the collateral. Collateral or guarantees whose effectiveness depends substantially upon the credit quality of the debtor, or of any economic group to which the debtor may belong, are not eligible. The Bank has policies and procedures on the evaluation of collateral in accordance with applicable regulations.

Allowances for large borrowers for which no significant increase in credit risk or evidence of impairment has been determined and have therefore been classified in Stage 1 - Standard exposure, are estimated collectively. The Bank also collectively estimates expected credit losses on transactions assessed individually and classified in Stage 2 - Standard exposure under special monitoring solely on the basis of automatic classifications factors or where no other factor has had a significant influence.

B.2) Collective estimation of credit losses

The estimation of expected credit losses for all credit exposures not assessed individually is made collectively.

The calculation of collective allowances of significant portfolios for which sufficient information is available is made using internal models. For portfolios with insufficient depth of available information, approaches are used that include experience and information on the Spanish banking sector and forecasts for future conditions. Allowances for exposures with low credit risk not classified in Stage 3 – Doubtful risk are calculated using this approach, since there are not enough observations to develop internal models.

In accordance with applicable regulations and followed by the required approval by the Board of Directors and the corresponding internal validation process, at 1 January 2018, the Bank implemented the use of internal methodologies to carry out the collective estimation of allowances for credit losses. In line with the Bank's internal models for estimating capital requirements, this internal estimates includes the calculation of losses, based on internal data, through internal methodologies of credit risk parameters.

When calculating expected losses on a collective basis using internal methods, the Bank considers the following:

a) Criteria of grouping transactions

The Bank distributes financial assets with credit risk in homogeneous groups based on the similar risk characteristics of the instruments included in the Bank. The criteria considered for this segmentation are representative of the patterns of estimated losses of each group.

Factors used by the Bank for grouping transactions include the type of borrower or issuer (retail, self-employed, business, etc.), the classification of the borrower or issuer, the type of transaction (mortgage, consumer, card, etc.), the type of guarantee (personal, collateral, etc.). For certain portfolios, specific factors are applied, such as LTV ratios, the borrower's or issuer's turnover and sector for non-retail portfolios and the amount of time classified in Stage 3 – Doubtful exposure.

b) Risk parameters

The aggregate amount of expected credit losses is determined using the following parameters:

- The exposure at default (EAD): the Bank's risk exposure at the time of default.
- Probability of default (PD): the probability of a default occurring.
- Loss given default (LGD): the percentage of exposure at risk that is not expected to recover in the event of default.

c) Scenarios and use of forecasts of future economic conditions

Expected credit losses recognised in the financial statements are the result of a series a probability-weighted scenarios.

When making the estimate, the Bank takes the most likely scenario (baseline scenario) as the starting point. The baseline scenario is consistent with the scenario used for the Bank's internal planning processes.

Taking the baseline scenario, a series of assumptions are made regarding the performance of macroeconomic variables, resulting in two additional scenarios: a more positive scenario and a more adverse scenario. Specifically, the Bank has considered three macroeconomic scenarios: a baseline scenario, an adverse scenario and a favourable scenario, which have been defined for the Group, with probabilities of occurrence of 60%, 20% and 20%, respectively.

The macroeconomic variables used in the baseline scenario and additional scenarios are generated by Bankia Research.

The key macroeconomic variables vary across portfolios. However, the Bank considers the most important macroeconomic variables to be:

- Gross Domestic Product ("GDP").
- No. of Social Security registrations.
- House prices.

The following table shows the forecasts for the main macroeconomic variables used to estimate expected losses for the Bank over the next three years:

	Average 2020-2022		
	Adverse	Baseline	Positive
Probability of occurrence	20%	60%	20%
GDP	0.3%	1.6%	2.3%
No. of Social Security registrations	0.1%	1.6%	2.4%
House prices	(0.9%)	3.9%	6.2%

Bankia has carried out a sensitivity analysis of expected loss to changes in the model's assumptions. In this respect, an upward or downward movement in GDP of ±0.5% over the next 12 months as a key macroeconomic variable with influence on the rest of the dependent variables would produce a variation in expected loss due to credit risk of less than ±1.5%, approximately.

C) Credit risk attributable to country risk

Country risk is understood as the risk associated with counterparties resident in a specific country due to circumstances other than normal commercial risk (sovereign risk, transfer risk or risks arising from international financial activity) or risk attributable to insolvency. The Bank classifies third-party transactions into groups based on their economic performance, political situation, regulatory and institutional framework, and payment capacity and record, allocating to each the percentages of allowances stipulated in prevailing regulations.

Doubtful assets attributable to country risk include transactions with ultimate obligors resident in countries that have long-standing difficulties servicing their debt, with the possibility of recovering such debt as doubtful, and off-balance sheet exposures whose recovery is considered remote due to circumstances attributable to the country.

The Bank does not have any significant exposures to credit risk attributable to country risk, so the level of provisions in this connection are not significant relative to total impairment allowances set aside by the Bank.

(2.10) Financial guarantees and provisions for financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may take: deposits, financial guarantees, irrevocable documentary credits issued or confirmed by the entity, etc.

In accordance with Bank of Spain Circular 4/2017, the Bank generally treats financial guarantees provided to third parties as financial instruments.

To determine whether a derivative sold is recognised as a financial guarantee or a trading derivative, a financial instrument is considered a derivative financial instrument when it meets the following conditions:

- Its value changes in response to the changes in an observable market variable, sometimes called the "underlying", such as an interest rate, financial instrument and commodity price, foreign exchange rate, a credit rating or credit index, where this involves non-financial variables that are not specific to one of the parties to the contract.
- It requires no initial investment or one that is much smaller than would be required for other financial instruments that would be expected to have a similar response to changes in market factors.
- It is settled at a future date, except where it relates to a regular way purchase or sale of financial assets in conventional agreements, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the market place and that may not be settled net.

Financial guarantees are considered contracts that require or may require the Bank to make specific payments to reimburse the creditor for the loss incurred when a specific debtor fails to meet its payment obligations under the original or amended terms of a debt instrument, regardless of its legal form, which may be, inter alia, a deposit, financial guarantee, insurance contract or credit derivative.

Specifically, guarantee contracts related to credit risk where execution of the guarantee does not require, as a necessary condition for payment, that the creditor is exposed to and has incurred a loss due to a debtor's failure to pay as required under the terms of the financial asset guaranteed, as well as in contracts where execution of the guarantee depends on changes in a specific credit rating or credit index, are considered derivative financial instruments.

The Bank initially recognises the financial guarantees provided on the liabilities side of the balance sheet at fair value, plus the directly attributable transaction costs, which is generally the amount of the premium received plus, where applicable, the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and it simultaneously recognises, on the asset side of the balance sheet, the amount of the fees, commissions and similar amounts received at the start of the transactions and the amounts receivable at the present value of the fees, commissions and interest receivable. Subsequently, these contracts are recognised on the liabilities side of the balance sheet at the higher of the following two amounts:

- The amount determined in Appendix IX of Circular 4/2017 in this estimate. In this regard, financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost, which are described in Note 2.9 above.
- The amount initially recognised for these instruments, less the related amortisation which, in accordance with Circular 4/2017, is charged to the income statement on a straight-line basis over the contract term.

The provisions made, if applicable, for these instruments are recognised under “Provisions - Commitments and guarantees given” on the liability side of the balance sheet. These provisions are recognised and reversed with a charge or credit, respectively, to “(Provisions or (-) reversal of provisions)” in the income statement.

If, in accordance with the foregoing, a provision is required for these financial guarantees, the unearned commissions on these transactions, which are recognised under “Financial liabilities at amortised cost – Other financial liabilities” on the liabilities side of the balance sheet, are reclassified to the appropriate provision.

(2.11) Leases

In lease accounting, different treatments apply when the Bank acts as a lessee or as a lessor:

A) The Bank as lessee

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. For all contracts which, after this assessment, are considered to be, or contain, a lease, the Bank recognises an asset in the balance sheet, which represents the right to control the use of the identified asset for a period of time. At the same time, the Bank recognises a lease liability, which represents the Bank's obligation to make lease payments for the use of the underlying asset that are not paid at that date.

There are exemptions for short-term leases (leases with a lease term of 12 months or less) or leases in which the underlying asset is of low value. For these two types of leases, the Bank recognises the lease payments as an expense on a straight-line basis over the lease term under “Administrative expenses - Other general administrative expenses” in the income statement.

At the commencement date of the lease, the Bank recognises the lease liability of the underlying asset at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses its incremental borrowing rate. The lease liability is recognised in “Financial liabilities at amortised cost - Other financial liabilities” in the balance sheet. The finance cost related to the lease liability is recognised under “Interest expenses” in the income statement. After the commencement date, the Bank measures the lease liability by increasing the carrying amount to reflect interest, calculated using the effective interest rate method, and reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is presented at the commencement date under “Tangible assets - Property, plant and equipment” and “Tangible assets - Investment Property” in the balance sheet measured at the amount of the lease liability less any lease payments made at or before the commencement date, any initial direct costs incurred or the cost to be incurred in dismantling and removing the underlying asset or restoring it to the condition required by the terms and conditions of the lease.

Subsequently, the right-of-use asset is adjusted for the following:

- The asset’s depreciation. The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term. Annual depreciation charges are recognised with the balancing entry in “Depreciation” in the income statement.
- Any impairment losses are recognised in “Impairment or (-) reversal of impairment on non-financial assets” in the income statement.
- Reflecting any new measurement of the lease liability.

The criteria for depreciation, the estimation of the assets’ useful lives and the recognition of potential impairment losses are consistent with those described for property, plant and equipment for own use in Note 2.15.1 to the annual financial statements of Bankia.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease obligation or the related right-of-use asset. These payments are recorded as an expense in the period under “Administrative expenses - Other general administrative expenses” in the income statement.

Sale and leaseback transactions

In transactions in which the Bank sells an asset it owns to a third party and leases that asset back, the Bank assesses whether the terms of the contract satisfies the requirements for the disposal to be considered the sale of the underlying asset; i.e. control of the asset is transferred to the buyer.

- In transactions in which the Bank sells an asset it owns to a third party and leases that asset back, the Bank assesses whether the terms of the contract satisfies the requirements for the disposal to be considered the sale of the underlying asset; i.e. control of the asset is transferred to the buyer.
- If the transfer does not satisfy the requirements to be accounted for as a sale, the Bank continues to recognise the transferred asset and recognises a financial liability equal to the consideration received.

B) The Bank as lessor:

Lease contracts in which the Bank acts as lessor are classified as finance or operating leases. If the analysis of the contractual terms and conditions determine that the lease transfers substantially all the risks and rewards incidental to ownership of the assets, the contract is classified as a finance lease. All other leases are classified as operating leases.

Finance leases

The factors considered by the Bank to determine whether a lease agreement is a finance lease and therefore transfers substantially all the risks and rewards incidental to ownership of the asset include:

- Whether the lease term covers the major part of the useful life of the asset.
- Whether the price of exercising the purchase option is lower than the fair value of the residual value of the asset at the end of the lease term.
- Whether the present value of the minimum lease payments amounts to substantially all the fair value of the leased asset.
- Whether use of the asset is restricted to the lessee.

When the Bank acts as lessor of an asset in a finance lease, the sum of the present values of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the lessee's purchase option at the end of the lease term, is recognised as lending to third parties and is therefore included under “Financial assets at amortised cost” in the balance sheet based on the type of lessee.

When the Bank acts as lessee in a finance lease, it recognises the cost of the leased assets in the balance sheet according to the nature of the leased asset, and, simultaneously, a liability for the same amount (at the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor plus, where applicable, the exercise price of the purchase option). The depreciation policy for these assets is consistent with that for the Bank’s property, plant and equipment for own use (see Note 2.15.1). In both cases, the finance income and finance charges arising under these agreements are credited and debited, respectively, to “Interest income” and “Interest expense”, respectively, in the income statement and the accrued interest is estimated using the effective interest method as defined in Circular 4/2017.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset are retained by the lessor. When the Bank acts as lessor in operating leases, it presents the acquisition cost of the leased assets under "Tangible assets" as "Investment property" or as "Property, plant and equipment leased out under operating lease", depending on the type of assets leased. The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment for own use, and income from operating leases is recognised on a straight-line basis under "Other operating income" in the income statement".

(2.12) Investment funds, pension funds and saving insurance marketed and sold by the Bank

Assets managed by the Bank and owned by third parties are not shown on the balance sheet. Fees and commissions generated on this activity are included under "Fee and commission income" in the income statement. Note 25.3 provides information on third-party assets managed by the Bank at 31 December 2019 and 2018.

The investment funds and pension funds managed and savings insurance policies marketed and managed by the Bank are not recognised on the Bank's balance sheet because the related assets are owned by third parties (see Note 25.3). The fees and commissions earned in the year for the services rendered by Bank companies to these funds (e.g. asset management and custody services) are recognised uner "Fee and commission income" in the income statement (see Note 33).

(2.13) Staff costs

(2.13.1) Post-employment benefits

(2.13.1.1) Types of commitments

Post-employment benefits are forms of compensation payable after completion of employment. The Bank has undertaken to pay post-employment benefits to certain employees and to their beneficiary right holders.

Under current law, post-employment obligations are classified as defined-contribution or defined-benefit obligations, depending on the terms of the commitments assumed in each specific case. The Bank's post-employment obligations to its employees are deemed to be "defined contribution plan obligations" wherever the Bank makes predetermined contributions to a separate entity and will have no legal or effective obligation to pay further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are considered as defined-benefit obligations.

All pension obligations to current and former employees of the Bank are funded by pension plans, insurance policies and the internal fund.

All pension obligations to current and former employees of the Bank are funded by pension plans in Spain.

(2.13.1.2) Description of the post-employment obligations undertaken by the Entity

The post-employment obligations assumed by the Bank with employees and their characteristics:

- Non-accrued pensions:

  A system is in place whereby Bankia makes individual, annual contributions based on a percentage of certain remuneration items, always observing the minimums set out in the collective bargaining agreement.

  At 31 December 2019, there were 2 employees with defined-benefit obligations for retirement who were pre-retired. These obligations are covered with the pension plan or insurance policies.

- Vested pensions:

  All the commitments for vested pensions assumed by Bankia are externalised through the pension plan and insurance policies.

In addition to these obligations, Note 5 describes the obligations with members of the Board of Directors and senior executives of Bankia, S.A.

(2.13.1.3) Actuarial assumptions applied in calculation of post-employment benefits

As a rule, the Bank measures its obligations and commitments and cover and determines coverage evenly based on:

- the projected credit unit method (which treats each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately); and
- actuarial assumptions, which when determined:
  - are not biased, and neither reckless nor excessively conservative,
  - are mutually compatible and adequately reflect the economic relations existing between factors such as inflation, expected salary increases, discount rates and expected return on plan assets, future levels of salaries and benefits based on market expectations at the date of the financial statements for the period in which the obligations should be settled,
  - the interest rate used to discount cash flows is based on market rates at the date of the financial statements corresponding to the issuance of high quality bonds or obligations.

(2.13.1.4) Accounting criteria for post-employment commitments

The Bank classifies post-employment obligations for accounting purposes as follows:

- *Defined-contribution plans*. Bank contributions to defined contribution plans are recognised under "Administrative expenses – Staff costs" in the income statement.

  If at 31 December 2019 there are any outstanding contributions to be made to the external plan funding the post-employment benefit obligations, the related amount is recognised at its present value under "Provisions - Provisions for pensions and other post-employment defined benefit obligations". At 31 December 2019, there were no outstanding contributions to be made to external defined-contribution plans.
- *Defined-benefit plans*. Under the caption "Provisions - Provisions for pensions and other post-employment defined benefit obligations". on the liability side of the balance sheet, the Bank recognises the present value of obligations assumed net of the fair value of assets qualifying as "plan assets" (or under "Other assets – Other" on the asset side of the balance sheet, depending on whether the resulting difference is positive or negative and on whether or not the conditions for recognition are satisfied).

  "Plan assets" are defined as those that are related to certain defined benefit obligations, that will be used directly to settle such obligations, and that meet the following conditions:

  - they are not owned by the Bank, but by a legally separate third party that is not a related party;
  - they are only available to pay or fund post-employment benefits for employees; and,
  - they cannot be returned to the Bank unless the assets remaining in the plan are sufficient to meet all the benefit obligations of the plan or of the Bank to current and former employees, or they are returned to reimburse employee benefits already paid by the Bank;
  - They may not be non-transferable financial instruments issued by the Bank if held by a long-term post-employment benefits fund or entity.

If the Bank has recourse to an insurer to pay part or all of the expenditure required to settle a defined benefit obligation, and it is practically certain that the insurer will reimburse some or all of the expenditure required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Bank recognises its right to reimbursement, which in all other respects is treated as a plan asset, under "Insurance contracts linked to pensions" on the asset side of the balance sheet.

In compliance with Circular 4/2017, rule 35, Bankia recognised in its financial statements the liabilities (or, as the case may be, and/or the assets) related to post-employment benefit obligations at the present value of the obligations, less the fair value of any plan assets.

Defined benefit post-employment payments are recognised as follows:

- In the income statement:
  - service cost in the current period;
  - any past service cost and gains or losses on plan settlements;
  - The net interest on the defined benefit liability (asset), which is determined by multiplying the net defined benefit liability (asset) by the interest rate used to estimate the present value of the obligations at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset). Net interest comprises the interest income on plan assets, interest cost on the obligation and interest from measuring plan assets at the present value of the cash flows available to the entity from plan curtailments or reduction in future contributions to the plan.

- In the statement of changes in equity:
    - Actuarial losses and gains, which are changes in the present value of the defined benefit obligations resulting from the effects of changes in actuarial assumptions and experience adjustments;
    - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset);
    - Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

(2.13.2) Other long-term employee benefits

"Other long-term employee benefits" mainly comprises the early-retirement commitments to employees who no longer render services but, not being retirees for legal purposes, continue to hold economic rights against their employers until they become legal retirees. It also comprises any other long-term or similar commitments to employees.

These long-term commitments are recognised under the same caption as defined-benefit post-employment plans, except regarding amounts recognised in the statement of changes in equity that are recognised in the income statement, with the special features disclosed below for each specific case.

(2.13.2.1) Pre-retirements and partial retirements

At 31 December 2019, these commitments were covered by insurance policies and an internal fund.

(2.13.2.2) Commitments derived from the Labour Agreement adopted as result of the creation of BFA

On 14 December 2010, a majority of labour union representatives at the Cajas entered into an agreement entitled "Labour Agreement in the Framework of the Process of Integration under an IPS entered into by Caja Madrid, Bancaja, Caja Insular de Canarias, Caja Ávila, Caixa Laietana, Caja Segovia and Caja Rioja" (the "Labour Agreement") and as a result of the integration of the Cajas and the creation of BFA. (the central body of the IPS) set out in the Integration Agreement approved by the Boards of Directors and ratified by the General Meetings of the Cajas.

The Labour Agreement set forth an array of measures offered to the "Cajas" employees on an elective basis until 31 December 2012 so that the necessary staff restructuring could be carried out, with staff reduced by approximately 4,594 employees. The array of measures included pre-retirements, relocation, indemnified redundancies, contract suspension and shorter working time.

(2.13.2.3) Labour Agreement - Bankia Restructuring Plan

On 8 February 2013, a labour agreement was entered into with the majority of the Bank's union representatives, which includes the collective dismissal of up to 4,500 Bank employees, with variable termination benefits depending on the age of the worker and changes to the working conditions of employees that continue to work at the Bank through measures to eliminate or reduce fixed remuneration conditions, variable remuneration conditions, pension plan contributions, entitlements for risk and promotion measures. The agreement encourages voluntary redundancies and employability with the creation of an employment pool for those affected, while also enabling the Bank to move towards an efficiency ratio below 50%.

(2.13.2.4) Commitments derived from the Labour Agreement adopted as a result of the creation of BMN

The savings banks or *Cajas* that founded BMN entered into the so-called "Labour Agreement among the *Cajas* under the Framework of the Process of Integration under an IPS", which contemplated, among other measures, the resizing of the workforce of the founding *Cajas* with the extinction of a maximum of 1,049 jobs, coupled with the commitment to continuing to contribute to their pension plans and make special payments under certain circumstances. In keeping with the content of the above labour agreements and the nature and characteristics of the commitments, these commitments have been classified as "Other long-term commitments".

(2.13.2.5) Labour agreements entered into with the representatives of BMN's employees

Against the backdrop of BMN's Restructuring Plan, the Bank's management and its employees' representatives entered into a series of agreements which mainly contemplated the modification of employment terms, with the aim of minimising the impact on employment. The measures included paid leaves of absence, contract suspensions, and voluntary leaves of absence.

(2.13.2.6) Workforce Restructuring Agreement due to the merger between Bankia and BMN

As a result of the merger by absorption of BMN by Bankia, on 15 February 2018, a Workforce Agreement was signed, with 92% representation of the Bank's trade unions.

The Workforce Agreement contains a series of voluntary redundancy measures to implement the required restructuring. The collective procedure includes up to a maximum of 2,000 Bank employees, along with geographical mobility arrangements.

The Workforce Agreement also sets the framework for working conditions of Bank employees and the conditions under which BMN employees will be taken on, as well as other labour-related issues.

At 31 December 2019, the Bank had covered its liabilities under the aforementioned Labour Agreement in terms of outstanding settlements to employees already on the scheme, with appropriate provisions under "Provisions – Pensions and other post employment defined benefit obligations" (to cover pre-retirement commitments) and "Provisions – Other provisions" (for the remaining commitments assumed) on the balance sheet (see Note 19).

(2.13.2.7) Death and disability

The obligations assumed for coverage of death and disability of serving employees were set out in the Pension Agreements. These obligations are covered by an insurance policy under the Pension Plan and are recognised in the income statement at an amount equal the contributions made to the fund.

The amount accrued and paid in 2019 to cover these obligations was EUR 5,681 thousand (EUR 5,020 thousand on 31 December 2018) of which were covered totally by the Employee Pension Plan (EUR 4,429 thousand on 31 December 2018).

(2.13.3) Financial aid for employees

Financial assistance for employees is set out in the Savings Bank collective wage agreement. Certain terms and conditions have been improved via internal agreements. Assitance mainly entails advances, social loans and loans for the acquisition of primary residences.

Where appropriate, the difference between arm's length terms and the interest rates applied for each type of loan mentioned above is recognised as an increase in staff costs with a balancing entry under "Interest income" in the income statement.

(2.13.4) Termination benefits

Under current legislation, the Bank is required to pay termination benefits to employees made redundant without just cause. Termination benefits must be recognised when the Bank is committed to terminate the employment contracts of its employees and has a detailed formal termination plan. In addition to the commitments described in Note 2.13.2, the Bank signed a labour agreement whose related commitments are adequately covered with provisions recognised at 31 December 2019 (see Note 19).

(2.14) Income tax

Expenses for Spanish corporate income tax and similar taxes levied on foreign subsidiaries are recognised in the income statement, except when it results from a transaction recognised directly in equity. In this case, the income tax is also recognised in the Bank's equity.

Income tax expense is calculated as the tax payable on taxable profit for the year, after adjusting for variations in assets and liabilities due to temporary differences, tax credits for tax deductions and benefits, and tax losses (see Note 24).

The Bank considers that a temporary difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Bank to make a payment to the relevant tax authorities. A deductible temporary difference is one that will generate a right for the Bank to a rebate or a reduction in the amount payable to the related tax authorities in the future.

Tax credit and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Bank considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to, respectively, the related tax authorities within 12 months of the reporting date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities more than 12 months from the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. In any case, there will be no recognition of deferred tax liabilities arising from accounting for goodwill.

The Bank only recognises deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carryforwards when the following conditions are met:

- Deferred tax assets are only recognised when it is considered likely that the entities will have sufficient future taxable profit to make these effective; and, in the case of deferred tax assets arising from tax loss carryforwards, when the carryforwards have arisen for identified reasons that are unlikely to be repeated.

- No deferred tax assets or liabilities are recognised if they arise from the initial recognition of an asset or liability (except in the case of a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are reviewed at the end of each reporting period to ascertain that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

Note 24.5 explains the main implications of this legislation on the recognised deferred taxes.

Constitution of the Bankia tax group

The Bankia Tax Group opted to pay taxes under the special tax consolidation scheme regulated by Chapter VII, Title VII of the TRLIS, for the tax period commencing on 1 January 2011, and informed the tax authorities of this decision.

Note 24 provides a breakdown of the companies making up the Tax Group headed by Bankia, S.A. in 2019.

(2.15) Tangible assets

(2.15.1) Property, plant and equipment for own use

Property, plant and equipment for own use include assets, owned by the Bank or held under a lease, for present or future administrative use or for the production or supply of goods and services that are expected to be used for more than one economic period. This category includes, inter alia, tangible assets received by the entities in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing use. Property, plant and equipment for own use are presented in the balance sheet at acquisition cost, which is the fair value of any consideration given for the asset plus any monetary amounts paid or committed, less:

- The corresponding accumulated depreciation and,
- If relevant, any estimated impairment losses (carrying amount higher than recoverable amount).

The right-of-use assets from leases in which the Bank acts as lessee are presented under this item and recognised in accordance with the measurement rules explained in Note 2.11.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated. Right-of-use assets from leases are depreciated on a straight-line basis over the shorter of the useful life of the underlying asset (determined based on the following percentages) and the lease term.

The tangible asset depreciation charge for the period is recognised under “Depreciation and amortisation charge” in the income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual rate
Buildings for own use	2%
Furniture and fixtures	10% to 25%
Computer hardware	25%

The entities assess at the reporting date whether there is any internal or external indication that a tangible asset may be impaired (i.e. that its carrying amount may exceed its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated). When necessary, the carrying amount of tangible assets for own use is reduced with a charge to "Impairment or (-) reversal of impairment on non-financial assets" in the income statement.

Similarly, if there is an indication of a recovery in the value of an impaired tangible asset, the entities recognise the reversal of the impairment loss recognised in prior periods with the related credit to “Impairment or (-) reversal of impairment on non-financial assets” in the income statement and adjust the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of property, plant and equipment for own use are reviewed at least once a year with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses on tangible assets for own use are recognised as an expense in the income statement in the period in which they are incurred.

Tangible assets that require more than one year to be ready for use include as part of their acquisition or production cost the borrowing costs which have been incurred before the assets are ready for use and which have been charged by the supplier or relate to loans or other types of borrowings directly attributable to their acquisition, production or construction. Capitalisation of borrowing costs is suspended, if appropriate, during periods in which the development of the assets is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use have been completed.

The Bank’s buildings for own use that are no longer part of its branch network and that, under current regulations, satisfy the requirements for recognition as non-current assets held for sale given the existence of a detailed plan for their immediate sale are measured as described in Note 2.19.

(2.15.2) Investment property

"Investment property" on the balance sheet reflects the net values of the land, buildings and other structures held to earn rentals or for potential capital appreciation the event of sale, through potential increases in their market value.

The criteria used to recognise the acquisition cost of investment property, to calculate its depreciation and its respective estimated useful life and to recognise the possible impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (Note 2.15.1).

However, in the process for estimating impairment losses on investment properties foreclosed or received in payment of debt (see Note 2.20) reclassified from non-current assets held for sale to investment properties, among others, when the property is earmarked for lease, when determining the appropriate method for estimating fair value, the Bank assesses whether the lease transaction satisfies the following two requirements:

- The lessee's ability to pay is sufficient to service the lease payments; and
- The lease price indicates that the market value of the leased asset is above its carrying amount

If either of these two requirements is not met, fair value is estimated as explained in Note 2.19 for assets foreclosed or received in payment of debt classified as non-current assets held for sale.

Appendix VIII provides further information about foreclosed property assets and assets received by the Bank in settlement of debts and classified under this balance sheet heading on the basis of ultimate purpose, as referred to above.

(2.16) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the entities. Only intangible assets whose cost can be estimated reasonably objectively and from which the entities consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

In the balance sheet, intangible assets can have an "indefinite useful life, amortizing in the same criteria similar to those adopted for the amortization of tangible assets. When the useful life of intangible assets cannot be estimated reliably, they will be amortized over a period of 10 years.

The annual amortisation of intangible assets with a finite useful life is recognised under "Depreciation and amortisation" in the income statement. These intangible assets, which were developed by different companies of the Bank, have an average useful life of 10 years.

The estimated useful life of these assets is updated periodically through an individual analysis of the various items. Considering among other aspects the type of application, its functional and technical status or their alignment with business strategy. According to applicable accounting standards, changes in the useful life are applied prospectively over the estimated years of useful life remaining.

Bank recognises any impairment loss on the carrying amount of these assets with a charge to "Impairment or (-) reversal of impairment on non-financial assets - Intangible assets" in the income statement. Criteria for recognising impairment losses on these assets and any recovery of impairment losses recognised in past years are similar to those used for property, plant and equipment for own use (Note 2.15.1).

(2.17) Inventories

"Inventories" in the balance sheet includes non-financial assets:

- Held for sale in the ordinary course of business,
- In the process of production, construction or development for such sale, or
- To be consumed in the production process or in the rendering of services.

Consequently, inventories include land and other property (other than investment properties) held for sale or for inclusion in a property development.

Inventories are measured at the lower of cost (which comprises all costs of purchase, costs of conversion and direct and indirect costs incurred in bringing the inventories to their present location and condition, as well as the directly attributable borrowing costs, provided that the inventories require more than one year to be sold, taking into account the criteria set forth above for the capitalisation of borrowing costs relating to property, plant and equipment for own use) and net realisable value. Net realisable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventory items that are not normally exchangeable and the cost of goods and services produced and reserved for specific projects are determined individually for each case.

Any write-downs of inventories to net realisable value and any subsequent reversals of write-downs to below their carrying amount are recognised under ""Impairment or (-) reversal of impairment on non-financial assets – other" of the consolidated income statement.

The carrying amount of inventories sold is derecognised and recognised as an expense under "Other operating expenses - Changes in inventories" in the income statement.

For this purpose, the acquisition cost of foreclosed inventories or inventories otherwise acquired in payment of debts is estimated as the lower of:

- Financial assets recognised at their book value.
- Fair value at the time of adjudication or reception of the asset net of the estimated sales costs.

After initial recognition, the fair value less estimated costs of disposal is updated at least annually, with impairment, or reversal thereof, recognised for the difference with the carrying amount if the Bank has the ability to realise the asset at the estimated fair value, up to the limit of the cumulative impairment loss.

As at 31 December 2019, the Bank did not have any balance of inventories. At 31 December 2018, the gross carrying amount of inventories was EUR 682 thousand, which had been fully written off, with the recognition of net impairment losses in 2018 of EUR 43 thousand.

Appendix VIII provides further information about foreclosed property assets and assets received by the Bank in settlement of debts and classified under this balance sheet heading on the basis of ultimate purpose, as referred to above.

(2.18) Provisions and contingent liabilities

When preparing the financial statements, the Bank's directors made a distinction between:

- Provisions: credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Bank, which is considered to be likely to occur and certain as to its nature, but uncertain as to its amount and/or timing, and
- Contingent liabilities: possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the entities, Present obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

The Bank's financial statements include all significant provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed in accordance with the requirements of Bank of Spain Circular 4/2017.

Provisions are measured based on the best information available on the consequences of the events giving rise to them and remeasured at the end of each reporting period. They are used to meet the specific obligations for which they were originally recognised. They may be wholly or partly reversed if these obligations cease to exist or diminish.

The recognition and reversal of provisions considered necessary pursuant to the foregoing criteria are recognised with a charge or credit, respectively, to "(Provisions or (-) reversal of provisions)" in the income statement, unless expressly indicated otherwise.

(2.18.1) Legal proceedings related to the 2011 IPO

Civil proceedings regarding the invalidity of the subscription of shares.

At present, there are claims being processed albeit a small number seeking the invalidity of the subscription of shares issued in 2011 in the public offering for the stock market listing of Bankia, S.A., including those related to subsequent purchases. In application of prevailing legislation, this contingency was recognised in accordance with the information disclosed in Note 19.

On 19 July 2016, Bankia was informed of the class action suit presented by ADICAE (Spain's Association of Bank, Savings Bank and Insurance Users), these proceedings are currently on hold.

Summary Procedure 1/2018 arising from Preliminary Proceedings no. 59/2012 in the National Criminal Court.

Criminal procedure in which the court accepted for processing the lawsuit filed by Unión Progreso y Democracia against Bankia, BFA and former members of their respective Boards of Directors. Subsequently, other complaints were added by the alleged injured parties from Bankia's IPO (private accusation) and by persons without this status (public accusation). Bankia raised a total of EUR 3,092 million in July 2011 from the IPO, EUR 1,237 million from institutional and EUR 1,855 million from retail investors. Since retail investors have been reimbursed for virtually the entire amounts invested in the IPO through civil lawsuits or the voluntary repayment process carried out by Bankia, the contingency existing with these is practically resolved.

On 23 November 2015, as part of the civil liability proceedings, a bail deposit of EUR 38.3 million was set. At present, requests for bail deposits amounting to EUR 5.8 million had been issued for which a ruling by the Court is pending.

The judge presiding Central Examining Court No. 4 of the National High Court has closed the discovery process and is continuing to process the case by means of the Summary Procedure, having issued the corresponding Transformation Ruling on 11 May 2017, as detailed in Note 19.

On 17 November 2017, Central Examining Court No. 4 of the National High Court ordered the start of the hearings. Specifically, the court has ordered the start of the hearings for the crimes of financial statement forgery (categorised in article 290 of Spain's Criminal Code) and investor fraud (article 282 *bis* of the Criminal Code) against certain former directors and executives of Bankia and BFA, the external auditor, in IPO´s time, and against BFA and Bankia as legal persons. As detailed in note 19, the State Prosecutor and the FROB have presented written allegations requesting the dismissal of the criminal charges against BFA and Bankia. The FROB is not seeking subsidiary civil liability on the part of Bankia or BFA.

Hearings began on 26 November 2018 and the case was ready for judgement on 5 October 2019.

In addition, under the scope of this proceeding, three separate cases are ongoing:

- Two Separate Pieces of Credit of Caja Madrid and Bancaja, for which the Orders of 17 May 2018 decreed their file, since the existence of a crime of fraud in the emissive and the marketing of preferred shares.

  Individual plaintiffs have appealed the rulings, not the Tax Ministry, which have been opposed by Bankia and BFA -not considered defendants.

- In the separate case related to credit cards, the Supreme Court issued a ruling on 3 October 2018 upholding the sentence handed down on 23 February 2017 sentencing certain former directors and executives of Caja Madrid and Bankia and stipulating that the civil liability claims related with the criminal charges should accrue to Bankia.

  On 26 November 2018, an enforcement decree was issued opening the individual subsidiary civil liability cases of each convicted party, determining and establishing the amounts payable by them.

The Bank considered the lawsuit included in the Abreviated Proceeding 1/2018 (with origin in the preliminary proceedings No. 59/2012 as a contingent liability with an uncertain outcome.

(2.18.2) Other court proceedings / claims in process

At year-end 2019, the Bank was party to a number of legal proceedings and claims arising in the ordinary course of its business activities. The directors believe that, based on the information available at the reporting date and considering the amounts provided for by the Bank to this end (Note 19), the conclusion of these proceedings and claims will not have a material impact on the Bank's financial situation.

The main material claims against the Bank with its situation are as follows:

Class actions

- Civil proceedings regarding hybrid instruments (preferred participating securities and subordinated bonds. The EUR 246 million provision set aside for this was used in full in 2015. Under the terms of the agreement signed between Bankia and BFA, this provision covers the maximum loss for Bankia derived from the costs related to the enforcement of rulings against the Bank in the various proceedings against it related to the aforementioned issues. There are other class action suits filed by ADICAE seeking the cessation and nullity of emissions and the sale of those hybrid instruments. Of the six actions initially brought, two of which are already completed on the occasion of the appeals brought by ADICAE, and the main claims brought by the applicant in collective actions.
- Claims seeking nullity of floor clauses. There were 6,063 legal proceedings underway regarding individual actions seeking nullity at 31 December 2019. Bankia, in addition to virtually all Spanish financial institutions, is also being sued in a class action brought by ADICAE being processed in Madrid mercantile court 11, under case no. 471/2010. On 12 November 2018, Section 28 of the Madrid Regional Court issued ruling no. 603/2018 rejecting the appeals filed by the financial institutions against the ruling in first instance partially upholding the claim. This ruling upholds the injunctions and restitution of amounts exercised by ADICAE and, as a result, ordering the defendants (including Bankia in its own name and as successor of Banco Mare Nostrum, SA [BMN]) (i) to eliminate the floor clauses in contracts with consumers and (ii) to reimburse the amounts paid as a result of these stipulations, with no statute of limitations. The main argument for the declaration of nullity is the abstract of judgement of material or substantive transparency after an examination of each bank's standard loan arrangement practices. The analysis focused primarily on the wording and contractual treatment of the floor clause in the contract clauses with a view to determining whether, in the eyes of the average consumer, there was a lack of transparency. The implications of the sentence, without prejudice to potential appeals before the Supreme Court, are limited for Bankia because of the out-of-court procedure. Nevertheless, the ruling of the Madrid Regional Court does not have any automatic effects on all consumers, especially with respect to the claim for restitution of the amounts paid which, as appropriate, must be addressed in enforcement of the ruling on a case-by-case basis.

- Lawsuits presented in connection with mortgage arrangement fees. At 31 December 2019, a total of 15,826 suits had been filed, in addition to a class action presented by Asufin seeking the cessation and reimbursement of fees and the use of the IRPH mortgage price index, there is also a class action suit seeking the cessation of the IRPH and reimbursement of expenses filed by Asufin. The case has been suspended due to a preliminary ruling by the Court of Justice of the European Union (CJEU) over the IRPH.

  The following judgments of the Supreme Court regarding mortgage agreement fees, dated 23 January 2019, the existing economic contingency is significantly reduced, since it clarifies that the main component of those expenditures, the Documented Legal Acts Tax, the borrower must be assumed by the borrower in the event that a Court declares the clause void, and this in respect of loans made prior to the entry into force of Royal Decree Law 17/2018, of 8 November, amending the factual text of the Law of Patrimonial Transmissions and Documented Legal Actions Tax.

  In 2019, eight class actions brought by ADICAE have been notified to Bankia, bringing an action for an injunction and invalidity of the clauses of expenses agreed in contracts concluded by different savings banks that formed Bankia. Those actions incorporate different members of the members and they also request the restitution of amounts, all these proceedings are pending judgment at first instance, although in four of them the court has refused the admission of the accumulated return actions to injunctions and invalidity. As at 31 December 2019, only one ruling at first instance was issued in a proceeding, which was partially favourable for Bankia as despite invalidating the clause covered by the proceeding, it rejected reimbursement of the amounts to the consumers involved. This ruling is not final.

  Moreover, in December 2019, Bankia was notified of a class action by Asociación Contra la Usura de Sociedades (ACUSA) against Bankia and another 17 financial institutions seeking invalidation of loan arrangement fees and costs, and reimbursement of amounts paid. Three consumers are involved. The court has rejected the restitution sought for all consumers, accepting for processing only that of specific consumers involved.

- Regarding the clause indexing the variable interest rate of mortgage loans to the IRPH. The Group and other Spanish financial institutions are parties to proceedings regarding mortgage loans indexed to the IRPH mortgage loan benchmark in which the plaintiffs filed claims over the validity of the loans. On 14 December 2017, the Supreme Court issued a ruling in which it concluded that the mortgage loan was valid, and that the clause related to the IRPH was transparent. The entity considers that this ruling is well grounded and sets a clear precedent regarding credit transactions indexed to the IRPH, a benchmark that was determined by the Bank of Spain and published in the Official State Gazette.

  After the Supreme Court ruling, on 16 February 2018, Court of First Instance 38 of Barcelona, under the proceeding in which Bankia is defendant, submitted a request for a preliminary ruling by the Court of Justice of the European Union (CJEU) over the control of transparency provided for in article 4.2 of Directive EU 93/13 for a loan indexed to the IRPH.

  In September 2019, the Advocate General of the CJEU issued its findings over this preliminary ruling. While not binding, they are considered to be a relevant opinion. The Advocate General said that the customer, before signing a loan agreement, should have received sufficient information to taken a prudent and knowledgeable decision, stating that, in its opinion, Bankia complied with its duties under the European Directive and Bankia's customer was capable of assessing the economic consequences of the loan signed.

  The Advocate General also understands that Spanish judges and courts are the only competent bodies to decide in each individual case and loan whether the IRPH mortgage index is valid. It recalled that Spain's Supreme Court, in ruling 669/2017 of 14 December 2017, concluded after analysing a loan indexed to the IRPH that it was valid, and that the clause related to the IRPH was transparent.

  The CJEU notified the parties that a final ruling will be issued on 3 March.

  In any event, with the final judgement delivered, the national court requesting the preliminary ruling will have jurisdiction to conclude on the case, in accordance with the CJEU ruling. Accordingly, without prejudice to the CJEU's binding decision, the national court's decision will be subject to the national court's own system of legal appeals for interpretation or validity of the ruling in accordance with the applicable national law. The case may reach the Supreme Court.

  The potential impact of the CJEU's ruling on the institution is difficult to quantify since it depends on a series of factors. The competent national courts could not only consider that the claims have merits due to a lack of transparency, but they could also assess other considerations arising from the CJEU ruling and specific circumstances surrounding each individual case. They could also apply national law (alternative interest rate, retroactivity, etc.). Nonetheless, depending on the outcome, the impact could be material.

  As at 31 December 2019, the amount of existing retail loans current on payment that include a contractual clause indexed to the IRPH agreed between the consumer and the bank was approximately EUR 1,300 million. There were also EUR 1,600 million current on payment corresponding to portfolios of residential and land loans with the IRPH as the benchmark index in the loan clauses not agreed between the consumer and the bank, but rather imposed by a legal provision applicable in accordance with the prevailing legal and factual framework when the loans were taken out. Examples include government-subsidised housing. As at 31 December 2019, there were 282 lawsuits in progress, with an immaterial financial risk.

  Bearing in mind how the status of the proceeding and the outlook for the amounts and lawsuits, and the related uncertainty, it has been considered a contingent liability with an uncertain outcome for Bankia.

Other lawsuits

- Lawsuits filed in accordance with Law 57/68. At 31 December 2019, there were 747 legal proceedings in progress.
- Lawsuits related to derivatives. There were 144 legal proceedings in progress at 31 December 2019.
- Lawsuit brought against Bankia, S.A. and Others before the 1st Instance Court No. 48 of Madrid: Bankia, S.A. and Corporación Industrial Bankia, S.A. entered into a transactional agreement with the creditors holding credit rights to Alazor y Accesos de Madrid on settlement of liabilities, whereby all liabilities required of both companies related to the Comfort Letter and Support Agreement were settled, without prejudice to the formal termination of the proceeding after the pertinent procedural steps are completed. Settlement of the transactional agreement has not had a significant impact on the Bank's profit or loss or its equity.
- Appeals against the forfeiture of construction and operation surety bonds issued to four toll road concessionaires. The Supreme Court has agreed, as an injunction, suspension of the effectiveness of the agreement of forfeiture.
- Lawsuit brought by the Banco de Valencia Small Shareholder Association “Apabankval”: In 2012, Apabankval filed a lawsuit against the Board of Directors of Banco de Valencia and Deloitte S.L. for corporate crimes. It is in the pre-trial phase. The amount of the civil liability claims has yet to be quantified. The APABANKVAL lawsuit has given rise to pre-trial proceedings 65/2013-10 at Central Examining Court No. 1 of the National High Court.

  Subsequently, a second lawsuit was brought by several individuals (“Banco de Valencia”). Against this backdrop, in a ruling dated 6 June 2016, Central Court of Instruction 1 of the National Court admitted the addition to preliminary proceedings 65/2013-10 of a new claim submitted by shareholders of Banco de Valencia against several members of the board of directors of Banco de Valencia, external auditor and Bankia, S.A. (“in place of Bancaja”) for the corporate crime of falsification of accounting documents set out in article 290 of the Spanish Penal Code.

  On 13 March 2017, section three of the High Court's Criminal Chamber issued a ruling confirming that: (i) Bankia cannot be held criminally liable for the events; and (ii) Bankia should be held subsidiarily liable in the civil liability case.

  As of 1 June 2017, Apabankval (Asociación de pequeños accionistas de Banco de Valencia) encompasses approximately 351 affected parties. In addition, in keeping with the ruling issued on 8 January 2018, Central Examining Court No. 1 has so far identified another 89 people who have come forward as affected parties whose legal representation and defence has been assumed by the Apabankval association, as provided for in article 113 of Spain's Criminal Prosecution Act.

  On 6 September 2017, an individual presented a new lawsuit regarding the crime of accounting forgery under article 290.2 of the Criminal Code. On this occasion the lawsuit has been taken against the former natural person directors in respect of the criminal liability and against Bankia only in respect of the civil liability (with criminal liability also being sought of Valenciana de Inversiones Mobiliarias and external auditor).

  On 13 December 2017, Central Examining Court No. 1 ordered the inclusion of BFA, Tenedora de Acciones S.A.U and Fundación Bancaja as parties subsidiarily liable in the civil liability proceedings. BFA filed an appeal for amendment against this order -which was rejected in a ruling of 13 December 2017- not only for BFA to abide by the ruling, but because it is reserving, for a later stage in the proceeding, the re-filing of pleas presented it considers solid and well founded.

  On 19 October 2018, a ruling was issued rejecting the FROB’s appeal against the ruling upholding BFA's subsidiary civil liability, with a dissenting vote implying that the FROB -a public body- cannot be included in the proceedings because subsidiary civil liability is required of BFA, in which it has 100% ownership.

  On 2 December 2019, Central Examining Court 1 issued a transformation ruling agreeing the continuation of the pre-trial stage in the fast-track procedure for alleged involvement in the ongoing crime of falsifying Banco de Valencia’s annual financial statements for 2009 and 2010, provided for and punishable by paragraphs 1 and 2 of article 290 and article 74 of Spain’s Penal Code against directors and Banco de Valencia and holding subsidiarily liable other companies, including: BFA, Bankia, Bankia Habitat S.L. and Valenciana de Inversiones Mobiliarias, S.L. These companies have filed appeals before the same Central Examining Court and, subsidiarily, before the Criminal Chamber of the National Higher Court or directly on appeal.

  The Bank considered this contingency as a contingent liability with an uncertain outcome at the reporting date.

(2.19) Non-financial guarantees provided

The guarantees or guarantee agreements in which the Bank undertakes to compensate an obligee in the event of non-compliance with a specific obligation other than a payment obligation by a particular debtor of the obligee, such as deposits given to ensure participation in auctions or tender processes, surety bonds, irrevocable promises to provide surety and guarantee letters which are claimable by law, are considered, for the purpose of preparing these financial statements, to be insurance contracts.

When the Bank provides the guarantees or sureties indicated in the preceding paragraph, it recognises them under “Other Liabilities” in the balance sheet at fair value plus the related transaction costs, which, unless there is evidence to the contrary, is the same as the value of the premiums received plus, if applicable, the present value of cash flows to be received for the guarantee or surety provided, and an asset is recognised simultaneously for the present value of the cash flows to be received. Subsequently, the present value of the fees or premiums to be received is discounted, and the differences are recognised in the income statement under “Interest income” in the income statement; and the value of the amounts initially recognised in liabilities is allocated on a straight-line basis to the income statement (or, if applicable, using another method which must be indicated). In the event that, in accordance with Circular 4/2017, a provision is required for the surety which exceeds the liability recognised, the provision is recognised using criteria similar to those described for the recognition of impairment of financial assets and the amount recorded is reclassified as an integral part of the aforementioned provision.

(2.20) Non-current assets and disposal groups classified as held for sale and discontinued operations

“Non-current assets and disposal groups classified as held for sale” in the balance sheet includes the carrying amounts of items -individual (“non-current assets”) or items that form part of a group (“disposal group”) or part of a business unit to be disposed of (“discontinued operations”)- whose sale is highly probable in their current conditions within one year from the date of the financial statements. Therefore, the carrying amount of the items –which may be financial or non-financial– is expected to be recovered through a sale transaction rather than through continuing use.

“Liabilities included in disposal groups classified as held for sale” includes the payables related to disposal groups or to discontinued operations of the Bank.

In general, non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount calculated as at the classification date and their fair value less estimated costs to sell. As long as they are classified in this category, the tangible and intangible assets, which by their nature would be depreciable, are not depreciated.

If the carrying amount of the assets exceeds their fair value less costs to sell, the Bank adjusts the carrying amount of the assets by the amount of the excess with a charge to “Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” in the income statement. If the fair value of such assets subsequently increases, the Bank reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with counterpart in the same heading of the income statement.

The gains or losses arising on the sale of non-current assets held for sale are presented under “Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” in the income statement.

However, financial assets, assets arising from employee remuneration, deferred tax assets and assets under insurance contracts that are part of a disposal group or of a discontinued operation are not measured as described in the preceding paragraphs, but rather in accordance with the accounting policies and rules applicable to these items, which were explained in previous sections of Note 2.

Income and expenses of components classified as discontinued operations are shown, net of the related tax effect, under “Profit or (-) loss after tax from discontinued operations” in the income statement.

Assets foreclosed or received in payment of debts by the Bank, for the full or partial settlement of debtors’ payment obligations, are considered non-current assets held for sale unless the Bank has decided to make continuing use of the assets or to hold them to earn rentals and/or for future capital appreciation, in which case they are measured as described in Note 2.15.

Initial recognition

Non-current assets held for sale foreclosed or received in payment of debts are measured initially at the lower of:

- Financial assets recognised at their book value.

  For the purposes of calculating the carrying amount of the financial assets applied, at the date of initial recognition the allowances or provisions for these financial assets is estimated on the basis of their accounting classification before the repossession, treating the asset as collateral. The amount of the allowance is compared with the previous amount and the difference is recognised as an addition or release of allowances and provisions, as applicable.

  To estimate the allowances and provisions for the financial assets applied, the recoverable amount of the collateral shall be taken as the fair value less the estimated costs to sell of the asset foreclosed or received in payment of debt, calculating by applying the discounts detailed below to the reference value (updated appraisal value), provided that the entity’s experience of sales bears out its ability to realise the asset at its fair value. Otherwise, if the experience of sales does not corroborate this ability, the recoverable amount is estimated by applying to its reference value (updated appraisal value) market information on the Spanish banking sector regarding average discounts for real estate collateral.

  The Bank's sales experience bears out its ability to realise the asset as each year it sells at least 25% of its finished dwellings, 20% of its completed offices, commercial premises or multipurpose buildings, and 15% of the rest of its real estate assets.

The market value in full individual appraisals set out in Ministerial Order ECO/805/2003, of 27 March, is used (see Note 23.2.2), to which certain discounts are applied in accordance with the type of foreclosed property. For the types of foreclosed real estate assets for which the Bank has appropriate experience of sales and approved internal models, it uses those models to calculate the discounts to apply to the reference value in order to obtain the fair value less the estimated costs to sell.

- Fair value at the time of repossession or reception of the asset net of the estimated costs to sell.

  The Bank has an internal methodology for estimating discounts on the reference value and costs to sell real estate assets foreclosed or received in payment of debt classified as non-current assets held for sale. This methodology is based on the Bank's prior experience of sales of similar assets, in terms of time scales, prices and volumes, and the time taken for their sale. The methodology complies with the principles and requirements governing the development and use of internal methodologies for estimating discounts on the reference value and the cost of sale of foreclosed assets or those received in payment of debt. It has also undergone the necessary internal validation process prior to its approval and use.

  For assets located in Spain, the Bank is understood to have appropriate experience in sales for a type of property when it sells at least 10% of its annual average stock and 75 properties of this type.

  Real estate assets foreclosed or received in payment of debts classified as non-current assets held for sale for which the Bank has not attained sufficient sales volume, meaning therefore that its management unit does not possess the sales experience needed to sell or otherwise realise those assets at their fair value, are measured by taking the reference value, market information on the Spanish banking sector regarding average discounts for foreclosed assets.

  All court costs associated with the claiming and foreclosure of these assets are recognised immediately in the income statement for the foreclosure period. Registry costs and taxes paid may be added to the value initially recognised provided that, as a result, such value does not exceed the fair value less the estimated costs to sell mentioned in the paragraph above. All expenses related to the administration and management of the assets are recognised in the income in the period in which they are accrued.

Subsequent measurement

Subsequent measurement is made at fair value less estimated costs to sell:

- Fair value less estimated costs to sell is obtained by applying to the reference value the discounts obtained internally or, where appropriate, using market information on the Spanish banking sector included in Circular 4/2017, regarding average discounts for foreclosed assets according to whether there is appropriate experience of sales for each category or asset, as explained above. The difference with the carrying amount of the assets is recognised as a potential impairment or, where appropriate, reversal if the Bank has the ability to realise the asset at the estimated fair value, up to the amount of accumulated impairment. This ability remains provided the asset foreclosed or received in payment of debts has not exceeded the average holding period of real estate with active sales policies.
- The reference value used to estimate fair value is the market value obtained in appraisals updated at least annually with the following considerations:
  - If fair value is greater than EUR 300,000: the reference value is taken from the latest full individual appraisal available.
  - If fair value is lower than or equal to EUR 300,000: the reference value is the latest available appraisal. Automated appraisal methods –statistical appraisals– can be used. In any event, once this real estate has been on the balance sheet for three years, its valuation is updated by means of the full individual appraisal. After that date (see Note 23.3.2), a combination of automated appraisal methods and full individual appraisals may be used, such that the frequency of the latter is at least every three years.

  In general, the reference value updated with a full individual appraisal must comply when the properties have remained on the balance sheet for three years, and at least every three years thereafter by a different appraiser than the previous one. In any event, the appraisal company or service must change after two consecutive individual appraisals performed by the same appraisal company or service.

Appendix VIII provides further information about foreclosed property assets and assets received by the Bank in settlement of debts and classified under this balance sheet heading on the basis of ultimate purpose, as referred to above. Notes 17.3 and 17.5.1 provide details of assets held for sale and assets included in disposal groups, respectively, classified under "Non-current assets held for sale and disposal groups classified as held for sale".

(2.21) Statement of cash flows

The following terms are used in the cash flow statement with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are short-term, highly liquid investments that are subject to an insignificant risk of changes in value (where applicable: and, exclusively, since they form part of cash management, bank overdrafts repayable on demand, which reduce the amount of cash and cash equivalents).

- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be a financing activity. Activities performed with the various financial instrument categories stipulated in paragraph i) above are classified, for the purpose of this statement, as operating activities, except for subordinated financial liabilities, debt securities and investments in equity instruments classified as financial instruments at fair value through other comprehensive income which are strategic investments. For these purposes, a strategic investment is that made with the intention of establishing or maintaining a long-term operating relationship with the investee, since, inter alia, one of the circumstances that could determine the existence of significant influence prevails, even though this influence does not actually exist.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments in subsidiaries, joint ventures and associates, non-current assets held for sale and associated liabilities, equity instruments classified at fair value thorugh other comprehensive income which are strategic investments.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not operating activities, such as subordinated liabilities and market debt securities

In preparing the cash flow statement, "Cash and cash equivalents" were considered to be short-term, highly liquid investments that are subject to a low risk of changes in value. Thus, for the purposes of drawing up the cash flow statement, the balance of “Cash, cash balances at Central banks and other demand deposits” on the asset side of the balance sheet was considered as cash and cash equivalents.

(2.22) Share-based payment transactions

Share-based remuneration of senior executives and Board members

When the Bank immediately delivers shares to eligible employees with no requirement of a certain period of time before the employee becomes the unconditional owner of the shares, the total services received are expensed under "Staff expenses" in the income statement, with a balancing entry of corresponding increase in equity.

When the shares are delivered to employees after a certain period of service, the expense is recognised under "Staff expenses" in the income statement, along with the corresponding increase in the equity of the company making the payment.

At the grant date on which the employee is entitled to receive share-based payments (the grant date is understood as the date on which employees and the entity agree to the share remuneration format, its periods and conditions), the amount of the remuneration to be paid, i.e. the amount of the increase in the equity of the company making the payment, is measured at the fair value of the shares committed. If fair value cannot be reliably estimated, the shares are measured at their intrinsic value. Changes in the fair value of shares between the grant date and the date on which they are delivered are not recognised. If the shares are measured at their intrinsic value, the variation in this value between the grant date and the date on which they are delivered is recognised with a balancing entry in the income statement.

The policy is in accordance with the best corporate governance practices and pursuant to European regulations concerning remuneration policies at credit institutions and also to the provisions of Royal Decree Law 2/2012 of 3 February, Order ECC/1762/2012, of 3 August, and Law 10/2014, of 26 June. For detailed liquidation scheme see Note 34.8.

(2.23) Treasury shares

Bankia’s Board of Directors approved an update to the Treasury Share policy, determining the framework for the control and management of transactions with treasury shares and the related risk. All purchases and sales of treasury shares by Bankia or its subsidiaries must comply with prevailing legislation and resolutions adopted at the Annual General Meeting of Shareholders.

Transactions involving treasury shares are recognised directly in equity, along with all the expenses and potential income that may arise therefrom.

“Equity (-) equity shares” in equity presents the value of Bankia, S.A. treasury shares held by the Bank at 31 December 2019 and 2018.

Note 21.2 includes the disclosures required by applicable regulations regarding transactions with treasury shares.

(2.24) Statement of recognised income and expense and Statement of changes in equity

The main features of the information presented in these statements are set out below:

Statement of recognised income and expense

The statement of recognised income and expense presents the income and expenses generated by the Bank as a result of its business activity in the year. A distinction is made between income and expenses recognised in the income statement, on one hand, and, on the other, income and expenses recognised directly in equity pursuant to prevailing laws and regulations.

Accordingly, this statement presents:

- Profit or loss for the years ended 31 December 2019 and 2018.
- The net revenue or expenses temporarily recognised in equity as valuation adjustments.
- The net revenue or expenses definitively recognised in equity.
- The tax accrued on the items referred to in the preceding two subparagraphs.
- Total recognised income and expense for the year, calculated as the sum of four previous amounts.

The changes in income and expenses recognised in equity under “Valuation adjustments” are broken down – subject to the constraints set out above – as follows:

- Revaluation gains/ (losses): includes the amount of the income, net of the expenses incurred in the year, recognised directly in equity. The amounts recognised in the year under this item are maintained in this line, but in the same year are transferred to the income statement, where they are added to the initial value of other assets and liabilities or are reclassified to another item.
- Amounts transferred to the income statement: includes valuation gains and losses previously recognised in equity, even in the same year, which are taken to the income statement.
- Amount transferred to the initial carrying amount of hedged items: comprises the valuation gains and losses previously recognised in equity, even in the same year, which are recognised at the initial carrying amount of the assets and liabilities as a result of cash flow hedges.
- Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

All items of the statement of recognised income and expense may be recognised in the income statement except “Actuarial gains or (-) losses on defined benefit pension plans “.

The amounts of these items are presented gross the related tax effect is recognised in this statement under “Income tax relating to items that may be reclassified to profit or (-) loss”.

(2.25) Statement of changes in equity

The statement of changes in equity reflects all the changes in equity, including those due to accounting policy changes and error corrections. This statement accordingly presents reconciliation between the carrying amount of each component of the equity at the beginning and at the end of the period, separately disclosing any change into the following headings:

- Adjustments due to accounting policy changes and error adjustments: includes changes in Bank equity as a result of the retrospective restatement of financial statement balances on account of changes in accounting policies or for correction of errors, if any.
- Income and expense recognised in the year: represents the aggregate of all items of recognised income and expense, as outlined above.
- Other changes in equity: includes the remaining items recognised in equity such as capital increases or decreases, distribution of results, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in equity.

(3) Risk management

Risk management is a strategic pillar in the Bank, the primary objective of risk management is to safeguard the Group’s financial stability and asset base, while creating value and developing the business in accordance with the risk tolerance levels set by the governing bodies. It involves the use of tools for measuring, controlling and monitoring the requested and authorised levels of risk, managing non-performing loans and recovering unpaid risks.

The Board of Directors is responsible for determining the risk control and management policy, and for monitoring the effectiveness of internal control, internal audit, regulatory compliance and systems for risk management, which it carries out, mainly through the Audit and Compliance Committee and the Risk Advisory Committee.

The Group implements its risk strategy with a view to ensuring stable, recurring income with a medium-low enterprise risk profile. The key pillars of this strategy are:

1. An effective internal control framework based on the three lines of defence approach governed by the following general principles, covering all types of relevant risks for the Group as a whole, independence of the risk function and the commitment of senior management, bringing behaviour to the highest ethical standards and strict compliance with laws and regulations:
   - Independent and global risk function, which assures there is adequate information for decision-making at all levels.
   - Objectivity in decision-making, taking account of all relevant (quantitative and qualitative) risk factors.
   - Active management throughout the life of the risk, from preliminary analysis until the risk is extinguished.

- Clear processes and procedures, reviewed regularly as needs arise, with clearly defined levels of responsibility.
- Comprehensive management of all risks through identification and measurement and consistent management based on a common measure (economic capital).
- Individual treatment of risks, channels and procedures based on the specific characteristics of the risk.
- Generation, implementation and promotion of advanced tools to support decision-making which, with efficient use of new technologies, aids risk management.
- Descentralization of decision-making based on the approaches and tools available.
- Inclusion of risk in business decisions at all levels strategic, tactical and operational.
- Alignment of overall and individual risk targets in the Entity to maximise value creation.

2. An Effective risk governance, in which the Group has various inter-related processes approved annually by the Board of Directors:

   a) Risk *Appetite Framework integrated with the Capital Planning Framework and the Recovery Plan:*

      The Group has a Risk Appetite Framework (RAF) approved by the Board of Directors of the Bank which provides a management tool for the Board of Directors to: (i) formalise the Group's risk appetite statement, (ii) establish a risk monitoring mechanism that ensures compliance with the risk appetite and (iii) strengthen the Entity's risk culture.

      The RAF sets out the desired levels of risk and the maximum levels of risk (appetite and tolerance) that the Entity's governing bodies are willing to accept to achieve the business objectives, the mechanisms for monitoring the various kinds of risk, and the responsibilities of the various directorates, committees, and governing bodies involved.

      If any of the key indicators in the RAF breaches the limits approved, an action procedure is in place where the Management Committee is charged with proposing, as appropriate, to the Risk Advisory Committee, for its analysis and subsequent escalation to the Board of Directors, the actions plans that the Group may undertake to bring the indicators back to normal levels.

      The Board of Directors reviews the framework annually, updating the desired and maximum levels, and the metrics considered most appropriate for correct monitoring.

   b) Additionally, the Board of Directors approves the Capital Planning Framework which, together with the RAF, sets out the Group's strategic lines of action with respect to risk and capital in normal business situations. Both processes shape the planning of the Group's activities and businesses.

   c) The Recovery Plan, also approved by the Board of Directors, is triggered to manage potentially critical situations with a view to returning the Entity to a normal situation and includes the potential measures the Bank can adopt in a hypothetical crisis situation.

   d) The Group performs regular asset allocation exercises to establish targets and limits for exposure and expected loss for the various portfolios. The aim is to maximise risk-adjusted returns within the overall limits established in the RAF. Annual budgets, beyond being commensurate with the risk appetite statement, are drawn up comparing business development proposals with the optimal portfolios provided by the system.

   e) Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) in accordance with criteria provided in prevailing regulations. In these processes, the Group identifies and assesses the various risks to which it is exposed, performing a self-assessment of capital and liquidity adequacy in different stress scenarios. The results of the assessments are approved by the Board of Directors and reported to the European supervisor. This exercise is a core element of the single European banking supervision process.

3. An organisational model consistent with the function's general principals. The Group has a transparent organisational structure that includes clear allocation of duties and responsibilities, from senior management down to the Company’s lowest levels. It has a responsible management team and an active internal control system, in which the Board of Directors is charged with setting the risk control and management policies and overseeing the effectiveness of internal control.

   The Audit and Compliance Committee supervises the effectiveness of internal control, the internal audit, regulatory compliance and the risk management systems. It may issue recommendations or proposals related to these matters to the Board of Directors and verify their monitoring, where appropriate.

   The Risk Advisory Committee advises the Board of Directors on the Company’s overall propensity of current and future risk and the risk strategies. It also proposes to the Board of Directors the Company's and Group's risk control and management policy through the ICAAP report.

   The Board Risk Committee is the body responsible for approving risks within the scope of authority delegated by the Board of Directors, and guides and administers the exercise of delegated authority by lower-ranking bodies, without prejudice to the supervisory authority corresponding to the Audit and Compliance Committee.

   Accordingly, the Group’s risk management and control model is based on the three lines of defence approach, the main functions and responsibilities of which are:

a. The risk management directorates, which own the risk processes and are responsible for executing the established controls, comprise the first line of defence. Specifically, it comprises the business units and any Company unit that takes risks. These units carry out their activities in compliance with the Group's risk profile base on the approved risk appetite and policies.

   To perform its day-to-day risk management function within the scope of its activity and responsibility, the first line of defence has resources to identify, measure, address and reports the risks taken. It applies appropriate control and reporting procedures in accordance with the internal control framework in place and the procedures for monitoring the risk limits approved in the Group's RAF and policies.

b. The second line of defence consists of the areas that oversee risks and define controls to mitigate them. It comprises the Corporate Risk Directorate and the Corporate Regulatory Compliance Directorate.

   In April 2015, the Board of Directors appointed the Group's Chief Risk Officer ("CRO"), setting the conditions necessary for performance, its main responsibilities, and the rules and powers for appointment and removal. The status reinforces the independence of the Chief Risk Officer, which must maintain constant functional reporting to the Risk Advisory Committee and its Chairman. The CRO has two-way direct access to Senior Management and the governing bodies. The Corporate Risk Directorate's main task is to monitor, control and oversee all the Group's risks from a comprehensive and forward-looking vision. Accordingly, there is ongoing dialogue between the directorate and the Board of Directors through the Risk Advisory Committee.

   The Corporate Regulatory Compliance Directorate is in charge of identifying and assessing compliance risk by checking compliance with the internal policies and procedures in place and exercising appropriate controls, and coordinating the preparation and execution of action plans to mitigate compliance risk. It reports to Senior Management on the results of this activity. It is also responsible for liaising with regulatory and supervisory agencies.

c. The third line of defence is composed of the Corporate Internal Audit Directorate. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. Its mission is to enhance and protect Bankia's and its Group's value by providing risk-based and objective assurance, advice and insight. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

4. The organisational model described is rounded off with a number of committees, including:

   - Management Committee. This committee is presented with the documentation analysed at previous meetings of the organisation's various units. Under the scope of the Risk Appetite Framework, this committee is in charge of proposing the pertinent measures when limits are approached.
   - Capital Committee. Among this committee's responsibilities are the monitoring of the regulatory framework and its potential impact on the Group's regulatory capital, and the monitoring and analysis of the main capital ratios and their components, as well as the leverage ratio. It also monitors the capital initiatives being carried out within the Group.
   - Assets and Liabilities Committee. This committee is charged with monitoring and managing structural balance sheet and liquidity risks, reviewing the balance sheet structure, business performance, product profitability, earnings, etc. bearing in mind the policies and authorities approved by the Board of Directors. It must also decide on investment and hedging strategies to keep risks within the approved limits and the budget for the year.
   - Risk Committee. This committee oversees the operation under its remit and performs a preliminary analysis and assessment of all credit risk which must be resolved by high-ranking levels (Board of Directors and the Board Risk Committee). It is also in charge of designing a risk authorisation system and interpreting regulations to improve operations in accordance with general criteria approved by the Board of Directors.
   - Provisioning Committee: Its responsibility to ensure compliance with prevailing standards for recognising impairments for credit risk; approve the framework of risk classification policies, criteria and approaches and of allowances under the general framework of policies established by the Board of Directors; to monitor and control the budget of non-performing loans and NPL provisions, as well as watchlist; to approve the proposals of individual classification following the appearance of evidence of impairment; to authorize the approvals scheme to allow the risks teams to decide on the classification and individualised allowances for borrowers and exposures of smaller amounts; to approve reclassifications (standard, watchlist , doubtful ,failed) and changes in portfolio provisions of sets of exposures; to approve the approach for determining credit valuation adjustments (CVA) in the derivatives portfolio; and to monitor the CVA.
   - The Models Committee. Its main job is to manage, approve and monitor the Entity's internal models (including the extension/modification of existing models). It has also inherited the functions of the now defunct Ratings and Credit Scoring Committees. In short, the Models Committee is tasked with ensuring the integrity of the ratings and credit scores, establishing criteria for situations not contemplated by the ratings models and setting up a body to monitor the credit scoring systems.

- The Contingency Committee meets quarterly. Its duties include identifying, monitoring and measuring legal and tax contingencies, analysing their probability of occurrence and adopting mitigation measures, as well as analysing the sufficiency of the provisions set aside for the contingencies.
- Risk Control and Oversight Committee: Its risk-related functions include controlling, overseeing and exercising effective challenge to trends in the Group's risk profile, the risk appetite approved by the Board of Directors, and the business model from a holistic and forward-looking perspective, analysing any deviations affecting the Group's risk profile, solvency and/or liquidity, proposing, where necessary, any measures considered appropriate.
- Regulatory Compliance Committee: this committee meets monthly. Its duties related to risk include mainly identifying, assessing and managing compliance risks related to the Group's operations; updating and managing codes of conduct; and drafting, maintaining and overseeing compliance manuals and policies.
- Operational and Technological Risk Committee: It meets on a monthly basis and among its functions related to risks, are to know the Operational Risk profile of the Group, propose the annual framework of appetite and tolerance to operational risk and approve the implementation of specific policies and procedures affecting the field of operational and technological risk.
- Cybersecurity Committee: It meets on a monthly basis and its functions include monitoring the status of cybersecurity and reporting periodically to the Board of Directors. In addition, its competencies include strategic decision-making on cybersecurity investments.

In view of the activity carried on by the Group, the main risks to which it is exposed are as follows:

- Credit risk (including concentration risk), arising primarily from the business activity performed by the Individual, Business and Treasury and Capital Markets business areas, as well as from certain investments held by the Group.
- Financial instrument liquidity risk, which relates to the possibility that the funds needed to settle the Group's commitments in a timely manner and to allow its lending activity to grow will not be available at reasonable prices.
- Structural balance sheet interest rate risk, which relates to potential losses in the event of adverse trends in market interest rates.
- Market risk, which relates to the potential losses due to adverse changes in the market prices of financial instruments with which the Group operates, primarily through the Treasury and Capital Markets area.
- Operational risk, which relates to possible losses arising from failures or shortcomings in processes, personnel or internal systems, or from external events.

(3.1) Exposure to credit risk and risk concentration

(3.1.1) Credit risk management objectives, policies and processes

A. Aim of credit risk management

Credit risk, understood as the risk that the Group will assume losses in the regular course of its banking business if its customers or counterparties fail to comply with their contractual obligations. This risk is inherent to all traditional banking products of financial institutions (loans, credits, financial guarantees given, etc.), and other types of financial assets (debt securities, derivatives and other) and affects financial assets measured at both amortised cost and fair value.

The main objectives of credit risk management policies are as follows:

- Responsible risk approval. Customers should be offered the financing facilities that are tailored to their needs, for amounts under terms and conditions that match their payment ability. The necessary support should be provided so that borrowers of good faith can overcome their financial difficulties.
- Alignment with the Risk Appetite Framework. Policies must be seen as a set of action guidelines and restrictions aimed at ensuring compliance with the Risk Appetite statement approved by the Board of Directors.
- Establishing criteria that feed through to best banking practices. In this vein, specific policies are defined for industries or borrowers that may be sensitive on account of their social implications, such as investments in or financing of controversial businesses, such as arms and ammunition, or that infringe on human rights, or any activity that could compromise the Entity's ethics.
- Transparent environment. It creates a transparent environment, integrating the various systems developed to prevent crimes and correct fraud, acting at all times in compliance with applicable law.
- Stable general approval criteria. Although the specific conditions are subject to change, the general guidelines have a vocation for permanence.
- Adaptation. Segment-specific criteria should combine stability with adaptation to the Group's strategic targets, as well as the prevailing economic environment.
- Adapting price to risk, considering both the customer as a whole and individual transactions, and guaranteeing the achievement of business objectives and coverage of cost of risk.

- Data quality. To assess risk appropriately, sufficient and accurate data are required. Therefore, the coherence and integrity of the data must be assured.
- Two-way relationship with internal scoring systems. On one hand, Policies must establish clear lines of action designed to ensure that the internal scoring systems are fed with accurate and sufficient information to guarantee that they work properly. On the other hand, decisions related to credit risk must be shaped by the rating of the borrower and/or the transactions.
- Continuous monitoring of exposures. Monitoring is underpinned by the allocation of specific management responsibilities for customers/transactions, supported by policies, procedures, tools and systems that allow for their appropriate identification and assessment throughout their life-cycle.
- Fostering the recovery activity. Based on policies, procedures, tools and systems that ensure a flexible and early procedure by the parties, specified in actions and decision-making aimed at minimising the loss from exposures for the Entity.

Moreover, the Group develops credit risk implementation and management based on:

- The involvement of senior management in decision-making.
- A holistic view of the credit risk management cycle.
    - Planning the key credit risk metrics to guide the actions of the business and risk-taking.
    - Specialising in each stage of risk management with policies, procedures and resources according to each: approval, monitoring and recoveries.
- An approval policy containing criteria that identify aspects for instance, minimum requirements of transactions and customers, the Bank's desired target profile for each type of material risk in line with the Risk Appetite Framework, and the elements or variables to be considered in the analysis and decision-making.
- Preventative customer monitoring system.
- Flexible recoveries model, adaptable to changes in the regulatory environment.
- Tools to assist risk decision-making and measurement, underpinned by credit quality of exposures (scoring, rating), with a view of objectifying and maintaining a risk management policy attuned with the strategy pursued by the Entity at any given time.
- Clear separation of roles and responsibilities. The Entity understands the risk control function as a function that is spread across the entire organisation and is based on a three-lines-of-defence system.

B. Credit risk management policies

To achieve these objectives, the Group has a “Credit Risk Document Structure” in place, approved by the Board of Directors to replace its previous Credit Risk Statement and Manual.

The purpose of the new “Credit Risk Document Structure”, is to define, regulate and disseminate common standards of action that act as a benchmark and allow basic rules of credit risk management to be set within the Bankia Group and to determine the roles and responsibilities of the bodies, committees and directorates involved in procedures to identify, measure, control and manage the Bank’s credit risk, in accordance with its risk appetite. The structure comprises a Framework of credit risk methods and procedures, Credit Risk Policies, Specific Criteria Manuals, and Operating Manuals, which regulate, among others, the methodologies, procedures and criteria used for transaction approvals, applying changes in terms and conditions, the assessment, monitoring and control of credit risk, including the classification of transactions and assessment of allowances, in addition to defining and establishing effective guarantees, and registering and assessing foreclosed assets or assets received in payment of debt so that any impairment can be detected early and a reasonable estimate of credit risk allowances can be made, a brief summary of each document is provided below:

- The Credit Risk Policies, Methods and Procedures Framework contains criteria and guidelines to ensure adequate management of the approval, monitoring and recovery process and the proper classification and coverage of transactions over their entire life cycle and, it also allows the Bank to establish high-level action limits by setting general principles that are adjusted accordingly in the policies.
- The Credit Risk Policies contain a set of rules and main instructions governing the management of credit risk. They are effective and consistent with the general principles set out in the Policies Framework and in the Risk Appetite Framework and are applied across the entire Group. They are used internally to create and develop rules and regulations on risks when it comes to competencies related to risk strategy, implementation and control.
- The Specific Criteria Manuals they provide a detailed description of the criteria set out in the policies regulating the activities carried out by the Group. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously put in place by minimising operational risk. The Specific Criteria Manuals combine with the Credit Risk Policies to provide transversal risk management across the Group.

- The Operating Manuals are methodological documents that develop and expand upon the criteria set out in the Specific Criteria Policies and Manuals. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously established. These manuals remain permanently in sync with the Credit Risk Policies and Criteria Manuals.

C. Assessment, monitoring and control of credit risk

Risk is managed in accordance with the limits and instructions established in the policies, underpinned by the following processes and systems:

- Transaction approvals and amendments
- Transaction monitoring
- Transaction recoveries
- Concentration risk management
- Risk forecasting
- Risk-adjusted return
- Driving up business
- Risk classification
- Risk quantification

Approval and amendment of credit risk transactions

When arranging credit risk positions, the Group carefully assesses the creditworthiness of the customer or counterparty by obtaining information on any existing or proposed risk transactions, the collateral provided and payment capacity, among other factors, taking into account the risk-adjusted return expected by the Group on each transaction.

To this end, the Approval Policy is aligned with the standards established by senior management in terms of segments, products, markets, risk-adjusted return and other variables, in line with the management objectives set out in the Risk Appetite Framework. The policies include general approval criteria, underpinned by next cornerstones:

- Responsible approval.
- Activity geared toward Retail – SMEs banking in Spain.
- Borrower solvency.
- Operation: financing commensurate with the customer size and profile, balance with short- and long-term financing, assessment of guarantees or collateral.
- Environmental and social risk.

The approval policies are governed by credit scoring systems, which allow a response to be given that is objective, consistent and coherent with the Group's risk policies and risk appetite. The scoring systems not only rate risk, but also produce a binding recommendation in accordance with the most restrictive of the three following components:

- Score. Cut-off points are established using risk-adjusted return (RAR) criteria or by determining the maximum default level. Based on the rating given by the model, there are three possible outcomes:
  - Reject, if the score is below the lower cut-off point.
  - Review, if the score is between the lower and higher cut-off points.
  - Accept, if the score is above the higher cut-off point.
- Indebtedness. The level of indebtedness is established based on the financial burden which the transaction represents over the stated net income of the applicants. In no case can the resulting available income after allowing for debts represent a noticeable limit to cover the living expenses of the borrower. Specifically, in the mortgage segment, the longer the term of the loan, the higher the maximum limit of indebtedness with a view to mitigating the increased sensitivity to fluctuations in interest rates.
- Exclusion filters. The existence of significant incidents in internal and external databases would result in a rejection. Moreover, a set of criteria are in place to cap maximum loan terms, both absolute levels and in relation to the age of the loan applicant or maximum loan amounts. At any rate, loans are only granted in euros, thereby avoiding any currency risk. Moreover, a set of criteria are in place to cap maximum loan terms, both absolute levels and in relation to the age of the loan applicant or maximum loan amounts.

A key issue for the mortgage segment is the set of criteria that define the eligibility of assets as mortgage collateral and the valuation criteria. In particular, the risk assumed by the borrower may not depend substantially on the potential return the borrower may obtain on the mortgaged property, but rather the borrower's ability to pay the debt by other means. Meanwhile, only appraisals by Bank of Spain authorised appraisers are accepted. These are regulated by Royal Decree 775/1997, of 30 May, on the legal framework governing the certification of services and appraisal companies, ensuring the quality and transparency of the appraisals. In addition, appraisal values must be calculated unconditionally as set out in Ministerial Order ECO/805/2003, of 27 March, on rules for the valuation of properties and certain financial rights, taking into consideration Bank of Spain Circular 4/2017.

However, both Finance Ministry Order EHA/2899/2011, of 28 October, on transparency and consumer protection in banking services, and Bank of Spain Circular 5/2012, of 27 June, addressed to credit institutions and payment service providers, on transparency of banking services and responsibility in the granting of loans, also introduce, as a feature of responsible consumer lending, the requirement that, on the one hand, borrowers provide the entities with complete and accurate information on their financial position and their intentions and needs regarding the purpose, amount and other conditions of the loan or credit, and, on the other, that they be adequately informed about the characteristics of the products that are suitable to what they are requesting and the inherent risks. Law 5/2019, of 15 March, on real estate credit agreements includes provisions aimed to promoting legal security, transparency and understanding contracts and their clauses, and a fair balance between the parties. It contains rules on transparency and conduct that impose obligations on lenders and loan brokers, and their appointed representatives. It completes and improves the current framework in Finance Ministry Order EHA/2899/2011 and Law 2/2009, of 31 March, governing customer loan and mortgage agreements and brokerage services in the execution of loan or credit contracts.

In this regard, the Bank has responsible approvals policies for loans and credits, which, as mentioned above, establish the need to offer customers financing facilities that best adapt to their needs, adjusting the terms and conditions and the amounts borrowed to the borrower's payment ability, providing the necessary information so that borrowers of good faith can overcome their financial difficulties, and making the required pre-contractual information available to the customer, which is stored in their file.

In relation to changes in authorised credit transactions, Appendix IX shows a summary of the policies and standards established by the Bank for refinancing or forbearance transactions, in addition to quantitative information relating to these transactions.

Monitoring of credit risk transactions

The monitoring activity is predicated on anticipation, proactiveness and efficiency and the core principles for managing monitored customers are:

- Integral view of the customer: the monitoring approach is geared towards overall management of customers (or groups), not just at contract level.
- Involvement of all Bank centres in monitoring activity.
- Symmetry with the approval process.
- Efficiency and sharing opinions.
- Executive in terms of management.

The Group uses a set of tools to analyse and monitor the concentration of risks. First, as part of the calculation of economic capital, it identifies the component of specific economic capital as the difference between systemic economic capital (assuming maximum diversification) and total economic capital, which includes the effect of the concentration. This component provides a direct measure of concentration risk. An approach similar to that used by ratings agencies is applied, paying attention to the weight of the main risks on the volume of capital and income-generation ability.

Recovery credit risk transaction

Recovery management is defined as a full process that begins even before a payment is missed, covering all phases of the recovery cycle until a (amicable or contentious) solution is reached.

Early warning models are applied in lending to retail customers, they are designed to identify potential problems and offer solutions, which may entail adapting the conditions of the loan. In fact, a large number of the mortgage loan renegotiations during the period resulted from the proposals put forward pro-actively by the Bank.

With business loans, the system of levels described above has the same objective: pro-active non-performing loan management. Therefore, the entire portfolio is monitored and default is always a failure after prior negotiation.

Risk projection

Stress models are another key element of credit risk management, allowing for the risk profiles of portfolios and the sufficiency of capital under stressed scenarios to be evaluated. The tests are aimed at assessing the systemic component of risk, while also bearing in mind specific vulnerabilities of the portfolios. The impact of stressed macroeconomic scenarios on risk parameters and migration matrices are assessed, allowing expected loss under stress scenarios and the impact on profit and loss to be determined.

Risk-adjusted return

The profitability of a transaction must be adjusted by the costs of the various related risks, not only the cost of the credit. And it must be compared to the volume of capital that must be assigned to cover unexpected losses (economic capital) or to comply with regulatory capital requirements (regulatory capital).

RAR (risk-adjusted return) is a core risk management tool. In wholesale banking, pricing powers depend on both the RAR of the new transactions proposed and the RAR of the relationship, considering all the outstanding business with a customer. In retail banking, RAR is taken into account to determine approval criteria (cut-off points) in accordance with the fees in effect at any given time. The Board, through the Board Risk Committee, is informed regularly on the RARs of all the lending portfolios, distinguishing between the total portfolio and new business.

Business revitalisation

One of Risk Management's functions is to create value and develop the business in accordance with the risk appetite established by the governing bodies. In this respect, the Risks Directorate is equally responsible for revitalising the lending business, providing tools and establishing criteria that identify potential customers, simplify the decision-making processes and allocate risk lines, always within pre-defined tolerance levels. It has tools and pre-authorisation and limit assignment processes for lending to both companies and retail customers.

Risk classification

Rating and scoring tools are used to classify borrowers and/or transactions by risk level. Virtually all segments of the portfolio are classified, mostly based on statistical models. This classification not only aids in decision-making, but allows for the addition of the appetite and tolerance of risk decided by the governing bodies through the limits established the Policies.

The Models Committee reviews and decides on scorings and ratings for non-retail borrowers, which as such are subject to ratings. Its objective is to achieve consistency in decisions on the ratings of the portfolio and include information not covered by models that could affect these decisions.

The Models Committee also ensures that the credit scoring system works properly and proposes potential changes in criteria for decision-making to the Risk Committee. The Bank has both approval (reactive) and performance (pro-active) scoring models. Performance models form the basis of pre-authorisation for lending to both companies and retail customers. There are also recovery models applicable to groups in default.

Risk classification also includes the "Monitoring levels system". This system aims to develop pro-active management of risks related to business activities through classification into four categories:

- Level I or high risk: risks to be extinguished in an orderly manner.
- Level II or medium-high risk: reduction of the risk.
- Level III or medium risk: maintenance of the risk.
- Other exposures deemed standard risks.

Each level is determined in accordance with rating, but also with other factors, e.g. activity, accounting classification, existence of non-payment, the situation of the borrower's group, etc. The level determines the credit risk authorisation powers.

Risk quantification

Credit risk is quantified through two measures: expected loss on the portfolio, which reflects the average amount of losses and is related to the calculation of provisioning requirements, and unexpected losses, which is the possibility of incurring substantially higher losses over a period of time than expected, affecting the level of capital considered necessary to meet objectives; economic capital.

The credit risk measurement parameters derived from internal models are exposure at default (EAD), probability of default (PD) based on the rating and loss given default (LGD) or severity.

Expected loss, obtained as a product of the previous parameters, represents the average amount expected to be lost on the portfolio at a given future date. This is the key metric for measuring the underlying risks of a credit portfolio as it reflects all the features of transactions and not only the borrower's risk profile. Expected loss allows a constrained assessment of a specific, real or hypothetical economic scenario or refers to a long time period during which a full economic cycle may have been observed. Depending on the specific use, it is better to use one or the other expected loss.

The Bank uses internal methods for collective estimates of credit risk allowances. In line with the Group's internal models for estimating capital requirements, this internal methodology includes the calculation of losses, based on internal data, through own estimates of credit risk parameters.

With the economic capital model, extreme losses can be determined with a certain probability. The difference between expected loss and value at risk is known as unexpected loss. The Group must have sufficient capital to cover potential losses therefore, the higher the cover, the higher the solvency. This model simulates the default events, so it can quantify concentration risk.

(3.1.2) Exposure to credit risk by segment and activity

The maximum credit risk exposure for financial assets recognised in the accompanying balance sheet is their carrying amount. The maximum credit risk exposure for financial guarantees extended by the Bank is the maximum amount the Bank would have to pay if the guarantee were executed.

At 31 December 2019 and 2018, the original credit risk exposure, without deducting collateral or any other credit enhancements received, and without applying the credit conversion factors, grouped in accordance with the main exposure segments and activities established, is as follows:

31 December 2019

SEGMENT AND ACTIVITY	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives – Hedging accounting	Loan commitments, financial guarantees and contingent commitments given.
Loans and advances	**-**	**34,198**	**-**	**-**	**123,014,167**	**-**	**36,883,441**
Credit institutions	-	23,263	-	-	5,464,732	-	363,116
Government agencies	-	-	-	-	4,835,216	-	912,487
Other financial companies	-	-	-	-	2,057,981	-	3,172,284
Companies	-	10,935	-	-	35,379,853	-	26,894,968
Households	-	-	-	-	75,276,385	-	5,540,586
Mortgage loans	-	-	-	-	66,829,665	-	-
Consumer credit	-	-	-	-	5,547,783	-	-
Cards	-	-	-	-	889,748	-	-
Others	-	-	-	-	2,009,189	-	-
Debt securities	**170,793**	**237**	**-**	**11,904,041**	**33,165,031**	**-**	**-**
Credit institutions	-	-	-	18,020	25,006	-	-
Government agencies	160,899	-	-	11,445,049	14,268,694	-	-
Other financial companies	-	148	-	79,319	18,871,331	-	-
Companies	9,894	89	-	361,653	-	-	-
Households	-	-	-	-	-	-	-
Equity instruments	**1,381**	**-**	**-**	**75,816**	**-**	**-**	**-**
Derivatives	**6,530,330**	**-**	**-**	**-**	**-**	**2,491,810**	**-**
Total	**6,702,504**	**34,435**	**-**	**11,979,857**	**156,179,198**	**2,491,810**	**36,883,441**
Memorandum item: Breakdown by country of the Public Agency:							
Spanish government agencies	142,414			11,153,657	14,848,073	-	912,487
Italian government agencies	18,485			102,197	4,154,793	-	-
French government agencies				188,291	101,044	-	-
Other government agencies				904	-	-	-
Total	**160,899**	**-**	**-**	**11,445,049**	**19,103,910**	**-**	**912,487**

31 December 2018

SEGMENT AND ACTIVITY	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives – Hedging accounting	Loan commitments, financial guarantees and contingent commitments given.
Loans and advances	-	9,161	-	-	**122,886,938**	-	**34,048,575**
Credit institutions	-	-	-	-	4,432,818	-	3,170,181
Government agencies	-	-	-	-	5,085,248	-	509,456
Other financial companies	-	-	-	-	1,835,258	-	349,509
Companies	-	9,161	-	-	33,274,088	-	24,581,498
Households	-	-	-	-	78,259,526	-	5,437,931
Mortgage loans	-	-	-	-	70,524,379	-	-
Consumer credit	-	-	-	-	4,821,710	-	-
Cards	-	-	-	-	854,877	-	-
Others	-	-	-	-	2,058,560	-	-
Debt securities	**281,569**	187	-	**15,556,331**	**33,860,266**	-	-
Credit institutions	-	-	-	27,633	29,992	-	-
Government agencies	276,188	-	-	15,039,328	14,376,789	-	-
Other financial companies	1,992	136	-	213,477	19,453,485	-	-
Companies	3,389	51	-	275,893	-	-	-
Households	-	-	-	-	-	-	-
Equity instruments	**3,901**	-	-	**66,484**	-	-	-
Derivatives	**6,035,137**	-	-	-	-	**2,619,883**	-
Total	**6,320,607**	**9,348**	**-**	**15,622,815**	**156,747,204**	**2,619,883**	**34,048,575**
Memorandum item: Breakdown by country of the Public Agency:							
Spanish government agencies	94,421	-	-	12,405,972	15,902,615	-	509,456
Italian government agencies	181,767	-	-	2,632,473	2,786,092	-	-
French government agencies	-	-	-	-	773,330	-	-
Other government agencies	-	-	-	883	-	-	-
Total	**276,188**	**-**	**-**	**15,039,328**	**19,462,037**	**-**	**509,456**

(3.1.3) Breakdown of original exposure by product

Original credit risk exposure net of impairment for credit risk at 31 December 2019 and 2018, by product excluding equity products, is shown in the table below, Loans and credits, account 65,99% at 31 December 2019 (66.87% at 31 December 2018). Fixed income products represent the second-highest customer demand, accounting for 21.12% at 31 December 2019 (22.95% at 31 December 2018). The breakdown at 31 December 2019 and 2018 is as follows:

31 December 2019

(Thousands of euros)

PRODUCT	Financial assets held for trading	on-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives – Hedging accounting	Loan commitments, financial guarantees and contingent commitments given
Loans and credits	-	34,198	-	-	117,549,435	-	23,771,112
Fixed income	170,793	237	-	11,904,041	33,165,031	-	-
Interbank deposits	-	-	-	-	5,464,732	-	-
Guarantees and documentary credits	-	-	-	-	-	-	13,112,329
Derivatives	6,530,330	-	-	-	-	2,491,810	-
Total	**6,701,123**	**34,435**	**-**	**11,904,041**	**156,179,198**	**2,491,810**	**36,883,441**

31 December 2018

(Thousands of euros)

PRODUCT	Financial assets held for trading	on-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives – Hedging accounting	Loan commitments, financial guarantees and contingent commitments given
Loans and credits	-	9,161	-	-	122,886,938	-	21,070,128
Fixed income	281,569	187	-	15,556,331	33,860,266	-	-
Interbank deposits	-	-	-	-	-	-	-
Guarantees and documentary credits	-	-	-	-	-	-	12,978,447
Derivatives	6,035,137	-	-	-	-	2,619,883	-
Total	**6,316,706**	**9,348**	**-**	**15,556,331**	**156,747,204**	**2,619,883**	**34,048,575**

(3.1.4) Credit quality

All ratings appearing in this section reflect the definitions given by the Standard & Poor's scale.

The rating system designed by the Bank primarily covers two dimensions:

- Risk of default by the borrower: reflected in the probability of default (PD) by the borrower or rating.
- Specific factors in transactions: reflected in loss given default (LGD), such as guarantees or interests in various tranches of leveraged financing. The term also constitutes a major factor.

The rating system used makes a distinction between the following:

- Exposure to risk with companies, governments, institutions and banks: each exposure with the same borrower is given the same credit quality grading (known as borrower grade), regardless of the nature of the exposures. This is known as the borrower rating.
- Retail exposures: the systems focus both on borrower risk and the characteristics of the transactions. This is known as scoring.

There are three different types of rating:

- External *rating*: this refers to the ratings issued by external rating agencies (S&P's, Moody's and Fitch).
- Automatic *rating*: these ratings are obtained through internal models, depending on the segment to which the customer belongs.
- Internal *rating*: these are the final ratings assigned to customers when all the available information has been reviewed. The internal rating may be the external rating, the automatic rating or the rating determined by the Rating Committee from all the information analysed.

Customers form part of the same rating system, i.e. when financial information is added to the (NEO) corporate system, the rating is automatically produced by the appropriate model.

Credit quality. Exposure and average (rating/scoring), by segment

The breakdown by segment of the Bank's credit risk exposure (net of impairment for credit risk) at 31 December 2019 and 2018, excluding variable income and derivatives, with the average ratings per segment, is as follows:

31 December 2019

(Thousands of euros)

	With Rating		Without Rating
SEGMENT	Amount	Average rating	Amount
Credit Institutions	5,593,192	A-	296,801
Government agencies	31,564,062	A-	14,734
Other financial companies	21,067,246	A-	3,110,429
Companies	59,111,045	BBB-	605,928
Households	77,510,203	BB+	1,235,582
Mortgage loans	64,880,524	BBB-	1
Consumer credit	5,476,386	BB-	662
Cards	877,536	BB-	662
Rest	6,275,757	BB	1,234,257
Total (default excluded)	**194,845,748**	**BBB-**	**5,263,474**
Total (Default)	**5,062,686**	**D**	**-**

31 December 2018

(Thousands of euros)

	With Rating		Without Rating
SEGMENT	Amount	Average rating	Amount
Credit Institutions	2,478,382	A-	5,176,980
Government agencies	35,171,774	BBB+	49,905
Other financial companies	21,226,722	A-	619,305
Companies	53,851,194	BB+	832,753
Households	79,953,768	BB	1,051,528
Mortgage loans	67,938,738	BB	-
Consumer credit	4,773,385	BB-	287
Cards	846,167	BB-	388
Rest	6,395,478	BB	1,050,853
Total (default excluded)	**192,681,840**	**BBB-**	**7,730,471**
Total (Default)	**6,230,716**	**D**	**-**

Credit quality. Rating distribution by exposure of Non-financial institutions, Public sector and corporate portfolio

The distribution of the exposure net of impairment for credit risk by credit ratings at 31 December 2019 and 2018, is shown in the table below:

(Thousands of euros)

Rating	31/12/2019	31/12/2018
AAA to A-	45,670,829	45,929,192
BBB+ to BB-	12,062,806	12,604,858
B+ to B-	412,465	281,004
CCC+ to C	78,499	61,825
Not rated	3,421,964	5,846,189
Default	50,982	78,422
Total	**61,697,545**	**64,801,490**

Credit quality. Rating distribution by exposure of corporates

The distribution of the original exposure (net of impairment for credit risk) by credit ratings at 31 December 2019 and 2018, is shown in the table below:

(Thousands of euros)

Rating	31/12/2019	31/12/2018
AAA to A-	6,589,357	5,756,225
BBB+ to BB-	42,147,135	37,184,274
B+ to B-	9,983,898	10,258,074
CCC+ to C	390,780	652,620
Not rated	605,928	832,753
Default	2,940,294	3,460,134
Total	**62,657,392**	**58,144,080**

Credit quality. Rating distribution by exposures of household

The distribution of the exposure (net of impairment for credit risk) by credit ratings at 31 December 2019 and 2018, is shown in the table below:

(Thousands of euros)

Rating	31/12/2019	31/12/2018
AAA to A-	8,141,229	6,115,931
BBB+ to BB-	49,994,145	46,611,735
B+ to B-	19,218,721	27,050,181
CCC+ to C	155,883	175,922
Not rated	1,235,582	1,051,527
Default	2,071,411	2,692,161
Total	**80,816,971**	**83,697,457**

Credit quality. Historical default rates

The Bank's default rate, understood as the ratio between default risks at any given time and the Bank's total credit risks stood at 5.0% at 31 December 2019 (6.5% at 31 December 2018). This rate increases to 5.3% factoring in doubtful exposures transferred to the portfolio of non-current assets and disposal groups classified as held for sale (7.4% at 31 December 2018). (see Note 17).

(3.1.5) Concentration of risks

Appendix IX provides information on risk concentration by activity and geographic area.

The table below shows information concerning the diversification of risks by business sectors, measured by credit risk, excluding equity income and derivatives, in accordance with the borrower's NACE code and regardless of the purpose of the financing at 31 December 2019 and 2018**.**

(Thousands of euros)

SECTOR	31/12/2019	31/12/2018
Foodstuffs	1,018,970	958,305
Associations	50,333	350,037
Automotive and auto services	2,246,734	1,510,913
Wholesale	6,979,378	6,536,369
Retail	2,201,804	2,147,656
Construction and development (*)	10,832,795	9,970,229
Machinery and equipment manufacturing	3,307,451	3,461,446
Manufacturing of intermediate products	4,706,941	4,549,021
Finance	28,141,460	30,342,170
Catering and tour operators	2,438,398	2,405,481
Food, beverages and tobacco industry	3,331,889	2,924,093
Basic manufacturing, textiles, furniture	830,395	815,880
Mining, energy and infrastructures	4,650,834	4,583,488
Public sector	31,049,552	34,509,445
Company services	4,387,746	3,925,349
Leisure, culture, health and education	5,007,842	4,635,816
Supplies: electricity, gas, steam, water	6,225,304	5,599,447
Telecommunications	1,315,525	1,172,831
Transport	2,494,933	2,369,453
Other sectors (home included)	83,953,624	83,875,598
TOTAL	**205,171,908**	**206,643,027**

(*) Included financing not related to real estate development.

The Bank regularly monitors major customer risk, and these are periodically reported to the Bank of Spain.

(3.1.6) Netting agreements and collateral agreements

In addition to amounts that can accounting be set off in accordance with Note 2.6, there are other offsetting (netting) and collateral agreements that effectively reduce credit risk, but do not meet the requirements for offsetting in the financial statements.

The table below lists these derivatives, along with the effects of the arrangements and the collateral received and/or posted.

Amounts related to cash collateral and collateral in financial instruments are shown at their fair values. Rights to set off are related to the guarantees and collateral in cash and financial instruments and depend on non-payment by the counterparty:

(Thousands of euros)

	31/12/2019		31/12/2018	
Derivatives (trading and hedging)	Assets	Liabilities	Assets	Liabilities
Gross exposure	**15,784,210**	**13,359,451**	**12,684,096**	**10,168,126**
Amount netted (Notes 8 and 12)	(6,762,070)	(6,762,070)	(4,029,076)	(4,029,076)
Carrying amount	**9,022,140**	**6,597,381**	**8,655,020**	**6,139,050**
Netting agreement	(4,549,919)	(4,549,919)	(4,256,967)	(4,256,967)
Collaterals (*)	(3,573,881)	(1,999,857)	(3,516,355)	(1,848,773)
Net exposure	**898,340**	**47,605**	**881,698**	**33,310**

(*) Guarantee value received included.

In addition, under the framework of repurchase and reverse repurchase transactions carried out by the Bank (see Note 25.1), there are other agreements entailing the receipt and/or delivery of the following additional guarantees or collateral to the contractual guarantees in the transactions:

(Thousands of euros)				
	31/12/2019		31/12/2018	
Collateral	Delivered	Received	Delivered	Received
Cash	1,079	30,829	8,269	17,438
Securities	8,851	-	-	81,512
Total	**9,930**	**30,829**	**8,269**	**98,950**

(3.1.7) Exposure with collateral received and other credit enhancements

At 31 December 2019 and 2018, the distribution by segments of original exposure (net of impairment from credit risk), excluding equities and trading derivatives, with collateral and other credit enhancements is as follows:

31 December 2019

(Thousands of euros)					
	Net exposure of impairment from credit risk				
SEGMENT	Mortgage collateral	Other collateral	Unsecured Guarantees	Other guarantees	TOTAL
Credit Institutions	-	-	5,870,996	-	5,870,996
Public administrations	182,956	142,282	31,296,108	1,003	31,622,349
Other financial corporations	86,773	15,692	24,098,048	3,586	24,204,099
Companies	7,854,937	5,842,768	47,985,262	974,301	62,657,268
Households	67,765,781	147,383	12,783,077	120,955	80,817,196
Mortgage loans	66,807,448	3,589	18,415	213	66,829,665
Consumer credits	-	3,998	5,535,481	8,304	5,547,783
Cards	-	-	889,748	-	889,748
Others	958,333	139,796	6,339,433	112,438	7,550,000
TOTAL	**75,890,447**	**6,148,125**	**122,033,491**	**1,099,845**	**205,171,908**

31 December 2018

(Thousands of euros)					
	Net exposure of impairment from credit risk				
SEGMENT	Mortgage collateral	Other collateral	Unsecured Guarantees	Other guarantees	TOTAL
Credit Institutions	-	-	7,660,623	-	7,660,623
Public administrations	219,781	195,846	34,870,363	1,020	35,287,010
Other financial corporations	91,724	18,083	21,741,450	2,600	21,853,857
Companies	7,849,113	6,252,901	43,053,570	988,495	58,144,079
Households	71,495,487	142,284	11,923,297	136,390	83,697,458
Mortgage loan	70,523,596	772	11	-	70,524,379
Consumer credit	-	4,647	4,808,103	8,960	4,821,710
Cards	-	-	854,877	-	854,877
Others	971,891	136,865	6,260,306	127,430	7,496,492
TOTAL	**79,656,105**	**6,609,114**	**119,249,303**	**1,128,505**	**206,643,027**

For the purposes envisaged in the tables above, the following are explained:

- Transactions with mortgage collateral: property mortgage, concession mortgage, chattel mortgage, shipping mortgage and aircraft mortgage.
- Other collateral: equity securities, fixed-income securities and other types of securities, government securities, term deposits and other account deposits, goods and receipts, investment funds, bills of exchange, deposit certificates, mortgage-backed securities, etc.
- Personal guarantees: with or without guarantor, joint guarantee and insurance policy.
- Other guarantees: endorsement by a reciprocal guarantee association, CESCE credit insurance policy, bank guarantee and comfort letter.

From the legal viewpoint, a guarantee is a contract which provides greater security towards compliance with an obligation or payment of a debt in such a way that, in the event of default by the borrower, the guarantee reduces the losses arising from the transaction.

Guarantees will enjoy legal certainty so that all contracts contain the conditions legally stipulated to make them fully valid, and so they are fully documented in such a way as to establish a clear effective procedure to enable the guarantee to be executed rapidly.

These are the principles inspiring the functional definition of the Corporate Guarantee System.

Guarantees and collateral provided in each transaction must be duly reported and measured in the system. The Credit Risk Policy document details the main characteristics that these measurements must have, both in terms of type of eligible appraisals and the frequency with which the appraisals must be updated.

See Note 11, shows additional information on the guarantees received.

(3.1.8) Renegotiated financial assets

As part of its credit risk management procedures, the Bank carried out renegotiations of assets, modifying the conditions originally agreed with borrowers in terms of repayment deadlines, interest rates, collateral given, etc.

Appendix IX contains the classification and hedging policies and criteria applied by the Bank in this type of transaction, along with the amount of refinanced operations detailing their risk and respective coverages of credit risk.

(3.1.9) Assets impaired and derecognised

Following are the changes in 2019 and 2018 in the Bank's impaired financial assets that were not recognised on the balance sheet because their recovery was considered unlikely, although the Bank had not discontinued actions in order to recover the amounts owed ("written-off assets"):

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Accounting balance at the beginning of the year	**1,832,456**	**1,981,097**
Additions from:		
Assets unlikely to be recovered	618,026	361,355
Uncollected past-due amounts	184,547	163,598
Sum	**802,573**	**524,953**
Derecognition through:		
Cash collection	(39,200)	(100,058)
Foreclosure of assets and other causes	(207,157)	(573,826)
Sum	**(246,357)**	**(673,884)**
Net change due to exchange differences	(13)	290
Accounting balance at the end of the year	**2,388,659**	**1,832,456**

(3.2) Liquidity risk of financial instruments

Liquidity risk can be expressed as the probability of incurring losses through insufficient liquid resources to comply with the agreed payment obligations (both expected and unexpected) within a certain time horizon, and having considered the possibility of the Bank managing to liquidate its assets in reasonable time and price conditions.

The Bank strives to maintain a long-term financing structure that is in line with the liquidity of its assets, with a maturity profile that is compatible with the generation of stable, recurring cash flows to enable the Bank to manage its balance sheet without short-term liquidity pressures.

For this purpose, the Bank's liquidity position is identified, controlled and monitored daily. According to the retail business model underpinning the Bank's banking activity, the main funding source is customer deposits. Bankia taps domestic and international capital markets, particular repo markets, to raise finance so that it meets its additional liquidity needs as well as the long-term financing provided through TLTRO by the ECB. At the same time, and as a prudent measure to prepare for potential stress or crises, the Bank has deposited certain assets in the European Central Bank (ECB) that it can use to raise liquidity immediately. Through ongoing monitoring of assets, the Bank can identify those that are readily usable as liquidity reserves at times of market stress, differentiating between assets that are considered eligible by the ECB, or by clearing houses or other financial counterparties (e.g. insurance companies, investment funds).

The undrawn amount on the facility, coupled with the high-quality liquid asset buffer, make up the bulk of the liquidity reserve estimated by the Bank to confront internal and systemic stress events:

(Thousands of euros)		
	31/12/2019	31/12/2018
Cash (*)	11,418	2,921
Undrawn amount on the facility	6,161	11,339
Highly liquid available assets (**)	15,538	17,678

(*) Notes and coins plus balances at Central banks less the amount of minimum reserves.

(**) Market value considering the ECB haircut.

Other assets have been identified which, although not considered to be highly liquid, can be converted at relatively short notice.

Regarding the structure of roles and responsibilities in relation to this risk, the Board of Directors is ultimately responsible the liquidity risk assumed. It is the maximum authority for the risk appetite and tolerance level and for establishing a framework of policies and procedures to ensure a robust liquidity risk management and control framework.

To guarantee this good governance, an organisational structure based on the three lines of defence model has been designed. According to this model, senior management, represented basically by the Management Committee and the ALCO, is charged with developing and applying the risk management strategy in accordance with this risk appetite statement and the risk policies and limits framework governing the Liquidity and Funding function. The ALCO takes decisions based on reports and proposals provided by various departments and, where appropriate, requests them through departments authorised to do so. The Deputy General Directorate of Finance carries out the related transactions in capital markets and sets transfer costs. In managing the business, the Deputy General Directorates of Retail Banking and Business Banking generate liquidity and funding risks, which is quantified through the commercial gap and LtD ratio.

The Board of Directors, assisted by the Risk Advisory Committee (RAC), oversees that the strategy is implemented and that the defined tolerance limits are not breached. The Global Risk Control and Supervision Committee (GRCSC) reinforces the governance bodies by controlling, overseeing and effectively challenging trends in the Entity's risk profile, the risk appetite approved by the Board of Directors and the business model.

The Corporate Risks Department, through the Markets and Operational Risks Department (MORD), which operates as an independent unit, monitors and analyses liquidity risk, among other responsibilities, promotes the integration of these activities in management by developing metrics and methodologies to ensure that the risk remains within the tolerance levels. Lastly, the Markets and Structural Risks Audit Directorate, which operates as an independent unit, conducts audits of the various processes related to the function.

The structure is rounded off with the creation of two specific bodies, the Contingent Liquidity Committee (CLC) and the Technical Liquidity Committee (TLC), geared towards managing risk under stress events. The CLC's objective is to respond to contingent liquid

ity events quickly and effectively. The TLC is an advisory body that meets at least monthly to assess both Bankia's and the overall market's liquidity and funding situation, and to monitor early warning indicators related to the LCP. Its conclusions and analyses are laid before the ALCO so managers of the function are apprised of any problems or situations that in the Committee's opinion could potentially pose a threat to the Entity's liquidity.

Strategy

Five key indicators are used currently to define the strategy for this risk covering a dual perspective: regulatory-economic and liquidity-funding risk. At 31 December 2019, the indicators were within Bankia's risk limits and regulatory requirements.

Liquidity risk:

- LCR: the strategy is defined from the regulatory viewpoint, related to a survival period using regulatory assumptions of 30 days. At the end of December 2019, the LCR (Bankia at individual level) stood at 204.2%.
- $SLCR_{30d}$: the liquidity strategy is defined from an economic viewpoint through additional metrics other than the regulatory LCR taking expanded stress scenarios in two ways:
  - It builds more survival horizons, which implies adapting the regulatory assumptions to these horizons, and envisaging and adopting corrective measures to address future liquidity vulnerabilities.
  - It creates varying degrees of stress for each survival horizon. This approach allows the stressed LCR (SCLR) to be built and calculated at different horizons using more stringent assumptions than the regulatory assumptions, based on expert criteria, past experience or a combination of both.

  The $SLCR_{30d}$ is the result of the 30-day horizon of the hybrid crisis, for which an appetite and tolerance level are established. At 31 December 2019, the LCR was within Bankia's risk limits and regulatory requirements.

Funding Risk:

- NSFR: through this indicator, the Entity draws up the funding strategy from a regulatory viewpoint. At 31 December 2019, the NSFR was 123.9%, within Bankia's risk limits and regulatory requirements. According to the CRR2, a minimum level of 100% will become a prudential requirement as of June 2021.
- LtD Strict: through this indicator, the Entity draws up the funding strategy from the economic viewpoint, setting the appetite for self-financing of the commercial balance sheet and limiting reliance on funding from capital markets.
- Asset Encumbrance Ratio (% AE): the objective of this indicator is to design a strategy on the desired level of encumbered assets that does not limit the capacity to raise contingent liquidity in stress scenarios or reduce investor appetite for our "unsecured funding" (i.e. without collateral) instruments that could undermine or increase the cost of achieving the MREL objectives.

Each year, under the scope of the ILAAP, a quantitative self-assessment is carried out with projections of RAF indicators to determine the capacity and viability of implementing the liquidity and funding strategy established in the financial planning process and to maintain this within the risk limits allocated in the risk appetite statement.

In addition to these indicators, the Entity has a set of metrics and indicators that complement the various aspects of liquidity and funding risk management, monitoring and control.

Maturities of issues

The following table provides information on the term to maturities of the Bank's issues at 31 December 2019 and 2018, by type of founding instrument, including promissory notes and issues placed via the network.

31 December 2019

(Thousands of euros)

ITEM	2020	2021	2022	> 2022
Mortgage-backed bonds and securities	417,917	2,025,000	3,235,185	10,280,323
Senior debt	2,331	35,000	30,000	2,570,032
Subordinate, preference and convertible securities	-	175,000	1,250,000	1,500,000
Securitizations sold to third parties	-	-	-	1,369,538
Total Maturities of issues (*)	**420,248**	**2,235,000**	**4,515,185**	**15,719,893**

(*) Figures shown in nominal amounts less treasury shares and issues withheld.

31 December 2018

(Thousands of euros)

ITEM	2019	2020	2021	> 2021
Mortgage-backed bonds and securities	2,764,179	417,917	2,025,000	12,880,508
Senior debt	1,004,662	-	35,000	100,352
Subordinate, preference and convertible securities	1,000,000	-	175,000	1,750,000
Securitizations sold to third parties	-	-	-	1,601,774
Total Maturities of issues (*)	**4,768,841**	**417,917**	**2,235,000**	**16,332,634**

(*) Figures shown in nominal amounts less treasury shares and issues withheld.

Issuance capacity

(Thousands of euros)

	31/12/2019	31/12/2018
Mortgage-backed securities issuance capacity (Appendix VII)	18,873,244	16,526,637
Territorial bond issuance capacity	1,175,730	1,278,790

(3.3) Residual maturities

The following table provides a breakdown of balances of certain items in the accompanying balance sheet, by residual contractual maturity, excluding, as appropriate, valuation adjustments and impairment losses:

31 December 2019

(Thousands of euros)

ITEM	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets							
Cash and balances with Central banks and other demand deposits	12,826,591	-	-	-	-	-	12,826,591
Loans and advances to credit institutions	-	3,178,545	32,075	2,052,113	205,896	-	5,468,629
Loans and advances to customers	-	3,971,776	6,398,079	13,301,000	39,034,231	54,611,481	117,316,567
Financial assets held for trading and financial assets at fair value through profit or loss	-	327	-	-	-	170,703	171,030
Other portfolios - Debt securities	-	861,702	1,981,497	14,719,729	12,308,070	15,208,206	45,079,204
Derivatives (trading and hedging) (1)	-	265,635	411,882	1,371,876	6,108,740	7,626,077	15,784,210
Total	**12,826,591**	**8,277,985**	**8,823,533**	**31,444,718**	**57,656,937**	**77,616,467**	**196,646,231**
Liabilities							
Deposits from Central banks and credit institutions	-	13,092,306	115,155	11,755,225	12,929,897	2,498,753	40,391,336
Customer deposits	86,443,268	5,413,668	6,181,092	17,360,787	4,199,865	6,366,907	125,965,587
Marketable debt securities	-	70,037	137,849	615,134	8,151,503	7,282,130	16,256,653
Other financial liabilities (2)	930,568	-	-	-	-	-	930,568
Derivatives (trading and hedging) (1)	-	153,822	370,121	1,323,577	5,546,040	5,965,891	13,359,451
Total	**87,124,680**	**18,729,833**	**6,804,217**	**31,054,723**	**30,827,305**	**22,113,681**	**195,913,537**

(1) Gross exposure excluding netting arrangements (see Notes 3.1.6, 8 and 12).

(2) Excludes balances of tangible assets acquired under a lease whose maturity is explained in Note 18. The remainder relates to a residual item comprising items that are generally transitory or do not have a contractual maturity, making it impossible to allocate reliably the amounts recognised by term of maturity, and therefore classified under demand liabilities.

31 December 2018

(Thousands of euros)

ITEM	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets							
Cash and balances with Central banks and other demand deposits	4,354,390	-	-	-	-	-	4,354,390
Loans and advances to credit institutions	-	3,146,041	528,938	751,104	-	-	4,426,083
Loans and advances to customers	-	3,388,158	5,655,153	10,174,146	31,667,240	71,616,833	122,501,530
Financial assets held for trading and financial assets at fair value through profit or loss	-	6,051	-	1,000	198,646	76,059	281,756
Other portfolios - Debt securities	-	8,892	4,770,600	6,477,600	20,723,909	17,444,230	49,425,231
Derivatives (trading and hedging) (1)	-	224,121	429,648	1,484,244	5,274,428	5,271,655	12,684,096
Total	**4,354,390**	**6,773,263**	**11,384,339**	**18,888,094**	**57,864,223**	**94,408,777**	**193,673,086**
Liabilities							
Deposits from Central banks and credit institutions	-	9,144,065	2,268,176	3,032,726	18,318,268	2,860,318	35,623,553
Customer deposits	84,539,291	4,995,372	6,363,981	22,855,173	7,288,829	2,854,212	128,896,858
Marketable debt securities	-	1,500,000	-	1,251,465	5,185,138	7,874,897	15,811,500
Other financial liabilities (2)	1,598,551	-	-	-	-	-	1,598,551
Derivatives (trading and hedging) (1)	-	13,698	387,565	1,416,992	4,663,058	3,686,813	10,168,126
Total	**86,137,842**	**15,653,135**	**9,019,722**	**28,556,356**	**35,455,293**	**17,276,240**	**192,098,588**

(1) Gross exposure excluding netting arrangements (see Notes 3.1.6, 8 and 12).

(2) A residual item comprising items that are generally transitory or do not have a contractual maturity, making it impossible to allocate reliably the amounts recognised by term of maturity, and therefore classified under demand liabilities

(3.4) Exposure to interest rate risk

Interest rate risk reflects the probability of incurring losses because of changes in the benchmark interest rates for asset and liability positions (or certain off-balance sheet items) that could have an impact on the stability of the Bank's results. Interest rate risk management is designed to lend stability to margins, maintaining levels of solvency that are appropriate for the Bank's level of risk tolerance.

Interest rate risk monitoring and management at the Bank is performed in accordance with the criteria approved by the governing bodies.

Each month, information on risk in the banking book is reported to the ALCO in terms of both economic value (sensitivities to different scenarios and VaR) and interest margin (net interest income projections in different interest-rate scenarios for horizons of 1 and 3 years). At least quarterly, the Board of Directors is informed through the Risk Advisory Committee on the situation and monitoring of limits. Any excesses are reported immediately to the Board by the Board Risk Committee. In addition, information prepared by the ALCO is reported by the Global Risk Management Division, along with other risks, to the Bank's senior management.

According to Bank of Spain regulations, the sensitivity of the net interest margin and the value of equity to parallel shifts in interest rates (currently ±200 basis points) is controlled. In addition, different sensitivity scenarios (EBA scenarios) are established based on implied market interest rates, comparing them to non-parallel shifts in yield curves that alter the slope of the various references of balance sheet items.

Sensitivity analyses performed by analysing interest rate risk scenarios from both perspectives provide the following information:

- Impact on profit and loss. At 31 December 2019, the sensitivity of net interest income, excluding the trading portfolio and financial activity not denominated in euros, in the most adverse scenario of a 200 bp parallel shift in yield curve over a one-year time horizon in a scenario of a stable balance sheet is -8.22% (-1.94% at 31 December 2018).

- Impact on economic value of equity, understood as the present value of estimated cash flows from different assets and liabilities. At 31 December 2019, the sensitivity of economic value, excluding the trading portfolio and financial activity not denominated in euros, facing the most adverse scenario of a parallel downward shift in the yield curve of 200 bp is -3.06% of equity and -2.24% of economic value of the Bank (-8.13% and -4.62%, respectively, at 31 December 2018).

The sensitivity analysis was performed using static assumptions. Specifically, this means maintaining the balance sheet structure and applying new spreads with the Euribor interest rate for the same term to maturing transactions. Irregular deposits are presumed to be refinanced at a higher cost.

(3.5) Exposure to other market risks

This risk arises from the possibility of incurring losses on positions in financial assets caused by changes in market risk factors (interest rates, equity prices, foreign exchange rates or credit spreads). It stems from Treasury and Capital Markets positions and can be managed by arranging financial instruments.

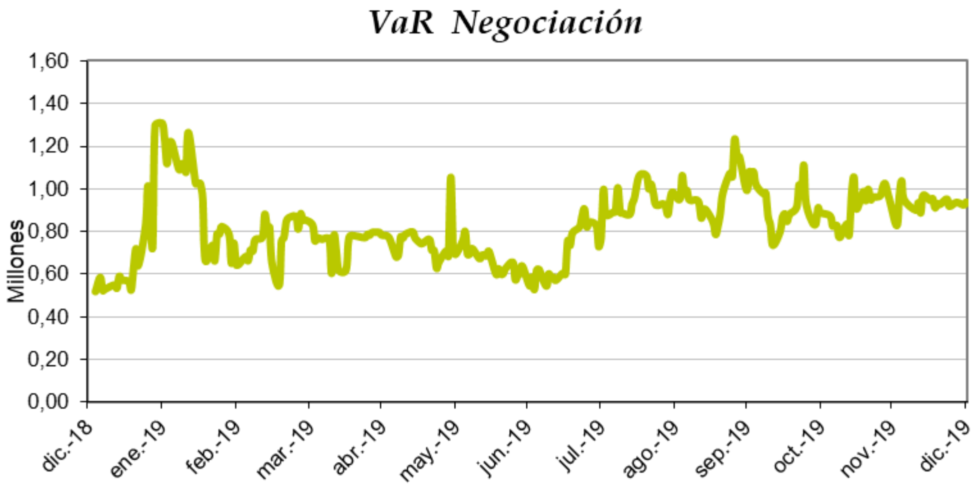
The Board of Directors delegates proprietary trading in financial markets to the Financial Department and its business areas, so they can exploit business opportunities using the most appropriate financial instruments at any given time, including interest rate, exchange rate and equity derivatives. In general, the financial instruments traded must be sufficiently liquid and entail hedging instruments.

Each year, the Board of Directors approves the risk limits and internal risk measurement procedures for each product and market in which the various trading areas operate. The Market and Operational Risks Area, depending of Risk Division has the independent function of measuring, monitoring and controlling the Entity's market risk and the limits issued by the Board of Directors. VaR (value at risk) and sensitivity analysis approaches are used, specifying different scenarios for each class of risk.

Market risks are monitored daily, with existing risk levels and compliance with the limits established for each unit reported to the control bodies. In this way, variations in risk levels caused by changes in prices of financial products and their volatility can be detected.

The reliability of the VaR approach used is confirmed through backtesting, verifying that the VaR estimates are within the confidence level considered. Backtesting is extended to measure the effectiveness of the hedging derivatives. In 2019, there were no changes in the methods used to make the estimates included in the financial statements from those used the preceding year.

The following chart shows the trend in one day VaR with a 99% confidence level for operations in the markets area in trading activities in 2019.



The impact on equity and on the accompanying income statement of reasonable future changes in the various market risk factors at 31 December 2019 and 2018, calculated for the Bank's portfolio registered at fair value (excluding investments held for trading), is as follows:

(Thousands of euros)

MARKET RISK FACTORS (1)	Accumulated Other Comprehensive Income (1) 2019	2018	Impact on profit and loss (1) 2019	2018
Interest rate	(10,672)	(233,518)	2,649	1,825
Equity instruments	-	-	(528)	(11)
Exchange rates	-	-	395	335
Credit spread	(329,349)	(246,528)	(308)	(465)

(1) Amounts shown net of the related tax effect.

The assumptions used in the calculation of sensitivity were as follows:

- Interest rates: 100 bp increase
- Equities: 20% fall
- Exchange rates: 10% fluctuation
- Credit spreads: increase consistent with credit rating, as follows:

AAA	AA	A	BBB	<BBB
5 bp	10 bp	20 bp	50 bp	150 bp

In addition, at 31 December 2019 there was a structural portfolio consisting of debt securities designed to provide stability to interest margin. The nominal value of this portfolio at 31 December 2019 is EUR 42,729,620 thousand (EUR 46,724,398 thousand at 31 December 2018). The following table shows the sensitivity of the portfolio in which the debt securities that comprise it are classified and the related risks:

(Millions of euros)

	31/12/2019			31/12/2018		
	Interest rate risk	Credit risk (spreads)	Total	Interest rate risk	Credit risk (spreads)	Total
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	(11)	(329)	(340)	(234)	(246)	(480)
Financial assets at amortised cost	-	(520)	(520)	-	(522)	(522)
Total	**(11)**	**(849)**	**(860)**	**(234)**	**(768)**	**(1,002)**

As for the sensitivities in the preceding table:

- For debt securities classified at fair value through other comprehensive income, the impact would have a balancing entry in “Accumulated other comprehensive income” in the equity.
- For debt securities classified at financial assets at amortisad cost, although the sensitivity shows the theoretical impact of credit risk (default) that would require the recognition of higher credit loss provisions (impairment losses) than presented in the accompanying annual financial statements, this is highly unlikely given the portfolio’s composition; i.e. mainly debt securities issued directly or guaranteed by the government.

At 31 December 2019 and 2018, the Bank's net exposure to currency risk is not significant.

(4) Capital management

(4.1) Capital requirements

On 26 June 2013, Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the “CRR”), and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “CRD IV”) were approved, repealing regulations on solvency in force until now. They came into effect on 1 January 2014.

The CRR and CRD IV regulate capital requirements in the European Union and include the recommendations set out in the Basel III capital regulatory framework or agreement, specifically:

- The CRR, which is directly applicable to Member States, contains prudential requirements for credit institutions and covers, inter alia, the following:
  - The definition of elements of eligible own funds, establishing requirements for hybrid instruments to be included and limiting the eligibility of minority interests.
  - The definition of prudential filters and deductions of items in each capital levels. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pension funds…) and introduces changes to existing deductions. Nevertheless, it notes that the Regulation establishes a phase calendar until its final full implementation l between 5 and 10 years.
  - Establishment of minimum requirements (Pillar I), with three levels of own funds: a Common Equity Tier I capital ratio of 4.5%, a Tier I capital ratio of 6% and a minimum requirement total capital ratio of 8%.
  - Requirement of financial institutions to calculate a leverage ratio, defined as Tier 1 capital divided by total exposure unadjusted for risk. The disclosure requirement will be applicable from 2015 onwards.
- The aim and main purpose of the CRD IV, which must be transposed into national legislation by the Member States according to their criteria, is to coordinate national legislation regarding the access to the activity of credit institutions and investment firms and their governance and supervisory framework. The CRD IV includes, *inter alia*, additional capital requirements to those established in the CRR, which have been phased in gradually until 2019. Failure to comply will imply restrictions on the discretionary distributions of profit, specifically:
  - A capital conservation buffer and a countercyclical capital buffer, extending the regulatory framework of Basel III, to mitigate pro-cyclical effects of financial regulation. All financial institutions must maintain a common capital buffer of 2.5% above Common Equity Tier 1 and an institution-specific countercyclical buffer above Common Equity Tier 1.
  - A systemic risk buffer. For global systemically important institutions and other systemically important institutions to mitigate systemic or macroprudential risks; i.e. risks of disruptions in the financial system with the potential to have serious negative consequences for the financial system and the real economy in a specific Member State.
  - In addition, Article 104 of the CRD IV, Article 68 of Law 10/2014 and Article 16 Council Regulation (EU) No 1024/2013, of 15 October 2013, confer specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (SSM). This regulation allows supervisory authorities to impose additional capital requirements to the Pillar I minimum capital requirements for risks not covered therein; known as Pillar II capital requirements.

On 7 June 2019, the European Parliament and the Council of the European Union published a legislative package for the reform of (i) CRD IV, (ii) CRR, (iii) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 , establishing a framework for the recovery and resolution of credit institutions and investment firms (the "BRRD") and (iv) Regulation (EU) 806/2014 of the European Parliament and of the Council (the "SRM Regulation") (the "EU Banking Reforms") in order to strengthen the capital and liquidity situation of banks and to consolidate the framework for the restructuring and resolution of distressed financial institutions. The entry into force of these EU Banking Reforms is on 27 June 2019, with a progressive implementation timetable of up to 2 years for certain modifications.

In relation to capital requirements, the following have been approved:

- The CRR II- Regulation of the European Parliament and of the Council amending Regulation No 575/2013 on the leverage ratio by setting a minimum requirement of 3% for all entities and an additional requirement buffer in the case of those considered to be entities of global systemic relevance, the requirements on eligible own funds and liabilities (MREL), capital requirement for counterparty credit risk and market risk, treatment of exposures to counterparties exposures to collective investment bodies, large risks, reporting and disclosure requirements and amending Regulation No. 648/2012.

- The CRD V- Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards exempt entities, joint holding companies, remuneration, supervisory measures and measures to conserve powers and capital.

In addition, at year-end 2017, the European Central Bank had notified the Bankia Group of the capital requirements applicable to it in 2018, specifically a minimum Common Equity Tier 1 ratio of 8.563% and a minimum total capital ratio of 12.063%, both of which taking into account transitional arrangements, i.e., on a phase-in basis. These thresholds include the minimum required under Pillar I (4.5% in terms of common equity tier 1 capital and 8% at the total capital level), the Pillar II requirement (2%) and the combined buffers applicable to the Group (2.063%).

In February 2019, the European Central Bank notified the Bankia Group of the capital requirements applicable to it in 2019: a minimum Common Equity Tier 1 ratio of 9.25% and a minimum Total Capital ratio of 12.75%, both measured in relation to its transitional (phase-in) regulatory capital. These thresholds include the minimum required under Pillar I (4.5% in terms of common equity tier 1 capital and 8% at the total capital level), as well as the Pillar II requirement (2%) and the combined buffers applicable to the Group.

Regarding combined capital buffer requirements, bearing in mind the phase-in period provided for in Law 10/2014, the capital conservation buffer applicable in 2019 has been 2.5% (which will amount to 1.875% in 2018), corresponding to 100% (75% in 2018) of the total. Similarly, as the Bank of Spain has identified the Bank Group as another systemically important institution (O-SII), a Common Equity Tier I capital buffer was established at 0.25% of its total risk exposure on a consolidated basis. In 2019, it corresponds 100% (75% in 2018) of this buffer; i.e. 0.25% (0.1875% in 2018). Finally, the Group's own countercyclical buffer, calculated based on the geographical location of its exposures, is 0%. This is because the Group's exposures are located in countries (mainly Spain) whose supervisors have established the buffer at 0% for exposures in their territories. The combined buffer requirements applicable for 2019 has been 2.75% (2.5% for the capital conservation buffer and 0.25% for the "other systemically important institution" (O-SII)) buffer after the end of the phase-in period.

In December 2019, the European Central Bank notified the Bankia Group of the capital requirements applicable to it in 2020: a minimum Common Equity Tier 1 ratio of 9.25% and a minimum Total Capital ratio of 12.75%, both measured in relation to its transitional (phase-in) regulatory capital. These thresholds include the minimum required under Pillar I (4.5% in terms of common equity tier 1 capital and 8% at the total capital level), the Pillar II requirement (2%) and the combined buffers applicable to the Group (2.75%).

Regarding Spanish regulations, the new legislation is aimed at transposing European rules at local level:

- Bank of Spain Circular 2/2014, of 31 January, for credit institutions regarding the various regulatory options contained in Regulation (EU) no. 575/2013. The purpose is to establish, in accordance with the powers granted, which options of those contained in the CRR attributed to national competent authorities will be required to consolidable groups of credit institutions and credit institutions, whether part of a consolidable group or not, by 1 January 2014 and to what extent. In this Circular, the Bank of Spain makes use of some of the permanent regulatory options included in the CRR, to allow the treatment that Spanish law had been giving to certain questions before the entry into force of the EU regulation to be continued, justifying this by the business model that Spanish institutions have traditionally followed. This does not preclude the exercise in future of other options for competent authorities provided for in the CRR, in many cases mainly when they are specific for direct application of the CRR without the requirement to be included in a Bank of Spain circular.

- Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, to continue the transposition of the CRD IV initiated by Royal Decree Law 14/2013, of 29 November, and recast certain national provisions in place at the time regarding the organisation and discipline of credit institutions. This law introduces, inter alia, an express obligation for the first time on the part of the Bank of Spain to present an annual Supervisory Programme setting out the content and how it will perform its supervisory activity, together with the actions to be taken in accordance with the outcome. This programme must include a stress test at least once a year.

- Bank of Spain Circular 3/2014, of 30 July, for credit institutions and authorised appraisal firms and services. Among other measures, this Circular amends Circular 2/2014 of 31 January on the exercise of the regulatory options contained in Regulation (EU) No. 575/2013, on prudential requirements for credit institutions and investment firms in order to unify the treatment of the deductions of intangible assets during the transitional period set out in Regulation (EU) No. 575/2013, equating the treatment of goodwill to that of all other intangible assets.

- Royal Decree Law 84/2015, of February 13, implementing Law 10/2014, of June 26, on the management and supervision of credit institutions.

- Circular 2/2016, of 2 February. This Circular completes the transposition of Directive 2013/36/EU and includes additional regulatory options for the national competent authorities to those included in Circular 2/2014 and developed in Royal Decree Law 84/2015. Specifically, it includes the possibility of treating, subject to prior authorisation by the Bank of Spain, certain exposures with public sector entities with the level weightings as the administrations to which they belong.

- Bank of Spain Circular 3/2017 (of 24 October 2017) amending certain aspects of Circular 2/2014 (of 31 January 2014). Its scope of application has been limited to the less significant entities, the contents of the Circular have been fine-tuned to reflect the guidelines issued by the ECB and it eliminates the rules regarding the transitional arrangements that were in effect until 2017.

- Royal Decree Law 22/2018 of 14 December 2018 establishing macroprudential tools and limits on sectoral concentration, along with conditions on the granting of loans and other exposures. In this respect, the Bank of Spain may require application of a countercyclical buffer for all of an entity's exposures or exposures in a specific sector.

In addition, in 2016 the European Central Bank published Regulation (EU) 2016/445, of 14 March 2016. With this regulation, the European Central Bank aims to further harmonise legislation applicable to credit institutions under its direct supervision (significant credit institutions) and establish a level playing field for credit institutions. This regulation became effective on 1 October 2016, supplementing the options and discretions conferred on the national competent authorities.

The Group applies the following to its minimum capital requirements:

- For credit risk requirements:
    - For exposure retail customers and companies:
        - Both advanced internal-rating based (IRB) approved by the Bank of Spain models and the standardized approach depending on the origin of the portfolio.
        - Advanced internal models for all new business.
    - For exposures to institutions, both advanced internal-rating based (IRB) and the standardised approach.
    - The standardized approach for all other exposures.
- Requirements linked to the held-for-trading portfolio (foreign currency and market rates) were calculated using internal models, including additional counterparty credit risk requirements to OTC derivatives (CVA credit value adjustment). The calculation model for market risk is in the process of being reviewed. During this period, the risk-weighted assets (RWA) included an increase for market risk related to the calculation method and not to market activity.
- For the portfolio of equity securities, it used the simple risk-weight approach, the PD/LGD method and the standard approach, depending on the origin of the various sub-portfolios.
- To calculate the capital requirements for operational risk, the standardized approach was used.

As for the calculation of the Group's capital requirements using internal models, the ECB's Supervisory Board has initiated a Targeted Review of Internal Models (TRIM) with the aim of standardising current differences across entities in the risk weightings they apply to their exposures that are not attributable to their risk profiles but rather stem from their calculation models, all framed by a standardised supervisory model. This review takes in around 70 European financial institutions, including the Bankia Group.

The following table provides a detail of the Bankia Group's capital levels at 31 December 2019 and 2018 as well as the RWA (Risk Weighted Assets) calculated in accordance with the CRR and CRD IV:

(Thousands of euros and %)

ITEM	31/12/2019 (*)	31/12/2018
Common Equity Tier I (CET 1)	**11,120,019**	**11,366,651**
Equity	3,069,522	3,084,963
Share Premium	619,154	619,154
Profit or loss admissible attributable to owners of the parent	541,436	703,211
Reserves and treasury shares	8,899,497	8,606,331
Other comprehensive eligible and accumulated income	153,953	123,001
Non-competing minority interests	-	-
Deductions	(2,163,543)	(1,770,009)
Deferred tax assets depend on future incomes	(1,089,172)	(846,699)
Prudent valuation related to assets side (AVA)	(38,442)	(35,947)
Dividend to be deducted for regulatory purposes	(355,328)	(357,115)
Intangible assets and others deductions	(680,601)	(530,248)
Additional Tier I Capital (AT1)	**1,250,000**	**1,250,000**
TIER I (TIER1=CET1+AT1)	**12,370,019**	**12,616,651**
TIER2	**1,672,270**	**1,862,961**
Subordinated debt	1,672,270	1,672,270
Others eligible/deductibles elements	-	190,691
Total capital (TIER1+TIER2)	**14,042,289**	**14,479,612**
Total Risk Weighted Assets	**77,634,917**	**82,381,203**
Credit risk, counterparty and dilution	**70,990,149**	**74,921,505**
Standardized approach	27,657,492	33,121,634
Internal ratings-based approach	43,332,656	41,799,871
By market risk	1,080,319	1,578,723
By operational risk	5,564,450	5,880,975
Common Equity Tier I ratio	**14.32%**	**13.80%**
Equity Tier I ratio	**15.93%**	**15.31%**
Total capital ratio	**18.09%**	**17.58%**

(*) Estimated Data

On 31 December 2019, the Bankia Group shows a surplus of EUR 3,939 million (EUR 4,313 million on 31 December 2018) over the regulatory minimum Common Equity Tier 1 of 9.25%. (8.563% % on 31 December 2018) established considering Pillar I, Pillar II and the combined requirement of buffers.

At the same date, the Bankia Group shows a surplus of EUR 4,144 million (EUR 4,542 million on 31 December 2018) over the regulatory minimum Common Equity Tier 1 of 12.750%. (12.063% on 31 December 2018) established considering Pillar I, Pillar II requirement and the combined requirement of buffers.

(4.2) Leverage ratio

The leverage ratio was designed by the Basel Committee on Banking Supervision in its Capital Accord of December 2010 as a supplementary measure to the capital requirements. Therefore, plans are to make it a binding Pillar I requirement. The entry into force of the CRR imposed on entities the obligation to calculate and report the ratio to the Supervisor quarterly from January 2014, and to publicly disclose the ratio from 1 January 2015. On 10 October 2014, Commission Delegated Regulation (EU) No. 2015/62 was approved. It became effective from 1 January 2015 and replaced the CRR with respect to calculating the leverage ratio.

The CRR does not require compliance with a minimum level. There is only an indicative reference level of 3% of the Tier 1 Capital established by the Basel Committee on Banking Supervision With the entry into force of CRR II on 27 June 2019, a binding leverage ratio requirement of 3% level I capital is established, in line with the reference value established by the Basel Committee on Banking Supervision in 2014.

The leverage ratio is calculated as an entity's Tier 1 capital divided by its total exposure. For these purposes, total exposure is the sum of the exposure values of assets on the balance sheet, derivatives (with different treatment to the rest of the assets on the balance sheet), part of off-balance sheet items and counterparty risk in repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions.

The Bankia Group's leverage ratio at 31 December 2019 and 2018 calculated in accordance with Commission Delegated Regulation (EU) No. 2015/62 is as follows:

(Thousands of euros and %)		
ITEM	31/12/2019 (*)	31/12/2018
Tier I Capital	12,370,019	12,616,651
Exposure	210,098,403	207,077,825
Leverage ratio	**5.89%**	**6.09%**
(+) Exposures in balance sheet	195,719,816	193,061,853
(+) Derivatives exposures	2,605,920	2,516,452
(+) Counterparty credit risk add-on in securities financing transactions (SFTs)	3,475,213	3,925,402
(+) Exposure to off-balance sheet items (includes application of CCFs)	8,297,454	7,574,118
Total leverage ratio exposures	**210,098,403**	**207,077,825**

(*) Estimated data.

At 31 December 2019 and 2018, the leverage ratio exceeded the minimum defined by the Basel Committee on Banking Supervision.

(4.3) Minimum requirement for own funds and eligible liabilities (MREL)

Directive No 2014/59/EU of the European Parliament and of the Council on the recovery and resolution of credit institutions (Bank Recovery and Resolution Directive or BRRD) was approved in May 2014 and became effect in January 2015. It was transposed into Spanish legislation through Law 11/2015 on the Resolution and Recovery of Credit Institutions, of 18 June. This legislation determines in what circumstances the resolution scheme of a financial institution entries into force, designing an internal mechanism where shareholders and creditors absorb losses (bail-in) in order to protect deposits, minimise the costs for taxpayers and avoid as far as possible recourse to the Singe Resolution Fund (SRF).

Regarding the mechanism for internal loss-absorption, a minimum requirement for own funds and eligible liabilities with loss-absorbing capacity MREL (Minimum Required Elegible Liabities) has been established. That implies that entities subject to themselves, those that have the things that have characteristics that favor the absorption of losses in the case of resolution of the entity.

On 23 June 2017, on the Spanish legislative front, Royal Decree Law 11/2017 on urgent measures in financial matters was enacted. Among other things, the legislation created a new category of senior non-preferred debt, with a lower ranking relative to other preferred claims or ordinary senior debt, and established the requirements for classification in this category to guarantee loss-absorption capacity in the event of resolution. Enactment of this Royal Decree takes non-preferred ordinary claims to a legal status, in line with other EU Member States and the regulatory proposals being put forward in Europe in this respect.

The Bank is currently reporting its MREL levels to the Group's resolution authorities, the Single Resolution Board, FROB, and the Bank of Spain in terms of resolution, in accordance with the BRRD definition, as the ratio of the amount of own funds and eligible liabilities as a percentage of the entity's total liabilities and own funds and, in addition, indicating its level of percentage terms by dividing the numerator by the Group's RWAs.

The SRB published its annual policy paper on the MREL, which serves as a basis for setting minimum MREL requirements for banks not considered “complex” (subject to resolution colleges) and that, therefore, did not having binding targets in 2018, including the Bankia Group. In this regard, on 16 May 2019, the Entity was formally notified by the Bank of Spain of a decision taken by the Single Resolution Board regarding the minimum requirements for own funds and eligible liabilities (MREL). According to this communication, the Group will have to reach from 1 July 2021 a minimum volume of own funds and eligible liabilities of 23.66% in terms of risk-weighted assets calculated at the end of the 2017 financial year. This MREL requirement, expressed in terms of total liabilities and own funds of the entity ("TLOF" by its name) would be 10.02%. Thus, as of 31 December 2019, the Bankia Group's MREL ratio, calculated according to the current computability criteria of the Single Resolution Board, would amount to 21.92% on the total Risk-Weighted Assets.

As mentioned above, the EU Banking Reforms package includes, inter alia, the reform of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 and whose entry into force took place on 27 June 2019. These reforms introduce amendments to BRRD, inter alia, in relation to the minimum subordination requirements of eligible MREL liabilities and the MDA (Maximum Distributable Amounts) level setting, limitation on the discretionary allocation of capital) in terms of MREL. In this regard, on 25 June 2019, the SRB published an Addendum to its MREL Policy Paper in January 2019, with the aim of clarifying the relationship between the new regulatory package and its MREL methodology. The SRB will publish its annual MREL Policy Paper in early 2020, based on the new regulatory framework.

(4.4) Transparency Exercise 2019

During 2019, the European Banking Authority (EBA) undertook a new transparency exercise in coordination with the national competent authorities and the European Central Bank. The goal of this exercise is to boost transparency and familiarity with the capital adequacy and solvency of the European banks, thereby contributing to market discipline (Pillar 3) and financial stability in the European Union.

On 29 November 2019, the European Banking Authority (EBA) published the results of its 2019 EU-wide transparency exercise, for 131 banks across the 27 EU countries with consolidated data as at 30 September 2018, 31 December 2018, 31 March 2019 and 30 June 2019. As on prior occasions, the information published relates to the banks' capital positions, risk-weighted assets, asset quality (non-performing exposures), profitability, sovereign exposures, credit and market risk exposures, all from the perspective of supervisor reporting. This exercise is completed with the RAR (Risk assessment report) based on a sample of banks (147 EU institutions with information at consolidated level).

The capital ratios published are for the BFA Group, Bankia's parent. At 30 June 2019, the phase-in common equity tier 1 ratio stood at 13.94% and at 30 June 2018, stood at 13.45% including the earnings for the period. According to the Risk Assessment of European Banking System, the average phase-in common equity tier 1 ratio for European banks at 30 June 2019 was 14.6%, up from 14.5% at 30 June 2018.

(4.5) Capital management objectives and policies

The Bank´s capital management covers two targets, a regulatory capital and an economic capital target.

The regulatory capital target implies amply satisfying the minimum capital requirements in applicable regulations (Pillar I and Pillar II), including additional capital buffers applicable at all times.

The economic capital target is set internally based on the results of the Internal Capital Adequacy Assessment Process (ICAAP), which analyses the Bank's risk profile and evaluates its internal control and corporate governance systems.

The capital planning process is part of the Strategic Planning process to ensure that the capital plan in consistent, coherent and aligned with the strategic objectives, the Bank's Risk Appetite Framework and the rest of the tactical plans comprising the financial plan for the forecast macroeconomic environment. The Management Committee updates the financial plan and, accordingly, the capital plan annually then submits then for approval by the Board of Directors. They form the basis for all shorter-term planning processes, including budgeting and other regulatory planning processes of stress simulation scenarios (i.e. stress tests). An organisational structure with a clear segregation of duties that prevents potential conflicts of interest and allows for the functions to be discharged within the capital planning process is required to carrying out these processes.

In early 2017, the ECB embarked on a multi-year plan to drive improvements regarding the ICAAP so that the document meets supervisors' expectations, publishing its guides to the ICAAP and ILAAP, which will be application in 2019 SREP. Accordingly, the Bankia Group will align its regulatory capital planning to the principles outlined in the guides. Capital planning starts from the need to have sufficient capital to guarantee the Entity's survival over time. The actions carried out are underpinned by risk management to comply with both Pillar I (credit, market and operational risk) and Pillar II (other risks; e.g. business, reputation) requirements, such as the Pillar I Requirement, Pillar II Guidance and capital buffers, which impact the Group and its remuneration policy (including the distribution of dividends). They are also geared towards integrated management of risks extended by the Entity in the scope of its corporate governance, the nature of the business, management of strategic planning and market demands, among other areas. Decision-making on capital management considers this enterprise-wide impact, whereby decisions are aligned with capital adequacy targets.

The capital planning exercise is based on financial planning (e.g. balance sheet, income statement, etc.) in the macroeconomic scenarios forecast by the Bank and in the impact analysis of potential changes in capital adequacy regulations or those they may affect it. The Bank's capital management policies are aligned with the Corporate Risk Appetite Framework and the Bank's Strategic Plans established by senior management. The capital planning process is formally documented in the following reports approved by the Bank's Board of Directors, which are reviewed at least once a year:

- The Corporate Risk Appetite and Tolerance Framework, which defines the level of risk appetite (internal capital target) based on the risks the Bank is willing to assume in carrying out its business. Together with the capital target, tolerance or maximum levels of deviation from the established target which the Bank considers acceptable are determined.
- The Corporate Capital Planning Framework, which sets out a clear governance framework to ensure the involvement and coordinated orientation of the Bank's various divisions related to the capital planning process to achieve a common objective and that this objective fits in the Bank's Risk Appetite and Tolerance Framework.
- Capital Planning Policies, which include Senior Management's guidelines regarding capital preservation and correct risk measurement, as well as the corrective measures for potential deviations included in the Capital Contingency Plan.
- Recovery Plan, which sets out the solvency and leverage indicator levels below the Entity's tolerance level which, prior to potential non-compliance with regulations, would trigger the corrective measures in crises situations, as well as the range of measures and execution of each.

Capital planning is a dynamic and ongoing process. Therefore, these documents define a series of regulatory and financial indicators and metrics, with related minimum thresholds, calibrated and graded in accordance with the various levels of admission (risk appetite and tolerance levels, early warning levels and Recovery Plan levels). The objective is to facilitate appropriate monitoring and control of the established targets and identify in advance future capital requirements and the corrective measures to be adopted.

In this respect, real capital adequacy ratios are measured against these metrics and indicators, and their various thresholds. Potential deviations are analysed to determine whether the causes relate to one-off or structural events. The measures required to adapt the level of capital so it complies with the established targets is analysed and decided. In the case of default, this could ultimately trigger the Capital Contingency Plan or even the Recovery Plan.

(5) Remuneration of Board members and senior executives

(5.1) Remuneration of Board members

a) Remuneration accrued at the Bank

Regarding remuneration of directors for the performance of their duties as members of the Board of Directors, the Bank applies the provisions of Royal Decree-Law 2/2012 of 3 February, on the reorganisation of the financial sector and Order ECC/1762/2012, of 3 August. In this respect, fixed remuneration at Bankia, S.A. for all items of members of the various boards of directors other than executive chairmen, CEOs and executives of the companies is capped at EUR 100,000 per year. The limit for executive directors is EUR 500,000.

i) Gross remuneration in cash

(thousands of euros)

Name	Salaries	Fixed Compensation	Short-term variable remuneration (2)	Long-term variable remuneration (2)	Remuneration for membership on Board committees	Termination benefits	Total 2019
Mr. José Ignacio Goirigolzarri Tellaeche	500	-	213	57	-	-	770
Mr. José Sevilla Álvarez	500	-	213	57	-	-	770
Mr. Antonio Ortega Parra	500	-	213	57	-	-	770
Mr. Carlos Egea Krauel (1)	147	51	-	-	-	-	198
Mr. Joaquín Ayuso García	-	100	-	-	-	-	100
Mr. Francisco Javier Campo García	-	100	-	-	-	-	100
Mrs. Eva Castillo Sanz	-	100	-	-	-	-	100
Mr. Jorge Cosmen Menéndez-Castañedo	-	100	-	-	-	-	100
Mr. José Luis Feito Higueruela	-	100	-	-	-	-	100
Mr. Fernando Fernández Méndez de Andés	-	100	-	-	-	-	100
Mr. Antonio Greño Hidalgo	-	100	-	-	-	-	100
Mrs.Laura González Molero	-	100	-	-	-	-	100

(1) On 26 March 2019, Mr. Egea Krauel stepped down from his executive duties on Bankia's Board of Directors, retaining his director status. The impact of his resigning from his executive duties resulted in an adjustment to the terms and conditions of the commercial contract entered into between Bankia and Mr. Egea Krauel, leaving him with the status of other external director as of 28 June 2019. The amounts shown correspond to the period from 1 January to 27 June 2019 as executive director and from 28 June to 31 December 2019 as other external director.

(2) The amount of bonuses for 2019 of Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega is pending both definitive assessment and the permits and approvals contemplated in prevailing legislation.

ii) Golden parachute clauses in Board of Directors' contracts

Pursuant to additional provision seven of Law 3/2012, Bankia may not pay "compensation for termination of contract" for employment contracts of directors of Bankia in excess of the lower of the following amounts:

- EUR 1,000,000 or
- Two years of the fixed compensation stipulated.

Compensation for termination of contract includes any amount of a compensatory nature that the director may receive as a consequence of termination of contract, whatever the reason, origin or purpose, so that the sum of all the amounts that may be received may not exceed the established limits.

The contracts of Sir Goirigolzarri, Sevilla and Ortega contain a termination benefit of one year of fixed remuneration if the Company decides to terminate their employment unilaterally or in the event of a change of control of the Company. The contracts also contain a post-contractual non-compete clause for the one year of fixed remuneration. Mr. Egea's employment contract includes maximum severance equal to two years of his fixed remuneration, which will decrease proportionally as he provides service. After two years, he will not be entitled to any severance. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by these executive directors must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

iii) Share-based payment schemes.

No shares have delivered in 2019 as no amounts of variable compensation has paid.

iv) Long-term saving schemes

(Thousands of euros)

Name	Contribution Funds and Pension Plans [1] 2019 by the Entity	Life Insurance Premiums 2019 by the Entity
Mr. José Ignacio Goirigolzarri Tellaeche	-	-
Mr. José Sevilla Álvarez	-	-
Mr. Antonio Ortega Parra	-	-
Mr. Carlos Egea Krauel	-	-
Mr. Joaquín Ayuso García	-	-
Mr. Francisco Javier Campo García	-	-
Mrs. Eva Castillo Sanz	-	-
Mr. Jorge Cosmen Menéndez-Castañedo	-	-
Mr. José Luis Feito Higueruela	-	-
Mr. Fernando Fernández Méndez de Andés	-	-
Mr. Antonio Greño Hidalgo	-	-
Mrs.Laura González Molero	-	-

[1] Regarding pension obligations, there are no cumulative amounts as there is no pension scheme for directors.

b) Remuneration accrued for membership on the Boards of other Group companies or investees

On 7 June 2012, the Company reported, in a material disclosure, a review of its policy for remunerating directors in Group companies and investees. In this filing, it stated that the Bank's Board of Directors had decided that directors representing it in investees would receive no remuneration and that the per diems to which they are entitled would be paid by the Bank.

i) Gross remuneration in cash

Not applicable.

ii) Share-based payment schemes

Not applicable.

iii) Long-term saving systems

Not applicable.

iv) Other benefits

Not applicable.

c) Remuneration summary:

(Thousands of euros)			
Name	Total remuneration in the entity (2)	Total remuneration in the Bank (2)	Total 2019
Mr. José Ignacio Goirigolzarri Tellaeche	770	-	770
Mr. José Sevilla Álvarez	770	-	770
Mr. Antonio Ortega Parra	770	-	770
Mr. Carlos Egea Krauel (1)	198	-	198
Mr. Joaquín Ayuso García	100	-	100
Mr. Francisco Javier Campo García	100	-	100
Mrs. Eva Castillo Sanz	100	-	100
Mr. Jorge Cosmen Menéndez-Castañedo	100	-	100
Mr. José Luis Feito Higueruela	100	-	100
Mr. Fernando Fernández Méndez de Andés	100	-	100
Mr. Antonio Greño Hidalgo	100	-	100
Mrs Laura González Molero	100	-	100

(1) On 26 March 2019, Mr. Egea Krauel stepped down from his executive duties on Bankia's Board of Directors, retaining his director status. The impact of his resigning from his executive duties resulted in an adjustment to the terms and conditions of the commercial contract entered into between Bankia and Mr. Egea Krauel, leaving him with the status of other external director as of 28 June 2019. The amounts shown correspond to the period from 1 January to 27 June 2019 as executive director and from 28 June to 31 December 2019 as other external director.

(2) The amount of annual bonuses for 2019 of Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega is pending both definitive assessment and the permits and approvals contemplated in prevailing legislation.

(5.2) Remuneration of the Bank's senior executives (Management Committee)

a) Remuneration accrued at the Bank

For the purposes of these financial statements, the members of the Management Committee, without taking into consideration the executive directors, were considered as senior executives. A total of nine people, D. Miguel Crespo Rodríguez, Dª Amalia Blanco Lucas, D. Fernando Sobrini Aburto, D. Gonzalo Alcubilla Povedano, D. Leopoldo Alvear Trenor, D. Manuel Galarza Pont, D. David López Puig, D. Eugenio Solla Tomé y D. Carlos Torres García, were classified for these purposes as key personnel for the Bank.

Regarding remuneration of senior executives, the Entity applies the provisions of Royal Decree-Law 2/2012, of 3 February, on the reorganisation of the financial sector, Law 3/2012, of 6 July, on urgent measures to reform the labour market, Ministry of Economy Order ECO/1762/2012, of 3 August and Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions.

i) Gross remuneration

The following table shows the remuneration received by the senior executives:

(Thousands of euros)					
	Short-term remuneration (1)	Long-term remuneration (1)	Post-employment benefits (2)	Termination benefits	Total (3)
Senior Executives	4,558	405	287	-	5,250

(1) Target variable remuneration for period 2019 is subjet to definitive assessment and approval is pending.

(2) Corresponds to contributions made in respect of pensions and life insurance premiums.

(3) Remunerations of Mr. Alvear, Mr. Galarza, Mr. López, Mr. Solla and Mr. Torres for the period from 24 January 2019 to 31 December 2019 have been considered, as well as the amount accrued by Mr. Cánovas for the period from 1 January to 23 January 2019. In addition, Mr. Cánovas has not received any compensation amount by having a post-contractual non-compete agreement for a period of two years for the equivalent amount of two years fixed remuneration.

ii) Golden parachute clauses in senior executive contracts

Pursuant to additional provision seven of Law 3/2012, Bankia may not pay "compensation for termination of contract" for employment contracts of senior executives of Bankia in excess of the lower of the following amounts:

- EUR 1,000,000 or
- Two years of the fixed compensation stipulated.

Compensation for termination of contract includes any amount of a compensatory nature that the director may receive as a consequence of termination of contract, whatever the reason, origin or purpose, so that the sum of all the amounts that may be received may not exceed the established limits.

The contracts of nine senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

iii) Share-based payment schemes

In 2019 financial year, shares of 50% of the annual variable remuneration accrued in the 2015 financial year by Mrs. Blanco and Mr. Alcubilla and Mr. Sobrini were allocated.

(5.3) Situation of conflict of interest of Bank directors'

In accordance with the disclosure requirements under Section 229 of Royal Legislative Decree 1/2010, of 2 July, enacting the Consolidated Text of the Spanish Enterprises Act, it is hereby stated that at 31 December 2019, directors are not in any of the situations constituting a conflict of interest set out said article.

According to the Regulations of the Board of Directors, directors must notify the Board of Directors of any direct or indirect conflict which they themselves or persons related to them may have with the interests of the Company. Moreover, directors must refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest.

In this respect, in accordance with Section 228.c) of Royal Legislative Decree 1/2010, of 2 July, enacting the Consolidated Text of the Spanish Corporations Act, it is hereby stated that in 2019:

- On 15 occasions, Bank directors (Mr. Joaquín Ayuso García, Mr. Francisco Javier Campo, Mr. Jorge Cosmen Menéndez-Castañedo, Mr. Carlos Egea Krauel, Mr. José Luis Feito Higueruela, Mr. Fernando Férnandez Méndez de Andés and Mrs. Laura González Molero) refrained from participating in the deliberation and voting on matters at the Board of Directors' meetings regarding transactions that they, or persons related to them, had a direct or indirect potential conflict of interest with the Bank
- In addition, in keeping with the best practices of corporate governance, the Executive Directors of the Entity, José Ignacio Goirigolzarri Tellaeche, Mr. José Sevilla Alvarez and Mr. Antonio Ortega Parra, as members of the Board of Directors both of Bankia, S.A. as of BFA, Tenedora de Acciones, S.A.U. (dominant company of the former) have refrained from participating in the deliberation and vote on the agreement to manage the indirect participation of the FROB, through BFA, in Bankia and the SAREB bond financing agreement.

(6) Proposed distribution of profit of Bankia, S.A.

The allocation of individual profit of Bankia, S.A. for the financial year ended 31 December 2019 proposed by the Board of Directors of Bankia, S.A., to be submitted for approval at the General Meeting of Shareholders (with data for 2018 presented for purposes of comparison), is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
To reserves	207,621	476,553
To dividends	355,328	357,115
Net profit for the year	**562,949**	**833,668**

Dividend Policy

At its meeting held on 21 February 2020, the Board of Directors agreed to submit a proposal to the General Meeting of Shareholders for the payment of a gross EUR 0.11576 cash dividend out of 2019 profit.

A resolution was adopted at the General Meeting of Shareholders of Bankia held on 22 March 2019 to distribute, against earnings for the year ended 31 December 2018, a gross dividend of EUR 0.11576 per share of Bankia, S.A. entitled to dividend and outstanding at the date payment is made. The dividend was paid on 11 April 2019 with distribution of EUR 353,514,598.26.

(7) Cash, cash balances at Central banks and other demand deposits

The detail of "Cash, cash balances at Central banks and other demand deposits" in the accompanying balance is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Cash	951,824	929,835
Balances with the Bank of Spain	11,672,642	3,309,614
Other demand deposits	202,125	114,941
Total	**12,826,591**	**4,354,390**

(8) Financial assets and liabilities held for trading

Breakdown

The detail, by counterparty and type of instrument, of these items in the balance sheet, showing the carrying amounts is as follows at 31 December 2019 and 2018:

(Thousands of euros)

	31/12/2019		31/12/2018	
ITEM	Asset positions	Liability positions	Asset positions	Liability positions
By counterparty				
Credit institutions	4,395,001	5,863,319	4,004,408	5,241,537
Resident public sector	273,336	-	224,060	35
Non-resident public sector	18,484	-	181,767	-
Other resident sectors	1,700,445	859,142	1,618,008	783,865
Other non-resident sectors	315,238	60,612	292,364	53,363
Total	**6,702,504**	**6,783,073**	**6,320,607**	**6,078,800**
By type of instrument				
Trading derivatives	6,530,330	6,511,840	6,035,137	5,956,719
Equity instruments	1,381	-	3,901	-
Debt securities	170,793	-	281,569	-
Short positions	-	271,233	-	122,081
Total	**6,702,504**	**6,783,073**	**6,320,607**	**6,078,800**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

Financial Assets and Liabilities held for trading. Derivatives

The breakdown of the derivatives held for trading at fair value, by type of derivatives, in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)

	31/12/2019			31/12/2018		
ITEM	Fair Value	Amount netted	Carrying amount	Fair Value	Amount netted	Carrying amount
Debit balances:						
Unmatured foreign currency purchases and sales	66,859	-	66,859	51,453	-	51,453
Securities derivatives	7,583	-	7,583	4,563	-	4,563
Interest rate derivatives	12,702,473	(6,306,025)	6,396,448	9,731,865	(3,821,047)	5,910,818
Credit derivatives	178	-	178	2,170	-	2,170
Other	59,262	-	59,262	66,133	-	66,133
Total	**12,836,355**	**(6,306,025)**	**6,530,330**	**9,856,184**	**(3,821,047)**	**6,035,137**
Credit balances:	-	-	-			
Unmatured foreign currency purchases and sales	57,374	-	57,374	43,322	-	43,322
Securities derivatives	9,380	-	9,380	4,785	-	4,785
Interest rate derivatives	12,689,252	(6,306,025)	6,383,227	9,656,135	(3,821,047)	5,835,088
Credit derivatives	219	-	219	2,573	-	2,573
Other	61,640	-	61,640	70,951	-	70,951
Total	**12,817,865**	**(6,306,025)**	**(6,511,840)**	**9,777,766**	**(3,821,047)**	**(5,956,719)**

The detail, by maturity, of the notional amount of the trading derivatives at 31 December 2019, is as follows:

(Thousands of euros)				
ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Unmatured foreign currency purchases and sales	4,016,455	7,786	-	4,024,241
Securities derivatives	1,719,043	2,780,862	349,401	4,849,306
Interest rate derivatives	99,181,161	109,166,808	56,575,436	264,923,405
Credit derivatives	615,727	-	-	615,727
Other	4,668,749	-	-	4,668,749
Total	**110,201,135**	**111,955,456**	**56,924,837**	**279,081,428**

The detail, by maturity, of the notional amount of the trading derivatives at 31 December 2018, is as follows:

(Thousands of euros)				
ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Unmatured foreign currency purchases and sales	3,002,558	117,052	-	3,119,610
Securities derivatives	1,385,251	2,741,433	437,000	4,563,684
Interest rate derivatives	73,858,398	79,759,295	63,018,362	216,636,055
Credit derivatives	929,730	-	-	929,730
Other	4,509,180	-	-	4,509,180
Total	**83,685,117**	**82,617,780**	**63,455,362**	**229,758,259**

The notional amount of derivatives is the amount that is used as a basis for estimating the results associated therewith, although, bearing in mind that a highly significant portion of these positions offset each other, thus hedging the risks assumed, the notional amount cannot be understood to represent a reasonable measure of the Bank's exposure to the risks associated with these products.

Financial Assets held for trading. Equity instruments

The breakdown of this heading in the accompanying balance sheet is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Shares of resident companies	1,250	3,639
Shares of non-resident foreign companies	131	262
Total	**1,381**	**3,901**

Financial Assets held for trading. Debt securities

The breakdown of this heading in the accompanying balance sheet is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Spanish government debt securities	142,412	94,422
Foreign Public debt	18,484	181,777
Other foreign fixed-income securities	-	1,982
Other Spanish fixed-income securities	9,897	3,388
Total	**170,793**	**281,569**

The average effective annual interest rate of debt securities included in the held-for trading investments portfolio at 31 December 2019 was 0.50% (1.22% at 31 December 2018).

(9) Non-trading financial instruments mandatorily measured at fair value through profit or loss

The detail, by counterparty and type of instrument, of these items in the balance sheet at 31 December 2019 and 2018, showing the carrying amounts is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
By counterparty		
Credit institutions	23,263	-
Other resident sectors	11,172	9,348
Total	**34,435**	**9,348**
By type of instrument		
Debt securities	237	187
Loans and advances	34,198	9,161
Central banks	-	-
Credit institutions	23,263	-
Customer	10,935	9,161
Total	**34,435**	**9,348**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

(10) Financial assets at fair value through other comprehensive income

Breakdown

The detail of this item, by type of counterparty and type of financial instrument in the accompanying balance sheet, is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
By counterparty		
Credit institutions	44,495	54,107
Resident public sector	11,153,660	12,405,970
Non-resident public sector	291,393	2,633,356
Other resident sectors	153,305	164,970
Other non-resident sectors	337,549	365,520
Doubtful assets	-	-
Impairment losses	(545)	(1,108)
Total	**11,979,857**	**15,622,815**
By type of instrument		
Debt securities	11,904,041	15,556,331
Spanish government debt securities	11,153,660	12,405,970
Government bonds and obligations	10,861,589	12,100,879
Regional administrations	292,071	305,091
Foreign government debt securities	291,393	2,633,356
Issued by financial institutions	18,020	27,633
Other fixed-income securities	441,513	490,480
Impairment losses	(545)	(1,108)
Equity instruments	75,816	66,484
Total	**11,979,857**	**15,622,815**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 22 provides details of the gains and losses on these financial instruments recognised under “Accumulated other comprehensive income” in the accompanying balance sheet.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

The average effective annual interest rate of debt securities included in the financial assets at fair value through other comprehensive income portfolio at 31 December 2019 was 0.90% (0.87% at 31 December 2018).

Past-due and/or impaired assets

At 31 December 2019 and 2018, no asset recognised under "Financial assets at fair value through other comprehensive income" was past-due but not impaired.

Changes for the year in impairment losses

A summary of the changes in relation to impairment losses and fair value adjustments due to credit risk of debt securities included in this portfolio for the years 31 December 2019 and 2018 are as follows:

(Thousands of euros)

ITEM	2019	2018
Initial Balances at 31 December	**1,108**	**4,624**
Adjustments first application IFRS 9	-	(719)
Balances at 1 January	**1,108**	**3,905**
Impairment losses for the year charged to income	(23)	1,251
Available credit loss allowance	(529)	(280)
Net provision/(release) charged/(credited) to income statement (Note 42)	**(552)**	**971**
Amount used for depreciated assets	(11)	(766)
Other changes	-	(3,002)
Final balances at 31 December	**545**	**1,108**
Of which by type of counterparty:	*545*	*1,108*
Entities resident in Spain	*300*	*852*
Entities resident abroad	*245*	*256*

During 2019 and 2018, the Bank has not registered in the income statement for impairment losses on equity instruments recognised under “Non-current assets and disposal group classified as held for sale”.

(11) Financial assets at amortised cost

(11.1) Breakdown

The detail, by type of financial instrument, of “Financial assets at amortised cost” on the asset side of the balance sheet is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Financial assets at amortised cost		
Loans and advances	125,993,541	126,927,613
Central banks	-	-
Credit institutions	5,468,629	4,426,083
Customers	120,524,912	122,501,530
Debt securities	33,174,618	33,867,792
Subtotal	**159,168,159**	**160,795,405**
Impairment losses	(3,218,669)	(4,230,778)
Other valuation adjustments	229,708	182,577
Total	**156,179,198**	**156,747,204**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

(11.2) Credit quality of Financial assets at amortised cost

The following table shows financial assets at amortised cost, based on their credit risk classification, differentiating between gross value from the related impairment losses at 31 December 2019 and 31 December 2018:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Gross Amount (*)		
Stage 1 – Standard risk	145,312,323	144,638,205
Stage 2 – Standard riskunder special monitoring	8,244,241	8,635,397
Stage 3 – Doubtful risk	5,841,303	7,704,380
Sum	**159,397,867**	**160,977,982**
Impairment allowace		
Stage 1 – Standard risk	(208,717)	(226,564)
Stage 2 – Standard riskunder special monitoring	(440,015)	(619,333)
Stage 3 – Doubtful risk	(2,569,937)	(3,384,881)
Suma	**(3,218,669)**	**(4,230,778)**
Net carrying amount		
Stage 1 – Standard risk	145,103,606	144,411,641
Stage 2 – Standard riskunder special monitoring	7,804,226	8,016,064
Stage 3 – Doubtful risk	3,271,366	4,319,499
Sum	**156,179,198**	**156,747,204**

(*) Include "Other measurement adjustments".

(11.3) Movement in financial assets at amortised cost. Stages of credit impairment

The following table sets out the movements in 2019 and 2018 between stages 1, 2 and 3 in terms of the gross carrying amount of financial assets at amortised cost:

31 December 2019

(Thousands of euros)

ITEM	Phase 1	Phase 2	Phase 3	Total
Balance at the beginning of the period	**144,638,205**	**8,635,397**	**7,704,380**	**160,977,982**
Inter-phase transfer	(726,693)	497,069	229,624	-
Phase 1 – Standard risk	(2,419,171)	2,007,104	412,067	-
Phase 2 – Standard risk under special monitoring	1,654,535	(2,167,437)	512,902	-
Phase 3 – Doubtful risk	37,943	657,402	(695,345)	-
Additions, disposals and balance variations	1,400,811	(888,225)	(1,464,904)	(952,318)
Failed	-	-	(627,797)	(627,797)
Balance at the end of the period	**145,312,323**	**8,244,241**	**5,841,303**	**159,397,867**

31 December 2018

(Thousands of euros)

ITEM	Phase 1	Phase 2	Phase 3	Total
Balance at the beginning of the period	**140,479,539**	**11,952,799**	**11,281,819**	**163,714,157**
Inter-phase transfer	1,219,886	(1,600,671)	380,785	-
Phase 1 – Standard risk	(1,197,583)	945,897	251,686	-
Phase 2 – Standard risk under special monitoring	2,375,573	(2,906,973)	531,400	-
Phase 3 – Doubtful risk	41,896	360,405	(402,301)	-
Additions, disposals and balance variations	2,938,780	(1,716,731)	(3,543,119)	(2,321,070)
Failed	-	-	(415,105)	(415,105)
Balance at the end of the period	**144,638,205**	**8,635,397**	**7,704,380**	**160,977,982**

(11.4) Movement in credit impairment by stages

The following table sets out the movements in impairment losses by stages of credit impairment in 2019 and 2018 in financial assets at amortised cost:

December 2019

ITEM	Phase 1	Phase 2	Phase 3	Total
Balances as of 1 January 2019	**226,564**	**619,333**	**3,384,881**	**4,230,778**
Variations by origination and acquisition, account loss and credit risk variation (net)	(15,643)	(178,049)	628,043	434,351
Use of funds for amortised assets	-	-	(1,312,917)	(1,312,917)
Transfer to non-current assets for sale and other movements	(2,204)	(1,269)	(130,070)	(133,543)
Balances as of 31 December 2019	**208,717**	**440,015**	**2,569,937**	**3,218,669**
Of which individually identified	-	69,067	891,856	960,923
Of which collectively identified	208,717	370,948	1,678,081	2,257,746

December 2018

ITEM	Phase 1	Phase 2	Phase 3	Total
Balances as of 1 January 2018	**232,154**	**937,899**	**5,199,224**	**6,369,277**
Variations by origination and acquisition, account loss and credit risk variation (net)	(8,072)	(349,137)	884,590	527,381
Use of funds for amortised assets	-	-	(1,901,952)	(1,901,952)
Transfer to non-current assets for sale and other movements	2,482	30,571	(796,981)	(763,928)
Balances as of 31 December 2018	**226,564**	**619,333**	**3,384,881**	**4,230,778**
Of which individually identified	-	88,649	1,491,116	1,579,765
Of which collectively identified	226,564	530,684	1,893,765	2,651,013

(11.5) Credit quality of Financial assets at amortised cost. Guarantees received

The breakdown at 31 December 2019 and 2018 of guarantees received related to Financial assets at amortised cost in the accompanying balance sheet is as follows:

(Thousands of euros)

ITEM (*)	31/12/2019	31/12/2018
Value of the collateral	76,108,254	80,577,095
Of which: collateral with standard risks under special monitoring	5,022,526	5,312,920
Of which: collateral with default risks	5,952,561	8,710,282
Value of others collateral	-	-
Total	**76,108,254**	**80,577,095**

(*) Guarantees are stated at the lower of the value of the collateral received and the amount of the loans, except for non-performing transactions, for which fair value is used

(11.6) Financial assets at amortised cost. Loans and advances. Credit institutions

The detail, by instrument type, of this caption on the balance sheet is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
By instrument type		
Time deposits	115,243	157,569
Reverse repurchase agreements	3,509,139	2,029,395
Other financial assets	1,839,910	2,233,095
Doubtful assets	4,337	6,024
Subtotal	**5,468,629**	**4,426,083**
Impairment losses	(737)	(1,205)
Other valuation adjustments	(3,160)	7,940
Total	**5,464,732**	**4,432,818**

The average effective annual interest rate of financial instruments included under this heading at 31 December 2019 was 0.81% (0.87% at 31 December 2018).

(11.7) Financial assets at amortised cost. Loans and advances. Customers

The detail, by loan type and status and counterparty, of this caption on the accompanying balance sheet is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
By counterparty		
Public sector	4,883,559	5,148,526
Other financial corporations	2,068,550	1,859,242
Non-financial corporations	37,172,123	35,824,461
Households	76,633,548	79,843,938
Sum	**120,757,780**	**122,676,167**
Impairment losses	(3,208,345)	(4,222,047)
Total	**117,549,435**	**118,454,120**
By loan type and status		
Commercial credit	5,714,716	5,240,310
Secured loans	71,794,082	75,083,306
Reverse repurchase agreements	15,398	13,618
Other term loans	33,639,336	30,769,328
Receivable on demand and other	2,549,993	2,852,433
Other financial assets	983,041	853,382
Doubtful assets	5,828,346	7,689,153
Subtotal	**120,524,912**	**122,501,530**
Impairment losses	(3,208,345)	(4,222,047)
Other valuation adjustments	232,868	174,637
Total	**117,549,435**	**118,454,120**

The carrying amount recorded in the foregoing table, disregarding the portion relating to “Other valuation adjustments”, represents the Bank's maximum level of credit risk exposure in relation to the financial instruments included therein.

The average effective annual interest rate of financial instruments included under this heading at 31 December 2019 was 1.72% (1.69% at 31 December 2018).

“Financial assets at amortised cost - Loans and advances - Customers” in the accompanying balance sheet includes certain loans with mortgage collateral which, as indicated in Appendix VIII and under the Mortgage Market Law are considered eligible to guarantee the issue of long-term mortgage-backed securities.

This item also includes certain securitised loans that have not been derecognised from the balance sheet (see Note 2.2.2). The amounts shown in the accompanying balance sheet related to securitised loans are:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Securitised mortgage-backed assets	9,213,001	10,147,246
Of which:		
Receivable on demand and other	2,423	2,324
Doubtful assets	467,718	535,652
Other securitised assets	11,530	3,910
Total securitised assets (Note 25.1.1)	**9,224,531**	**10,151,156**
Of which:		
Liabilities associated with assets kept on the balance sheet (*)	1,531,026	1,741,860

(*) Recognised under "Financial liabilities at amortised cost - Marketable debt securities" in the accompanying balance sheet.

Other securitised loans were derecognised from the accompanying balance sheet as the Bank did not retain substantially either the risks or rewards, as follows (see Note 2.2.2):

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Securitised mortgage-backed assets	1,460,205	197,352
Other securitised assets	1,821	-
Total securitised assets (Note 25.1.1)	**1,462,026**	**197,352**

(*) As at 31 December 2019, this item includes transfers of assets through mortgage transfer certificates (see Note 27.1.1), excluding transactions written off and derecognised previously from the consolidated balance sheet. At 31 December 2018, it included transactions related to the securitisation of BANCAJA 6 FTA loans, which matured in 2019.

In 2012 and 2013 assets classified under this consolidated balance sheet heading were transferred to the SAREB. In 2013, 2015 and 2016, an adjustment was made to the deed of transfer of assets.

(11.8) Doubtful assets

The amounts shown in the accompanying balance sheet related to doubtful assets are:

(Thousands of euros)

ITEM	2019	2018
Accounting balance at the beginning of the period	**7,689,153**	**11,267,815**
Additions	1,985,464	3,367,121
Disposals	(3,846,271)	(6,945,783)
Through foreclosure	(302,461)	(312,165)
Through portfolios sales	(410,163)	(1,312,273)
Through reversals and others	(1,849,226)	(3,533,091)
Through forgiveness and disposals of assets	(627,797)	(415,105)
Through transfer to disposal group	(656,624)	(1,373,149)
Accounting balance at the end of the period	**5,828,346**	**7,689,153**

(*) Note 17.5.1 includes balance sheet heading classified as groups that, at 31 December 2019, were still recognised in the consolidated balance sheet because their disposal did to take place in 2019.

The table below shows the classification of the Bankia Group's doubtful assets related to "Finacial assets at amortised cost – Loans and advances - customers" and "Loans and advances - credit institutions" at 31 December 2019 and 2018, by counterparty, age of the oldest past-due amount of each operation or consideration as impaired, and the type of collateral:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
By counterparty		
Credit institutions	4,337	6,024
Resident public sector	89,962	116,016
Other financial corporations	15,335	22,298
Non-financial corporations	2,666,628	3,640,648
Households	3,056,421	3,484,453
Total	**5,832,683**	**7,269,439**
By age		
Up to 6 months (*)	2,516,688	3,532,635
Between 6 and 12 months	557,293	628,468
More than 12 months	2,758,702	3,108,336
Total	**5,832,683**	**7,269,439**
By type of collateral		
Operation with full mortgage collateral	3,803,759	5,008,659
Operation with other collateral	44,493	49,574
Operation without collateral	1,984,431	2,211,206
Total	**5,832,683**	**7,269,439**

(*) At 31 December 2019, approximately 83% of the balance consisted of transactions with no past-due amounts or amounts that are less than 90 days past due (87% at 31 December 2018).

The amount of past-due and impaired not accumulated doubtful assets by 31 December 2019 amounts to EUR 292,761 thousand (EUR 444,175 thousand by 31 December 2018).

The following table provides a breakdown of doubtful assets with collateral included in this category by the percentage of risk in relation to the value of the collateral ("loan to value"), as the key measure for the collateral in relation to the risks to which it is exposed:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Lower than or equal to 40%	371,866	734,079
Greater than 40% and lower than or equal to 60%	416,114	1,002,813
Greater than 60% and lower than or equal to 80%	475,870	1,294,739
Greater than 80%	2,584,402	2,026,602
Total	**3,848,252**	**5,058,233**

(11.9) Assets including past-due amounts not considered to be impaired

The table below shows the classification of assets past-due but not impaired related to loans and advances to customers and credit institutions at 31 December 2019 and 2018, by counterparty, age past-due and type of collateral:

(thousands of euros)

ITEM	31/12/2019	31/12/2018
By counterparty		
Credit institutions	6,808	30,705
Public sector	37,447	26,985
Other financial corporations	19,242	16,034
Non-financial corporations	101,373	467,136
Households	39,018	34,221
Total	**203,888**	**575,081**
By age		
Less than 1 month	151,874	513,384
Between 1 and 3 months	52,014	34,598
More than 3 months	-	27,099
Total	**203,888**	**575,081**
By type of collateral		
Operation with full mortgage collateral	29,832	28,962
Operation with other collateral	1,331	1,205
Operation without collateral	172,725	544,914
Total	**203,888**	**575,081**

The following table provides a breakdown of assets with collateral included in this category by the percentage of risk in relation to the value of the collateral (“loan to value”), as the key measure for the collateral in relation to the risks to which it is exposed:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Lower than or equal to 40%	8,245	8,692
Greater than 40% and lower than or equal to 60%	6,477	4,786
Greater than 60% and lower than or equal to 80%	5,378	5,212
Greater than 80%	11,063	11,477
Total	**31,163**	**30,167**

(11.10) Movement of provisions

The table below shows the changes for the years ended 31 December 2019 and 2018 in provisions for impairment losses and fair value adjustments due to credit risk in relation to assets in " credit institutions" and "customers" under " Financial assets at amortised cost—Loans and advances " on the accompanying balance sheet:

31 December 2019

(Thousands of euros)

ITEM	Impairment losses due to credit risk	Country risk allowance	Total
Balances at 31 December 2018	**4,218,933**	**4,318**	**4,223,251**
Individually assessed	1,574,212	-	1,574,212
Collectively assessed	2,644,721	4,318	2,649,039
Impairment losses for the year charged to income	1,091,569	9,389	1,100,958
Available credit loss allowance	(595,548)	(12,018)	(607,566)
Net provision/(release) charged/(credited) to income statement	**496,021**	**(2,629)**	**493,392**
Amounts used for depreciated assets	(1,313,738)	-	(1,313,738)
Exchange differences	1,447	-	1,447
Other changes	(195,242)	(28)	(195,270)
Balances at 31 December 2019	**3,207,421**	**1,661**	**3,209,082**
Individually assessed	955,074	-	955,074
Collectively assessed	2,252,347	1,661	2,254,008
Of which:			
Type of counterparty:	**3,207,421**	**1,661**	**3,209,082**
Entities resident in Spain	3,029,041	-	3,029,041
Entities resident abroad	178,380	1,661	180,041

31 December 2018

(Thousands of euros)

ITEM	Impairment losses due to credit risk	Country risk allowance	Total
Balances at 31 December 2017	**5,702,646**	**4,997**	**5,707,643**
Individually assessed	2,263,709	-	2,263,709
Collectively assessed	3,438,937	4,997	3,443,934
Adjustments first application Circular 4/2017	652,914	-	652,914
Balances at 1 January 2018	**6,355,560**	**4,997**	**6,360,557**
Impairment losses for the year charged to income	850,383	3,122	853,505
Available credit loss allowance	(320,343)	(3,775)	(324,118)
Net provision/(release) charged/(credited) to income statement	**530,040**	**(653)**	**529,387**
Amounts used for depreciated assets	(1,900,031)	-	(1,900,031)
Exchange differences	7,774	2	7,776
Other changes	(774,410)	(28)	(774,438)
Balances at 31 December 2018	**4,218,933**	**4,318**	**4,223,251**
Individually assessed	1,574,212	-	1,574,212
Collectively assessed	2,644,721	4,318	2,649,039
Of which:			
Type of counterparty:	**4,218,933**	**4,318**	**4,223,251**
Entities resident in Spain	4,056,684	-	4,056,684
Entities resident abroad	162,249	4,318	166,567

The different items recognised in 2019 and 2018 under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss" on the income statements for those years are summarised below:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Net charge for the year	495,453	528,401
Written-off assets recovered	(37,641)	(99,791)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss – Loans and receivables (Note 38)	**457,812**	**428,610**

(11.11) Financial assets at amortised cost. Debt securities

The breakdown, by counterparty, of this balance sheet heading:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
By counterparty		
Credit institutions	25,006	29,992
Resident public sector	10,012,856	10,817,367
Non-resident public sector	4,255,837	3,559,422
Other resident sectors	18,849,362	19,407,265
Other non-resident sectors	22,937	44,544
Doubtful assets	8,620	9,202
Subtotal	**33,174,618**	**33,867,792**
Impairment losses	(9,587)	(7,526)
Other valuation adjustments	-	-
Total	**33,165,031**	**33,860,266**
By type of instrument		
Spanish government debt securities a	10,012,856	10,817,367
Foreign government debt securities	4,255,837	3,559,422
Bonds and obligations	18,905,925	19,491,003
Impairment loss	(9,587)	(7,526)
Total	**33,165,031**	**33,860,266**

The balances in “Other resident sectors” and “Bonds and obligations” include the debt securities issued by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (SAREB) backed by the Spanish government, which were received as consideration for the assets transferred by the BFA Group to SAREB in December 2012, at a price of EUR 22,317 million —EUR 2,850 million at BFA in respect of the part of the price relating to its own assets and those of its subsidiaries and EUR 19,467 million at Bankia in respect of the part of the price relating to its own assets and those of Bankia subsidiaries—. They also include the debt securities received as consideration for the assets originally transferred by the BMN Group in February 2013 for EUR 5,820 million —absorbed following its merger by the Bankia Group—.

The securities received by the Bank (with original maturities at 31 December 2013, 2014 and 2015 and 28 February 2014, 2015 and 2016) include an annual renewal option for the issuer, although the estimated value of that option does not generate any negative difference between the fair value of the instruments and the nominal value at the transaction date.

In 2013 and subsequent periods, the SAREB redeemed and delivered new bonds. Accordingly, the securities received by the Bank and recognised under "Financial assets at amortised cost" at 31 December 2019 were as follows:

(Thousands of euros and %)			
Titles	Amount	Maturity	Interest rate
SAREB 2018-3 bonds	7,623,700	31.12.2020	-
SAREB 2020-1 bonds	5,549,800	31.12.2020	-
SAREB 2019-2 bonds	2,425,000	28.02.2021	-
SAREB 2019-1 bonds	1,681,300	28.02.2020	-
SAREB 2018-4 bonds	965,300	31.12.2021	-
SAREB 2019-3 bonds	394,200	28.02.2022	-

As these cancellations were made at the nominal amount, there were no differences with respect to the carrying amounts. Therefore, the transactions did not have a significant impact on the Bank’s income statement for prior periods.

On 31 December 2019, the unamortised cash amount was exchanged for other bonds with a similar maturity (rollover option) and bearing interest at the 3-month Euribor, considered equivalent to market rates of interest for public debt with a similar term. Accordingly, the bonds were accounted for at their nominal amount, with no impact recognised on the Bank's income statement in 2018. Rollovers of bonds carried out in previous years also did not have any impact on the Bank's income statement for those years.

Additionally, Bankia has registered as “Financial liabilities at amortised cost – Other financial liabilities” of the balance sheet, the outstanding amount corresponding to transferred assets from subsidiaries. The amount at 31 December 2019 is EUR 106,349 thousand (EUR 132,708 thousand at 31 December 2018) (see Note 18).

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

The average effective annual interest rate of debt securities classified in financial assets at amortised cost portfolio at 31 December 2019 was 0.51% (0.55% at 31 December 2018).

On 30 October 2018, the arbitration process between Sareb and, on the other hand, other entities, including Bankia (jointly referred to as the "Entities"), arising from the bonds issued by Sareb to deal with the payment of certain assets that the Entities transferred to Sareb in compliance with the obligation imposed by Law 9/2012, of 14 November. The discrepancy submitted to arbitration concerning the possibility that the quarterly coupon of the bonds corresponding to the Senior Issues of 2017 and 2018 could be negative and the Entities would be obliged to pay Sareb the amount of the negative coupon. The ruling concludes that the quarterly coupon of the Senior Bonds of the 2017-3 and 2018-1 issues cannot be negative and must be limited to 0%; a limitation that extends to future issues of Sareb Bonds when the calculation formula yields a negative result.

A summary of the changes in impairment losses, due to credit risk, on debt securities recognised as Financial assets at amortised cost for the years ended 31 December 2019 and 2018 are as follows:

(Thousands of euros)

ITEM	2019	2018
Balances at 31 December	**7,526**	**9.120**
Adjustments for first-time application of Circular 4/2017	-	(253)
Balances at 1 January	**7,526**	**8.867**
Impairment losses for the year charged to income	2,196	3.201
Available credit loss allowance	(135)	(4.187)
Net provision/(release) charged/(credited) to income statement	**2,061**	**(986)**
Provisions used for written-off assets and other movements (net).	-	(598)
Other changes	-	243
Balances at 31 December	**9,587**	**7.526**
Of which:		
Type of counterparty:	**9,587**	**7.526**
Entities resident in Spain	9,439	7.368
Entities resident abroad	148	158

(12) Derivatives – hedge accounting

At 31 December 2019 and 2018, the Bank had entered into financial derivative hedging arrangements with counterparties of recognised creditworthiness as the basis of an improved management of the risks inherent to its business (see Note 3).

The Bank enters into hedges on a transaction-by-transaction basis by assessing the hedging instrument and the hedged item on an individual basis and continually monitoring the effectiveness of each hedge, to ensure that changes in the value of the hedging instrument and the hedged item offset each other.

Note 2.2 details the Bank's main hedged positions and the financial hedging instruments.

Revisions by various regulators in different jurisdictions of indices used as benchmarks for interest rates did not have a significant impact on the Bank's designated hedging relationships as at 31 December 2019. This is because the market data of the main benchmark indices affecting the Bank's accounting hedges will continue to be available.

Following is a breakdown, by type of derivative and for each type of hedge, of the fair value of derivatives designated as hedging instruments at 31 December 2019 and 2018:

(Thousands of euros)

	31/12/2019			31/12/2018		
ITEMS	Fair Value	Netting	Carrying Amount	Fair Value	Netting	Carrying Amount
Debit Balance:						
Operations of fair value hedges	2,946,950	(456,045)	2,490,905	2,826,465	(208,029)	2,618,436
Operations of cash flow hedges	905	-	905	1,447	-	1,447
Total	**2,947,855**	**(456,045)**	**2,491,810**	**2,827,912**	**(208,029)**	**2,619,883**
Credit Balance:						
Operations of fair value hedges	495,521	(456,045)	39,476	344,063	(208,029)	136,034
Operations of cash flow hedges	46,065	-	46,065	46,297	-	46,297
Total	**541,586**	**(456,045)**	**85,541**	**390,360**	**(208,029)**	**182,331**

The detail, by maturity, of the notional amount of the derivatives classified as hedging derivatives at 31 December 2019 and 2018 is as follows:

(Thousand of euros)

ITEMS	Remaining term from 31 December 2019			
	0 to 3 years	3 to 10 years	More than 10 years	Total
Interest rate derivates	5,417,650	15,514,984	3,191,575	24,124,209
Total	**5,417,650**	**15,514,984**	**3,191,575**	**24,124,209**

(Thousand of euros)

ITEMS	Remaining term from 31 December 2018			
	0 to 3 years	3 to 10 years	More than 10 years	Total
Interest rate derivates	7,273,672	13,681,590	3,212,033	24,167,295
Total	**7,273,672**	**13,681,590**	**3,212,033**	**24,167,295**

Operations of fair value hedges:

The following table presents a breakdown, by classes of hedged items, of the value of outstanding fair value hedges in the balance sheet and the accumulated amount of fair value hedge adjustments at 31 December 2019 and 2018:

31 December 2019

(Thousand of euros)

ITEM		Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	
Debit balance				
Fixed rate debt securities	A	9,355,790	315,539	D
Fixed rate loans and advances	B	43,402	8,051	
Total		**9,399,192**	**323,590**	
Credit balance				
Fixed rate deposits	C	5,949,948	(889,968)	E
Fixed rate debts securities issued by the Bank	C	9,427,439	(1,611,260)	F
Total		**15,377,387**	**(2,501,228)**	

31 December 2018

(Thousand of euros)

ITEM		Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	
Debit balance				
Fixed rate debt securities	A	6,148,118	149,846	D
Fixed rate loans and advances	B	52,551	8,886	
Total		**6,200,669**	**158,732**	
Credit balance				
Fixed rate deposits	C	6,398,715	(867,928)	E
Fixed rate debts securities issued by the Bank	C	11,236,732	(1,436,970)	F
Total		**17,635,447**	**(2,304,898)**	

The hedged item and the fair value hedge adjustment on the hedged item are recognised in the balance sheet under the following line items:

A. Financial assets at fair value through other comprehensive income

B. Financial assets at amortised cost

C. Financial liabilities at amortised cost

In addition to the cumulative fair value adjustments on hedged items for continuig hedges, also recognised at 31 December 2019 and 2018 is the amount of fair value adjustments of discontinue hedges unamortized in the hedged items, as explained below:

D. Debt securities classified as financial assets at fair value through other comprehensive income for EUR 6,393 thousand (EUR 5,543 thousand at 31 December 2018)

E. Deposits classified as financial liabilities at amortised cost for EUR 65,501 thousand (EUR 91,687 thousand at 31 December 2018).

F. Debt securities issued classified as financial liabilities at amortised cost for EUR 228 thousand (EUR 326 thousand at 31 December 2018).

The following table presents a breakdown, for of fair value hedges, by type of derivative, fair value and the notional amount of derivatives designated as hedging instruments at 31 December 2019 and 2018:

ITEM	Notional amount	Carrying amount	
		Debut amount	Credit amount
Interest rate derivates	23,568,207	2,490,905	39,476
Total	**23,568,207**	**2,490,905**	**39,476**

ITEM	Notional amount	Carrying amount	
		Debit amount	Credit amount
Interest rate derivates	23,622,536	2,618,436	136,034
Total	**23,622,536**	**2,618,436**	**136,034**

The following table presents a breakdown, for fair value hedges, of the change in the fair value of the hedging instrument and the hedged item used as a basis for recognising hedge ineffectiveness in 2019 and 2018:

31 December 2019

(Thousands of euros)

ITEM		Gains/(losses) attributable to the hedged risk		Ineffectiveness
Hedged item	Hedging instruments	Hedged item	Hedging instrument	
Debit Balance:				
Debt securities	Interest rate derivatives	285,699	(287,924)	(2,225)
Loans at amortised cost	Interest rate derivatives	724	(790)	(66)
Total		**286,423**	**288,714**	**(2,291)**
Credit Balance:				
Deposit	Interest rate derivatives	(22,040)	21,516	(524)
Debt Securities issued	Interest rate derivatives	(174,290)	165,574	(8,716)
Total		**(196,330)**	**187,090**	**(9,240)**

31 December 2018

(Thousands of euros)

ITEM		Gains/(losses) attributable to the hedged risk		Ineffectiveness
Hedged item	Hedging instruments	Hedged item	Hedging instrument	
Debit Balance:				
Debt securities	Interest rate derivatives	13,426	(26,435)	(13,009)
Loans at amortised cost	Interest rate derivatives	(6,714)	6,618	(96)
Total		**6.712**	**(19,817)**	**(13,105)**
Credit Balance:				
Deposit	Interest rate derivatives	84,349	(85,265)	(916)
Debt Securities issued	Interest rate derivatives	184,922	(199,435)	(14,513)
Total		**269,271**	**(284,700)**	**(15,429)**

The detail, by maturity, the notional amount of derivatives classified as fair value hedges at 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	Remaining term to maturity as of 31 December 2019			
	0 to 3 years	0 3 to 10 years	More than 10 years	Total
Debt securities				
Interest rate derivatives	890,217	8,136,100	12,400	9,038,717
Loans at amortised cost				
Interest rate derivatives	8,965	12,850	81,469	103,284
Deposits				
Interest rate derivatives	1,760,846	2,373,454	876,600	5,010,900
Debt securities issued				
Interest rate derivatives	2,646,000	4,548,200	2,221,106	9,415,306
Total	**5,306,028**	**15,070,604**	**3,191,575**	**23,568,207**

(Thousands of euros)

ITEMS	Remaining term to maturity as of 31 December 2018			
	0 to 3 years	0 3 to 10 years	More than 10 years	Total
Debt securities				
Interest rate derivatives	561,800	5,344,667	10,000	5,916,467
Loans at amortised cost				
Interest rate derivatives	15,148	14,492	91,037	120,677
Deposits				
Interest rate derivatives	1,612,226	2,963,920	889,569	5,465,715
Debt securities issued				
Interest rate derivatives	5,002,550	4,895,700	2,221,427	12,119,677
Total	**7,191,724**	**13,218,779**	**3,212,033**	**23,622,536**

Operations of cash flow hedges:

The cash flow hedges relate entirely to micro-hedges. Therefore, the hedged item and hedging derivative are perfectly identified. As a result, in 2019 and 2018, there was no ineffectiveness that, according to applicable regulations, required recognition on the Bank's income statement for that year.

The table below presents, for cash Flow hedges, a breakdown, by type of hedged item, of the change in the balance value of the hedged element in the year, and of the cash Flow hedge reserves as of 31 December 2019 and 2018:

31 December 2019

(thousand of euros)

ITEMS		Change in the value of the hedged item used as a the basis for recognising hedge ineffectiveness for the period	Cash flow hedge reserve	
			Continuing hedges	Discontinued hedges
Debit balance:				
Floating rate debt securities (*)	A	(9,016)	(5,641)	-
Floating rate loans and advances (*)	B	863	322	(6,118)
Total		**(8,153)**	**(5,319)**	**(6,118)**

31 December 2018

(thousand of euros)

ITEMS		Change in the value of the hedged item used as a the basis for recognising hedge ineffectiveness for the period	Cash flow hedge reserve	
			Continuing hedges	Discontinued hedges
Debit balance:				
Floating rate debt securities (*)	A	10,290	3,375	-
Floating rate loans and advances (*)	B	944	359	(7,019)
Total		**11,234**	**3,734**	**(7,019)**

(*) Not taking into consideration the related tax effect.

The hedged item is recognised in the balance sheet under the following headings:

A. Financial assets at fair value through other comprehensive income

B. Financial assets at amortised cost

The detail for cash flow hedges, by class of derivative, fair value, notional amount, change in fair value of the hedging instrument used as a basis to recognise the ineffectiveness in the year, the ineffectiveness recognised in the year, and the amount reclassified due to the cash flow hedge adjustment at 31 December 2019 and 2018, is as follows:

(Thousand of euros)

ITEMS	31/12/2019							
				Change in the value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period				
	Notional amount	Carrying amount		Total	Effective portion	Ineffectiveness	Amount reclassified to profit or loss	
		Debit balances	Credit balances		Accumulated other comprehensive income (*)	Gains or (-) losses from hedge accounting, net	Net interest income	Gains or (-) losses from hedge accounting, net
Interest rate derivates	556,002	905	46,065	(8,153)	(8,153)	-	-	-
Total	**556,002**	**905**	**46,065**	**(8,153)**	**(8,153)**	**-**	**-**	**-**

(Thousand of euros)

ITEMS	31/12/2018							
				Change in the value of the hedging instrument used as a the basis for recognising hedge ineffectiveness for the period				
	Notional amount	Carrying amount		Total	Effective portion	Ineffectiveness	Amount reclassified to profit or loss	
		Debit balances	Credit balances		Accumulated other comprehensive income (*)	Gains or (-) losses from hedge accounting, net	Net interest income	Gains or (-) losses from hedge accounting, net
Interest rate derivates	544,759	1,447	46,297	11,234	11,234	-	-	-
Total	**544,759**	**1,447**	**46,297**	**11,234**	**11,234**	**-**	**-**	**-**

(*) Not taking into consideration the related tax effect.

The detail of the periods after 31 December 2019 and 2018 at which it is estimated that the amounts recognised in equity under "Accumulated other comprehensive income- Items that may be reclassified to profit or loss- Hedging derivatives. Cash flow hedges" [effective portion] at that date will be recognised in future income statements is as follows:

(Thousands of euros)

ITEMS	Remaining term to maturity as of 31 December 2019				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	TOTAL
Losses (*)	-	(374)	(2,253)	(7,529)	(10,156)
Gains (*)	1,551	400	119	80	2,150
Total	**1,551**	**26**	**(2,134)**	**(7,449)**	**(8,006)**

(*) Taking into consideration the related tax effect.

(Thousands of euros)					
ITEMS	Remaining term to maturity as of 31 December 2018				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	TOTAL
Losses (*)	-	-	(442)	(6,100)	(6,542)
Gains (*)	4	3,237	484	518	4,243
Total	**4**	**3,237**	**42**	**(5,582)**	**(2,299)**

(*) Taking into consideration the related tax effect.

The detail, by maturity, of the notional amount and average fixed interest of derivatives classified as cash value hedges at 31 December 2019 and 2018 is as follows:

(Thousand of euros)				
ITEMS	Remaining term from 31 december 2019			Total
	Between 0 to 3 years	Between 3 to 10 years	More than 10 years	
Interest rate derivates				
Notional amount	111,622	444,380	-	556,002
Average fixed interest rate (%)	0.658	1.325	-	1.191
Total	**111,622**	**444,380**	**-**	**556,002**

(Thousand of euros)				
ITEMS	Remaining term from 31 december 2018			Total
	Between 0 to 3 years	Between 3 to 10 years	More than 10 years	
Interest rate derivates				
Notional amount	81,948	462,811	-	544,759
Average fixed interest rate (%)	0.001	1.470	-	1.249
Total	**81,948**	**462,811**	**-**	**544,759**

(13) Investments in subsidiaries, joint ventures and associates

(13.1) Investments in subsidiaries, joint ventures and associates – Subsidiaries

The detail of the main investments included in this heading in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
COMPANY	31/12/2019	31/12/2018
Arrendadora de Equipamientos Ferroviarios, S.A.	10,812	10,812
Bankia Fondos, S.G.I.I.C, S.A.	34,915	34,915
Bankia Habitat, S.L.U.	3,904,326	3,904,326
Bankia Inversiones Financieras, S.A.U. (1)	-	1,182,206
Bankia Pensiones, S.A., E.G.F.P.	189,744	108,179
Centro de Servicios Operativos e Ingeniería de Procesos, S.L.U.	12,522	12,522
Corporación Industrial Bankia, S.A.U.	784,033	784,033
Inversiones y Desarrollos 2069 Madrid, S.L.U.	39,480	39,480
Puertas de Lorca Desarrollos Empresariales, S.L.U.	13,645	13,605
Valenciana de Inversiones Mobiliarias, S.L.U.	136,841	136,841
Vector Capital, S.L.U., en liquidación	-	18,763
Rest of investments	133,318	134,261
Sum	**5,259,636**	**6,379,943**
Valuation adjustments - Impairment losses	**(3,936,987)**	**(3,830,864)**
Total	**1,322,649**	**2,549,079**

(1) Entity merged with Bankia S.A.

Changes in this balance sheet heading in 2019 and 2018 were as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Accounting balance at the beginning of the year	**2,549,079**	**2,678,645**
Acquisitions	83,170	203,431
Disposals	(1,203,477)	(227,110)
Others changes	-	-
Net change in impairment losses	(106,123)	(105,887)
Total	**1,322,649**	**2,549,079**

(13.2) Investments in subsidiaries, joint ventures and associates - Joint Ventures

The detail of the main investments under “Investments in subsidiaries, joint ventures and associates – Joint Ventures" in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
COMPANY	31/12/2019	31/12/2018
CACF Bankia Consumer Finance, EFC, S.A.	13,965	4,900
Subtotal	**13,965**	**4,900**
Valuation adjustments – Imparment losses	**(4,931)**	**(1,082)**
Total	**9,034**	**3,818**

Changes in this balance sheet heading in 2019 were as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Accounting balance at the beginning of the year	**3,818**	**31,589**
Acquisitions	9,065	4,900
Disposals	-	-
Transfers (Note 17)	-	(34,107)
Net change in impairment losses	(3,849)	1,436
Total	**9,034**	**3,818**

(13.3) Investments in subsidiaries, joint ventures and associates – Associates

The detail of the main investments under “Investments in subsidiaries, joint ventures and associates – Associates " in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousand of euros)		
COMPANY	31/12/2019	31/12/2018
Avalmadrid, S.G.R.	29,578	29,578
Bankia Mapfre Vida, S.A. de Seguros y Reaseguros	249,551	169,312
Caja de Seguros Reunidos Compañía de Seguros y Reaseguros, S.A.	-	69,377
Cajagranada Vida, Compañía de Seguros y Reaseguros, S.A. (1)	62,160	-
Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A. (1)	93,671	-
Gramina Homes S.L.	134,324	-
Redsys Servicios Procesamiento S.L.	7,676	7,676
Nettit Colaborative Payment, S.L.	-	3,000
Sum	**576,960**	**278,943**
Valuation adjustments - Impairment losses	(135,969)	(118,203)
Subtotal	**440,991**	**160,740**

(1) Entities transfered from/to “Non-current assets and disposal groups classified as held for sale”

As explained in Note 1.15, after the sale in 2019 of 51% of its share capital the Group’s remaining 49% stakes in Caja Granada Vida Compañía de Seguros Reaseguros, S.A. and Cajamurcia Vida and Pensiones de Seguros y Reaseguros, S.A., were reclassified to “Investments in associates and joint ventures - Associates” at the fair value of the transaction, with no significant impact on the Bank’s equity; at 31 December 2018, these investments were classified under “Non-current assets and disposal groups classified as held for sale (see Note 17.5.2).

As described in Note 17.5.1, Gramina Homes, S.L. was incorporated with the Group holding a 20% interest in its share capital at 31 December 2019.

As described in Note 1.15, in 2019, the investment in Caser was reclassified from "Investments in associates" to "Non-current assets and disposal groups classified as held for sale".

Changes in this balance sheet heading in 2019 and 2018 in this caption of the balance sheet were as follows:

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Accounting balance at the beginning of the year	**160,740**	**129,910**
Acquisitions	80,239	69,377
Disposals	(3,000)	(3,738)
Transfers	220,778	-
Net change of impairment loss	(17,766)	(34,809)
Total	**440,991**	**160,740**

(13.4) Investments in subsidiaries, joint ventures and associates – Impairment losses

A summary of the changes in impairment losses and other fair value adjustments of these items in the years ended 31 December 2019 and 2018 is as follows:

31 December 2019

(Thousands of euros)

ITEM	Group entities	Joint ventures	Associates	Total
Accounting balance at the beginning of the year	**3,830,864**	**1,082**	**118,203**	**3,950,149**
Provision charged to income	181,063	3,849	903	185,815
Recovery of provisions with a credit to income	(59,624)	-	(30,915)	(90,539)
Net provision (Note 39)	**121,439**	**3,849**	**(30,012)**	**95,276**
Other changes and exchange differences	(15,316)	-	-	(15,316)
Transfers	-	-	47,778	47,778
Total	**3,936,987**	**4,931**	**135,969**	**4,077,887**

31 December 2018

(Thousands of euros)

ITEM	Group entities	Joint ventures	Associates	Total
Accounting balance at the beginning of the year	**3,724,977**	**2,518**	**83,394**	**3,810,889**
Provision charged to income	217,212	2,896	34,808	254,916
Recovery of provisions with a credit to income	(94,394)	-	-	(94,394)
Net provision (Note 39)	**122,818**	**2,896**	**34,808**	**160,522**
Other changes and exchange differences	(16,931)	(4,332)	1	(21,262)
Transfers	-	-	-	-
Total	**3,830,864**	**1,082**	**118,203**	**3,950,149**

In order to ascertain whether there are impairment losses on these investments, the Bank compares their carrying amount with their recoverable amount, which is deemed to be the higher of its market price and the present value of the future cash flows expected to be generated from continuing to hold the investment (dividends, profit/loss from ordinary activities excluding extraordinary items, gains/losses on disposal of assets, etc.).

(14) Tangible assets

The detail of this item in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEM	For own use	Investment property	Total	Of which: lease originated
Cost				
Balances at 31/12/2018	**4,747,019**	**717,118**	**5,464,137**	**-**
Additions/disposals (net) (*)	619,063	(43,029)	576,034	566,460
Transfers to non-current assets held for sale and other changes	(49,462)	(3,258)	(52,720)	-
Balances at 31/12/2019	**5,316,620**	**670,831**	**5,987,451**	**566,460**
Accumulated depreciation				
Balances at 31/12/2018	**(2,974,164)**	**(34,496)**	**(3,008,660)**	**-**
Additions/disposals (net)	13,331	1,791	15,122	-
Depreciation for the year (Note 36)	(140,825)	(4,993)	(145,818)	(61,597)
Transfers to non-current assets held for sale and other changes	14,009	1,383	15,392	-
Balances at 31/12/2019	**(3,087,649)**	**(36,315)**	**(3,123,964)**	**(61,597)**
Impairment losses				
Balances 31/12/2018	**(115,453)**	**(168,882)**	**(284,335)**	**-**
Net provision/(release) charged/(credited) to income statement (Note 40)	210	(14,232)	(14,022)	-
Transfers to non-current assets held for sale and other changes	9,197	23,101	32,298	-
Balances at 31/12/2019	**(106,046)**	**(160,013)**	**(266,059)**	**-**
Total at 31 December 2018	**1,657,402**	**513,740**	**2,171,142**	**-**
Total at 31 December 2019	**2,122,925**	**474,503**	**2,597,428**	**504,863**

(*) Includes the impact of the first-time application of Circular 2/2018 of EUR 615,629 thousand (see Note 1.3)

(Thousands of euros)

ITEM	For own use	Investment property	Total
Cost			
Balances at 31/12/2017	**4,788,023**	**949,960**	**5,737,983**
Additions/disposals (net)	22,051	(33,400)	(11,349)
Transfers to non-current assets held for sale and other changes	(63,055)	(199,442)	(262,497)
Balances at 31/12/2018	**4,747,019**	**717,118**	**5,464,137**
Accumulated depreciation			
Balances at 31/12/2017	**(2,907,917)**	**(63,186)**	**(2,971,103)**
Additions/disposals (net)	44,150	3,755	47,905
Depreciation for the year (Note 40)	(100,684)	(11,696)	(112,380)
Transfers to non-current assets held for sale and other changes	(9,713)	36,631	26,918
Balances at 31/12/2018	**(2,974,164)**	**(34,496)**	**(3,008,660)**
Impairment losses			
Balances at 31/12/2017	**(134,724)**	**(229,741)**	**(364,465)**
Net provision/(release) charged/(credited) to income statement (Note 43)	12	(22,982)	(22,970)
Transfers to non-current assets held for sale and other changes	19,259	83,841	103,100
Balances at 31/12/2018	**(115,453)**	**(168,882)**	**(284,335)**
Total at 31 December 2017	**1,745,382**	**657,033**	**2,402,415**
Total at 31 December 2018	**1,657,402**	**513,740**	**2,171,142**

Recoverable amount at 31 December 2019 and 2018 exceeded carrying amount.

(14.1) Tangible asset for own use

The detail, by type of asset, in this heading in the accompanying balance sheet is as follows:

31 December 2019

(Thousands of euros)

ITEM	Cost	Accumulated depreciation	Impairment losses	Net balance
Buildings and other structures	2,337,924	(469,683)	(54,436)	1,813,805
Furniture and vehicles	215,293	(187,624)	-	27,669
Facilities	1,598,467	(1,326,845)	(51,610)	220,012
Office equipments and mechanization	1,164,936	(1,103,497)	-	61,439
Balance at 31 December 2019	**5,316,620**	**(3,087,649)**	**(106,046)**	**2,122,925**

31 December 2018

(Thousands of euros)

ITEM	Cost	Accumulated depreciation	Impairment losses	Net balance
Buildings and other structures	1,830,919	(410,667)	(63,830)	1.356,422
Furniture and vehicles	214,980	(184,152)	-	30,828
Facilities	1,564,015	(1.296,574)	(51,623)	215,818
Office equipments and mechanization	1,137,105	(1.082,771)	-	54,334
Balance at 31 December 2018	**4,747,019**	**(2,974,164)**	**(115,453)**	**1,657,402**

At 31 December 2019 and 2018, there were no items of property, plant and equipment for own use of significant amounts which were:

- Temporarily idle.
- Fully depreciated but still in use.
- Retired from active use but not classified as non-current assets held for sale.

(14.2) Tangible assets - Investment property

"Investment property" includes land, buildings and other structures held either to earn rentals or for capital appreciation.

At 31 December 2019 and 2018, the Bank did not have any significant contractual obligations in connection with the future operation of the investment properties included on the balance sheet, and there were no relevant restrictions thereon, other than those inherent to the current conditions of the property market.

During the year ended at 31 December 2019 net income from the Bank's investment property totalled EUR 20,376 thousand (EUR 22,654 thousand at 31 December 2018) (see Note 32).

(15) Intangible assets – Other intangible assets

The breakdown of assets under this heading on the accompanying balance sheets is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Cost		
Computer software	1,306,441	1,146,057
Accounting balance at the end of the period	**1,306,441**	**1,146,057**
(Accumulated amortisation)	(994,394)	(940,534)
Total	**312,047**	**205,523**

The movements in this heading of the balance sheet during the years ending on 31 December 2019 and 2018, have been the following:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Balance at the beginning of the year	**205,523**	**142,669**
Other additions	160,383	122,959
Amortisation recognised in income (Note 36)	(53,859)	(60,105)
Balance at 31 December	**312,047**	**205,523**

(16) Other assets

Details of “Other assets” on the balance sheets at 31 December 2019 and 2018 are as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Insurance contracts linked to pensions (Note 34.2)	1,061,912	1,034,030
Other ítems	659,567	638,012
Total	**1,721,479**	**1,672,042**

“Other items“contains, inter alia, transactions in transit, accruals associated with operating income, and unaccrued prepayments.

(17) Non-current assets and disposal groups classified as held for sale

(17.1) Breakdown

The breakdown of this heading of the asset side of the accompanying balance sheet 31 December 2019 and 2018:

31 December 2019

(Thousands of euros)			
ITEM	Cost	Impairment losses	Carrying Amount
Tangible asset for own use	228,297	(62,364)	165,933
Foreclosed real state or received in payment debts	1,719,441	(482,156)	1,237,285
Other equity instruments	130,839	-	130,839
Investments in subsidiaries, joint ventures and associates	98,985	(28,676)	70,309
Disposal group	611,812	(168,898)	442,914
Total	**2,789,374**	**(742,094)**	**2,047,280**

31 December 2018

(Thousands of euros)			
ITEM	Cost	Impairment losses	Carrying Amount
Tangible asset for own use	276,860	(79,388)	197,472
Foreclosed real state or received in payment debts	2,228,316	(562,133)	1,666,183
Other equity instruments	127,851	-	127,851
Investments in subsidiaries, joint ventures and associates	72,429	(45,613)	26,816
Disposal group	3,094,107	(1,653,245)	1,440,862
Total	**5,799,563**	**(2,340,379)**	**3,459,184**

(17.2) Tangible assets for own use

At 31 December 2019 and 2018, the balance of this item comprised mainly certain of the Bank’s buildings for own use that are no longer part of its branch network and that, under current regulations, satisfy the requirements for recognition as non-current assets held for sale given the existence of a detailed plan for their immediate sale.

As described in Note 2.19, the Bank measures these assets at the lower of their carrying amount and fair value less cost to sell. It recognized an impairment loss in 2019 of EUR 833 thousand (EUR -6,409 thousand in 2018).

(17.3) Foreclosed real state or received in payment debts

This item includes assets foreclosed or received in payment of debts by the Bank, for the full or partial settlement of debtors' payment obligations, which are considered non-current assets held for sale unless the Bank has decided to make continuing use of the assets or to hold them to earn rentals and/or for future capital appreciation, which are recognised and measured as described in Note 2.15.

The breakdown of assets foreclosed in settlement of debts recognised on the Bank's accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Property Assets		
Finished dwellings	806,231	1,102,758
Managed rural property and offices, commercial and industrial premises	304,102	407,825
Building plots, plots and other property assets	126,952	155,600
Total	**1,237,285**	**1,666,183**

Significant changes

The changes recognised in foreclosed assets in the years ended 31 December 2019 and 2018 are as follows:

(Thousands of euros)

ITEM	2019	2018
Accounting balance at the beginning of the period	**1,666,183**	**2,603,607**
Additions during the year and other changes	279,677	250,750
Disposals during the year	(459,798)	(580,015)
Net impairment losses	(164,427)	(73,875)
Other changes	(84,350)	(534,284)
Accounting balance at the end of the period	**1,237,285**	**1,666,183**

Sales of foreclosed assets are made on an arm's length basis. In 2019, financing was granted for an amount of approximately EUR 86 million. On average, 90.4% of the sales amount was financed (EUR 150 million and 90.2% in 2018).

Proceeds on disposals of foreclosed assets, by type, in the years ended 31 December 2019 and 2018 were as follows:

(Thousand of euros)

ITEM	31/12/2019		31/12/2018	
	Disposal of assets at carrying amount	Gain/(loss) recognised on disposal (*)	Disposal of assets at carrying amount	Gain/(loss) recognised on disposal (*)
Finished dwellings	332,988	7,874	461,839	(7,232)
Managed rural property and offices, commercial and industrial premises	102,520	6,452	94,317	12,461
Building plots, plots and other property assets	24,290	6,271	23,859	17,060
Total	**459,798**	**20,597**	**580,015**	**22,289**

(*) Excludes fees paid to intermediaries.

Appendix VIII provides further details on the Bank's property assets at 31 December 2019 and 2018, including the foreclosed assets referred to in the preceding paragraph.

Moreover, the table below shows the net value of the foreclosed assets at 31 December 2019 and 2018, by their estimated ages as of the date of acquisition:

(Thousands of euros)

Age of foreclosed Assets	31/12/2019	31/12/2018
Less than 12 months	84,104	178,672
12 months to 24 months	134,302	327,242
More than 24 months	1,018,879	1,160,269
TOTAL	**1,237,285**	**1,666,183**

The table below presents the detail of forclosed property assets or received in payment of debts (transactions in Spain) at 31 December 2019 held, according to their final purpose, as "Non current assets held for sale" and " Tangible assets- Investment Property" of the consolidated balance sheet by 31 December 2019 and 2018, excluding those held as disposal (see Note 17.5.1):

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Real estate assets from loans to construction and real estate developers	293,457	367,679
Finished buildings	140,968	181,831
Buildings under construction	21,817	29,032
Land	130,672	156,816
Real estate assets from loans to households for home purchases	1,341,451	1,670,778
Other real estate assets received in payment of debts	631,818	779,355

Appendix VIII provides information on exposure to property and construction risk in Spain, including information on assets foreclosed or received in payment of debts and the real estate assets included in the preceding table.

(17.4) Equity instruments and investments in joint ventures and associates

The detail of this heading in the accompanying balance sheet at 31 December 2019 and 2018 is as follows

31 December 2019

(Thousands of euros)			
ITEM	Cost	Impairment losses	Carrying Amount
Other equity instruments	130,839	-	130,839
Investments in subsidiaries	2,485	(2,485)	-
Investments in joint ventures	23,512	(23,512)	-
Investments in associates	72,988	(2,679)	70,309
Total	**229,824**	**(28,676)**	**201,148**

31 December 2018

(Thousands of euros)			
ITEM	Cost	Impairment losses	Carrying Amount
Other equity instruments	127,851	-	127,851
Investments in subsidiaries	2,487	(2,487)	-
Investments in joint ventures	23,513	(23,513)	-
Investments in associates	46,429	(19,613)	26,816
Total	**200,280**	**(45,613)**	**154,667**

The shareholding in Caser, which was previously classified as an associate, was classified at 31 December 2019 for EUR 69,377 thousand under "Non-current assets and disposal group classified as held for sale" since its carrying amount will be recovered principally through its sale, which is considered highly probable. The reclassification did not have a significant impact on the Bank's equity (See Note 1.15).

Investments in subsidiaries, joint ventures and associates – subsidiaries:

(Thousands of euros)		
ITEM	2019	2018
Accounting balance at the beginning of the year	-	87
Acquisitions	-	50
Lows	(2)	(458)
Net impairment losses	2	321
Total	**-**	**-**

Investments in subsidiaries, joint ventures and associates – joint ventures:

(Thousands of euros)		
ITEM	2019	2018
Accounting balance at the beginning of the year	-	22,360
Acquisitions	-	-
Lows	-	(34,402)
Net impairment losses	-	12,042
Total	**-**	**-**

Investments in subsidiaries, joint ventures and associates – associates:

(Thousands of euros)

ITEM	2019	2018
Accounting balance at the beginning of the year	26,816	19,250
Acquisitions	10	114
Lows	(18,658)	(16,724)
Transfers	45,207	-
Net impairment losses	16,934	24,176
Total	**70,309**	**26,816**

The table below shows the impairment of the subsidiaries, joint ventures and associates of the period-end 31 December 2019 and 2018:

31 December 2019

(Thousands of euros)

ITEM	Subsidiaries	Jointly-controlled entities	Associates	TOTAL
Accounting balance at the beginning of the year	**2,487**	**23,513**	**19,613**	**45,613**
Net provision (Note 42)	(2)	-	229	227
Amortisation recognised in income	-	-	266	266
Recovery of provisions with a credit to income	(2)	-	(37)	(39)
Amounts used due to losses on sales	-	-	(5,916)	(5,916)
Transfers between portfolios	-	-	(11,247)	(11,247)
Others changes	-	(1)	-	(1)
Exchange differences	-	-	-	-
Total	**2,485**	**23,512**	**2,679**	**28,676**

31 December 2018

(Thousands of euros)

ITEM	Subsidiaries	Jointly-controlled entities	Associates	TOTAL
Accounting balance at the beginning of the year	**2,808**	**35,555**	**43,789**	**82,152**
Net provision (Note 42)	33	-	(8,928)	(8,895)
Amortisation recognised in income	50	-	165	215
Recovery of provisions with a credit to income	(17)	-	(9,093)	(9,110)
Amounts used due to losses on sales	(354)	-	(14,886)	(15,240)
Transfers between portfolios	-	-	-	-
Others changes	-	(12,042)	(362)	(12,404)
Exchange differences	-	-	-	-
Total	**2,487**	**23,513**	**19,613**	**45,613**

(17.5) Assets and liabilities included in disposal groups and discontinued operations

A disposal group is defined as a group of assets, possibly with some directly associated liabilities, which will be disposed of in a single transaction. The Bank has classified these disposal groups as non-current assets held for sale since they satisfy the requirements for classification as "non-current assets held for sale". Therefore, the assets and liabilities are presented and measured in accordance with the criteria established for "Disposal groups" (see Note 2.1).

(Thousands of euros)

ITEM	Cost	Impairment losses	Carrying Amount
Disposal groups			
Loan and real estate assets portfolio	611,812	(168,898)	442,914
Total assets on 31 December 2019	**611,812**	**(168,898)**	**442,914**

(17.5.1) Loans and real estate assets portfolio

The Bank has classified certain portfolios of loans and credits, and certain real estate assets, with a gross amount at 31 December 2019 of EUR 623 million, approximately, as disposal groups classified as held for sale, since the carrying amounts of those portfolios will be recovered through a highly probable sale within a period of one year from the date of the classification as non-current assets held for sale. The assets were measured in the Bank's balance sheet at 31 December 2019 at their estimated selling price less estimates costs to sell. This did not have a significant impact on the Bank's income statement.

As at 31 December 2018, this item included the balance of portfolios of mortgage loans and foreclosed assets whose sale agreed with Lone Star in December 2018 was pending completion until the pertinent administrative authorisations were obtained. Therefore, they were classified as a disposal groups classified as held for sale.

In 2019, within a year of the date of classification of the assets as non-current assets classified as held for sale, after complying with the conditions precedent, the transaction was completed. The assets were derecognised from the balance sheet, with no significant impact on the Bank's income statement. Pursuant to the agreement, the foreclosed real estate assets were acquired by Gramina Homes, S.L., incorporated in 2019 to manage, develop and dispose of the assets. Bankia held a 20% stake in this company at 31 December 2019, classifying the investment as an associate. The remaining 80% of the capital was owned by a subsidiary of Lone Star Fund XI. The portfolio of non-performing mortgage loans was acquired in full by a wholly owned vehicle of Lone Star Fund XI.

Meanwhile, the economic rights of the portfolio of loans and credits have been transferred through mortgage transfer certificates to a wholly owned vehicle of 100% Lone Star Fund XI, which has transferred them to a assets securitisation fund. The entity does not retain subordinated financing or hold any securities issued by that fund (see Note 25.1).

The breakdown of this item in the accompanying balance sheet, by the nature of the entity's transactions is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Loans	356,068	1,377,441
Tangible assets for own use	702	107,206
Assets from the foreclosed	255,042	1,291,440
Gross Value	**611,812**	**2,776,087**
Impairment losses	**(168,898)**	**(1,564,346)**
Net carrying amount	**442,914**	**1,211,741**

Loans and credit portfolio

As at 31 December 2019, of the portfolio of loans and credits, more than 95% of the gross balance related to non-performing loans by credit status and to households by counterparty sector, and more than 85% of the gross balance to other companies.

Appendix IX includes the classification and impairment policies and criteria applied by the Group in refinancing and restructuring operations, along with their gross amount and the allowances and provisions for credit risk, with details of those classified as non-performing and a breakdown of those classified as “Non-assets and disposal groups classified as held for sale”.

Appendix IX provides information on risk concentration by activity and geographic area. The information includes non-current assets classified as held for sale.

Real estate assets portfolio

The breakdown of real estate assets by classification in the balance sheet and type of asset is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Tangible assets for own use	**702**	**107,206**
Foreclosed assets	**255,042**	**1,291,440**
Finished dwellings - borrower's primary residence	216,973	902,252
Managed rural property and offices, commercial and industrial premises	25,875	221,349
Building plots, plots and other property assets	12,194	167,839
TOTAL	**255,744**	**1,398,646**

The following table provides a breakdown of the gross balance at 31 December 2019 and 2018 of real estate assets foreclosed or received in payment of debts (transactions in Spain) classified as a disposal group:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Property assets from financing intended for construction and property developement	28,710	316,203
Finished products (completed property developments)	17,339	131,248
Work in progress (property developments under construction)	214	19,736
Lands	11,157	165,219
Property assets from mortgage-secured finacing granted to households for home in settlement of debt	189,896	738,927
Other real estate received in payment of debts	37,191	236,310

Appendix VIII provides information on exposure to property and construction risk in Spain, including information on assets foreclosed or received in payment of debts and the real estate assets included in the preceding table.

(17.5.2) Discontinued operations

At 31 December 2018, the share capital of insurers Caja Granada Vida Compañía de Seguros Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A., were classified as "Disposal group - Discontinued operations". Following approval on 29 March 2019 by the competition authority and the non-opposition of the Directorate-General for Insurance and Pension Funds of the sale arranged before 2018 of 51% of the share capital of these insurers to Mapfre Vida Sociedad Anónima de Seguros sobre la Vida Humana ("Mapfre Vida"), for a total price of EUR 110 million, the investment was derecognized in 2019 with no significant impact on the Bankia's equity since they were measured at their selling price, less the estimated amounts of dividends to be distributed to Bankia as the sole shareholder of the companies, as provided for in the sale agreement. After the sale, the Group's remaining 49% stakes in these companies were classified at the fair value of the transaction in "Investments in joint ventures and associates - Associates" (see Note 13.3)

(18) Financial liabilities at amortised cost

Breakdown

The detail of this item in the accompanying balance sheets, based on the counterparty and nature of the related financial instruments, is as follows at December 2019 and 2018:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Financial liabilities at amortised cost		
Deposits from Central banks	13,937,693	13,855,970
Deposits from credit institutions	26,453,643	21,767,583
Customer deposits	125,965,587	128,896,858
Debt securities issued	16,101,766	15,727,608
Other financial liabilities	1,471,630	1,598,551
Sum	**183,930,319**	**181,846,570**
Valuation adjustments	2,228,794	2,214,344
Total	**186,159,113**	**184,060,914**

Financial liabilities at amortised cost – Deposits – Central banks

The breakdown of assets under this heading in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Bank of Spain / European Central Bank	13,937,693	13,855,970
Sum	**13,937,693**	**13,855,970**
Valuation adjustments	(128,937)	30
Total	**13,808,756**	**13,856,000**

These deposits from Central banks are taken using the credit policy with a securities pledge Bankia has set up in the ECB, which enables it to raise immediate liquidity (see Note 3.2).

This line item in the accompanying balance sheet taken under the framework of the programmes designed by the ECB (T-LTRO) to improve its long-term funding, which includes EUR 9,166,970 thousand from T-LTRO II with an average maturity of 6 months and 4,583,790 thousand from T-LTRO III with an average maturity of 3 years at 31 December 2019 (EUR 13,855,970 thousand by T-LTRO II with an average maturity of one year and 6 months, at 31 December 2018).

Regarding finance raised under the framework of the T-LTRO programme, the Bank received confirmation from the ECB that it had met the requirements to receive the incentive included in the terms of the programme. As a result, the Bank recognised EUR 56,141 thousand in the year ended 31 December 2019 (EUR 55,905 thousand in 2018) under "Interest income" in the income statement (Note 26).

Financial liabilities at amortised cost – Deposits – Credit institutions

The detail of this item in the accompanying balance sheets at 31 December 2019 and 2018, based on the nature of the related operations, is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Time deposits	3,712,984	3,769,231
Repos	19,593,061	14,643,061
Other accounts	3,147,598	3,355,291
Sum	**26,453,643**	**21,767,583**
Valuation adjustments	(5,745)	4,239
Total	**26,447,898**	**21,771,822**

The average effective annual interest rate on deposits from Central banks and other credit institutions at 31 December 2019 was 0.24% (0.19% at 31 December 2018).

Financial liabilities at amortised cost - Customer deposits

The detail of this item in the accompanying balance sheets at 31 December 2019 and 2018, based on the nature of the related operations, is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Public sector	4,778,217	6,607,977
Current accounts	4,249,764	5,826,401
Term deposits	528,453	781,576
Other financial corporations	14,182,841	17,566,365
Current accounts	5,148,199	7,240,487
Term deposits	8,989,116	10,281,924
Repos	45,526	43,954
Non-financial corporations	14,104,543	15,049,170
Current accounts	12,756,389	12,549,030
Term deposits	1,348,154	2,500,140
Households	94,063,075	90,861,139
Current accounts	67,515,663	59,632,449
Term deposits	26,547,412	31,228,690
Total	**127,128,676**	**130,084,651**

This balance sheet item includes one-off non-marketable mortgage-backed securities issued by the Bank amounting to EUR 5,235,025 thousand at 31 December 2019 (EUR 6,247,854 thousand at 31 December 2018) (see Appendix VII).

The average effective annual interest rate of these instruments at 31 December 2019 increased up to 0.13% (0.16% at 31 December 2018).

Financial liabilities at amortised cost – Issued marketable debt securities

The detail of issues recognised under this heading in the balance sheet at 31 December 2019 and 2018 is set out in Appendix V.

Interest accrued on subordinated liabilities in the year ended 31 December 2019 amounted to EUR 73,428 thousand (EUR 65,675 thousand at 31 December 2018), recognised under "Interest expenses" in the income statement for the year.

The coupons accrued on the issuance of contingent convertible bonds (convertible into ordinary shares of Bankia) have been recognised in Bank equity as they are payable at the Entity's discretion. Specifically, in 2019, the balance of EUR 53,803 thousand (year-end 2018: EUR 37,884 thousand) was recognised in equity in this respect.

The average effective annual interest rate of these instruments at 31 December 2019 has been 1.11% (1.03% at 31 December 2018).

Issuances, repurchases and repayments of debt securities and subordinated liabilities

The table below shows information on the total issuances, repurchases and repayments of debt securities and subordinated liabilities in the years ended 31 December 2019 and 2018:

31 December 2019

(Thousands of euros)

TYPE OF ISSUE	31/12/2018	Issues	Reimbursement	Value adjustments, Treasury and other	31/12/2019
Debt securities issued in an EU Member State requiring a prospectus to be registered.	16,749,890	4,135,000	(3,754,001)	171,264	17,302,153
Total	**16,749,890**	**4,135,000**	**(3,754,001)**	**171,264**	**17,302,153**

31 December 2018

(Thousands of euros)

TYPE OF ISSUE	31/12/2017	Issues	Reimbursement	Value adjustments, Treasury and other	31/12/2018
Debt securities issued in an EU Member State requiring a prospectus to be registered.	19,288,228	1,000,000	(3,652,352)	114,014	16,749,890
Total	**19,288,228**	**1,000,000**	**(3,652,352)**	**114,014**	**16,749,890**

The main issues and repurchases or repayments in 2019 were:

- On 17 January 2019, the “Bankia 2014-1 Bond” issuance was redeemed at maturity for EUR 1,000 million.
- On 21 January 2019, the “BMN 5th Covered Bond” issuance was redeemed at maturity for EUR 500 million.
- On 25 January 2019, the “Bankia 2019-1 Mortgage-Covered Bond” issuance was placed for EUR 475 million.
- On 15 February 2019, the “Bankia 2019-1 Subordinated Bond” issuance was placed for EUR 1,000 million.
- On 25 March 2019, the “Bankia 2019-1 Straight Bond” issuance was placed for EUR 500 million.
- On 22 May 2019, the “Bankia 2014-1 Subordinated Bond” issuance was redeemed at maturity for EUR 1,000 million.
- On 25 June 2019, the issuance of Bankia 2019-1 Non-Preferential Ordinary Bonus was issued in the amount of EUR 500 million.
- On 28 June 2019, the repayment for the expiration of the issuance of "Cédula Hipotecaria Caja Madrid 2007-2” in the amount of 1,600 million euros.
- On 9 July 2019, the “Bankia 2019-2 Straight Bond” issuance was placed for EUR 750 million.
- On 12 July 2019, the “Banco Mare Nostrum 4th Covered Bond” issuance was redeemed at maturity for EUR 1,300 million.
- On 12 November 2019, the issuance of Bankia 2019-2 Non-Preferential Straight Bonus was issued in the amount of EUR 750 million.

Appendices V and VI provide a detail of issues comprising the balance sheet disclousure item “Debt securities issued”, along with issuances, repurchases or repayments of debt securities in 2019 and 2018 by the Bank .

Other information

In terms of seniority, the subordinated bonds rank junior to the claims held by all general creditors over the issuing entities.

The subordinated bond issue recognised under “Financial liabilities at amortised cost” at 31 December 2019 includes an option for the issuer to call, redeem, repurchase or repay early the securities after (at least) five years from the date of payment and on each coupon payment date, subject to prior authorisation by the Bank of Spain or, as appropriate, the competent authority, as long as it meets the requirements of Regulation (EU) No. 575/2013 and Directive 2013/36/EU. In addition, in compliance with regulatory requirements, authorisation may be given to the issuer for the full early redemption at any time in the following circumstances: i) in the event that there is a significant and unforeseen change in the applicable tax treatment and instruments, and ii) in the event that there is an unforeseen change, and with sufficient certainty, in the regulatory classification of the instruments that would likely result in their exclusion as capital.

The contingent convertible bond, convertible into Bankia shares, targeted solely at professional investors, carry remuneration, payment of which is subject to certain terms and is discretionary. They are perpetual securities, although they can be repaid at Bankia's option in the circumstances contemplated in the associated terms and conditions. Regardless, they will convert into ordinary new-issue Bankia shares if Bankia or the Bank presents a common equity tier 1 capital ratio, calculated as required in Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, of less than 5.125%.

Issues of Medium Term Notes are guaranteed by the issuing Group entities or are secured by restricted deposits.

Mortgage-backed securities were issued in accordance with Mortgage Market Law 2/1981, of 25 March, of the mortgage market regulation and the disposition built.

The Bank has various registration documents on record in the Official Registers of the Spanish Securities Market Commission (CNMV) for non-participating securities, to be instrumented in mortgage-backed bonds, territorial bonds, non-convertible bonds and debentures, subordinated bonds and debentures, and special perpetual subordinated debentures.

Similarly, the Bank has registration documents on record in the Official Registers of the CNMV for the issuance of promissory notes.

A detail, by maturity, of the balances of the Bank's main debt securites included in this heading is provided in Note 3.2, "Liquidity risk of financial instruments".

Financial liabilities at amortised cost - Other financial liabilities

The detail, by type of transaction, of "Other financial liabilities" in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Obligations payable	56,792	83,909
Collateral received	1,781	1,857
Tax collection accounts	265,141	251,035
Special accounts and other items	1,100,667	1,216,363
Financial guarantees	47,249	45,387
Total	**1,471,630**	**1,598,551**

"Special accounts and other items" includes the lease liabilities related to the adoption of Circular 2/2018 (see Note 1.3.1).

Movement in 2019 in lease liabilities:

(Thousands of euros)	
ITEM	2019
Total at 31/12/2018	**-**
Aditions / disposals (net) (*)	566,460
Cost interest	12,810
Lease payments	(67,270)
Total at 31/12/2019	**512,000**

(*) Includes the impact of the first-time application of Circular 2/2018 of EUR 615,629 thousand (see Note 1.3)

Present value of remaining lease payments, discounted at the incremental borrowing rate at 31 December 2019, by remain maturity:

(Thousands of euros)				
ITEM	1 year	1 to 5 years	More than 5 year	Total
Lease liabilites	60,220	161,602	290,178	512,000

(19) Provisions

The detail of this heading in the accompanying balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	30/12/2019	30/12/2018
Pensions and other post employment defined benefit obligations	1,038,224	1,080,822
Pending legal issues and tax litigation	210,614	183,294
Commitments and guarantees given	301,731	373,119
Other provisions	134,915	209,467
Total	**1,685,484**	**1,846,702**

The changes in the provisions recognised in the balance sheet in the years ended 31 December 2019 and 2018 and the purposes thereof are as follows:

31 December 2019

(Thousands of euros)

ITEM	Pensions and other post employment defined benefit obligations	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balances at 31 December 2018	**1,080,822**	**183,294**	**373,119**	**209,467**	**1,846,702**
Provisions charged to the income statement	-	104,073	27,343	32,978	164,394
Reversals credited to the income statement	(28,653)	-	(99,409)	(14,674)	(142,736)
Net provisions/(reversals) charged to profit recognised for the year (Notes 34 and 37)	**(28,653)**	**104,073**	**(72,066)**	**18,304**	**21,658**
Amounts used	(113,580)	(127,032)	-	(53,076)	(293,688)
Other movements	99,635	50,279	678	(39,780)	110,812
Balances at 31 December 2019	**1,038,224**	**210,614**	**301,731**	**134,915**	**1,685,484**

31 December 2018

(Thousand of euros))

ITEM	Pensions and other post employment defined benefit obligations	Pending legal issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balances at 31 December 2017	**442,407**	**352,324**	**380,422**	**778,714**	**1,953,867**
Adjustments first application Circular 4/2017	-	-	43,114	-	43,114
Balances at 31 December 2018	**442,407**	**352,324**	**423,536**	**778,714**	**1,996,981**
Provisions charged to the income statement	-	1,119	11,541	45,572	58,232
Reversals credited to the income statement	(10,418)	(1,870)	(62,699)	-	(74,987)
Net provisions/(reversals) charged to profit recognised for the year (Notes 34 and 37)	**(10,418)**	**(751)**	**(51,158)**	**45,572**	**(16,755)**
Amounts used	(31,767)	(168,279)	-	(563,591)	(763,637)
Other movements	680,600	-	741	(51,228)	630,113
Balances at 31 December 2018	**1,080,822**	**183,294**	**373,119**	**209,467**	**1,846,702**

Pensions and other post-employment defined benefit obligations

The balance of pension and similar obligations at 31 December 2019 and 31 December 2018, recognised under "Provisions - Pensions and other post-employment defined benefit obligations" in the accompanying balance sheets stood at EUR 1,038,224 thousand and EUR 1,080,822 thousand, as disclosed in Notes 2.13 and 34.2 to the annual financial statements for the year ended 31 December 2019. Funds used and other movements carried out during of 2019 include a payment of EUR 41 million to Bankia Mapfre Vida on the basis of assurance of commitments from the headcount restructuring 2019.

Pending legal issues and tax litigation

The balance of "Pending legal issues and tax litigation "includes, inter alia, provisions for tax and legal proceedings, was estimated applying prudent calculations in line with the uncertainty inherent in the contingencies covered and taking into account the estimating timing of the outflow of resources from the Bank.

As indicated in Note 2.18 the Bank is involved in various legal proceedings related to Bankia's IPO.

Criminal procedure in the National Court

Both Bankia's IPO and its 2011 financial statements were investigated in preliminary proceedings no. 59/2012 (currently Summary Procedure 1/2018) in Central Court of Instruction 4 of the National Court (Audiencia Nacional). This proceeding was initiated, among others, by Unión Progreso y Democracia ("UPyD") against Bankia, BFA and their respective management bodies, accusing them of (i) fraud; (ii) misappropriation; (iii) falsification of financial statements; (iv) fraudulent or disloyal administration, and (v) price rigging.

The presiding judge of Central Court of Instruction No. 4 of the National Court (Audiencia Nacional) has concluded the pre-trial stage, continuing with the proceedings in an abbreviated procedure, through a fast-track ruling of 11 May 2017. In its ruling, the judge defined the punishable acts, classified them (as two alleged offences: (i) falsifying balance sheets and annual accounts, as set out in article 290 of the Spanish Penal Code, and (ii) misleading investors, as set out in article 282 bis therein) and determined the guilty parties. Accordingly, the ruling determines the prosecution of the Bank's former chairman, Rodrigo De Rato Figaredo, the former deputy chairman, José Luis Olivas Martínez, and 32 other individuals (directors and senior executives of Bankia and the external auditor of the 2011 financial statements), as well as Banco Financiero y de Ahorros (BFA) and Bankia.

An appeal and appeals for inadmissibility against the transformation ruling were submitted, but were rejected, except the appeal by the savings banks' employees' union (CIC) with respect to the dismissal of the criminal liability charges against the external audit firm at the time of the IPO, which was accepted. As a result, an agreement was reached to keep external auditor in the proceeding.

On 17 November 2017, Central Examining Court No. 4 of the National High Court ordered the start of the hearings. Specifically, the court has ordered the start of the hearings for the crimes of financial statement forgery (categorised in article 290 of Spain's Criminal Code) and investor fraud (article 282 *bis* of the Criminal Code) against certain former directors and executives.

Hearings began on 26 November 2018 and the case was ready for judgement on 5 October 2019.

In light of the above, the Bank has treated this contingency, in accordance with the criteria explained in Note 2.18.1, as a contingent liability with an uncertain outcome at this date.

Civil proceedings by individual investors

In the years since Bankia's IPO, the Bank has received a large number of civil lawsuits from individual (individual and collective) and institutional investors, as well as out-of-court claims.

As of 31 December 2015, the Bank estimated for a total EUR 1,840 million contingency as a result of those procedures, included EUR 1,040 million related to the cost of reimbursing shares pursuant to the enforcement of rulings and EUR 800 million to cover the related court costs and, as appropriate, any late-payment interest. At 31 December 2015, the estimates and assumptions were considered by an independent expert.

In execution of the Transactional Agreement - Convenio Transaccional - over the sharing between BFA, Tenedora de Acciones, S.A.U. and Bankia of the costs arising from the civil lawsuits brought by retail investors against the entities for the placement on the primary market of shares of Bankia and its addendum, provisions have been recognised in the amounts of EUR 416 million and EUR 320 million, respectively (EUR 736 million in total).

Until 31 December 2019 and as a result of the developments described above, the Bank had utilised provisions in the amount of EUR 1,883 million, EUR 779 million of which corresponded to Bankia (EUR 556 million in respect of nullity of the share purchase contract and EUR 223 million in respect of damages, interest and expenses) and EUR 1,104 million of which corresponded to BFA pursuant to the agreement reached between the two parties under which Bankia assumed a first-tranche loss of 40% of the estimated cost, the remaining 60% therefore corresponding BFA, which is why the contingency associated with the retail shareholders who bought shares in the IPO is considered virtually closed.

At 31 December 2019, there are a total of 248 civil proceedings ongoing with respect to shares purchased in the IPO and subsequently.

Civil proceedings by institutional investors

Elsewhere, until 31 December 2019, 83 sentences have been handed down to institutional investors, of which 24 were favourable at first instance and 59 were unfavourable. On appeal, a total of 43 judgements have been delivered, of which 30 were unfavourable and 13 were favourable.

21 appeals have been lodged (eight by high-profile investors against four favourable rulings, given the high profile of the investors, which have been duly contested by Bankia in due time and form) and 13 have been lodged by Bankia, given the high profile of the investors).

The Bank's directors consider, at 31 December 2019, that the provision is sufficient to cover the amounts that the Bank would have to pay as a result of the civil proceedings and restitution process described above. The key assumptions and, therefore, those whose changes could have the greatest impact on the amount of this provision are the number of claims to be received, and expectations regarding the outcome and the profile of the claimants, given the inherent uncertainty. The effects of these changes would be recognised in accordance with the criteria described in Note 1.4, unless expressly indicated otherwise.

Regarding the other legal and claims proceedings underway, other than those related to the Bankia IPO, which are detailed in Note 2.18.2, the Bank has recognised the provisions it estimates will be necessary as of the reporting date. The change in provisions in 2019 relates to provisions set aside to cover the aforementioned lawsuits and litigation, detailed in Note 2.18.2.

Provision for risk and contingent commitments

As described in Note 25.2, "Provisions for contingent liabilities and commitments" includes provisions recognised to cover off-balance sheet exposures, calculated using the same criteria as for impairment of financial assets measured at amortised cost.

Other provisions

"Other provisions" at 31 December 2019 comprised mainly the provision for workforce restructuring, for EUR 83 million, additional provisions related to the restructuring of investees and the related liabilities and contingencies, and other provisions to cover certain contingencies arising from the ordinary course of business.

During 2019, the Bank transferred approximately EUR 40 million of provisions to "Pending legal issues and tax litigation".

(20) Other liabilities

The detail of this heading in the balance sheet at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Transactions in transit	60,025	108,678
Other ítems[1]	825,581	997,703
Total	**885,606**	**1,106,381**

(1) Includes accruals associated with other operating expenses.

(21) Equity

(21.1) Capital

On 3 May 2019, the agreement of 25 April 2019 of the Board of Directors of the Bank was registered in the Commercial Register of Valencia, to partially implement the reduction of capital through the redemption of own shares approved by the General Meeting Shareholders on 22 March, 2019.

Previously, on 5 March 2019, the European Central Bank was authorised to reduce capital by an effective amount of EUR 50 million by amortising 15,440,845 shares, representing 0.50% of the share capital.

As a result, Bankia's share capital has been reduced by EUR 15,440,845, by the redemption of 15,440,845 shares of its own.

The purpose of the capital reduction has been the amortization of own shares. The reduction of capital has not meant the return of contributions, since Bankia is the owner of the amortised shares. The capital reduction has been implemented from voluntary reserves, making at the same time the corresponding provision of an unavailable reserve equal to the face value of the actually amortised own shares.

At 31 December 2019, the Bank's share capital amounts to EUR 3,069,522 thousand, represented by 3,069,522,105 fully subscribed and paid up registered shares with a par value of EUR 1 each of the same class and series.

During 2019 and 2018, no transaction costs were recognised for the issuance or acquisition of own equity instruments.

Bankia, S.A.'s main shareholders at 31 December 2019 and 2018 were as follows:

	Number of shares		% Ownership interest	
Shareholder	31/12/2019	31/12/2018	31/12/2019	31/12/2018
BFA, Tenedora de Acciones, S.A.U.	1,896,894,838	1,893,698,598	61.80%	61.39%

(21.2) Transactions with treasury shares

During the years 2019 and 2018, changes to "Equity - Less: Treasury shares" on the balance sheet, showing the amount of Bankia's equity instruments held by the Bank, were as follows:

	31/12/2019		31/12/2018	
ITEM	No. Shares	Amount (thousands of euros)	No. Shares	Amount (thousands of euros)
Account balance at the beginning of the year	**29,543,837**	**96,646**	**20,023,158**	**79,837**
+ Purchases during the year	31,664,515	64,971	37,119,377	122,241
- Amortization of own securities (*)	(15,440,845)	(50,000)	-	-
- Sales and other changes	(23,436,947)	(61,274)	(27,598,698)	(105,432)
Account balance at the end of the year	**22,330,560**	**50,343**	**29,543,837**	**96,646**
Net incomes on transactions with treasury shares (reserves)		(12,143)		(6,429)

(*) Amortization of own securities by capital reduction (see Note 21.1)

In accordance with prevailing regulations, treasury share transactions are recognised directly in equity; no gain or loss may be recognised in respect of such transactions in the income statement.

Certain disclosures required by applicable regulations in connection with transactions involving treasury shares of Bankia, S.A. by the Bank in 2019 and 2018 follow:

Acquisitions of treasury shares:

- Number of treasury shares acquired in 2019: 31,664,515 (37,119,377 shares at 31 December 2018).
- Par value of treasury shares acquired in 2019: 31,665 (EUR 37,119 thousand of EUR 1 par value at 31 December 2018).
- Average price of treasury shares acquired in 2019: 2.052 (EUR 3.293 of EUR 1 par value at 31 December 2018).
- Total amount charged to equity in 2019: EUR 64,971 thousand (EUR 122,241 thousand at 31 December 2018).

Disposals of treasury shares

- Number of treasury shares sold in 2019: 23,436,947 shares (27,598,698 shares at 31 December 2018).
- Par value of treasury shares sold in 2019: EUR 23,437 thousand of EUR 1 par value (EUR 27,599 thousand of EUR 1 par value).
- Average selling price of treasury shares sold in 2019: EUR 2.096 of EUR 1 par value (EUR 3.587 of EUR 1 par value).
- Amount charged to equity for sales in 2019: EUR 61,274 thousand (EUR 105,432 thousand at 31 December 2018).

Treasury shares held at 31 December 2019 and 2018:

- Number of treasury shares held: 22,330,560 (29,543,837 shares at 31 December 2018).
- Par value of treasury shares held: EUR 22,331 thousand of EUR 1 par value (EUR 29,544 thousand of EUR 1 par value at 31 December 2018).
- Average acquisition price of treasury shares held: EUR 2.254 euros (EUR 3.271 at 31 December 2018).
- Amount charged to equity for acquisition of treasury shares: EUR 50,343 thousand (EUR 96,646 thousand at 31 December 2018).

(21.3) Other reserves

The Bank's statement of changes in total equity for the years ended 31 December 2019 and 2018 includes shows the changes to equity for this item in the period.

(21.3.1) Restricted reserves

Pursuant to the Text of the Spanish Corporate Enterprises Act, companies must earmark an amount at least 10% of profit for the legal reserve until such reserve represents 20% of the capital. The legal reserve may be used to increase capital to the extent that it exceeds 10% of the increased capital figure. Other than for this purpose, the legal reserve may be used to set off losses if no other sufficient reserves are available for such purpose.This reserve is recognised under "Equity - Other reserves" under equity in the balance sheet and totalled EUR 613,904 thousand at 31 December 2019 (EUR 616,993 thousand at 31 December 2018).

During 2019, an unavailable reserve equivalent to the face value of the own shares amortised in the capital reduction referred to in Note 21.1, amounting to EUR 15,441 thousand, was established.

(21.4) Other information

(21.4.1) Other resolutions adopted at the Annual General Meeting regarding the issuance of shares and other securities

At the General Meeting of Shareholders held on 22 March 2019, resolutions were adopted to delegate to the Board of Directors of the Bank the following powers:

- The authority to increase the share capital by up to a maximum of 50% of the subscribed share capital, by means of one or more increases and at any time within a maximum of five years, by means of cash contributions, with authority, if applicable, to misapply preemptive subscription rights up to a maximum of 20% of share capital.
- The authority to issue, within a maximum term of five years, securities convertible into and/or exchangeable for shares of the Company, as well as warrants or other similar securities that may directly or indirectly entitle the holder to subscribe for or acquire shares of the Company, for an aggregate amount of up to one billion five hundred million (EUR 1,500,000,000); as well as the authority to increase the share capital in the requisite amount, and the authority, if applicable, to misapply preemptive subscription rights up to a maximum of 20% of share capital.
- Authorisation for the derivative acquisition of own shares in accordance with the limits and requirements established in the Corporations Act.
- Authorization to the Board of Directors for the distribution of dividends on account during the 2019 financial year.
- Authorise the Board of Directors to carry out the capital reduction through the cancellation of treasury shares.

(22) Accumulated other comprehensive income

The detail of the balances of this balance sheet item as at 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Items that will not be reclassified to profit or loss	**52,907**	**51,684**
Actuarial gains or (-) losses on defined benefit pension plans	34,056	29,939
Non-current assets and disposal groups classified as held for sale	(9,453)	-
Share of other recognised income and expense of investments in joint ventures and associates	28,304	21,745
Items that may be reclassified to profit or loss	**74,080**	**61,527**
Hedging derivatives. Cash flow hedges reserve [effective portion]	(113)	(292)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(8,006)	(2,299)
Hedging instruments [not designated elements]	82,199	62,554
Non-current assets and disposal groups classified as held for sale	-	1,564
Accumulated other comprehensive income	**126,987**	**113,211**

Items that may be reclassified to profit or loss. Fair value changes of equity instruments measured at fair value through other comprehensive income

This item in the accompanying balance sheet includes the net amount of the changes in Financial assets at fair value through other comprehensive income which must be recognised in the Bank's equity. These changes are recognised in the income statement when the assets which gave rise to them are sold or become impaired.

The following table provides details of the gains and losses by financial instrument at 31 December 2019 and 2018:

31 December 2019

(Thousands of euros)

Total Gross	Gains	Losses	Amounts Net Of Tax Effect	Gains	Losses
Quoted debt securities	132,256	(14,829)	Quoted debt securities	92,579	(10,380)
Unquoted debt securities	-	-	Unquoted debt securities	-	-
Total	**132,256**	**(14,829)**	**Total**	**92,579**	**(10,380)**
Total Gains (Gross)	**117,427**		**Total Gains (Net)**	**82,199**	

31 December 2018

(Thousands of euros)

Total Gross	Gains	Losses	Amounts Net Of Tax Effect	Gains	Losses
Quoted debt securities	161,283	(71,920)	Quoted debt securities	112,898	(50,344)
Unquoted debt securities	-	-	Unquoted debt securities	-	-
Total	**161,283**	**(71,920)**	**Total**	**112,898**	**(50,344)**
Total Gains (Gross)	**89,363**		**Total Gains (Net)**	**62,554**	

Items that may be reclassified to profit or loss. Hedging derivatives. Cash flow hedges [effective portion]

This item in the accompanying balance sheet includes the effective portion of the net gain or loss on financial derivatives designated as hedging instruments in cash flow hedges , in the part of such changes considered as “effective hedge” (see Note 12).

Items that will not be reclassified to profit or loss. Actuarial gains or (-) losses on defined benefit pension plans

This item on the balance sheet shows the defined benefit post-employment payments profit/(loss) which not recognised in the income and expense (see Notes 2.13.1 and 34.3).

The statement of recognised income and expense for 2019 and 2018 show the changes in this heading in the balance sheet for this year.

(23) Fair value

(23.1) Fair value of financial instruments

The fair value of a financial asset or liability on a specific date is the amount at which it could be delivered or settled, respectively, on that date between knowledgeable, willing parties acting freely and prudently in an arm’s length transaction.

The Bank generally uses the following methods to estimate the fair value of financial instruments:

- When the market publishes closing prices, these prices are used to determine the fair value.
- When the market publishes both bid and asking prices for the same instrument, the market price for a purchased asset or a liability to be issued is the bid price and that for an asset to be purchased or an issued liability is the asking price. If there is significant market-making activity or it can be demonstrated that the positions can be closed – settled or hedged – at the average price, the average price is used.
- If there is no market price for a given financial instrument or for scantly active markets, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with the instrument.
- The valuation techniques used to estimate the fair value of a financial instrument meet the following requirements:
    - The techniques used are based on the most consistent and appropriate economic and financial methods, which have been demonstrated to provide the most realistic estimate of the financial instrument's price.
    - They are those which are customarily used by market participants to measure this type of financial instrument, such as discounting of cash flows, condition-based or non-arbitrage option pricing models, etc.
    - They maximise the use of available information, in relation to both observable data and recent transactions of similar characteristics, and limit the use of non-observable data and estimates as far as possible.
    - They are sufficiently and amply documented, including the reasons why they were chosen in preference to other possible alternatives.
    - They are applied consistently over time so long as the reasons for choosing them do not change.
    - The validity of the models is examined periodically using recent transactions and current market data.
    - They take into account the following factors: the time value of money, credit risk, exchange rates, commodity prices, equity prices, volatility, liquidity, prepayment risk and servicing costs.
- For financial instruments with no market or with a scantly active market, on initial recognition, the fair value is obtained either on the basis of the most recent transaction price, unless another value can be demonstrated through comparison with other recent market transactions in the same instrument, or by using a valuation technique in which all the variables are taken solely from observable market data.
- The fair value of derivatives is determined as follows:
    - Financial derivatives included in the held-for-trading portfolios which are traded in organised, transparent and deep markets: the fair value is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.
    - OTC derivatives or derivatives traded in scantly deep or transparent organised markets: the fair value is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc. Derivatives not supported by a CSA (market standard) collateral agreement: an own or third party credit risk adjustment (CVA and DVA) differentiated based on the internal rating of the counterparty (see Note 3.1):
        - Counterparties rated CCC or higher: all components are taken directly from the market (risk factors that affect the value of the derivative) or indirectly from the inputs that reflect credit risk through quoted prices in markets that are closest to that of the counterparty and of Bankia.
        - Counterparties classified as "doubtful": internal expert criteria regarding recovery of the debt are used as there are no market indices to assess their credit risk due to the absence of a secondary market with prices and reasonable liquidity.

    CVA and DVA are included in the valuation of derivatives, both assets and liabilities, to reflect the impact of counterparty and own credit risk, respectively, on fair value.

    CVA is calculated taking into account potential exposure to each counterparty in each future period. The CVA for a specific counterparty is the sum of the CVAs for all periods. The adjustments are calculated by estimating exposure at default, probability of default and loss given default for all derivatives on any underlying at legal entity-level at which Bankia is exposed.

DVA is a similar valuation adjustment to CVA, but arises from Bankia's own risk assumed with OTC derivatives counterparties. Similarly, DVA is calculated by multiplying expected negative exposure by probability of default and multiplying the result by Bank's loss given default.

The credit risk valuation adjustments amounts registered in the balance sheet at 31 December 2019 is EUR 100 million for CVA (EUR 103 million at 31 December 2018), and EUR 3 million for DVA (EUR 5 million at 31 December 2018). The impact registered in the caption "Gains or (-) losses on financial assets and liabilities held for trading, net" of the income statement at the year-end 2019 corresponding to the adjustment is EUR 0.4 million profits (EUR 8 million profits at 31 December 2018).

Determination of fair value of financial instruments

The following table compares the amounts at which the Bank's financial assets and financial liabilities are recognised in the accompanying balance sheet and their related fair value:

(Thousands of euros)

ITEM	31/12/2019 Total Balance	31/12/2019 Fair value	31/12/2018 Total Balance	31/12/2018 Fair value
ASSETS				
Cash, cash balances at Central banks and other demand deposits	12,826,591	12,826,591	4,354,390	4,354,390
Financial assets held for trading	6,702,504	6,702,504	6,320,607	6,320,607
Non-trading financial assets mandatorily at fair value through profit or loss	34,435	34,435	9,348	9,348
Financial assets at fair value through other comprenhensive income	11,979,857	11,979,857	15,622,815	15,622,815
Financial assets at amortised cost	156,179,198	166,750,383	156,747,204	168,261,447
Non-current assets and disposal groups classified as held for sale – Other equity instruments	130,839	130,839	127,851	127,851
Derivatives – Hedge accounting	2,491,810	2,491,810	2,619,883	2,619,883
LIABILITIES				
Financial liabilities held for trading	6,783,073	6,783,073	6,078,800	6,078,800
Financial liabilities at amortised cost	186,159,113	186,124,874	184,060,914	184,686,173
Derivatives – Hedge accounting	85,541	85,541	182,331	182,331

For financial instruments whose carrying amount differs from their theoretical fair value, this latter value was calculated as follows:

- The fair value of "Cash, cash balances at Central banks and other demand deposits" approximates their carrying amount as they are short-term balances.
- The fair value of debt instruments classified as "Financial assets at amortised cost" and "Financial liabilities at amortised cost" was estimated using the discounted cash flow method taking market interest rates at the each of period without considering the issuer's credit risk, This valuation is considered to use Level 3 inputs in the approaches described below for financial instruments whose carrying amount is equal to their fair value.

  The fair value of the debt securities classified as "Financial assets at amortised cost" is considered equivalent to their quoted price in active markets except for the SAREB bonds (see Note 11), whose fair value was estimated using Level 2 inputs and did not differ significantly from their carrying amount (fair value was determined using quoted prices of Spanish government bonds of similar characteristics).

Financial instruments whose carrying amount coincides with their fair value were measured as follows:

- Level 1: Financial instruments whose fair value was determined by reference to their quoted price in active markets, without making any change to these prices.
- Level 2: Financial instruments whose fair value was estimated by reference to quoted prices on organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- Level 3: Instruments whose fair value was estimated by using valuation techniques in which one or another significant input is not based on observable market data. An *input* is deemed to be significant when it is important for determining the fair value as a whole.

The Bank did not recognise any financial asset or financial liability whose fair value differed from the transaction price and that was not measured using the approaches and assumptions that allow them to be classified in Level 1 and Level 2. Therefore, no gain or loss was recognised to reflect changes in the inputs that market participants would take into account when pricing the asset or liability. If the transaction price differs from fair value, the gain or loss is recognised in profit or loss for financial instruments classified in Levels 1 and 2 of the fair value hierarchy.

The following table presents the main financial instruments measured at fair value in the accompanying balance sheet, by measurement method used to estimate fair value:

(Thousands of euros)

ITEM	31/12/2019 Level 1	Level 2	Level 3	31/12/2018 Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**158,903**	**6,449,171**	**94,430**	**285,997**	**5,946,073**	**88,537**
Debt securities	155,898	14,895	-	281,569	-	-
Equity instruments	1,381	-	-	3,901	-	-
Derivatives	1,624	6,434,276	94,430	527	5,946,073	88,537
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**237**	**34,198**	**-**	**187**	**9,161**
Debt securities	-	237	-	-	187	-
Equity instruments	-	-	-	-	-	-
Loans and advances	-	-	34,198	-	-	9,161
Financial assets at fair value through other comprehensive income	**11,846,582**	**92,606**	**40,669**	**15,452,686**	**127,884**	**42,245**
Debt securities	11,846,582	57,459	-	15,452,686	103,645	-
Equity instruments	-	35,147	40,669	-	24,239	42,245
Non-current assets and disposal groups classified as held for sale	**-**	**-**	**130,839**	**42**	**-**	**127,809**
Equity instrumentos	-	-	130,839	42	-	127,809
Derivatives- Hedging accounting	**-**	**2,491,810**	**-**	**-**	**2,619,879**	**4**
LIABILITIES						
Financial liabilities held for trading	**271,233**	**6,507,023**	**4,817**	**122,121**	**5,952,700**	**3,979**
Trading derivatives	-	6,507,023	4,817	40	5,952,700	3,979
Short positions	271,233	-	-	122,081	-	-
Derivatives- Hedge accounting	**-**	**85,541**	**-**	**-**	**182,331**	**-**

Below are the amounts recognised in the income statement for 2019 and 2018 due to changes in the fair value of the Bank's financial instruments. The changes relate to unrealised gains and losses, with a distinction made between financial instruments whose fair value is estimated using valuation techniques whose variables are obtained from observable market inputs (Level 2) and those for which one or more significant variables are not based on observable market inputs (Level 3). Also shown are the cumulative unrealised changes in value at 31 December 2019 and 2018:

At 31 December 2019

(Thousands of euros)

ASSETS	Unrealized gains or losses booked in the income statement Level 2	Level 3	Total	Accumulated fair value changes booked in the balance sheet Level 2	Level 3	Total
ASSETS						
Financial assets held for trading	**3,217,721**	**21,146**	**3,238,867**	**5,796,645**	**87,617**	**5,884,262**
Debt securities	-	-	-	-	-	-
Derivatives	3,217,721	21,146	3,238,867	5,796,645	87,617	5,884,262
Non-trading financial assets mandatorily at fair value through profit or loss	**(12)**	**-**	**(12)**	**(233)**	**-**	**(233)**
Equity instruments	-	-	-	-	-	-
Debt securities	(12)	-	(12)	(233)	-	(233)
Loans and advance	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**17,762**	**(807)**	**16,955**	**24,563**	**18,852**	**43,415**
Equity	10,653	(807)	**9,846**	21,583	18,852	40,435
Debt Securities	7,109	-	**7,109**	2,980	-	2,980
Derivatives – Hedge accounting	**210,024**	**-**	**210,024**	**2,205,820**	**-**	**2,205,820**
TOTAL ASSETS	**3,445,495**	**20,339**	**3,465,834**	**8,026,795**	**106,469**	**8,133,264**
LIABILITIES			**-**			**-**
Financial liabilities held for trading	**(2,983,868)**	**158**	**(2,983,710)**	**6,405,436**	**(3,407)**	**6,402,029**
Trading derivatives	(2,983,868)	158	(2,983,710)	6,405,436	(3,407)	6,402,029
Derivatives- Hedge accounting	**(311,649)**	**-**	**(311,649)**	**34,520**	**-**	**34,520**
TOTAL LIABILITIES	**(3,295,517)**	**158**	**(3,295,359)**	**6,439,956**	**(3,407)**	**6,436,549**

At 31 December 2018

(Thousands of euros)

ASSETS	Unrealized gains or losses booked in the income statement			Accumulated fair value changes booked in the balance sheet		
	Level 2	Level 3	Total	Level 2	Level 3	Total
ASSETS						
Financial assets held for trading	**(1,855,225)**	**15,435**	**(1,839,790)**	**5,256,051**	**83,257**	**5,339,308**
Debt securities	-	-	-	-	-	-
Derivatives	(1,855,225)	15,435	(1,839,790)	5,256,051	83,257	5,339,308
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**-**	**-**	**(221)**	**-**	**(221)**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	(221)	-	(221)
Loans and advance	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**17,154**	**20,134**	**37,288**
Equity instruments	-	-	**-**	10,930	20,134	31,064
Debt Securities	-	-	**-**	6,224	-	6,224
Derivatives – Hedge accounting	**(406,184)**	**(2)**	**(406,186)**	**2,261,489**	**2**	**2,261,491**
TOTAL ASSETS	**(2,261,409)**	**15,433**	**(2,245,976)**	**7,534,473**	**103,393**	**7,637,866**
LIABILITIES			**-**			**-**
Financial liabilities held for trading	**3,185,917**	**206**	**3,186,123**	**5,932,998**	**(2,686)**	**5,930,312**
Derivatives	3,185,917	206	3,186,123	5,932,998	(2,686)	5,930,312
Deriatives- Hedge accounting	**101,669**	**-**	**101,669**	**106,827**	**-**	**106,827**
TOTAL LIABILITIES	**3,287,586**	**206**	**3,287,792**	**6,039,825**	**(2,686)**	**6,037,139**

The following table presents the main methods, assumptions and inputs used to measure the fair value of Level 2 and 3 financial instruments and the related balances at 31 December 2019:

<table>
<tr><td colspan="5">(Millions of euros)</td></tr>
<tr><th>Level 2 financial instruments</th><th>Valuation techniques</th><th>Main assumptions</th><th>Inputs</th><th>Fair Value</th></tr>
<tr><td>Debt securities</td><td>Present value method (discounted cash flows or DCF)

Libor Model Market (LMM)</td><td>Calculation of the present value of financial instruments as the present value of the future cash flows (discounted at market interest rates), considering: Estimation of prepayment rates, issuer credit risk and current market interest rates,

Inclusion of stochastic volatilities in LMM allows complete modelling of the volatility area.</td><td>- Yield Curves
- Credit spreads
- Correlation</td><td>Debt securities: 73</td></tr>
<tr><td>Equity instruments</td><td>Present value method</td><td>Calculation of the present value of future cash flows. Considering:
- Issuer credit spreads
- Prepayment Rates
- Yield Curves
- Risk Neutrality, non-arbitrage</td><td>- Yield Curves
- Credit spreads</td><td>Equity instruments: 35</td></tr>
<tr><td rowspan="5">Derivatives</td><td>Interest rate derivatives: Black and Libor Market Model</td><td>For measurement of widely traded instruments, e.g. caps, floors, European swaptions, etc.</td><td>For equity, inflation, currency or commodity derivatives:
- Forward structure of the underlying
- Option Volatily
- Observable correlations among underlyings</td><td>Trading Derivatives:

Assets: 6,434

Liailities: 6,507</td></tr>
<tr><td>For equity, currency or commodity derivatives: Black Scholes, Skew Model</td><td>For measurement of widely traded instruments, e.g. call, put, straddle, etc.</td><td>For interest rate derivatives:
- Term structure of interest rates.
- Volatility of the underlying</td><td rowspan="4">Hedging Derivatives

Assets: 2,492

Liabilities: 86</td></tr>
<tr><td rowspan="2">For inflation derivatives: analytical formula</td><td>Absence of correlation between interest rates and inflation.</td><td rowspan="3">For credit derivatives:
- Quoted Credit Default Swaps (CDS) prices</td></tr>
<tr><td>Risk neutrality, absence of arbitrage opportunities.</td></tr>
<tr><td>For credit derivatives: analytical formula</td><td>Calculation of probability of default (PD) levels to ensure compliance with the risk neutrality and non-arbitrage assumptions.</td></tr>
</table>

(Millions of euros)

Level 3 financial instruments	Valuation techniques	Main assumptions	Inputs no observables	Fair Value
Debt securities	Present value method. The Gaussian Copula Model Libor Market Model (LMM).	Calculation of the present value of financial instruments as the present value of the future cash flows (discounted at market interest rates), bearing in mind: Estimation of prepayment rates, issuer credit risk and current market interest rates. To measure asset backed securities (ABS), future prepayments are calculated based on conditional prepayment rates provided by the issuers. The "time-to-default" model is used to measure the probability of default. Inclusion of stochastic volatilities in LMM allows complete modelling of the volatility area.	• Prepayment rates • Credit spread • Default correlation • Interest rate correlation	Debt securities: (*) Loans and advances: 34
Equity instruments	Present value method	Net asset value (NAV) for hedge funds and for equity instruments listed in thin or less active markets	• Credit spread; • NAV provided by the fund manager or the issuer of the securities	Equity instruments:41
Derivatives	For interest rate derivatives: the Libor Market, Hull and White model	Both methods are based on modelling of future interest rate performance, replicating the yield curve and volatility surface. The HW model is used provided the volatility smile does not affect the value of the derivative. The inclusion of stochastic volatilities in LMM allows complete modelling of the volatility area, making the LMM model the most widely used to measure exotic derivatives.	• Correlation • Term structures of volatilities based on the underlying	Trading derivatives: Asset: 94 Liabilities: 5
	For equity and currency derivatives: Dupire, Heston, Black, solved by numerical methods	The options are measured using generally accepted valuation models and include implied volatility observed	• Correlation • Term structure of volatilities • Dividends	
	Inflation derivatives: Jarrow y Yildrim	The Jarrow and Yildirim model is used for modelling inflation and nominal rates. This model is based on the analogy between the inflation index and foreign exchange rates.	• Correlacton • Inflation curve • Nominal rates	
	Credit baskets: Gaussian Copula	The Gaussian Copula measurement method, which is widely accepted in financial markets for its simplicity.	• Correlation between defaults • Historical CDS volatility	

(*) There were no outstanding transactions at 31 December 2019.

Any reasonably possible changes in one or more variable or other assumptions would not result in a significant change in the fair value of Level 3 financial instruments relative to the total portfolio of financial instruments.

The Bank has a formal policy that sets out the procedure for assigning fair value levels and potential changes therein.

According to this procedure, a Level is assigned to financial instruments measured at fair value, determined based on the quality and availability of the various inputs, models, market information etc, at the date of purchase of the position. These parameters are subsequently reviewed periodically in accordance with their trends.

This procedure is carried out by analysing the information available to the Bank to set the valuation price, studying the necessary inputs, the sources and quality of the information, or the need to use more complex models.

Transfers of financial instruments not classified as non-current assets held for sale between fair value hierarchy levels during 2019 and 2018 were as follows:

At 31 December 2019

(Thousands of euros)

Transfers between levels	FROM:	Level 1		Level 2		Level 3	
	TO:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets							
Financial assets held for trading – Derivatives		-	-	-	4,765	-	3,883
Financial assets at fair value through other comprehensive income		-	-	35,980	-	-	-
Liabilities							
Financial liabilities held for trading – Derivatives		-	-	-	4	-	4

At 31 December 2018

(Thousands of euros)

Transfers between levels	FROM:	Level 1		Level 2		Level 3	
	TO:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets							
Financial assets held for trading – Derivatives		-	-	-	4,488	-	66
Financial assets at fair value through other comprehensive income		35,323	-	-	-	-	-
Liabilities							
Financial liabilities held for trading – Derivatives		-	-	-	9	-	6

The amount of financial instruments transferred between measurement levels in 2019 is immaterial relative to the total value of the portfolios and relates mainly to changes in one or more characteristics of the assets. Specifically:

- Transfer from Level 2 to Level 3 for EUR 5 million: As relevant inputs that represent key assumptions (credit risk) used in the valuation technique to measure certain derivatives have become unobservable.
- Transfer from Level 3 to Level 2 for EUR 4 million: As relevant observable inputs that represent key assumptions (credit risk) used in the valuation technique to measure certain derivatives have been found.
- Transfer from Level 2 to Level 1 for EUR 36 million; as certain Level 2 debt instruments have returned to active markets with observable inputs.

The movement in balances financial assets and financial liabilities categorised within Level 3 excluding those classified as "Non-current assets and disposal groups classified as held for sale", shown in the accompanying balance sheets at 31 December 2019 and 2018 follow:

(Thousands of euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Opening balance	139,947	3,979	124,906	4,982
Gains (losses)	4,882	(1,060)	1,156	(1,324)
To profit and los	5,626	(1,060)	(3,786)	(1,324)
Reserves for sale	538	-	21	-
Valuation adjustments of equity	(1,282)	-	4,921	-
Purchases, sales and settlements	22,349	1,819	(4,757)	(3)
Net inflows/(outflows) in Level 3	2,118	79	18,642	324
Closing balance	**169,296**	**4,817**	**139,947**	**3,979**

Gains and losses in 2019 and 2018 on disposals of financial instruments categorised within Level 3 recognised in the accompanying income statement were not significant.

The table below shows, for measurements of the fair value of Level 3 instruments in the fair value hierarchy, recognised on the balance sheet as "Non-current assets and disposal groups classified as held for sale", a reconciliation of balances recognised at 31 December 2019 and 2018:

(Thousands of euros)	2019	2018
Opening balance	127,809	207,997
Gains (losses)	(17,958)	8,208
Other net variations	20,988	(88,396)
Closing balance	**130,839**	**127,809**

(23.2) Fair value of other assets

(23.2.1) Real estate assets

The table below shows, for measurements of the fair value of certain tangible assets in the fair value hierarchy, recognised on the balance sheet, a reconciliation of balances recognised at 31 December 2019 and 2018:

(Thousands of euros)	31/12/2019		31/12/2018	
ITEM	Carrying amount(*)	Fair value	Carrying amount	Fair value
Own use-Buildings and other structures	1,813,805	2,136,810	1,356,421	1,682,365
Investment property	474,503	672,405	513,740	710,627
Total	**2,288,308**	**2,809,215**	**1,870,161**	**2,392,992**

(*) Includes the carrying amount corresponding to lease assets (see Note 1.3)

The fair value of the tangible assets in the preceding table was estimated based on recoverable amount, which is the higher of the asset's fair value less costs of disposal and its value in use (derived from the present value of the estimated future cash flows from the assets). In the specific case of tangible assets for own use, fair value is obtained from market inputs or, failing this, valuation techniques that consider the yields, flows or replacement cost of the asset. For investment property, the best evidence of fair value is the current price on an active market for similar assets, adjusted as appropriate in accordance with the peculiarities of each asset or, as appropriate, recent prices on less active markets and discounted cash flow projections of rents of similar properties. Regarding the estimation of the fair value of the tangible assets acquired under lease, given their initial measurement following the first-time application of the applicable standard (see Note 1.3) and their amount at 31 December 2019 (see Note 14), their carrying amount does not differ significantly from their fair value.

As explained in Note 2.17, at 31 December 2019, the Bank did not have any balance of inventories. At 31 December 2018, the gross carrying amount of inventories was EUR 682 thousand, which had been fully written off, with the recognition of net impairment losses in 2018 of EUR 43 thousand, recognised in "(Impairment or (-) reversal of impairment on non-financial assets) - (Tangible assets)" (see Note 40).

The amount recognised in the 2019 and 2018 income statements were EUR 145,818 thousand and EUR 112,380 thousand, respectively under "Depreciation and amortisation", along with a reversal of EUR 14,022 thousand and EUR 22,970 thousand, recognised in the "Impairment or (-) reversal of impairment on non-financial assets – tangible assets", respectively.

Better and greater use of non-financial assets does not mean a different use, except for the real estate assets owned by the Bank, where the building and facilities are considered as assets for the purpose of measuring land.

(23.2.2) Real estate assets classified as non-current assets held for sale

The fair values at 31 December 2019 and 2018 of Bank's property, plant and equipment for own use classified under "Non-current assets and disposal groups classified as held for sale" at those dates were EUR 165,933 thousand and EUR 197,472 thousand, respectively.

The carrying amount of the Bank's foreclosed real estate assets, which were classified as "Non-current assets and disposal groups classified as held for sale", does not differ significantly from their fair value.

As explained in Note 2.19, non-current assets foreclosed or received in payment of debts are recognised initially at the lower of the carrying amount of the financial assets applied and the fair value at the date of foreclosure or receipt of the assets less estimated costs to sell. After initial recognition, they are measured at fair value less estimated costs to sell.

The Bank has an internal methodology for estimating discounts on the reference value and costs to sell real estate assets foreclosed or received in payment of debt classified as non-current assets held for sale. This method is based on its prior experience of sales of similar assets, in terms of time scales, prices and volumes, and the time taken for their sale. The methodology complies with the principles and requirements governing the development and use of internal methodologies for estimating discounts on the reference value and the cost of sale of foreclosed assets or those received in payment of debt. It underwent the necessary internal validation process prior to its approval and use.

The reference value used to estimate fair value is the market value obtained in appraisals updated at least annually. For appraisals, the Bank uses appraisals performed by appraisal services or companies in with the Bank of Spain's Official Register of Appraisal Companies, using full individual appraisals or appraisals using automated appraisal methods.

The full individual appraisals comply with the requirements of ministerial order ECO 805/2003, of 27 March, on rules for the valuation of properties and certain financial rights. This order contains, inter alia, the various technical methods and measurement procedures for determining the appraisal value of the various real estate assets in accordance with their uses, and the preparation of the reports and certificates in which they are formalised. The content is based on the principle of prudence and the principle of sustainability for values with long-term impacts. This order, continuing along the lines of Royal Decree 775/1997, of 30 May, on the legal framework governing the certification of services and appraisal companies, aims to promote technical and formal quality of the appraisals with the overriding aim of better protecting the interest of third parties as investors or insured.

Automated appraisal methods are based on statistical models supported by computer programmes that use a broad database. This allows for mass appraisals bearing in mind the specific characteristics of each asset appraised, but assuming a confidence error in the results as, by definition, the models do not factor in all the variables that affect the value. Without prejudice to having a statistical base, throughout the process to obtain a value these appraisals include expert judgements by the appraisal company in the model's construction and specification, and in comparisons, such as selecting the appropriate model for each specific appraisal engagement. In 2019, the Bank of Spain issued "Supervisory guidelines for the use of automated valuation models by appraisal companies" for use by registered appraisal companies, applicable to appraisers in appraisals using automated valuation methods for credit institutions. The guidelines identify best practices for the definition and application of sound valuation procedures using this type of appraisal. They are published under the Bank of Spain's powers to supervise appraisal companies, as laid down in Royal Decree 775/1997.

During 2019 and 2018, the companies or agencies that preformed the appraisals are as follows:

(% appraised)

Appraiser companies or agencies	2019	2018
Gesvalt	13.15%	5.25%
Tecnitasa	5.40%	13.44%
Tinsa	46.65%	56.54%
UVE	12.48%	-
Arco Valoraciones	13.55%	24.60%
KRATA	8.77%	-
Others	-	0.17%
Total	**100.00%**	**100.00%**

These valuations are considered Level 3 inputs according to the approaches described in the financial statements.

The reconciliation of the fair value of foreclosed assets whose measurements are included in Level 3 of the fair value hierarchy is detailed in Note 17.

(23.2.3) Investments classified as Non-current assets and disposal groups classified as held for sale

The following table details the fair value hierarchy for investments classified as Non-current assets and disposal groups classified as held for sale at 31 December 2019 and 2018:

(Thousands of euros)

		31/12/2019			31/12/2018	
	Level 2	Level 3	Total	Level 2	Level 3	Total
Accounting balance at the end of the year	-	70,309	70,309	-	255,937	255,937

The valuation techniques and inputs used were as follows:

Level 2: fair value determine using as inputs quoted prices in active markets, less estimated costs of disposal by reference to the discount generally required by the market for the block sale of significant shareholdings in quoted companies.

Level 3: fair value was estimated mainly using present value techniques based on net asset value (NAV).

The reconciliation of the opening balances to the closing balances of fair value measurements categorised within Level 3 of the fair value hierarchy is as follows:

(Thousands of euros)	31/12/2019	31/12/2018
Balances at the beginning of the year	**255,937**	**41,697**
Gains (losses)	40,826	9,805
To impairment losses or gains (see Note 42)	(13,062)	8,895
To sale losses or gains	53,888	910
Purchases	644,480	164
Settlements/Sales	(668,481)	(24,850)
Transfers	(202,453)	229,121
Balances at the ending of the year	**70,309**	**255,937**

(24) Tax matters

(24.1) Tax group

The Entity is the parent of Tax Consolidation Group number 559/11 created on 1 January 2011, comprising in 2019, the following Group subsidiaries:

ARRENDADORA DE EQUIPAMIENTOS FERROVIARIOS, S.A.
BANKIA COMMERCE, S.L. UNIPERSONAL
BANKIA FINTECH VENTURE S.A.U.
BANKIA FONDOS S.G.I.I.C., S.A.
BANKIA INVERSIONES FINANCIERAS, S.A.U.
BANKIA MEDIACIÓN OPERADOR DE BANCA SEGUROS VINCULADOS, S.A.U.
BANKIA PENSIONES, S.A. E.G.F.P.
BANKIA HABITAT S.L.U.
BMN MEDIACIÓN OPERADOR DE BANCA-SEGUROS VINCULADO, S.L.U.
CENTRO DE SERVICIOS OPERATIVOS E INGENIERIA DE PROCESOS, S.L.U.
CORPORACION INDUSTRIAL BANKIA, S.A.U.
GESTIÓN GLOBAL DE PARTICIPACIONES, S.L.U.
GESTION Y RECAUDACION LOCAL, S.L.
GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U.
INMOGESTION Y PATRIMONIOS, S.A.
NAVIERA CATA, S.A.
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.
PUERTAS DE LORCA DESARROLLOS EMPRESARIALES, S.L.U., In settlement
SEGURBANKIA S.A.U. CORREDURÍA DE SEGUROS DEL GRUPO BANKIA
VALENCIANA DE INVERSIONES MOBILIARIAS, S.L.U.
VALORACION Y CONTROL, S.L.
VECTOR CAPITAL, S.L.U.

(24.2) Years open for review by the tax authorities and provisions recognised

At 31 December 2019, the Bank had the last four years open to review by the tax inspection authorities for all the taxes applicable to it.

On 13 October and 20 October 2014, tax inspections began of the Bank to verify compliance with tax obligations and duties for the following taxes and tax periods:

ITEM	PERIOD
Income tax	2011 to 2013
Value added tax	2011 to 2012
Withholdings / Payments on account of earned income	2011 to 2012
Withholdings / Payments on account for investment income	2011 to 2012
Withholdings / Payments on account for leases	2011 to 2012
Withholdings on account on non-resident income	2011 to 2012
Annual statement of operations	2011 to 2012
Special tax for non-resident real estate	2011 to 2012
Value added tax	11/2013 to 12/2013

These tax inspections are still ongoing at present. No matter worthy of disclosure has arisen in this respect.

The scope of the value added tax inspections was expanded on 26 October 2017 (November and December 2013).

On 26 September 2018, the scope of the income tax inspections for 2013 was expanded.

On 19 November 2019, assessments for withholdings on account for non-resident income for 2011 and 2012 for EUR 1,096 million were signed in protest. The fine arising from the disciplinary proceedings for this tax of EUR 506 thousand was signed in agreement.

Inspections performed at the "Cajas de Ahorros"

In relation to the "Cajas de Ahorros" which transferred their financial business on 16 May 2011, firstly to BFA and subsequently to the Bank, the information is as follows:

- On 11 March 2014, inspections were performed at Caja de Ahorros y Monte de Piedad de Madrid in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2008 to 2010
Value added tax	2010
Withholdings / Payments on account of earned income	2010
Withholdings / Payments on account for investment income	2010
Withholdings / Payments on account for leases	2010
Withholdings on account on non-resident income	2010
Annual statement of operations	2010
Special tax for non-resident real estate	2010

Assessments were signed on 26 January 2017 in respect of value added tax and withholdings/payments on account of earned income and on 26 October 2017 assessments were signed in respect of withholdings/payments on account of investment income in the following amounts:

ITEM	Thousands of euros
Value added tax	5,295
Withholdings / Payments on account of earned income	1,424
Withholdings / Payments on account for investment income	1,186

These debts were settled on 24 February 2017, with the exception of the amounts owed in respect of withholdings/payments on account of investment income, which were paid on 29 November 2017.

On 11 April 2018, the assessment of income tax for 2008, 2009 and 2010 was signed in agreement. This did not result in an additional amount payable. In light of the outcome of the tax inspections disciplinary proceedings were initiated in respect of the revised amounts. Following the issuance of the corresponding penalty agreement of EUR 6.2 million the debt was paid on 23 May 2018.

In addition, on the same date, 11 April 2018, the assessment of income tax for 2008, 2009 and 2010 was signed in protest for differing opinions on the criteria used in the inspection in the item of business combinations, certain items of earned income, and the deduction for R&D applied by the Bank.

- Elsewhere, on 3 June 2014, the tax authorities began an inspection of Caja Insular de Ahorros de Canarias with the aim of verifying compliance with its tax obligations and duties in respect of the following taxes and tax periods:

ITEM	PERIOD
Income tax	2009 to 2010
Value added tax	05/2010 to 12/2010
Withholdings / Payments on account of earned income	05/2010 to 12/2010
Withholdings / Payments on account for leases	05/2010 to 12/2010
Withholdings on account on non-resident income	05/2010 to 12/2010
Withholdings / Payments on account for investment income	05/2010 to 12/2010

In 2019, assessments were signed in agreement for the following taxes for the periods 05/2012 to 12/2010:

- VAT: the result of the inspection was verified and agreed, without giving rise to the payment of any amount.
- Withholdings/Payments on account of earned income: as a result of the inspection, the tax authority issued an additional settlement for EUR 11.5 thousand.
- Withholdings/Payments on account for leases: the result of the inspection was verified and agreed, without giving rise to the payment of any amount.
- Withholdings on account of non-resident income: as a result of the inspection, the tax authority issued an additional settlement for EUR 5.5 thousand.
- Withholdings/Payments on account for investment income: as a result of the inspection, the tax authority issued an additional settlement for EUR 63 thousand.

Tax inspections at BMN

- On 21 October 2014, the tax authorities of the regional government of Andalusia notified the Bank of the start of verification and inspection proceedings aimed at determining due compliance with its tax obligations and duties in respect of 'tax on customer deposits at credit institutions in Andalusia in 2011 and 2012.

  The investigation encompassing 2011 ended on 11 November 2015 and no discrepancies were detected with respect to the amounts declared. With respect to 2012, on 5 October 2016, the Andalusian tax authorities handed down an assessment of 14,998 thousand euros, which was signed by the Bank under protest; on that same date it was notified of the start of disciplinary proceedings, which contain a fine proposal of 6,546 thousand euros; the Andalusian tax authority having confirmed the content of the assessment, including the proposed settlement, and the settlement proposed in the disciplinary proceedings, on 16 January 2017, the Bank lodged the corresponding appeals. The Bank filed its pleadings in writing along with all the corresponding documentation on 23 June 2017.

  As at the close of 2019, no ruling had been received.

- In 2015, the Supreme Court ruled on the tax assessments handed down to Caixa Penedès (currently Fundación Pinnae); that sentence left a balance pending payment of EUR 741 thousand, mainly in respect of corporate income tax from 2001 to 2004.

  In 2019, Bankia paid the corresponding amount as the ruling was enforced.

(24.3) Reconciliation of accounting and tax profit

The detail of income tax expense in the accompanying income statements for 2019 and 2018 to the profit/ (loss) before tax for the years, each other the breakdown of the significant losses (gains) for the income tax.

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Accounting profit/(loss) before tax	**770,312**	**1,036,216**
Adjustment to profit	**(197,217)**	**(178,416)**
Return on equity instruments	(234,890)	(411,015)
Other permanent differences and other adjustments	37,673	232,599
Profit before adjusted tax	**573,095**	**857,800**
Tax expense (Taxed income * 30%)	**(171,929)**	**(257,340)**
Deductions	**51,236**	**57,086**
Income tax expense	**(120,693)**	**(200,253)**
Income tax adjustments	**(89,179)**	**(55,967)**
Profit or (-) loss of the tax rates of gains or (-) losses on the continuing operations	**(207,363)**	**(202,548)**
Income tax for the year (income/(expense)	(209,872)	(256,220)
Effective rate	27.25%	24.73%
Income tax for previous years (income/(expense)	5,164	11,180
Other movements	(2,655)	42,492

(24.4) Tax recognised directly in equity

In addition to the income tax recognised in the income statement for 2019 and 2018, the Bank recognises in equity the taxes relating basically to “Accumulated other comprehensive income" (which includes Financial assets at fair value through other comprehensive income, cash flow hedges, hedges of net investments in foreign operations, and exchange differences) and to “Own funds – Other reserves” in the accompanying balance sheet.

The amount of income tax related to each component of "Other comprehensive income" in 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Iitems that will not be reclassified to proft or (-) loss	**(1,764)**	**8,068**
Actuarial gains or (-) losses on defined benefit pension plans	(1,764)	8,068
Items that may be reclassified to profit or (-) loss	**(4,140)**	**78,443**
Currency translation	(77)	(181)
Hedging derivatives. Cash flow hedges	(11,230)	84,059
Financial assets at fair value through other comprehensive income	2,446	(3,370)
Non-current assets and disposal groups held for sale	4,721	(2,065)
Total	**(5,904)**	**86,511**

In addition, income tax recognised by the Bank directly in "Equity – Other reserves" in the accompanying balance sheet is detailed in the movement of deferred tax assets and liabilities (see Note 24.5).

(24.5) Deferred tax assets and liabilities

Royal Decree Law 14/2013, of 29 December

On 30 November 2013, Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions was published in the Official State Gazette (Boletín Oficial del Estado). With effect for tax periods commencing on or after 1 January 2014, this Royal Decree-Laws added a twenty-second additional provision to the TRLIS, enacted by Royal Decree-Law 4/2004, of 5 March “Conversion of deferred tax assets into credits that give rise to a receivable from the tax authorities”.

In light of this article, deferred tax assets related to credit loss allowances or other assets for potential debtor insolvency not related to the taxpayer, provided that article 12.2.a) of the TRLIS is not applicable, as well as those related to the application of articles 13.1.b) and 14.1.f) of the same law regarding contributions to employee welfare systems or pensions schemes and, as applicable, provisions for pre-retirement schemes, convert into credits that give rise to a receivable from the tax authorities when any of the following circumstances arise:

a) That the taxpayer recognises accounting losses in its annual accounts (audited and approved by the corresponding body). In this case, the amount of deferred tax assets to be converted will be determined by applying the ratio of accounting losses to the sum of capital and reserves to these deferred tax assets.

b) That the entity is in liquidation or has been legally declared insolvent.

For this conversion of deferred tax assets into a credit that gives rise to a receivable from the tax authorities, the taxpayer may request a credit from the tax authorities or offset the credit with other tax liabilities which the taxpayer itself generates as of the time of conversion.

In addition, these deferred tax assets may be exchanged for Spanish government debt once the legal offset period for tax losses has elapsed (currently 18 years), to be computed as from the accounting recognition of these tax assets.

A new section 13 of article 19 of TRLIS, Timing differences, has been added for determining taxable income/(tax loss) for income tax purposes, with retroactive effect from tax periods commencing on or after 1 January 2011.

In light of the new section 13 of article 19 of the TRLIS, provisions for impairment of loans or other insolvency-related assets vis-à-vis unrelated debtors to which the deductibility limitation provided for in article 12.2.a) of the TRLIS does not apply, as well as allowances or contributions to welfare of early retirement schemes to which the limitations on deductibility provided for in articles 13.1.b) and 14.1.f) of the same law apply, have generated deferred tax assets will be included in the tax base up to the limit of the positive tax base of the year before their inclusion and the offset of tax losses.

As a result of the new timing criteria, the Bank calculated a different tax base for 2011 and 2012 than declared, which it will report to the tax authorities in due time and form.

Law 27/2014, of 27 November

Law 27/2014, of 27 November on Corporate Income Tax (the CIT law or "LIS") was enacted on 27 November 2014 and came into force on 1 January 2015, repealing the Revised Text of the Income Tax Law (TRLIS) approved by Royal Legislative Decree 4/2004, of 5 March. Article 11.12 of the new LIS includes the text of the repealed Article 19.13 of the TRLIS, with effect from 1 January 2015, although the new LIS introduced, *inter alia*, certain restrictions and the application of Article 11.12.

Meanwhile, Article 130 of the Corporate Income Tax Law (LIS) included in the new law additional provision twenty-two of the Revised Text of the TRLIS, stating that the aforementioned deferred tax assets may be exchanged for public debt securities after a period of 18 years from the last date of the tax period in which the assets were recognised. For assets recognised before the enactment of the law, the calculation period begins from the date of entry into force.

The new LIS included a change in the corporate income tax rate, setting this rate at 28% for 2015 and 25% from 2016. However, accordingly to section 5 of Article 58 of the LIS, tax groups that include at least one credit institution will be subject to a 30% tax rate. As Bankia is the parent of its tax group, the tax group continued to pay a CIT rate of 30% in 2015 and will maintain this rate in next years.

Meanwhile Article 26 of the LIS does not pose a time limit on the carryforward of unused tax losses existing in the period beginning on or after the law takes effect on 1 January 2015. In addition, transitional provision twenty-three does not include any time limit on availing of deductions to avoid double taxation established in Articles 30, 31 and 32 of the TRLIS that had not been used as of the period beginning on or after the new law becomes effective.

Law 48/2015, of 29 October, on the General State Budgets for 2016

Law 48/2015, of 29 October, on the General State Budgets for 2016 was enacted on 30 October 2015. Effective for tax periods beginning on or after 1 January 2016, this law modifies the tax regime to establish the aforementioned conversion, sets new conditions for eligibility for the regime and introduces certain reporting obligations with respect to the deferred tax assets affected by the regulation. It also provides for a transitional regime applicable to deferred tax assets generated before 1 January 2016, whereby unless certain conditions are met, the right to conversion may be retained, although to do so a financial contribution must be paid, which is regulated by the new additional provision 13 of the LIS.

The equity amount at the year-end 2019 was EUR 87,063 thousand (EUR 87,561 thousand in 2018 without BMN) and recognised in the caption “Tax expense or (-) income related to profit or loss from continuing operations” of the income statement.

Royal Decree Law 3/2016, of 2 December

Lastly, Royal Decree Law 3/2016 of 2 December, adopting certain tax measures to consolidate public finances and other urgent social measures must be considered. According to this law, impairment losses on investments that were tax deductible for tax periods up to 2013 but not thereafter must be reversed at a minimum annual amount on a straight-line basis over a 5-year period.

This legislation regarding tax periods commencing on or after 1 January 2016 places a limit on the offset of prior year tax losses and tax loss carryforwards of 25% for companies with net revenue of EUR 60 million or more. The same restrictions apply to the reversal of deferred tax assets provided for in article 12.11 of the Corporate Income Tax law. In addition, this Royal Decree places a new limit on the use of double taxation tax credits of 50% of the full income tax charge, and any unused portion may be taken in future tax periods under the same terms and conditions and with no time limit.

In addition, for tax periods commencing on or after 1 January 2017, article 3 of Royal Decree-Law 3/2016 stipulates that losses arising on transfers of shareholdings are not deductible provided that they are eligible for exemption or a tax credit on gains, in respect of dividends or capital gains arising on the transfer of the shares.

Royal Decree Law 27/2018, of 28 December

On 28 December, Royal Decree Law 27/2018 (the “RDL”) was approved, adapting the Law on Corporate Income tax to the new Bank of Spain Circular 4/2017 regarding the application for the first time of Circular 4/2017, with effect from 1 January 2018.

The RDL includes, among others, the following measures:

Impacts of first-time application (Transitional provision thirty-nine)

The memorandum of the RDL states that "to reduce the tax effects of this accounting requirement, transitional rules have been put into place, whereby the aforementioned credits and debits are included in the gross income tax base as soon as they have tax effects in accordance with regulations of income tax in equal parts in each of the first three periods beginning on or after 1 January 2018".

Credits and debits to reserve accounts arising from adjustments for the first-time application of Circular 4/2017 (when arising from the application of tax regulations) will have tax effects, i.e. they must be taken into consideration for determining the gross corporate income tax base in the 2018 tax period. The law affects credits and debits that do have tax effects, so they are deductible/taxable, and due to the integration by thirds, the provisions of article 130 on monetisation of DTAs will not apply and the deferral by thirds will not give rise to monetisable DTAs.

This inclusion in equal parts will remain applicable even if the element concerned is retired from the balance sheet. Only if the taxpayer is dissolved over the three tax periods concerned will the remaining amount be included in the gross tax base of the last tax period, unless it is dissolved as a result of a restructuring operation eligible for the tax neutrality regime.

In accordance with this legislation, the Entity included an amount of EUR 9,988 thousand in 2019. It still has pending EUR 9,988 thousand.

Accounting for equity instruments under Circular 4/2017 (Article 17.1 of the TRLIS)

With the new Circular, investments in equity instruments must be measured at fair value through profit and loss unless the Entity elects irrevocably at inception to present these changes in fair value in other comprehensive income. If this option is elected, a major change in Circular 4/2017 is that the accumulated gains and losses recognised in other comprehensive income on the disposal are not reclassified to profit or loss (as previously with available-for-sale financial assets), but rather to reserves.

Accordingly, the RDL, to guarantee the inclusion in the tax base on the disposal, amends article 17.1 of the Spanish Corporate Income Tax Law, so that not only changes in value arising from the application of the fair value criterion are included when they should be taken to profit or loss, but also when they should be recognised in a "reserve account if established by a legal or regulatory standard".

Adaptation of regulations on corporate income tax to Circular 4/2017

Regarding Circular 4/2017 and the terminology and credit risk loss model adopted, it should be remembered that the deductibility is set out in the regulations on corporate income tax and so far there have been no amendments thereto.

However, in its introduction, the RDL states: "Lastly, until approval is given for adaptation of the regulatory provisions for credit risk allowances and provisions of financial institutions, prevailing provisions are considered to be applicable, but with the terms used in the new Circular."

Deferred tax assets and liabilities

Pursuant to the tax legislation in force in the countries in which the companies are located, certain temporary differences arose that must be taken into account when quantifying the related income tax expense.

The sources of deferred taxes recognised in the balance sheets at 31 December 2019 and 2018, bearing in mind the impact of the retroactive application of the article 19.3 TRLIS, now 11.12 of the LIS, are as follows:

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Monetisable:	**6,859,511**	**6,866,834**
Allowances for credit impairment	5,357,622	5,364,945
Impairment losses on foreclosed assets	1,221,078	1,221,078
Provisions for pension funds	280,811	280,811
Non-monetisable:	**2,923,304**	**3,122,355**
Allowances for credit impairment	209,167	399,590
Impairment losses on foreclosed assets	3,778	11,691
Provisions for pension funds	7,875	7,875
Impairment losses recognised on financial assets	58,532	76,650
Other charges	148,434	172,515
Tax assets relating to unused tax credits and tax relief	139,563	88,327
From loss on financial assets	13,505	27,347
Recognised unused tax losses	2,342,450	2,338,360
Total deferred tax debtors	**9,782,816**	**9,989,189**

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Unrealised gains on financial assets	307,949	378,829
Unrealised gains on real estate assets	136,194	148,923
Other items	8,387	8,442
Total deferred tax creditors	**452,531**	**536,194**

The movements in 2019 and 2018 were as follows:

At 31 December 2019

(Thousands of euros)

	Balances at 31/12/2018	(Charged)/credited to the income statement	(Charged)/credited to equity	Other movements	Balances at 31/12/2019
Deferred tax assets	9,989,189	(215,769)	9,395	-	9,782,816
Deferred tax liabilities	(536,194)	76,009	7,654	-	(452,531)
Total	**9,452,995**	**(139,760)**	**17,049**	**-**	**9,330,284**

At 31 December 2018

(Thousands of euros)

	Balances at 31/12/2017	(Charged)/credited to the income statement	(Charged)/credited to equity	Other movements	Balances at 31/12/2018
Deferred tax assets	9,918,246	(170,797)	238,182	3,558	9,989,189
Deferred tax liabilities	(684,771)	78,350	73,785	(3,558)	(536,194)
Total	**9,233,475**	**(92,447)**	**311,967**	**-**	**9,452,995**

The detail of both recognised tax loss carryforwards of the Bank at 31 December 2019 of the Bank's tax loss carryforwards, including the year in which they arose:

(Thousands of euros)

Year giving rise to the tax loss	Amount of the tax loss available for offset	Amount of the deferred tax asset recognised (tax credit)
2010	597,244	167,797
2011 (*)	1,238,294	365,090
2012 (*)	8,702,554	1,771,092
2016	33,896	10,106
2017	94,550	28,365
TOTAL	**10,666,538**	**2,342,450**

(*) As indicated above, the tax losses for 2011 and 2012 were calculated estimating the impact of article 19.13 of the TRLIS approved by Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions.

The detail of recognised unused deductions and deductions available for offset by the Bank at 31 December 2019, including their year of origin, is as follows:

(Thousands of euros)

Year giving rise to the tax credits	Amount of the tax credits or tax relief available for offset	Amount of the deferred tax asset recognised
2005 - Other deductions	102	-
2004 - Deduction for reinvestment	9	9
2005 - Deduction for reinvestment	4	4
2006 - Deduction for reinvestment	20	20
2007 - Deduction for reinvestment	43	43
2007 - Deduction R&D&I	3	3
2008 - Deduction for reinvestment	23,201	9
2008 - Deduction R&D&I	1,326	1,079
2009 - Deduction for reinvestment	7,472	7,472
2009 - Deduction R&D&I	3,657	1,097
2009 - Other deductions	387	-
2009 - Deductions for donations (Law 49/2002	419	-
2010 - Deduction for reinvestment	17,653	17,653
2010 - Deduction R&D&I	2,967	1,372
2010 - Other deductions	338	-
2010 - Deductions for donations (Law 49/2002	549	90
2011 - Deduction for reinvestment	3,949	3,949
2011 - Deduction R&D&I	2,608	2,608
2011 - Other deductions	151	11
2012 - Deduction for internal double taxation	9,598	9,598
2012 - Deduction for international double taxation	33	33
2012 - Deduction for reinvestment	1,347	1,347
2012 - Deduction R&D&I	1,537	1,537
2012 - Other deductions	1	1
2013 - Deduction for internal double taxation	21,323	21,323
2013 - Deduction for international double taxation	11	11
2013 - Deduction for reinvestment	175	175
2013 - Deduction R&D&I	7,939	7,939
2013 - Other deductions	215	3
2014 - Deduction for internal double taxation	25,101	24,370
2014 - Deduction for international double taxation	1,734	1,734
2014 - Deduction for reinvestment	606	606
2014 - Deduction R&D&I	5,459	5,459
2014 - Other deductions	434	283
2015 - Deduction for international double taxation	1,686	1,654
2015 - Deduction for reinvestment	841	841
2015- Deduction R&D&I	6,158	6,158
2015 - Other deductions	801	-
2016 - Deduction for international double taxation	1,457	86
2016- Deduction R&D&I	6,607	6,607
2016 - Other deductions	1,651	1,418
2017 - Deduction for international double taxation	1,208	18
2017- Deduction R&D&I	7,011	7,011
2017 - Other deductions	1,729	1,729
2018 - Deduction for international double taxation	1,144	-
2018- Deduction R&D&I	4,322	2,985
2018 - Other deductions	1,218	1,218
Total	**176,204**	**139,563**

(24.6) Other tax information

In accordance with prevailing law, Bankia's individual financial statements for prior years 2019 provide the following additional tax information: includes additional tax information related to Transactions carried out in previous years pursuant to Chapter VIII of Title VII of the Revised Tax of the Corporate Income Tax Law approved by Royal Legislative Decree 4/2004 of 5 March.

(24.7) Information regarding the assessment of the recoverability of tax assets

To assess the recoverability of the net deferred tax assets recognised by the Grupo at 31 December 2019, amounting to EUR 9,330 million (EUR 9,453 million at 31 December 2018), the directors analysed, based on the nature of the assets, the ability to generate sufficient taxable profit against which the deferred tax assets can be utilised. This analysis was based on the assumptions, conditions and estimates in forecasts for the period 2020 to 2022 on which a projection for the 2023-2029 is made based on projections of the yield curve for the period and the trend of the plan's base variables, with a flat projection for the 2030-2039. Assuming constant growth thereafter for future periods estimated according to forecast inflation in the long term, full recovery of the net tax assets would be enabled within a period of no more than 20 years. As with any estimates subject to assumptions, future events may make it necessary to change them, which could lead to a prospective change in the net tax assets recognised by the Group, pursuant to the accounting principle explained in Note 1.4.

In addition, regarding the assessment of the recoverability of deferred tax assets, it should be noted that, in accordance with Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions, and articles 11.12 and 130 of Law 27/2014, of 27 November, on Corporate Income Tax - LIS- (see Note 26.5), at 31 December 2019, the Bank had deferred tax assets amounting to EUR 6,859 million that meet the requirements under this regulation. Accordingly, their future recovery is guaranteed through the monetisation mechanisms established in the aforementioned RDL 14/2013 and article 130 of the LIS, although this recovery is not expected to be through the offset of future profit, bearing in mind the amendments made for tax periods beginning on or after 1 January 2016 by Law 48/2015, of 29 October, on the General State Budgets for 2016, although for it must be faced to a financial nature regulated by the new Thirteenth Additional Provision of the LIS.

(25) Other significant disclosures

(25.1) Asset transfers

(25.1.1) Securitization

The Bank performed various securitization transactions whereby it transferred loans and credits in its portfolio to several securitization special-purpose vehicles. These assets were derecognised when substantially all the associated risks and rewards were transferred. The securitised assets are recognised in the balance sheet when all the associated risks were not substantially transferred.

"Loans and advances - customers" includes, inter alia, loans transferred to third parties through securitization for which risk is retained, if only partially, which in accordance with applicable accounting standards cannot be derecognised from the balance sheet. The detail of securitised loans by nature of the underlying financial instrument and the securitised loans that meet the requirements for derecognition from the balance sheet (see Note 2.2.2) are shown in the table below.

(Thousands of euros)

	31/12/2019	31/12/2018
Derecognised out balance sheet	**1,471,706**	**197,625**
Of which mortgage assets securitised through:	1,459,950	197,352
Mortgage participations	-	61,639
Mortgage transfer certificates	1,459,950	135,713
Other securitised assets	11,756	-
Foreclosed assets from securities mortgage-backed assets	-	273
On balance sheet	**9,567,031**	**10,496,141**
Of which mortgage assets securitised through:	9,213,001	10,147,246
Mortgage participations	330,046	439,357
Mortgage transfer certificates	8,882,955	9,707,889
Other securitised assets	11,530	3,910
Foreclosed assets from securitised mortgage assets	342,500	344,985

Appendix IV to these financial statements shows detail of securitization transactions at 31 December 2019 and 2018.

(25.1.2) Repurchase and resale agreements

At 31 December 2019, the Bank had sold financial assets under outstanding repurchase agreements amounting to EUR 19,900,276 thousand (EUR 14,801,225 thousand at 31 December 2018), and had purchased financial assets under outstanding resale agreements amounting to EUR 3,524,537 thousand (EUR 2,143,478 thousand at 31 December 2018), as follows:

(Thousands of euros)

ITEM	31/12/2019		31/12/2018	
	Repurchase agreement	Resale agreement	Repurchase agreement	Resale agreement
Government debt securities	10,102,078	467,992	8,624,769	75,043
Other debt securities	9,798,198	3,056,545	6,176,456	2,068,435
Total	**19,900,276**	**3,524,537**	**14,801,225**	**2,143,478**

The sale of financial assets under a repurchase agreement inherently includes the delivery or pledge of these assets in guarantee of the transaction. At 31 December 2019, the average term of these repurchases and, accordingly, of the assets provided as collateral was 13 months (9 months at 31 December 2018).

(25.1.3) Assets assigned to other own and third-party obligations

At 31 December 2019 and 2018, the Bank had significant assets guaranteeing their own obligations amounting to EUR 76,979 million and EUR 82,977 million, respectively. These amounts corresponded mainly to loans linked to the issue of long-term mortgage covered bonds (see Note 11 and Appendix VII) which, pursuant to the Mortgage Market Law are considered eligible to guarantee the issue of long-term mortgage covered bonds.

(25.2) Off-balance exposures

Off-balance sheet exposures include loan commitments, financial guarantees and other commitments given, including both revocable and irrevocable commitments.

Loan commitments are irrevocable commitments, or revocable only in the event of a significant adverse change, to provide financing under certain previously stipulated terms and conditions, such as balances drawable by third parties within the limits defined previously by the Bank.

Financial guarantees are contracts that require the Bank, when it acts as issuer in the ordinary course of its business, to make specified payments to reimburse a creditor for a loss it incurs, because a specified debtor fails to make payment where due in accordance with the original or modified terms of a debt instrument, irrespective of its legal form, which may include, among others, a guarantee, a financial surety, an insurance contract or a credit derivative.

Contingent obligations are the off-balance sheet exposures included in Annex 1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, of 26 June 2013, that do not meet the definition of loan commitment or financial guarantee. They include, among others, non-financial guarantees.

The detail of these guarantees provided and drawable by third parties at 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Loan commitments given	**23,394,354**	**21,070,128**
Immediately drawable	16,743,146	15,636,379
Conditionally drawable	6,651,208	5,433,749
Financial guarantees given	**376,728**	**427,621**
Contingent commitments given	**13,112,359**	**12,550,826**
Other guarantees, indemnities and other contingent risks	7,699,484	7,436,512
Irrevocable documentary credits issued	-	-
Irrevocable documentary credits confirmed	462,430	426,209
Other contingent risk	204,773	67,872
Other commitments given (1)	4,745,672	4,620,233
Total	**36,883,441**	**34,048,575**

(1) Includes mainly commitments to purchase financial assets and documents presented for collection in the various clearing systems

Note 3.1.2 shows the maximum credit risk assumed by the Bank in relation to these instruments at 31 December 2019 and 2018, and contains other information relating to the credit risk assumed by the Bank in this connection.

A significant portion of these guarantees will expire without any payment obligation materialising for the entities. Therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Bank to third parties.

The income generated on guarantee instruments is recognised in the income statement under “Fee and commission income” and "Interest income" (in amounts corresponding to the present value of the fees), calculated by applying the interest rate on the underlying contract to the face value of the guarantee.

The provisions established to cover these guarantees, which are calculated by applying similar criteria to those used to calculate the impairment of financial assets at amortised cost, are recognised in the balance sheet as “Provisions - Commitments and guarantees given” (see Note 19).

The maximum exposure to credit risk; i.e. the amount payable if the guarantees and commitments extended are called, is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Commitments and given loan	23,394,354	21,070,128
Of which, classified as normal in special surveillance	396,192	673,937
Of which, classified as doubtful	361,942	447,095
Recognised as liabilities in the balance sheet (1)	91,026	76,423
Total commitments and given loans	**23,394,354**	**21,070,128**
Financial guarantees	376,728	427,621
Of which, classified as normal in special surveillance	13,774	31,850
Of which, classified as doubtful	63,903	80,683
Recognised as liabilities in the balance sheet (1)	10,224	17,624
Total commitments and given guarantees	**376,728**	**427,621**
Other guarantees and indemnities and other contingent liabilities	13,112,359	12,550,826
Of which, classified as normal in special surveillance l	726,650	963,637
Of which, classified as doubtful	535,639	603,267
Recognised as liabilities in the balance sheet (1)	200,481	279,072
Other commitments	**13,112,359**	**12,550,826**
Total guarantees issued provided by the third party	**36,883,441**	**34,048,575**

(1) Amount related to "Provision - Commitments and guarantees given" (Note 19).

(25.3) Third party funds managed and marketed by the Bank

The breakdown of off-balance sheet funds managed and commercialized by the Bank at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Investment companies and funds	19,809,312	17,210,417
Pension funds	7,825,939	7,363,721
Discretionally managed customer portfolios	3,495,036	2,118,813
Total	**31,130,287**	**26,692,951**

In addition, the Bank markets off-balance-sheet customer funds managed by third parties outside the Bank. These amounted to EUR 11,377,769 thousand at 31 December 2019 (EUR 11,023,117 thousand at 31 December 2018).

(25.4) Leases

(25.4.1) Finance leases

In the normal course of its business the Bank acts as lessor in transactions which, pursuant to the provisions of the regulations applicable, are classified as finance leases. Arrangements drawn up in this regard are performed in accordance with general market practices for such transactions.

Finance leases granted by the Bank amounted to EUR 1,108,999 thousand at 31 December 2019 (EUR 1,162,034 thousand at 31 December 2018), recognised under "Financial assets at amortised cost – Loans and advances - Customers" in the balance sheet at that date, Impairment losses recognised on these transactions amounted to EUR 41,161 thousand at 31 December 2019 (EUR 78,358 thousand at 31 December 2018).

The gross investment in the lease is the sum of: the minimum payments receivable from the finance lease plus any unsecured residual value corresponding to the lessor. It should be remembered that the assets leased under finance leases are recognised at the present value of the lease payments payable by the lessee, plus the guaranteed and non-guaranteed residual value, excluding interest expenses and value-added tax.

The breakdown of these items is as follows:

(Thousands of euros)		
ITEM	31/12/2019	31/12/2018
Present value of minimum lease payments receivable (1)	1,061,604	1,022,513
Residual values not guaranteed	47,395	139,521
Total gross investment in finance leases	**1,108,999**	**1,162,034**

(1) Includes the value of the purchase option whose collection is guaranteed for the Bank.

Unearned finance income from the Bank's finance leases amounted to EUR 60,415 thousand at 31 December 2019 (EUR 68,757 thousand at 31 December 2018).

Meanwhile, the breakdown by maturity of the gross investment and the current value of the minimum payments to be received is presented below:

31 December 2019

(Thousands of euros)		
MATURITY	Gross investment	Present value of minimum payments receivable
Up to 1 year	357,219	351,528
1 to 5 years	606,107	575,349
More than 5 years	145,673	134,727
Total	**1,108,999**	**1,061,604**

31 December 2018

(Thousands of euros)		
MATURITY	Gross investment	Present value of minimum payments receivable
Up to 1 year	317,627	311,629
1 to 5 years	615,047	536,724
More than 5 years	229,360	174,160
Total	**1,162,034**	**1,022,513**

(25.4.2) Operating leases

In relation to lease transactions which, pursuant to the provisions of prevailing regulations, must be considered as operating leases and in which the Bank acts as the lessee, the amount of leases and subleases recognised as an expense in the income statement amounted to EUR 7,947 thousand for the year ended 31 December 2019 (EUR 73,362 thousand at 31 December 2018).

(25.5) Exchanges of assets

In the years ended 31 December 2019 and 2018, the Bank did not carry out any significant exchanges of assets. In this regard, the acquisition by any means of tangible assets in payment of debts arising with the Bank's debtors is not considered an exchange of assets. Information concerning this type of transaction is shown in Note 2.8 above.

(26) Interest income

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	Income / (Expenses) 31/12/2019	31/12/2018
By counterparty		
Debt securities	317,038	424,309
Public sector	298,242	380,438
Credit institutions	1,181	10,449
Other financial corporations	2,448	21,933
Non-financial corporations	15,167	11,489
Loans and advances (1)	2,016,134	2,061,986
Public sector	47,440	56,554
Credit institutions	6,146	48,201
Other financial corporations	11,674	10,590
Non-financial corporations	699,733	763,977
Households	1,251,141	1,182,664
Other assets (2)	158,188	92,284
Derivatives – Hedge accounting, interest rate risk	(33,403)	(107,225)
Total	**2,457,957**	**2,471,354**

(1) Of which interest income from, the doubtful assets profit at 31 December 2019 was EUR 194,322 thousand (EUR 173,969 thousand at 31 December 2018).

(2) At 31 December 2019, includes EUR 56,141 thousand of interest accrued on deposits taken under the framework of the TLTRO programme (EUR 55,905 thousand at 31 December 2018. See Note 18.

(27) Interest expense

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	Income / (Expenses) 31/12/2019	31/12/2018
By counterparty		
Deposit	(392,848)	(451,136)
Central banks	(3,979)	(29)
Public sector	(1,999)	(2,463)
Credit institutions	(38,928)	(45,124)
Other financial corporations	(315,154)	(345,410)
Non-financial corporations	(13,638)	(24,795)
Households	(19,150)	(33,315)
Debt securities issued	(457,474)	(532,955)
Other financial liabilities	(9)	(100)
Derivatives – Hedge accounting, interest rate risk	450,385	553,387
Other liabilities (1)	(68,695)	(11,954)
Total	**(468,641)**	**(442,758)**

(1) Of which, in 2019 included expenses accrued on operating leases for EUR 12,810 thousand.

(28) Dividend income

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	Income 31/12/2019	31/12/2018
Financial assets held for trading	186	104
Financial assets at fair value through other comprehensive income	17,248	10,271
Investments in subsidiaries, joint ventures and associates	217,456	400,641
Total	**234,890**	**411,016**

(29) Fee and commission income

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

	Income	
ITEMS	31/12/2019	31/12/2018
Contingent liabilities	65,584	69,223
Contingent commitments	33,528	32,476
Collection and payment services	414,645	409,725
Securities services	68,660	57,075
Non-banking financial product sales	233,440	228,412
Other fees	242,511	245,151
Total	**1,058,368**	**1,042,062**

(30) Fee and commission expense

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

	(Expenses)	
ITEMS	31/12/2019	31/12/2018
Fees and commissions assigned to other entities and correspondents	(48,509)	(43,565)
Brokerage fees on asset and liability transactions	(8,265)	(12,893)
Other commissions	(25,765)	(21,632)
Total	**(82,539)**	**(78,090)**

(31) Gains or (-) losses on financial assets and liabilities

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 by financial instrument portfolio, is as follows:

(Thousands of euros)

	(Expenses) / Income	
ITEMS	31/12/2019	31/12/2018
Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, net	288,776	399,874
Financial assets at fair value through other comprehensive income	213,169	398,352
Financial assets at amortised cost-Loans and advances	71,247	1,539
Financial liabilities measured at amortised cost	4,360	(17)
Gains or (-) losses on financial assets and liabilities held for trading, net	26,466	48,036
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	905	(429)
Gains or (-) losses from hedge accounting, net	(11,531)	(28,534)
Total	**304,616**	**418,947**

The most significant gains and losses were the financial assets at fair value through other comprehensive income related to public and private debt securities, for EUR 213 million in 2019 (EUR 398 million in 2018).

(32) Other operating income

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

	Income	
ITEMS	31/12/2019	31/12/2018
Income from investment property (Note 14.2)	20,376	22,654
Financial fees and commissions offsetting direct costs	26,366	25,709
Other items	8,560	8,738
Total	**55,302**	**57,101**

(33) Other operating expenses

The breakdown of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	(Expenses) 31/12/2019	(Expenses) 31/12/2018
Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.10)	(231,063)	(221,215)
Other operating expenses	(71,970)	(76,347)
Total	**(303,033)**	**(297,562)**

(34) Administrative expenses – Staff costs

The detail of this item in the accompanying income statement for the years ended 31 December 2019 and 2018, by type of cost, is as follows:

(Thousands of euros)

ITEMS	(Expenses) /Income 31/12/2019	(Expenses) /Income 31/12/2018
Wages and salaries	(802,359)	(863,489)
Social security costs	(223,684)	(215,014)
Contributions to defined contribution pension plans (Note 34.3)	(49,787)	(31,189)
Contributions to defined benefit pension plans	-	(591)
Termination benefits	(4,161)	(4,999)
Training costs	(7,656)	(8,117)
Other staff costs	(12,797)	(1,041)
Total	**(1,100,444)**	**(1,124,440)**

(34.1) Composition and distribution by gender of employees

The numbers of Bank employees, by gender and professional category (including executive directors and senior executives at the Bank), at 31 December 2019 and 2018, and the average headcount for the years ended 31 December 2019 and 2018 are as follows:

REMUNERATION LEVELS	Headacount at 31 December 2019 Men	Headacount at 31 December 2019 Women	Headacount at 31 December 2019 Year-end headcount	Average headcount for 2019	Average headcount with disabilities >= 33% 2019 (1)
Directors	**3**	**-**	**3**	**3**	**-**
Senior executives	**8**	**1**	**9**	**9**	**-**
Other employees by remuneration level	**6,823**	**8,774**	**15,597**	**15,483**	**182**
Level I	84	9	93	94	-
Level II	464	147	611	611	5
Level III	688	302	990	995	9
Level IV	995	736	1,731	1,737	16
Level V	1,150	1,236	2,386	2,390	23
Level VI	990	1,376	2,366	2,365	32
Level VII	604	1,058	1,662	1,653	21
Level VIII	427	943	1,370	1,358	22
Level IX	347	732	1,079	1,033	8
Level X	793	1,764	2,557	2,521	27
Level XI	197	371	568	559	18
Level XII	15	24	39	39	-
Level XIII	-	-	-	-	-
Level XIV	66	75	141	124	-
Group 2 and others	3	1	4	4	1
Total Bankia, S.A.	**6,834**	**8,775**	**15,609**	**15,495**	**182**

(1) Bankia has adopted alternative measures for complying with the reserve quota for employees with disabilities.

REMUNERATION LEVELS	Headacount at 31 December 2018 Men	Women	Year-end headcount	Average headcount for 2018	Average headcount with disabilities >= 33% 2018 (1)
Directors	**4**	**-**	**4**	**4**	**-**
Senior executives	**4**	**1**	**5**	**5**	**-**
Other employees by remuneration level	**6,763**	**8,714**	**15,477**	**16,170**	**194**
Level I	80	9	89	127	1
Level II	437	134	571	656	6
Level III	703	286	989	1,096	10
Level IV	1,025	765	1,790	1,898	20
Level V	1,085	1,154	2,239	2,359	25
Level VI	946	1,323	2,269	2,401	34
Level VII	554	932	1,486	1,537	19
Level VIII	463	1,015	1,478	1,528	22
Level IX	295	685	980	983	12
Level X	760	1,667	2,427	2,402	16
Level XI	391	712	1,103	1,122	28
Level XII	9	23	32	35	-
Level XIII	8	8	16	16	-
Level XIV	-	-	-	-	-
Group 2 and others	7	1	8	10	1
Total Bankia, S.A.	**6,771**	**8,715**	**15,486**	**16,179**	**194**

(1) Bankia has adopted alternative measures for complying with the reserve quota for employees with disabilities.

(34.2) Provisions for pensions and similar obligations (obligations to employees) and insurance contracts linked to pensions

As described in Note 2.13, the Bank has defined post-employment benefit obligations with certain employees. Following is a detail of these pension obligations and long-term commitments, which are recognised in the Bank's balance sheet:

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Post-employment benefits	**1,002,147**	**939,337**
Other long-term employee benefits	**227,057**	**313,469**
Obligations assumed from the labour agreement entered into as a result of the incorporation of the BFA Group (See Note 2.15)	1,386	9,088
Other long-term benefits	225,671	304,381
(Less) – Plan assets to commitments	(194,539)	(195,615)
Total obligations net of associated assets	**1,034,665**	**1,057,191**
Other obligations	**-**	**-**
Total obligations for pensions funds and similar obligations	**1,034,665**	**1,057,191**
of which:		
Debit balances - Assets (1)	(3,559)	(23,631)
Credit balances - Liabilities (2)	1,038,224	1,080,822
Insurance contracts linked to pensions (defined-benefit)	836,660	772,825
Insurance contracts linked to other long-term obligations	225,252	261,205
Total insurance contracts (3)	**1,061,912**	**1,034,030**

(1) Included in "Other assets" in the accompanying balance sheet

(2) Recognised under "Provisions - Provisions for pensions and similar obligations" in the accompanying balance sheet (Note 19).

(3) The Bank has a range of insurance policies covering the portion of the aforementioned obligations that do not satisfy the conditions for classification as plan assets, irrespective of the provisions included in the balance sheet in accordance with current legislation, which were recognised under "Insurance contracts linked to pensions" on the asset side of the balance sheet (Note 16).

The tables below provide a breakdown at 31 December 2019 and 2018 of total obligations for qualifying assets, distinguishing between those that exceed the value of plan assets and are therefore recognised under "Provisions - Pensions and other post employment defined benefit obligations" in the balance sheet, and those for which the obligations covered by plan assets exceeds the present value of the obligation which, under current regulations, are recognised at their net amount in "Other assets - Other" in the balance sheet:

31 December 2019

(Thousands of euros)

ITEMS	Post-employment benefits			Pre-retirement and other long-term commitments			Total (III + VI)
	Value of the obligation (I)	Value of plan assets (II)	Total (III = I – II)	Value of the obligation (IV)	Value of plan assets (V)	Total (VI = IV – V)	
Commitments for which the value of the obligations exceeds the value of the plan assets recognised under "Provisions – Pensions and other post employment defined benefit obligations"	812,596	294	812,302	227,057	1,135	225,922	1,038,224
Commitments for which the value of the obligations is less than the value of the plan assets recognised under "Other assets – Other"	189,551	193,110	(3,559)	-	-	-	(3,559)
Total at 31 December 2019	**1,002,147**	**193,404**	**808,743**	**227,057**	**1,135**	**225,922**	**1,034,665**

31 December 2018

(Thousands of euros)

ITEMS	Post-employment benefits			Pre-retirement and other long-term commitments			Total (III + VI)
	Value of the obligation (I)	Value of plan assets (II)	Total (III = I – II)	Value of the obligation (IV)	Value of plan assets (V)	Total (VI = IV – V)	
Commitments for which the value of the obligations exceeds the value of the plan assets recognised under "Provisions – Pensions and other post employment defined benefit obligations"	785,746	11,061	774,685	313,469	7,331	306,138	1,080,823
Commitments for which the value of the obligations is less than the value of the plan assets recognised under "Other assets – Other"	153,591	177,222	(23,631)	-	-	-	(23,631)
Total at 31 December 2018	**939,337**	**188,283**	**751,054**	**313,469**	**7,331**	**306,138**	**1,057,192**

(34.3) Post-employment obligations

Details of the various post-employment benefit obligations, under both defined benefit and defined contribution plans, assumed by the Bank are as follows:

Defined-contribution plans

As indicated in Note 2.13 above, the entities have assumed the obligation of making certain contributions to their employees' external pension schemes that qualify as "defined-contribution" plans under applicable law.

The Bank made contributions to external pension funds in the amount of EUR 51,105 thousand in 2019 of which EUR 1,318 thousand were covered by the employee pension plan and EUR 49,787 thousand were recognised under "Administrative expenses - Staff expenses" in the income statement. In 2018 the Bank made contributions to external pension funds in the amount of EUR 46,607 thousand of which EUR 15,418 thousand were covered by the employee pension plan and EUR 31,189 thousand are recognised under "Administrative expenses - Staff expenses" in the income statement. (see Note 34).

Defined-benefit plans

The table below shows the reconciliation between the present value of defined-benefit pension obligations assumed by the Bank with its employees at 31 December 2019 and 2018, the fair value of plan assets and the fair value of reimbursement rights that do not qualify as plan assets, in all cases within Spain, along with the amounts recognised on the balance sheet at those dates:

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Present value of the obligations	**1,002,147**	**939,337**
Obligations covered by plan assets	190,148	178,100
Obligations covered by non-qualifying assets	811,999	761,237
Less - Fair value of plan assets	**(193,404)**	**(188,283)**
Recognised under "Provisions – Provisions for pensions and similar obligations" on the balance sheet	**812,302**	**774,685**
Recognised under "Other Assets" on the balance sheet	(3,559)	(23,631)
Fair value of non-qualifying assets	**836,660**	**772,825**

"Fair value of non-qualifying assets" in the above table includes the fair value of insurance policies arranged with Bankia Mapfre Vida (EUR 617,028 thousand) and Caser (EUR 194,971 thousand). The fair value of these insurance policies was calculated in accordance with the provisions applicable in section 16 of Rule Thirty-Five of Bank of Spain Circular 4/2017 and paragraph 115 of IAS 19; therefore, the present value of the insured pensions was considered fair value. The expected return on these policies was calculated using an interest rate of 0.50%, established in accordance with IAS 19 and the actuarial assumptions specified in prevailing legislation in Spain as they are obligations with employees subject to Spanish labour law covered with funds set up in accordance with Royal Decree 1588/1999, of 15 October, as required by Rule Thirty-five, indent 14 c), of Circular 4/2017.

The fair value of plan assets stated in the above table is presented on the balance sheet as a reduction of the present value of the Bank's obligations.

The present value of the obligations was determined by qualified actuaries using the following techniques:

– Valuation method: "projected unit credit method", which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

– The estimated retirement age of each employee is the earliest at which the employee is entitled to retire.

– Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	Year 2019	Year 2018
Technical interest rate (1)	0.50%	1.65%
Mortality tables	PERMF-2000	PERMF-2000
Estimated return on reimbursement rights recognised as assets	0.50%	1.65%
Expected return on plan assets°	0.50%	1.65%
Social security pensions costs growth rate	1.00%	1.00%
Rate of pension increase according to the Savings Bank collective wage agreement	1.00%	1.00%
Rate of pension increase according to the CPI	1.75%	2.00%
Cumulative inflation	1.75%	2.00%
Annual salary increases (2)	Not applicable	Not applicable

1) Assumptions based on the duration of the post-employment obligations, which for this group is approximately 11.19 years, and in line with the yield on Aa rated corporate bonds in the euro area.

2) The assumption regarding the annual wage increase does not apply, since at the date of the actuarial measurement, 31 December 2019, no active employee had a defined-benefit scheme.

The reconciliation of the balances recognised at 31 December 2019 and 2018 for the present value of the Bank's defined-benefit obligations is as follows:

(Thousands of euros)		
ITEMS	Year 2019	Year 2018
Balance at 1 January	**939,337**	**819,736**
Expected interest on obligation	15,034	11,919
Gains and losses recognised immediately in equity (*)	119,771	4,133
a) (Gain)/loss arising from changes in financial assumptions	*136,039*	*(11,115)*
b) Others (Gain)/loss arising from changes	*(16,268)*	*15,248*
Benefits paid	(54,136)	(50,290)
Additions to obligation due to new commitments	1,875	174,663
Adittions to obligation - business combination	-	-
Curtailments	(19,734)	(20,824)
Balance at 31 December	**1,002,147**	**939,337**

(*) These amounts are recognised directly in "Accumulated Other Comprehensive Income" in equity in the balance sheets (see Note 2.13).

The reconciliation of the fair value at 31 December 2019 and 2018 of plan assets in defined-benefit obligations is as follows:

(Thousands of euros)		
ITEMS	Year 2019	Year 2018
Fair value at 1 January	**188,283**	**443,729**
Expected interest on Fund	2,992	6,453
Gains and losses recognised immediately in equity (*):	14,907	(32,742)
a) Expected return on plan assets, excluding interest on the plan	14,907	(32,742)
Contributions by entity (1)	(136)	(34)
Benefits paid	(12,642)	(27,174)
Adittions to obligation - business combination	-	-
Reduction in plan assets – Reclassification of the value of the assets (transfer to linked insurance)	-	(201,949)
Fair value at 31 December	**193,404**	**188,283**

(*) These amounts are recognised directly in "Accumulated Other Comprehensive Income" in equity in the balance sheets (see Note 2.13).

(1) Contributions / (reimbursements) imply a change in the fair value of "Insurance contracts linked to pensions" and, therefore, do not have any impact on the income statement.

The reconciliation of the fair value at 31 December 2019 and 2018 of reimbursement rights recognised on the balance sheet as assets under “Other assets - Insurance contracts linked to pensions is as follows:

(Thousands of euros)		
ITEMS	Year 2019	Year 2018
Fair value at 1 January	**772,825**	**423,937**
Expected interest on insurance contracts linked to pensions	12,402	6,188
Gains and losses recognised immediately in equity (*):	110,746	4,052
a) Expected return on insurance contracts, excluding interest on insurance contracts linked to pensions	110,746	4,052
Net contributions/(reimbursements) (1)	(19,693)	(178)
Benefits paid	(41,495)	(23,090)
Adittions to obligation - business combination	-	-
Increase in reimbursement rights – Reclassification of the value of the assets (transfer to linked insurance)	1,875	376,591
Settlements	-	(14,675)
Fair value at 31 December	**836,660**	**772,825**

(*) These amounts are recognised directly in “Accumulated Other Comprehensive Income” in equity in the balance sheet (see Note 2.13).

(1) Contributions/(reimbursements) imply a change in the fair value of "Insurance contracts linked to pensions" and, therefore, do not have any impact on the income statement

The detail of the fair values of the main plan assets at 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
ITEMS	31/12/2019	31/12/2018
Insurance policies	11,143	13,480
Other assets (*)	182,261	174,803

(*) The fair value of plan assets classified as "Other assets", quantified at EUR 182 million, included assets covered by employee pension plans or insured by insurance policies that do not fit into the categories set out in section H) of ruling 59 of Circular 4/2017.

The criteria used to determine the total expected return on plan assets are based on the duration of the post-employment obligations, which for this group is approximately 11.19 years (11.36 years for 2018), and in line with the yield on Aa and rated corporate bonds in the euro area.

(34.4) Pre-retirement commitments and other long-term commitments

The table below shows the reconciliation between the present value of pre-retirement commitments and other long-term obligations assumed by the Bank with its employees at 31 December 2019 and 2018, the fair value of plan assets and the fair value of reimbursement rights that do not qualify as plan assets, in all cases within Spain, along with the amounts recognised on the balance sheet at those dates:

(Thousands of euros)

ITEMS	31/12/2019	31/12/2018
Present value of the obligations	**227,057**	**313,469**
Obligations covered by plan assets	1,139	7,355
Obligations covered by non-qualifying assets	225,248	260,967
Internal fund	670	45,147
Less - Fair value of plan assets	**(1,135)**	**(7,331)**
Recognised under "Provisions – Pensions and other post employment defined benefit obligations"	**225,922**	**306,138**
Recognised under "Other assets – Other" of the balance sheet	**-**	**-**
Fair value of hedge assets for pre-retirement commitments and other long-term commitments	**225,252**	**261,205**

The present value of the obligations was determined by qualified actuaries using the following techniques:

– Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.
– The estimated retirement age of each employee is the earliest at which the employee is entitled to retire.
– Actuarial assumptions used: unbiased and mutually compitible. Specifically, the most significant actuarial assumptions used in the calculation were as follows:

Actuarial assumptions	Year 2019	Year 2018
Technical interest rate (1)	0.00%	0.35%
Mortality tables	PERMF-2000	PERMF-2000
Estimated return on reimbursement rights recognised as assets	0.00%	0.35%
Expected return on plan assets	0.00%	0.35%
Social security costs growth rate	2.00%	2.00%
Rate of pension increase according to the Savings Bank collective wage agreement	1.00%	1.00%
Cumulative inflation	1.75%	2.00%
Annual salary increases	Not applicable	2.00%
Healthcare variation cost increase	Not applicable	Not applicable

(1) Assumptions based on the duration of other long-term commitments, which for this group is approximately 2.09 years (2.13 years in 2018), and in line with the yield on Aa rated corporate bonds in the euro area.

Reconciliation of the balances recognised at 31 December 2019 and 2018 for the present value of obligations relating to pre-retirements and other long-term obligations assumed by the Bank is as follows:

(Thousands of euros)

ITEMS	Year 2019	Year 2018
Balance at 1 January	**313,470**	**43,798**
Expected interest on the obligation	968	34
Gains and losses recognised immediately	(5,071)	(18,806)
a) (Gains)/losses arising on changes in financial assumptions	*1,661*	*(1,771)*
b) (Gains)/losses arising from other changes (data, experience, etc,)	*(6,732)*	*(17,035)*
Benefits paid	(82,310)	(35,641)
Increase in the obligation for new commitments	-	324,108
Adittion due to bussines combination	-	-
Settlements	-	(23)
Fair value at 31 December	**227,057**	**313,470**

The table below shows the reconciliation of the fair value at 31 December 2019 and 2018 of plan assets in pre-retirement commitments and similar defined-benefit obligations (all for Spanish companies):

(Thousands of euros)		
	Plan assets	
ITEMS	Year 2019	Year 2018
Fair value at 1 January	**7,331**	**31,959**
Expected interest on the plan	16	29
Gains and loss recognised immediately	3,877	485
a) Expected return on plan assets, excluding interest on the plan	*3,877*	*485*
Net contributions/(reimbursements)	(6,070)	(18,842)
Benefits paid	(4,019)	(6,300)
Fair value at 31 December	**1,135**	**7,331**

The table below shows the reconciliation between 31 December 2019 and 2018 of the fair value of reimbursement rights recognised as assets under "Other assets - Insurance contracts linked to pensions" on the balance sheet for pre-retirement and other long-term obligations (all corresponding to the Bank's Spanish entities):

(Thousands of euros)		
	Insurance contracts	
ITEMS	Year 2019	Year 2018
Fair value at 1 January	**261,205**	**9,044**
Expected interest on insurance contracts linked to pensions	811	3
Gains and losses recognised immediately	(138)	(16)
a) Expected return on insurance contracts, excluding interest on insurance contracts linked to pensions	*(138)*	*(16)*
Net contributions/(reimbursements)	44,134	278,914
Benefits paid	(80,760)	(26,740)
Fair value at 31 December	**225,252**	**261,205**

The table below shows the fair values of the main plan assets at 31 December 2019 and 2018 for early-retirement and similar obligations:

(Thousands of euros)		
ITEMS	31/12/2019	31/12/2018
Insurance policies	1,135	7,331

(34.5) Estimate of future payments for defined-benefit obligations

The following table shows the estimate of payments for defined-benefit obligations over the next 10 years:

(Thousands of euros)						
FUTURE PAYMENTS	2020	2021	2022	2023	2024	2025-2029
Pension commitments	54,442	53,296	52,131	50,842	49,436	225,065
Other long-term commitments	67,324	69,412	57,546	29,925	2,811	73

The best actuarial used by he Bank estimate indicates that the amount of contributions to be made in respect of the pension and similar obligations assumed by the Bank in 2020 will not be material with respect to the profit and net equity estimated for the Bank at the end of the year.

(34.6) Sensitivity analysis

The table below shows an analysis of the sensitivity of defined-benefit obligations at 31 December 2019 corresponding to pension commitments and other long-term commitments (pre-retirements) to changes in the main actuarial assumptions:

(Thousands of euros)

ITEMS	Pension commitments	Pre-retirement commitments
Technical interest rate		
50bp increase	940,504	225,070
50bp decrease (*)	1,070,930	227,057
Annual salary increase (**)		
50bp increase	Not applicable	Not applicable
50bp decrease	Not applicable	Not applicable
Annual pension increase		
50bp increase	1,069,153	227,057
50bp decrease	941,524	227,057
Cumulative inflation		
50bp increase	1,043,695	227,057
50bp decrease	965,002	227,057

(*) As the interest rate for pre-retired employees was 0.00%, the measurement with the 0.5% decrease was not made with the 0%.

(**) Annual salary increases only affect assets. As there were no defined-benefit assets at 31 December 2019, this change is not applicable.

These changes in actuarial assumptions would not have a significant impact, as 99.2% of the obligations are guaranteed.

(34.7) Remuneration in kind

The Bank's remuneration policy includes certain remuneration in kind, mainly financial assistance and life and health insurance policies, taxed, as appropriate, in accordance with prevailing regulations.

(34.8) Share-based payment schemes

The direct remuneration policy in accordance with the best corporate governance practices and pursuant to European regulations concerning remuneration policies at credit institutions and RDL 2/2012 of 3 February, Order ECC/1762/2012 of 3 August and Law 10/2014 of 26 June.

The system sets out a specific scheme for settling variable compensation for directors who, in keeping with the principle of proportionality, perform control functions or whose activity has a significant impact on the risk profile:

Management Committee:

- At least 50% of variable remuneration must be paid in Bankia shares.
- 100% of variable remuneration, in either shares or cash, must be deferred.

Rest of the identified collective:

- At least 50% of variable remuneration must be paid in Bankia shares.
- At least 40% of variable remuneration, in either shares or cash, must be deferred over a period of three years.

Accordingly, for members of the Management Committee, 25% of the annual variable remuneration shall be settled in shares once three years have elapsed from the assessment of the objectives, with deferral of another 25% to be settled in shares in two equal deliveries in the two following years.

For the rest of the identified collective, 30% of annual variable remuneration will be paid in shares following assessment of the year's objectives. In addition, 20% of annual variable remuneration will be deferred in portions of one third over a period of three years.

The share price will be the average quoted price over the three months prior to the accrual date.

All shares delivered to directors as part of their annual variable remuneration will be unavailable during the year immediately following the date on which they are delivered.

(35) Administrative expenses - Other general administrative expenses

The detail, by nature, of this item in the accompanying income statement for the financial years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
	(Expenses)	
ITEMS	31/12/2019	31/12/2018
From property, fixtures and supplies (1)	(59,242)	(127,690)
IT and communications	(204,576)	(189,608)
Advertising and publicity	(53,430)	(50,488)
Technical reports	(34,994)	(25,585)
Surveillance and security courier services	(18,122)	(18,154)
Insurance and self-insurance premiums	(3,419)	(3,454)
Contributions and other tax issues	(31,378)	(28,453)
Other expenses	(90,684)	(91,602)
Total	**(495,845)**	**(535,034)**

(1) In 2018, included expenses accrued on operating leases for EUR 73,362 thousand before Circular 2/2018 became effective (see Note 1.3).

The detail of the fees paid by Bankia to firms belonging to the worldwide organisation of Ernst & Young (the auditor of Bankia, S.A.) in 2019 is as follows:

- For the audit of the annual financial statements of Bankia, S.A. and of the interim and annual financial statements of the Bankia Group for 2019: EUR 1,804 thousand (2018: EUR 1,803 thousand)
- For other assurance and services similar to auditing required by regulations or supervisory authorities 2019: EUR 135 thousand. (2018: EUR 207 thousand)
- For other professional services rendered: EUR 392 thousand, none related tax advice. (2018: EUR 892 thousand, none related tax advice).

The services engaged by the Bankia, S.A meet the requirements of independence stipulated in Law 22/2015 of 20 July and do not include any work that is incompatible with the auditing function.

(36) Depreciation

The detail of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)		
	(Expenses)	
ITEMS	31/12/2019	31/12/2018
Depreciation of tangible assets (Note 14)	(145,818)	(112,380)
Depreciation of intangible assets (Note 15)	(53,859)	(60,105)
Total	**(199,677)**	**(172,485)**

(37) Provisions or (-) reversal of provisions

The detail of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows (see Note 19):

(Thousands of euros)		
	(Expenses) / Income	
ITEMS	31/12/2019	31/12/2018
Commitments and guarantees given	72,066	51,158
Pensions and other post-employment defined benefit obligations	28,653	10,418
Pending legal issues and tax litigation	(104,073)	751
Other provisions	(18,304)	(45,572)
Total	**(21,658)**	**16,755**

(38) Impairment or (-) reversal of impairment on finangcial assets not measured at fair value through profit or loss or (-) modification gains, net

The net provision recognised for this item of the income statement for the years ended 31 December 2019 and 2018 relates to the following financial instruments, by category:

(Thousands of euros)

ITEMS	Income / (Expenses) 31/12/2019	31/12/2018
Financial assets at amortised cost (Note 11)	(457.812)	(428.610)
Financial assets at fair value through other comprehensive income (Note 10)	552	(971)
Total	**(457,260)**	**(429,581)**

(39) Impairment or (-) reversal of impairment on investment on subsidiaries, joint ventures and associates

The detail by nature of the amount recognised for this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	Income / (Expenses) 31/12/2019	31/12/2018
Additions	181,966	252,020
Reversals	(86,690)	(91,498)
Total (Note 13)	**95,276**	**160,522**

(40) Impairment or (-) reversal of impairment on non-financial assets

The detail of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	(Expenses) / Income 31/12/2019	31/12/2018
Tangible assets (Note 14)	210	12
Additions	-	-
Reversals	210	12
Investment property investments (Note 14)	(14,232)	(22,982)
Additions	(26,034)	(122,334)
Reversals	11,802	99,352
Others	-	-
Additions	-	-
Total	**(14,022)**	**(22,970)**

(41) Gains or (-) loss on the derecognition in non-financial assets and investments, net

The detail of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEMS	Income / (Expenses) 31/12/2019	31/12/2018
Gain/(loss) on disposal of tangible assets	-	(1)
Gain/(loss) on disposal of investments in subsidiaries, joint ventures and associates	-	-
Other items	(329)	1,272
Total	**(329)**	**(1,271)**

(42) Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The detail of this item in the accompanying income statement for the years ended 31 December 2019 and 2018 is as follows:

(Thousands of euros)

ITEM	(Expenses) / Income 31/12/2019	31/12/2018
Non-current assets - Tangible assets	(158,375)	(143,388)
Non-current assets - Investments in joint ventures and associates	40,823	9,805
Total	**(117,552)**	**(133,583)**

"Non-current assets –Tangible assets" in 2019 includes losses of impairment in assets amounting to EUR 163,594 thousand. "Non-current assets – Investments in associates and joint ventures" includes mainly the gain generated on the sale of the assets in associates Ferromóvil 3000, S.L., Ferromóvil 9000, S.L. and Plan Azul 07, S.L. classified under "Non-current assets and disposal groups classified as held for sale" amounting to EUR 35,323 thousand at December 2018.

(43) Related parties

In addition to the disclosures made in Note 5 regarding the remuneration earned by members of the Board of Directors and senior executives of the Bank, following is a detail of the balances recognised in the balance sheet at 31 December 2019 and the gains and losses recognised in the income statement for the year ended 31 December 2019 arising from transactions with related parties:

(Thousand of euros)

ITEM	Significant shareholders	Board of Directors and senior executives	Individuals, companies or Group entities	Other related parties	Total
PROFIT OR LOSS					
(Interest expenses)	59	-	12,855	185	13,099
Leases	-	-	-	-	-
Services reception	-	-	-	-	-
Goods purchase (finished or under construction)	-	-	-	-	-
Other expenses	-	-	(63,306)	45	(63,261)
Total	**59**	**-**	**(50,451)**	**230**	**(50,162)**
Financial income	2	7	11,229	100	11,338
Dividends received	-	-	217,456	5,882	223,338
Services	3,790	117	1,579	477	5,963
Inventory sales	-	-	-	-	-
Other income	-	-	-	-	-
Total	**3,792**	**124**	**230,264**	**6,459**	**240,639**

(Thousand of euros)

ITEM	Significant shareholders	Board of Directors and senior executives	Individuals, companies or Group entities	Other related parties	Total
OTHER TRANSACTIONS					
Financing agreements: loans and capital contributions (lender)	(100,231)	3,416	(124,644)	3,577	(217,882)
Financing agreements: loans and capital contributions (borrower)	(10,723)	4,296	(209,388)	11,347	(204,468)
Collateral and guarantees given	(264)	(9)	26,160	(1,477)	24,410
Collateral and guarantees received	-	-	-	-	-
Commitments acquired	-	36	(41,969)	67	(41,866)
Dividends and other benefits distributed	(219,360)	-	-	-	(219,360)
Other transactions	728	-	26,359	-	27,087

(Thousand of euros)

ITEM	Significant shareholders	Board of Directors and senior executives	Individuals, companies or Group entities	Other related parties	Total
BALANCE AT THE END OF THE REPORTING PERIOD					
Trade receivables	-	-	-	-	-
Loans and credit given	564	4,338	303,303	5,279	313,484
Other receivables	-	-	-	-	-
Total receivables	**564**	**4,338**	**303,303**	**5,279**	**313,484**
Trade payables	-	-	-	-	-
Loans and credit received	24,978	7,464	988,393	96,639	1,117,474
Other payment obligations	-	-	-	-	-
Total payables	**24,978**	**7,464**	**988,393**	**96,639**	**1,117,474**

The detail of balances recognised in the Bank's balance sheet at 31 December 2018 and the gains and losses recognised in the income statement at 31 December 2018 arising from transactions with related parties is as follows:

(Thousand of euros)

ITEM	Significant shareholders	Board of Directors and senior executives	Individuals, companies or Group entities	Other related parties	Total
PROFIT OR LOSS					
(Interest expenses)	102	-	14,736	144	14,982
Leases	-	-	-	-	-
Services reception	-	-	-	-	-
Goods purchase (finished or under construction)	-	-	-	-	-
Other expenses	-	-	(2,678)	(5)	(2,683)
Total	**102**	**-**	**12,058**	**139**	**12,299**
Financial income	52	1	16,764	27	16,844
Dividends received	-	-	-	-	-
Services	21,650	109	2,273	614	24,646
Inventory sales	-	-	-	-	-
Other income	-	-	-	-	-
Total	**21,702**	**110**	**19,037**	**641**	**41,490**

(Thousand of euros)

ITEM	Significant shareholders	Board of Directors and senior executives	Individuals, companies or Group entities	Other related parties	Total
OTHER TRANSACTIONS					
Financing agreements: loans and capital contributions (lender)	52,455	(62)	(212,570)	1,230	(158,947)
Financing agreements: loans and capital contributions (borrower)	27,578	1,770	75,323	40,434	145,105
Collateral and guarantees given	(205)	-	(2,850)	2,540	(515)
Collateral and guarantees received	-	-	-	-	-
Commitments acquired	-	30	(83,007)	153	(82,824)
Dividends and other benefits distributed	208,048	-	-	-	208,048
Other transactions	919	-	(1,485)	-	(566)

(Thousand of euros)

ITEM	Significant shareholders	Board of Directors and senior executives	Individuals, companies or Group entities	Other related parties	Total
BALANCE AT THE END OF THE REPORTING PERIOD					
Trade receivables	-	-	-	-	-
Loans and credit given	100,795	922	427,947	1,702	531,366
Other receivables	-	-	-	-	-
Total receivables	**100,795**	**922**	**427,947**	**1,702**	**531,366**
Trade payables	-	-	-	-	-
Loans and credit received	35,701	3,168	2,351,993	85,292	2,476,154
Other payment obligations	-	-	-	-	-
Total payables	**35,701**	**3,168**	**2,351,993**	**85,292**	**2,476,154**

Appendices I, II and III to these financial statements show the details of associates and jointly-controlled entities, "Other related parties" includes balances held by close family relations of Bank directors (inter alia, directors' spouses and their own and their spouses' ancestors, descendants and siblings) other related parties to them, as well as the Employee Pension Fund, to the best of the Bank's knowledge.

All the transactions between the Bank and its related parties were performed on an arm's-length basis.

At 31 December 2018, the FROB, through BFA, held a 61.80% (62.25% taking into account the effect of treasury shares) stake in Bankia, S. A. The FROB carries on its activity in accordance with Law 9/2012, of 14 November 2012. It is wholly owned by the Spanish government and its purpose is to oversee the restructuring and resolution of credit institutions. Given the indirect stake held by the FROB in Bankia, S.A., the Spanish government is a related party under prevailing regulations.

Balances with public administrations at 31 December 2018 are disclosed in the following notes to the financial statements:

- Note 11 Loans to the Spanish public sector.
- Notes 8, 9 and 10 Investments in Spanish government debt securities.
- Note 18 Spanish public sector deposits.

The income and expense recognised in the income statements for 2019 and 2018 are as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Spanish government agencies interest incomes (*)	42,394	51,268
(Spanish government agencies interest expenses) (*)	(1,999)	(2,376)

(*) Finance Interest rate income and expenses shown at their gross amounts.

There were no significant individual transactions with the Spanish public sector outside the ordinary course of the Bank and Group's business.

Transactions carried out, balances held and contracts entered into with BFA

The main balances held by the Bank with BFA (significant shareholder) at 31 December 2019 include:

- "Loans and advances – customers" includes the balance relates to demand deposits (interest-bearing) entered into with BFA for EUR 25 million;
- "Other assets" includes the balance related to the accrual of fees and commissions explained below;
- "Guarantees given" includes the amounts drawn on the line of guarantees granted by Bankia to BFA;
- "Interest income/expense " in the income statement includes income from services rendered by the Bank to recover BFA assets completely deteriorated and assets written off, calculated in accordance with the total; and other collaterals issued.
- The table above showing related-party figures includes finance costs and income for interest, respectively, in connection with the loan and deposit transactions mentioned under the above headings.

Bankia and BFA have also entered into the following contracts and agreements:

- A framework agreement governing relations between the two institutions.
- A Service Level Agreement that enables BFA to correctly perform its activity by using Bankia's human and material resources, while avoiding redundancies.
- A CMOF ("Contrato Marco de Operaciones Financieras") Master Agreement on derivatives trading between the two institutions.
- A Global Master Repurchase Agreement (GMRA) and a Collateral Assignment Agreement linked to fixed-income asset sale and repurchase transactions.
- A European Master Financial Transactions Agreement (EMFTA) covering securities loans and fixed-income repo agreements.
- A cost-sharing agreement for lawsuits related to preferred participating securities and subordinated bonds.
- An agreement establishing an access mechanism allowing BFA, through the Bank, to avail of the liquidity and funding mechanisms set up by the ECB for credit institutions, as well as private deals inherent in the business of credit institutions.
- An agreement to apportion the cost of civil proceedings and claims filed in relation to Bankia's IPO.
- BFA/Bankia cooperation protocol. Article 11 (2) CRR, designed to regulate relations between BFA and Bankia with respect to defining and implementing the necessary mechanisms and procedures to comply with the obligations imposed by article 11.2 of Regulation (EU) No 575/2013 and, in particular, to verify that BFA complies with the capital requirements imposed by applicable legislation.
- An agreement for managing the FROB's indirect stake in Bankia, through BFA.

All transactions between the two entities are carried out on normal market terms.

(44) Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Bank. Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDICES

Appendix I – Subsidiaries

The key details on subsidiaries, including those classified under "Non-current assets held for sale" at 31 December 2019 are as follows:

Company	Business activity	Locations	% Ownership interest owned by the Bank		
			% Current interest		Total ownership interest
			Direct	Indirect	
ARRENDADORA DE EQUIPAMIENTOS FERROVIARIOS, S.A.	Purchase and lease of trains	Barcelona – Spain	85.00	-	85.00
BANKIA COMMERCE, S.L. UNIPERSONAL	Product marketing	Madrid – Spain	100.00	-	100.00
BANKIA FINTECH VENTURE S.A.U.	Corporate management	Madrid – Spain	100.00	-	100.00
BANKIA FONDOS, S.G.I.I.C., S.A.	Manager of collective investment undertakings	Madrid – Spain	100.00	-	100.00
BANKIA HABITAT, S.L. UNIPERSONAL	Real Estate	Valencia – Spain	100.00	-	100.00
BANKIA MEDIACIÓN, OPERADOR DE BANCA SEGUROS VINCULADO, S.A. UNIPERSONAL	Insurance intermediary-Bancassurance operator	Madrid – Spain	100.00	-	100.00
BANKIA PENSIONES, S.A., ENTIDAD GESTORA DE FONDOS DE PENSIONES	Pension fund manager	Madrid – Spain	100.00	-	100.00
CENTRO DE SERVICIOS OPERATIVOS E INGENIERIA DE PROCESOS, S.L.U.	Other independent services	Madrid – Spain	100.00	-	100.00
CORPORACIÓN FINANCIERA HABANA, S.A., EN LIQUIDACIÓN (2) (1)	Industry, commerce and services financing	Ciudad de la Habana (La Habana) - Republic of Cuba	60.00	-	60.00
CORPORACIÓN INDUSTRIAL BANKIA, S.A. UNIPERSONAL	Corporate management	Madrid – Spain	100.00	-	100.00
COSTA EBORIS, S.L. UNIPERSONAL, EN LIQUIDACIÓN (1)	Real Estate	Valencia – Spain	-	100.00	100.00
ENCINA LOS MONTEROS, S.L. UNIPERSONAL, EN LIQUIDACIÓN (1)	Real Estate	Valencia – Spain	-	100.00	100.00
GEOPORTUGAL - IMOBILIARIA, LDA.	Real Estate development	Oporto – Portugal	-	100.00	100.00
GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U.	Corporate management	Madrid – Spain	100.00	-	100.00
GESTIÓN GLOBAL DE PARTICIPACIONES, S.L.U.	Corporate management	Madrid – Spain	100.00	-	100.00
GESTION Y RECAUDACION LOCAL, S.L. (2)	Tax management.	Atarfe (Granada) – Spain	-	99.75	99.75
INMOGESTIÓN Y PATRIMONIOS, S.A.	Corporate management	Madrid – Spain	0.10	99.90	100.00
INVERSIONES Y DESARROLLOS 2069 MADRID, S.L. UNIPERSONAL, EN LIQUIDACIÓN (1)	Real Estate	Madrid – Spain	100.00	-	100.00
NAVIERA CATA, S.A.	Acquisition, leases and operation of ships	Las Palmas de Gran Canaria – Spain	100.00	-	100.00
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	Corporate management	Madrid – Spain	0.01	99.99	100.00
PUERTAS DE LORCA DESARROLLOS EMPRESARIALES, S.L. UNIPERSONAL, EN LIQUIDACIÓN (1)	Real Estate development	Madrid – Spain	100.00	-	100.00
SEGURBANKIA, S.A. UNIPERSONAL, CORREDURÍA DE SEGUROS DEL GRUPO BANKIA	Insurance intermediary	Madrid – Spain	100.00	-	100.00
VALENCIANA DE INVERSIONES MOBILIARIAS, S.L. UNIPERSONAL	Corporate management	Valencia – Spain	100.00	-	100.00
VALORACIÓN Y CONTROL, S.L.	Corporate management	Madrid – Spain	0.01	99.99	100.00

(1) Companies in the process of liquidation

(2) Classified under "Non current assets and disposal group classified as held for sale".

Appendix II – Associates and Joint ventures

The key details on associates and joint ventures at 31 December 2019 are as follows:

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros (*)		
			% Current interest		Total ownership interest	2019		
			Direct	Indirect		Asset (*)	Liabilities (*)	Profit/(loss) (*)
Associates								
AVALMADRID, S.G.R.	SEMs funding	Madrid - Spain	25.20	-	25.20	110,607	46,349	-
BANKIA MAPFRE VIDA, S.A., DE SEGUROS Y REASEGUROS	Life insurance	Majadahonda (Madrid) - Spain	49.00	-	49.00	8,499,506	8,166,314	96,765
CAJAGRANADA VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	Life insurance	Majadahonda (Madrid) - Spain	49.00	-	49.00	269,297	224,661	5,104
CAJAMURCIA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS, S.A.	Life insurance	Majadahonda (Madrid) - Spain	49.00	-	49.00	135,888	109,623	5,297
GRAMINA HOMES, S.L.	Real estate	Madrid - Spain	20.00	-	20.00	689,535	22,426	(5,151)
NETTIT COLABORATIVE PAYMENTS, S.L.	Other services	Madrid - Spain	-	30.00	30.00	8,124	1,100	(1,300)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	Payment methods	Madrid - Spain	15.94	-	15.94	125,438	56,296	9,376
Joint ventures								
CACF BANKIA CONSUMER FINANCE, EFC, S.A.	Consumer Finance	Madrid - Spain	49.00	-	49.00	22,090	3,654	(7,850)

(*) Latest available data unaudited

Appendix III – Joint ventures and associates classified under Non-current assets and disposals group classified held for sale

The key details on joint ventures and associates classified under "Non-current assets held for sale" at 31 December 2019 are as follows:

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros (*)		
			% Current ownership		Total ownership interest	2019		
			Direct	Indirect		Asset (*)	Liabilities (*)	Profit/(loss) (*)
Asociadas								
ALAZOR INVERSIONES, S.A., EN LIQUIDACIÓN '(1)	Other activities related to road transport	Villaviciosa de Odón (Madrid) - Spain	-	20.00	20.00	1,086,675	1,324,938	-
ARRENDADORA FERROVIARIA, S.A.	Purchase and lease of trains	Barcelona - Spain	29.07	-	29.07	235,064	235,617	19
CAJA DE SEGUROS REUNIDOS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A., "CASER"	Insurance	Madrid - Spain	15.00	-	15.00	8,137,494	6,954,609	69,300
GESTIO DE MITJANS DE PAGAMENT, S.L. EN LIQUIDACIÓN '(1)	Payment methods	Palma de Mallorca - Spain	20.00	-	20.00	-	2	-
MURCIA EMPRENDE, SOCIEDAD DE CAPITAL RIESGO DE REGIMEN SIMPLIFICADO, S.A.	Private equity	Murcia - Spain	28.68	-	28.68	3,202	46	(211)
NEWCOVAL, S.L.	Real estate	Valencia - Spain	-	50.00	50.00	739	653	-
NUEVA VIVIENDA JOVEN DE MURCIA, S.L. EN LIQUIDACIÓN '(1)	Real estate development	Murcia - Spain	49.89	-	49.89	54	-	(4)
ROYACTURA, S.L.	Real estate	Las Rozas de Madrid (Madrid) - Spain	-	45.00	45.00	57,027	56,157	-
Joint ventures								
CARTERA PERSEIDAS, S.L.	Corporate management	Madrid - Spain	11.82	-	11.82	169	8	(43)
INMACOR DESARROLLOS, S.A. DE CV	Real estate	Playa del Carmen (Quintana Roo) - México	-	72.57	72.57	884	2	(9,047)
INMOBILIARIA PIEDRA BOLAS, S.A. DE CV	Real estate	Playa del Carmen (Quintana Roo) - México	55.93	16.64	72.57	45,367	138,713	69
METRO HOUSE INVEST, S.L.	Real estate development	Palma de Mallorca (Baleares) - Spain	-	50.00	50.00	-	6,902	-
PLAYA PARAISO MAYA, S.A. DE CV	Real estate	Playa del Carmen (Quintana Roo) - México	58.03	14.54	72.57	92,205	2,964	(3,569)
PROMOCIONES Y PROYECTOS MURCILOR, S.L., EN LIQUIDACIÓN '(1)	Real estate development	Lorca (Murcia) - Spain	50.00	-	50.00	9,623	31,166	(1,922)
PROYECTOS Y DESARROLLOS HISPANOMEXICANOS. S.A., DE CV	Real estate	Playa del Carmen (Quintana Roo) - México	-	72.57	72.57	59,948	56,747	(3,687)
SOL EDIFICAT PONENT, S.L.	Real estate development	Villafranca del Penedes (Barcelona) - Spain	50.00	-	50.00	11,330	36,526	-

(*) Latest available data unaudited.

(1) Companies in the process of liquidation

Appendix IV – Securitization funds

(Thousands of euros)

ITEM	31/12/2019		31/12/2018	
	Total	Maturity	Total	Maturity
RMBS I loan securitization	662,128	2049	716,345	2049
RMBS II loan securitization	577,017	2049	626,121	2049
RMBS III loan securitization	1,180,913	2050	1,261,612	2050
RMBS IV loan securitization	877,069	2050	944,875	2050
MADRID RESIDENCIAL I loan securitization	391,840	2051	419,692	2051
MADRID RESIDENCIAL II loan securitization	356,077	2049	381,321	2049
BANCAJA 7 loan securitization	229,153	2034	264,158	2034
BANCAJA 8 loan securitization	280,439	2034	316,239	2034
MBS BANCAJA 2 loan securitization	87,883	2035	103,866	2035
BANCAJA 9 loan securitization	436,336	2040	486,530	2040
MBS BANCAJA 3 loan securitization	141,838	2040	163,133	2040
BANCAJA 10 loan securitization	882,937	2046	963,616	2046
MBS BANCAJA 4 loan securitization	407,571	2050	463,010	2050
BANCAJA 11 loan securitization	777,356	2047	837,811	2047
BANCAJA 13 loan securitization	1,468,810	2048	1,565,662	2048
MBS BANCAJA 6 loan securitization	351,491	2048	388,935	2048
BANCAJA-BVA VPO 1 loan securitization	95,871	2047	115,897	2047
AYT Mortgage MIX II loan securitization	18,920	2036	22,753	2036
AYT C.MURCIA Mortgage I loan securitization	42,639	2035	51,385	2035
AYT C.MURCIA Mortgage II loan securitization	45,959	2036	54,301	2036
AYT Mortgage Mix V, ASF loan securitization	54,067	2041	62,759	2041
AYT Mortgage Mix I, ASF loan securitization	10,453	2033	12,082	2033
AYT C.GRANADA Collateral entities	95,285	2037	107,707	2037
TDA 22 - MIX, ASF loan securitization (*)	10,149	2044	12,273	2044
TDA 27, FTA loan securitization (*)	52,918	2047	60,542	2047
CAIXA PENEDES 1 TDA loan securitization	2,217	2043	2,507	2043
CAIXA PENEDES 2 TDA loan securitization	1,428	2045	1,567	2045
CAIXA PENEDES FTGENCAT 1 TDA loan securitization	3,306	2049	3,857	2049
CAIXA PENEDES SEMs 1 TDA loan securitization	4,907	2045	5,697	2045
TDA 20 - MIX, ASF loan securitization (*)	20,054	2036	23,238	2036
TDA SA NOSTRA Entities 1, loan securitization	-	2040	10,870	2040
TDA SA NOSTRA Entities 2, loan securitization	-	2051	45,780	2051
Total balance	**9,567,031**	**-**	**10,496,141**	**-**

Appendix V – Financial liabilities at amortised cost - Debt securities issued

The breakdown of this item, as of 31 December 2019 and 2018 on the accompanying balance sheet is as follows:

(Thousands of euros)

			2019		2018		
TYPE OF DEBT SECURITY	Currency	Latest maturity	Nominal amount	Annual nominal interest rate	Nominal	Credit rating Issuer/Issue (1)	Type of guarantee extended (2)
Marketable debt securities							
Bankia 2014-1 bonds	EUR	2019	-	3.50%	1,000,000	BBB (high)	Bankia Personal Guarantee
Bankia 2014-8 ICO facility bonds	EUR	2020	524	EUR 6M+ 2.75%	1,050	-	Bankia Personal Guarantee
Bankia 2014-15 ICO facility bonds	EUR	2020	1,262	EUR 6M+ 2.35%	2,522	-	Bankia Personal Guarantee
Bankia 2014-20 ICO facility bonds	EUR	2020	546	EUR 6M+ 2.35%	1,091	-	Bankia Personal Guarantee
Granada Senior Bonds	EUR	2022	30,000	Inflation-linked coupon	30,000	BBB (high)	Bankia Personal Guarantee
BN BANKIA 2019-1	EUR	2024	500,000	0.88%	-	BBB (high)	Bankia Personal Guarantee
BN BANKIA SNP 2019-1	EUR	2024	500,000	1.00%	-	BBB	Bankia Personal Guarantee
BN BANKIA 2019-2	EUR	2026	750,000	0.75%	-	BBB (high)	Bankia Personal Guarantee
BANKIA SNP 2019-2	EUR	2026	750,000	1.13%	-	BBB	Bankia Personal Guarantee
CM 29/12/28 bonds	EUR	2028	65,000	4.76%	65,000	BBB (high)	Bankia Personal Guarantee
Caymadrid Bonds (2)	EUR	2032	5,032	Variable and zero coupon	5,352	BBB (high)	Bankia Personal Guarantee
CM 28/06/19 structured bond	EUR	2019	-	5.00%	1,600,000	AAA	Mortgage Portfolio-Mortgage Law
BMN 4ª structured bond	EUR	2019	-	EUR 12M + 5.00%	1,300,000	AAA	Mortgage Portfolio-Mortgage Law
BMN 5ª structured bond	EUR	2019	-	3.13%	500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2016-1 structured bond	EUR	2021	1,000,000	0.88%	1,000,000	AAA	Mortgage Portfolio-Mortgage Law
CM 26/04/22 structured bond	EUR	2022	1,500,000	4.50%	1,500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2015-2 structured bond	EUR	2022	1,250,000	1.13%	1,250,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2014-1 structured bond	EUR	2023	2,500,000	EUR 1M+1.40%	2,500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2016-2 structured bond	EUR	2023	1,000,000	1.00%	1,000,000	AAA	Mortgage Portfolio-Mortgage Law
CM 03/02/25 structured bond	EUR	2025	2,000,000	4.00%	2,000,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2015-1 structured bond	EUR	2025	1,285,500	1%	1,285,500	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2018-1 structured bond	EUR	2026	100,000	EUR 6M+0.18%	100,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2018-2 structured bond	EUR	2026	400,000	EUR 6M+0.28%	400,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2014-2 structured bond	EUR	2027	2,500,000	EUR 1M+1.40%	2,500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2019-1 structured bond	EUR	2027	475,000	EUR 6M + 0.50%	-	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2019-2 structured bond	EUR	2027	160,000	0.15%	-	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2014-3 structured bond	EUR	2028	2,500,000	EUR 1M+1.40%	2,500,000	AAA	Mortgage Portfolio-Mortgage Law
CM 24/03/36 structured bond	EUR	2036	2,000,000	4.13%	2,000,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia 2014 Subordinated bonds-1	EUR	2024	-	4.00%	1,000,000	BBB-	Bankia Personal Guarantee
Bankia 2017-1 subordinated bonds	EUR	2027	500,000	3.38%	500,000	BBB-	Bankia Personal Guarantee
Bankia AT1 Bonds	EUR	PERP	750,000	6.00%	750,000	BB-	Bankia Personal Guarantee
BANKIA AT1 2018 Bonds	EUR	PERP	500,000	6.38%	500,000	BB-	Bankia Personal Guarantee
BMN Subordinated bonds	EUR	2026	175,000	9.00%	175,000	BBB-	Bankia Personal Guarantee
Bono Subordinado 2019-1 3.75%	EUR	2029	1,000,000	3.75%	-	BBB-	Bankia Personal Guarantee
Sum			**24,197,864**		**25,465,515**		
Own shares			(7,941,211)		(9,589,126)		
Valuation adjustments and other			1,045,500		873,501		
Balances at the end of the year (amortised cost)			**17,302,153**		**16,749,890**		

(1) The ratings on the Bankia AT1 2018 and Bankia AT1 Bonds are those assigned by S&P Global Ratings on 31 May 2019.

The ratings for the Subordinated Bond Bankia 2014-1, Subodirnated Bond BMN, Subordinated Bond Bankia 2019-1 and Subordinated Bond Bankia 2017-1 bonds were assigned by Fitch Ratings on 20 December 2019.

The ratings for all of the covered bonds were assigned by DBRS on 20 September 2019.

The rest of the ratings were assigned by DBRS on 2 July 2019.

(2) As a result of the liquidation of Caymadrid.

Appendix VI – Movement in issues

Details of issues, repurchases and repayments of debt securities in 2019 and 2018 by the Bank:

(Millions of euros)

Issuer information		Data concerning issuances, repurchases and repayments in 2019										
Country of residence	Transaction	Credit rating Issuer/Issue (1)	ISIN code	Type of security	Transaction date	Maturity date	Market where listed	Issue currency	Amount of issue/repurchase or repayment	Balance outstanding	Coupon	Type of guarantee issued
Spain	Issue	BBB (low)	XS1951220596	Subordinated bond 2019-1	15/02/2019	15/02/2029	Dublin	EUR	1,000	1.000	0.0375	Bankia Personal Guarantee
Spain	Issue	AAA	ES0413307150	Bankia 2019-1 structured bond	25/01/2019	25/01/2027	AIAF	EUR	475	475	EUR 6M+0.50%	Mortgage Portfolio-Mortgage Law
Spain	Issue	BBB (high)	ES0313307201	Bankia 2019-1 bond	25/03/2019	25/03/2024	AIAF	EUR	500	500	0.00875	Bankia Personal Guarantee
Spain	Issue	BBB	ES0313307219	Ordinary bond Non-Preferent 2019-1	25/06/2019	25/06/2024	AIAF	EUR	500	500	1.00%	Bankia Personal Guarantee
Spain	Issue	AAA	ES0413307168	BANKIA 2019-2 structured bond	22/11/2019	22/11/2027	AIAF	EUR	160	160	0.0015	0
Spain	Issue	BBB	ES0213307061	BANKIA SNP 2019-2	12/11/2019	12/11/2026	AIAF	EUR	750	750	1.13%	0
Spain	Issue	BBB (high)	ES0213307053	BANKIA 2019-2 bond	09/07/2019	09/07/2026	AIAF	EUR	750	750	0.0075	0
Spain	Repayments	BBB (high)	ES0313307003	Bankia 2014-1 bond	17/01/2019	17/01/2019	AIAF	EUR	1,000	-	3.50%	Bankia Personal Guarantee
Spain	Repayments	BBB (high)	ES0413056047	BMN 5ª structured bond	21/01/2019	21/01/2019	AIAF	EUR	500	-	0.03125	Mortgage Portfolio-Mortgage Law
Spain	Repayments	BBB (low)	ES0213307004	Subordinated bond Bankia 2014-1	22/05/2019	22/05/2024	AIAF	EUR	1,000	-	0.04	Bankia Personal Guarantee
Spain	Repayments	AAA	ES0414950693	CM 28/06/19 structured bond	28/06/2007	28/06/2019	AIAF	EUR	1,600	-	0.05	Mortgage Portfolio-Mortgage Law
Spain	Repayments	AAA	ES0413056039	BMN 4ª structured bond	12/07/2012	12/07/2019	AIAF	EUR	1,300	-	EUR 12M + 5.00%	Mortgage Portfolio-Mortgage Law
Spain	Repayments	BBB (high)	XS0147547177	Caymadrid Bond	06/05/2002	01/04/2032	B.Luxembourg	EUR	0.3	5,0	Irregular coupon until 2013. after zero coupon	Bankia Personal Guarantee
Spain	Repayments	-	ES0213307012	Bankia 2014-8 ICO facility Bonds	10/01/2019	10/07/2020	AIAF	EUR	0.5	0,5	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayments	-	ES0213307020	Bankia 2014-15 ICO facility Bonds	10/04/2019	10/10/2020	AIAF	EUR	1.3	1,3	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayments	-	ES0213307038	Bankia 2014-20 ICO facility Bonds	43626	10/12/2020	AIAF	EUR	0.5	0,5	EUR 6M+ 2.35%	Bankia Personal Guarantee

(1) The ratings on the Bankia AT1 Bonds are those assigned by S&P Global Ratings on 31 May 2019.

The ratings for mortgage bonds (MB) were assigned by DBRS on 20 September 2019.

The rest of the ratings were assigned by DBRS on 2 July 2019.

(Millions of euros)

Datos Issuer information							Data concerning issuances, repurchases and repayments in 2018					
Country of residence	Transaction	Credit rating Issuer/Issue (1)	ISIN code	Type of security	Transaction date	Maturity date	Market where listed	Issue currency	Amount of issue/repurchase or repayment	Balance outstanding	Coupon	Type of guarantee issued
Spain	Issue	BB-	XS1880365975	BANKIA AT1 Bonds	19/09/2018	PERP	Dublin	EUR	500	500	0.064	Bankia Personal Guarantee
Spain	Issue	AAA	ES0413307143	BANKIA 2018-2 Mortgage bonds	09/10/2018	09/10/2026	AIAF	EUR	400	400	EUR 6M+0.28%	Mortgage Portfolio-Mortgage Law
Spain	Issue	AAA	ES0413307135	2018-1 Mortgage bonds	01/06/2018	01/06/2026	AIAF	EUR	100	100	EUR 6M+0.18%	Mortgage Portfolio-Mortgage Law
Spain	Repayments	BBB (high)	ES0214950190	CM 16/06/23 Bond	16/06/2018	16/06/2023	AIAF	EUR	172	-	5.75%	Bankia Personal Guarantee
Spain	Repayments	BBB (high)	XS0147547177	Caymadrid Bond	06/05/2002	01/04/1932	B.Luxembourg	EUR	0.4	5	Irregular coupon until 2013. after zero	Bankia Personal Guarantee
Spain	Repayments	BBB (high)	ES0214977110	Bancaja 22/05/18 Bond	22/05/2006	22/05/2018	AIAF	EUR	50	-	1.50%	Bankia Personal Guarantee
Spain	Repayments	BBB (high)	XS0362375544	CM EMTN 2008-2 14/05/18 Bond	14/05/2008	14/05/2018	B.London	EUR	25	-	EUR 3M+0.98%	Bankia Personal Guarantee
Spain	Repayments	AAA	ES0414950651	CM 25/05/18 Mortgage bonds	25/05/2006	25/05/2018	AIAF	EUR	2,060	-	4.25%	Mortgage Portfolio-Mortgage Law
Spain	Repayments	-	ES0313307029	Bankia 2014-2 ICO facility Bonds	10/05/14	10/05/18	AIAF	EUR	0.4	-	EUR 6M+3.50%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307045	Bankia 2014-4 ICO facility Bonds	10/06/2014	10/06/2018	AIAF	EUR	0.4	-	EUR 6M+2.75%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307052	Bankia 2014-5 ICO facility Bonds	10/06/2014	10/06/2018	AIAF	EUR	0.3	-	EUR 6M+3.00%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307078	Bankia 2014-7 ICO facility Bonds	10/07/2014	10/07/2018	AIAF	EUR	1.9	-	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayments	-	ES0213307012	Bankia 2014-8 ICO facility Bonds	10/07/2014	10/07/2020	AIAF	EUR	0.5	1.1	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307102	Bankia 2014-11 ICO facility Bonds	11/08/14	10/08/18	AIAF	EUR	0.9	-	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307136	Bankia 2014-14 ICO facility Bonds	10/10/14	10/10/18	AIAF	EUR	0.8	-	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayments	-	ES0213307020	Bankia 2014-15 ICO facility Bonds	10/10/14	10/10/20	AIAF	EUR	1.3	2.5	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307151	Bankia 2014-17 ICO facility Bonds	10/11/14	10/11/18	AIAF	EUR	1.9	-	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayments	-	ES0313307177	Bankia 2014-19 ICO facility Bonds	10/12/14	10/12/18	AIAF	EUR	1.0	-	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayments	-	ES0213307038	Bankia 2014-20 ICO facility Bonds	10/12/14	10/12/20	AIAF	EUR	0.5	1.1	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Issue	R-1 (low)	Various	Promissory notes and ECPs	Various	Various	Various	EUR	-	-	Various	Bankia Personal Guarantee
Spain	Repayments	R-1 (low)	Various	Promissory notes and ECPs	Various	Various	Various	Various	1,335	-	Various	Bankia Personal Guarantee

(1) The ratings on the Bankia AT1 Bonds are those assigned by S&P Global Ratings on 6 April 2018.fv

The ratings for mortgage bonds (MB) were assigned by DBRS on 21 September 2018.

The rest of the ratings were assigned by DBRS on 4 July 2017.

Appendix VII – Information on the mortgage market

Mortgage-backed securities bonds, marketable and non-marketable, issued by the Bank and outstanding at 31 December 2019 are recognised in the balance sheet under "Financial liabilities at amortised cost" (Note 18). The Bank has no mortgage-backed debentures in issue. These mortgage securities are governed chiefly by Mortgage Market Law 2/1981, of 25 March, as amended by Law 41/2007, of 7 December, and by Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law.

Declarations by the Board of Directors of Bankia, S.A. concerning the existence of policies and procedures required by applicable regulations

In compliance with the requirements of applicable regulations, Bankia's Board of Directors declares that the Entity has express policies and procedures in relation to its mortgage market business, and that the Board of Directors is responsible for compliance with mortgage market regulations applicable to this business. These policies and procedures include, inter alia, (i) the criteria applied concerning the relationship that must exist between the amount of the loan and the appraisal value of the mortgaged property, and the influence of the existence of other additional collateral and the criteria applied in the selection of the appraisers; (ii) the relationship between the debt and the income of the borrower and the existence of procedures aimed at assuring the information supplied by the borrower and the borrower's solvency; (iii) the prevention of imbalances between flows from the hedging portfolio and those arising from making the payments owed on the securities.

Regarding mortgage market laws and regulations, Bankia has in place suitable mortgage risk policies and procedures in the two major areas – assets and liabilities – to monitor and quantify the mortgage portfolio and the related borrowing limits.

In terms of assets, mortgage risk exposure policy takes the form of multilevel decision-making in the Bank by means of a system of authorities and delegated powers.

The Bank has a "Credit Risk Documentary Structure", approved by the Board of Directors adapting it to the management principles of the Entity and in line with supervisory expectations. The "Credit Risk Documentary Structure" is composed of the Credit Risk Policy Framework, Methods and Procedures, Credit Risk Policies, Specific Criteria Manuals and Operational Manuals.

- The **Credit Risk Policies, Methods and Procedures Framework** contains criteria and guidelines to ensure adequate management of the approval, monitoring and recovery process and the proper classification and coverage of transactions over their entire life cycle. It also allows the Bank to establish high-level action limits by setting general principles that are adjusted accordingly in the policies.

- The **Credit Risk Policies** contain a set of rules and main instructions governing the management of credit risk. They are effective and consistent with the general principles set out in the Policies Framework and in the Risk Appetite Framework and are applied across the entire Entity. They are used internally to create and develop rules and regulations on risks when it comes to competencies related to risk strategy, implementation and control.

- Meanwhile, the **Specific Criteria Manuals** provide a detailed description of the criteria set out in the policies regulating the activities carried out by the Bank. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously put in place by minimising operational risk. The Specific Criteria Manuals combine with certain policies to provide transversal risk management across the Bank.

- The **Operating Manuals** develop and expand upon the criteria set out in the Specific Criteria Policies and Manuals. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously established. These manuals remain permanently in sync with the Credit Risk Policies and Criteria Manuals.

To ensure proper governance of the Credit Risk Policies Framework, the Board of Directors delegates authority to the Risks Committee to approve the Specific Criteria Manual for Credit Risk Policies, Methods and Procedures and authority to the Provisions Committee to approve the Specific Criteria Manual for Policies, Methods and Procedures for Classifying and Hedging Credit Risk.

The Risk Committee and the Provisions Committee exercise these powers by periodically reviewing and updating, over the course of the year, the Specific Criteria Manual for Credit Risk Policies, Methods and Procedures and the Specific Criteria Manual for Policies, Methods and Procedures for Classifying and Hedging Credit Risk. They adjust and tailor the specific criteria contained in both documents to the Bank's prevailing risk strategy and appetite and to regulatory requirements.

The criteria stipulated are binding upon the committee under whose remit the transaction falls, such that the committee in question shall be ultimately responsible for compliance with the transaction approval policies.

General approval criteria include those associated with borrower risk, mainly the ability of the borrower to repay, with no reliance on guarantors or assets delivered as collateral, which are considered as alternative methods of collection.

Consideration is also given to criteria associated with the transaction, mainly the suitability of financing in accordance with the customer's risk profile and adaptation of the product to the intended purpose.

Specific policies for the mortgage portfolio establish considerations concerning the appraisal value associated with the loan as a cut-off point for the approval proposal.

Risk management of this portfolio is based on a mandatory scoring methodology approved by the Supervisor, with specific monitoring of the cut-off points associated with the decision-making structure.

Other basic criteria are the maximum timelines of the transactions and the type of products sold by the Bank.

The guidelines laid out in the credit risk policies acknowledge property-based collateral subject to certain requirements, such as a first-charge requirement, and compliance with measurement criteria in accordance with the stipulations of prevailing regulations.

Any imbalance between mortgage portfolio flows and issued securities is managed by a regular review of key portfolio parameters followed by a report to credit rating agencies for the purpose of monitoring issued securities.

IT systems are in place to record, monitor and quantify these elements and to assess the degree of compliance with mortgage market requirements for the purposes of portfolio eligibility for covering the Bank's related borrowings.

In terms of liabilities, in line with its financing strategy in place at each given time in the light of the outstanding mortgage portfolio, the Bank makes mortgage-backed security issuance decisions on the basis of records that enable it to keep its issued securities within the bounds of eligibility for covering borrowings in compliance with mortgage market laws and regulations.

Disclosures on the security and privileges enjoyed by holders of mortgage-backed instruments issued by Bankia

Pursuant to current legislation, the principal and interest of the mortgage-backed bonds issued by Bankia are specially secured (entry in the Property Register is not required) by mortgages on all the mortgage-backed bonds that are registered in the Bankia's name at any time, without prejudice to its unlimited liability. Additionaly, the mortgage-backed bonds entitle the holders not only to the aforementioned guaranteed financial claim but also to claim payment from the issuer after maturity, and confer on the holders the status of special preferential creditors vis-à-vis all other creditors in relation to all the mortgage loans and credits registered in the issuer’s name.

Disclosures on mortgage market security issues

Note 18 disclose the outstanding balances of non-marketable (one-off) mortgage-backed securities issued by the Bankia. In addition, Appendix VI individually itemises the outstanding balances of marketable mortgage-backed securities issued by Bankia with their maturities, currencies and reference rates.

The following table itemises the aggregate nominal value of marketable and non-marketable mortgage-backed securities outstanding at 31 December 2019 and 2018 issued by the Bankia, regardless of whether or not they are recognised as liabilities of the Group (in the latter case, due to the fact that they were not placed with third parties or because they were repurchased by the Bankia), based on their residual maturity period, with a distinction made, in the case of those recognised by the Bankia as debt securities, between those issued through a public offering and with no public offering, along with the aggregate nominal values of mortgage participation certificates and mortgage transfer certificates issued by the Bankia and outstanding at 31 December 2019 and 2018:

(Thousands of euros)

MORTGAGE SECURITIES	Nominal value 31/12/2019	Average residual maturity period (months) 31/12/2019	Nominal value 31/12/2018	Average residual maturity period (months) 31/12/2018
Mortgage bonds issued (b)	-		-	
Of which: recognised on the liability side of the balance sheet	-		-	
Mortgage-backed securities issued (b)	**23,905,525**		**27,683,354**	
Of which: recognised on the liability side of the balance sheet	15,958,425		18,087,604	
Debt securities. Issued through a public offering (c)	**10,035,500**		**12,035,500**	
Residual maturity up to one year	-		2,000,000	
Residual maturity over one year but not more than two years	1,000,000		-	
Residual maturity over two years but not more than three years	2,750,000		1,000,000	
Residual maturity over three years but not more than five years	1,000,000		3,750,000	
Residual maturity over five years but not more than ten years	3,285,500		3,285,500	
Residual maturity over ten years	2,000,000		2,000,000	
Debt securities. Other issues (c)	**8,635,000**		**9,400,000**	
Residual maturity up to one year	-		1,400,000	
Residual maturity over one year but not more than two years	-		-	
Residual maturity over two years but not more than three years	-		-	
Residual maturity over three years but not more than five years	2,500,000		2,500,000	
Residual maturity over five years but not more than ten years	6,135,000		5,500,000	
Residual maturity over ten years	-		-	
Deposits (d)	**5,235,025**		**6,247,854**	
Residual maturity up to one year	417,917		1,012,829	
Residual maturity over one year but not more than two years	1,025,000		417,917	
Residual maturity over two years but not more than three years	585,185		1,025,000	
Residual maturity over three years but not more than five years	325,000		910,185	
Residual maturity over five years but not more than ten years	2,006,923		2,006,923	
Residual maturity over ten years	875,000		875,000	
Mortgage participation certificates issued (e)	**330,046**	**145**	**439,357**	**150**
Issued in a public offering	311,467	147	430,005	150
Other issues	18,579	118	9,352	136
Mortgage transfer certificates issued (e)	**8,882,955**	**219**	**9,707,889**	**228**
Issued in a public offering	29,143	121	33,578	129
Other issues	8,853,812	219	9,674,311	229

(a) Weighted average residual maturity by amounts, expressed in months rounded up.

(b Mortgage bonds and mortgage-backed securities includes instruments issued and outstanding irrespective of whether they are recognised under liabilities (since they have not been placed with third parties or repurchased).

(c) These securities are recognised under "Financial liabilities at amortised cost - Marketable debt securities" in the accompanying balance sheet at 31 December 2019 and 2018 (see Note 18).

(d) These securities are recognised under "Financial liabilities at amortised cost - Deposits from credit institutions" and "Financial liabilities at amortised cost - Customer deposits" in the accompanying balance sheet at 31 December 2019 and 2018 (see Note 18).

(e) Amount of mortgage participations and mortgage transfer certificates issued related exclusively to mortgage loans still recognised in assets (maintained on the balance sheet)

The nominal value at 31 December 2019 and 2018 of the amounts available (committed amounts not drawn down) of all mortgage loans and credits, with a distinction made between those potentially eligible and those that are not eligible, is shown in the table below:

(Thousands of euros)

ITEMS	Undrawn balances (nominal value) (2) 31/12/2019	31/12/2018
Mortgage loans that back the issuance of mortgage-backed securities (1)	**1,292,621**	**801,290**
Of which:		
Potentially eligible (3)	66,859	75,085
Not eligible	1,225,762	726,205

(1) At 31 December 2019 and 2018, the Bank had no mortgage bonds in issue.

(2) Committed amounts (limit) less amounts drawn down on all loans with mortgage collateral, irrespective of the percentage of total risk on the amount of the last appraisal (Loan to Value), not transferred to third parties or relating to financing received. Also includes balances that are only delivered to developers when the dwellings are sold.

(3) Loans potentially eligible for issuance of mortgage-backed securities under Article 3 of Royal Decree 716/2009.

With regard to lending operations, the table below shows the breakdown at 31 December 2019 and 2018 of the nominal value of mortgage loans and credit facilities that back the issue of mortgage-backed securities issued by Bankia (as already mentioned, as at the reporting date the Bankia has no mortgage bonds in issue), indicating the total eligible loans and credit facilities, without regard to the limits under Article 12 of Royal Decree 716/2009 of 24 April, and those that are eligible which, pursuant to the criteria of the aforementioned Article 12 of Royal Decree 716/2009, are eligible for issuance of mortgage securities.

This amount is presented, as required by applicable legislation, as the difference between the nominal value of the entire portfolio of loans and credits secured through mortgages registered in favour of the Bank and pending collection (including, where applicable, those acquired through mortgage participation certificates and mortgage transfer certificates), even if they have been derecognised, irrespective of the proportion of the risk of the loan to the last available appraisal for purposes of the mortgage market, less the mortgage loans and credits transferred through mortgage participation certificates and mortgage transfer certificates, regardless of whether or not they were derecognised from the balance sheet, and those designated as security for financing received (the amount recognised on the asset side of the balance sheet is also indicated for mortgage loans and credits transferred):

(Thousands of euros)

ITEMS	Nominal value 31/12/2019	31/12/2018
Total loans (a)	**77,027,730**	**81,620,240**
Mortgage certificates issued (b)	**330,046**	**500,996**
Of which: loans maintained on the assets of the balance sheet (c)	*330,046*	*439,357*
Mortgage transfer certificates issued	**10,342,905**	**9,843,602**
Of which: loans maintained on the assets of the balance sheet (c)	*8,882,955*	*9,707,889*
Mortgage loans pledged as security for financing received	**-**	**-**
Loans that back the issue of mortgage bonds and mortgage-backed securities (d)	**66,354,779**	**71,275,642**
Loans not eligible (e)	12,767,505	15,878,578
Loans that meet the requirements to be eligible except for the limit established in Article 5.1 of Royal Decree 716/2009	6,686,745	7,978,562
Other	6,080,760	7,900,016
Eligible loans (f)	53,587,274	55,397,064
Loans to cover mortgage bonds issues	-	-
Loans eligible to cover mortgage-backed securities issues	53,587,274	55,397,064
Ineligible amounts (g)	113,813	134,575
Eligible amounts	53,473,461	55,262,489

(a) Amount of principal drawn under mortgage loans in favour of the entity (including those acquired through mortgage participations or mortgage transfer certificates, even if such loans have been derecognised, regardless of the loan-to-value readings.

(b) Amount of principal drawn under loans that have been transferred through mortgage participations or mortgage transfer certificates, even if such loans have been derecognised.

(c) Amount of principal drawn under loans that have been transferred, but not derecognised.

(d) Total loans less the sum of mortgage participations issued, mortgage transfer certificates issued and mortgage loans pledged to secure financing received

(e) Loans secured by mortgage guarantee not transferred to third parties and not pledged to secure financing received that do not meet the eligibility requirements of article 3 of Royal Decree 716/2009 for mortgage bonds and mortgage-backed securities issues.

(f) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein. Amount of the eligible loans which, pursuant to the criteria laid down in Article 12 of Royal Decree 716/2009, are not eligible to cover issuance of mortgage bonds and covered bonds.

(g) Amount of the loans, elegible according to the criteria established in article 3 of Royal Decree 716/2009, not computable to hedge the issuance of mprtgage bonds and mortgage backed securities.

The reconciliation of eligible loans to mortgage-backed securities issued, along with issuance capacity and percentage of overcollateralization, is as follows:

(Thousands of euros)	Nominal value	
ITEMS	31/12/2019	31/12/2018
Mortgage loans and credits which, pursuant to the criteria laid down in Article 12 of RD 716/2009, are eligible to cover issuance of covered bonds securities	53,473,461	55,262,489
Issue limit = 80% of eligible mortgage loans and credits	42,778,769	44,209,991
Mortgage-backed securities issued	23,905,525	27,683,354
Mortgage-backed securities issuance capacity (1) (Note 3.2)	18,873,244	16,526,637
Memorandum item:		
Percentage of overcollateralization of the portfolio	278%	257%
Percentage of overcollateralization of the eligible portfolio	224%	200%

(1) At 31 December 2019, EUR 7,947,100 thousand of mortgage-backed securities remained on the balance sheet, Therefore, the issuance capacity would be EUR 26,820,344 thousand (EUR 9,595,750 thousand at 31 December 2018, with a EUR 26,122,387 thousand issuance capacity).

The table below shows the detail at 31 December 2019 and 2018 of the nominal value of the loans and credits that back mortgage-backed securities issued by the Bank and of those loans and credits that are eligible, without taking into consideration the restrictions on their eligibility established in Article 12 of Royal Decree 716/2009, based on (i) if they arose from the Bankia or from creditor subrogations and other cases; (ii) if they are denominated in euros or in other currencies; (iii) if they have a normal payment situation and other cases; (iv) their average residual maturity; (v) if the interest rate is fixed, floating or mixed; (vi) if the transactions are aimed at legal entities or individuals that are to use the loan proceeds for the purpose of their business activity (with a disclosure of the portion related to property development) and transactions aimed at households; (vii) if the guarantee consists of assets/completed buildings (with a distinction made between those used for residential, commercial and other purposes), assets/buildings under construction (with a disclosure similar to that of the finished buildings) or land (with a distinction made between developed land and other land), indicating the transactions that are secured by government-subsidised housing, even that under development:

(Thousands of euros)

	Loans that back mortgage bonds and covered bonds (a)		Of which: eligible loans (b)	
ITEM	31/12/2019	31/12/2018	31/12/2019	31/12/2018
TOTAL	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
ORIGIN OF OPERATIONS	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Originated by Entity	65,924,173	70,610,703	53,164,603	54,766,906
Subrogated to other entities	430,606	664,939	422,671	630,158
Other	-	-	-	-
CURRENCY	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Euro	66,209,707	71,131,611	53,472,955	55,320,114
Other currencies	145,072	144,031	114,319	76,950
PAYMENT SITUATION	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Normal payment situation	62,645,748	64,974,214	52,856,551	54,528,909
Other situations	3,709,031	6,301,428	730,723	868,155
AVERAGE RESIDUAL MATURITY	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Up to ten years	11,191,162	11,774,482	9,316,312	9,475,651
More than ten years and up to 20 years	26,267,433	27,931,806	23,471,889	24,171,928
More than 20 years and up to 30 years	20,770,047	20,685,575	17,777,422	17,167,260
More than 30 years	8,126,137	10,883,779	3,021,651	4,582,225
INTEREST RATES	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Fixed	5,723,525	4,548,921	4,884,817	3,835,250
Floating	54,006,824	60,459,333	43,194,646	46,799,826
Mixed	6,624,430	6,267,388	5,507,811	4,761,988
OWNERS	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Legal entities and natural person entrepreneurs	8,081,727	9,361,442	4,694,622	5,186,908
Of which: construction and property developments (land included)	*732,463*	*680,928*	*239,404*	*258,661*
Other	58,273,052	61,914,200	48,892,652	50,210,156
TYPE OF COLLATERAL	**66,354,779**	**71,275,642**	**53,587,274**	**55,397,064**
Assets/completed buildings	64,840,580	69,752,202	53,145,627	54,891,326
Residential	58,832,399	63,005,419	49,273,933	50,762,529
Of which: government-subsidised housing	*2,270,496*	*2,364,210*	*1,935,044*	*1,952,266*
Commercial	2,433,144	2,786,781	1,670,182	1,850,632
Other buildings and constructions	3,575,037	3,960,002	2,201,512	2,278,165
Assets/buildings under construction	409,717	256,311	75,023	66,152
Residential	273,761	139,853	29,937	36,932
Of which: government-subsidised housing	*15,039*	*5,966*	*98*	*593*
Commercial	34,433	25,604	10,971	11,724
Other buildings and constructions	101,523	90,854	34,115	17,496
Land	1,104,482	1,267,129	366,624	439,586
Developed	237,660	446,864	61,470	66,135
Other	866,822	820,265	305,154	373,451

(a)Amount of principal drawn under mortgage loans in favour of the entity (including those acquired through mortgage participations or mortgage transfer certificates, even if such loans have been derecognised, regardless of the loan-to-value readings.

(b) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

The nominal value of eligible mortgage loans and credits at 31 December 2019 and 2018, broken down by the ratios of the amount of the transactions to the last available appraisal of the mortgaged assets (Loan to Value), is shown in the table below:

31 December 2019

(Thousands of euros)

ITEMS	Amount of the transactions to the last available appraisal (Loan to value)				
	Less than or equal to 40%	More than 40% and less than 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Loans eligible for issuance of mortgage-backed securities and mortgage bonds (a)					**53,587,274**
Housing	15,907,795	20,391,030	13,005,045	-	49,303,870
Other assets	2,589,144	1,694,260			4,283,404

(a) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

31 December 2018

(Thousands of euros)

ITEMS	Amount of the transactions to the last available appraisal (Loan to value)				
	Less than or equal to 40%	More than 40% and less than 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Loans eligible for issuance of mortgage-backed securities and mortgage bonds (a)					**55,397,064**
Housing	15,839,206	20,890,927	14,069,327	-	50,799,460
Other assets	2,742,579	1,855,025			4,597,604

(a) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

Movements in the nominal amounts of mortgage loans backing the issuance of mortgage bonds and mortgage-backed securities are as follows:

(Thousands of euros)

MOVEMENTS	Eligible loans (a)	Non eligible loans (b)	Eligible loans (a)	Non eligible loans (b)
	31/12/2019		31/12/2018	
Opening balance	**55,397,064**	**15,878,578**	**57,683,131**	**17,201,071**
Disposals at the period	**(6,511,022)**	**(4,793,427)**	**(8,050,053)**	**(4,272,389)**
Principal due cashed	(116,477)	(133,718)	(61,157)	(57,529)
Prepayments	(1,333,517)	(702,418)	(678,478)	(549,151)
Subrogation by other entities	-	-	-	-
Others	(5,061,028)	(3,957,291)	(7,310,418)	(3,665,709)
Additions at the period	**4,701,232**	**1,682,354**	**5,763,986**	**2,949,896**
Originated by the entity	4,668,503	1,679,759	5,712,464	2,931,118
Subrogation of other entities	32,729	2,595	28,484	2,401
Other increase	-	-	23,038	16,377
Additions due to business combination				
Closing balance	**53,587,274**	**12,767,505**	**55,397,064**	**15,878,578**

(a) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

(b) Loans secured by mortgage guarantee not transferred to third parties and not pledged to secure financing received that do not meet the eligibility requirements of article 3 of Royal Decree 716/2009 for mortgage bonds and mortgage-backed securities issues.

Finally, at 31 December 2019 and 2018 there were no replacement assets backing the Bank's mortgaged-backed issues.

Appendix VIII – Exposure to property and construction risk (transactions in Spain)

1. Disclosures on exposure to property development and construction

The table below shows cumulative figures on the financing granted by the Bank at 31 December 2019 and 2018 for the purposes of construction and property development and the respective credit risk coverage in place at that date (a):

31 December 2019

(Thousands of euros)

ITEMS	Total gross (b)	Excess over value of collateral (c)	Specific coverage (d)
Loans recognised by credit institutions comprising the Bank (transactions in Spain) (e)	690,609	141,369	(89,957)
Of which: Doubtful	157,433	80,841	(80,103)

Memorandum item:			
Written-off assets (f)	350,300		

Memorandum item:

(Thousands of euros)

Item	Carrying amount
Loans to customers, excluding the public sector (transactions in Spain) (g)	111,787,960
Total assets (all transactions)	208,879,982
Impairment and provisions for performing exposures (all transactions) (h)	726,529

(a) Classification of financing in the table according to the purpose of the loans and not the borrower's industry classification (CNAE). Accordingly, if the borrower is a real estate company, but uses the financing granted for a purpose other than the construction or development of real estate, it is not included in this table. And if the borrower is a company whose core business is not real estate construction or development, but the financing granted is used for properties for real estate development, it is included in this table.

(b) Amount prior to the deduction of any impairment losses.

(c) Amount calculated as provided for in rule 64.16.k) of Circular 4/2017.

(d) Amount of allowances made by the company for these transactions.

(e Includes all types of financing in the form of loans, with and without mortgage collateral, debt securities for real estate construction and development related to the activity in Spain (businesses in Spain).

(f) Gross loans to fund real estate construction and development recognised by the Group (businesses in Spain) derecognised from asset due to classification as "written-off assets".

(g) Amount at which the asset is recognised in the balance sheet after deduction of any amount of provisions and allowances.

(h) Total amount of impairment provisions and allowances for credit risk for exposures classified as standard in accordance with Annex of Circular 4/2017, for total activity (all businesses).

31 December 2018

(Thousands of euros)

ITEMS	Total gross (b)	Excess over value of collateral (c)	Specific coverage (d)
Loans recognised by credit institutions comprising the Bank (transactions in Spain) (e)	700,885	195,556	(133,623)
Of which: Doubtful	273,891	138,050	(119,389)

Memorandum item:	
Written-off assets (f)	333,794

Memorandum item:

(Thousands of euros)

Item	Carrying amount
Loans to customers, excluding the public sector (transactions in Spain) (g)	112,559,558
Total assets (all transactions)	206,345,732
Impairment and provisions for performing exposures (all transactions) (h)	932,378

(a) Classification of financing in the table according to the purpose of the loans and not the borrower's industry classification (CNAE). Accordingly, if the borrower is a real estate company, but uses the financing granted for a purpose other than the construction or development of real estate, it is not included in this table. And if the borrower is a company whose core business is not real estate construction or development, but the financing granted is used for properties for real estate development, it is included in this table.

(b) Amount prior to the deduction of any impairment losses.

(c) Amount calculated as provided for in rule 64.16.k) of Circular 4/2017.

(d) Amount of allowances made by the company for these transactions.

(e) Includes all types of financing in the form of loans, with and without mortgage collateral, debt securities for real estate construction and development related to the activity in Spain (businesses in Spain).

(f) Gross loans to fund real estate construction and development recognised by the Bank (businesses in Spain) derecognised from asset due to classification as "written-off assets".

(g) Amount at which the asset is recognised in the balance sheet after deduction of any amount of provisions and allowances.

(h) Total amount of impairment provisions and allowances for credit risk for exposures classified as standard in accordance with Annex of Circular 4/2017, for total activity (all businesses).

The table below breaks down construction and property development financing at 31 December 2019 and 2018:

(Thousands of euros)

	Finance intended for construction and property development (gross) (a)	
ITEMS	31/12/2019	31/12/2018
1. Not mortgage-secured	10,171	22,840
2. Mortgage-secured (b)	680,438	678,045
2.1. Finished buildings (c)	374,578	434,794
2.1.1. Housing	214,753	224,881
2.1.2. Other	159,825	209,913
2.2. Buildings under construction (c)	198,952	101,285
2.2.1. Housing	173,376	71,607
2.2.2. Other	25,576	29,678
2.3. Land	106,908	141,966
2.3.1. Urban land	77,628	107,045
2.3.2. Other land	29,280	34,921
Total	**690,609**	**700,885**

(a) Amount prior to the deduction of accumulated impairment losses, if any.

(b) Includes all transaction secured by mortgages, regardless of the legal form of the guarantee or loan-to-value readings.

(c) If a building serves more than one purpose (e.g. residential) and other uses, the related financing is included in the category representing the main use given to it.

2. Loans to households for home purchases. Transactions recognised by credit institutions (transactions in Spain)

The table below presents the detail at 31 December 2019 and 2018 of financing granted by the credit institutions comprising the Bank for the purpose of home purchase (business in Spain) (a):

(Thousands of euros)

	Total gross (b)	Of which: Doubtful	Total gross (b)	Of which: Doubtful
ITEMS	31/12/2019		31/12/2018	
Loans for home purchases	62,359,686	2,044,531	66,472,123	3,517,740
Non-mortgage-secured	519,337	9,408	556,937	7,293
Mortgage-secured (c)	61,840,349	2,035,123	65,915,186	3,510,447

(a) Loans with or without mortgage collateral to finance home acquisitions for businesses in Spain.

(b) Amounts prior to the deduction of accumulated impairment losses, if any.

(c) Includes all transaction secured by mortgages, regardless of the loan-to-value reading.

The table below presents the detail of mortgage-secured loans to households for home purchases mortgage-secured at 31 December 2019 and 2018, classified by the ratio of the outstanding amount to the latest available appraised value (LTV) in respect of transactions recognised by Group credit institutions (transactions in Spain):

31 December 2019

(Thousands of euros)

	LTV ranges (a)					
ITEMS	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%	Total
Total gross (b)	15,561,386	22,210,415	17,464,604	3,338,254	3,265,690	61,840,349
Of which: doubtful (b)	143,307	204,084	273,533	311,556	1,102,643	2,035,123

(a) The loan-to-value ratio is obtained by dividing the gross carrying amount of the exposure at the reporting date by the amount of the latest available appraisale.
(b) Amount prior to the deduction of accumulated impairment losses, if any.

31 December 2018

(Thousands of euros)

	LTV ranges (a)					
ITEMS	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%	Total
Total gross (b)	15,392,491	22,604,292	19,158,863	4,170,774	4,588,766	65,915,186
Of which: doubtful (b)	144,244	212,812	370,268	478,372	2,304,751	3,510,447

(a) The loan-to-value ratio is obtained by dividing the gross carrying amount of the exposure at the reporting date by the amount of the latest available appraisale.
(b) Amount prior to the deduction of accumulated impairment losses, if any.

3. Information concerning foreclosed property assets or received in payment of debts (transactions in Spain)

The Bank devised an internal methodology for estimating discounts on the reference value and costs to sell of foreclosed real estate assets classified as non-current assets held for sale (see Note 2.19).

In order to dispose of its assets foreclosed or received in payment of debts (“foreclosed assets”), with the smallest impact possible on the income statement, the Bank engaged Haya Real Estate to manage, administer and sell its foreclosed assets under the supervision of the Corporate Investees Division.

The process for restructuring the non-performing asset management business following the merger with BMN in a bid to become more efficient and speed up the reduction of these assets in the Bank's balance sheet.

Extraordinary events in 2019 included the completion of the sale of certain assets agreed in December 2018. This, together with other sales carried out in the period and the outstanding sale agreed, the assets of which at 31 December 2019 were classified as a disposal group, enabled the Bank to reduce the volume of foreclosed real estate assets considerably, from EUR 1,708 million at 31 December 2018, to EUR 1,264 million at 31 December 2019 (see Note 18.5).

In addition, more projects were successfully completed, while various new projects were designed to enhance the real estate portfolio by acquiring further knowledge of the assets and improving the information available, boosting sales in a bid to continue reducing the stock of foreclosed assets.

As for recurring management and control of the assets, to maintain them in the best possible conditions for sale and ensure efficient control over the expenditure incurred in the process, technical monitoring is performed along with control and management of turnover and maintenance costs arising from their remaining on the balance sheet. Consideration is also given to maintaining lease contracts on assets in the portfolio and management of occupancy situations concerning the assets.

Moreover, the activities arising from the marketing process are carried out: customer care, review of the assets published and management of offers through various sales channels: branch network, brokers, web, events and trade fairs, etc.

The Group's general policies for managing its foreclosed assets are summarised as follows:

- The volume of foreclosed assets, irrespective of how they are managed (on the balance sheets of entities, in companies created for this purpose, in vehicles, etc.) makes it necessary at the outset to address the necessary measures for management purposes with the objective of disposing of the greatest amount of foreclosed assets at the least possible detriment to the income statement.
- To unlock the value of foreclosed assets, the focus is first on sales and second on rentals, to obtain returns and address specific circumstances related to the Housing Social Fund and/or special rentals. In the case of unique assets (specific buildings, offices, commercial premises, industrial buildings and land), the general policy is to sell these assets.
- Policy of transparency in all transactions to guarantee public offering of the asset.
- Policies to set prices for assets and delegated powers. Sales in accordance with an authorisation system valid at all times.
- General policy of non-exclusivity in mediation on sales of assets.
- Assessment of asset sale offers in any situation.
- The marketing process will be carried out through all the channels established: network branches, web, property sales desks at certain branches, brokers with or without keys, trade fairs and events, etc.

The pricing policies and principles for the property portfolio may be summarised as follows:

- Transparency: all assets held for sale are published exclusively on the Real Estate Portal with their retail prices www.haya.es.
- References to set prices: the price references will be those of comparable assets, the appraisal value of each asset, reports by mediators and book value.
- Adaptation to changes in the housing market: dynamic adaptation and review of prices in accordance with changes on the property market. Prices will be reviewed regularly, with updates of appraisals and observance of regulations and consideration of changes to the official housing market indexes.
- Special events: at trade fairs, real estate fairs or other temporary events, more attractive prices may be published for that period only.
- Leases: property assets will be leased with a rent approved by the appropriate committee, which will at all times contemplate a minimum return in accordance with the value of the asset to be leased.

The table below presents the detail of foreclosure assets acquired by the Bank through (transactions in Spain) at 31 December 2019 and 2018, classified by type (a):

31 December 2019

(Thousands of euros)

Foreclosed assets or received in payment of debt	Gross amount (b)	Impairment allowance	Gross amount (b)	Impairment allowance
1. Property assets from financing intended for construction and property development (c)	501,093	(295,801)	(116,953)	205,254
1.1. Finished buildings	237,637	(118,235)	(38,904)	119,403
1.1.1. Housing	181,892	(91,914)	(30,530)	89,978
1.1.2. Other	55,745	(26,321)	(8,374)	29,425
1.2. Buildings under construction	33,066	(20,008)	(9,052)	13,019
1.2.1. Housing	32,312	(19,510)	(8,514)	12,802
1.2.2. Other	754	(498)	(538)	217
1.3. Land	230,390	(157,558)	(68,997)	72,832
1.3.1. Urban land	150,407	(99,072)	(41,919)	51,335
1.3.2. Other land	79,983	(58,486)	(27,078)	21,497
2. Property assets from mortgage-secured financing granted to households for home purchases	2,396,412	(1,329,749)	(464,686)	1,066,662
3. Other property assets received in settlement of debt (d)	981,857	(438,711)	(125,863)	543,146
4. Equity instruments, investments and financing to companies holding such assets	-	-	-	-
5. Equity investments to entities holding the foreclosed property assets or assets received in payment of debts (e)	-	-	(3,163,871)	754,101
6. Financing to entities holding the foreclosed property assets or assets receive in payment of debts (e)	-	-	-	64

(a) Includes foreclosed assets or assets received in payment of debts from financing granted in relation to businesses in Spain, as well as equity investments in and financing granted to the entities holding these assets.

(b) Amount before the deduction of accumulated impairment losses.

(c) Includes property assets arising in connection with loans for construction and property development, regardless of the sector and main economic activity of the company or individual entrepreneur delivering the asset.

(d) Includes property assets not arising in connection with loans to construction and property development companies, or to households for home purchases.

(e) Includes all equity investments in and financing to entities holding the foreclosed property assets or assets received in payment of debts.

31 December 2018

(Thousands of euros)

Foreclosed assets or received in payment of debt	Gross amount (b)	Impairment allowance	Gross amount (b)	Impairment allowance
1. Property assets from financing intended for construction and property development (c)	1,015,716	(623,250)	(291,416)	392,466
1.1. Finished buildings	454,196	(244,347)	(103,230)	209,849
1.1.1. Housing	338,971	(179,233)	(82,558)	159,738
1.1.2. Other	115,225	(65,114)	(20,672)	50,111
1.2. Buildings under construction	74,600	(47,162)	(21,330)	27,438
1.2.1. Housing	71,256	(45,730)	(20,601)	25,526
1.2.2. Other	3,344	(1,432)	(729)	1,912
1.3. Land	486,920	(331,741)	(166,856)	155,179
1.3.1. Urban land	204,454	(140,352)	(50,901)	64,102
1.3.2. Other land	282,466	(191,389)	(115,955)	91,077
2. Property assets from mortgage-secured financing granted to households for home purchases	3,621,539	(2.087,109)	(875,275)	1,534,430
3. Other property assets received in settlement of debt (d)	1,520,388	(732,304)	(227,581)	788,084
4. Equity instruments, investments and financing to companies holding such assets	-	-	-	-
5. Equity investments to entities holding the foreclosed property assets or assets received in payment of debts (e)	-	-	(3,145,421)	772,511
6. Financing to entities holding the foreclosed property assets or assets receive in payment of debts (e)	-	-	-	-

The above tables set out property assets acquired through foreclosure or in settlement of debts, other than the exception referred to in the foregoing sub-paragraph (a), and classified by the Bank on the basis of ultimate purpose, mainly under “Non-current assets held for sale” and “Property, plant and equipment – Investment property” and, to a lesser extent, under “Other assets – Inventory” in the accompanying balance sheet for those dates.

4. Received and granted financial guarantee of real state exposure

The detail of the value of collateral and guarantees received to ensure collection at 31 December 2019 and 2018, distinguishing between collateral and other guarantees, is provided in the table below. The value is understood as the maximum amount of the guarantee considered, except for non-performing loans, which is the fair value.

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Collaterals	815,631	832,321
Other collateral		-
Total	**815,631**	**832,321**

The detail of the guarantees extended at 31 December 2019 and 2018 related to construction and property development loans; i.e. the amount the Bank would have to pay if the guarantee or collateral was called, which could exceed the amount recognised under liabilities in the balance sheet, is as follows:

(Thousands of euros)

ITEM	31/12/2019	31/12/2018
Financial guarantees extended	12,115	6,921
Recognised in the liability of the balance sheet	-	32

Appendix IX – Refinancing and restructuring operations and other requirements of Bank of Spain Circular 4/2017

Refinancing and restructuring operations

As part of its credit risk management policy, the Bank has carried out loan refinancing operations, modifying the original conditions agreed with the borrowers (e.g. interest rate, term, grace period, collateral or guarantee).

Loan refinancing and restructuring is designed to match financing to the customers' current ability to meet its payment commitments, affording sufficient financial stability to ensure the continuity and operation of the borrower or its group. To do so, certain measures must be adopted that adapt to the source of the problem, whether they are systemic (affect all segments and borrowers the same, e.g. rises in interest rates) or specific (affect individual borrowers and require individual and structural measures for each case).

Three diferente Customer Groups can be identified:

- Large companies and borrowers whose nature requires special treatment (specific case-by-case analysis).
- Small- and medium-sized enterprises, micro enterprises, and self-employed professionals, which are offered more standardised products.
- Retail customers.

In general, there is a series of key considerations applicable to the various customers groups, as follows:

- Assessment of the customer's situation: when a customer's difficulties in meeting their obligations with the Entity are detected or arise, it is crucial that a detailed analysis be carried out with the greatest possible amount of documentation on their situation.
- Non-interruption of arrears of refinancing or restructuring transactions that are not current in their payments until, after the cure period, the customers' ability and willingness to meet their payment obligations on time are verified.
- Review, at least annually, of decisions taken, once granted, to verify that the refinancing and restructuring policies operate appropriately and are complied with.
- Limits to readjustment of transactions. This should be restricted to customers whose situation has changed from the original adjustment, verifying the transaction's viability over the medium and long term with stable revenue over time.
- Possible adjustment of transactions claimed legally, which will consider the status of the claim and the costs incurred, while ensuring the viability of repayment over the medium and long term. Nevertheless, other alternatives may be considered based on applicants' guarantees or collateral, and income.
- Data quality: certain updated supporting documents are required for proof of income, payment commitments, and assets
- Minimum experience with the borrower, the existence of a sufficiently extensive borrower compliance record, and the existence of new collateral/guarantee will be considered.
- There may be exceptions for the minimum documentation required for certain groups or products.

The Group accounts for loan restructuring and refinancing operations in accordance with Bank of Spain Circular 4/2017, which in general is compatible aligned with the ECB and the EBA principles. These criteria set out certain rules for classification at source, as well as general criteria for a restructured or refinanced exposure to be considered cured, and therefore, reclassified to a lower risk level.

A transaction is deemed to be a restructuring or refinancing when:

- A modified transaction was classified as Stage 3- doubtful exposure before the modification or would be classified as Stage 3 - doubtful exposure without the modification.
- The modification implies the partial derecognition of the balance of the debt for reasons such as forbearance or amounts written off.
- When simultaneously or nearly simultaneously with the granting of additional financing, the borrower has made payments of the principal or interest on another transaction with the Entity classified as Stage 3- doubtful or would be classified as Stage 3 - doubtful if the additional financing were not granted.

- The Entity approves the use of implicit restructuring or refinancing clauses in relation to transactions classified as doubtful exposure or that would be classified as Stage 3 - doubtful exposure if such clauses were not exercised.
- Some or all of the payments of the modified transaction have been due for more than 30 days (without being classified as Stage 3 - doubtful) at least once in the three months preceding its modification, or would be due for more than 30 days without said modification.
- Simultaneously or nearly simultaneously with the granting of additional financing by the Entity, the borrower has made payments of the principal or interest on another transaction with it, on which some or all of the payments have been due for more than 30 days at least once in the three months prior to the refinancing.
- When the Entity approves the use of implicit restructuring or refinancing clauses in relation to borrowers with outstanding amounts 30 days or more than 30 days past due if such clauses have not been exercised.

The criteria for the classification of refinanced or restructured operations are as follows:

- Insignificant exposures (retail, micro companies and companies not subject to individual assessment) are classified in accordance with the following variables:

Financial effort	Grace period			2º Refinancing (2)
	<=24 months		>24 months	
	Forgiveness (1) No	Forgiveness (1) Yes		
<= 50%	Standard under special monitoring	Doubtful	Doubtful	Doubtful
> 50%	Doubtful	Doubtful	Doubtful	Doubtful

(1) Forgiveness above % of the allowances and provisions established in article 140 of Annex IXof Bank of Spain Circular 4/2017.
(2) It will be classified as doubtful if the refinance operation was doubtful at the moment of the refinancing or if the financed transaction was classified as doubtful on initial classification. Otherwise, the classification is based on the result of the general analysis applicable to all refinancing transactions.

- For customers assessed individually, classification is based on the result of the analysis, focusing mostly on the ability to pay and also considering forbearance or forgiveness agreements and sustainable debt.

Curing criteria have also been established so that refinancing transactions can change their risk classification, in accordance with the following scheme.

- Refinance operation classified as Stage 3 doubtful will remain in that category until the criteria that, in general, determine the reclassification of transactions out of the Stage 3 doubtful exposure category and the specific criteria set out below are verified:

  a) It is concluded, after an exhaustive review of the borrower's assets and financial position, that the borrower is unlikely to have any financial difficulties. To ensure there are no indications of financial difficulties, the transactions must meet the following requirements:
     - There have not been payments in arrears by more than 30 days in the past year.
     - The borrower is current on its payments.
     - The customer has no other transactions classified as doubtful or in arrears by more than 90 days.
     - The borrower is not in litigation or bankruptcy.

  b) That at least one year has elapsed from the date of the refinancing or restructuring. In particular, that at least one year has elapsed since the last of the following date:
     - The refinancing date.
     - The end of the grace period.
     - The date of the last entry into Stage 3 – Doubtful exposure.

  During the probation period described, a new refinancing or restructuring of refinancing, refinanced or restructured transactions or the existence of amounts more than 30 days past due shall entail the reclassification of these transactions to the category of Stage 3 - doubtful for reasons other than arrears, provided they were classified in the Stage 3 - doubtful exposure category before the start of the probation period. The minimum one-year period established in the preceding point begins from the date of reclassification of the transaction to Stage 3 - doubtful.

The transacton will be classified as Stage 3 - doubtful if the refinanced transaction is doubtful at the date of refinancing or if the refinanced transaction was classified as Stage 3 - doubtful initially. Otherwise, it is classified based on the result of the general analysis applicable to all refinancing transactions.

c) That the borrower has paid the accrued instalments of principal and interest, reducing the principal renegotiated, since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category of doubtful. Accordingly, the transaction may not present past-due amounts. Also required:

- that the borrower has settled, by means of regular payments, an amount equal to all the amounts (principal and interest) that were past due or written down at the time of the restructuring or refinancing, or
- when it is more appropriate based on the characteristics of the transactions, that other objective criteria evidencing the borrower's payment capacity have been verified.

d) That the borrower does not have another transaction with amounts more than 90 days past due at the date of the reclassification to Stage 2 - standard under special monitoring of the refinancing, refinanced or restructured transaction.

- Refinanced transactions classified as Stage 2 - standard under special monitoring will remain in this category until:

a) It is concluded, after an exhaustive review of the borrower's assets and financial position, that the borrower is unlikely to have any financial difficulties.

To ensure there are no indications of financial difficulties, the transactions must meet the following requirements:

- Not be included in Stage 1 or 2 (excluding collectively assessed).
- No be classified as repeat default or high (six months or more in the ladder of default in the past year with past-due amounts of seven days or more, unless there have never been any amounts past-due by more than 30 days, in which case they are not considered repeat), in the mortgage portfolio.
- There have been no payments in arrears by more than 90 days in the last three months.
- Not be rated A01 or A02 in the behavioural model.
- Not have an updated LTV greater than 100% when the repayment scheme entails increasing instalments or the percentage repaid is less than 5% (mortgage portfolio).

b) A minimum of two years has elapsed since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category Stage 3 - doubtful exposure. Therefore, the dates are as follows:

- Date of entry
- The end of the grace period.
- The date of the last entry into arrears.

c) That the borrower has paid the accrued instalments of principal and interest since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category of Stage 3 -doubtful. Also required:

- that the borrower has settled, by means of regular payments, an amount equal to all the amounts (principal and interest) that were past due or written down at the time of the restructuring or refinancing or
- when it is more appropriate based on the characteristics of the transactions, that other objective criteria evidencing the borrower's payment capacity have been verified.

Therefore, the existence of contractual clauses that delay repayment, such as grace periods for principal, imply that the transaction remains identified as Stage 2 standard under special monitoring until the criteria described are met. Natural persons' payment capacity is demonstrated through continued payment of the transaction being cured, similar to transactions of legal persons for amounts of up EUR 300,000. Expert analysis is carried out by the manager for transactions with legal persons over EUR 300,000 to determine the sustained future payment capacity.

d) That the borrower does not have any other transaction with amounts more than 90 days past due at the end of the probation period.

Once the foregoing requirements are met, the transactions are classified as standard exposures and removed from the scope of classification, curing and presentation included in the appendix, irrespective of their monitoring for credit risk management purposes

The table below shows the gross amount of refinancing operations, with a breakdown between their classification as doubtful risk, and their respective coverages of credit risk at 31 December 2019 and 2018:

31 December 2019

(Thousands of euros)	TOTAL							Of which: DOUBTFUL						
	Without collateral		With collateral				Accumulated impairment losses or accumulated fair value losses due to credit risk	Without collateral		With collateral				Accumulated impairment losses or accumulated fair value losses due to credit risk
					Maximum amount of the collateral							Maximum amount of the collateral		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral		Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	18	11,056	2,016	37,019	34,121	-	(10,782)	9	740	1,964	25,376	22,488	-	(10,371)
Other financial institutions and natural person	60	9,256	12	1,878	1,860	9	(6,719)	35	6,845	7	543	534	9	(6,632)
Non-financial institutions and natural person	7,720	1,816,917	4,943	1,432,605	1,239,773	96,511	(870,285)	5,298	1,019,968	2,527	664,531	555,530	78,985	(801,026)
Of which: Construction and property	1,429	28,460	944	184,864	135,892	332	(74,349)	1,382	26,826	295	105,726	62,906	50	(70,348)
Other households	20,654	252,217	25,671	3,173,858	2,630,034	169	(456,128)	8,867	109,441	12,093	1,459,858	1,170,569	101	(398,735)
Total	**28,452**	**2,089,446**	**32,642**	**4,645,360**	**3,905,788**	**96,689**	**(1,343,914)**	**14,209**	**1,136,994**	**16,591**	**2,150,308**	**1,749,121**	**79,095**	**(1,216,764)**
Corrections of the collective impairment							(732,185)							
Corrections of the specific impairment							(611,729)							
ADITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups that are classified as held for sale	1	21	1,906	244,747	205,737	-	(34,783)	1	21	1,790	230,909	193,985	-	(34,130)

31 December 2018

(Thousands of euros)

	TOTAL							Of which: DOUBTFUL						
	Without collateral		With collateral				Accumulated impairment losses or accumulated fair value losses due to credit risk	Without collateral		With collateral				Accumulated impairment losses or accumulated fair value losses due to credit risk
					Maximum amount of the collateral							Maximum amount of the collateral		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral		Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	28	32,902	2,313	63,501	62,360	-	(23,326)	19	4,752	2,308	54,214	53,406	-	(23,326)
Other financial institutions and natural person	44	30,453	15	2,142	2,130	12	(13,767)	27	13,439	9	798	786	12	(13,465)
Non-financial institutions and natural person	7,890	2,504,869	6,876	1,935,955	1,589,344	110,473	(1,533,114)	5,748	1,469,407	3,742	1,123,882	880,217	84,035	(1,418,701)
Of which: Construction and property	1,620	57,778	1,422	266,233	203,822	263	(114,493)	1,560	47,831	533	156,382	101,919	54	(108,449)
Other households	17,605	231,210	32,462	4,058,799	3,321,633	186	(562,113)	9,594	129,696	15,877	1,930,615	1,548,984	102	(472,457)
Total	**25,567**	**2,799,434**	**41,666**	**6,060,397**	**4,975,467**	**110,671**	**(2,132,320)**	**15,388**	**1,617,294**	**21,936**	**3,109,509**	**2,483,393**	**84,149**	**(1,927,949)**
Corrections of the collective impairment							(874,997)							
Corrections of the specific impairment							(1,257,323)							
ADITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups that are classified as held for sale	11	135	5,818	811,753	570,892	7	(375,767)	11	135	5,813	811,034	570,352	7	(375,713)

Movements at the year end of 2019 and 2018 were as follows:

(Thousands of euros)

Items	2019	2018
Opening balance	**6,727,511**	**9,241,383**
(+) Refinancing and restructuring	447,236	402,715
(-) Debt depreciation, transfers and other changes (1)	(1,600,807)	(2,772,672)
(-) Foreclosure	(88,442)	(95,874)
(-) Disposals (reclassified as written off)	(94,605)	(48,041)
Closing balance (*)	**5,390,893**	**6,727,511**

(*) The acumulated impairment at the year end 2019 was EUR 788,406 thousand (EUR 1,205,229 thousand at the year end 2018).

(1) In 2019 and 2018 transfers to Disposal Groups - Loans and real estate assets portfolio are included.

Other requirements of Bank of Spain Circular 4/2017

The table below shows information concerning sector and geographical concentration risk (a):

31 December 2019

(Thousands of euros)	31/12/2019				
ITEMS	TOTAL	Spain	Other European Union country	America	Rest of the world
Central banks and credit institutions	23,378,406	14,956,055	7,961,942	179,548	280,861
Government agencies	30,886,775	26,194,551	4,568,759	904	122,561
Central Administration	25,569,818	20,920,584	4,568,759	904	79,571
Other	5,316,957	5,273,967	-	-	42,990
Other government agencies and individual companies (financial business activities)	24,268,274	22,848,004	1,353,549	35,148	31,573
Non-financial companies and individual companies (non- financial business activities) (by the purposes)	46,760,678	43,536,054	2,594,907	419,425	210,292
Constructions and property developments (land included) (b)	2,084,413	2,041,818	40,354	2,234	7
Civil engineering construction	1,711,190	1,553,027	97,170	28,290	32,703
Other	42,965,075	39,941,209	2,457,383	388,901	177,582
Large enterprises (c)	24,090,747	21,961,561	1,732,416	265,958	130,812
SMEs and sole proprietors (c)	18,874,328	17,979,648	724,967	122,943	46,770
Other households (d) (by the purposes) (e)	74,484,527	73,122,633	964,570	105,220	292,104
Housing	63,836,929	62,520,655	931,893	100,489	283,892
Consumer	5,547,783	5,529,381	13,973	2,012	2,417
Other	5,099,815	5,072,597	18,704	2,719	5,795
TOTAL	**199,778,660**	**180,657,297**	**17,443,727**	**740,245**	**937,391**

(a) For the purposes of this statement, exposures include: loans and advances, debt securities, equity instruments, derivatives (held for trading and hedging), investments in subsidiaries, joint ventures and associates, and guarantees extended, irrespective of the line item under which they are included in the balance shee, excluding "Non-current assets and disposal groups classified as held for sale"..

The amount of the assets is the carrying amount of the transactions; i.e. after deducting impairment recognised on specific transactions.

The amount of guarantees given is their nominal amount.

The breakdown of activity by geographic area is based on the country of residence of the borrowers, the issuers of securities and the counterparties of the derivatives and guarantees given.

(b) This item includes all activities related to construction and property development, including the financing of land for property development irrespective of the counterparty's sector and main economic activity.

(c) Non-financial corporations classified as "Large enterprises" and "SMEs" in accordance with Commission Recommendation 2003/361/CE, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. Activity of individual entrepreneurs includes that of natural persons in the exercise of their business activities.

(d) Households, including non-profit institutions serving households, but excluding business activity of individual entrepreneurs.

(e) The loans will be classified in accordance with their purpose under the criteria of rule 69.ª2.e) of Circular 4/2017.

31 December 2018

(Thousands of euros)	31/12/2018				
ITEM	TOTAL	Spain	Other European Union country	America	Rest of the world
Central banks and credit institutions	13,349,101	6,245,844	6,748,969	153,616	200,672
Government agencies	34,954,322	28,463,294	6,377,666	883	112,479
Central Administration	29,601,929	23,143,933	6,377,666	883	79,447
Other	5,352,393	5,319,361	-	-	33,032
Other government agencies and individual companies (financial business activities)	25,877,778	24,275,638	1,565,352	24,239	12,549
Non-financial companies and individual companies (non- financial business activities) (by the purposes)	44,611,862	41,766,709	2,050,029	572,210	222,914
Constructions and property developments (land included) (b)	1,845,536	1,840,604	3,254	1,678	-
Civil engineering construction	1,560,874	1,379,558	109,639	37,832	33,845
Other	41,205,452	38,546,547	1,937,136	532,700	189,069
Large enterprises (c)	22,363,430	20,238,532	1,551,476	432,025	141,397
SMEs and sole proprietors (c)	18,842,022	18,308,015	385,660	100,675	47,672
Other households (d) (by the purposes) (e)	77,023,200	75,614,537	1,004,200	97,452	307,011
Housing	67,213,599	65,847,503	974,288	93,310	298,498
Consumer	4,821,710	4,805,839	13,019	1,300	1,552
Other	4,987,891	4,961,195	16,893	2,842	6,961
TOTAL	**195,816,263**	**176,366,022**	**17,746,216**	**848,400**	**855,625**

(a) For the purposes of this statement, exposures include: loans and advances, debt securities, equity instruments, derivatives (held for trading and hedging), investments in subsidiaries, joint ventures and associates, and guarantees extended, irrespective of the line item under which they are included in the balance sheet, excluding “Non-current assets and disposal groups classified as held for sale”.

The amount of the assets is the carrying amount of the transactions; i.e. after deducting impairment recognised on specific transactions.

The amount of guarantees given is their nominal amount.

The breakdown of activity by geographic area is based on the country of residence of the borrowers, the issuers of securities and the counterparties of the derivatives and guarantees given.

(b) This item includes all activities related to construction and property development, including the financing of land for property development irrespective of the counterparty’s sector and main economic activity.

(c) Non-financial corporations classified as “Large enterprises” and “SMEs” in accordance with Commission Recommendation 2003/361/CE, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. Activity of individual entrepreneurs includes that of natural persons in the exercise of their business activities.

(d) Households, including non-profit institutions serving households, but excluding business activity of individual entrepreneurs.

(e) The loans will be classified in accordance with their purpose under the criteria of rule 69.ª2.e) of Circular 4/2017.

31 December 2019

(Thousands of euros)	31/12/2019											
		Autonomous communities										
	TOTAL (*)	Andalucía	Canarias	Castilla la Mancha	Castilla y León	Cataluña	Madrid	Comunidad Valenciana	La Rioja	Murcia	Baleares	Others
Central banks and credit institutions	14,956,055	387,130	-	-	-	570	13,266,084	158,843	-	-	-	1,143,428
Government agencies	26,194,551	392,370	16,366	48,685	656,697	295,737	1,885,190	414,237	101,181	53,549	341,109	1,068,846
Central Administration	20,920,584	-	-	-	-	-	-	-	-	-	-	-
Other	5,273,967	392,370	16,366	48,685	656,697	295,737	1,885,190	414,237	101,181	53,549	341,109	1,068,846
Other government agencies and individual companies (financial business activities)	22,848,004	18,848	1,452	1,013	2,516	43,998	22,505,500	258,519	294	3,836	3,923	8,105
Non-financial companies and individual companies (non- financial business activities) (by the purposes)	43,536,054	3,314,501	1,543,733	1,022,363	1,239,161	5,273,971	16,327,414	5,651,229	346,035	1,674,918	1,388,799	5,753,930
Constructions and property developments (land included)	2,041,818	246,704	49,301	69,404	45,582	177,342	887,682	288,424	18,111	59,839	69,056	130,373
Civil engineering construction	1,553,027	242,387	11,653	32,699	5,416	252,058	709,676	53,295	1,519	9,045	11,154	224,125
Other	39,941,209	2,825,410	1,482,779	920,260	1,188,163	4,844,571	14,730,056	5,309,510	326,405	1,606,034	1,308,589	5,399,432
Large enterprises	21,961,561	873,560	645,688	233,601	318,939	2,584,432	10,681,014	2,072,924	89,309	516,486	445,287	3,500,321
SMEs and sole proprietors	17,979,648	1,951,850	837,091	686,659	869,224	2,260,139	4,049,042	3,236,586	237,096	1,089,548	863,302	1,899,111
Other households (by the purposes)	73,122,633	9,102,716	3,095,025	2,971,991	2,233,923	8,224,365	23,250,345	11,501,133	638,840	4,292,705	4,029,639	3,781,951
Housing	62,520,655	7,957,679	2,469,008	2,601,268	1,920,791	7,458,702	19,432,912	9,636,041	523,499	3,694,515	3,388,625	3,437,615
Consumer	5,529,381	508,339	461,931	263,775	204,696	289,976	1,818,852	1,107,023	58,334	303,773	291,037	221,645
Other	5,072,597	636,698	164,086	106,948	108,436	475,687	1,998,581	758,069	57,007	294,417	349,977	122,691
TOTAL	**180,657,297**	**13,215,565**	**4,656,576**	**4,044,052**	**4,132,297**	**13,838,641**	**77,234,533**	**17,983,961**	**1,086,350**	**6,025,008**	**5,763,470**	**11,756,260**

(*)Included the items of the balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Derivatives held for trading, Hedging derivatives, Participation and contingent liabilities. The amounts included in the table are net of impairment losses.

31 December 2018

(Thousands of euros)	31/12/2018											
		Comunidades autónomas										
	TOTAL (*)	Andalucía	Canarias	Castilla-La Mancha	Castilla y León	Cataluña	Madrid	Comunidad Valenciana	La Rioja	Murcia	Baleares	Resto
Central banks and credit institutions	6,245,844	353,370	252	171	155	21,794	4,848,027	141,763	26	255	26	880,005
Government agencies	28,463,294	278,926	34,055	56,963	582,708	351,756	1,874,907	598,830	121,410	71,009	319,017	1,029,780
Central Administration	23,143,933	-	-	-	-	-	-	-	-	-	-	-
Other	5,319,361	278,926	34,055	56,963	582,708	351,756	1,874,907	598,830	121,410	71,009	319,017	1,029,780
Other government agencies and individual companies (financial business activities)	24,275,638	19,334	1,470	1,177	2,963	42,888	23,868,390	269,659	354	3,390	3,659	62,354
Non-financial companies and individual companies (non- financial business activities) (by the purposes)	41,766,709	3,028,518	1,460,562	971,945	1,197,110	4,963,664	15,683,700	5,583,435	360,605	1,680,385	1,400,364	5,436,421
Constructions and property developments (land included)	1,840,604	204,048	51,003	41,424	49,205	186,442	731,204	289,833	14,021	69,927	70,087	133,410
Civil engineering construction	1,379,558	75,968	11,460	32,035	5,319	253,154	650,691	49,223	1,612	10,938	9,547	279,611
Other	38,546,547	2,748,502	1,398,099	898,486	1,142,586	4,524,068	14,301,805	5,244,379	344,972	1,599,520	1,320,730	5,023,400
Large enterprises	20,238,532	824,534	523,679	223,126	295,043	2,194,557	10,032,354	1,947,845	85,000	544,313	450,334	3,117,747
SMEs and sole proprietors	18,308,015	1,923,968	874,420	675,360	847,543	2,329,511	4,269,451	3,296,534	259,972	1,055,207	870,396	1,905,653
Other households (by the purposes)	75,614,537	9,597,162	3,136,708	3,087,016	2,322,783	8,578,886	23,675,251	11,857,195	659,977	4,539,036	4,191,203	3,969,320
Housing	65,847,503	8,509,121	2,577,578	2,757,069	2,041,440	7,846,113	20,231,537	10,183,210	557,033	3,966,936	3,552,957	3,624,509
Consumer	4,805,839	415,819	412,538	232,222	181,769	257,324	1,632,624	947,767	49,340	233,482	227,914	215,040
Other	4,961,195	672,222	146,592	97,725	99,574	475,449	1,811,090	726,218	53,604	338,618	410,332	129,771
TOTAL	**176,366,022**	**13,277,310**	**4,633,047**	**4,117,272**	**4,105,719**	**13,958,988**	**69,950,275**	**18,450,882**	**1,142,372**	**6,294,075**	**5,914,269**	**11,377,880**

(*) Included the items of the balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Derivatives held for trading, Hedging derivatives, Participation and contingent liabilities. The amounts included in the table are net of impairment losses.

The following table shows the total amount of secured financing by the percentage of the carrying amount of the financing to the latest available appraisal or the valuation of the available guarantee or collateral at 31 December 2019 and 2018 (a):

31 December 2019

(Thousands of euros)	31/12/2019							
ITEM	TOTAL	Of which: Mortgage loans (b)	Of which: Other secured loans (b)	Secured loans. Carrying amount over last available appraisal value (Loan to value) (c)				
				Less than or equal to 40 %	More than 40% and less than or equal to 60 %	More than 60% and less than or equal to 80 %	More than 80% and less than or equal to 100 %	More than 100%
Government agencies	4,792,200	177,568	62,519	57,164	113,005	46,753	12,954	10,211
Other government agencies and individual companies (financial business activities)	1,313,130	87,680	38,321	30,704	34,417	8,018	3,073	49,789
Non-financial companies and individual companies (non- financial business activities) (by the purposes)	36,167,651	7,312,792	5,030,746	4,288,702	2,518,169	1,296,296	373,951	3,866,420
Constructions and property developments (land included) (d)	717,953	522,552	107,950	287,584	173,679	91,754	33,354	44,131
Civil engineering construction	620,296	69,025	510,999	217,955	180,085	102,719	18,120	61,145
Other	34,829,402	6,721,215	4,411,797	3,783,163	2,164,405	1,101,823	322,477	3,761,144
Large enterprises (e)	17,764,858	1,171,612	3,788,922	1,074,901	450,808	255,840	56,326	3,122,659
SMEs and sole proprietors '(e)	17,064,544	5,549,603	622,875	2,708,262	1,713,597	845,983	266,151	638,485
Other households (f) (by the purposes) (g)	74,307,179	66,160,364	65,663	17,819,491	23,587,817	17,118,300	3,643,095	4,057,324
Housing	63,836,929	63,348,461	3,783	16,757,648	22,765,278	16,704,303	3,442,355	3,682,660
Consumer	5,547,783	116,114	8,910	47,536	29,958	14,072	5,321	28,137
Other	4,922,467	2,695,789	52,970	1,014,307	792,581	399,925	195,419	346,527
TOTAL	**116,580,160**	**73,738,404**	**5,197,249**	**22,196,061**	**26,253,408**	**18,469,367**	**4,033,073**	**7,983,744**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations	**5,390,892**	**4,667,829**	**318,663**	**948,865**	**1,146,141**	**1,192,721**	**683,036**	**1,015,729**

(a) The definition of customer loans is that used to prepare the balance sheet. Includes all transactions of this nature, regardless of the heading under which they are present for balance sheet purposes, excluding in "Non-current assets and disposal groups classified as held for sale". The amount shown for the various figures is the carrying amount of the exposures; i.e. after deducting impairment recognised on the exposures.

(b) Includes the carrying amount of all transactions secured by properties or other collateral, regardless of their loan-to-value or legal form (e.g. mortgage, finance lease, reverse repurchase agreement).

(c) The *loan-to-value* ratio is obtained by dividing the carrying amount of each exposure at the reporting date by the value of the underlying collateral as of the latest appraisal or valuation available.

(d) Non-financial corporations classified as "Large enterprises" and "SMEs" in accordance with Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. Activity of individual entrepreneurs includes that of natural persons in the exercise of their business activities.

(e) Households, including non-profit institutions serving households, but excluding business activity of individual entrepreneurs.

(f) The loans will be classified in accordance with their purpose under the criteria of rule 69.2.e).

31 December 2018

(Thousands of euros)

ITEM	TOTAL	Of which: Mortgage loans (b)	Of which: Other secured loans (b)	31/12/2018 Secured loans. Carrying amount over last available appraisal value (Loan to value) (c) Less than or equal to 40 %	More than 40% and less than or equal to 60 %	More than 60% and less than or equal to 80 %	More than 80% and less than or equal to 100 %	More than 100%
Government agencies	5,053,739	213,992	186,949	114,234	173,892	78,892	26,177	7,746
Other government agencies and individual companies (financial business activities)	1,251,045	93,370	35,657	24,952	26,036	6,369	282	71,388
Non-financial companies and individual companies (non- financial business activities) (by the purposes)	34,483,766	8,172,976	5,466,670	4,610,998	2,645,889	1,485,132	616,557	4,281,070
Constructions and property developments (land included) (d)	611,075	443,430	109,756	197,780	135,215	133,585	33,418	53,188
Civil engineering construction	700,510	48,362	605,421	254,549	180,987	116,603	19,366	82,278
Other	33,172,181	7,681,184	4,751,493	4,158,669	2,329,687	1,234,944	563,773	4,145,604
Large enterprises (e)	16,134,888	1,310,648	4,088,160	1,255,651	348,085	163,539	219,978	3,411,555
SMEs and sole proprietors '(e)	17,037,293	6,370,536	663,333	2,903,018	1,981,602	1,071,405	343,795	734,049
Other households (f) (by the purposes) (g)	76,824,747	69,499,567	73,841	17,700,167	24,026,793	18,676,710	4,274,254	4,895,484
Housing	67,213,599	66,728,276	5,602	16,680,795	23,217,517	18,262,727	4,120,171	4,452,668
Consumer	4,821,710	131,491	9,648	48,879	34,094	16,640	8,624	32,902
Other	4,789,438	2,639,800	58,591	970,493	775,182	397,343	145,459	409,914
TOTAL	**117,613,297**	**77,979,905**	**5,763,117**	**22,450,351**	**26,872,610**	**20,247,103**	**4,917,270**	**9,255,688**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations	**6,727,511**	**5,240,480**	**457,212**	**1,175,206**	**1,286,278**	**1,413,581**	**608,049**	**1,214,578**

(a) The definition of customer loans is that used to prepare the balance sheet. Includes all transactions of this nature, regardless of the heading under which they are present for balance sheet purposes, excluding in "Non-current assets and disposal groups classified as held for sale". The amount shown for the various figures is the carrying amount of the exposures; i.e. after deducting impairment recognised on the exposures.

(b) Includes the carrying amount of all transactions secured by properties or other collateral, regardless of their *loan-to-value* or legal form (e.g. mortgage, finance lease, reverse repurchase agreement).

(c) The *loan-to-value* ratio is obtained by dividing the carrying amount of each exposure at the reporting date by the value of the underlying collateral as of the latest appraisal or valuation available.

(d) Non-financial corporations classified as "Large enterprises" and "SMEs" in accordance with Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. Activity of individual entrepreneurs includes that of natural persons in the exercise of their business activities.

(e) Households, including non-profit institutions serving households, but excluding business activity of individual entrepreneurs.

(f) The loans will be classified in accordance with their purpose under the criteria of rule 69.2e

Appendix X – Detail of agents and disclosures required by Article 21 of Royal Decree 584/2015 of 13 February

Information at 2019

Bankia, S.A. agents authorised to enter into and/or negotiate transactions on behalf of the entity (under Bank of Spain Circular 4/2010, rule 1, section 1)	
Name or corporate name of	**Registered address**
MAPFRE FAMILIAR, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	CTRA. POZUELO A MAJADAHONDA, 52 – 28220 (MAJADAHONDA - MADRID)
COOPERATIVA COMERCIAL AGRARIA DE TOTANA (COATO)	CTRA. DE MAZARRÓN, S/N 30850 (MURCIA)
OESIA SERVICIOS AGENCIA FINANCIERA, S.L.	AVDA. DEL ESTE, 60 POLÍGONO IND. CABEZO CORTADO 30100 ESPINARDO (MURCIA)

Bankia, S.A. agents authorised only to market products and services; not authorised to enter into and/or negotiate transactions on behalf of the entity (under Bank of Spain Circular 4/2010, rule 1, section 2)	
Name or corporate name of	**Registered address**
MARTORELL Y CANTACORPS SL	AV. CATALUNYA, 64 - CERDANYOLA DEL VALLES (BARCELONA)
GRUPO VALIA	C/ VELAZQUEZ, 86 - MADRID
ESF CONSULTORES 2010 SL	C/ANTONIO BELON, 1 - MARBELLA (MALAGA)
ESPACIO ASESOR	C/CIUTAT DE QUERETARO, 4 - PALMA DE MALLORCA
SOMOS FINANCIEROS SL	AV. M 40, 17 - ALCORCON (MADRID)
ASESORAMIENTO FINANCIERO Y PATRIMONIAL S	C/ ORENSE, 32 - MADRID
INNOSUNS COACHING & CAPITAL S.L.	C/ FELIPE IV, 3 - MADRID
IDF ALL FINANCING SL	C/ JESUS APRENDIZ, 23 - MADRID
INVERSIONES CONFIDENCE CAPITAL, SL	C/ GENERAL ARRANDO, 12 - MADRID
INVERSIONES PEIX	C/ SANT ELIES, 9 DESPATX 95 - BARCELONA
CETAFARMA	AV. MARQUES DE SOTELO 5 P 20, 5 - VALENCIA
FERNANDO HERRERIAS MIERA	C/ LUIS MARTINEZ, 27 - SANTANDER
GASCON BERNABEU SL	C/ DESIDERIO RODRIGUEZ, 19 - TORREVIEJA (ALICANTE)
JCG ALLFINANZ MALLORCA SLU	C/ TAMONER, 1, 2º - PALMA DE MALLORCA
EL IDEALISTA CREDITO Y FINANCIACION SL	C/ CEDACEROS, 11 - MADRID
DANIEL DA CONCEI AO PIRES	C/ FONT I MONTEROS, 6 - PALMA DE MALLORCA
SPANISH BEST HOMES 2010 SL	AV. REYES CATOLICOS, 39 - MAZARRON (MURCIA)
RAVENA RHYS-JONES	URB. AZALEA BEACH, CONJ. EL RÍO, CASA 77 - MALAGA
ADAM DEAN HATTON	C/ OLIVA , 31 - ORIHUELA COSTA (ALICANTE)
GRUPO FINANCIERO 10, SL	C/ ECHEGARAY, 6 - MADRID
FLUENT FINANCE ABROAD S.L.	C/ MARQUES DEL DUERO, 76, 3ºC - SAN PEDRO DE ALCANTARA (MALAGA)
EASYADS SL	C/ MAESTRO TORRALBA, 4 - MURCIA
FIRST CAPITAL SOLUTIONS SL	AV. RICARDO SORIANO, 65 - MARBELLA (MALAGA)
NICOLA KATE BUCHANAN	C/ SANT FELIU, 4 1º - PALMA DE MALLORCA
BETTINA ELISABETH LORENZ	C/ ARPELLA, 32 - SANT JORDI DE SES SALINES (BALEARES)
SEIFERT INVEST SLU	C/ CAMAMIL.LA Nº 3 ESC. A 2º A - PALMA DE MALLORCA
THE RESORTS OF THE WORLD COMPANY SL	C/ ALARCE, 26 - TORRE PACHECO (MURCIA)
DAVID GRONDONA OAKES	AV. PUIG DE SARAGOSSA 1 B - SANTA PONÇA (ILLES BALEARS)
GOLF PROPERTY STORE S.L.	C/ RASPALLON, 3 - ROLDAN (MURCIA)
VILLA NORDIKA S.L.	C/ BENIDORM, 2 - ALICANTE
TIMOTHY FRENCH	C/ MAR ROJO, 13 - TORREVIEJA (ALICANTE)
GREENB3E	C/ MISSER MASCO, 42 - VALENCIA
MORTGAGE DIRECT	C/ CARRER DELS CAVALLERS, 37 - VALENCIA
JORDI OLIVA PRIM	C/ PEDRO I PONS, 12 - BARCELONA
TU SOLUCION HIPOTECARIA	C/ TORRES, 26 - BARCELONA

DR KLEIN FINANCE	GV. PUIG DES CASTELLET, 1 - SANTA PONÇA (BALEARES)
RASTREATOR	C/ SANCHEZ PACHECO, 85 - MADRID
HELLOTECA COM	C/ SERRANO, 8 - MADRID
RAPIDO FINANCE & LEGAL	C/ JAEN, 4 - SAN PEDRO DE ALCANTARA (MALAGA)
AGENCIA MEDITERRANEA	C/ COLON, 18 - VALENCIA
HIPOO	C/ MARIA DE MOLINA, 1 - MADRID
SERVICIOS INMOBILIARIOS MENORCA FARO SL	AV. JOSEP ANSEL CLAVE, 38 - MAHON (BALEARES)
IAHORRO	C/ GENERAL RAMIREZ DE MADRID, 8 - MADRID
PERSONAL PROPERTY CONSULT, S.L	C/ GRAN PUIG DES CASTELLET, 1 - SANTA PONÇA (BALEARES)
POLLENSA INVEST SL	C/ CARRER ROSER VELL, 38 - POLLENÇA (BALEARES)
ING BANK	C/ SEVERO OCHOA, 2 - LAS ROZAS (MADRID)
THIMOTHY DYER	C/ RIO GUADALQUIVIR, 10 - SAN JAVIER (MURCIA)
LAW HAWKS	C/ JUAN RAMOS JIMENEZ, 10 - MARBELLA (MALAGA)
CREDIMARKET	PLAZA AUSIAS MARCH, 1 - SAN CUGAT DEL VALLES (BARCELONA)
VALLENOVA CAPITAL SL	C/ PASION, 13 - VALLADOLID
LA ZENIA LEGAL ADVICE S.L.	C/ MALAQUITA LA ZENIA - ORIHUELA (ALICANTE)
ALTRIA	C/ TRAVESSERA DE GRACIA, 15 - BARCELONA
AYUDA T	AV. ISAAC NEWTON POL SALINAS, 287 - PUERTO DE SANTA MARIA (CADIZ)
VALFARMA	C/ 25 DE ABRIL, 23 - RAFELBUNYOL (VALENCIA)
LIONSGATE CAPITAL	PASEO DEL BORNE, 17 - PALMA DE MALLORCA (ILLES BALEARS)
ROCIO LUNA DE TOLEDO	C/ ANACARDO, 45 - TORREPACHECO (MURCIA)
DR. STIFF BERATUNGS GMBH	C/ CATALUNYA, 5 - PALMA DE MALLORCA (ILLES BALEARS)
IBERCREDIT	C/ DOCTOR ESQUERDO, 184 - MADRID
HIPOTECA PRIMERO, S.L.	C/ AGUARON, 27 - MADRID
FINTECA TECH SL	C/ PAU VILA, 1 - BARCELONA
AFINANCE FINANCIAL CONSULTING, S.L	PASEO DE GRACIA, 85 - BARCELONA
T.S. GESTIO, S.L.	C/ BRUTAU, 55 - SABADELL (BARCELONA)

Appendix XI – Other information

Customer care service

The Bank has the "Customer Protection Regulations of Bankia, S.A. and its Group", approved by the Board of Directors of Bankia, S.A. Among other aspects, the Regulations stipulate that the Bankia, S.A. Customer Care Service must handle and resolve any complaints or claims submitted by those in receipt of financial services from all Bankia Group finance companies – one of which is the Bank – covered by the scope of the service (Bankia, S.A. and Group entities subject to Order ECO/734/2004 of 11 March governing Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions).

Pursuant to Order ECO/734/2004 of 11 March governing Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions, the following Bankia Group entities are subject to the obligations and duties required by the Order in this connection, with claim procedures and solutions centralised through the Bankia, S.A. Customer Care Service:

Company
Bankia, S.A.
Bankia Fondos, S.G.I.I.C., S.A.
Bankia Pensiones, S.A., E.G.F.P.
Segurbankia, S.A., Correduría de Seguros del Grupo Bankia

The Bankia Group fulfils these obligations and duties in accordance with Law 44/2002, of 22 November, on Financial System Reform Measures, and with Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions.

The main data on customer claims in 2019 and 2018 for Bank entities subject to these duties and obligations are as follows:

31 December 2019

Company	No. of claims received	No. of claims admitted for processing	No. of claims dismissed (1)	No. of claims resolved against the customer	No. of claims resolved in favour of the customer	No. of claims resolved informing the customer
Bankia, S.A.	43,037	41,139	1,898	14,811	16,740	9,651

(1) Claims dismissed in 2019.

31 December2018

Company	No. of claims received	No. of claims admitted for processing	No. of claims dismissed (1)	No. of claims resolved against the customer	No. of claims resolved in favour of the customer	No. of claims resolved informing the customer
Bankia, S.A.	54,159	51,622	2,537	23,722	15,196	13,254

(1) Claims dismissed in 2018.

The breakdown by type of all claims resolved and dismissed in 2019 and 2018 is as follows:

	Number of claims	
Type of claim	31/12/2019 (1)	31/12/2018 (1)
Asset transactions	10,400	19,987
Liabilities transactions	15,638	16,953
Other banking products	107	203
Collection and payment services	8,671	7,409
Investment services	527	594
Insurance and pension funds	739	961
Miscellaneous	5,120	6,065
Total	**41,202**	**52,172**

(1) Not including those dismissed.

At last, the claims pending resolution by Bankia entities subject to these obligations at 31 December 2019 and 2018 are as follows:

	Number of claims	
Company	31/12/2019	31/12/2018
Bankia, S.A.	1,402	1,451

Average period of payment to suppliers. Third additional provision. “Disclosure requirement" in Law 15/2010 of 5 July

In compliance with the provisions of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment on commercial transactions, implemented by Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016, on the information to be included in the notes to financial statements with regard to deferred payments to suppliers in commercial transactions, it is disclosed that:

- Due to the nature the business activities in which the Bank mainly engages (financial activities), the information provided in this Note concerning deferred payments exclusively concerns payments to suppliers for the provision of various services and supplies to the Bankia’s entities resident in Spain and to payments to suppliers made by Spanish Bank entities that carry out non-financial activities, other than payments to depositors and holding companies of securities issued by Group entities, which were made, in all cases, in strict compliance with the contractual and legal periods established in each case, irrespective of whether or not they were payable in cash or by instalment. Nor is any information provided concerning payments to suppliers excluded from the scope of this mandatory disclosure pursuant to the provisions of the aforementioned ICAC Resolution, such as suppliers of fixed assets that are not considered to be trade creditors.

- In connection with the information required by Law 15/2010 of 5 July in relation to Group's commercial and service providers, and in due consideration the Article 6 of ICAC Resolution of 29 January 2016, there follows the information of 2019 and 2018 required by this regulation, to the scope defined in the preceding paragraph:

(days)

ITEM	2019	2018
Average payment period (days)	9.35	8.79
Average late-payment (days)	14.77	16.53
Average period of payment to suppliers	**9.44**	**8.88**

(Thousands of euros)

ITEM	2019	2018
Total payments	828,797	1,198,338
Total outstanding payments	14,116	13,967

Payments for payables and receivables among Spanish entities of the Bankia Group have been excluded from the above data.

Merger balance sheet Bankia S.A. and Bankia Inversiones Financieras S.A.U. 31 December 2018

Merger balance sheet Bankia S.A. at 31 December 2018

ASSETS	31/12/2018
Cash, cash balances at Central banks and other demand deposits	**4,354,390**
Financial assets held for trading	**6,320,607**
Derivatives	6,035,137
Equity instruments	3,901
Debt securities	281,569
Loans and advances	-
Central banks	-
Credit institutions	-
Customers	-
Memorandum item: loaned or advanced as collateral with right to sell or pledged	*590*
Non-trading financial assets mandatorily at fair value through profit or loss	**9,348**
Equity instruments	-
Debt securities	187
Loans and advances	9,161
Central banks	-
Credit institutions	-
Customers	9,161
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-
Financial assets designated at fair value through profit or loss	**-**
Debt securities	-
Loans and advances	-
Central banks	-
Credit institutions	-
Customers	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-
Financial assets at fair value through other comprehensive income	**15,622,815**
Equity instruments	66,484
Debt securities	15,556,331
Loans and advances	-
Central banks	-
Credit institutions	-
Customers	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*7,138,310*
Financial assets at amortised cost	**156,747,204**
Debt securities	33,860,266
Loans and advances	122,886,938
Central banks	-
Credit institutions	4,432,818
Customers	118,454,120
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*23,310,362*
Derivatives – Hedge accounting	**2,619,883**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-
Investments in subsidiaries, joint ventures and associates	**2,713,637**
Subsidiaries	2,549,079
Joint Ventures	3,818
Associates	160,740
Tangible assets	**2,171,142**
Property, plant and equipment	1,657,402
For own use	1,657,402
Leased out under an operating lease	-
Assigned to welfare projects (saving banks and credit cooperatives)	-
Investment property	513,740
Of which: leased out under operating leases	513,740
Memorandum item: acquired in leasing	-
Intangible assets	**205,523**
Goodwill	-
Other intangible assets	205,523
Tax assets	**10,449,957**
Current tax assets	460,768
Deferred tax assets	9,989,189
Other assets	**1,672,042**
Insurance contracts linked to pensions	1,034,030
Inventories	-
Other	638,012
Non-current assets and disposal groups classified as held for sale	**3,459,184**
TOTAL ASSETS	**206,345,732**

LIABILITIES AND EQUITY	31/12/2018
Financial liabilities held for trading	**6,078,800**
Derivatives	5,956,719
Short positions	122,081
Deposits	-
Other financial liabilities	-
Financial liabilities designated at fair value through profit or loss	**-**
Deposits	-
Central banks	-
Credit institutions	-
Customers	-
Debt securities issued	-
Other financial liabilities	-
Memorandum item: subordinated liabilities	-
Financial liabilities at amortised cost	**184,060,914**
Deposits	165,712,473
Central banks	13,856,000
Credit institutions	21,771,822
Customers	130,084,651
Debt securities issued	16,749,890
Other financial liabilities	1,598,551
Memorandum item: subordinated liabilities	*2,989,889*
Derivatives – Hedge accounting	**182,331**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**
Provisions	**1,846,702**
Pensions and other post-employment defined benefit obligations	1,080,822
Other long term employee benefits	-
Pending legal issues and tax litigation	183,294
Commitments and guarantees given	373,119
Other provisions	209,467
Tax liabilities	**536,194**
Current tax liabilities	-
Deferred tax liabilities	536,194
Share capital repayable on demand	**-**
Other liabilities	**1,106,381**
Of which: welfare fund (only savings banksand credit cooperatives)	-
Liabilities included in disposal groups classified as held for sale	**-**
TOTAL LIABILITIES	**193,811,322**
Own funds	**12,421,199**
Capital	3,084,963
Paid up capital	3,084,963
Unpaid capital which has been called up	-
Memorandum item: Uncalled capital	-
Share premium	619,154
Equity instruments issued other than capital	-
Equity component of compound financial instruments	-
Other equity instruments issued	-
Other equity	-
Retained earnings	-
Revaluation reserves	-
Other reserves	7,980,060
(-) Treasury shares	(96,646)
Profit or loss	833,668
(-) Interim dividends	-
Accumulated other comprehensive income	**113,211**
Items that will not be reclassified to profit or loss	51,684
Actuarial gains or (-) losses on defined benefit pension plans	29,939
Non-current assets and disposal groups classified as held for sale	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	21,745
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-
Items that may be reclassified to profit or loss	61,527
Hedge of net investments in foreign operations [effective portion]	-
Foreign currency translation	(292)
Hedging derivatives. Cash flow hedges [effective portion]	(2,299)
Fair value changes of debt instruments measured at fair value through other comprenhensive income	62,554
Hedging instruments [not designated elements]	-
Non-current assets and disposal groups classified as held for sale	1,564
TOTAL EQUITY	**12,534,410**
TOTAL EQUITY AND TOTAL LIABILITIES	**206,345,732**
MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS	**34,048,575**
Loan commitments given	21,070,128
Financial guarantees given	427,621
Contingent commitments given	12,550,826

Balance sheet Bankia Inversiones Financieras S.A.U. at 31 December 2018

ASSETS	31/12/2018	LIABILITIES AND EQUITY	31/12/2018
A) NON CURRENT ASSETS	**117,422**	**A) EQUITY**	**1,281,004**
IV. Long term financial investments with group companies and associates	**117,422**	**A-1) Capital and reserves**	**1,281,004**
1. Equity instruments	117,422	**I. Capital**	**998,241**
		1. Rgistered capital	998,241
		II. Share premium	**-**
		III. Reserves	**204,849**
		1. Legal and statutory reserve	199,648
		2. Other reserves	5,201
		V. Prior years profit and loss	**(2,786)**
		2. (Prior years losses)	(2,786)
		VII. Profit (loss) for the year	**80,700**
B) CURRENT ASSETS	**1,163,591**		
		B) NON CURRENT LIABILITIES	**-**
III. Trade and other receivables	**9,378**		
6. Other receivables Public Administrations	9,378	**C) CURRENT LIABILITIES**	**9**
IV. Short term financial investments with group companies and associates	**-**	**III. Current payables**	**-**
3. Debt securities	-	5. Other financial liabilities	-
V. Short term financial investments	**1**	**IV. Short term payables with group companies and associates**	**-**
VII. Cash and cash equivalents	**1,154,212**	**V. Trade and other payables**	**9**
1. Cash	1,154,212	3. Suppliers	9
TOTAL ASSETS (A+B)	**1,281,013**	**TOTAL LIABILITIES AND EQUITY (A+B+C)**	**1,281,013**

This document is a translation of an original text in Spanish. In case of any discrepancy between the English and the Spanish version, the Spanish version will prevail.

BANKIA, S.A.

MANAGEMENT REPORT

DECEMBER 2019

CONTENTS

This report was prepared in accordance with the criteria set out in Circular 3/2018 of 28 June, of the National Securities Market Commission (CNMV), on period reporting by issuers of securities admitted to trading on regulated markets related to half-year financial reports, interim management statements and, where applicable, quarterly financial reports.

1. - KEY HIGHLIGHTS OF 2019

1.1. - Earnings performance

Net profit in 2019 amounted to EUR 563 million, down 32.5% from the same period last year, impacted by lower trading income obtained by dividends and financial transactions. However, the positive impact of cost savings obtained following the integration of BMN led to a 3.8% fall in administrative expenses compared to 2018, boosting the Bank's core profit (net interest income and fee and commission income less administrative expenses and depreciation) to EUR 1,169 million in 2019 (+0.7% year-over-year).

1.2.- Sound commercial activity, which translates into a stable performing loan portfolio and customer funds

Bankia maintained a healthy pace of new lending in 2019, mainly in consumer finance. Growth in new loans offset natural maturities of the mortgage portfolio, having a positive impact on the stock of performing loans, which saw the pace of decline ease compared to previous reporting period (-0.1%).

Another positive driver was the increase in customer funds, mainly off-balance sheet customer funds managed, which rose by 12.5% from the end of 2018, underpinned by the good performance of assets managed and marketed in investment funds (+15.1%) and pension funds (+6.3%).

1.3.- Ongoing improvement in asset quality on the back of further declines in the balance of doubtful exposures and foreclosed assets

Bankia's **doubtful exposures** fell further in 2019, by 23.2% (EUR 1,947 million) from 31 December 2018. This improvement was the result of stronger efforts in monitoring and recovery management, and the continued sale of doubtful asset portfolios in 2019, foreclosure and asset write-offs. As a result, the **NPL ratio** improved further, to 5% at 31 December 2019, 1.5 percentage points lower than at 31 December 2018. The strategy for reducing non-performing assets has also resulted in a decrease of foreclosed assets, the net value of which fell by 32.9% during 2019.

As a result, by the end of 2019 the Bankia Group had reached 94% of the 2018-2020 Strategic Plan’s target reduction in non-performing assets.

1.4. - Capital Strength

Bankia's CET 1 Phase-in ratio at 31 December 2019, stood at 14.32%, up +52 bps compared to 31 December 2018. Once again in 2019, the Bankia Group showed an organic CET 1 generation model (+86 bps), allowing it to offset negative one-off impacts arising in regulations and supervision of credit institutions, while continuing to meet the CET 1 target set in the Corporate Risk Appetite and Tolerance Framework. This level of higher-quality capital shows a capital surplus of 507 bps (EUR 3,939 million) above the minimum capital requirement for CET 1 SREP communicated by the ECB to the Bankia Group for 2019 (9.25%).

The Bankia Group's solvency strength is underpinned by the Group's organic capital generation model, in which the capitalization of profits and selective growth in the business segments that are considered strategic by Bankia for their higher credit quality are the main cornerstones of its sound solvency position. At the same time, Bankia continues with a gradual process of optimising its risk-weighted assets, which have a positive impact on solvency. This underscores the Bankia Group's ability to continue generating capital while still paying dividends to shareholders.

Additionally, during 2019 the Group also issued senior and subordinated notes for an aggregate amount of EUR 3,500 million, enabling it to roll over maturities and increase its buffer of liabilities with loss-absorbing capacity ahead of the MREL regulatory requirement. These issues fall under the Group's funding plan, which sets the issuance of around EUR 5,000 million from 2018 to 2021 to meet the 23.66% MREL target by 1 July 2021.

1.5. - Upgrades to credit ratings

During 2019 the main rating agencies continued to upgrade the Bankia's credit ratings, as a result of the Bank's good business performance, its capacity to generate capital and the reduction of non-performing assets.

On 30 January 2019 Fitch upgraded Bankia's long-term rating from BBB- to BBB, reflecting its strengthened national franchise following the merger with BMN, the reduction of its exposure to non-performing assets, a sound post-merger capital levels, adequate funding and liquidity and management's proven record in integrations. On the same date, the agency raised its rating of Bankia's subordinated debt, from "BB+" to "BBB-", and ratified its short-term F3 rating.

These rating changes leave Bankia firmly in the "investment grade" category after BMN's integration, the early realisation of cost synergies, and the reduction of non-performing assets.

1.6.- Shareholder remuneration

Pursuant to the resolutions adopted on 22 March 2019 by the General Meeting of Shareholders, on 11 April 2019 Bankia distributed a EUR 354 million dividend (EUR 0.11576 per share) out of 2018 profit. This amount showed a 4.7% increase in comparison with the dividend paid the previous year (EUR 338 million).

At its meeting held on 21 February 2020, Bankia's Board of Directors agreed to submit a proposal to the General Meeting of Shareholders for the gross payment of 0.11576 euros cash dividend per share out of 2019 profit.

Underpinned by its organic capital generation ability and an increasingly strong balance sheet, Bankia's goal is to maintain and improve shareholder remuneration in coming years as another step towards repaying the state aids received.

1.7.- Support of sustainable financing

As part of its pledge to sustainability and curbing climate change, Bankia, along with another 130 banks around the world, signed the United Nations Principles for Responsible Banking on 22 September 2019. By agreeing to adhere to these principles, the signatories undertake to align their businesses with the commitments made in the Paris Agreement on Climate Change and the Sustainable Development Goals (SDGs), highlighting the need for responsible commercial models geared towards promoting sustainable development and contributing to improving the environment and tackling climate change.

Bankia, which has been working towards honoring these pledges through its Sustainability team (under the auspices of the Responsible Management Department), has redoubled its commitment to the environment and sustainable finance by creating the Sustainable Finance and Business Department. The goals of the newly established business unit include encouraging funds to be released as per environmental, social and governance (ESG) criteria, and championing the funding of investments under these same criteria, developing new proposals for products and services that are attractive to its customers.

The principles underlying Bankia support of sustainable financing and the main actions carried out in 2019 to strengthen this commitment are described in more detail in the Non-financial Information Statement, which is part of this management report and is attached as a separate document.

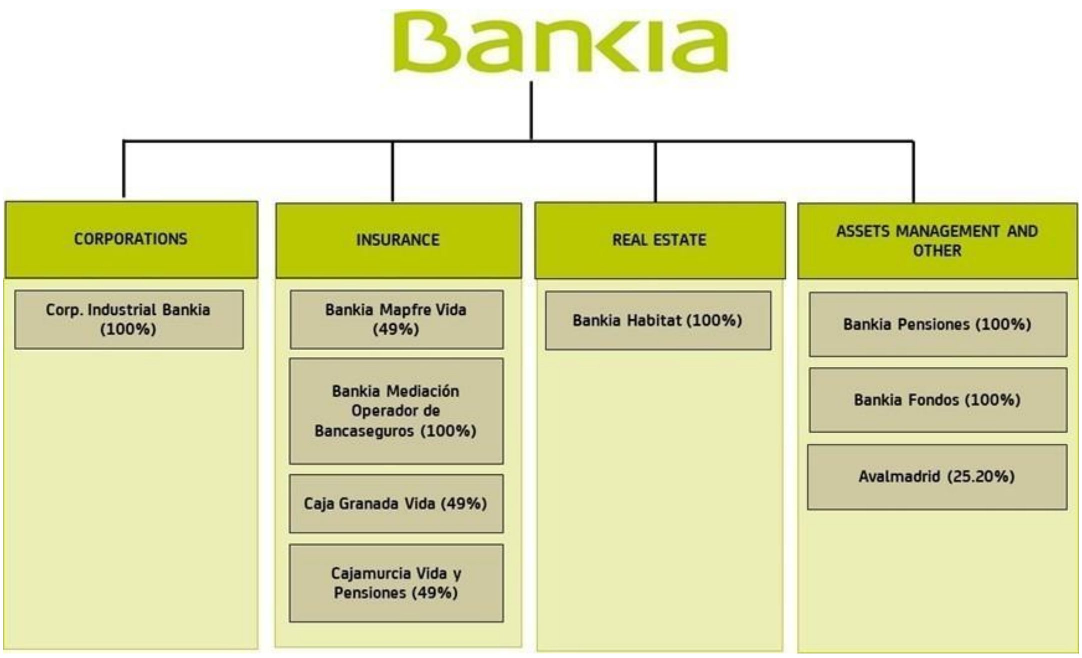
2.- ORGANISATIONAL STRUCTURE AND BUSINESS MODEL

2.1.- Overview of Bankia Group and its organisational structure

Bankia is a financial group with a presence throughout all the national territory, with an activity that is mainly focused on traditional retail banking, corporate banking, asset management and private banking businesses. Bankia does business mainly in Spain. The Bank had total assets at 31 December 2019 of EUR 208,880 million. The Bank's branch network at the end of the year comprised 2,275 offices at the year-end. Section 2.3 below provides a breakdown of the branch office network by region.

BFA, Tenedora de Acciones, S.A.U. ("BFA"), is Bankia's biggest shareholder, with a 61.80% stake at 31 December 2019 (62.25% considering the effect of own shares). Organisationally, Bankia is the Group's parent company. At 31 December 2019, the scope of consolidation comprised 48 companies between subsidiaries, joint ventures and associates, engaging in a range of activities, including the provision of finance, insurance, asset management, services, and real estate development and management.

The ownership interests in the companies that make up the scope of consolidation of the Bankia group are kept directly in Bankia's own portfolio or, indirectly, through different holdings, highlighting the following as the most relevant:



2.2.- Corporate governance

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

- **The General Meeting of Shareholders** is the highest decision-making authority within the scope attributed to it by law or by the bylaws; e.g. the appointment and removal of directors, the approval of the annual financial statements, the distribution of dividends, the acquisition or disposal of assets under the terms established by the law or the approval of the director remuneration policy, among others.

- **The Board of Directors** is responsible for representation of the Company and has the broadest authority to administer the Company except for matters reserved for the General Meeting of Shareholders. Its responsibilities include, inter alia, approving the strategic or business plan, management objectives and annual budgets, and determining the Company's general policies and strategies, the corporate governance policy for the Company and the Group, the responsible management policy, and supervising the functioning of any committees it may have set up and the actions of the delegate bodies.

There are **five Board Committees,** whose members are appointed in accordance with their suitability based on their knowledge, aptitudes, experience and the duties of each committee.

Board of directors The Board of Directors held 15 meetings in 2019
(8 independent directors, 1 other external director and 3 executive directors)
• Mr. José Ignacio Goirigolzarri Tellaeche. Executive Chairman • Mr. José Sevilla Álvarez. Chief Executive Officer • Mr. Antonio Ortega Parra. Executive Director • Mr. Joaquín Ayuso García. Independent Director • Mr. Francisco Javier Campo García. Independent Director • Mrs Eva Castillo Sanz. Lead Independent Director • Mr. Jorge Cosmen Menéndez-Castañedo. Independent Director • Mr. Carlos Egea Krauel. Other External Director • Mr. José Luis Feito Higueruela. Independent Director • Mr. Fernando Fernández Méndez de Andés. Independent Director • Mrs Laura González Molero. Independent Director • Mr. Antonio Greño Hidalgo. Independent Director

Audit and Compliance Committee	
The Audit and Compliance Committee, among other functions, monitors the effectiveness of internal control, the internal audit, compliance and the risk management systems, and the preparation of regulated financial information. It makes proposals to the Board of Directors for the selection, appointment, re-election and replacement of the statutory auditors. It also conducts the necessary relations with the external auditor and examines and supervises compliance with Bankia's governance and compliance rules, among other responsibilities.	**Five executive directors, four independent directors, and one other external:** - Mr. Antonio Greño Hidalgo (Chairman) - Mr. Francisco Javier Campo García (Committee member) - Mr. Carlos Egea Krauel (Committee member) - Mr. José Luis Feito Higueruela (Committee member) - Mr. Fernando Fernández Méndez de Andés (Committee member) The Audit and Compliance Committee held 18 meetings during 2019.

Appointments and Responsible Management Committee	
This committee has general authority to propose and report on the appointment and removal of directors and senior managers, determines the competencies, abilities, experience, diversity and knowledge required on the Board of Directors, and defines the functions to be performed and the aptitudes required of candidates to fill vacancies. It also assesses the time and commitment required for directors to be able to perform their duties effectively, examines and organises the succession plan in the Board of Directors and reviews the corporate social responsibility policy. In addition, it monitors the strategy and practices for implementing that policy and assesses all aspects of the bank's social, environmental, political and reputational risks.	**Four independent directors:** - Mrs. Eva Castillo Sanz (Chairwoman) - Mr. Joaquín Ayuso García (Committee member) - Mr. Francisco Javier Campo García (Committee member) - Mrs. Laura González Molero (Committee member) Management Committee held 13 meetings during 2019.

Remuneration Committee	
The Remuneration Committee has general authority to propose and report on remuneration and other contractual terms and conditions of directors and senior managers, and must periodically review the remuneration programs, considering their appropriateness and utility, and ensuring transparency of remuneration and compliance with the remuneration policy set by the Company, among other responsibilities.	**Four independent directors:** - Mrs. Francisco Javier Campo García (Chairman) - Mr. Joaquín Ayuso García (Committee member) - Mr. Jorge Cosmen Menéndez-Castañedo (Committee member) - Mrs. Laura González Melero (Committee member) The Remuneration Committee held 9 meetings during 2019.

Risk Advisory Committee	
The Risk Advisory Committee advises on the overall propensity of risk and the risk strategy, overseeing the pricing policy, presenting risk policies and proposing to the Board the Company's and Group's risk control and management policy through the Internal Capital Adequacy Assessment Process (ICAAP). It also supervises the internal control and risk management function and proposes the system of credit risk delegation to the Board of Directors, among other responsibilities.	**Four independent directors:** - Mr. Joaquín Ayuso García (Chairman) - Mrs. Eva Castillo Sanz (Committee member) - Mr. Fernando Fernández Méndez de Andés (Committee member) - Mr. Antonio Greño Hidalgo (Committee member) The Risk Advisory Committee held 29 meetings during 2019.

Board Risk Committee	
It is an executive body with responsibility for approving risk-related decisions within the scope of authority delegated by the Board of Directors, and guides and administers the exercise of delegated authority by lower-ranking bodies. It approves important transactions and defines overall risk limits. It is also reporting to the Board of Directors on any risks that may affect the Bank's solvency, recurring results, operations or reputation, among other responsibilities.	**An Executive director and two independent directors:** - Mr. José Sevilla Álvarez (Chairman) - Mrs. Eva Castillo Sanz (Committee member) - Mr. Fernando Fernández Méndez de Andés (Committee member) The Board Risk Committee held 31 meetings during 2019.

The **Board's policy** is to delegate ordinary Company management to the management bodies and management team and to concentrate its work on the **general supervisory function** and consideration of those matters that are particularly important to the Company.

In relation to the above, the Board of Directors defined a **Corporate Governance System** that ensures healthy, prudent management of the Company and that provides for an appropriate distribution of functions within the organization and the prevention of conflicts of interest. The Board oversees the application of this system and regularly monitors and assesses its effectiveness, taking whatever measures are necessary to resolve possible deficiencies.

One of Bankia's main priorities is to align its corporate governance with Spanish and international best practices. In particular, in compliance with requirements in domestic and European banking regulations and the recommendations and principles of good governance contained in the Code of Best Practices of supervisors and regulators, Bankia has a corporate governance system as a general framework for internal organization affecting the Bank and all the companies that make up the Bankia Group.

The corporate governance system covers and guarantees the proper functioning of internal governance, thereby assuring healthy, prudent management of the Entity and its Group. The core objective being to satisfy the corporate interest, understood as the common interest of all shareholders of an independent, public limited company focused on the profitable and sustainable pursuit of its objects and the creation of long-term value. The main priorities are:

- To ensure a correct distribution of functions within the organisation.
- To prevent and resolve conflicts of interest
- To establish a transparent framework for relations between Bankia and its shareholders

The system embodies the Entity's corporate values with respect to business ethics and corporate social responsibility and is backed by the principles of good governance developed by the Company based on the recommendations of the Good Governance Code of the listed companies.

A key part of the corporate governance system is the set of rules and regulations, which provides group-wide internal control framework. They comprise a set of internal rules that regulate the Company's corporate governance and the operational functioning, basically made up of **Corporate Texts** (Corporate Bylaws, General Meeting Regulations, Board of Directors Regulations, the Regulations of the Audit and Compliance Committee and the Regulations of the Appointments and Remuneration Committee), the regulations of the Appointments ad Responsible Management Committee and the Regulations of the Remuneration Committee, **Internal Procedures and Rules of Conduct** (including the Code of Ethics and Conduct, and the Internal Rules of Conduct for Securities Markets activities) and **Corporate Policies**, including the Bankia Group Corporate Governance and Organisational Structure Policy, the Policy on Information, Communication and Contacts with shareholders, institutional investors and proxy advisors, the Policy on the selection, diversity, suitability, integration and training of directors and managing directors or similar and other key post holders, the Remuneration Policy for directors, managing directors and persons performing senior management functions, the Risk Control and Risk Management Policies, the Investment and Financing Policy, the Responsible Management Policy, the Investment and Financing Policy, the Responsible Management Policy, the Dividend Policy, the own shares Policy, the Conflicts of Interest Policy).

Turning to director appointments, on 25 February 2019, the Board of Directors agreed to appoint Mrs Eva Castillo Sanz as Lead Independent Director in place of Joaquín Ayuso García after his term of office expired.

Also, on 25 February 2019, the Board of Directors, in line with best corporate governance practices, agreed to renew the composition of the various board committees.

The appointment of Laura González Molero as Company director in the category of independent director was confirmed at the Ordinary General Meeting of Shareholders held on 22 March 2019. She was appointed by co-option under a resolution adopted by the Board of Directors at a meeting held on 25 October 2018.

In addition, as a result of the resignation presented by the director Mr. Carlos Egea Krauel to his executive duties on the Board of Directors on 26 June 2019, retaining his status as director, the Board approved a resolution to assign him the category of other external director, with effect from 28 June 2019. With effect from the same date, Mr. Egea Krauel was also appointed member of the Audit and Compliance Committee.

Pursuant to these resolutions, the Board of Directors of Bankia is now composed of 12 directors, of which eight are independent directors, one is other external and three are executive directors. This means that 66.67% of the members of Bankia's Board of Directors are independent directors. This level complies with the Good Governance Code of Listed Companies, which recommends that independent directors occupy at least half of board places.

Bankia also has a **Management Committee**, currently composed of twelve members pursuant to a resolution by the Board of Directors on 24 January 2019 to change to the Bank's organisation to drive its transformation and that of its businesses, creating five new deputy general directorates -Finance, Credit Risks, People and Culture, Transformation and Digital Strategy, and Asset Management and Investees-.

Therefore, the Management Committee was composed of: the Chairman of the Board of Directors, José Ignacio Goirigolzarri, the Chief Executive Officer, José Sevilla, the Executive Director and General Manager of People, Resources and Technology, Antonio Ortega, the Deputy General Director of Business Banking, Gonzalo Alcubilla, the Deputy General Director of Financial Management, Leopoldo Alvear, the Deputy General Director of Communication and External Relations, Amalia Blanco, , the General Secretary and Deputy General Director of the General Secretariat, Miguel Crespo, the Deputy General Director of Credit Risks, Manuel Galarza, the Deputy General Director of People and Culture, David López, the Deputy General Director of Asset Management and Investees, Fernando Sobrini, the Deputy General Director of Retail Banking, Eugenio Solla, and the Deputy General Director of Transformation and Digital Strategy, Carlos Torres.

2.3.- Business model

Bankia is a franchise with a presence throughout Spain, focusing on Retail and Business Banking, and with a strategy focused on growing multi-channel. The main objective of its activity is to create sustainable, recurring long-term value, and meet the expectations of its shareholders, customers, employees and society at large. Accordingly, Bankia's business model is characterised by its customer focus, providing a service that is close to customers, adapted to multi-channels, professional and tailored to customers' needs at all times.

With this purpose, Bankia's commercial model is structured in three main business lines:

- Retail Banking
- Business Banking
- Asset management and investees

The Bank carries out its business through a network of 2,275 branches, distributed geographically as follows:

Autonomous communities	Branches number
Andalucía	321
Aragon	10
Asturias	11
Baleares	146
Canarias	101
Cantabria	20
Castilla - La Mancha	103
Castilla - León	125
Cataluña	135
Ceuta	5
Extremadura	9
Galicia	22
La Rioja	51
Madrid	631
Melilla	1
Región de Murcia	163
Navarra	3
País Vasco	17
Valencia	401
TOTAL BRANCHES	**2,275**

Note 1.14 to the Bankia's annual financial statements provides a breakdown of the profit or loss of each business segment at 31 December 2019 and 2018, as well as the key balance sheet items at the end of each period. For the purposes of segment reporting, note 1.14 to the annual financial statements includes asset management activities in the Retail Banking segment and investees in the Corporate Centre, which, in addition to investees, also includes non-current assets held for sale and the rest of the operations other than those included in the three main business lines described previously.

Retail Banking

Retail Banking includes retail banking activity with legal and natural persons with annual income of less than EUR 6 million, distributed through a large multi-channel network in Spain and operating a customer-satisfaction and asset management profitability business model.

Retail banking is a strategic business for Bankia; it is one of Spain's leading financial institutions in this segment. The Bank focuses its efforts on traditional banking products, such as mortgages, consumer loans, direct deposit of salary and pension, credit cards, payments of bills, insurance, investment and pension funds, and other financial advisory, in the latter case for high net worth customers requiring specialist financial and tax advice.

This area focuses on **retail activity** following a universal **banking model**. Its objective is to achieve customer satisfaction and loyalty, retaining customers and, providing them with added value in products and services, in advisory, and service quality, thereby increasing its satisfaction rate with Bankia. For it, it segments his customers offering specialised attention, as well as products and services adapted to each segment that allows it to offer a comprehensive customer advice depending on the needs of every type of client (retail customers, personal banking customers, private banking customers, self-employed workers, SMEs and trades).

The **main objectives and future strategies of Bankia to continue driving retail banking activity** in the short and medium term focus on improving margins and profitability, increasing lending to individuals and controlling non-performing loans. And all of this with a customer focus approach.

Bankia's distribution network is composed of a finely meshed **branch network**, a complementary agency network (spearheaded by Mapfre) that gives the bank a valuable competitive advantage, and a low-cost multi-channel distribution network (e.g. ATMs, Internet, Mobile and Telephone Banking). Bankia's commercial model is based on a segmented branch network with universal branches, 'agile' branches, business branches and private banking centres.

In line with its multi-channel strategy, the Bank has a complete array of technological channels that allow customers to carry out their transactions, contract and manage products, and the contact with the agent. Amongst these are, the "Conecta con tu Experto" ("connect with your expert") service, provided though multi-channel managers integrated in the multi-channel branches, which targets to digital customers requiring a personalised service. These customers interact with Bankia mainly through remote channels and, based on their current value and/or commercial upside, require more pro-active selling and personalised service.

Business Banking

Business Banking is the Bankia division in charge of providing service to companies with annual income in excess of EUR 6 million (Company Banking and Corporate Banking) including the operations of Capital Markets and teams specialising in business development, including the recently created Sustainable Business and Financing Division. Customers, legal persons and self-employed with revenues below EUR 6 million are managed by the Retail Banking area.

The customer base is highly diversified across productive and economic sectors, especially trade, manufacturing and service sector followed by supply and construction.

Bankia's business model in this segment is customer-oriented and strongly supported by specialist teams, which focuses on long-term profitability and customer management, providing good service to customers, especially financing for their business ventures.

The business model distinguishes between different segments and distribution channels:

- **Business Banking.** Business Banking targets growth in the banking business of companies with annual revenue of over EUR 6 million (excluding those belonging to the corporate segment). It has a network of centres throughout Spain, concentrated in the regions with the greatest business activity. A network of specialist managers is responsible for serving customers and bringing in business. They are assigned a limited number of customers -structuring portfolios where the region's critical mass allows based on the business's revenues- so that they can provide personalised service. The managers also receive support by teams of experts in legal, tax, risk approval and management, marketing and specialised products.
- **Corporate Banking**. This segment caters to Bankia's largest accounts, which have several common denominators: the size of the businesses (over EUR 300 million in annual sales), groups comprising a large number of companies, and the demand for more complex and sophisticated financial services. Commercial coverage of Corporate Banking customers is provided by three centres, in Madrid and Barcelona, and Palma de Mallorca, specialised in dealing with customers from the tourism business. When selling products and services, Corporate Banking managers work alongside Capital Markets product teams.
- **Capital Markets**. The Capital Markets segment consists of several areas specialised in products, offering specific financial solution requests mainly by Business Banking and Corporate Banking Customers.

These segments and distribution channels come in addition to a powerful online banking service called BOL-E ("Bankia On- Line Empresas") which allows client companies to carry out practically all their transactional operations.

The commercial **strategy** is predicated on active management of total returns for clients, combining a price discipline that sets floor prices based on the cost of funds and the client's risk (assessed using Bank of Spain-approved internal models), efficiency in capital consumption by including the RaR (Risk adjusted Return) approach to transactions and the active search for cross-selling opportunities.

Asset management and investees

This segment covers private banking activities, asset management, insurance, strategic partnerships and investees.

The ***private banking*** business is geared towards the high-wealth or high-income individual customers, investment companies or foundations. Bankia offers these customers a comprehensive range of products and services with highly personalised, professional and reliable treatment, providing them with solutions that are tailored to their financial or tax needs. The main private banking business lines are wealth management and advisory, the sale of third-party financial products, intermediation in the trading of securities and advisory regarding the securities market.

Bankia Fondos and Bankia Pensiones are responsible for ***asset management*** which provide financial products to the retail network.

Bankia owns 100% of Bankia Fondos SGIIC and has marketing agreements with international fund managers for certain niche products. Bankia's investment fund manager offers a wide range of competitive, high quality products in all categories (money market, fixed income, equity, mixed, guaranteed, global, etc.), in both Spain and abroad. This variety allows it to meet the needs of different customer profiles, from the most conservative, whose priority is capital preservation, to the more adventurous, and who are willing to take certain risks in the interest of a higher return.

Bankia Pensiones, a wholly owned subsidiary of Bankia, is the Group's pension funds management company. It is engaged in the management of all types of pension plans (individual, employment and related), focusing on meeting unitholders' needs and offering products that are suitable for their investment profile and the time horizon established by the retirement age. In pension funds, significant efforts have been made to encourage long-term saving, highlighting the need to address the situation of savings to supplement future pensions sufficiently in advance. Pension funds advisory services and simulation tools are the main marketing tools for these retirement saving products.

Bankia's ***Bancassurance*** department is in charge of coordinating and promoting the insurance brokerage activity at Bankia and provides specialised support to the branches for the marketing of insurance product for individuals (life, home, auto, health and saving) and businesses (comprehensive trade, credit insurance, general liability and comprehensive business).

The Bancassurance department defines the framework for relations with partner insurance companies based on the strategic alliances entered into, with the aim to boost the contribution from the sale of insurance products to the Entity's fees and commissions.

The distribution model is under constant development to bring marketing and sales processes in line with customer needs across the main sales channels (physical, assisted distance and digital) as the Bank seeks to unlock the value of an enhanced and more effective single distribution model for the entire network. The Bank is also driving new initiatives in a bid to maximise its results from this business.

The Bankia's *Bancassurance* activity focuses on boosting production of insurance, increasing product penetration among Bankia customers and raising the contribution to the Entity's income statement, simplifying operations in branches to boost productivity per employee, tailoring products to the needs of customers from the bancassurance channel, promoting remote channels for arranging insurance and accompanying the Bank on its digital transformation, maximising its potential.

In addition to providing support and advice to the distribution networks and employee training during the last exercises, and mainly in 2019, Bancassurance management is continuing to improve support for in-branch sales and portfolio management, as well as after-sales service. Progress was also made in optimising commercialisation systems and in streamlining procedures for arranging insurance and managing the portfolio, not only through the traditional branch network but also new channels, which now have added features and functionalities to enhance the customer experience.

The Strategic Partnerships and Investees division manages the corporate relationship framework with Bankia's strategic partners in the insurance and consumer finance businesses at points of sale mainly. Within this activity, it coordinates the supervision and development of agreements entered into with partners (Mapfre and Credit Agricole Consumer Finance), ensuring mutual compliance of the commitments therein. As part of these actions, it coordinates horizontal cooperation projects with partners that drive these strategic businesses.

This division is also tasked with defining, managing and implementing disposal plans and the liquidation of the Group's investees and investment vehicles, as well as overseeing the ordinary and corporate management of the Group's subsidiaries. Its duties, in coordination with the business and innovation areas, include the responsible management of promoting, analysing and designing investment projects and to develop new businesses and alliances in areas where the entity aims to strengthen its competitive position. It particularly focuses on digital businesses (Fintech) that can generate earnings for the entity.

Digitalisation and multi-channel network

Bankia's business model includes a commitment to a multi-channel approach, and digital banking is a pillar of the Bank's commercial positioning. Bankia has made the digital transformation one of the core pillars of its 2018-2020 Strategic Plan.

Digitalisation is one of the key growth drivers in the 2018-2020 Strategic Plan for the coming years, above all in the area of payment services. By the strategic plan's conclusion, over 65% of bank customers will be digital and over 35% of purchases will be made via digital channels.

At the end of December 2019, the bank's digital customers represented 53.3% of the Entity's total customer base, while digital sales accounted for 36% of the Bank's total sales, surpassing the 35% target in the Strategic Plan for 2020.

The initiatives undertaken until now, and the advances in the multi-channel strategy to be rolled out in the coming years, are designed to enhance customer satisfaction and attract new customers to Bankia. While the results obtained in recent years are encouraging, more work needs to be done.

3.- ACTIVITY AND RESULTS

3.1.- Economic and financial backdrop

The global economy lost steam during 2019. The trade war and Brexit heightened uncertainty, denting the confidence of agents, investments and international trade, which especially affected the manufacturing sector. The impact of these shocks was partially offset by central banks support at a time of very low inflation (EMU average of 1.2%). The cooling of the economy was widespread and, in some cases, especially intense accompanied by major financial sector tensions (Turkey and Argentina). Global growth slowed to 2.6% in 2019, compared to rates of over 3.0% in 2017 and 2018. This deceleration was most notable in the EMU (1.2%, versus 1.9% in 2018), particularly in Germany which, *in extremis*, avoided falling into a recession.

In these complex circumstances, the central banks stepped back from normalising their monetary policies and once again adopted expansionary measures. The ECB cut the deposit facility rate from -0.4% to -0.5%, commenced a new round of QE, introduced a scheme to reduce the cost of bank deposits at the central bank, and began a new long-term lending programme. Along the same lines, the US Federal Reserve approved three quarter-point cuts to its range of rates to 1.50%-1.75%, and once again reinvested all maturing proceeds to hold its balance sheet steady. Despite all this, the money market was hit by liquidity problems in September, forcing the Fed to carry out repos interventions and purchase treasury bills. The relaxing of monetary policy and investor interest in safe-haven assets drove IRRs on debt down to new all-time lows in the EMU, while the volume of bonds with negative yields hit a high (27% of the total).

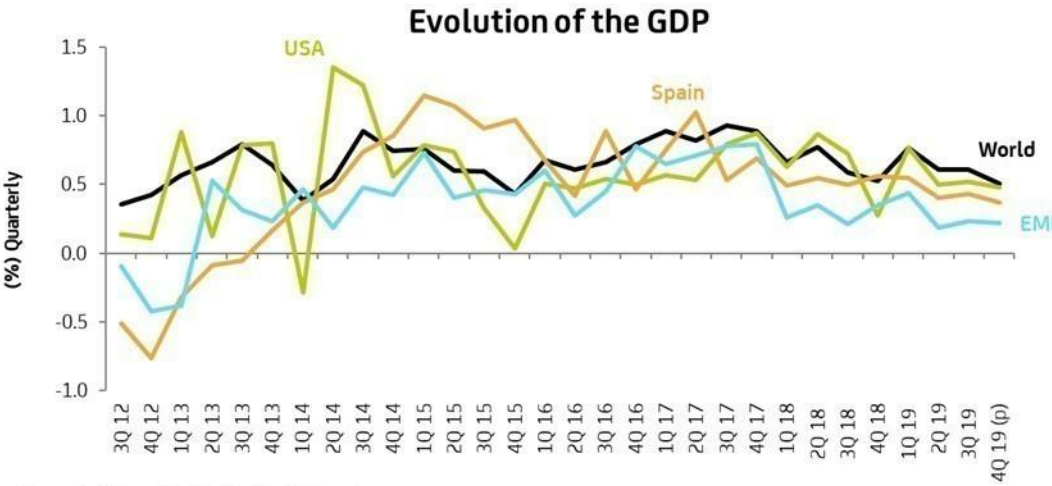
Nevertheless, the skies cleared somewhat towards the end of the year: business indicators started to be consistent with a stabilisation of growth, the US and China declared a ceasefire in the trade war, and the EU and the United Kingdom avoided a hard Brexit. As a result, the likelihood of further decreases in interest rates and yields on debt began to diminish.

The **Spanish economy** continued to slow throughout 2019, seeing out the year with a GDP growth rate of 1.9% – half a point lower than in the previous year. Nonetheless, with challenges being faced around the globe, Spain once again outperformed the rest of the EMU. Meanwhile, the labour market continued to create jobs, although in line with the more sluggish economy; the figure (384,373 more people registered with the Social Security) was the lowest in six years.

There was more balanced growth during 2019 in terms of components. Domestic demand contributed less since spending decisions were affected by the global geopolitical instability and uncertainty surrounding domestic policy, coupled with the absorption of demand that was pent up during the crisis. Meanwhile, export demand contributed positively to growth for the first time in three years as imports slowed more quickly than exports. As has been the case through the current expansionary phase, the economy increased its net lending position (2.1% of GDP to the third quarter of 2019), above all due to the improved financial position of households, enabling the trade deficit to be pared back (79.5% of GDP – the lowest level since 2007).

The positive inertia of the Spanish economy was reflected in the banking sector, which continued to lend more and bolster balance sheets by boosting solvency and liquidity and cutting stocks of non-performing assets. Private-sector credit fell for yet another year, although at a slower rate. This decrease mainly involved business loans– partially replaced by fixed-income issues – and home loans, shaped to some extent by the entry into force of the Real Estate Credit Act (Ley de Crédito Inmobiliario).

The quality of the sector's balance sheet improved for another year as default rates fell and the volume of foreclosed assets shrank. Turning to inflows of funds, there was a sharp rise in the balance of deposits as customers set aside more for a rainy day, which is in keeping with the rate of growth of mutual fund assets that moved into positive territory in YOY terms during the last quarter. The banking sector's poor profitability, dragged down by the prevailing low interest rates (which are lasting longer than initially expected) and strong competition and significant regulatory pressures, is still one of the main challenges faced by the sector. In this respect, Spanish banks joined other European counterparts in 2019 and introduced negative interest rates for some business deposit accounts.



Sources: Refinitiv and Bankia Estudios. (p) forecast

3.2.- Corporate transactions carried out in 2019

Comparative information for 2019 and 2018 is affected by the corporate transactions carried out in 2019 disclosed in notes 1.15 and 17.5 and 42 to Bankia's annual financial statements. These include:

1. **Merger between Bankia, S.A. and Bankia Inversiones Financieras, S.A.U.** On 18 November 2019, once all the administrative authorisations were secured, the deed of the merger by absorption between Bankia, S.A., as the absorbing company, and Bankia Inversiones Financieras, S.A.U, as the absorbed company, was executed. Bankia, S.A. was Bankia Inversiones Financieras, S.A.U.'s sole shareholder.

   The merger balance sheets were the balance sheets as at 31 December 2018 included in the audited annual financial statements for 2018 of the two entities, closed within six months of the date of the Terms of Merger and approved at the Annual General Meeting of the absorbing company and the sole shareholder of the absorbed company (see Appendix XI to Bankia's financial statements for the year ended 31 December 2019). The date of the merger for accounting purposes is 1 January 2019. From that date, the operations of the absorbed company are considered to be carried out by the absorbing company.

2. **Sales of investments in associates classified as "Non-current assets and disposal classified as held for sale" (Ferromóvil 3000, S.L., Ferromóvil 9000, S.L. and Plan Azul 07, S.L).** The sales generated a gain of EUR 35.3 million, recognised under "Profit or (-) loss from non-current assets and disposal classified as held for sale not qualifying as discontinued operations" in the income statement for 2019.

3. **Agreement with Lone Star in 2018** for the sale of portfolios of non-performing loans and credits, mostly mortgage, and real estate assets. The sale was pending completion until the pertinent administrative authorisations were obtained. On receipt of these authorisations, the transaction was completed in 2019 and the assets, classified as a disposal held for sale, were derecognised.

   Pursuant to the agreement, the foreclosed real estate assets were acquired by Gramina Homes, S.L., incorporated in 2019 to manage, develop and dispose of the assets. At 31 December 2019, the Bankia held shares representing 20% of the company's share capital, with the remaining 80% held by a subsidiary of Lone Star Fund XI. Meanwhile, the economic rights of the portfolio of loans and credits have been transferred through mortgage transfer certificates to a wholly owned vehicle of Lone Star Fund XI, which has transferred them to a mortgage securitisation fund.

4. **Conclusion of the agreement with Grupo Mapfre for the reorganisation of the bancassurance business.** In December 2018, the Bankia reached an agreement with Grupo Mapfre and Grupo Caser for the reorganisation of their bancassurance alliances. In the life business, this entailed the sale of 51% stakes in Caja Granada Vida and Caja Murcia Vida y Pensiones to Mapfre Vida. On 29 March 2019, after receiving authorisation by the competent authority and in the absence of opposition by the General Directorate of Insurance and Pensions (Dirección General de Seguros y Pensiones), Bankia completed the sale of its shareholdings in Caja Granada Vida and Caja Murcia Vida y Pensiones to Mapfre Vida, for EUR 110.3 million.

   Execution of the sale marked the end of the bancassurance reorganisation undertaken by the Bankia following its merger with Banco Mare Nostrum (BMN).

3.3.- Key figures data

KEY FIGURES DATA - BANKIA, S.A.

Balance (Millions of euros) (*)	Dec-19	Dec-18	Variation
Total assets	208,880	206,346	1.2%
Loans and advances to customers (net)	117,560	118,463	(0.8%)
Loans and advances to customers (gross)	120,769	122,685	(1.6%)
Balance sheet customer funds	144,431	146,835	(1.6%)
Customer deposits	127,129	130,085	(2.3%)
Debt securities issued	17,302	16,750	3.3%
Total customer managed funds (1)	172,066	171,409	0.4%
Total turnover (2)	289,626	289,872	(0.1%)
Equity	12,829	12,534	2.3%

Risk management (Millions of euros and %) (*)	Dec-19	Dec-18	Variation
Total risk	128,308	130,031	(1.3%)
Doubtful loans	6,441	8,388	(23.2%)
Provisions for loan losses	3,521	4,605	(23.5%)
NPL ratio	5.0%	6.5%	(1.5) p.p.
NPL Coverage ratio	54.7%	54.9%	(0.2) p.p.

Profit / Losses (Millions of euros) (*)	Dec-19	Dec-18	Variation
Net interest income	1,989	2,029	(1.9%)
Gross income	3,272	3,597	(9.0%)
Operating income /(expenses) before provisions	1,476	1,765	(16.3%)
Operating income /(expenses)	997	1,352	(26.2%)
Profit/ Loss before tax from continuing operations	770	1,036	(25.7%)
Profit/ Loss	563	834	(32.5%)

Key ratio (%)	Dec-19	Dec-18	Variation
Efficiency (3)	54.9%	50.9%	+3.9 p.p.
ROA (4)	0.3%	0.4%	(0.1) p.p.
RORWA (5)	0.7%	1.0%	(0.3) p.p.
ROE (6)	4.6%	7.0%	(2.4) p.p.
ROTE (7)	4.7%	7.1%	(2.4) p.p.

Bankia's share	Dec-19	Dec-18	Variation
Number of shares at the end of the period (millions)	3,070	3,085	(0.5%)
Market price at close	1.90	2.56	(25.7%)
Market Capitalizacion	5,840	7,898	(26.1%)
Profit for Share	0.18	0.27	(32.1%)

Additional information	Dec-19	Dec-18	Variation
Number of employees	15,609	15,486	0.8%
Average payment period to suppliers (days)	9.44	8.88	6.3%

(*) Financial Statement amounts rounded to millions of euros
(1) Comprises customer deposits marketable debt securities and off balance sheet funds managed
(2) Comprises net loans and advances to customer, on and off balance sheet client managed funds
(3) Administration and amortization costs / gross margin.
(4) Profit/ Loss/ average total assets
(5) Profit/ Loss/ risk weighted assets
(6) Profit/ Loss/ average own funds
(7) Profit/ Loss/ average tangible own funds

3.4.- Balance sheet highlights and performance

BALANCE SHEET - BANKIA, S.A.

(millions of euros) (*)	Dec-19	Dec-18	Variation Dec-18 Amount	Variation Dec-18 %
Cash, cash balances at central banks and other demand deposits	12,827	4,354	8,472	194.6%
Financial assets held for trading	6,703	6,321	382	6.0%
Derivatives	6,530	6,035	495	8.2%
Debt securities	171	282	(111)	(39.3%)
Equity instruments	1	4	(3)	(64.6%)
Non-trading financial assets mandatorily at fair value through profit or loss	34	9	25	268.4%
Debt securities	0	0	0.05	26.7%
Loans and advances to credit institutions	23	0	23	-
Loans and advances to customers	11	9	2	19.4%
Financial assets at fair value through other comprehensive income	11,980	15,623	(3,643)	(23.3%)
Equity instruments	76	66	9	14.0%
Debt securities	11,904	15,556	(3,652)	(23.5%)
Financial assets at amortised cost	156,179	156,747	(568)	(0.4%)
Debt instruments	33,165	33,860	(695)	(2.1%)
Loans and advances to credit institutions	5,465	4,433	1,032	23.3%
Loans and advances to customers	117,549	118,454	(905)	(0.8%)
Derivatives – Hedge accounting	2,492	2,620	(128)	(4.9%)
Investments in joint ventures and associates	1,773	2,714	(941)	(34.7%)
Tangible and intangible assets	2,909	2,377	533	22.4%
Non-current assets and disposal groups classified as held for sale	2,047	3,459	(1,412)	(40.8%)
Other assets	11,936	12,122	(186)	(1.5%)
TOTAL ASSETS	**208,880**	**206,346**	**2,534**	**1.2%**
Financial liabilities held for trading	6,783	6,079	704	11.6%
Derivatives	6,512	5,957	555	9.3%
Short positions	271	122	149	122.2%
Financial liabilities measured at amortised cost	186,159	184,061	2,098	1.1%
Deposit from central banks	13,809	13,856	(47)	(0.3%)
Deposit from credit institutions	26,448	21,772	4,676	21.5%
Customer deposits	127,129	130,085	(2,956)	(2.3%)
Debt securities issued	17,302	16,750	552	3.3%
Others financial liabilities	1,472	1,599	(127)	(7.9%)
Derivatives – Hedge accounting	86	182	(97)	(53.1%)
Provisions	1,685	1,847	(161)	(8.7%)
Other liabilities	1,338	1,643	(304)	(18.5%)
TOTAL LIABILITIES	**196,051**	**193,811**	**2,240**	**1.2%**
Other comprehensive accumulated income	127	113	14	12.2%
Own funds	12,702	12,421	280	2.3%
TOTAL EQUITY	**12,829**	**12,534**	**294**	**2.3%**
TOTAL LIABILITIES AND EQUITY	**208,880**	**206,346**	**2,534**	**1.2%**

(*) Financial Statement amounts rounded to millions of euros

- **Summary of Bankia Activities**

Bankia ended December 2019 with EUR 208,880 million of total assets, 1.2% higher than at 31 December 2018 due to the surplus liquidity deposited at the Bank of Spain.

Customer loans fell by 0.8% due to natural maturities of the mortgage portfolio and the sustained reduction in doubtful assets. However, new lending continued to grow at a healthy pace in 2019, helping to stabilise the Group's performing loans portfolio.

In customer funds, there was further growth in the most liquid and lower cost deposits, (i.e. current accounts +7.6%), which continued to attract a large proportion of funds withdrawn by customers from term deposits. With reference to the off-balance sheet resources, investment funds and pension funds grew by 15.1% and 6.3% respectively, given to strong deposit collection activities and the growing demand for these savings products by customers.

Overview of trends in Bankia's key balance sheet items in 2019.

- **Cash, cash balances at central banks and other demand deposits**

This item increased by EUR 8,472 million, bearing out the surplus liquidity generated during the year thanks to asset disposals (mainly fixed-income portfolios) and short- and long-term funds raised in the market. This liquidity was deposited in a Bank of Spain treasury account, which is exempt from financing costs for an amount equal to seven times the Entity's minimum reserve ratio after the ECB's two-tier system for remunerating reserves ("tiering") became effective.

- **Loans and receivables**

Note 3 and Appendices VIII and IX to the notes of annual financial statements provide details on the Bankia's loan approval policies, NPL monitoring, debt refinancing and recovery policies with respect to credit risk. Also provided in this note and appendices is the breakdown of credit risk by product and activities, as well as the distribution of Loan to Value (LTV) of secured loans, the maturity profile, the detail of refinancing and restructuring operations, along with additional information on loans for property development, home purchases and property assets foreclosed or received in payment of debts. Therefore, from a management perspective, this item looks at trends in loans and receivables during 2019 and the main movements therein.

Under this item, **loans and advances to customers reported as financial assets at amortised cost** amounted to EUR 117,549 million, down 0.8% year-on-year, mainly in response to the reduction in doubtful loans and the stock of mortgage loans, still marked by household deleveraging and the entry into force of the new Mortgage Law. However, new lending continued to grow from December 2018, mainly in the consumer segment, driven by the Bank's sound commercial activity after the merger with BMN.

Gross non-performing loans (NPLs) extended the downtrend seen in 2018, falling by EUR 1,861 million, gross (-24.2%). The fall was both organic (lower gross inflows and reduction though recovery activities), and due to credit portfolio sales in the year amounting to EUR 410 million, gross, foreclosures, loan write-offs and the reclassification of credit portfolios to non-current assets held for sale of loans, after the agreements for the sale with third parties which are pending completion (see note 17.5 of the notes to the Bankia´s annual financial statements related to “Assets and liabilities included in disposal groups and discontinued operations”). Stripping out doubtful loans and reverse repurchase agreements, Bankia’s portfolio of performing loans included in financial assets at amortised cost remained stable from December 2018 (-0.1%). The increasing impact of new loans is shown in the good performance of commercial credit (+9.1%) and other term loans (+9.3%). These increases offset the decline in secured loans (-4.4%), as maturities of mortgages to households continue to outstrip new lending).

LOANS AND ADVANCES TO CUSTOMERS BANKIA, S.A. BY MODALITY AND STATUS OF THE CREDIT

			Variation Dec -18	
(millions of euros) (*)	**Dec-19**	**Dec-18**	**Amount**	**%**
Commercial credit	5,715	5,240	474	9.1%
Secured loans	71,794	75,083	(3,289)	(4.4%)
Reverse repurchase agreements	15	14	2	13.1%
Other term debtors	33,639	30,769	2,870	9.3%
Other demand and miscellaneous debtors	2,550	2,852	(302)	(10.6%)
Other financial assets	983	853	130	15.2%
Doubtful assets	5,828	7,689	(1,861)	(24.2%)
Other fair value adjustements	233	175	58	33.3%
Gross loans and customer advances	**120,758**	**122,676**	**(1,918)**	**(1.6%)**
Impaiment loss	(3,208)	(4,222)	1,014	(24.0%)
Loans and advances net	**117,549**	**118,454**	**(905)**	**(0.8%)**
Less: Doutful net of provisions	(2,620)	(3,467)	847	(24.4%)
Less: Reverse repurchase agreements	(15)	(14)	(2)	13.1%
Healthy loan portfolio	**114,914**	**114,973**	**(59)**	**(0.1%)**

(*) Financial Statement amounts rounded to millions of euros.

- **Debt securities**

Debt securities at 31 December 2019, recognized under “Financial Assets held for trading”, “Financial assets at fair value through other comprehensive income” and “Financial assets at amortised cost” amounted to EUR 45,240 million compared to EUR 49,698 million at December 2018. Of the total at the end of December 2019, EUR 18,639 million were SAREB bonds received as a result of the asset transfer carried out by the Entity in 2012 and 2013. The remainder comprise sovereign debt, mainly Spanish, and debt from other public and private issuers. The debt securities held in these portfolios by Bankia by type of instrument, at 31 December 2019 and 31 December 2018 are as follows:

DEBT SECURITIES - BANKIA, S.A.

(millions of euros) (*)	Financial assets held for trading	Financial assets designated at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
Spanish goverment debt securities	142	11,154	10,013	21,309
Foreign goverment debt securities	18	291	4,256	4,566
Financials institutions	-	18	25	43
Other straight fixed income securities (**)	10	442	18,881	19,332
Impairment losses and other fair value adjustments	-	(1)	(10)	(10)
Total portfolio at 31 December 2019	**171**	**11,904**	**33,165**	**45,240**
Spanish goverment debt securities	94	12,406	10,817	23,318
Foreign goverment debt securities	182	2,633	3,559	6,375
Financials institutions	-	28	30	58
Other straight fixed income securities (**)	5	490	19,461	19,957
Impairment losses and other fair value adjustments	-	(1)	(8)	(9)
Total portfolio at 31 December 2018	**282**	**15,556**	**33,860**	**49,698**

(*) Financial Statement amounts rounded to millions of euros

(**) Financial assets at amortised cost includes securities received as consideration for assets transferred to the SAREB in 2012 and 2013.

Changes were reported on 2019 in the portfolio of financial assets at fair value through other comprehensive income, which decreased by EUR 3,643 million (-23.3%) from 31 December 2018 to EUR 11,980 million at 31 December 2019. Meanwhile, the portfolio of assets at amortised cost decreased by EUR 695 million to EUR 33,165 million. The decreases in both cases were due sales of Spanish and foreign government bonds, carried out in the year.

- **Non-current assets and disposal groups classified as held for sale**

The balance of this item at the end of 2019 stood at EUR 2,047 million, down EUR 1,412 million from the year before owing to the sale of foreclosed assets in 2019 and the agreement signed with Lone Star XI in 2018, explained in note 17.5 to the financial statements.

- **Financial liabilities at amortised cost**

Financial liabilities at amortised cost amounted to 31 December 2019 at EUR 186,159 million, an increase of EUR 2,098 million (+1.1%) from December 2018. This performance was shaped by the higher volume of liquidity raised through repurchase agreements entered into with credit institutions, and new debt issuances in the period.

FINANCIAL LIABILITIES AT AMORTISED COST - BANKIA, S.A.

			Variation Dec-18	
(millions of euros) (*)	Dec-19	Dec-18	Amount	%
Deposits from central banks	**13,809**	**13,856**	**(47)**	**(0.3%)**
Deposits from credit institutions	**26,448**	**21,772**	**4,676**	**21.5%**
Customer deposits	**127,129**	**130,085**	**(2,956)**	**(2.3%)**
Government agencies	4,778	6,608	(1,830)	(27.7%)
Other financial companies	7,371	9,533	(2,161)	(22.7%)
Non-financial companies	14,105	15,049	(945)	(6.3%)
Households	94,063	90,861	3,202	3.5%
Reserve repurchase agreement	46	44	2	3.6%
Single mortgage bonds	5,235	6,248	(1,013)	(16.2%)
Securitisations	1,531	1,742	(211)	(12.1%)
Debt securities issued	**17,302**	**16,750**	**552**	**3.3%**
Other financial liabilities	**1,472**	**1,599**	**(127)**	**(7.9%)**
Total financial liabilities at amortised cost	**186,159**	**184,061**	**2,098**	**1.1%**

(*) Financial liabilities amounts rounded to millions of euros

Deposits from central banks and deposits from credit institutions

Deposits from central banks totalled EUR 13,809 million at the end of December 2019, similar to the amount at 31 December 2018 (EUR -47 million due to cancellation of TLTRO II). All ECB funding (EUR 13,751 million) comprised the amounts acquired at the TLTRO actions.

Deposits from credit institutions amounted to EUR 26,448 million at 31 December 2019, up 21.5% from the end of December 2018. The decrease was driven by the greater volume of reverse repurchase agreements with other institutions.

Customer deposits

Customer deposits at the Group totalled EUR 127,129 million at 31 December 2019, down EUR 2,956 million (-2.3%) from 31 December 2018. This performance was shaped by the maturity of one-off non-marketable mortgage-backed securities (EUR -1,013 million) and the decline in strict customer deposits during the year (EUR -1,734 million).

CUSTOMER DEPOSITS - BANKIA, S.A.

			Variation Dec-18	
(millions of euros) (*)	**Dec-19**	**Dec-18**	**Amount**	**%**
Strict customer deposit	**120,317**	**122,051**	**(1,734)**	**(1.4%)**
Public sector	4,778	6,608	(1,830)	(27.7%)
Other financial companies	7,371	9,533	(2,161)	(22.7%)
Current accounts	5,148	7,240	(2,092)	(28.9%)
Term deposits (1)	2,223	2,292	(69)	(3.0%)
Non-financial companies	14,105	15,049	(945)	(6.3%)
Current accounts	12,756	12,549	207	1.7%
Term deposits	1,348	2,500	(1,152)	(46.1%)
Households	94,063	90,861	3,202	3.5%
Current accounts	67,516	59,632	7,883	13.2%
Term deposits	26,547	31,229	(4,681)	(15.0%)
Single mortgage bonds	**5,235**	**6,248**	**(1,013)**	**(16.2%)**
Securitisations	**1,531**	**1,742**	**(211)**	**(12.1%)**
Reserve repurchase agreement	**46**	**44**	**2**	**3.6%**
Total customer deposits	**127,129**	**130,085**	**(2,956)**	**(2.3%)**
Investment funds (2)	19,809	17,210	2,599	15.1%
Pension funds (2)	7,826	7,364	462	6.3%
Total off balance funds resources	**27,635**	**24,574**	**3,061**	**12.5%**

(*) Financial Statement amounts rounded to millions of euros.

(1) Excluded single mortgage bonds, showed in a separate epigraph.

(2) Excludes off-balance-sheet customer funds marketed by the Group but managed by third parties outside the BANKIA, S.A.

Within customer deposits, **strict customer deposits** excluding repurchase agreements, and one-off non-marketable mortgage-backed securities and securitisations, totalled EUR 120,317 million, down 1.4% from 31 December 2018, highlighted in the year by a decrease in funds deposited by the public sector (EUR -1,830 million), and companies (EUR -945 million), other financial companies (EUR -2,161 million) and non-financial entities (EUR -945 million). In private sector there is a growth in the most liquid and lower cost (current accounts) resources of the retail network (households), and financial and non-financial corporations (companies), attracting part of the balances that customers are transferring out of deposits with agreed maturity, whose yields remained constant, in line with the trend of market interest rates. With low interest rates, the Bankia remained opting for a commercial policy aimed at offering customers higher-yielding off-balance sheet products, with more attractive yields, driving a 12.5% growth in off-balance sheet funds (EUR 3,061 million). Investment funds continued to deliver the best evolution (EUR +2,599 million) of any product thanks to the good performance to the subscriptions.

Debt securities issued and subordinated debt

During 2019 Bankia featured successful new issuance amount to for EUR 4,135 million, of which EUR 3,500 million were issues of senior and subordinated debt made to roll over maturities and accumulate eligible liabilities ahead of the future regulatory MREL requirement, and EUR 635 million were new mortgage covered bonds issued in the period.

Therefore, at 31 December 2019, the balance of debt securities issued stood at EUR 17,302 million, up EUR 552 million on the figure reported at 31 December 2018. This increase was the result of new issuances, net of maturities and wholesale redemptions during the year.

- **Provisions**

Provisions recognised on Bankia's balance sheet at 31 December 2019 amounted to EUR 1,685 million, down EUR 161 million (-8.7%) from the amount recognised at 31 December 2018. This decrease was due primarily to the reversal of provisions for contingent liabilities in the period and the use of provisions related to litigations in progress, employee pension fund and provisions set aside to meet payments obligations relating to the integration process following the merger with BMN (mainly for workforce restructuring and the cancellation of contracts).

- **Total equity**

At the end of 2019, total equity amounted to EUR 12,829 million, EUR 294 million more than at year-end 2018. Within equity, share capital stood at EUR 3,070 million, EUR 15 million lower than at 31 December 2018. The decrease was the result of the capital reduction to cancel own shares carried out on 3 May 2019, as explained in note 21 to Bankia's financial statements for 2019.

3.5.- Income statement performance

INCOME STATEMENT - BANKIA, S.A.

(millions of euros) (*)	Dec-19	Dec-18	Variation Dec -18 Amount	%
Net interest income	**1,989**	**2,029**	**(39)**	**(1.9%)**
Dividend income	235	411	(176)	(42.9%)
(Total net fee and comission)	976	964	12	1.2%
Gain and losses on financial assets and liabilities	305	419	(114)	(27.3%)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, (net)	289	400	(111)	(27.8%)
Gains or (-) losses on financial assets and liabilities held for trading, (net)	26	48	(22)	(44.9%)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, (net)	1	(0)	1	-
Gains or (-) losses from hedge accounting, (net)	(12)	(29)	17	(59.6%)
Exchange differences [gain or (-) loss], (net)	15	15	1	4.9%
Other operating income and other operating expenses, (net)	(248)	(240)	(7)	3.0%
Gross income	**3,272**	**3,597**	**(324)**	**(9.0%)**
Operating expenses	(1,796)	(1,832)	36	(2.0%)
Administrative expenses	(1,596)	(1,659)	63	(3.8%)
Staff costs	(1,100)	(1,124)	24	(2.1%)
Other administrative expenses	(496)	(535)	39	(7.3%)
Depreciation	(200)	(172)	(27)	15.8%
Pre impairment income	**1,476**	**1,765**	**(288)**	**(16.3%)**
Provisions or reversal of provisions	(22)	17	(38)	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(457)	(430)	(28)	6.4%
Total operating income	**997**	**1,352**	**(355)**	**(26.2%)**
Impairment or reversal of impairment of investments in joint ventures and associates	(95)	(161)	65	(40.6%)
Impairment or reversal of impairment on non-financial assets	(14)	(23)	9	(39.0%)
Other gains and losses	(118)	(132)	14	(10.9%)
Profit or (-) loss before tax from continuing operations	**770**	**1,036**	**(266)**	**(25.7%)**
Tax expense or income related to profit or loss from continuing operations	(207)	(203)	(5)	2.4%
Profit or (-) loss after tax from continuing operations	**563**	**834**	**(271)**	**(32.5%)**
Profit or (-) loss after tax from discontinued operations	-	-	-	-
Profit or (-) loss	**563**	**834**	**(271)**	**(32.5%)**

Main indicators				
Cost to income ratio [1]	54.9%	50.9%	+3.9 p.p.	7.8%
ROA [2]	0.3%	0.4%	(0.1) p.p.	(33.3%)
ROE [3]	4.6%	7.0%	(2.4) p.p.	(34.1%)

(*) Financial Statement amounts rounded to millions of euros.

(1) (Administrative expenses + Depreciation) / Gross income.

(2) Profit or (-) loss / Total assets.

(3) Profit attributable to owners of the parent / Own funds.

INCOME STATEMENT BANKIA, S.A.- QUARTERLY TREND

(millions of euros) (*)	4Q 19	3Q 19	2Q 19	1Q 19	4Q 18	3Q 18	2Q 18	1Q 18
Net interest income	**497**	**494**	**506**	**493**	**498**	**486**	**530**	**515**
Dividend income	75	81	64	16	178	24	208	1
Total net fees and commissions	257	237	245	237	242	236	246	240
Gain and losses on financial assets and liabilities	64	99	102	39	35	91	154	139
Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, (net)	36	110	107	37	48	82	141	130
Gains or (-) losses on financial assets and liabilities held for trading, (net)	25	(9)	1	9	(3)	15	20	16
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, (net)	(0)	0	0	(0)	(0)	(0)	0	(0)
Gains or (-) losses from hedge accounting, (net)	3	(2)	(6)	(6)	(10)	(5)	(7)	(7)
Exchange differences [gain or (-) loss], (net)	3	5	4	3	4	5	5	0
Other operating income (-) expenses, (net)	(174)	(5)	(65)	(4)	(164)	(5)	(69)	(3)
Gross income	**721**	**911**	**856**	**784**	**794**	**837**	**1,074**	**893**
Operating expenses	(442)	(453)	(451)	(451)	(463)	(441)	(450)	(478)
Administrative expenses	(389)	(404)	(402)	(401)	(420)	(399)	(410)	(430)
Staff costs	(262)	(277)	(281)	(280)	(272)	(271)	(283)	(298)
Other administrative expenses	(127)	(126)	(121)	(121)	(148)	(127)	(128)	(132)
Depreciation	(52)	(49)	(49)	(49)	(43)	(42)	(39)	(48)
Pre impairment income	**280**	**458**	**405**	**333**	**331**	**396**	**624**	**414**
Provisions or reversal of provisions	17	5	(35)	(9)	(21)	(0)	25	13
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss or modification gain or losses, (net)	(180)	(134)	(87)	(56)	(145)	(73)	(94)	(117)
Total operating income	**116**	**329**	**283**	**268**	**164**	**322**	**555**	**310**
Impairment or reversal of impairment of investment in joint-ventures or associates	(55)	(73)	32	0	(194)	(14)	49	(2)
Impairment or reversal of impairment on non-financial assets	(5)	(3)	(4)	(2)	(16)	(1)	(3)	(3)
Other gains and losses	(40)	(47)	2	(33)	(28)	(39)	(23)	(42)
Profit or (-) loss before tax from continuing operations	**16**	**206**	**314**	**234**	**(74)**	**268**	**578**	**264**
Tax expense or income related to Profit or Loss from continuing operations	(18)	(66)	(67)	(56)	3	(56)	(90)	(59)
Profit or (-) loss after tax from continuing operations	**(2)**	**140**	**246**	**178**	**(71)**	**213**	**488**	**204**
Profit or (-) loss after tax from discontinued operations	-	-	-	-	-	-	-	-
Profit or Loss	**(2)**	**140**	**246**	**178**	**(71)**	**213**	**488**	**204**

(*) Financial Statement amounts rounded to millions of euros.

- **Earnings performance in 2019**

INCOME STATEMENT BANKIA, S.A. - HIGHLIGHTS

(millions of euros) (*)	December 2019 Amount	December 2019 % of gross income	December 2019 % of average total net assets	December 2018 Amount	December 2018 % of gross income	December 2018 % of average total net assets
Net income interest	**1,989**	**60.8%**	**0.9%**	**2,029**	**56.4%**	**1.0%**
Gross income	**3,272**	**-**	**1.6%**	**3,597**	**-**	**1.7%**
Operating expenses	(1,796)	(54.9%)	(0.9%)	(1,832)	(50.9%)	(0.9%)
Administrative expenses	(1,596)	(48.8%)	(0.8%)	(1,659)	(46.1%)	(0.8%)
Depreciation and amortization charge	(200)	(6.1%)	(0.1%)	(172)	(4.8%)	(0.1%)
Provisions or reversal of provisions	(22)	(0.7%)	(0.0%)	17	0.5%	0.0%
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss or modification gain or losses, (net)	(457)	(14.0%)	(0.2%)	(430)	(11.9%)	(0.2%)
Total operating income	**997**	**30.5%**	**0.5%**	**1,352**	**37.6%**	**0.7%**
Impairment or reversal of impairment on non-financial assets Investments in joint ventures and associates	(95)	(2.9%)	(0.0%)	(161)	(4.5%)	(0.1%)
Impairment or reversal of impairment on non-financial assets	(14)	(0.4%)	(0.0%)	(23)	(0.6%)	(0.0%)
Other gains and losses	(118)	(3.6%)	(0.1%)	(132)	(3.7%)	(0.1%)
Profit or (-) Loss before tax from continuing operations	**770**	**23.5%**	**0.4%**	**1,036**	**28.8%**	**0.5%**
Tax expense or income related to profit or Loss from continuing operations	(207)	(6.3%)	(0.1%)	(203)	(5.6%)	(0.1%)
Profit or (-) Loss after tax from continuing operations	**563**	**17.2%**	**0.3%**	**834**	**23.2%**	**0.4%**
Profit or (-) loss after tax from discontinued operations	0	0.0%	0.0%	0	0.0%	0.0%
Profit or Loss	**563**	**17.2%**	**0.3%**	**834**	**23.2%**	**0.4%**

(*) Financial Statement amounts rounded to millions of euros

Bankia reported net attributable profit of EUR 563 million in 2019, down 32.5% from the same period last year. The decrease was due, primarily, to the fall in dividends and trading income (lower revenue from rotation and sale of fixed-income portfolios). However, the positive impact of the merger with BMN and implementation of various cost-containment measures reduced administrative expenses 3.8% year-on-year. Income from the core banking business (net interest income and fee and commission income less administrative expenses and depreciation) was up 0.7%, amounting to EUR 1,169 million by the end of 2019.

The main movements in Bankia's income statement items of the year 2019 are discussed below.

- **Net interest income**

Net interest income for the Bank totalled EUR 1,989 million, down EUR 39 million (-1.9%) due to the impact of the lower yield on fixed income securities following the sales and portfolio rotation carried out in 2019 and 2018, interest expenses due to the application of IFRS 16 and higher finance costs of the excess liquidity earning negative rates.

The following table shows trends in net interest income in 2019 and 2018, with average balances of income and expenses for the various items comprising total investment and funds, and the impact of changes in volumes and prices on the overall trend in net interest income for years 2019 and 2018.

STRUCTURE OF INCOME AND EXPENSES - BANKIA, S.A.

	December 2019			December 2018			Variation		Effect	
(millions of euros and %) (*)	Average balance	Income/ expenses	Type	Average balance	Income/ expenses	Type	Average balance	Income/ expenses	Type	Volume
Finance income										
Credit institutions [1]	13,585	99	0.73%	6,681	88	1.31%	6,905	11	(39)	50
Loans and advances to customers (a)	118,548	2,041	1.72%	120,512	2,034	1.69%	(1,965)	7	40	(34)
Debt securities	48,309	305	0.63%	51,941	341	0.66%	(3,631)	(37)	(14)	(23)
Other interest bearing assets	1,021	13	1.31%	449	8	1.77%	573	5	(2)	8
Other non interest bearing assets	28,713	-	-	28,167	-	-	547	-	-	-
Total assets (b)	**210,177**	**2,458**	**1.17%**	**207,749**	**2,471**	**1.19%**	**2,428**	**(13)**	**(42)**	**28**
Financial expenses										
Credit institutions [1]	37,784	83	0.22%	37,509	47	0.12%	274	36	35	1
Customer deposits (c)	131,297	173	0.13%	129,335	209	0.16%	1,962	(36)	(38)	3
Strict customer deposits	123,232	46	0.04%	120,023	67	0.06%	3,210	(21)	(22)	1
Repos	331	2.4	0.71%	508	2.2	0.44%	(176)	0	1	(1)
Singular bonds	7,733	124	1.61%	8,805	140	1.59%	(1,071)	(15)	2	(17)
Debt securities issued	16,610	184	1.11%	17,193	177	1.03%	(583)	7	13	(6)
Other interest bearing liabilities	1,631	28	1.74%	1,203	10	0.79%	428	19	11	7
Other non interest bearing liabilitites	10,223	-	-	9,986	-	-	237	-	-	-
Equity	12,632	-	-	12,523	-	-	110	-	-	-
Total Liabilities and Equity (d)	**210,177**	**469**	**0.22%**	**207,749**	**443**	**0.21%**	**2,428**	**26**	**20**	**5**
Customers margin (a-c)		**1,868**	**1.59%**		**1,825**	**1.53%**		**42**	**79**	**(36)**
Balance sheet differential (b-d)		**1,989**	**0.95%**		**2,029**	**0.98%**		**(39)**	**(62)**	**23**

(*) Financial Statement amounts rounded to millions of euros

(1) Includes central banks and credit institutions. Loans and advances to credit institutions includes negative interest arising from deposits from credit institutions (mainly TLTRO II and repo transactions), since, according to accounting regulations, income arising from the application of negative interest rates is recognised in accordance with the nature of the item.The opposite occurs with deposits from credit institutions, which includes remuneration of the negative interest rates of deposits in Bank of Spain, repurchase agreements and collaterals in other financial institutions.

Finance income decreased by EUR 13 million from 2018, as smaller gains from the rotation and sale of fixed-income portfolios offset the larger contribution of revenue from credit (management of NPA portfolios and increasing weight of more profitable segments), short-term funding in the market granted to other institutions and other interest-bearing assets.

Finance costs increased by 5.9% (EUR +26 million) from 2018, driven mainly by the higher negative rates earned on the surplus liquidity lent to other institutions and deposited at the Bank of Spain (recorded as interest expenses – credit institutions), the increase in financial costs arising from the update of employee pension commitments and the application of IFRS 16 to leases from January 2019 (higher expense in “other interest bearing liabilities”).

Nevertheless, the margin on loans and advances to customers improved (+3 basis points to 1.72%) compared to December 2018. This, coupled with the decrease in the finance cost of retail savings (-3 basis points to 0.13%), pushed up the customer margin by 6 bp to 1.53% from 1.59% at the end of December 2018.

Bank's net interest margin at 31 December 2019 stood at 0.95%, 3 bp below the net interest margin seen in December 2018 (0.98%).

- **Gross income**

Gross income for the Bankia amounted to EUR 3,272 million, down 9% year-on-year mostly due to the lower amount of gains and losses from financial operations. Net interest income and fee and commission income accounted for 90.6% of the gross income at 31 December 2019, compared to 83.2% at 31 December 2018.

Dividends contributed EUR 235 million to Bankia’s income statement. This was EUR 176 million lower than in 2018 as Bankia did not receive dividends from Bankia Inversiones Financieras after the merger and because of the special dividends received the year before from Corporación Industrial Bankia.

Net fees and commissions totalled EUR 976 million, up 1.2% year-on-year. 2019 featured good performances by fees and commissions from security services, structuring and design of corporate operations and banking financial product sales (pension funds and insurances). This made up for the slight decrease in fee and commission income from collection and payment services, contingent liabilities and recovered written off assets.

Gains and losses on financial assets and liabilities has totalled EUR 305 million, 27.3% less than at 31 December 2018 mainly in response to the lower volume of fixed-income sales during the year.

Other operating income and expenses showed a net expense of EUR 248 million at 31 December 2019, up EUR 7 million from the last year. In 2019, the change in this line item of the income statement included mainly the larger annual contribution to the Deposit Guarantee Fund (FGD) and the Single Resolution Fund (SRF).

- **Operating expenses**

Operating expenses (administrative expenses and depreciation) fell by 3.8% to EUR 1,596 million at 31 December 2019, due to the realisation of the initial cost synergies after the merger with BMN and diverse expenses control plan implemented during the year. This decrease was in line with the target of controlling costs and managing efficiency as a core element of the Bankia's strategy.

The Bank's efficiency ratio (operating expenses/gross income) at 31 December 2019 stood at 54.9% compared to 50.9% in 2018.

- **Pre-provision operating income**

The performance of operating income and expenses left a pre-provision operating income of EUR 1,476 million at 31 December 2019, down EUR 288 million (-16.3%) on the amount reported in 2018, since the cost savings were not enough to make up for the entire fall in gains and losses on financial assets and liabilities.

- **Provisions and write-downs**

Provisions, which include provisions for pending legal issues, tax litigation, commitments and guarantees given, and other provisions, amounted to EUR 22 million at 31 December 2019. The bulk comprised provisions set aside by the Bank for pending legal issues. Conversely, in 2018 Bankia recognised a positive figure of EUR 17 million.

Impairment of financial assets not measured at fair value through profit or loss, which includes mainly provisions for credit losses, increased by EUR 28 million (+6.4%) to EUR 457 million on the amount reported in December 2019, reflecting provisions allocated to cover the costs related the efforts to reduce NPL portfolios.

Impairment of investments in joint ventures and associates which includes a positive impact of EUR 95 million in 2019, whereas last year these impairment tests of the equity investments in associates and joint ventures did not uncover the need to make any additional allowances, giving rise to the reversal of impairment of EUR 65 million for the investment held in Corporación Industrial Bankia and BMN Mediación.

Impairment of non-financial assets, mainly goodwill, property, plant and equipment, investment properties and inventories, amounted to EUR 14 million, down 39% year-on-year.

The trends in the various items of provisions and impairments resulted in total charges at 31 December 2019 of EUR 588 million, down 1.4% from the amount provisioned in 2018.

- **Other gains and other losses**

This item includes mainly impairment of non-current assets held for sale (mainly, REOs and investments in investees) and esults on the sale of property and equity investments. At 31 December 2019, it shows a negative figure of EUR 118 million, down 10.9% year-on-year (EUR -14 million).

- **Attributable profit**

Bankia obtained profit attributable to the parent in 2019 of EUR 563 million, down 32.5% year-on-year due to the lower amount of gains and losses for financial assets and liabilities.

4.- ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information prepared in accordance with the criteria described in note 1.3 on the financial statements, Bankia uses certain alternative performance measures ("APMs") widely used in the banking sector as indicators for monitoring the management of the Bank's assets and liabilities and its financial and economic position. In compliance following the ESMA transparency directive for the protection of investors, published in October 2015, the tables below present breakdowns of all the APMs used in this document, as well as their definition, the relevance of its use and the reconciliation with balance sheet and income statement line items used in their calculation.

4.1.- Activity and business

- **Customer managed funds**

Definition: sum of customer deposits, senior and subordinated wholesale issued notes and off-balance sheet customer resources.

Relevance: the measure is used as an indicator of the total volume of funds raised by the Bank on the market.

Calculation method: sum of the following items:

- Customer deposits
- Debts securities issued
- Balances of investment companies and funds and pension funds disclosed in note 25.3 to the financial statements.

millions of euros		Dec-19	Dec-18	Dec-17
Sum	+ Customer deposits	127,129	130,085	132,970
	+ Debt securities issued	17,302	16,750	19,288
	+ Investment companies and funds	19,809	17,210	15,726
	+ Pension funds	7,826	7,364	6,738
=	**Customer managed funds**	**172,066**	**171,409**	**174,722**

- **Total turnover**

Definition: sum of loans and advances, customer deposits, senior and subordinated wholesale issued and off-balance sheet customer resources.

Relevance: this measure is used as an indicator of the Bank's performance by the total volume of funds loaned and raised in the market.

Calculation method: sum of the following items:

- Loans and advances to customers
- Customer deposits
- Debt securities issued
- Balances of investment companies and funds and pension funds disclosed in Note 25.3 to the financial statements.

millions of euros		Dec-19	Dec-18	Dec-17
Sum	+ Loans and advances to customers (non-trading financial assets)	11	9	0
	+ Loans and advances to customers (financial assets at amortised cost)	117,549	118,454	123,201
	+ Customer deposits	127,129	130,085	132,970
	+ Debt securities issued	17,302	16,750	19,288
	+ Investment companies and funds	19,809	17,210	15,726
	+ Pension funds	7,826	7,364	6,738
=	**Total turnover**	**289,626**	**289,872**	**297,923**

4.2.- Profitability and efficiency

- **Gain and losses on financial assets and liabilities**

Definition: sum of the profit/ (loss) from management of financial assets and liabilities and hedge accounting.

Relevance: a figure commonly used in the banking sector to track the trend of revenue obtained from activities outside the typical banking business.

Calculation: sum of the following income statement line items:

- Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.
- Gains or (-) losses on financial assets and liabilities held for trading, net.
- Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net.
- Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net.
- Gains or (-) losses from hedge accounting, net.

millions of euros		Dec-19	Dec-18	Dec-17
Sum	+ Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.	289	400	310
	+ Gains or (-) losses on financial assets and liabilities held for trading, net.	26	48	96
	+ Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net.	1	(0.4)	0
	+ Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net.	0	0	0
	+ Gains or (-) losses from hedge accounting, net.	(12)	(29)	(30)
=	**Gain and losses on financial assets and liabilities**	**305**	**419**	**376**

- **Pre-provision operating income /expenses**

Definition: gross operate income less administrative expenses and depreciation.

Relevance: a metric commonly used in the banking sector to monitor the performance of the bank's operating profit or loss excluding expenses arising from provisions for contingencies, credit risk, and impairment of real estate assets and equity investments.

Calculation: the aggregate of the following income statement line items:

- Gross income
- Administrative expenses
- Depreciation

millions of euros		Dec-19	Dec-18	Dec-17
Sum	+ Gross income	3,272	3,597	2,974
	+ Administrative expenses	(1,596)	(1,659)	(1,833)
	+ Depreciation	(200)	(172)	(173)
=	**Pre-provision operating income / expenses**	**1,476**	**1,765**	**968**

- **Core profit or loss**

Definition: the profit or loss obtained by the Bank from its typical business (net interest income and fee and commission income) less operating expenses (administrative expenses and depreciation).

Relevance: used to compare operating costs with the revenue generated by the Bank's recurring business.

Calculation: the aggregate of the following income statement line items:

- Net Interest income
- Net fees and commissions (fee and commission income less fee and commission expenses)
- Administrative expenses
- Depreciation

millions of euros		Dec-19	Dec-18	Dec-17
Sum	+ Net interest income	1,989	2,029	1,924
	+ Net fees and commissions (fee and commission income less fee and commission expenses)	976	964	791
	+ Administrative expenses	(1,596)	(1,659)	(1,833)
	+ Depreciation	(200)	(172)	(173)
=	**Core profit or loss**	**1,169**	**1,161**	**709**

- **Customer margin**

Definition: difference between the average interest rate charged on loans and advances to customers and the average interest rate paid on customer deposits.

Relevance: a commonly used metric in the banking sector to measure the profitability obtained by the Bank in its ordinary operations with customers.

Calculation: the average interest rate charged on loans and advances to customers is interest income on loans and advances to customers in the period divided by the average month-end balance of loans and advances to customers of the period analysed.

The average interest rate paid on customer deposits is interest expenses on customer deposits in the period divided by the average month-end balance of customer deposits in period analysed. Where the metric is presented at a date before the end of the reporting period, the numerator of both variables (interest income and interest expenses) is annualised.

millions of euros and %			Dec-19	Dec-18	Dec-17
%	**A**	**Average interest rate charged on loans and advances to customers (a)/(b)**	**1.72%**	**1.69%**	**1.68%**
Numerator	(a)	Interest income on loans and advances to customers	2,041	2,034	1,749
Denominator	(b)	Average month-end balances of loans and advances to customers	118,548	120,512	104,216
%	**B**	**Average interest rate paid on customer deposits (c)/(d)**	**0.13%**	**0.16%**	**0.17%**
Numerator	(c)	Interest expenses on customer deposits	173	209	179
Denominator	(d)	Average month-end balances of customer deposits	131,297	129,335	106,653
A-B	**=**	**Customer margin (%)**	**1.59%**	**1.53%**	**1.51%**

- **Balance sheet differential**

Definition: difference between the average return on assets and the average cost of liabilities and equity.

Relevance: this metric is commonly used by credit institutions to measure the profitability obtained on all their investments in assets.

Calculation: the average return on assets is total interest income for the period divided by the average month-end balance of assets of the period analysed.

The average cost of liabilities and equity is total interest expenses for the period divided by the average month-end balance of total liabilities and equity of the period analysed. Where the metric is presented at a date before the end of the reporting period, the numerator of both variables (interest income and interest expenses) is annualised.

millions of euros and %			Dec-19	Dec-18	Dec-17
%	**A**	**Average return on assets (a)/(b)**	**1.17%**	**1.19%**	**1.26%**
Numerator	(a)	Total interest income	2,458	2,471	2,316
Denominator	(b)	Average month-end balances of recognised assets	210,177	207,749	184,287
%	**B**	**Average cost of liabilities and equity (c)/(d)**	**0.22%**	**0.21%**	**0.21%**
Numerator	(c)	Total interest expenses	469	443	392
Denominator	(d)	Average month-end balances of total equity and liabilities	210,177	207,749	184,287
A-B	**=**	**Balance sheet differential (%)**	**0.95%**	**0.98%**	**1.04%**

- **ROA**

Definition: measures the return on assets.

Relevance: this metric is commonly used, not only in the banking sector, but also other industries to measure the entities' capacity to generate returns on the assets in which they invest.

Calculation: is profit or loss for the period, as shown in the income statement (numerator) divided by the average month-end balance of assets of the period analysed. Where the metric is presented at a date before the end of the reporting period, the numerator is annualised.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator		(a) Profit/ Loss	563	834	469
Denominator		(b) Average month-end balance of assets	210,177	207,749	184,287
(a)/(b)	**=**	**ROA (%)**	**0.3%**	**0.4%**	**0.3%**

- **RORWA**

Definition: measures the return obtained from the average risk-weighted assets.

Relevance: this metric is commonly used in the financial sector to measure the return on risk-weighted assets, which includes an adjustment factor according to the risk taken by the Bank in the various types of assets in which it invests.

Calculation: profit or loss for the period divided by risk-weighted assets at the end of the period. Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator		(a) Profit/ Loss	563	834	469
Denominator		(b) Regulatory risk-weighted assets	78,792	84,551	84,956
(a)/(b)	**=**	**RORWA (%)**	**0.7%**	**1.0%**	**0.6%**

- **ROE**

Definition: measures the return obtained from own founds.

Relevance: is a standard measure of profitability in the banking and other business sectors used to measure the return on shareholders' equity.

Calculation: profit or loss attributable to owners of the parent divided by the average month-end balances of equity for the 12 months preceding the period end, adjusted for expected dividends. Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator		(a) Profit/ Loss attributable to owners of the parent	563	834	469
Denominator		(b) Average value of equity adjusted for expected dividends	12,248	11,945	11,528
(a)/(b)	**=**	**ROE (%)**	**4.6%**	**7.0%**	**4.1%**

- **ROTE**

Definition: measures the return on equity excluding intangible assets.

Relevance: a metric used to measure the return on entities' tangible equity.

Calculation: profit or loss attributable to owners of the parent divided by the average month-end balances of equity less intangible assets for the 12 months preceding the period-end, adjusted for expected dividends. Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator	(a)	Profit/ Loss attributable to owners of the parent	563	834	469
Denominator	(b)	Average value of tangible equity adjusted for expected dividends	11,986	11,765	11,392
(a)/(b)	**=**	**ROTE (%)**	**4.7%**	**7.1%**	**4.1%**

- **Efficiency ratio**

Definition: measures operating costs as a percentage of gross income.

Relevance: this metric is commonly used in the banking sector to compare costs incurred with income generated.

Calculation: operating expenses (administrative expenses and depreciation) for the period divided by gross income, with both taken from the income statement. Where the metric is calculated at a date before the end of the reporting period, operating expenses and gross for last 12 months is taken to eliminate the impact of the temporary lag between the accrual of certain expenses; e.g. the contribution to the Deposit Guarantee Fund, which is usually made in the last quarter of the year.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator	(a)	Operating expenses	1,796	1,832	2,006
		Administrative expenses	1,596	1,659	1,833
		Depreciation	200	172	173
Denominator	(b)	Gross income	3,272	3,597	2,974
(a)/(b)	**=**	**Efficiency ratio (%)**	**54.9%**	**50.9%**	**67.5%**

4.3.- Risk management

- **NPL ratio (%)**

Definition: relationship between non-performing loans and the total balance of customer credit risk and contingent risks. This metric includes insignificant amounts with the public sector, credit institutions and fixed-income securities.

Relevance: is one of the main indicators used in the banking sector to monitor the status and performance of the entities' credit risk.

Calculation: doubtful risks, which mostly comprise loans and advances to customers.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator	**A**	**Doubtful risks (a)+(b)+(c)**	**6,441**	**8,388**	**12,081**
	(a)	Loans and advances to customers without public sector	5,739	7,564	11,155
	(b)	Contingent risks	600	684	795
	(c)	Public sector, credit institutions and fixed income	103	140	131
Denominator	**B**	**Total risks (d)+(e)+(f)**	**128,308**	**130,031**	**136,488**
	(d)	Loans and advances to customers without public sector	114,810	116,640	122,143
	(e)	Contingent risks	8,743	8,358	8,930
	(f)	Public sector, credit institutions and fixed income	4,755	5,033	5,414
A/B	**=**	**NPL ratio (%)**	**5.0%**	**6.5%**	**8.9%**

- **NPL coverage ratio**

Definition: measures the degree of impairment of NPLs for which impairment allowances have been recognised.

Relevance: a commonly used metric in the banking industry to monitor coverage with provisions for doubtful risks.

Calculation: NPL provisions divided by the Bank's doubtful risks. NPL provisions included all provisions set aside by the entity to cover doubtful risks. Doubtful risks include both loans and advances to customers and contingent risks and non-performing loans and advances to credits institutions and fixed income.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator	(a)	NPL Provisions	3,521	4,605	6,102
Denominator	(b)	Doubtful risks	6,441	8,388	12,081
(a)/(b)	**=**	**NPL coverage ratio (%)**	**54.7%**	**54.9%**	**50.5%**

4.4.- Liquidity

- **Loan to deposits (LTD)**

Definition: a metric used to measure the relationship between loans granted to customers and deposits taken from customers.

Relevance: a metric commonly used by financial institutions to measure the level of funding of loans and receivables with customer deposits.

Calculation: net loans and advances to customers divided by the sum of customer deposits in the balance sheet plus funds raised through second-floor loans received from the EIB and ICO. Reverse repurchase agreements are subtracted from the balance of loans and advances to customers, and repurchase agreements are subtracted from customer deposits.

millions of euros and %			Dec-19	Dec-18	Dec-17
Numerator	**A**	**Loans and advances to customers (a)+(b)-(c)**	**117,545**	**118,450**	**122,945**
	(a)	Loans and customer advances (non-trading financial assets)	11	9	0
	(b)	Loans and customer advances (financial assets at a amortised cost)	117,549	118,454	123,201
	(c)	Reverse repurchase agreements	(15)	(14)	(256)
Denominator	**B**	**Customer deposits and second-floor loans (d)-(e)+(f)**	**130,236**	**133,464**	**133,309**
	(d)	Customer deposits	127,129	130,085	132,970
	(e)	Reserve repurchase agreement	(46)	(44)	(2,668)
	(f)	Second-floor loans received from the EIB and ICO	3,153	3,424	3,007
(a)/(b)	**=**	**LTD Ratio (%)**	**90.3%**	**88.8%**	**92.2%**

4.5.- Share data

- **Market cap**

Definition: economic metric indicating the total value of all shares of a listed company or financial institution.

Relevance: it is an indicator that reflects the equity value of the company in the market which, unlike book value, fluctuates in accordance with supply and demand of the shares in the market.

Calculation: the number of shares at the period-end times the share price at the period-end.

			Dec-19	Dec-18	Dec-17
		(a) Number of shares at the period-end (millions)	3,070	3,085	3,085
		(b) Share price at period-end (millions)	1.90	2.56	3.99
(a)*(b)	**=**	**Market cap (millions de euros)**	**5,840**	**7,898**	**12,300**

- **Earnings per share**

Definition: earnings per share (EPS) is the part of profit attributable to each share of a company or financial institution.

Relevance: earnings per share is one of the most widely used measures in the financial and business sector to assess the returns for the company's or financial institution's shareholders.

Calculation: profit or loss attributable to owners of the parent (numerator) divided by the number of shares outstanding at the period-end (denominator). Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

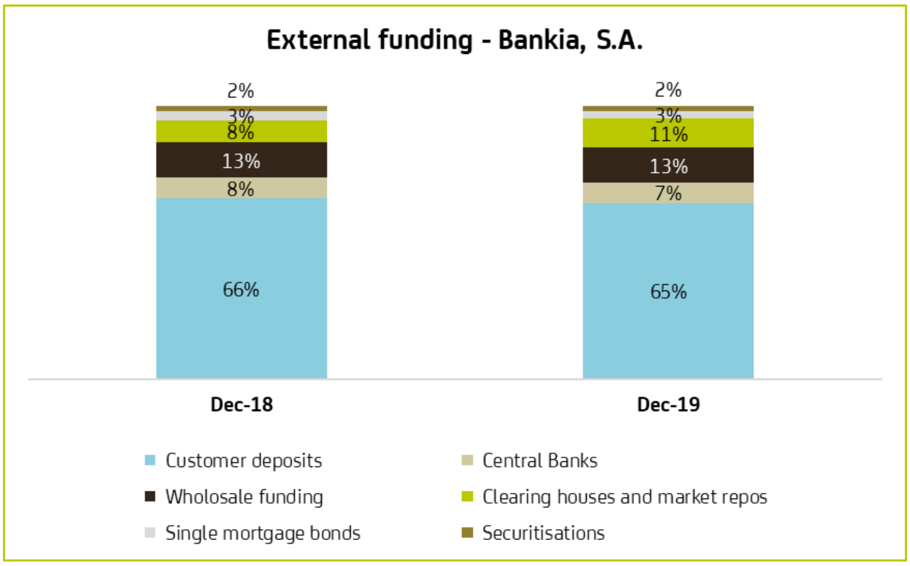
			Dec-19	Dec-18	Dec-17
Numerator		(a) Profit or loss attributable to owners of the parent (millions)	563	834	469
Denominator		(b) Number of shares at period-end (millions)	3,070	3,085	3,085
(a)/(b)	**=**	**Earnings per share (euros)**	**0.18**	**0.27**	**0.15**

5.- FUNDING STRUCTURE AND LIQUIDITY

Notes 3.2 and 3.3 to the financial statements for the period ended 31 December 2019 describe Bankia's liquidity management policies and provide details on maturities of financial assets and financial liabilities that allows as to forecast its liquidity balance at different maturities. Accordingly, this section refers to the performance of Bankia's main liquidity indicators and funding sources in 2019.

Bankia's goal is to maintain a long-term financing structure that is in line with the liquidity of its assets and whose maturity profiles are compatible with the generation of stable, recurring cash flows.

According to the retail business model underpinning its banking activity, Bankia's main source of funding are strict customer deposits, which cover the whole of net loans and advances to customers at 31 December 2019. Funds obtained through customer deposits are complemented by wholesale funding geared towards the medium and long term (issuances), repos arranged in the market, balances with the ECB and (non-marketable), securitisations and single mortgage bonds.



On 2019, the amount of liquidity raised through external funding sources rose by EUR 2,098 million from 31 December 2018, as shown in the following table:

FUNDING SOURCES - BANKIA, S.A.

(Millions of euros) (*)	Dec-19	Dec-18	Variation Dec-18 Amount	Variation Dec-18 %	% of the total dec-19	% of the total dec-18
Strict customer deposit	**120,317**	**122,051**	**(1,734)**	**(1.4%)**	**64.6%**	**66.3%**
Public sector	4,778	6,608	(1,830)	(27.7%)	2.6%	3.6%
Other financial companies	7,371	9,533	(2,161)	(22.7%)	4.0%	5.2%
Current accounts	5,148	7,240	(2,092)	(28.9%)	2.8%	3.9%
Term deposits	2,223	2,292	(69)	(3.0%)	1.2%	1.2%
Non-financial companies	14,105	15,049	(945)	(6.3%)	7.6%	8.2%
Current accounts	12,756	12,549	207	1.7%	6.9%	6.8%
Term deposits	1,348	2,500	(1,152)	(46.1%)	0.7%	1.4%
Households	94,063	90,861	3,202	3.5%	50.5%	49.4%
Current accounts	67,516	59,632	7,883	13.2%	36.3%	32.4%
Term deposits	26,547	31,229	(4,681)	(15.0%)	14.3%	17.0%
Wholesaler funding	**24,157**	**23,879**	**278**	**1.2%**	**13.0%**	**13.0%**
Deposits and credit institutions [(1)]	6,855	7,129	(274)	(3.8%)	3.7%	3.9%
Debt securities issued	17,302	16,750	552	3.3%	9.3%	9.1%
Securitisations	**1,531**	**1,742**	**(211)**	**(12.1%)**	**0.8%**	**0.9%**
Single mortgage bonds	**5,235**	**6,248**	**(1,013)**	**(16.2%)**	**2.8%**	**3.4%**
Repos	**19,639**	**14,687**	**4,952**	**33.7%**	**10.5%**	**8.0%**
Central banks	**13,809**	**13,856**	**(47)**	**(0.3%)**	**7.4%**	**7.5%**
Others	**1,472**	**1,599**	**(127)**	**(7.9%)**	**0.8%**	**0.9%**
Total external funding sources	**186,159**	**184,061**	**2,098**	**1.1%**	**100.0%**	**100.0%**

(*) Financial Statement amounts rounded to millions of euros.

(1) Includes interbank deposits, collateral posted and other loans and deposits from credit institutions.

Customer funds reached EUR 120,317 million, and represented 64.6% of the Bank's funding mix, compared to 66.3% in December 2018, with the following breakdown: (i) 50.5% households, (ii) 7.6% non-financial corporations, (iii) 4% other financial institutions and (iv) 2.6% public sector deposits. Customers continued to transfer savings to current accounts and short-term deposits during 2019, along with off-balance sheet products under management further illustrating the shift of funds by Bankia customers away from longer-term products earning lower interest.

Wholesale funding stood at EUR 24,157 million at 31 December 2019, representing 13% of external funding (stable as 2018), and comprising mainly mortgage-backed securities and deposits from credit institutions. The balance increased by EUR 552 million in 2019 on the back of new issues carried out during the year, mostly to bolster the Bank's minimum requirement for eligible liabilities (MREL).

Repos arranged through clearing houses and in the market stood at EUR 19,639 million, representing 10.5% of the Bankia's external funding at December 2019 compared to 8% at year end 2018. This activity forms part of the Bank's strategy to diversify its funding sources, to reduce costs, and to maintain alternative external funding secured by liquid assets, other than that of the ECB.

ECB financing remained stable in 2019, amounting to EUR 13,809 million. As a result, the weight of central banks on Bankia's funding structure stands at 7.4% of external funding compared to 7.5% in December 2018. Practically, all funding from central banks held by Bankia at 31 December 2019 was related to funds obtained in the TLTRO II and TLTRO III programmes.

Lastly, non-marketable mortgage-backed securities disclosed within customer deposits, securitisations and other funding sources amounted to a combined EUR 8,238 million at 31 December 2019. They are a residual component of Bankia's funding structure, representing 2.8% and 0.8% and 0.8%, respectively, of Bankia's borrowings.

Core liquidity metrics remain at comfortable levels. The commercial Gap, i.e. the difference between loans (excluding reverse repos) and strict customer deposits, plus funds received from the EIB and ICO to extend second-floor loans, was a negative EUR 5,925 million at 31 December 2019, compared to a negative EUR 7,025 million at the end of December 2018. The "Loan to deposits" or LTD ratio (net loans less reverse repos divided by strict customer deposits less reverse repos plus funds received for second-floor loans) ended 2019 at 90.3% (compared to 88.8% at December 2018), reflecting the Bank's model in funding through customer deposits.

Bankia has a comfortable debt maturity profile, with EUR 420 million in 2020 and EUR 2,235 million in 2021, which are mainly mortgage-backed securities (EUR 2,443 million in 2019 and 2018). To cover these maturities and scheduled redemptions in the coming years, the Bank had EUR 33,117 million of available liquid assets at December 2019, equivalent to a 15.9% of the Bank's assets and enough to cover its entire wholesale debt maturities (EUR 22,890 million).

Therefore, with manageable debt maturities in coming quarters and a favourable capital markets environment, Bankia has a great deal of flexibility to meet its short- or medium-term funding needs, enabling it to maintain a solid balance sheet structure.

LIQUIDITY RESERVE - BANKIA, S.A.

			Variation Dec-18	
(Millions of euros) (*)	Dec-19	Dec-18	Amount	%
Highly liquid available assets (1)	15,538	17,678	(2,140)	(12.1%)
Undrawn amount on the facility	6,161	11,339	(5,178)	(45.7%)
Cash (2)	11,418	2,921	8,497	290.9%
TOTAL	**33,117**	**31,938**	**1,179**	**3.7%**

(*) Financial Statement amounts rounded to millions of euros.

(1) Market value cut by ECB.

(2) Bills, coins and Central Banks accounts reduced minimal reserves.

6.- CAPITAL MANAGEMENT, SOLVENCY AND LEVERAGE RATIO

Capital management geared at all times to complying with minimum regulatory requirements and with the risk appetite target or level established by the Group is a key cornerstone of the Group's Corporate Risk Appetite and Tolerance Framework.

The entry into force of the solvency requirements known as BIS III on 1 January 2014, which then marked a change and entailed tougher quality and minimum capital requirements, has led to a raft of regulatory changes impacting the solvency of financial institutions. By adequately managing its capital, the Bankia Group has been able to bolster its solvency and minimise the impact of these regulatory changes.

On 7 June 2019, the European Parliament and the Council published a legislative package which contains amendments to (i) CRD IV, (ii) CRR, (iii) Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "BRRD") and (iv) Regulation (EU) 806/2014 of the European Parliament and of the Council (the "SRM regulation") (collectively the "EU Banking Reform Package") to reinforce the capital and liquidity positions of banks and strengthen the framework for the recovery and resolution of banks in difficulty. The EU Banking Reform Package has entered into force on 27 June 2019, with a two-year phase-in for implementing certain amendments.

Note 4 to Bankia's financial statements describes the capital management targets and policies, their involvement in the Capital Planning process and their impact on Bankia's Risk Appetite Framework. It also details developments in regulations for calculating solvency ratios and metrics, leverage and MREL. Therefore, from a management perspective, this point looks at trends in solvency and leverage ratios in 2019 and the main impacts affecting their composition and performance.

Solvency levels

In February 2019, the European Central Bank notified the Bank Group of the minimum capital requirements in the SREP applicable to it for 2019. The Pillar 2 Requirement is unchanged from 2018, at 2%. Therefore, in 2019, after the end of the transitional period applicable to capital buffers, a minimum Common Equity Tier I capital ratio of 9.25% (8.563% at December 2018) and a minimum Total Capital ratio of 12.75% (12.063% at 31 December 2018) are required, both measured in relation to its transitional (phase-in) regulatory capital.

Regarding combined capital buffer requirements, bearing in mind the phase-in period provided for in Law 10/2014, which ended on 1 January 2019, the capital conservation buffer applicable in 2019 is 2.5% (1.875% in 2018), corresponding to 100% (75% in 2018).

In addition, Bankia Group was identified by the Bank of Spain as another systematically important institution (O-SII), and a Common Equity Tier I capital buffer was stablished at 0.25% of its total exposure on a consolidated basis. In 2019 the 100% of the buffer has been required (75% in 2018), which supposes a 0.25% buffer requirement (0.1875% in 2018).

Finally, the Group’s countercyclical buffer, calculated based on the geographical location of its exposures, is 0%. This is because the Group’s exposures are located in countries (mainly Spain) whose supervisors have established the buffer at 0% for exposures in their territories. The combined buffer requirements applicable for 2019 has been 2.75% (2.5% for the capital conservation buffer and 0.25% for the “other systemically important institution” (O-SII) after the end of the phase-in period, so the phase-in and fully-loaded minimum capital requirements will be the same.

In December 2019, the European Central Bank notified the Bankia Group of the capital requirements applicable to it in 2020: a minimum Common Equity Tier 1 ratio of 9.25% and a minimum Total Capital ratio of 12.75%, both measured in relation to its transitional (phase-in) regulatory capital. These thresholds include the minimum required under Pillar I (4.5% in terms of common equity tier 1 capital and 8% at the total capital level), the Pillar II requirement (2%) and the combined buffers applicable to the Group (2.75%).

In December 2019, the Bankia Group achieved a Common Equity Tier 1 (BIS III Phase In) ratio of 14.32% and a Total Capital (BIS III Phase) ratio of 18.09%. These capital levels represent a CET 1 surplus of EUR 3,939 million and a Total Capital Ratio surplus of EUR 4,144 million over the minimum regulatory requirements for 2019, as detailed in the following table:

BANKIA GROUP Solvencia Basilea III

Eligible capital (Millions of euros and %)	December 2019 (*) (**)		December 2018 (*)	
Common Equity Tier I (Millions of euros and %)	11,120	14.32%	11,367	13.80%
Equity tier I	12,370	15.93%	12,617	15.31%
Equity tier II	1,672	2.15%	1,863	2.26%
Total Equity BIS III	**14,042**	**18.09%**	**14,480**	**17.58%**
Risk weighted assets BIS III	**Dec. 2019 (*)**		**Dec. 2018**	
Credit risk (include CVA)	70,990		74,921	
Operational risk	5,564		5,881	
Market risk	1,080		1,579	
Total weighed assets BIS III	**77,635**		**82,381**	
Excess / (Minimal regulatory defects)	**December 2019 (*) (**)**		**December 2018 (*) (**)**	
		minimum		*minimum*
Excess Common equity Tier I Bis III	**3,939**	**9.250%**	**4,313**	**8.563%**
Total Equity BIS III	**4,144**	**12.750%**	**4,542**	**12.063%**

(*) Including the amount of net profit allocated to reserves.

(**) Estimated at 31/12/2019.

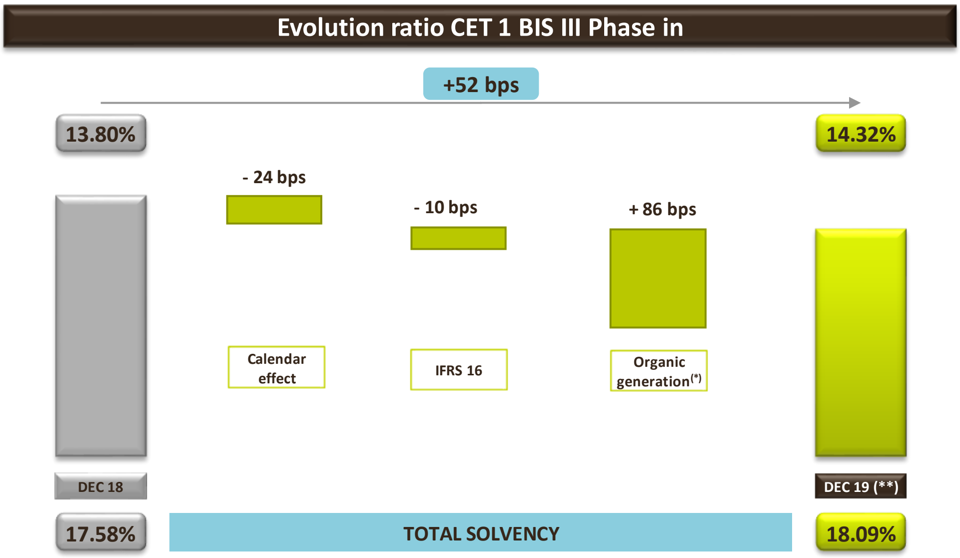
At 31 December 2019, the phase-in Common Equity Tier 1 ratio stood at 14.32%, up by +52 basis points. In 2019, Bankia Group has maintained its organic CET 1 generation model (+86 bp), allowing it to offset negative one-off impacts arising from amendments to regulations and continue meeting the CET 1 target set in its Corporate Risk Appetite and Tolerance Framework. The main factors explaining CET 1 Phase-in capital performance in 2019:

- The **calendar effect** has had an impact of **-24 basis points**.

- **Adoption of IFRS 16** has had an impact of **-10 bp.**

- **Organic generation in the year of +86 bps**, including mostly profit attributable to the Group (**EUR +541 million**) net of the **regulatory dividend** (**EUR -355 million**), the increase in unrealised gains on financial assets at fair value and the **decrease in credit risk-weighted assets.**

Bankia Group's phase-in Total Capital ratio increased by +51 bp in 2019, to 18.09%, mainly because of the trend in Common Equity Tier I, and the reduction of the total amount of provisions included in Tier II capital. In February, Bankia issued EUR 1,000 million of subordinated debt eligible as total capital to replace the issue of EUR 1,000 million of subordinated debt redeemed early in May. The following chart shows the trend in capital ratios:



(*) Profit or (-) loss attributable to the Group adjusted for the estimated dividend, other impacts on the numerator and the change in RWAs.
(**) Estimated data

It also presents the reconciliation of equity in the balance sheet to regulatory capital, including dividend income for the year earmarked for reserves.

BANKIA GROUP reconciliation between Equity and Qualifying Capital BIS III

Qualifying elements (Millions of euros and %)	Dec. 2019 (*) (**)	Dec. 2018 (*)	Variation	% Variation
Own funds	13,142	13,030	112	0.9%
Other comprehensive accumulated income	180	147	33	22.1%
Non controlling interests	13	12	1	6.8%
Total Equity (Public Balance)	**13,335**	**13,189**	**146**	**1.1%**
Adjustment between public and regulatory balance	(0.0)	0.4	(0.4)	-
Total Equity (Regulatory balance)	**13,335**	**13,190**	**145**	**1.1%**
Non-qualifying equity elements	**(52)**	**(53)**	**2**	**(3.1%)**
Ineligible valuation adjustments as CE T-1	(26)	(24)	(2)	6.5%
Non controlling interests	(13)	(13)	(0)	3.4%
Regulatory autoportfolio adjustments	(12)	(16)	4	(23.3%)
Regulatory acapital deductions	**(2,164)**	**(1,770)**	**(394)**	**22.2%**
Intangible assets and other deductions (regulatory balanc	(681)	(530)	(150)	28.3%
Dieferred tax assets	(1,089)	(847)	(242)	28.6%
Valuation adjustments due to prudent requirements (AV/	(38)	(36)	(2)	6.9%
Dividends	(355)	(357)	2	(0.5%)
Common Equity Tier I	**11,120**	**11,367**	**(247)**	**(2.2%)**
Additional Equity Tier I	**1,250**	**1,250**	**0**	**-**
Equity Tier II	**1,672**	**1,863**	**(191)**	**(10.2%)**
TOTAL REGULATORY EQUITY (*)	**14,042**	**14,480**	**(437)**	**(3.0%)**

(*) Including the amount of net profit earmarketed for reserves.
(**) Estimated at 31/12/2019.

The minimum capital requirements cover credit, foreign currency, market and operational risks. At 31 December 2019, the capital requirements for credit risk, including equity and CVA, amounted to EUR 5,679 million (EUR 70,990 million risk-weighted assets). At present, the requirements for credit risk are calculated using both the standardised and internal rating-based approaches. Currency and market risk exposures were calculated using internal models. During 2019, the requirements included an increase related to the calculation model and not merely to market activity. At 31 December 2019 capital requirements for this concept amounted to EUR 86 million (EUR 1,080 million risk-weighted assets).

Finally, the Bankia Group used the standardised approach to calculate the capital requirements for operational risk, totalling EUR 445 million at 31 December 2019 (EUR 5,564 million risk-weighted assets).

Leverage ratio

The leverage ratio was implemented by the December 2010 Capital Framework of the Basel Committee on Banking Supervision (BCBS), which introduced this new metric as a supplementary ratio to solvency requirements but unrelated to risk measurement with the aim of including the leverage ratio as a binding Pillar I requirement.

Since January 2014, there is an indicative 3% of CET 1 which was set by the BCBS. It is important to remark that the EU Banking Reforms established a binding leverage ratio requirement of 3% of tier 1 capital for all banks, and an additional buffer requirement for global systemically important banks, which came into force on 27 June 2020.

At 31 December 2019, the Bankia Group's leverage ratio (phase-in) stood at 5.89%, above the 3% minimum requirement. In 2019, the leverage ratio decreased by -20 basis points due mainly to exposure of the balance sheet caused by the increased balance of cash, deposits at central banks and credit institutions and the passage of time in the transitional period applicable to Tier I capital, with an impact on the ratio of -18 bp. The impact of the overall decline in the Phase-in Tier 1 Capital on the ratio was -2 bps.

The following table provides a breakdown of the leverage ratio at 31 December 2019 and comparisons with 31 December 2018 along with a reconciliation of total assets on the balance sheet and leverage exposure measure:

BANKIA GROUP leverage ratio

Items (Millions of euros and %)	Dec. 2019 (*) (**)	Dec. 2018 (*)
Tier 1 Capital	12,370	12,617
Exposure	210,098	207,078
Leverage ratio	**5.89%**	**6.09%**
Reconciliation between Public Balance sheet and exposure for leverage ratio		
Total Assets Public Balance	**208,468**	**205,223**
(+/-) Adjustments difference between Public and Regulatory Balance	4	(330)
(-) Items already deducted from Tier 1 capital	(1,773)	(1,385)
(-) On-balance sheet derivatives assets	(9,018)	(8,649)
(+) Derivative exposure	644	721
(+) Add-ons for counterparty risk in securities financing transactions (SFTs)	3,475	3,925
(+) Off-balance sheet items (including use of CCFs)	8,297	7,574
Total exposure leverage ratio	**210,098**	**207,078**

(*) Including the amount of net profit earmarketed for reserves.

(**) Estimated at 31/12/2019.

Minimum requirement for own funds and eligible liabilities (MREL)

Regarding the internal loss absorption mechanism provided for in Directive 2014/59/EU of the Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (the BRRD), a minimum requirement for own funds and eligible liabilities (MREL) with loss-absorbing capacity is defined, implying that the entities subject to this requirement must have liabilities with certain characteristics that favour the absorption of losses in the event of resolution of the institution. As noted previously, the EU Banking Reform Package introduces amendments to the BRRD; e.g. regarding minimum requirements of subordination of MREL eligible liabilities and the determination of a maximum distributable amount (MDA); i.e. limit on the discretionary distribution of capital, in terms of MREL.

On 16 May 2019, the entity received formal notification by the Bank of Spain on the decision taken by the Single Resolution Board on its minimum requirement for own funds and eligible liabilities (MREL). In accordance with this notification, the Group has until 1 July 2021 to reach a minimum amount of own funds and eligible liabilities equal to 23.66% of its risk-weighted assets calculated as at year-end 2017. The MREL would be equivalent to 10.02% in terms of total liabilities and own funds ("TLOF" or "Total Liabilities and Own Funds").

As at 31 December 2019, Bankia Group's MREL, calculated according to the SRB's eligibility criteria currently in effect, stood at 21.92% of total risk-weighted assets.

In addition to the EUR 1,000 million subordinated debt issue carried out in February to replace the EUR 1,000 million issue of subordinated debt redeemed early in May, the Group issued EUR 1,250 million of senior debt and EUR 1,250 million of senior non-preferred debt in 2019. Both issues are eligible for the MREL and, together with the increase in total phase-in capital, resulted in an increase in the MREL ratio of +359 basis points in 2019. These issues fall under the Group's 2019-2021 funding plan, which calls for the issuance of around EUR 5,000 million to meet the 23.66% MREL target by 1 July 2021

BANKIA GROUP MREL ratio

Items (Millions of euros and %)	Dec. 2019 (*) (**)	Dec. 2018 (*)
Total capital BIS III	14,042	14,480
Liabilities eligible for MREL	2,976	622
Total own funds and eligible liabilities MREL	**17,018**	**15,102**
Total risk-weighted assets BIS III	**77,635**	**82,381**
Ratio MREL / RWAs (%)	**21.92%**	**18.33%**

(*) Including the amount of net profit earmarked for

(**) Estimated at 31/12/2019.

7.- RISK MANAGEMENT

Risk management is a strategic cornerstone in the organisation which primary objective is to safeguard Bankia's financial stability and asset base, while creating value and developing the business in accordance with the risk tolerance levels set by the governing bodies. It involves the use of tools for measuring, controlling and monitoring the requested and authorised levels of risk, managing non-performing loans and recovering past due exposures.

Note 3 to Bankia's financial statements for the year ended 31 December 2019 provides details on the governing bodies responsible for supervising and controlling Bankia's risks, as well as the general principles, organisational model, policies and methods to control and measure the risks to which Bankia is exposed through its business. Accordingly, this section provides an overview of the performance and main indicators used to assess the trends in risks in 2019.

7.1.- Credit risk

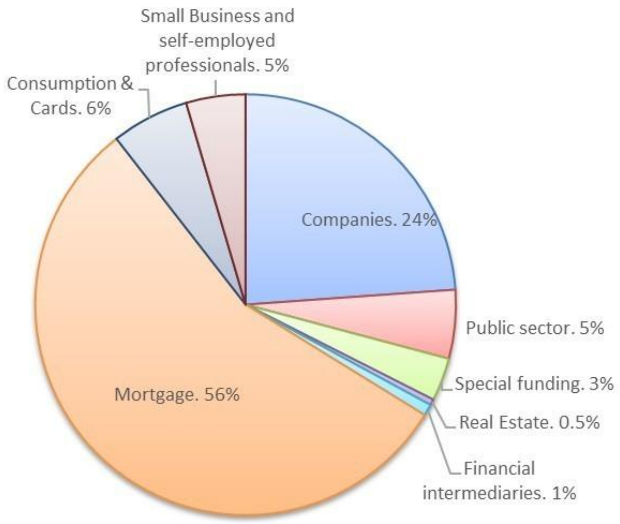
Credit risk is the risk of loss assumed by Bankia in the regular course of its banking business if its customers or counterparties fail to comply with their contractual payment obligations.

Credit risk management is an end-to-end process, running from loan or credit approval to elimination of exposure, either at maturity or through recovery and sale of assets in the event of foreclosure upon default. It involves identifying, analysing, measuring, monitoring, integrating and valuing credit risk-bearing transactions on a differentiated basis for each segment of Bankia's customers.

The variables Bankia uses to measure credit risk are derived from internal models: probability of default, exposure at default and loss given default (severity). These variables allow ex-ante analysis of the credit portfolio's risk profile by calculating the expected loss and economic capital required.

- **Risk profile and composition of assets**

Given its activity and business model, Bankia's risk profile shows far greater exposure to credit risk than the other risks to which its business is inherently exposed.



The main characteristics of Bankia's credit risk profile and its performance in 2019 according to data from the audited portfolio (does not include positions in financial equities) are as follows:

- In the breakdown of loans and advances to customers, the weight of the retail segment is 66% and the weight of the wholesale segment is 34%.

- The weight of the real estate portfolio over total loans is 0.5%.

- The mortgage portfolio accounts for 56% of total loans and receivables. The second largest portfolio corresponds to companies representing 24% of the total, followed by retail and credit cards for 6% and loans to public institutions and bodies and loans to micro-enterprises and self-employed professionals accounting, for 5% respectively of the total portfolio.

- As of December 2019, 37% of non-performing loans was classified as such for subjective criteria or are in the "curing" period. This means that no loans in this portfolio are past-due and imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay that must be verified over a period of at least twelve months but can be extended to the entire grace period when applicable.

The following table shows the distribution by portfolio of expected loss and regulatory capital for credit risk of Bankia at 31 December 2019:

Segment name	Dec-19	
	Regulatory capital	Expected loss
Entities	38.7	88.8
Banks and financial intermediaries	193.6	7.9
Companies	1,776.2	1,477.3
Real Estate	97.0	177.8
Retail:	2,322.4	1,797.7
Mortgage	1,734.8	1,195.9
Consumption	*268.0*	*193.9*
Cards	*104.8*	*63.7*
Small business and self-employed professionals	*214.9*	*344.2*
Equity	207.0	7.2
TOTAL	**4,634.9**	**3,556.7**

The maturity profile of credit exposure is detailed in Note 3.3 to the financial statements for 2019 (table on residual maturities). A significant portion of loans and advances to customers (46.6%) mature beyond five years given the large volume of home mortgage loans, which are generally for long periods.

- **Asset quality: trends in doubtful balances, NPL and coverage.**

Bankia pro-actively manages and anticipates credit risk with a view to containing the inflow of non-performing loans (NPLs) and maintaining NPL prudent coverage. Management has enabled that during 2019 the key variables related to credit quality of assets has been continued with the positive evolution showed in 2018.

NPL and Coverage - BANKIA , S.A.

(Millions of euros and %) (*)	Dec-19 (1)	Dec-18 (1)	Variation Dec-18 Amount	Variation Dec-18 %
NPLs	6,441	8,388	(1,947)	(23.2%)
Total risk	128,308	130,031	(1,723)	(1.3%)
NPL Ratio (2)	**5.0%**	**6.5%**	**(1.5) p.p.**	**(22.2%)**
Total provisions	3,521	4,605	(1,084)	(23.5%)
Coverage ratio	**54.7%**	**54.9%**	**(0.2) p.p.**	**(3.7%)**

(*) Financial Statement amounts rounded to millions of euros.

(1) NPL ratios and NPL coverage in 2018 discount the transactions reclassified to non-current assets held for sale arising from sale agreements reached with investors explained in Note 17.5 to the annual financial statements for the year ended 31 December 2019. Including these transactions, the NPL ratio would have been 5.3% in 2019 and 7.4% in 2018 and NPL coverage 53.4% in 2019 and 55.6% in 2018.

(2) NPL ratio: non- performing loans and advances to customers and contingent liabilities/risk assets consisting of loans and advances to customers and contingent liabilities.

At 31 December 2019, the Bank's **doubtful exposures** fell further, by 23.2% (EUR 1,947 million) from the end of 2018 to EUR 6,441 million at the end of 2019. This improvement is explained mainly by the gradual decrease in inflows of NPLs, stronger efforts in monitoring and recovery management and, the process of selling doubtful portfolios that the Bank has continued to carry out during the year and the writte-off during the year. As a result, the **NPL ratio** improved further, to 5% at 31 December 2019, 1.5 percentage points lower on a same-scope basis than at 31 December 2018.

At 31 December 2019, Bankia had a portfolio of refinanced operation of EUR 6,735 million in gross terms. The 48.8% of the refinanced credits classified as doubtful with an NPL ratio of 37%.

The improvement in the portfolio risk profile and satisfactory levels of provision coverage leave the Bank in a good position to achieve one of the main objectives in the Strategic Plan: to increase profitability and curtail risk in the coming years, maintaining the cost of risk under control.

- **Credit risk of trading in derivatives**

The bank is exposed to credit risk through its activity in financial markets, specifically its exposure to OTC (over the counter) derivatives. This exposure is called counterparty risk.

The method used to estimate counterparty risk entails calculating EAD ("exposure at default") as the sum of the current market exposure and the potential future exposure. This method aims to obtain the maximum expected loss for each transaction.

However, in order to mitigate most of these risks, Bankia has, inter alia, tools that mitigate risk, such as early redemption agreements (break clause), netting of credit and debit positions (netting) and collateralisation for the market value of the derivatives or offsetting of derivatives.

At 31 December 2019, there were 2,381 netting and 237 guarantee agreements (124 derivatives, 75 repos and 38 securities loans). The main figures regarding quantification of the derivatives activity at that date are as follows:

- Original or maximum exposure: EUR 18,372 million.
- Exposure applying mitigation techniques through netting: EUR 5,833 million.
- Net exposure after applying all mitigation techniques: EUR 1,564 million.

As shown, counterparty risk in derivatives trading is reduced by 91.49% by applying derivatives netting and guarantee agreements.

7.2.-Liquidity risk

Liquidity risk can be expressed as the probability of incurring losses through insufficient liquid resources to comply with the agreed payment obligations, both expected and unexpected, within a certain time horizon, and having considered the possibility of the Bank managing to liquidate its assets in reasonable time and price conditions.

Note 3.2 and 3.3 Bankia's financial statements for 2019 provide information on remaining term to maturity of the Bank's issues by funding instrument, along with a breakdown of financial assets and liabilities by contractual residual maturity at 31 December 2019 and 31 December 2018.

The Entity's approach to monitoring liquidity risk is based on three cornerstones:

- The first is the liquidity gap, classifying asset and liability transactions by term to maturity considering the residual maturity. The liquidity gap is calculated for the recurring retail business, as well as for the funding needs of the Bank's structural portfolios.

- The second is the funding structure, identifying the relationship between short- and long-term funding and the diversification of the funding mix by asset type, counterparty and other categorisations.

- Third, in keeping with the future regulatory approach, Bankia uses metrics that enable it to measure the resilience of the bank's liquidity risk profile in different time horizons of regulatory ratios.

Alongside to the various metrics, Bankia has a well-defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to be followed if the plan needs to be activated. It is a question of a frame of action that it allows to anticipate and to manage tension events of liquidity. Liquidity Contingency Plan (LCP), which sets out the committees in charge of monitoring and activating the LCP and the protocol for determining responsibilities, internal and external communication flows, and potential action plans to redirect the risk profile within Bankia's tolerance limits.

The LCP is backed by specific metrics, in the form of LCP monitoring alerts, and by complementary metrics to liquidity risk and regulatory funding indicators, LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). These ratios have built-in stress scenarios for the ability to maintain available liquidity and funding sources (corporate and retail deposits, funding on capital markets) and allocate them (loan renewal, unprogrammed activation of contingent liquidity lines, etc).

For the LCR, the scenario relates to a survival period of 30 days, and the regulatory assumptions underlying the construction of the ratio are valid exclusively for this period. At 31 December 2019, the regulatory LCR (204.2% for Bankia on a standalone basis) was at levels that are demonstrably higher than the regulatory requirements for 2019 (100%).

Through the net stable funding ratio (NSFR), Bankia draws up its funding strategy from a regulatory perspective. The NSFR is currently undergoing a review and will form part of the minimum standards following approval of the new CRR (Capital Requirements Regulation), with a requirement of at least 100%. At 31 December 2019, the NSFR stood at 123.9%, within Bankia’s risk limits and regulatory requirements as of June 2021.

7.3.-Market risk

Market risks arise from the possibility of incurring losses on positions in financial assets caused by changes in market risk factors (interest rates, equity prices, foreign exchange rates or credit spreads). Limits are established in accordance with a number of metrics: value at risk (VaR) calculated using the historical simulation method, sensitivity, maximum loss (stop-loss limit) and the size of the position.

The Markets and Operational Risks Department is an independent area of the business units and is integrated in the Corporate Risks Department, which with respect to market risk in trading performs the following functions: control and monitoring of positions with market risk and counterparty lines; daily calculation of the results of the various desks and portfolios; independent valuation of all market positions; periodic reporting on the various market risks to the pertinent committee; and, lastly, control of model risk.

- **Interest rate risk**

Interest rate risk in the banking book reflects the probability of incurring losses because of changes in the benchmark interest rates for asset and liability positions (or certain off-balance sheet items) that could have an impact on the stability of the Bank’s results. Rate fluctuations affect both Bankia’s interest margin in the short and medium term, and its economic value in the long term. The intensity of the impact depends largely on different schedules of maturities and repricing of assets, liabilities and off-balance sheet transactions. Interest rate risk management is designed to lend stability to interest margins, maintaining levels of solvency that are appropriate for Bankia’s level of risk tolerance.

Trends in interest rates depend on certain factors that are beyond Bankia's control, such as financial sector regulation, monetary policies applied by the ECB, and the political and international environment, like other risks. Structural interest rate risk management is predicated on a clear system of separation of roles and responsibilities. The principles, metrics and limits approved by the Board of Directors are monitored by the Structural Risks Department under the Market and Operational Risks Department, which is part of the Corporate Risk Department.

Each month, information on risk in the banking book is reported to the ALCO in terms of both economic value (sensitivities to different scenarios and VaR) and interest margin (net interest income projections in different interest-rate scenarios for horizons of 1 and 3 years). At least quarterly, the Board of Directors is informed through the Risk Advisory Committee on the situation and monitoring of limits. Any excesses are reported immediately to the Board by the adequate committee. In addition, information prepared by the ALCO is reported by the Global Risk Management Division, along with other risks, to the Group's Top Management. According to Bank of Spain regulations, the sensitivity of the net interest margin and the value of equity to parallel shifts in interest rates (currently ±200 basis points) is controlled. In addition, different sensitivity scenarios are established based on implied market interest rates, comparing them to non-parallel shifts in yield curves that alter the slope of the various references of balance sheet items.

- **Other market risks**

Other market risks arise from the possibility of incurring losses in value of positions in financial assets caused by changes in market risk factors other than interest rate risk (equity prices, foreign exchange rates or credit spreads). These risks arise from cash and capital markets positions and can be managed by arranging other financial instruments.

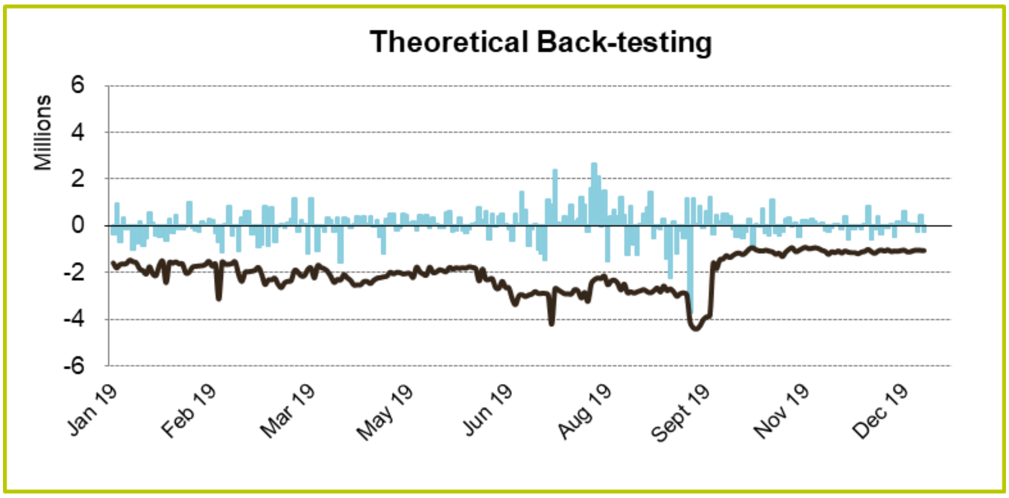
- **Market risk measurement and monitoring**

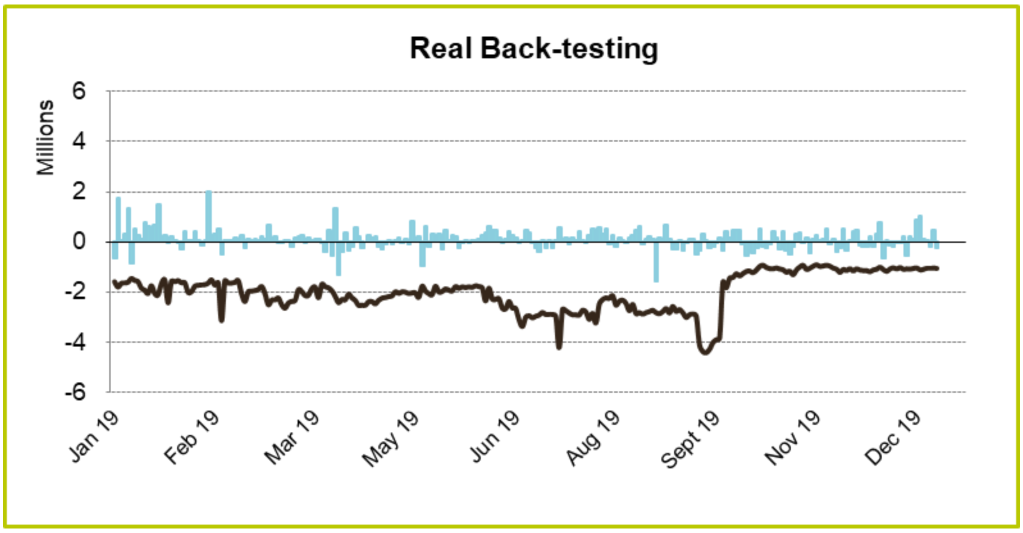
For market risk measurement used two metrics: VaR (value at risk), which provides a prediction of the maximum loss that can suffer in a time interval with a certain level of confidence and sensitivity, which expresses the impact on the valuation of financial instruments to the changes in various risk factors. These metrics are complemented by an analysis of scenarios, which consists of evaluating the economic impact of extreme movements in market factors on trading activity. Control of market risk is based on a system of limits in terms of maximum exposure to market risk, which are approved annually by senior management and distributed across the various business areas and centres.

a) Value at Risk (VaR) and back-testing

VaR is measured by the historical simulation method using a 99% confidence level and a temporary horizon of one day, with takes at least one year of observations of market data. The accuracy of the model is verified daily through subsequent controls (back-testing). The exercise compares actual losses with the estimated loss measured using VaR. As required by regulations, two tests are conducted, one applying hypothetical changes in the value of the portfolio by comparing the daily VaR with the results obtained, without considering changes in the positions of the portfolio, and one applying actual changes comparing daily VaR with net daily results excluding commissions.

The tests carried out in 2019 confirm the effective operation of the model used by Bankia to measure VaR in accordance with the assumptions used, with no breaches in the period.





The scope of authorisation by the Bank of Spain of internal models lies in the measurement of market risk of the trading portfolio and exchange risk. The regulatory capital figure is calculated by the internal model as the linear sum of the value at risk (VaR), stressed value at risk (SVaR) and incremental risk (IRC) regulatory capitals.

- Value at Risk. The calculation method used to measure VaR is historical simulation with a 99% confidence level and a 1-day time horizon. A time window of 250 daily observations is used. Two calculations of VaR are performed on a daily basis. One applies an exponential decay factor that lends greater weight to observations nearer the date of the calculation. The other applies the same weight to all observations. The total value at risk figure is calculated conservatively as the sum of the VaRs by risk factor (interest rate, exchange rate, equity investments, credit margins, commodity prices and volatility of the foregoing).

- Stressed Value at Risk. Stressed value at risk (sVaR) uses the same calculation methodology as the VaR, with two differences. The observation period must include a period of market stress and no exponential weights are applied to observations. The stress period is determined for the entire portfolio as the period that provides the highest VaR figure, calculated as the sum of the values at risk by factor.

- Incremental risk. The methodology for calculating incremental risk (IRC) considers the risk of default and the risk of migration of the interest rate products contemplated for the calculation of the specific risk within the VaR. It is based on measurements of the distribution of losses. The distribution is generated by Monte Carlo simulation based on the risk parameters deriving from the internal credit risk model (IRB). The IRC is calculated using a confidence level of 99.9%, with a constant level of risk over a time horizon of one year and a liquidity horizon of one year.

b) Sensitivity

Sensitivity quantifies changes in the economic value of a portfolio due to given movements and determinants of the variables affecting this value.

In the case of non-linear movements, such as derivatives activities, sensitivity analysis is supported by an evaluation of other risk parameters, such as sensitivity to movements in the price of the underlying (delta and gamma), volatility (vega), time (theta) and interest rate (rho). For share or index options, elasticity to changes in dividend yield is calculated. Sensitivity analysis by tranche is also used to measure the impact of non-parallel movements in the term structures of interest rates or volatilities, and to obtain the distribution of risk in each tranche.

c) Stress-testing

Periodically, stress-testing is performed to quantify the economic impact of extreme movements in market factors on the portfolio. Sensitivity, VaR and IRC measures are supported by stress-testing applying different types of scenarios:

- Historical scenario: scenarios built based on movements observed in previous crises (e.g. Asian crisis of 1998, the tech bubble of 2000/2001, the financial crisis of 2007/2008). These scenarios are reviewed annually to reflect the key events occurring in the year.

- Crisis scenario: applies extreme movements in risk factors that may not necessarily have been observed.

- Last-year scenario: maximum expected daily loss over a 1-year observation period with a 100% confidence level.
- Sensitivity analysis: designed to measure the impact on the metric of slight changes in the parameters used to calculate the IRC, the estimate of the metric excluding transitions to default and the impact on the metric of parallel movements in loss rates in the event of default and specific scenarios of recovery rates, the impact on the metric of parallel movements in the probabilities of default and the impact on the metric of changes in credit rating of all issuers and changes in the credit rating of issues with the greatest exposure.

- Credit crisis scenario: devised by two separate analysis; 1) based on a matrix of credit margins built observed, and 2) based on a transition matrix related to credit risk stress scenarios.

- Worst case: default by all issuers in the portfolio.

- **Trends and distribution of market risk 2019**

Bankia maintained an average VaR in 2019 of EUR 0.84 million, with a maximum of EUR 1.31 million and a minimum of EUR 0.52 million.

VaR	Trading book (Millions of euros)
Average	0.84
Maximum	1.31
Minimum	0.52

Distribution of VaR by risk category *(Millions of euros)*				
Risk category	**Punctual**	**Average**	**Maximum**	**Minimum**
Interest rate	0.62	0.43	0.81	0.13
Equity instrument	0.04	0.08	0.27	0.02
Exchange rate	0.19	0.16	0.34	0.07
Credit	0.08	0.17	0.81	0.02

- **Trading derivatives**

Bankia's trading in derivatives arises mainly from the management of market and interest rate risks, and from market making and distribution activities.

Risk of the derivatives trading activity measured in terms of VaR remains extremely low, as this activity is based on transactions with customers carried out in the market under the same terms as opposite transactions. The VaRs for 2019 are as follows:

VaR of derivatives activity *(Millions of euros)*	**Fixed income**	**Equity investments**	**Exchange rate**	**Total**
Average	0.15	0.08	0.18	0.41
Maximum	0.20	0.18	0.70	0.88
Minimum	0.11	0.04	0.11	0.31

7.4.- Country risk

Country risk is defined as the risk of incurring losses on exposures with sovereigns or residents of a country due to reasons inherent to the country's sovereignty or economic situation; i.e. reasons other than normal commercial risk, including sovereign risk, transfer risk and other risks related to international financial activity (war, expropriation, nationalization, etc.).

Bankia's country risk management principles are grounded on criteria of maximum prudence, whereby this risk is assumed on a highly selective basis.

Bankia's exposure to country risk at 31 December 2019 was marginal due to the largely domestic nature of its operations, recognising a provision in this connection of EUR 3 million.

7.5.- Operational risks

- **Customer concentration risk**

Bankia is subject to Bank of Spain concentration limits, such that the exposure to any single non-economic or borrower must not exceed 25% of eligible capital for borrowers and external economical Groups. In this respect, Bankia regularly monitors large exposures with customers, which are reported periodically to the Bank of Spain.

The Bank uses different tools to analyse and monitor the concentration of risks. First, as part of the calculation of economic capital, it identifies the component of specific economic capital as the difference between systemic economic capital (assuming maximum diversification) and total economic capital, which includes the effect of the concentration. This component provides a direct measure of concentration risk. An approach similar to that used by ratings agencies is applied, paying attention to the weight of the main risks on the volume of capital and income-generation ability.

At 31 December 2019, there were no exposures that exceeded the maximum concentration risk limits allowed by Bank of Spain. Appendix IX to Bankia's financial statements for the year ended 31 December 2019 provides information on the Bankia's risk concentration by activity and geographic area.

- **Operational risk**

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems of the Bank or from external events. This definition includes legal risk but excludes strategic risk and reputational risk.

Bankia has the following operational risk management objectives:

- Bankia's operational and IT risk management not only covers the recognition of loss events and accounting of the losses, but also promotes control to minimise the potential negative impacts through continuous improvement to processes and the strengthening of operating controls.
- Promote the implementation of more relevant operational risk mitigation plans as set out in the Risk Appetite Framework.
- Define and approve the policies and procedures for the management, control and oversight of this risk.
- Conduct regular reviews of management information.
- Approve and oversee implementation of operational and IT risk mitigation plans.
- Operational and IT risk management must be implemented throughout the entity to help achieve the institution's targets through the management, prevention and mitigation of the related risks.
- Maintain a control environment and culture that ensures that all groupings are aware of the risks to which they are exposed, establish an adequate control environment and assume the responsibilities in this respect.
- Supervise on an ongoing basis compliance with the Entity's risk policies and procedures.
- Put in place procedures that guarantee compliance with current and future legal requirements.
- Guarantee that all internal risk information is duly documented and available to the oversight bodies and areas involved.

Operational risk control is overseen by the Non Financial Control Risk Department, which is part of the Corporate Risks Department. The Non Financial Control Risk Department took responsibility for acting as the second line of defence in the management of IT and cybersecurity risk, having a specific IT Department.

The Operational and Technological Risk Committee, whose responsibilities include approving policies and methods, is the natural channel for senior management participation in operational risk management. It is an executive committee and meets on a monthly basis. At its meetings, the Committee addresses issues such as the consumption of own resources, the performance of real and expected losses, risks in outsourcing processes, and all actions taken in the operational and technological risk management process.

The capital requirement to cover operational risk is rooted in Basel II. European Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June 2013 (CRR) regulates the treatment of this type of risk in the area of credit institutions.

Bankia uses the standardised approach to measure its operational risk. This approach requires the disaggregation of the relevant revenues of the past three reporting periods by business line and the application of a percentage to each.

The capital charge for operational risk is calculated once a year, after the accounting close. In 2019, Bankia used the standardised approach to measure its operational risk for the seventh consecutive year. Bankia's capital requirement for operational risk at year end 2019 amounted to EUR 473.8 million (EUR 483.8 million at 2018).

- **Changes in regulatory frameworks and regulatory risk**

The financial services industry is characterised by being tightly regulated. Bank operations are subject to specific regulation and Bankia’s operations are exposed to risks that could arise from changes in the regulatory framework.

Changes in the regulatory framework due to modifications in government policies, the banking union process or of any other type could give rise to new regulatory requirements that could affect Bankia's solvency levels, other capital indicators, ability to generate future profit, business model, dividend policy, and capital and liability structure.

The Regulatory Monitoring Committee, composed of senior managers, identifies the potential impact and influence of regulatory changes on Bankia, anticipating any adverse effect. The Committee pays special attention to certain areas, such as business, accounting, risk management, solvency, liquidity, compliance and internal audit. Meanwhile, it establishes appropriate criteria for adapting the business model to the new regulatory paradigm, subsequently performing periodic and exhaustive monitoring of each adaptation project.

Regulatory developments have been much more profound since the entry into force in January 2014 to the new prudential requirements known as BIS III became effective. For Europe, this consisted of Directive 2013/36/EU, of 26 June 2013 (“CRD IV”) and Regulation (EU) 575/2013, of 26 June 2013 ("CRR"). On 7 June 2019, the European Parliament and the Council published a legislative package which contains amendments to (i) CRD IV, (ii) CRR, (iii) Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "BRRD") and (iv) Regulation (EU) 806/2014 of the European Parliament and of the Council (the "SRM regulation") (collectively the "EU Banking Reform Package") to reinforce the capital and liquidity positions of banks and strengthen the framework for the recovery and resolution of banks in difficulty. The EU Banking Reform Package has entered into force on 27 June 2019, with a two-year phase-in for implementing certain amendments.

Other regulatory events occurred in 2019 with an impact on the banking sector in general. In Spain, the new Real Estate Credit Act entered into force. Applicable to all mortgages signed on or after 16 June 2019, it eliminated floor clauses, introduced new rules regarding the sharing of loan arrangement expenses, the early maturity of loans for default and the payment of late payment interest, and limits on early cancellation fees and the marketing of other products linked to loans.

- **Reputational risk**

Following the Board of Directors' approval and annual review of the Reputational Risk Management Policies and Procedures Manual, Bankia has included reputational risks in its risks model, and meets regulatory and supervisory requirements for the management of this extra financial risk.

The Basel Committee on Banking Supervision defines reputational risk as "the risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding".

Since the end of 2015, and in line with the Good Governance Code recommendations included in the Responsible Management Plan 2016-2018 approved by the Board of Directors, the Entity carried out a corporate-wide non-financial risk identification, evaluation and control exercise with a view to improving the management of reputational risk and complying with new regulator and supervisor requirements. The 2019-2020 Responsible Management Plan reinforces the commitment to managing reputational risk, maintaining the system implemented and performing measurements for monitoring the plan and reporting to the regulator.

Sustainable management of reputational risk is crucial for carrying out Bankia's long-term plans and achieving its objectives. It considers reputation not only as past performance, but also as a possibility and future opportunity. The Bankia attaches great importance to managing its reputation, as one of its objectives, since one of its objectives is to achieve trust, loyalty and the best possible valuation on the part of its interest to pass on an improvement of its competitiveness.

Spurred by these requirements, in year 2016, the Board of Directors approved the Reputational Risk Manual which allow Bankia manage actively those events that could result in greatest reputational risk.

By drawing up a reputational risk map, Bankia can manage risk events, which are classified according to probability and financial impact by management centres and reputational risk coordinators. The identification of these centres also enables the reputational risk culture to be prioritised internally in business and management areas that are more sensitive due to their exposure to the events identified.

Bankia also has a synthetic indicator for regular monitoring of reputation capable of identifying the main risk events both within the entity and the sector that could result in a deterioration in reputation, as well as the quality of Bankia's control environment to prevent or mitigate them. Through this indicator, the Board of Directors is able to assess Bankia's level of reputational risk and decide whether there is a need to implement measures or make any decisions relating to its internal management processes or its relations with interest groups.

- **Risks related to the revision of benchmark interest rates**

Several regulators in different jurisdictions are currently revising the indices used as benchmarks for interest rates at which multiple financial transactions are arranged at different terms and using different currencies among the various financial market participants. These benchmark indices will be replaced by other alternative risk-free rates anchored in actual transactions.

The Bank has drawn up a project to address the transition for implementing the changes arising directly from the benchmark interest rate reform. As part of this project, an effective governance framework has been designed comprising a set of multi-disciplinary working teams with members from the Risk, Systems, Legal, Business and Regulatory Compliance divisions. The aim is to review and coordinate the impacts and the actions to be taken by all areas of the Entity and the transformation processes required by the benchmark reform. The Deputy General Manage of Finance is overseeing the project, reporting regularly to the Bank's governing bodies on the progress of the implementation.

Activities under way in the project relate to several issues:

- Completion of the adaptation of systems for €STR trading.
- Internal and external communication of market changes.
- Novation of customer contracts.
- Assessment of IBOR reform impact.

8.- FORECLOSED REAL ESTATE ASSETS

The net balance of Bankia's property assets foreclosed or received in payment of debt ended at 31 December 2019 at EUR 1,815 million (EUR 2,523 million gross), representing just 1.21% of the Bank's assets. Part of these assets (EUR 255 million, gross) is classified under disposal explained in Note 17.5.1 to the Bankia Group's financial statements.

FORECLOSED AND ACQUIRED ASSETS OF BANKIA, S.A. - SPAIN BUSINESS

	December 2019			
(Millions of euros) (*)	Gross value	Valuation adjustments	Net value	Coverage (%)
Real estate assets from construction and development	322	117	205	36.3%
Of which: finished buildings	158	39	119	24.6%
Of which: buildings under constructions	22	9	13	41.0%
Of which: land	142	69	73	48.6%
Property assets from loan for house purchase	1,531	465	1,067	30.3%
Other real estate assets	669	126	543	18.8%
Total foreclosed assets	**2,523**	**708**	**1,815**	**28.0%**

(*) Financial Statement amounts rounded to millions of euros

Bankia's policy helps borrowers meet their obligations, so that foreclosure is always the last solution. It has several initiatives in place to ease the impact: adapting debts and renegotiations, offering to extend maturities or grace periods, among many other initiatives. Only when it believes there are no real chances of recovering the amount financed does it acquire the mortgaged asset.

The purpose of remeasuring foreclosed assets is, first, preparing them for the sale, and, secondly, renting them to obtain a return, as well as to meet specific situations related to the Social Housing Fund and/or specific rental agreements. In the case of unique assets (singular buildings, offices, commercial premises, industrial buildings and floors) the general policy is selling them. With this objective, Bankia engaged Haya Real Estate to manage, administer and sell its foreclosed assets including all portfolio from BMN.

Accordingly, the Bankia Group develops an active provisioning policy with respect to these assets based on an internal methodology for estimating the discounts on the reference value and the sale costs of the non-current assets sold in foreclosed real estate Provisions recognised at 31 December 2019 for foreclosed assets from Bankia's business in Spain amounted to EUR 708 million, implying financial coverage of 28% since the adjudication.

Bankia continued to pursue its strategy of reducing problematic assets by selling a total of EUR 460 million in foreclosed real estate assets in 2019, down 20.7% with respect 2018 items.

9.- INFORMATION ON CREDIT RATINGS

The ratings granted to Bankia by different rating agencies include the following:

Issuer ratings BANKIA				
	STANDARD &POOR'S	FitchRatings	DBRS	SCOPE
Long Term	BBB	BBB	BBB (high)	BBB+
Short Term	A-2	F2	R-1 (low)	S-2
Perspective	Stable	Stable	Positive	Stable
Date	31/05/2019	20/12/2019	02/07/2019	09/05/2019

Mortgages bonds ratings BANKIA				
	STANDARD &POOR'S	FitchRatings	DBRS	SCOPE
Rating	AA-	A+	AAA	AAA
Perspective	Stable	Stable	---	Stable
Date	04/10/2019	18/12/2019	20/09/2019	12/07/2019

Note: Related to the ratings assigned to Bankia by Moody's in October 2013 Bankia informed that had decided to end the contractual relationship with Moody's. In this sense, the ratings that the agency continues to publish about Bankia have the status of "not requested" ("Unsolicited") "and" non-equity "(" Non-participating "), i.e. Bankia does not participate in the review of ratings by the agency, who based their decisions strictly on available public information about the entity. Despite that repeatedly has asked the agency to stop publishing ratings of Bankia, is Moody's unilateral decision to determine the time at which stop publishing ratings on the Bank.

Along 2019 rating agencies took the following rating actions:

S&P Global Ratings

- On 6 February, it affirmed Bankia's long-term rating at "BBB", outlook stable, reflecting the progress made in strengthening the balance sheet through a sharp reduction in NPAs ("Non-performing assets") in 2018. On the same date, S&P affirmed Bankia's short-term rating at "A-2".

- Then, on 31 May, after its review of Spain's economic risk led to an improvement from 5/Positive to 4/Stable (on a scale of 1-10 where 10 is maximum risk and 1 minimum risk), S&P Global Ratings again affirmed Bankia's long-term rating at "BBB", outlook stable, and its short-term rating at "A-2".

- On 4 October 2019, following the rating upgrade for Spain, S&P Global Ratings upgraded the rating for Bankia's mortgage covered bonds from AA- to AA, stable outlook. The outlook for Spanish mortgage covered bonds reflects the outlook for Spain's sovereign rating.

Fitch Ratings

- On 30 January 2019, Fitch Ratings (Fitch) upgraded Bankia's long-term rating from "BBB-" to "BBB", changing its rating outlook from positive to stable. On the same date, Fitch affirmed Bankia's short-term rating at "F3" and upgraded its subordinated debt rating from "BB+" to "BBB-". According to the agency, the upgrade follows the reduction of problem assets basis on the sale of a significant portfolio of NPAs and organic reduction of problem assets in 2018, which have materially reduced the bank's capital encumbrance from unreserved problem assets. This materially reduced capital encumbrance from unreserved problem assets. It also reflects a strengthened national retail franchise following its merger with BMN, sustained sound post-merger capitalisation, adequate funding and liquidity and management's proven record in integrations, as demonstrated BMN's speedy and trouble-free integration.

- Subsequently, on 20 December, Fitch Ratings affirmed its long-term BBB rating for Bankia, stable outlook, and upgraded its short-term rating from F3 to F2.

- On 5 February 2019, Fitch upgraded Bankia's mortgage cover bonds from A to A+, changing the outlook to positive from stable. The action was driven mainly by the upgrade of Bankia's long-term issuer default rating on 30 January and the level of overcollateralisation of the portfolio, which is greater than the level required by the agency for an A+ rating.

- Finally, on 18 December, Fitch affirmed its A+ rating for Bankia's mortgage covered bonds, outlook stable.

DBRS

- Turning to the ratings assigned by DBRS, on 2 July 2019, the rating agency confirmed Bankia's rating at "BBB (high) and raised its outlook to Positive from Stable after its annual review of Bankia's credit profile. The rating action stems from the annual review and considers the marked improvement in asset quality shown by the material organic reduction of problem assets, as well as the sale of NPAs to Lone Star XI in December last year. DBRS estimates that completion of the transaction will enable Bankia to achieve NPAs close to those of its domestic and international peers.

- On 20 September 2019, DBRS affirmed its AAA rating of Bankia's mortgage covered bonds after a review within the agency's framework of ongoing monitoring.

Scope Ratings

- On 9 May, as part of its ongoing review, Scope Ratings affirmed Bankia's long-term rating at "BBB+/Stable outlook". In the agency's opinion, the rating acknowledges the strengthened retail franchise following the merger and successful integration of BMN and the good execution track record of a credible management team.

- After the annual review of Bankia's mortgage covered bonds, on 12 July 2019 Scope Ratings affirmed its rating of Bankia's mortgage covered bonds at "AAA", outlook stable.

10.- SHARE PRICE PERFORMANCE AND SHAREHOLDER STRUCTURE

The banking sector faced an extremely challenging environment in 2019, mostly because of trends in interest rates in the year's second and third quarters, cuts to interest rates by the European Central Bank and the Fed, and geopolitical tension related to Brexit and, above all, the US-China trade war.

In the euro area, long-term interest rates fell sharply from May to August and short-term rates to October. From August, long-term rates rebounded, but not short-term rates, which ended the year near all-time lows in the wake of confirmation in September by the European Central Bank (ECB) of expectations of greater monetary expansion to counteract the generalised downgrades to growth forecasts in the euro area, especially to exports. The ECB lowered its deposit rate from -0.40% to -0.50%, announced new bond purchases (QE II) starting in November, and announced a Bank Tiering for surplus liquidity risk of banks deposited in the ECB.

Against this backdrop, profit forecasts for the sector were revised down, especially for Spanish banks (which are more sensitive to the yield curve), undermining share price performance. Bankia's share price plunged by -25.7% in 2019.

At the end of 2019, a total of 30 equity research firms covered Bankia. Bankia's average target price at 31 December 2019 was EUR 1.86 per share. Regarding recommendations made, 6.67% of them were to buy, while 46.67% were to sell and a 46.67% to hold. Four equity research firms did not have an analyst or had a new analyst who had yet to initiate coverage of the stock.

The information on analysts' consensus, broken down by firm, target price, recommendation and analyst, is available on the corporate website under "The share" in "Equity analysts". More than 300 research reports with references made to Bankia were published during 2019, with analysts updating their target prices over 130 times and their recommendations more than 20 times, for hence they were not included.

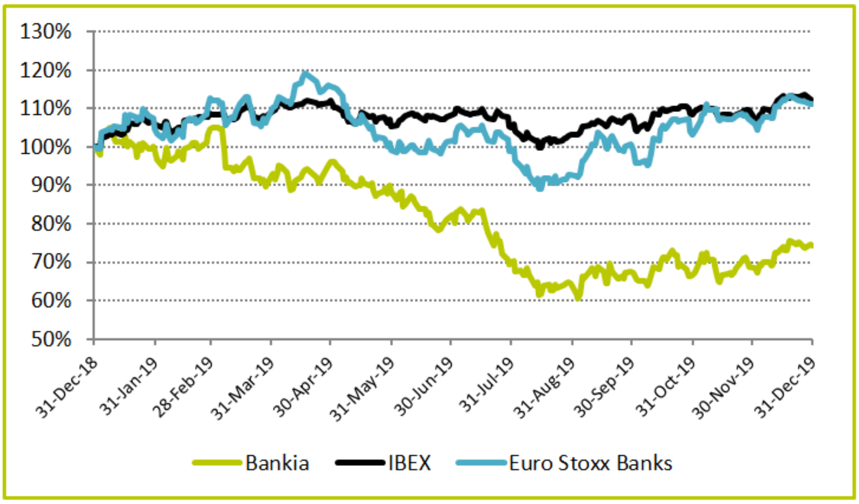
The main highlights regarding Bankia's share price in 2019 were as follows:

- A cash dividend of EUR 11.576 cents per share was paid out of 2018 profit, giving a total outlay of EUR 354 million, paid on 11 April 2019.

- On 20 May 2019, the capital reduction was carried out through the cancellation of own shares. The capital reduction amounted to EUR 15,440,845 with the cancellation of 15,440,845 own shares. As a result, Bankia's share capital amounted to EUR 3,069,522,105 represented by 3,069,522,105 shares of EUR 1 par value each.

Bankia had 173,949 shareholders at 31 December 2019. BFA was the Bank's main shareholder, with a 61.80% stake.

Share price



11.- INFORMATION ON OWN SHARES

Bankia trading in own shares pursues the following objectives:

- To provide liquidity or supply securities to investors, as appropriate, adding breadth and minimising temporary mismatches between supply and demand in trading in Bankia shares.

- To take advantage, in the benefit of all shareholders, of weakness in share price relative to the medium-term outlook.

- To implement, as appropriate, share buybacks approved by the Board of Directors or in execution of resolutions adopted by the General Meeting of Shareholders and, in particular, to afford Bankia access to shares that enable it to meet its obligations for the delivery of shares undertaken previously in respect of issuances of convertible or exchangeable securities and other corporate transactions, such as remuneration or loyalty plans for shareholders, directors, managers or employees.

- To comply with other legitimate commitments previously undertaken.

- Any other purposes permitted under applicable regulations.

Discretionary trading over own shares refers to the purchase or sale of own shares on electronic trading platforms of official markets, multilateral trading systems and any other organised trading platform which is ordered by Bankia, directly or indirectly. Transactions in Bankia shares ordered by companies which are controlled by Bankia are also considered in this definition. Discretionary trading over own shares may not be carried out to distort price discovery and may not be carried out if the unit in charge of executing the trade possesses inside or price sensitive information.

Transactions involving own shares are performed by Treasury Share Management, a separate unit protected by the appropriate Chinese walls within the general departments determined by the Board of Directors and the General Meeting of Shareholders, which also list the risk limits for the treasury share policy. No other Bank unit may trade in own shares, except for the repurchase of own shares for hedging market risk or to facilitate brokerage or hedging for customers. This may be carried out by units other than Treasury Share Management.

At 31 December 2018, Bankia held 29,543,837 own shares, with a par value of EUR 1 each and a combined carrying amount of EUR 96.6 million. During 2019, Bankia has bought 31,664,515 shares and sold 23,436,947 shares. Thank to these transactions and the capital reduction to cancel own shares (15,440,845 shares) carried out in May (See Note 21.1 on the financial statements on 31 December 2019) the total number of own shares held at 31 December 2019 to 22,330,560, with a par value of EUR 1 each and a combined carrying amount of EUR 50.3 million.

Own shares held at the end of 2019 represented 0.73% of Bankia's share capital at that date. The following tables show treasury share transactions carried out in 2019:

OWN STOCK OPERATIONS - BANKIA, S.A.

SHARES ACQUIRED IN 2019

Communication date	Number of shares acquired	Nominal value per share (€)	Nominal value (€ Mn)	% on the share capital (*)
January	1,929,673	1.0	1.9	0.06%
February	2,402,916	1.0	2.4	0.08%
March	4,096,669	1.0	4.1	0.13%
April	2,007,503	1.0	2.0	0.07%
May	3,474,542	1.0	3.5	0.11%
June	1,088,550	1.0	1.1	0.04%
July	1,182,871	1.0	1.2	0.04%
August	1,345,638	1.0	1.3	0.04%
September	3,717,509	1.0	3.7	0.12%
October	3,273,803	1.0	3.3	0.11%
November	4,693,358	1.0	4.7	0.15%
December	2,451,483	1.0	2.5	0.08%
TOTAL	**31,664,515**		**31.7**	**1.03%**

(*) Percentage calculated on share capital at the close of each month. The percentage of total acquisitions is calculated on the share capital at the end of December.

OWN STOCK OPERATIONS - BANKIA, S.A.

SHARES SOLD IN 2019

Communication date	Number of shares acquired	Nominal value per share (€)	Nominal value (€ Mn)	% on the share capital (*)
January	1,329,097	1.0	1.3	0.04%
February	3,307,392	1.0	3.3	0.11%
March	1,821,543	1.0	1.8	0.06%
April	2,294,536	1.0	2.3	0.07%
May	542,905	1.0	0.5	0.02%
June	722,214	1.0	0.7	0.02%
July	1,017,424	1.0	1.0	0.03%
August	725,000	1.0	0.7	0.02%
September	2,918,444	1.0	2.9	0.10%
October	1,160,513	1.0	1.2	0.04%
November	5,119,895	1.0	5.1	0.17%
December	2,477,984	1.0	2.5	0.08%
TOTAL	**23,436,947**		**23.4**	**0.76%**

(*) Percentage calculated on share capital at the close of each month. The percentage of total acquisitions is calculated on the share capital at the end of December.

12.- DIVIDEND POLICY

The distribution of dividends is voted on by the General Meeting of Shareholders based on proposals made by the Board of Directors.

Pursuant to the decision by the European Commission of 20 July 2012, Bankia suspended dividend payments to shareholders until 31 December 2014. Therefore, the Entity did not pay any dividends in 2011, 2012 or 2013. The restriction on dividend payments ended on 31 December 2014.

Likewise, further to the resolutions adopted at the General Meeting of Shareholders held on 22 March 2019, on 11 April 2019 Bankia paid a total dividend of EUR 354 million out of profit for 2018.

Later, approval was given at the Board of Directors meeting held on 21 February 2020 to submit a proposal to the General Meeting of Shareholders for the payment of a EUR 11.576 cents gross cash dividend out of 2019 profit, resulting in a total gross amount of EUR 355 million in dividends.

Underpinned by organic capital generation ability and an increasingly strong balance sheet, Bankia's goal in the coming years is to maintain shareholder remuneration as another step towards getting the business back to normal and repaying the public assistance received.

13.- RESEARCH, DEVELOPMENT AND TECHNOLOGY

On 2019 period, investment in software development at Bankia has been characterised for targeting transformational projects. This has followed the major shift in the financial industry's activity to adapt to the continuous changes demanded by our customers, regulators, income statements plagued by thin net interest margins, and the arrival of new competitors.

Technology has become a key element of the Bank's business strategy, with the priorities of software development in 2019 framed within the following scenario:

- The Bank's new Digital Transformation Plan, which includes rolling out new technologies in online channels, business processes, customer analytics, products and segments, and the development of core banking applications to properly support the required capabilities.

- Additional spending on cyber security and technology platform optimisation and evolution to ensure that our facilities are fit for purpose and use resources efficiently in the face of growth in the customer base and activity.

- Regulatory and supervisory requirements, focusing this year on risk models, management and control.

Considering these priorities, Bankia drew up nine Strategic Technology Lines for 2019-2020. The Entity worked on these throughout the year, launching and carrying out various projects designed to fulfil the requirements of the Strategic Plan. These strategic lines were rounded off with the various regulatory projects and business unit projects to which Bankia geared its efforts in 2019.

Following is an explanation of the nine strategic lines and projects on which Bankia worked during 2019.

13.1.- Strategic Lines of Technology

- **Digital Channel Development Plan:** gears efforts to offering an excellent user experience in day-to-day usage by adding advanced features, being committed to innovation so Bankia can stand out from its competitors, providing a more comprehensive product offering with 100% digital take-up, and using advanced analytics to improve the Entity's commercial decision-making.

- **Process redesign:** offering excellent service and enhancing customer experience as the key objective, process redesign is based on the *"Mobile First, but not only"* principle, focusing on the design of processes based on their use through the APP, continuing to address the internal requirements of the rest of the channels (mainly BOL, BOLE and BOLA), and finally considering the needs at branches (NEO).

- **Artificial intelligence:** the target of this strategic line is to identify processes where artificial intelligence capabilities can be added to replicate human tasks by applying cognitive capabilities. This initiative entails implementing a cognitive platform, creating the Operational Centre of Excellence in Technological Transformation (commercial, operations, risks), and setting up a specific corporation to identify potential opportunities in the Entity.

- **CSD and USD development:** the objective of this strategic line at Bankia is to develop the customer service department (CSD) and carry out a digital transformation of the user service department (USD) towards a more modern and cognitive model, adding artificial intelligence to manage interactions with a view to improving efficiency, service, and customer experience.

- **Core Banking transformation**: to cover the strategic business priorities with a focus on customers, Bankia has concentrated efforts on steering Core Banking towards technologies that can drive the development of the customer vision and data, innovation capabilities, technological and resource scaling, and flexibility and efficiency from upgrading applications. In this vein, the Entity is working on evolving Core Banking towards a new layer-based structural model (distribution, production, operation) based on the BIAN model.

- **Informational system:** this initiative focuses on implementing measures and capabilities that enable data governance and a quicker, more efficient and functionally richer processing via process automation and application of advanced analytical techniques on a single platform: scalable, flexible and data-centric.

- **Risks:** Bankia worked on a variety of risk-related projects in 2019 mainly to comply with regulatory and supervisor requirements.

- **Cyber security:** to maintain the trust of customers and investors in the future, Bankia continued to work on the initiatives laid out in the 2016-2018 Cyber Security Transformation Plan in 2019, while adding new targets to meet the Entity's current and medium-term security and regulatory challenges.

- **Platform optimisation and evolution:** the objective in 2019 was to reduce infrastructure costs and improve the platform through a number of lines of work, such as application evolution, obsolescence management, IT management and governance systems, and technological optimisation and enablers.

13.2.- Regulatory projects

Regulatory projects are especially important. In 2019, the focus was on:

- Producing new regulatory statements and automating some existing reporting to shorten production time and reduce manual processing errors.
- Reinforcing new developments that support advisory functions, securities dealing and capital markets (operations and reporting).
- Implementing stricter security standards in payment processes.
- Finalising developments arising from the Compliance area's Transformation Plan.
- Implementing product regulations: Mortgage and insurance directives.

13.3.- Unit projects

The main lines of action in 2019 were:

- Redesign of risk life insurance and payment protection processes and non-life portfolio management processes.
- Selection and deployment of a single portfolio management tool.
- Evolution of mutual and pension fund unitholder management systems.
- Functional and process evolution of non-recourse finance products.
- Evolution of the Bankia model developer loan product by lifting restrictions on funding for real estate projects.
- Improvements to the insurance product catalogue, operating model and marketing systems agreed with Mapfre.
- Launch at the end of 2019 of systems adaptations to the new customer loyalty programme, reviewing existing criteria for waiving commissions, reviewing contracts, evaluating compliance terms and vision in channels.

14.- FORECASTS AND BUSINESS OUTLOOK

- **Economic overview**

The most likely scenario in the coming months is that the downturn seen over the past two-and-a-half years will end and world economic growth will stabilise and rebound slightly in 2020, with mixed performances across regions. Average growth rates in 2020 may be slightly lower than in 2019 in the US (1.8% vs. 2.3%), similar in Asia (5.0%) and the EU (1.2%), and higher in certain emerging economies that are coming out of difficult situations, many from Latin America. In Europe, Brexit will become official on 31 January and there will continue to be a great deal of uncertainty; the two economies still have to negotiate the future and whether there will be a soft or hard Brexit once the transition period ends remains to be seen.

If these reasonably upbeat forecasts prove true, both the Federal Reserve and the ECB are likely to leave their monetary policies relatively unchanged. Specifically, the ECB will probably keep rates as they are, unless recovery in Europe takes longer. In this case, its deposit facility rate could be lowered, but by no more than 10 basis points. Meanwhile, the asset purchase programme will remain in place throughout this year, which will help to keep European bond yields contained.

In Spain, GDP growth looks set to continue to moderate to around potential growth, which would indicate average annual growth of 1.5%. If confidence of agents stabilises, if not improves slightly, the decrease in activity should be moderate since the economy does not show any major imbalances. Only a negative external shock could trigger recession. On this front, external risks lie in further weakness in Spain's export markets, above all the EMU; increased protectionism; potential geopolitical tension that could particularly affect the oil market; and uncertainty over the outcome of Brexit. Internally, there are still questions over the direction of economic policy and whether the necessary reforms will be undertaken, while still-high public debt levels leave little room for fiscal policy to deal with a potential crisis.

- **Business outlook for the Bankia**

During 2020, Bankia will continue to work on consolidating the business, with the overriding aim of becoming more competitive and profitable, and expanding the more recurring business so it can generate capital organically. Bankia’s objectives are now enshrined in its new 2018-2020 Strategic Plan, which was approved by its Board of Directors on 22 February 2018. The new Strategic Plan seeks to increase the Bankia’s earnings by driving sales and commercial activity, while continuing to improve quality and the balance sheet and ultimately pay-out to shareholders. To accomplish these objectives, the 2018-2020 Strategic Plan targets four key areas:

- **Revenue growth through increased sales of high-value products.** In 2020, the Bankia aims to continue growing lending activity in profitable segments, and to generate fees and commissions on high-value products (mutual funds, payment services and insurance) as a means of boosting income and margins. To help it achieve this objective, the Bank has begun rolling out new lines of business now that the restrictions set out in the Restructuring Plan no longer apply, since the plan ended in December 2017. These activities include lending to real estate developers, long-term financing to large corporations through placements on the capital markets both in and outside Spain, and other fee-bearing products (project finance and M&A funding).

  Bankia’s commercial activity 2019 was aligned with the targets of the Strategic Plan in terms of both funding granted and growth of high-value products and digitalisation of the business, in some cases outperforming the forecasts for growth and market share in the Strategic Plan.

- **Efficiency and cost control**. The new Strategic Plan envisions an improvement in the Bank’s efficiency (cost-to-income) to below 47% by 2020 once the cost synergies have been unlocked from the merger with BMN. From the start of the Strategic Plan to the end of 2019, Bankia obtained EUR 220 million of cost synergies, achieving the target for 2020 (EUR 190 million) a year earlier.

- **Drive to reduce problem assets.** Another pillar of the new Strategic Plan is to continue reducing problem assets organically and via the sale of portfolios. The aim here is to free up liquidity and funds with which to grant loans and new credit in segments where Bankia intends to increase its lending activity and market shares. The increase in lending will be accompanied by further reductions in non-performing loans and foreclosed assets (EUR 8,900 million projected for 2018-2020). According to the estimates contained in the new Strategic Plan, this will bring Bankia’s problem assets ratio (gross NPLs + gross foreclosed assets / total risks + gross foreclosed assets) to below 6% by year-end 2020 and the NPL ratio to 3.9%. By the end of 2019, Bankia had delivered 94% of the target reduction in problem assets in the Plan, with a problem assets ratio of 6.4% and an NPL ratio of 5%.

Achievement of the objectives set out in the Strategic Plan in 2019 has been satisfactory and will allow Bankia to continue generating strong organic capital, while keeping its capital adequacy ratio at above 12% (fully-loaded CET 1).

These strengths will be crucial for Bankia to rise to the challenge of a new growth stage, against a background that will continue be tough for the banking industry, owing to stiffer capital requirements in response to regulatory pressure, low interest rates, and fierce competition.

15.- SUBSEQUENT EVENTS AFTER 2019

On 23 January 2020, Bankia, S.A. entered into an agreement with Helvetia Schweizerische Versicherungsgesellschaft AG to sell its approximately 15% shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"). The selling price of Bankia's stake in Caser is estimated at around EUR 166 million, without considering the impact of Caser's own shares. The transaction is expected to have a positive impact on the Bankia Group's capital (Total Solvency) of 12 basis points.

The effectiveness of the sale is subject to certain conditions precedent, such as securing the pertinent regulatory and competition authorities' approvals.

No other significant events took place between 31 December 2019 and the date of authorisation for issue of Bankia's financial statements with a significant impact.

16. - CORPORATE ANNUAL REPORT

The 2019 Annual Corporate Governance Report for 2019, which forms part of this Management Report, was prepared in accordance with article 540 of the Corporate Enterprises Act, with the content outlined in Order ECC/461/2013, of 20 March, and CNMV Circular 2/2018, of 12 June, amending Circular 5/2013, of 12 June, which establishes the formats of the annual corporate governance report of listed companies, attached hereto as a separate document. The report includes a section on the Bank's level of compliance with corporate governance recommendations in Spain.

17. - NON-FINANCIAL INFORMATION STATEMENT

In accordance with Law 11/2018, of 28 December, amending Spain's Code of Commerce, the consolidated text of the Corporate Enterprises Act, enacted by Legislative Royal Decree 1/2010, of 2 July, and Spain's Audit Act (Law 22/2015), of 20 July, on Audits of Financial Statements, regarding the disclosure of non-financial and diversity information, the Bankia Group has prepared a non-financial statement, which forms part of this management report and is attached as a separate document. This non-financial statement contains relevant information on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, and the company. The information contained therein was verified by EY, as independent assurance services provider.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

This document is a translation of and original text in Spanish. In case of any discrepancy between the English and the Spanish version, the Spanish version will prevail

ISSUER IDENTIFICATION:

Year-end Date: [12/31/2019]

CIF: [A-14010342]

Corporate Name:

[**BANKIA, S.A**]

Registered office:

[PINTOR SOROLLA Nº 8, 46002, VALENCIA]

A. Ownership structure

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share Capital (€)	Number of shares	Number of voting rights
03/22/2019	3,069,522,105.00	3,069,522,105	3,069,522,105

Please state whether there are different classes of shares with different associated rights:

[ ] Yes
[√] No

Following authorisation from the European Central Bank, on 25 April 2019 the Board of Directors resolved to partially implement the capital reduction through redemption of treasury shares that had been approved at the General Meeting of Shareholders held on 22 March 2019. As a result, share capital was reduced by the amount authorised by the European Central Bank, EUR 15,440,845 euros, by redemption of 15,440,845 treasury shares. The share capital resulting from the reduction was set at EUR 3,069,522,105, corresponding to 3,069,522,105 shares of EUR 1 par value each.

On 3 May 2019 the deed of reduction of share capital was filed at the Companies Register of Valencia. And, effective 20 May 2019, the 15,440,845 redeemed shares were removed from trading on the stock exchanges.

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Personal or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ARTISAN PARTNERS ASSET MANAGEMENT INC.	0.00	3.07	0.00	0.00	3.07
FROB	0.00	61.80	0.00	0.00	61.80

Breakdown of the indirect holding:

Personal or corporate name of indirect shareholder	Personal or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
ARTISAN PARTNERS ASSET MANAGEMENT INC.	ARTISAN PARTNERS LIMITED PARTNERSHIP	3.07	0.00	3.07
FROB	BFA, TENEDORA DE ACCIONES, S.A.U.	61.80	0.00	61.80

State the most significant shareholder structure changes during the year:

Most significant movements

BFA, TENEDORA DE ACCIONES, S.A.U.:

On 20 May 2019, Bankia reduced capital by EUR 15,440,845 through redemption of 15,440,845 treasury shares with a par value of EUR 1 each, leaving share capital at EUR 3,069,522,105. Following the capital reduction, the stake of BFA TENEDORA DE ACCIONES S.A.U. (BFA) in the share capital of Bankia increased by +31 bp.

Furthermore, the change in the number of voting rights held by BFA as a result of Bankia shares coming into BFA's hands by virtue of execution of judgments and out-of-court settlements to avoid or end litigation had the effect that BFA's stake increased during the year by +42 bp to 61.80%.

Also reported is that State Street Bank and Trust and Chase Nominees Ltd., as international custodian/depositary banks, appear in the Company's shareholder registry as at 31 December 2019, with shareholdings of 6.43% and 5.15%, respectively, in Bankia's share capital. Nevertheless, the Company understands that these shareholdings are held on behalf of third parties, none of which, to the best of the Company's knowledge, has a shareholding equal to or greater than 3% of the share capital or voting rights.

A.3. In the following tables, list the members of the Board of Directors with voting rights in the company:

Personal or corporate name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MR. JOSÉ SEVILLA ÁLVAREZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JOAQUÍN AYUSO GARCÍA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. FRANCISCO JAVIER CAMPO GARCÍA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MRS. EVA CASTILLO SANZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. CARLOS EGEA KRAUEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JOSÉ LUIS FEITO HIGUERUELA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MRS. LAURA GONZÁLEZ MOLERO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. ANTONIO GREÑO HIDALGO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. ANTONIO ORTEGA PARRA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.01

Breakdown of the indirect holding:

Personal or corporate name of Director	Personal or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	QUINTORGE, S.L.	0.00	0.00	0.00	0.00

By 31 of December 2019 the directors of Bankia held the following shares of the Entity:

Mr. José Ignacio Goirigolzarri direct owner of 259,170 shares of the Company (representative of a 0.008% of the share capital);
Mr. José Sevilla Álvarez direct owner of 55,012 shares of the Company (representative of a 0.002% of the share capital);
Mr. Antonio Ortega Parra direct owner of 75,000 shares of the Company (representative of a 0.002% of the share capital);
Mr. Joaquín Ayuso García direct owner of 55,015 shares of the Company (representative of a 0.002% of the share capital);
Mr. Francisco Javier Campo García direct owner of 50,315 shares of the Company (representative of a 0.002% of the share capital);
Mrs. Eva Castillo Sanz direct owner of 25,000 shares of the Company (representative of a 0.001% of the share capital);
Mr. Jorge Cosmen Menéndez-Castañedo direct owner of 21 shares and indirect owner of (through Quintorge, S.L.) of 30,268 shares of the Company (representative of the 0.001% of the share capital);
Mr. Carlos Egea Krauel direct owner of 15,595 shares of the Company (representative of a 0.001% of the share capital);
Mr. José Luis Feito Higueruela direct owner of 49,452 shares of the Company (representative of a 0.002% of the share capital);
Mr. Fernando Fernández Méndez de Andés direct owner of 16,358 shares of the Company (representative of a 0.001% of the share capital);
Mrs. Laura González Molero direct owner of 5,000 shares of the Company (representative of a 0.002% of the share capital);
Mr. Antonio Greño Hidalgo direct owner of 20,750 shares of the Company (representative of a 0.001% of the share capital);

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Personal or corporate name of related Party	Nature of relationship	Brief description
Without data		

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Personal or corporate name of related Party	Nature of relationship	Brief description
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Framework agreement governing the relations between BFA, Tenedora de Acciones S.A.U. (BFA) and Bankia, setting out the mechanisms necessary to, within the legal limits, ensure at all times an appropriate level of coordination between Bankia and BFA and group companies, and to manage and minimize any situations that may give rise to potential conflicts of interest between the two entities, while ensuring due observance and protection of the rest of the shareholders in an atmosphere of transparency in relations between the two entities.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Service level agreement, development of the framework agreement, enabling BFA to manage its activity adequately using Bankia's human and material resources to prevent duplications.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Cost-sharing agreement for lawsuits related to preferred participating securities and subordinated bonds.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Agreement establishing an access mechanism allowing BFA, through Bankia, to avail of the liquidity and funding mechanisms set up by the ECB for credit institutions, as well as private deals inherent in the business of credit institutions.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Cost-sharing agreement for lawsuits related to the IPO.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Master Agreement between BFA and Bankia. Article 11 (2) of the CRR, to govern the relations between BFA and Bankia with respect to defining and implementing the necessary mechanisms and procedures so that Bankia can comply with the obligations laid down in 11.2 of Regulation (EU) number 575/2013 and, in particular, verify that BFA complies with the capital requirements imposed in applicable legislation.

BFA, TENEDORA DE ACCIONES, S.A.U.	Corporate	Agreement regarding the management of the FROB's indirect shareholding in Bankia, S.A., through BFA Tenedora de Acciones, S.A.U.

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Personal or corporate name of related director or representative	Personal or corporate name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	BFA, TENEDORA DE ACCIONES, S.A.U.	BANKIA, S.A.	REPRESENTATIVE PHYSICAL PERSON - PRESIDENT (FROB)
MR. ANTONIO ORTEGA PARRA	BFA, TENEDORA DE ACCIONES, S.A.U.	BANKIA, S.A.	DIRECTOR
MR. JOSÉ SEVILLA ÁLVAREZ	BFA, TENEDORA DE ACCIONES, S.A.U.	BANKIA, S.A.	DIRECTOR

There are no proprietary directors on Bankia S.A.'s Board of Directors. The Board of Directors was made up of 12 directors at 31 December 2019, 3 executives, 8 independent and 1 external.

BFA Tenedora de Acciones S.A.U. held shares representing 61.80 % of Bankia's share capital at 31 December 2019.

Since 27 June 2012, BFA is wholly owned by FROB, an institution under public law with its own legal personality and full public and private capacity to pursue its objectives, which is to manage credit institution restructuring and resolution processes.

At any rate, at the General Meeting of Shareholders of Bankia, S.A. held on 29 June 2012, on item 3 of the Agenda, the proposed appointments and ratification of directors were approved with 95% votes in favour of all valid votes and abstentions, equivalent to 57% of Bankia, S.A.'s share capital at the date of the meeting.

At the General Meeting of Shareholders held on 15 March 2016, resolutions were adopted to appoint a new independent director and to re-elect 4 directors: 3 independent and 1 executive.

In addition, at the General Meeting of Shareholders held on 24 March 2017, to continue with the partial renovation of members of the Board of Directors during the year before, resolutions were adopted to re-elect 6 directors: 2 executive and 4 independent.

In addition, at the Extraordinary General Meeting of Shareholders held on 14 September 2017, pursuant to the Common Terms of Merger between Bankia, S.A. and Banco Mare Nostrum, S.A., a resolution was adopted to appoint a new external director, Mr. Carlos Egea Krauel. He was included in the Bank of Spain's Register of Senior Offices (Registro de Altos Cargos or RAC) on 12 January 2018. On 25 January 2018, this director changed category after being designated executive director. In 2019, Mr. Egea resigned from his executive duties. On 28 June 2019 he thus became an external director.

Finally, to fill the vacancy arising in October 2017 from the departure of an independent director, on 25 October 2018, the Board of Directors, after obtaining the pertinent regulatory authorisations, agreed to appoint, by the co-option, Mrs. Laura González Molero as independent director. The appointment of Ms. González Molero was ratified by the shareholders at the General Meeting of 22 March 2019.

Agreement on the management of the FROB's indirect interest in Bankia, S.A. through BFA, Tenedora de Acciones, S.A.U:

On 25 January 2019, the FROB (holder of 100% of BFA's share capital), BFA (controlling shareholder of Bankia) and Bankia signed an agreement on the management of the FROB's indirect interest in Bankia (through BFA). Under the agreement, the FROB undertook not to take part in the ordinary management of Bankia, which is the responsibility of Bankia's governing bodies and will be freely and independently exercised by Bankia's directors. Hence the FROB, through BFA, will not nominate proprietary directors for appointment to Bankia's Board of Directors as provided for in Article 529 duodecies (3) of Royal Legislative Decree 1/2010, of 2 July, introducing the consolidated text of the Corporate Enterprises Act.

A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the *"Ley de Sociedades de Capital"* ("Corporate Enterprise Act" or "LSC"). If so, describe these agreements and list the party shareholders:

[ ] Yes
[√] No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

Not applicable.

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

[√] Yes
[ ] No

Name of individual or company name
BFA, TENEDORA DE ACCIONES, S.A.U.

BFA Tenedora de Acciones, S.A.U held shares representing 61.80% of Bankia, S.A.'s share capital by 31 December 2019.

The FROB held 100% of BFA, Tenedora de Acciones, S.A.U's shares by 31 December 2019.

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
22,350,560	-	0.73

The number of shares includes shares traded until 12/31/2019. Regarding settlement at the Spanish Central Securities Depository (Iberclear), the settlement records of the transactions of 30 December (sale of 210,000 shares) and 31 December (acquisition of 90,752 shares) were 01/02/2020 and 01/03/2020, respectively.

(*)Through:

Personal or corporate name of direct shareholder	Number of direct shares
Without data	

Explain any significant changes during the year:

Explain significant changes

On 20 May 2019, the capital reduction was carried out through the cancellation of treasury shares. The capital reduction amounted to EUR 15,440,845, with the cancellation of 15,440,845 treasury shares (representing 0.50% of share capital). As a result, Bankia's share capital amounted to EUR 3,069,522,105, represented by 3,069,522,105 shares of EUR 1 par value each. The purpose of the capital reduction was to cancel treasury shares.

Notification to the CNMV dated 22 May 2019: Modification of the number of voting rights of the issuer dated 20 May 2019 as a result of this capital reduction. At that date, the total position in treasury shares amounted to 0.595% of share capital.

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

On 22 March 2019, a resolution was adopted at the General Shareholders' Meeting of Bankia, S.A. to grant "Authorisation to the Board of Directors for the derivative acquisition of treasury stock in accordance with the limits and requirements established in the Corporate Enterprises Act. Delegation of authority to the Board of Directors to implement this resolution, rendering without effect the delegation granted by the previous General Meeting":
Authorisation for the Board of Directors, in the broadest terms, to engage in the derivative acquisition of own shares of Bankia, directly or through companies in its Group, subject to the following limits and requirements:

a. Forms of acquisition: acquisition by way of purchase, by way of any other "inter vivos" act for consideration or any other transaction permitted by law, including out of profits for the fiscal year and/or unrestricted reserves.

b. Maximum number of shares to be acquired: the acquisitions may be made, from time to time, on one or more occasions, up to the maximum permitted by law.

c. The price or countervalue will vary from a minimum equal to the lesser of par value or 75% of the stock market price on the date of acquisition, and a maximum equal to up to 5% more than the maximum price achieved by the shares in free trading (including the block market) in the Continuous Market session on the date of acquisition.

d. Duration of the authorisation: five (5) years from the date of this resolution.

The conduct of these transactions also will be in compliance with the rules in this regard contained in Bankia's Internal Rules of Conduct for Securities Markets.

To authorise the Board of Directors so that it may sell the shares acquired or use the own shares acquired, in whole or in part, for implementation of remuneration schemes that have delivery of shares or option rights on shares as their purpose or result therein, in accordance with the provisions of section 1 a) of article 146 of the Corporate Enterprises Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the General Meeting of Shareholders of the Company held on 10 April 2018, which will therefore be rendered void.

The Board of Directors is authorised, in the broadest terms, to use the authorisation covered by this resolution for full implementation and development thereof, being entitled to delegate this authority, without distinction, to the Executive Chairman, to any of the directors, to the General Secretary and to the Board Secretary or any other person the Board expressly authorises for this purpose, with such breadth as it deems to be appropriate.

A.11. Estimated working capital:

	%
Estimated working capital	37.45

The percentage free float reported was calculated after subtracting the percentage of capital at 31 December 2019 held by BFA (61.798%), as controlling shareholder, by members of the Board of Directors (0.023%) and held in treasury shares (0.727%).

As to significant shareholders, only BFA has been considered as a major shareholder (core). Other shareholders do not qualify as they are not major shareholders, their stakes have varied widely over time and their exact ownership interest cannot be ascertained because they buy shares through nominees.

However, for information purposes only, the free float that results from also subtracting the interest owned by the other shareholder that as at 31 December 2019 had disclosed a significant shareholding to the CNMV (Artisan Partners Asset Management Inc., holding - 3.070%) is 34.382%.

The response to section B.4 reflects this same view.

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[√] Yes
[ ] No

Description of restrictions
There are no restrictions on the transfer of securities of the entity except for legal restrictions. Pursuant to article 17 of Law 10/2014 of 26 June 2014, on Governance, Supervision and Solvency of Credit Institutions any natural person or body corporate which, acting alone or in collaboration with others, decides to directly or indirectly acquire a significant share in a Spanish credit institution or directly or indirectly increase its interest therein whereby the percentage of voting rights or capital held therein equals or exceeds 20%, 30% or 50%, or where control of the credit institution is gained through the acquisition, must first notify the Bank of Spain, indicating the amount of the expected investment and any other information required by regulations. This information must be relevant for the evaluation, and proportional and appropriate to the nature of the potential acquirer and the proposed acquisition. There are no legal or bylaw restrictions on the exercise of voting rights. Article 32.2 of the Bylaws states that those attending the General Meeting will be entitled to one vote for each share entitled or represented.

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

[ ] Yes
[√] No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, please list each type of share and the rights and obligations conferred on each.

B. GENERAL SHAREHOLDER'S MEETING

B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail.

[ ] Yes
[√] No

B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

[ ] Yes
[√] No

B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The rules governing amendments to the Company's Bylaws are those set forth in the Corporate Enterprise. Any amendment to the Bylaws is the responsibility of the General Meeting of Shareholders and will require, at first call, shareholders holding at least fifty percent of the share capital conferring voting rights to be present in person or by proxy. At second call, shareholders representing twenty-five percent of the share capital shall be sufficient.

In particular, adoption of resolutions to amend by the Bylaws requires an absolute majority if over fifty percent of the share capital is present or represented by proxy at the General Meeting. However, a favourable vote of a two-thirds majority of the share capital present or represented at the meeting is required when, at second call, at least twenty-five percent but less than fifty percent of the subscribed capital with voting rights is in attendance.

In addition, according to 31.1 of the Bylaws, in line with article 197 bis of the Corporate Enterprises Act, that separate votes must be held on matters regarding amendment of the Bylaws, that of each article or group of articles that are independent of each other, even if they appear in the same agenda item.

Moreover, article 3.1 of the Bylaws states that the Board of Directors has authority to resolve to change the registered address within the same municipality.

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
Date of General Meeting	% physically present	% Present By Proxy	% Electronic Voting	Other Voting	Total
03/24/2017	66.97	12.21	0.00	0.61	79.79
Of which, free float	0.06	12.21	0.00	0.61	12.88
09/14/2017	67.81	14.25	0.01	0.41	82.48
Of which, free float	0.04	14.25	0.01	0.41	14.71
04/10/2018	61.84	16.07	0.01	0.38	78.30
Of which, free float	0.04	16.07	0.01	0.38	16.50
03/22/2019	62.87	17.09	0.01	0.35	80.32

Of which, free float	0.45	17.09	0.01	0.35	17.90

The percentage free float reported was calculated after subtracting the percentage of capital held by BFA, as controlling shareholder, that held by members of the Board of Directors, and that held in treasury shares, at the date of the General Meetings indicated in the heading.

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

[ ] Yes
[√] No

B.6. Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meetings, or to vote absentee:

[√] Yes
[ ] No

Number of shares required to attend General Meetings	500
Number of shares required for distance voting	1

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

[ ] Yes
[√] No

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The Company´s website address is: www.bankia.com, the domain name of which is entered at the Mercantile Registry.

In accordance with article 52 of the Bylaws of Bankia, S.A., the Company will have, for the purposes envisaged in the applicable laws, a website (www.bankia.com) through which its shareholders, investors and the market will be generally advised of material or significant matters related to the Company, and the notices legally required to be published.

On the Company´s website, upon call of general meetings, there must be an electronic shareholder forum, to which both individual shareholders and such voluntary associations as they may establish on the terms contemplated by law may have appropriately secure access, to facilitate their communication prior to the holding of general meetings.

In this respect, the www.bankia.com home page includes a menu entitled "Shareholders and Investors" with a "Corporate Governance and Remuneration Policies" section containing information on the entity's corporate governance. This section contains a specific sub-section providing access to the entity's annual corporate governance reports, and one providing access to documentation regarding the General Meeting of Shareholders.

The Company's website is available in Spanish and English.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	12

C.1.2 Please complete the following table on directors

Personal or corporate name of director	Natural person	Director Category	Position on the board	Date first Appointed to Board	Las re-election date	Method of selection to Board
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE		EXECUTIVE	CHAIRMAN	05/09/2012	03/24/2017	SHAREHOLDER MEETING AGREEMENT
MR. JOSÉ SEVILLA ÁLVAREZ		EXECUTIVE	CHIEF EXECUTIVE OFFICER	05/25/2012	03/15/2016	SHAREHOLDER MEETING AGREEMENT
MR. JOAQUÍN AYUSO GARCÍA		INDEPENDENT	DIRECTOR	05/25/2012	03/15/2016	SHAREHOLDER MEETING AGREEMENT
MR. FRANCISCO JAVIER CAMPO GARCÍA		INDEPENDENT	DIRECTOR	05/25/2012	03/15/2016	SHAREHOLDER MEETING AGREEMENT
MRS. EVA CASTILLO SANZ		INDEPENDENT	LEAD INDEPENDENT DIRECTOR	05/25/2012	03/15/2016	SHAREHOLDER MEETING AGREEMENT
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO		INDEPENDENT	DIRECTOR	05/25/2012	03/24/2012	SHAREHOLDER MEETING AGREEMENT

MR. CARLOS EGEA KRAUEL		OTHER EXTERNAL	DIRECTOR	09/14/2017	09/14/2017	SHAREHOLDER MEETING AGREEMENT
MR. JOSÉ LUIS FEITO HIGUERUELA		INDEPENDENT	DIRECTOR	05/25/2012	03/24/2017	SHAREHOLDER MEETING AGREEMENT
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS		INDEPENDENT	DIRECTOR	05/25/2012	03/24/2017	SHAREHOLDER MEETING AGREEMENT
MRS. LAURA GONZÁLEZ MOLERO		INDEPENDENT	DIRECTOR	10/25/2018	10/25/2018	CO-OPTION
MR. ANTONIO GREÑO HIDALGO		INDEPENDENT	DIRECTOR	03/15/2016	03/15/2016	SHAREHOLDER MEETING AGREEMENT
MR. ANTONIO ORTEGA PARRA		EXECUTIVE	DIRECTOR	06/25/2014	03/24/2017	SHAREHOLDER MEETING AGREEMENT

Total number of directors	12

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Personal or corporate name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Without data					

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Personal or corporate name of director	Post in organisational chart of the company	Profile
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	EXECUTIVE CHAIRMAN	Born in 1954, Mr. Goirigolzarri holds a degree in Economics and Business Studies from the Universidad Comercial de Deusto (Bilbao). Finance and Strategic Planning from the University of Leeds (United Kingdom). He is Chairman of Bankia and of BFA, Tenedora de Acciones, S.A.U. since 9 May 2012. He is Vice Chairman of CECA, trustee of CEDE, Pro Real Academia Española Foundation and honorary trustee of the Spain-USA Board Foundation, Chairman of the Deusto Business School, Chairman of the Advisory Board of the Instituto Americano de Investigación Benjamin Franklin and Chairman of Garum Foundation. He is also Chairman of the Fundación Bankia por la Formación Dual. He began his professional career in Banco de Bilbao in 1977, where he served as general director of BBV and member of the Management Committee, with responsibilities in commercial banking in Spain and operations in Latin America. Mr. Goirigolzarri was responsible for Retail Banking at BBVA and served as Chief Executive Officer there until 2009. During that period he also held directorships in BBVA-Bancomer (Mexico), Citic Bank (China) and CIFH (Hong Kong). He furthermore served as Vice Chairman at Telefónica and Repsol and Spanish Chairman of the Spain-USA Foundation.
MR. JOSÉ SEVILLA ÁLVAREZ	CHIEF EXECUTIVE OFFICER	Born in 1964, Mr. Sevilla holds a degree in Economics and Business Studies from CUNEF. He is Chief Executive Officer of Bankia and Chairman of the Board Risk Committee. He is also a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. Before joining Bankia he held various management positions in BBVA, where he served as general manager of Risks and member of the Management Committee, head of the Office of the Chairman and of the Division of Strategy and Finance for the Americas in BBVA and a directorship in BBVA Bancomer. He is a director of the Asociación para el Progreso de la Dirección (APD). He began his professional career in the investment banking field, working in Merrill Lynch and FG Inversiones Bursátiles.

MR. ANTONIO ORTEGA PARRA	EXCUTIVE DIRECTOR, AND GENERAL MANAGER OF PEOPLE, RESOURCES AND TECHNOLOGY	Born in 1947, Mr. Ortega has a PhD in Business Studies from the Antonio de Nebrija University and holds a degree in Law from the Universidad Nacional de Educación a Distancia. He is general director of People, Resources and Technology at Bankia since 16 May 2012. He is a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. since June 2012. Before joining the bank, he was director of the Master's Degree in Human Resources at Centro de Estudios Garrigues and a member of its academic council. At the same time, he provided business consultancy services and was director of the School of Banking at the Universidad Virtual of the Instituto Tecnológico de Monterrey (Mexico). A large part of his career has been spent at the BBVA Group, where he held various management positions. He has been a director of BBVA Bancomer and BBVA Continental, Vice Chairman of Banca Nazionale del Lavoro, general director of Human Resources and Quality at BBVA and a member of the Group's Management Committee. He is a trustee of the Fundación Bankia por la Formación Dual. He is also a director of Cecabank, S.A.

Total number of executive directors	3
Percentage of Board	25.00

PROPIETARY DIRECTORS

Personal or corporate name of Director	Company, director or shareholder to whom the director is related	Profile
Without data		

INDEPENDENT DIRECTORS	
Name of the director	Profile
MR. JOAQUÍN AYUSO GARCÍA	He was born in 1955, he holds a degree in Civil Engineering from Universidad Politécnica de Madrid. He is a member of the Board of Directors of Bankia and until March 2019 he was Lead Independent Director. He is Chairman of its Risk Advisory Committee and a member of its Appointments and Responsible Management Committee and of its Remuneration Committee. Further, he was vice-Chairman of Ferrovial and member of its Executive Committee, where he worked his entire career, and is a member of its Executive Committee. Currently, he is chairman of Adriano Care Socimi. He was Chairman of Autopista del Sol, Concesionaria Española, and a member of the boards of directors of National Express Group PLC and Hispania Activos Inmobiliarios. He is a member of the Advisory Board of the Instituto Benjamin Franklin at the Universidad de Alcalá de Henares and of the advisory board of AT Kearney. He is also vice-Chairman of the management board of the Real Sociedad Hípica Española Club de Campo.
MR. FRANCISCO JAVIER CAMPO GARCÍA	He was born in 1955, he holds a degree in Industrial Engineering from Universidad Politécnica de Madrid. He is a member of Bankia's Board of Directors, Chairman of the Remuneration Committee and a member of the Appointments and Responsible Management Committee and Audit and Compliance Committee. He is president of Asociación Española del Gran Consumo (AECOC) operators, and director in Meliá Hotels International. He is also a member of the Advisory Board of Kearney (senior advisor) and of the Advisory Board of the Palacios Food Group and IPA Capital S.L. (Pastas Gallo). He is a director of the Asociación para el Progreso de la Dirección (APD), and a trustee of the Fundación Bankia por la Formación Dual, the Fundación F. Campo and the Fundación Iter. Mr. Campo began his professional career in Arthur Andersen and served as worldwide Chairman of the Día Group and as a member of the Worldwide Executive Committee of the Carrefour Group and Chairman of Zena Group and Cortefiel Group.
MRS. EVA CASTILLO SANZ	She was born in 1962, she holds a degree in Law and Business Studies from Universidad Pontificia de Comillas (E-3) in Madrid. She is a member of Bankia's Board of Directors, chairwoman of the Appointments and Responsible Management Committee, member of its Board Risk Committee and its Risk Advisory Committee and Lead Independent Director. She is an independent director of Zardoya Otis and a member of the Boards of Trustees of Fundación Comillas-ICAI, and Fundación Entreculturas. She has been a director of Telefónica, S.A., and chairwoman of the Supervisory Board of Telefónica Deutschland. Previously Ms. Castillo worked in Merrill Lynch, where she became chairwoman of its Spanish subsidiary.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	He was born in 1968, he holds a degree in Business Administration and a Master MBAI from Instituto de Empresa. He is a member of the Board of Directors of Bankia and of its Remuneration Committee. Chairman of ALSA and vice-Chairman of National Express Group, PLC, he is also a member of the Fundación Consejo España-China and of Fundación Integra. Previously he worked in companies in tourism, banking and international trade in Spain, Switzerland, Hong Kong and China.

MR. JOSÉ LUIS FEITO HIGUERUELA	He was born in 1952, he holds a degree in Economics and Business from Universidad Complutense de Madrid. He is a member of the Board of Directors of Bankia and of its Audit and Compliance Committee since June 2012. Qualified as a State Trade Expert and Economist and former ambassador of the Kingdom of Spain, at present he is member of the Economic and Financial Policy Commission of the CEOE and Chairman and general manager of the Institute for Economic Studies (IEE). He is also an independent director of Red Eléctrica Corporación and he is a trustee of the Fundación Carlos III. Previously he worked in the Spanish Ministry of the Economy, the International Monetary Fund, the OECD, the Banco de España and AB Asesores Bursátiles.
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	He was born in 1956, he holds a doctorate in Economics. He is a member of the Board of Directors of Bankia and of its Board Risk Committee, Risk Advisory Committee and a member of its Audit and Compliance Committee. He has been a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. He is a lecturer in economic at the IE Business School specialized in Macroeconomics, International Economics and Financial Stability. He has served as Chief Economist of the International Monetary Fund and as Chief economist and head of the Research Service at Banco Central Hispano and Banco Santander and Director of Red Eléctrica.
MRS. LAURA GONZÁLEZ MOLERO	Born in 1965, she holds a degree in Pharmacy, specializing in Industrial Pharmacy, from the Complutense University in Madrid, an Executive MBA from the IE Business School, and higher Course in Marketing from the CECO and in innovation in IMD Lousanne. She is a member of the Board of Directors of Bankia and a member of its Appointments and Responsible Management Committee and its Remuneration Committee. She has spent her career in major international corporations in the health and chemical sectors; she was Chairwoman of Bayer HealthCare Latin America, Chairwoman of Merck Serono Latin America, Chief Executive Officer of Merck Group Spain, and Vice-Chairwoman of Serono Iberia & Scandinavia. She is currently an independent director of Acerinox, Grupo Ezentis and Viscofan. She is chairwoman of the Asociación para el Progreso de la Dirección (APD), and a Trustee of the Adecco Foundation and a member of the Advisory Board of ISS in Spain.
MR. ANTONIO GREÑO HIDALGO	He was born in 1956, he holds a degree in Business Science and is a Certified Public Accountant. He is a member of the Board of Directors of Bankia and Chairman of the Audit and Compliance Committee, having been appointed the committee’s Financial Expert, and member of its Risk Advisory Committee. Previously, he was a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. He has made his career at PricewaterhouseCoopers (PwC), where in 1995 he was appointed International Partner and from 2003 to 2010 was the partner responsible for the financial sector at PwC in Spain and he was a member of the PwC EMEA (Europe, Middle East and Africa) Financial Sector Management Committee. He is also an independent director of Liberty Seguros. He has served as a director representing the Deposit Guarantee Fund in Catalunya Bank.

Total number of other external directors	8
Percentage of the Board	66.67

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director r senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Personal or corporate name of the director	Description of the relationship	Statement of the Board
MR. JOAQUÍN AYUSO GARCÍA	Financing agreements between Bankia and the Ferrovial Group and Service agreements between Bankia and the Group Alsa (Group National Express) Financial Agreements between Bankia and Fundación Create and the Real Sociedad Hípica Española Club de Campo.	The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee considers that Joaquín Ayuso García, member of the Board of Directors of Ferrovial, S.A (until September 2019), Autopista del Sol Concesionaria Española S.A. -AUSOL- (Ferrovial Group) (until October 2019), National Express Group PLC (until December 2019), member of the Trustee of Fundación Créate (until June 2019), and member of the management board of the Real Sociedad Hípica Española Club de Campo can continue to be classified as an independent director of Bankia S.A. despite the commercial relations between Bankia, S.A. and the Ferrovial Group , the Alsa Group (National Express Group), Fundación Créate and la Real Sociedad Hípica Española Club de Campo given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.’s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the nonintervention by this director in the negotiations and decision making processes of either party; and (iv) in this case, the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship. .

Personal or corporate name of the director	Description of the relationship	Statement of the Board
MR. FRANCISCO JAVIER CAMPO GARCÍA	Financing agreements between Bankia and the Group Meliá Hotels International, Group Empresarial Palacios Alimentación and guarantee agreement between Bankia and AECOC.	The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee, considers that Francisco Javier Campo García, a member of the Board of Directors of Meliá Hotels International and senior advisor and minoritary partner of Grupo Empresarial Palacios Alimentación and Chairman of AECOC on behalf of Bankia, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Meliá Hotels International, Grupo Empresarial Palacios Alimentación and AECOC, and/or their group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MRS. EVA CASTILLO SANZ	Financing and services agreements between Bankia and Zardoya Otis.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Responsible Management Committee considers that Mrs. Eva Castillo Sanz, member of the Board of Directors of Zardoya Otis, S.A., can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia and Zardoya Otis, S.A.,or group companies, given i) that they entail agreements and/or transactions arranged before he joined the board of Zardoya Otis, whose terms and conditions have not been modified since; (ii) the ordinary nature of the relations, with business conducted under general market terms; (iii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this

		case; and(iv) the nonintervention by this director in the negotiations and decision making processes of either party.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Financing and services agreements between Bankia and Grupo Alsa (Grupo National Express).	The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee, considers that Jorge Cosmen Menéndez-Castañedo, a member of the Board of Directors of the National Express Group PLC, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and the ALSA Group (National Express Group), given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MR. JOSÉ LUIS FEITO HIGUERUELA	Financing and service agreements between Bankia and Red Eléctrica Corporación.	The Board of Directors of Bankia, S.A., based on a report by the Appointment and Responsible Management Committee considers that Mr. José Luis Feito Higueruela, a member of the Board of Directors of Red Eléctrica, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Red Eléctrica, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.

Personal or corporate name of the director	Description of the relationship	Statement of the Board
MRS LAURA GONZÁLEZ MOLERO	Financing agreements between Bankia and the Group Acerinox and between Bankia and the Group Ezentis, and between Bankia and the Group Viscofan and service agreements between Bankia and the group Integrated Service Solutions (ISS).	The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee, considers that Laura González Molero, member of the boards of directors of Acerinox, S.A., Exentis, S.A. and Viscofan, S.A. and of the advisory board of Integrated Service Solutions, S.L. (ISS), may continue to be classified as an independent director of Bankia, S.A. despite the relations with Bankia, S.A. and Acerinoz, Ezentis, Viscofan and Group ISS given (i) that they entail agreements and/or transactions arranged before she joined the board whose terms and conditions have not been modified since; (ii) the ordinary nature of the relations, with business conducted under general market terms; (iii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; and(iv) the nonintervention by this director in the negotiations and decision making processes of either party.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Personal or corporate name of the director	Reason	Company, director or shareholder to whom the director is related	Profile
MR. CARLOS EGEA KRAUEL	On 26 March 2019, Mr. Egea tendered his resignation from his executive duties on the Bankia Board of Directors, while remaining a director. Mr. Egea explained that his resignation from his executive duties was prompted by the completion of the integration of Banco Mare Nostrum, S.A. with Bankia, S.A., and by strictly personal reasons. The effects of Mr. Egea's resignation from his executive duties were in accordance with the terms of the contract under commercial law between Bankia and Mr. Egea.	BANKIA, S.A.	Born in 1947, he has an Industrial Engineering degree from Escuela Técnica Superior de Ingenieros Industriales de Madrid and a PhD in Economics and Business from Universidad Autónoma de Madrid. He is a member of Bankia's Board of Directors and member of Audit and Compliance Committee. He was vice-president of Ahorro Corporación, S.A.Member of the boards of directors of CASER, Enagás, S.A. and Iberdrola

	As a result of this resignation from executive duties, on 26 June 2019, in accordance with Article 529 duodecies of the Corporate Enterprises Act, the Board of Directors, after seeing a report by the Appointments and Responsible Management Committee in favour of the measure, resolved to classify Mr. Egea to the status "other external director", with effect from 28 June 2019.		Renovables, S.A. and Secretary of the board of directors of the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, CECA). He started his career in the industrial sector, with the company Fraymon. From there, he joined the financial sector through Banco Atlántico. In 1976, he joined Caja de Ahorros de Murcia, where he was appointed General Manager in 1983 and President in 2008. Since June 2008, he has been President of Fundación Caja Murcia, of which he had previously (since its creation in 2001) been Vice-President. He was the chairman of the board of directors of Banco Mare Nostrum, S.A. from 2010 and until the merger with Bankia.

Total number of other external directors	1
% Percentage of the Board	8.33

State any changes in status that has occurred during the period for each director:

Personal or corporate name of the director	Date of change	Previous status	Current status
MR. CARLOS EGEA KRAUEL	06/28/2019	EXECUTIVE	OTHER EXTERNAL DIRECTOR

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	0	0	0	0	0.00	0.00	0.00	0.00
Independent	2	2	1	1	25.00	25.00	14.29	12.50
Other external	0	0	0	0	0.00	0.00	0.00	0.00
Total:	2	2	1	1	16.67	16.67	10.00	9.09

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and Remuneration Committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

In 2018, Bankia's Board of Directors approved the Selection, Diversity, Suitability, Integration and Training Policy for Directors, which brings together the various policies in place at the Bank until then.

In 2019, the Board reviewed and updated the Policy.

With this policy, Bankia ensures that the members of its Board of Directors are suitable and have the right knowledge, skills and experience necessary to carry out their duties. It also promotes diversity in nationality, gender, knowledge and experience to enrich decisions and provide a broad range of viewpoints. Moreover, it seeks a diversity of profiles in the Board of Directors.

Therefore, the Board of Directors and the Appointments and Responsible Management Committee have set an objective of ensuring that the following areas of diversity are upheld at all times:

a) Academic and profesional profile.
b) Gender.
c) Age.
d) Geographical origin.
e) Non-discrimination.

In addition, to achieve the gender diversity target Bankia has established (i.e. having at least 30% of total board places occupied by women directors before the year 2020) the Board of Directors and the Appointments and Responsible Management Committee shall ensure, when new vacancies arise, that the selection procedures do not interfere with the selection of persons of the least represented gender. In this respect, it shall not establish any requirements and/or apply any criteria that in any way could result in any type of discrimination.

Bankia operates a policy on replacements on the Board based on balancing the principles of representativeness, diversity and independence in the light of domestic and international good governance recommendations, ensuring stability in the composition of the Board of Directors and its Committees, and complying with the duration of directors' mandates in accordance with appointments, re-elections and ratifications.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

Article 15 of the Board of Directors Regulations of Bankia stipulates that the Appointments and Responsible Management Committee is responsible for setting a goal of representation for the gender under-represented on the Board of Directors and develop guidance on how to increase the number of the under-represented gender to achieve this objective.

In this respect, the Board of Directors, on a proposal by the Appointments and Responsible Management Committee, has approved the Policy of Suitability for Directors, General Managers and Similar, and other key holders positions in Bankia and the and the Selection, Diversity, Integration and Training Policy for Directors to ensure that the Bankia director selection procedure favours a diversity of gender, experience and knowledge, facilitating the selection of women directors and, in general, does not have implicit biases that could imply any discrimination, seeking a diversity of profiles in the Board of Directors.

To encourage the presence of women directors, in 2019 it was decided to begin the process of searching for and selecting new women directors. Real progress was made in evaluating the suitability of female candidates for appointment to the Board, thus making strides in achieving the objective outlined in the gender diversity policy.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

In 2018, the number of women directors on the Board of Directors of Bankia increased with the incorporation of Mrs. Laura Gonzalez Molero.

At year-end 2019, the Board of Directors of Bankia was composed of three executive directors, one other external director, and eight independent directors, of which two were women. Therefore, women occupied 16.7% of board seats and represented 25% of independent directors. A woman was chair of one of the five Board of Directors' committees and there were women members of four of the committees.

Accordingly, the presence of women in the Board of Directors' delegate bodies stood at 25% of the Appointments and Responsible Management Committee, 25% of the Remuneration Committee, 25% of the Risk Advisory Committee, and 33 % of the Board Risk Committee.

As noted previously, to achieve the target gender diversity, it was agreed in 2019 to begin the process for search for and selecting two new women directors. Real progress was made in evaluating the suitability of female candidates for appointment to the Board.

The Entity will continue this search to achieve its diversity objectives.

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

Pursuant to the Board of Directors Regulations, the Appointments and Responsible Management Committee is the body responsible for periodically reviewing the policy, submitting to the Board of Directors its findings or making the proposals for amendments or improvements it deems appropriate. The Appointments and Responsible Management Committee is also responsible for running an annual check, based on the report submitted to the People, Resources and Technology Department, on compliance with the Policy.

As a result, in 2018, the Board of Directors approved an amendment to Bankia, S.A.'s Director Selection Policy which, at the request of the Appointments and Responsible Management Committee, was expanded in 2018. At the meeting held on 26 June 2019, Policy of Suitability for Directors, General Managers and Similar, and other key holders positions in Bankia and the the Selection, Diversity, Suitability, Integration and Training Policy for Directors was approved. It guarantees that the bodies overseeing the director selection process at Bankia must ensure that the selection procedure favours a diversity of gender, experience and knowledge, facilitating the selection of women directors and promoting a diversity of profiles

This ensures a diverse composition of directors with varying professional and personal profiles (e.g. age, gender, nationality) that enriches and provides different viewpoints to the debates and decision-making of the governing bodies.

It has maintained the diversity objective pursued by the previous selection policy of having at least 30% of total board places occupied by women directors before the year 2020.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Personal or corporate name of the director	Reason
Not applicable	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

[ ] Yes
[√] No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Personal or corporate name of the director	Brief explanation
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	The Chairman of the Board of Directors has broad powers of representation and administration in accordance with the characteristics and requirements of the position of executive Chairman of the Company, with all authority vested in him except for those that cannot be delegated by law or the Bylaws.

MR. JOSÉ SEVILLA ÁLVAREZ	Mr. Sevilla has been delegated jointly and severally all authorities than can be delegated to him by law or the Bylaws in the areas of financial and risk management, financial control and internal audit, as well as real estate and investees, and legal, tax and regulatory compliance advice. The Company also granted Mr. Sevilla general powers of attorney, subject in any event, to the Bankia Group's Catalogue of General Powers, which shall be discharged exercised in accordance with the system in place for each class of legal representative approved by the Board of Directors.
MR. ANTONIO ORTEGA PARRA	The Company also granted Mr. Ortega general powers of attorney, subject in any event, to the Bankia Group's Catalogue of General Powers, which shall be exercised in accordance with the system in place for each class of legal representative approved by the Board of Directors.
BOARD RISK COMMITTEE	The Board Risk Committee has operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the Board of Directors. The Board Risk Committee has the following functions: - Make decisions within the scope of the authority delegated by the Board of Directors in risk matters specifically provided for in the Board's current delegation resolution. - Within its scope of authority, set the overall preclassification limits for account holders or customer groups in relation to exposures by risk class. - Report to the Board of Directors on risks that may affect the Company's capital adequacy, recurring results, operations or reputation. - With respect to the approval of risk types other than credit risk, the authorities of the Board Risk Committee will be those delegated by the Board of Directors at any given time. - Pursuant to the resolution for the delegation of authorities to the Board Risk Committee adopted on 29 June 2012, the Board Risk Committee has authority to rule on credit risk proposals within its remit and authorities. This delegation is for amounts between EUR 300 million, for transactions with the lowest rating level, and EUR 1,300 million for those with the highest, above which approval by the Board of Directors is required in all cases. There is a specific rule for major borrowers with reputational risk, in which the maximum amount authorised is EUR 10 million.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Personal or corporate name of director	Personal or corporate name of Group member	Position	Does the director have executive powers?
Not applicable			

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company

Personal or corporate name of director	Personal or corporate name of listed Company	Position
MR. JOAQUÍN AYUSO GARCÍA	NATIONAL EXPRESS GROUP, PLC	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCÍA	MELIÁ HOTELS INTERNATIONAL, S.A.	DIRECTOR
MRS. EVA CASTILLO SANZ	ZARDOYA OTIS, S.A.	DIRECTOR
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	NATIONAL EXPRESS GROUP, PLC.	VICE-CHAIRMAN
MRS. LAURA GONZÁLEZ MOLERO	GRUPO EZENTIS, S.A.	DIRECTOR
MRS. LAURA GONZÁLEZ MOLERO	ACERINOX, S.A.	DIRECTOR
MRS. LAURA GONZÁLEZ MOLERO	VISCOFAN, S.A.	DIRECTOR

Effective as of 31 December 2019, Joaquín Ayuso García stepped down as member of the Board of Directors of National Express Group, PLC.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated

Bankia, S.A., as a credit institution, is subject to the restrictions contained in Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, which sets out the rules for incompatibilities and restrictions to which members of the Board of Directors and general managers or similar of a credit institution are subject, and which regulates the number of Boards on which the directors of credit institutions may sit at the same time.

In this respect, article 8 of the Board of Directors Regulations states that the number of Boards on which directors may sit at the same time shall not exceed that set out in banking and company laws applicable at any given time.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	3,308
Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	1,538

In relation to the caption "Board remuneration in financial year":

It includes the remuneration of both, executive and non-executive directors.

On 26 March 2019, Carlos Egea Krauel stepped down from his executive duties on Bankia's Board of Directors, retaining his director status. The impact of his resigning from his executive duties prompted an adjustment to the terms of the commercial contract entered into between Bankia and Mr. Egea Krauel, leaving him with the status of "other external director" as of 28 June 2019. The amounts shown correspond to the period from 1 January to 27 June 2019 as executive director and from 28 June to 31 December 2019 as other external director.

The data corresponding to the annual bonuses accrued by Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega in 2019 is pending the authorisations and approvals contemplated in prevailing legislation.

In relation to the caption "Amount of vested pension interests for former members":

Total amount related to accumulated and updated pension interests as at 31 December 2019 of Rodrigo de Rato Figaredo, Francisco Verdú Pons, José Luis Olivas Martínez and José Manuel Fernández Norniella. The latest contribution by Bankia was in 2012.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR. GONZALO ALCUBILLA POVEDANO	DEPUTY GENERAL MANAGER OF BUSINESS BANKING
MR. LEOPOLDO ALVEAR TRENOR	DEPUTY GENERAL DIRECTOR OF FINANCIAL MANAGEMENT
MRS. AMALIA BLANCO LUCAS	DEPUTY GENERAL MANAGER OF COMMUNICATION AND EXTERNAL RELATIONS
MR. MIGUEL CRESPO RODRÍGUEZ	DEPUTY GENERAL MANAGER OF GENERAL SECRETARY
MR. MANUEL GALARZA PONT	DEPUTY GENERAL DIRECTOR OF CREDIT RISKS
MR. DAVID LÓPEZ PUIG	DEPUTY GENERAL DIRECTOR OF PEOPLE AND CULTURE
MR. FERNANDO SOBRINI ABURTO	DEPUTY GENERAL DIRECTOR OF ASSET MANAGEMENT AND INVESTEES
MR. EUGENIO SOLLA TOMÉ	DEPUTY GENERAL DIRECTOR OF RETAIL BANKING
MR. CARLOS TORRES GARCÍA	DEPUTY GENERAL DIRECTOR OF TRANSFORMATION AND DIGITAL STRATEGY
MR. IÑAKI AZAOLA ONAINDIA	CORPORATE DIRECTOR OF INTERNAL AUDIT

Total senior manager remuneration (thousand euros)	5,705

In relation to the caption "total senior management remuneration":

With respect to 2018 the number of senior management members increased as disclosed at C.1.14. Hence total remuneration was higher in 2019 than in 2018.

Includes the target variable remuneration for 2019 of the nine Management Committee members, although the final assessment and approval is pending.

Includes the remuneration of Mr. Alvear, Mr. Galarza, Mr. López, Mr. Solla and Mr. Torres for the period from 24 January to 31 December 2019 and the amount accrued by Mr. Cánovas for the period from 1 January to 23 January 2019. Mr. Cánovas was not paid any amount as severance indemnity. He is subject to a post-contractual non-competition undertaking for a period of two years, in exchange for an amount equivalent to two years' fixed remuneration.

-Clarification about "senior managers":

Mr. Iñaki Azaola Onaindia, Corporate Director of Internal Audit, is included in this group following the instructions to fill in this document.

C.1.15 State whether the Board rules were amended during the year:

[√] Yes
[ ] No

Description of amendment

On 24 July 2019, the Board of Directors, following a favourable report from the Audit and Compliance Committee, the Appointments and Responsible Management Committee and the Remuneration Committee, approved amendments of Articles 15 (the Appointments and Responsible Management Committee) and 15 *bis* (the Remuneration Committee) of the Regulations of the Board of Directors to accommodate recommendations and guidelines set out in the *Guía Técnica 1/2019* (Technical Guide) issued by the Spanish National Securities Market Commission (CNMV) on appointments and remuneration committees and, specifically, to establish that the provisions of these articles may be further implemented in the Regulations of the Appointments and Responsible Management Committee and in the Regulations of the Remuneration Committee.

Therefore, on the same day, the Board of Directors approved the Regulations of the Appointments and Responsible Management Committee and the Regulations of the Remuneration Committee.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Directors shall be appointed, re-elected and ratified by the General Meeting of Shareholders or by the Board of Directors in conformity with the provisions set forth in prevailing legislation and in articles 37 to 40 of the Company's Bylaws and (article 21) of the Board of Directors Regulations, in the Appointments and Responsible Management Committee

Regulation(articles 12 and 13)and applying the policy of Selection, Diversity, Suitability, Integration and Training of Directors of the Entity.

In particular, the Board of Directors may appoint directors by the cooption system to cover vacancies arising during the term of office of the directors. Directors appointed by co-option shall provisionally hold the post until the date of the first General Meeting of Shareholders after being appointed by co-option, inclusive, which may resolve to ratify their appointment, whereby the appointment as director shall become permanent. In any event, from the date of appointment, directors appointed by co-option shall have the same rights and obligations as directors appointed directly by the General Meeting of Shareholders.

Directors appointed by co-option shall immediately stand down if their appointment is not ratified in the first General Meeting of Shareholders after they are appointed. Moreover, should any vacancies arise once a General Meeting is called but before it is held, the Board of Directors may appoint a director to fill the vacancy until the new General Meeting of Shareholders.

Any proposals for the appointment, re-election and ratification of directors which the Board of Directors submit the General Meeting of Shareholders and any appointment decisions made by the Board itself under its powers of co-option are the responsibility of the Appointments and Responsible Management Committee, in the case of independent directors, or the Board itself, in the case of all other directors, and must be preceded by a Board report assessing the competence, experience and merits of the proposed candidate, which will be attached to the general meeting or Board meeting minutes.

In selecting directors, care will be taken to select persons of recognised business and professional good standing, competence, reputation and experience in the financial sector who are equipped to exercise good governance of the Company, in accordance with applicable laws and regulations in the matter.

The persons appointed as directors must satisfy the conditions imposed by Law or the Bylaws, at the time of taking office formally covenanting to fulfil the obligations and duties contemplated therein and in the Board of Directors Regulations.

Any legal person who is appointed a director must appoint a single natural person to perform the director’s functions on a permanent basis. Any revocation of such an appointment by the legal person director will have no effect until a replacement is appointed. In addition, the appointment of a natural person to act as representative will be subject to a report by the Appointments and Responsible Management Committee.

A natural person who is permanently appointed to perform the functions of a legal person director will meet the same suitability requirements, is subject to the same rules of incompatibility, has the same duties and is jointly and severally liable with the legal person director.

There is no age limit for appointment to or serving in this position.

According to article 23 of the Board of Directors Regulations, directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the General Meeting or when they are to resign.

Directors who give up their place before their tenure expires, through resignation or otherwise, shall state their reasons in a letter to be sent to all members of the Board of Directors. The motivating factors shall be explained in the annual corporate governance report.

In the event that the Board of Directors proposes the removal of any external director before the end of the bylaws term for which the director was appointed, the proposal must be motivated and have the corresponding report of the Appointments and Responsible Management Committee. The Board of Directors will not propose the removal of any independent director before the expiry of that director's tenure as mandated by the bylaws, except where just cause is found much appreciated by the Board of Directors, after a report from the Appointments and Responsible Management Committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the capital structure of the Board, in order to meet the proportionality criterion referred to in the good corporate governance recommendations.

Without prejudice to the foregoing, directors must place their directorships at the Board of Directors’ disposal and, if the board deems it appropriate, tender their resignation in the cases stated in article 23.4 of the Regulations of the Board of Directors, as described in section C.1.19 of this report.

C.1.17 Explain how the annual evaluation of the board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes

It has not given rise to any relevant change.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Board of Directors engaged an external advisor as facilitator and promoter in the self-evaluation of the performance of the Board of Directors. For the Board's self-evaluation, an interview script was prepared in line with international best corporate governance practices.

The external facilitator conducted individual interviews with each member of the Board of Directors in which it analysed various aspects of the operations and composition of the Board of Directors, its committees and the positions. In this respect, the following were evaluated:

- the structure, composition, education, operation and competencies of the Board of Directors;
- the structure, composition, education, operation and competencies of the board committees;
- the performance of the Chairman, the Chief Executive Officer, the Lead Independent Director and the Secretary of the Board; and
- the performance and contribution of each director.

The findings were presented to the Appointments and Responsible Management Committee and the Board of Directors.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

At present, the external expert is only still engaged to evaluate the overall performance of the Board of Directors.

C.1.19 State the situations in which directors are required to resign.

According to article 23 of the Board of Directors Regulations, directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the General Meeting or when they are to resign.

Without prejudice to the above, directors must place their offices at the Board of Directors’ disposal and, if the Board deems it appropriate, tender their resignation in the following cases:

a) When they are affected by any of the rules on incompatibility or prohibition or unsuitability prescribed by law.

b) When they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, any director of the Company must report to the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes specified in article 213 of the Corporations Act, the Board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not it is appropriate for the director to remain in the position.

c) When they are seriously admonished by the Audit and Compliance Committee for violating their duties as directors.

d) When their remaining as Directors could present a reputation risk to the interests of the Company.

e) When they cease to hold the positions, offices or functions with which their appointment as executive directors was associated.

f) In the case of proprietary directors, when the shareholder at whose initiative they were appointed disposes of its interest in the Company or reduces its interest to a level that requires a reduction in the number of proprietary directors.

g) In the case of independent directors, when they no longer satisfy the conditions for being considered independent directors.

If a natural person representing a legal person director is in any of the situations described in the previous section, that person will be disqualified from acting as representative.

Under Article 12 of the Regulations of the Appointments and Responsible Management Committee, when a director resigns or for any other reason leaves his or her position before the end of his or her mandate, the Committee shall ensure that the Company acts transparently with regard to the process and its causes. When the director's departure is due to resignation, the Committee shall consider any information provided in the letter submitted by the outgoing director to the Board. If the Committee believes such information is insufficient, it shall approach the director to ascertain the reasons for his or her resignation (whether personal - health, family commitments, excess work, etc. - or of another nature, for example, disagreement with the Company's strategy, with other members of the Board or senior management, with significant shareholders or with any other party involved in the Company's corporate governance).

Moreover, the Committee shall ensure that the Board of Directors suitably discloses the reasons and circumstances of the director's departure and provides an explanation of the reasons for the departure in the annual corporate governance report.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

[ ] Yes
[√] No

If so, please describe any differences:

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as Chairman of the Board of Directors.

[ ] Yes
[√] No

C.1.22 State whether the articles of association or the board rules establish any limit as to the age of directors:

[ ] Yes
[√] No

C.1.23 State whether the articles of association or the board rules establish any term limits or other stricter limits for independent directors other than those required by law:

[ ] Yes
[√] No

C.1.24 State whether the articles of association or board rules establish specific proxy rules for votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

According to article 18.1 of the Board of Directors Regulations, the directors will do everything possible to attend meetings of the Board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the Board. Proxies will be granted on a special basis for the meeting of the Board of Directors in question, when possible with instructions. Notice thereof may be given in any of the ways contemplated in the section 2 of article 17 of the Board of Directors Regulations, although non-executive directors may only grant proxies to another director in accordance with applicable legislation.

Similarly, article 30.4.b) of the Board of Directors Regulations states that a director is required to attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making. If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him.

According to article 17.6 of the Board of Directors Regulations, the agendas of Board meetings shall clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need to make a decision.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the Chairman present. Meetings where the Chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	15
Number of Board meetings without the Chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Risk Advisory Committee	29
Number of meetings held by the Appointments and Responsible Management Committee	13
Number of meetings held by the Remuneration Committee	9
Number of meetings held by the Board Risk Committee	31
Number of meetings held by the Audit and Compliance Committee	18

C.1.26 State the number of meetings held by the Board of Directors during the year and the details of members' attendance:

Number of Board meetings attended by at least 80% of the board members	15
% of attendance over total votes during the year	98.33
Number of meetings in situ or representations made with specific instructions of all directors	15
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100.00

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[√] Yes
[ ] No

Identify, where applicable, the person or persons who certified the company's individual and consolidated financial statements, for their authorisation by the Board:

Name	Position
MR. LEOPOLDO ALVEAR TRENOR	DEPUTY GENERAL DIRECTOR OF FINANCIAL MANAGEMENT

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Article 53.3 of the Bylaws of Bankia, S.A. states that the Board of Directors will arrange for definitive preparation of the accounts in a manner that will not result in qualifications by the statutory auditor. Nevertheless, when the Board believes it must maintain its position, it will, through the Chairman of the Audit and Compliance Committee, publicly explain the substance and scope of the difference and, also, will arrange for the statutory auditor also to state its comments in this regard. .

Through the Audit and Compliance Committee, the Board of Directors oversees the entire process of preparing and issuing the financial statements of the Bank and its Group, and any quarterly and half-yearly financial reports that are prepared. One of the aims of this control and on-going contact with the auditor is to avoid qualifications in the audit report.

Bankia's Audit and Compliance Committee, all of whom will be non-executive directors and a majority, independent, shall perform all the duties set forth in applicable legislation. In particular, without limitation, its basic responsibilities include the following:

- Review the Company’s accounts to ensure compliance with legal requirements and proper application of generally accepted accounting principles and report on any proposals for changes to accounting standards and principles put forward by management, basing its opinion on internal audit reports, other expert reports, and management analysis and opinion, as well as information about the results of the statutory audit, although the Committee must use its judgement to draw its own conclusions. The committee must also consider in what cases it makes sense and is feasible to involve the statutory auditors in the review of reports other than the financial statements.

Additionally, in the interests of effective supervision the Committee must hold individual meetings with management and internal audit and maintain fluid communication with the statutory auditor for the purpose of analysing the following matters:

(i) The appropriateness of the scope of consolidation.

(ii) Any judgements, criteria, valuations or estimates that have a material impact on the financial statements and related non-financial reports.

(iii) Any changes in the significant criteria applied.

(iv) Where applicable, the reasons why in its public reports the Company uses certain alternative performance measures (APMs) instead of the measures defined directly by the accounting standards, the extent to which those APMs provide useful information to investors and the extent to which the Company complies with international recommendations and best practice in this regard.

(v) Any material weaknesses in internal control.

(vi) Any material adjustments identified by the statutory auditor or resulting from reviews performed by internal audit, and management’s position on such adjustments, taking into account any demands sent in the current or a previous period by the Comisión Nacional del Mercado de Valores (CNMV), in order to ensure that the same incidents identified in those demands are not repeated in future financial statements.

The Committee's independence must be respected in all meetings and communications. In particular, the statutory auditor must not be invited to take part in the decision-making part of Committee meetings.

The Committee must carry out this supervisory task continuously but also on an ad hoc basis at the request of the Board of Directors.

- Report to the General Meeting of Shareholders on questions that are posed regarding matters within the competence of the committee and, in particular, on the audit findings, explaining how the audit has contributed to the integrity of the financial information and the Committee's role in this process.

- Supervise the effectiveness of the internal control of the Company, the internal audit, the regulatory compliance and risk management systems, and discuss with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit, without jeopardizing its independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, along with the related follow-up period.

- Supervise the preparation and filing of regulatory financial information and submit to the Board of Directors recommendations or proposals designed to safeguard the integrity of the financial information and, in particular:

• Report to the Board of Directors, in advance, on the financial information that the Company must publish periodically;

• Review the Company's accounts

• Review issue prospectuses and any periodic financial information the Board is required to provide to the markets and market supervisory bodies.

- Propose to the Board of Directors for the selection, appointment, reelection and removal of the statutory auditor, and oversee the selection process in accordance with EU legislation and the terms and conditions of engagement.

- Establish appropriate relations with the external auditors so as to receive information on matters that could jeopardise the external auditor's independence, so that they may be examined by the Committee, and on any other matters arising from the auditing of the Company's accounts and, as appropriate, authorise the services permitted under the terms of EU legislation and regulations regarding independence, and make any other disclosures required under applicable legislation and auditing standards. In particular:

• Act as a communications channel between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements. In particular, the committee must ensure that the statutory auditor holds at least one meeting each year with the full board of directors to report on the work carried out and any changes in the Company's accounting situation and risks.

• Request regular information from the external auditor on the audit plan and the results of the audit and ensure that senior management acts on the external auditor's recommendations;

• Ensure that the external auditor meets, at least once a year, with the Board in full to inform it of the work undertaken and developments in the Company's risk and accounting positions;

• Supervise compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;

• Ensure the independence of the external auditor in the exercise of its functions, as set out in section C.1 .30 of this Report.

- Issue a report each year, prior to the release of the auditors' report, expressing an opinion on whether the independence of the external auditor or audit firms has been compromised. This report will contain a reasoned assessment of any additional non-audit services provided considered individually and in the aggregate, other than that of the legal audit and in relation to the auditors' independence and compliance with auditing standards.

C.1.29 Is the secretary of the Board also a director?

[ ] Yes
[√] No

If the secretary is not a director, please complete the following table:

Personal or corporate name of the secretary	Representative
MR. MIGUEL CRESPO RODRÍGUEZ	-

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Specific mechanisms implemented by the company to preserve the independence of the external auditors:

As stipulated in article 14 of the Board of Directors Regulations, and in article 13 of the Audit and Compliance Committee Regulation, the Audit and Compliance Committee of Bankia S.A. has among other competencies to ensure the independence of the external auditor and therefore:

- Request and receive from the external auditors a declaration of their independence as regards the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to and the corresponding fees perceived from such entities by the external auditor or persons or entities related thereto, pursuant to the rules regulating the activity of auditing accounts.

- Annually, prior to the issue of the audit report, issuing a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised. This report in any event must contain a reasoned evaluation of the provision of each and every one of the additional services referred to in the preceding section that have been provided, taken individually and as a whole, other than the legal audit, as regards the scheme of independence of the auditors and regulations governing the activity of auditing accounts.

- Conduct relations with the statutory auditor in order to receive information about any matters that might jeopardise the auditor’s independence and assess the effectiveness of the safeguards put in place. Also, understand and assess, in aggregate, all the relationships between the Company and its related entities, on the one hand, and the statutory auditor and its network, on the other, that involve the provision of non-audit services or any other type of relationship.

- Ensure that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor’s business and, in general, other requirements designed to safeguard auditors’ independence.

- Ensure that the remuneration of the statutory auditor for its work does not compromise its quality or independence, taking into account the rules on fees set out in auditing standards.

- In the event of resignation of the external auditor, investigate the reasons for the resignation.

- Ensure that the Company notifies any change of external auditor as a material disclosure, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

- Establish internal sources, within the Company, to obtain relevant information on the independence of the statutory auditor, from financial management, other executive functions, internal audit, or other assurance functions such as regulatory compliance or risks, or external sources such as information supplied by the statutory auditor itself.

- Seek explanations from the statutory auditor about the internal quality control system it has in place to safeguard its independence, as well as information on internal practices regarding the rotation of the audit partner and audit team and whether those practices comply with applicable Spanish and EU regulations in this respect.

- Analyse any changes in the overall remuneration of the statutory auditor.

The Bankia Group has a Policy on Monitoring the Independence of the External Auditor, approved by the Board of Directors and reviewed annually. The Policy specifies control actions designed to ensure compliance with current laws and regulations on provision of non-audit services, limits on the concentration of the auditor's business and other specific requirements in relation to the independence of the statutory auditor, in accordance with Ley 22/2015 (the Audit Act) and its implementing regulations (Royal Decree 1517/2011) and the recommendations issued by the CNMV in Guía Técnica 3/2017 (Technical Guide) on audit committees at public interest entities.

Policy on Monitoring the Independence of the External Auditor

In particular, the Policy for Monitoring the Independence of the External Auditor, approved annually by the Board of Directors, sets out the mechanisms in place for overseeing the independence of the external auditor. Those mechanisms are:

- Conflicts of interest arising from personal situations:

• The external auditor’s own Quality and Independence Manual summarising the internal control procedures designed and implemented by the external auditor to ensure strict compliance with the independence rules applicable to audit firms.

• The Corporate Internal Audit Department requests the current Manual from the external auditor every six months. The Manual is then submitted to the Audit and Compliance Committee alongside the half-yearly independence report.

• Half-yearly confirmation of the external auditor's independence entails compliance with this requirement.

• At the beginning of the period to be audited, the external auditor is asked to fully identify the team and confirm, with respect to a reference date, that team members are aware of the regulatory restrictions. The team list is updated on completion of the engagement.

• The list is sent to the Corporate Human Resources Department for reference in selection and hiring processes.

- Prohibited services:

• The external auditor informs the Corporate Internal Audit Department of proposals submitted to the Bank before they are signed.

• The Corporate Internal Audit Department reviews proposals for services to be provided by the external auditor prior to their approval.

• The requesting department is asked to explain why the audit firm is best suited to provide the services by reason of its knowledge and experience.

• The Audit and Compliance Committee authorises services on a monthly basis.

• The authorisation of some engagements ("no risk to independence") is delegated to the Corporate Internal Audit Department.

• Where required or allowed by law and/or the supervisor.

• Agreed-upon procedures and other review engagements relating to accounting and financial reporting.

• Translations.

These proposals are ratified by the Audit and Compliance Committee.

• Once the Assistant Secretary confirms that the Audit and Compliance Committee authorised the proposal, the situation is reported to the external auditor and the Procurement Department for an appropriate contract to be signed, as the case may be.

• The audit firm identifies the members of its team so that any previously unscreened proposals can be retrieved from our systems.

• Conflicts of interest arising from providing otherwise non-prohibited services to relations of the principal auditor come within the scope of "conflicts of interest arising from personal situations".

• The provision of services referred to in Article 5.3 (EU Regulation 537/2014) shall be limited, in its effect on the financial statements, to 5% of the materiality determined by the auditor or 10% of the account item affected. However, if lower limits are set by law, those lower limits apply.

(Keep in Note H)

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditor, please provide an explanation.

[ ] Yes
[√] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

[√] Yes
[ ] No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	527	0	527

	Company	Group Companies	Total
Amount invoiced for non-audit services/Amount for audit work (in %)	24.00	0.00	24.00

Non-audit work includes services related to auditing accounts (Asset Protection Report) Clients, Agreed Procedures Report on the information submitted to the FUR, etc.), as well as the review of non-financial information, the issuance of comforts letters, the agreed procedures report on the report with prudential relevance, expert reports and external expert report on money laundering prevention.

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the Chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidaded
Number of consecutive years	7	7

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	29.17	77.78

The separate financial statements, considering that Bankia, S.A., as a business enterprise started in 1995 under the name Altae Banco, S.A., have been audited for 24 years. Banco Altae, S.A. is not considered to have come from the former Banco de Crédito y Ahorro, S.A.

Respect to the Consolidated Financial Statements 9 years have been taken into account.

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

[√] Yes
[ ] No

Explanation procedure

The procedure for the Directors of Bankia, S.A. to count with the necessary information to prepare the meetings of the governing bodies with sufficient time is governed in Article 17.2 of the Regulation of the Board of Directors. This Regulation establishes that the Board of Directors will be called by individual notice, stating the agenda for the meeting in sufficient detail. This notice will be sent by fax, e-mail or letter to each of the directors, at least five days in advance of the date contemplated for the meeting, unless, in the judgment of the Chairman, the urgency of the matters to be considered requires an urgent call, which may be made by telephone, fax, e-mail or any other remote means, sufficiently in advance to allow the directors to fulfil their duty to attend.

Agendas for meetings will clearly indicate those points in respect of which the Board of Directors must adopt a decision or resolution, so that the directors may, in advance, study or collect the information necessary for adoption thereof, in accordance to the Regulations of the Board of Directors.

When, exceptionally, by reason of urgency, the Chairman wishes to submit decisions or resolutions not appearing on the agenda for approval of the Board of Directors, express prior consent of the majority of the directors present will be required, with that consent to be reflected in the minutes.

The directors can gather all the additional information they consider necessary for the matters which compete the Board of Directors. Under the duty of directors to demand, and a right to request, from the Company all the information they need in order to perform their obligations, article 26 of the Regulations of the Board of Directors states that directors have the broadest authority to seek information on any aspect of the Company, to examine its books, records, documents and other evidence of the Company's transactions, and to inspect all its facilities.

In order not to interfere with ordinary management of the Company, exercise of information rights will be channelled through the Chairman or secretary of the Board of Directors. They will respond to director inquiries by providing the information directly, making the appropriate spokesmen within the organisation available as appropriate, or arranging for appropriate on-site review and inspection.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company’s standing and reputation. If so, provide details:

[√] Yes
[ ] No

Explain the rules

According to article 40 of the Bylaws, the members of the Board of Directors of Bankia, S.A. must satisfy the requirements of banking regulation to be considered to be honourable persons, suitable for exercise of that function. In particular, they must be of high commercial and professional integrity, have knowledge and experience appropriate to the performance of their duties and be willing to exercise good governance of the Company. Supervening failure to satisfy those requirements will be grounds for removal of the director.

As per article 23 of the Board of Directors Regulations, directors must place their directorships at the disposal of the Board of Directors and formally tender their resignations, if the Board deems it to be desirable, in the following circumstances:

a) When they are affected by any of the rules on incompatibility or prohibition or unsuitability prescribed by law.

b) When they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, any director of the Company must inform the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes indicated in article 213 of the Corporations Act "Ley de Sociedades de Capital", the Board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not it is appropriate for the director to remain in the position.

c) When they are seriously admonished by the Audit and Compliance Committee for violating their duties as directors.

d) When their remaining as directors could present a reputation risk to the interests of the Company.

e) When they cease to hold the positions, offices or functions with which their appointment as executive directors was associated.

f) In the case of proprietary directors, when the shareholder at whose initiative they were appointed disposes of its interest in the Company or reduces its interest to a level that requires a reduction in the number of proprietary directors.

g) In the case of independent directors, when they no longer satisfy the conditions for being considered independent directors.

In addition, if a natural person representing a legal person director is in any of the situations described in the previous sections, that person will be disqualified from acting as representative.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

[ ] Yes
[√] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Not applicable.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	22
Type of beneficiary	**Description of agreement**
EXECUTIVE DIRECTORS, MEMBERS OF THE MANAGEMENT COMMITTEE AND OTHER DIRECTORS.	EXECUTIVE DIRECTORS: The contracts of Mr. Goirigolzarri, Mr.Sevilla y Mr. Ortega contain a termination benefit of one year of fixed remuneration if the Company decides to terminate their employment unilaterally or in the event of a change of control of the Company. The contracts also contain a post-contractual non-compete clause, as well as a three-month notice period in the contracts of Mr. Sevilla and Mr. Ortega. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by these executive directors must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014. MEMBERS OF THE MANAGEMENT COMMITTEE: The contracts of the nine senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014. OTHER DIRECTORS: It states that in no circumstances may the maximum severance recognised in the case of dismissal for legal reasons, except for disciplinary reasons considered legally valid, exceed two years' fixed compensation.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

Indemnity or golden parachute clauses are authorised by several bodies:

- Executive directors: Authorised by the Board of Directors and reported at the General Shareholders' Meeting.
- Members of the Management Committee: Authorised by the Board of Directors at the proposal of the Remuneration Committee.
- Other senior managers: Authorised in accordance with delegated powers and authorities regarding Bankia Human Resources approved by the Board of Directors.

C.2.Committees of the Board of Directors.

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

RISK ADVISORY COMMITTEE		
Name	Post	Category
MR. JOAQUÍN AYUSO GARCÍA	CHAIRMAN	Independent
MRS. EVA CASTILLO SANZ	COMMITTE MEMBER	Independent
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	COMMITTE MEMBER	Independent
MR. ANTONIO GREÑO HIDALGO	COMMITTE MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of external directors	0.00

On 25 February 2019, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to appoint Mr. Joaquín Ayuso García, replacing Mr. Francisco Javier Campo García, and Mr. Antonio Greño Hidalgo as members of the Risk Advisory Committee. The Board of Directors also resolved to appoint Mr. Joaquín Ayuso García as Chairman of the Risk Advisory Committee, replacing Mr. Francisco Javier Campo García.

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

FUNCTIONS:

The Risk Advisory Committee of Bankia has attributed to it all the duties required in by law, especially banking regulations. Given their length, they are presented in section H of this Report.

RULES OF ORGANISATION AND FUNCTIONING:

With respect to its rules of organisation and functioning, article 47 ter of the Bylaws and article 16 of Board of Directors Regulations states that the Risk Advisory Committee will be comprised of a minimum of 3 and maximum of 5 directors, who may not be executive directors, without prejudice to attendance, when so expressly resolved by the members of the Committee, of other directors, including executive directors, senior managers and any employee. In any event the number of members of the Risk Advisory Committee will be determined directly by way of establishment of that number by express resolution, or indirectly by way of filling vacancies or appointment of new members within the established máximum.

The members of the Risk Advisory Committee must have the appropriate knowledges, skills and experience to fully understand and control the risk strategy and risk tolerance of the Company. At least one third of its members must be independent directors. In any event, the Chairman of the Committee will be an independent director. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The members of the Risk Advisory Committee will be appointed by the Board of Directors, taking into account the directors’ knowledge, skills and experience and the Committee’s duties.

There will be a quorum for the Committee when the majority of the directors that are a part thereof are in attendance, in person or by proxy. It will adopt its resolutions by absolute majority of the members of the Committee, present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

For the proper performance of its duties, the Risk Advisory Committee will have unrestricted access to the information on the risk status of the Company and, if necessary, to the risk management unit and specialised external advisors.

The Director of the risk unit will be a senior manager, meeting the requirements set forth in the applicable regulations and in the performance of his/her duties having direct access to both the Board of Directors and the Board and Advisory Risk Committees, that Director being removable in accordance with the provisions of applicable regulations.

ACTIONS:

Regarding the main actions carried out in 2019, the Risk Advisory Committee advised the Board of Directors on the following key matters:

- Advice on the definition of the Company's and Group's overall propensity of risk, set out in the Risk Appetite and Tolerance Framework and in the Risk Budget.

- Advice on the approval of the Company's and the Group's risk control and management policy, identifying the various types of risk assumed by the Company and the Group, the levels of risk they are willing to take and the necessary corrective measures to limit their impact.

- Advice on the approval of Risk Manuals and Policies.

- Regular monitoring of the loan portfolio and the risks assumed by the Company and the Group, in the broadest sense, proposing to the Board the necessary corrective measures to adapt the risk assumed to the approved risk profile.

- Regular monitoring of projects and activities related to the supervisory bodies.

(Keep in Note H)

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE		
Name	Post	Category
MRS. EVA CASTILLO SANZ	CHAIRMAN	INDEPENDENT
MR. JOAQUÍN AYUSO GARCÍA	COMMITTE MEMBER	INDEPENDENT
MR. FRANCISCO JAVIER CAMPO GARCÍA	COMMITTE MEMBER	INDEPENDENT
MRS. LAURA GONZÁLEZ MOLERO	COMMITTE MEMBER	INDEPENDENT

% of executive directors	0.00
% of propietary directors	0.00
% of independent directors	100.00
% of external directors	0.00

On 25 February 2019, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to appoint Mrs. Eva Castillo Sanz as a member of the Appointments and Responsible Management Committee, replacing Mr. Fernando Fernández Méndez de Andés. The Board of Directors resolved to appoint Mr. Eva Castillo Sanz as Chair of the Appointments and Responsible Management Committee, replacing Mr. Joaquín Ayuso García, who remains a member of the Committee.

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

FUNCTIONS:

The Appointments and Responsible Management Committee of Bankia has attributed to it all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies and in the *Guía Técnica 1/2019* (Technical Guide), of the Spanish National Securities Market Commission (CNMV), on appointments and remuneration committees, which, given their length, are presented in section H of this Report.

The main role of the Appointments and Responsible Management Committee is to contribute to attracting and retaining talent, ensuring that the Company has the best professionals in its governing bodies and senior management. The Committee is also responsible for reviewing the Company's Corporate Social Responsibility Policy, seeing that it is aimed at the creation of value, and monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance thereof. In addition to any other tasks assigned to it by the Board, the Committee has general powers to report on and propose the appointment and removal of directors and senior managers, on matters relating to responsible management and, in particular, without limitation, on the responsibilities within the scope of the Committee's Regulations.

RULES OF ORGANISATION AND FUNCTIONING:

The Committee's rules of organisation and functioning are set forth in Article 47 of the Bylaws and Article 15 of the Regulations of the Board of Directors and, specifically, in the Regulations of the Appointments and Responsible Management Committee.

The rules provide that the Appointments and Responsible Management Committee shall be made up of non-executive directors and a majority of independent directors, with a minimum of 3 and a maximum of 5 directors.

The members of the Appointments and Responsible Management Committee shall be appointed by the Board of Directors, having regard to their knowledge, skills and experience and the duties of the Committee. The members of the Committee, as a whole, must have knowledge and experience in the following areas:

a) Corporate governance;

b) Analysis and strategic evaluation of human resources;

c) Selection of directors and senior managers, including assessment of any suitability requirements that may be required under the regulations applicable to the Company; and

d) Performance of senior management duties.

Efforts will be made to ensure that the membership of the Committee is diverse, taking into account gender, career record, skills, personal capabilities and expertise. When the Company appoints a Lead Independent Director, it shall endeavour to appoint him/her as a member of the Appointments and Responsible Management Committee.

The Committee shall be chaired by an independent director appointed by the Board of Directors. Previous experience as a member of appointment committees or as an executive director or member of senior management in comparable companies by reason of size and complexity will be particularly valued. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Chairman of the Committee shall act as its spokesperson at the meetings of the Board of Directors and, where appropriate, the General Meeting of Shareholders of the Company.

The Chairman of the Committee shall ensure that the members of the Committee receive sufficient information to perform their duties, and the members may request any additional information they require.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be other than the Secretary and Assistant Secretary of the Board of Directors, respectively.

The Committee shall meet suitably in advance of Board meetings whenever convened by a resolution of the Committee itself or its Chairman, and at least four times a year. Further, it shall also meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

Coordination mechanisms shall be established with the Remuneration Committee to ensure consistency of the policies and criteria applied by the Committee to attract talent. In particular, joint meetings shall be held when warranted by the situation and when thought appropriate. A member may form part of both committees.

There will be a quorum for the appointments and responsible management committee when the majority of the directors that are a part thereof are in attendance, in person or by proxy.

The Committee shall adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.

The Committee shall consult with the Company's Chairman and, where appropriate, the Chief Executive of the Company on matters relating to executive directors and senior officers.

The Chairman and any director may submit suggestions to the Committee regarding matters that fall within its remit and, in particular, may put forward candidates to fill vacancies on the Board.

(Keep in Note H)

REMUNERATION COMMITTEE		
Name	Post	Category
MR. FRANCISCO JAVIER CAMPO GARCÍA	CHAIRMAN	Independent
MR. JOAQUÍN AYUSO GARCÍA	COMMITTE MEMBER	Independent
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	COMMITTE MEMBER	Independent
MRS. LAURA GONZÁLEZ MOLERO	COMMITTE MEMBER	Independent

% of executive directors	0.00
% of propietary directors	0.00

% of independent directors	100.00
% of external directors	0.00

On 25 February 2019, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to appoint Mr. Francisco Javier Campo García and Mrs. Laura González Molero as members of the Remuneration Committee, replacing Mrs. Eva Castillo Sanz and Mr. Fernando Fernández Méndez de Andés. The Board of Directors also resolved to appoint Francisco Javier Campo García as Chairman of the Remuneration Committee, replacing Mrs. Eva Castillo Sanz.

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

FUNCTIONS:

The Remuneration Committee of Bankia has attributed to it all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies and in the *Guía Técnica 1/2019* (Technical Guide), of the Spanish National Securities Market Commission (CNMV), on appointments and remuneration committees, which, given their length, are presented in section H of this Report.

In addition to any other tasks assigned to it by the Board, the Remuneration Committee has general powers to report on and propose remuneration for directors and senior managers, and, in particular, without limitation, the responsibilities within the scope of the Committee's Regulations.

RULES OF ORGANISATION AND FUNCTIONING:

With respect to the rules on functioning and organization in the article 47 of the Bylaws and, article 15 bis of the Board of Directors Regulations and, specifically, in the Regulations of the Remuneration Committee.

The rules provide that the Remuneration Committee shall be made up of non-executive directors and a majority of independent directors, with a minimum of 3 and a maximum of 5 directors.

The members of the Appointments and Responsible Management Committee shall be appointed by the Board of Directors, having regard to their knowledge, skills and experience and the duties of the Committee. The members of the Committee, as a whole, must have knowledge and experience in the following areas:

a) Corporate governance;

b) Analysis and strategic evaluation of human resources;

c) Performance of senior management duties; and

d) Design of policies and remuneration plans for directors and senior managers.

Efforts will be made to ensure that the membership of the Committee is diverse, taking into account gender, career record, skills, personal capabilities and industry expertise. When the Company appoints a Lead Independent Director, it shall endeavour to appoint him/her as a member of the Remuneration Committee.

The Committee shall be chaired by an independent director appointed by the Board of Directors. Previous experience as a member of remuneration committees or as an executive director or member of senior management in comparable companies by reason of size and complexity will be particularly valued. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Chairman of the Committee shall act as its spokesperson at the meetings of the Board of Directors and, where appropriate, the General Meeting of Shareholders of the Company.

The Chairman of the Committee shall ensure that the members of the Committee receive sufficient information to perform their duties, and the members may request any additional information they require.

The committee will have a secretary and, optionally, an assistant secretaryx, who need not be directors and may be other than the secretary and assistant secretary of the Board of Directors, respectively.

The Committee shall meet suitably in advance of Board meetings whenever convened by a resolution of the Committee itself or its Chairman, and at least four times a year. Further, it shall also meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

Coordination mechanisms shall be established with the Appointments and Responsible Management Committee to ensure consistency of the policies and criteria applied by the Committee to attract and retain talent. In particular, joint meetings shall be held when warranted by the situation. A member may form part of both committees.

There will be a quorum for the Remuneration Committee when the majority of the directors that are a part thereof are in attendance, in person or by proxy.

In addition to the attendance of all members of the Committee at its meetings, the presence at meetings of other directors, executive or otherwise, of senior managers or of any third party may only occur at the invitation of the Chairman of the Committee and shall be limited to the specific business on the agenda in connection with which they are invited.

The Committee shall adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.

The Committee shall consult with the Company's Chairman and, where appropriate, the Chief Executive of the Company on matters relating to executive directors and senior officers.

To perform its functions more effectively, the Committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters within its remit, ensuring suitable alignment of interests and ensuring that no potential conflicts of interest compromise the independence of the external advice given to the Committee. The Committee shall receive adequate funds for this purpose and shall submit to the Board for approval an annual budget, or alternative mechanisms.

If advisors are retained to assist the Committee in its remuneration policy role, they shall be different from any advisors who might assist the Appointments and Responsible Management Committee in its selection, appointment and assessment roles.

(Keep in Note H)

BOARD RISKS COMMITEE		
Name	Post	Category
MR. JOSE SEVILLA ALVAREZ	CHAIRMAN	Executive
MRS. EVA CASTILLO SANZ	COMITTEE MEMBER	Independent
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	COMITTEE MEMBER	Independent

% of executive directors	33.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	0.00

On 25 February 2019, following a favorable report from the Appointments and Responsible Management Committee, by a resolution of the Board of Directors Mr. Francisco Javier Campo García stepped down from the Board Risk Committee, having been appointed a member and Chairman of the Remuneration Committee and a member of the Audit and Compliance Committee.

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

FUNCTIONS:

The Board Risk Committee is governed by article 48 of the Bylaws and article 16 bis of the Board of Directors Regulations. The Board Risk Committee is the body responsible for approving risks within the authority delegated to it and for overseeing and administering the exercise of the authority delegated to lower-ranking bodies, all this without prejudice to the oversight authority vested by law in the Audit and Compliance Committee. A list of this Committee's functions is provided in section H of this Report.

RULES OF ORGANISATION AND FUNCTIONING:

As regards the rules of organisation and functioning, article 48 of the Bylaws and and article 16 bis of the Board of Directors Regulations states that the Board Risk Committee will be made up of no fewer than 3 and no more than 7 directors. The Chairman of the Committee will be a director appointed by the Company’s Board of Directors

The Board Risk Committee shall be validly constituted when a majority of the directors forming part of it are present, in person or by proxy. Committee resolutions shall be adopted by an absolute majority of members present at the meeting, in person or by proxy. In the event of a tie, the Chairman will have a casting vote.

The Board Risk Committee will have operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the Board.

The Board Risk Committee will have the specific delegated authority contemplated in the delegation resolution.

Also, copies of the minutes of meetings of this Committee will be made available to all directors.

ACTIONS:

Regarding the main actions carried out in 2019, the Board Risk Committee's principle activity is the approval of risks within the authority delegated to it and overseeing and administering the exercise of the authority delegated to lower-ranking bodies.

Given the executive nature of the Board Risk Committee, at its meeting the Committee analyses and, where appropriate, approves all specific risk transactions, finance programmes and the overall limits of prequalification attributed to it within the scope of authority delegated by the Board of Directors. It shall also assess and put forward, as appropriate, proposals of this nature, which must be approved by the Board of Directors.

(Keep in Note H)

AUDIT AND COMPLIANCE COMMITTEE		
Name	Post	Category
MR. ANTONIO GREÑO HIDALGO	CHAIRMAN	Independent
MR. FRANCISCO JAVIER CAMPO GARCÍA	COMMITTE MEMBER	Independent
MR. CARLOS EGEA KRAUEL	COMMITTE MEMBER	Other external
MR. JOSE LUIS FEITO HIGUERUELA	COMMITTE MEMBER	Independent
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	COMITTEE MEMBER	Independent

% of executive directors	0.00
% of propietary directors	0.00
% of independent directors	80.00
% of external directors	20.00

On 25 February 2019, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to appoint Francisco Javier Campo García and Fernando Fernández Méndez de Andés as members of the Audit and Compliance Committee, replacing Joaquín Ayuso García and Jorge Cosmen Menéndez-Castañedo.

At its meeting of 26 June 2019, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to appoint Carlos Egea Krauel as a member of the Audit and Compliance Committee, with effect from 28 June 2019.

All the members of the Audit and Compliance Committee were appointed by the Board of Directors with regard to their knowledge and experience in accounting, auditing, or both, and the duties of the Committee.

Therefore, overall, the members of the Committee have the appropriate knowledge and experience, and the technical expertise regarding the banking industry.

According to the Regulations of the Audit and Compliance Committee, a member of the Committee is considered to have knowledge and experience in accounting, auditing or both, when he or she has.

a) Knowledge of the Accounting regulation, auditing regulation, or both.

b) Ability to value and interpret the implementation of Accounting regulation.

c) Experience in preparing, auditing, analysing or evaluating the financial statements with a certain level of complexity, similar to the Entities one, or experience supervising one or more individuals performing such tasks.

d) Understanding of the internal control mechanisms related to the elaboration process of financial information.

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

FUNCTIONS:

The Audit and Compliance Committee of Bankia has attributed to it all the duties required in company law and banking regulations, and in the technical Guide 3/2017 of the CNVM, on as well as those set out in the Good Governance Code of Listed Companies which, given their length, are presented in section H of this Report.

RULES OF ORGANISATION AND FUNCTIONING:

With respect to its rules of organisation and functioning, article 14 of the Board of Directors Regulations states that the Audit and Compliance Committee will have no fewer than three 3 and no more than five 5 members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any other employee. The members of the Audit and Compliance Committee will be appointed by the Board of Directors taking account of their knowledge, aptitudes and experience in accounting or auditing or both, and the overall technical expertise in relation to the banking industry.

The Committee will be chaired by a non-executive director that, in addition, has knowledge, skills and experience in accounting, auditing or risk management and, in general, any tasks of the committee. The Chairman of the Committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office. The Chairman of the Committee may, at any time, apply to the senior manager responsible for the Company's internal audit for information on internal audit activities. Also, independently of organisational reporting lines, the head of internal audit will maintain a functional relationship with the Audit and Compliance Committee and its Chairman. In any event, the Committee shall oversee the performance of the internal audit unit.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be other than the Secretary and Assistant Secretary of the Board of Directors, respectively.

The committee must meet as many times as it is convened by resolution of the committee itself or its Chairman and no less than four times per year. The members of the committee have an obligation to be properly informed and prepared for meetings. Any members of the Company's management team or staff who are called upon to do so are obliged to attend the meetings of the committee and to cooperate with it and make available any information they may have at their disposal. The committee may also call upon the statutory auditor to attend, but he must not be invited to take part in the decision-making part of Committee meetings. always in accordance with the provisions of these Regulations. The committee must always meet on the occasion of the publication of annual or interim financial information and in these cases may request the presence of the internal auditor and, if it has issued any review report, the statutory auditor to provide input on any agenda item for which they have been invited to attend. At least part of these meetings with the internal or statutory auditor must take place without the management team being present, so that any specific issues arising from the audit reviews can be discussed exclusively with the auditor.

One of the committee's meetings must be used to assess the efficiency of the Company's governance rules and procedures and the extent of the Company's compliance with them and to prepare the information the board must approve and include in the annual public documentation.

At least twice a year, the committee must hold joint sessions with the Risk Advisory Committee to discuss common concerns and any other matters that fall within the remit of both committees and so must be examined and supervised by both.

Meetings of the Audit and Compliance Committee will be validly held when a majority of the Committee's members are present in person or by proxy. Resolutions will be adopted by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have a casting vote. The members of the Committee may extend proxies to other members. The resolutions of the Audit and Compliance Committee will be maintained in a minutes book, each entry in which will be signed by the Chairman and the Secretary.

Before they attend their first meeting, new members of the audit committee must complete an orientation programme that will quickly equip them with sufficient knowledge of the Company to be able to participate actively from the outset.

(Keep in Note H)

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR. ANTONIO GREÑO HIDALGO / MR. FRANCISCO JAVIER CAMPO GARCÍA / MR. CARLOS EGEA KRAUEL / MR. JOSÉ LUIS FEITO HIGUERUELA / MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS
Date of appointment of the chairperson	03/31/2016

C.2.2 Complete the following table with information regarding the number of female directors who were members of board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
RISK ADVISORY COMMITTEE	1	25.00	1	33.33	1	33.33	1	33.33
APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE	2	50.00	1	25.00	0	0.00	0	0.00
REMUNERATION COMMITTEE	1	25.00	1	25.00	1	25.00	1	25.00

BOARD RISK COMMITTEE	1	33.33	1	25.00	1	25.00	1	25.00
AUDIT AND COMPLIANCE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT AND COMPLIANCE COMMITTEE

The regulation of the Audit and Compliance Committee is set forth in the Bylaws (articles 44 and 46),in the Board of Directors Regulations (articles 12 and 14) and in the Audit and Compliance Committee Regulations.

In the 2019 period, the Audit and Compliance Committee regulations were not amended.

The Audit and Compliance Committee presented the Board of Directors with a report on its activities, highlighting the tasks performed by the Committee in relation to its own duties for 2018. This report was made available to all shareholders for the General Meeting of Shareholders held on 22 March 2019.

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

The regulation of the Appointments and Responsible Management Committee is included in the Bylaws (articles 44 and 47), in the Board of Directors Regulations (articles 12 and 15) and in the Appointments and Responsible Management Regulations

In 2019, article 15 of the Regulations of the Board of Directors was amended via a resolution passed by the Board on 24 July 2019 in order to include the recommendations and guidelines of Technical Guide 1/2019, of the Spanish National Securities Market Commission (CNMV) on nomination and remuneration committees and, among them, state that the rules governing the Audit and Responsible Management Committee may be implemented in the Regulations of the Audit and Responsible Management Committee, which were approved the same day, 24 July 2019.

The Appointments and Responsible Management Committee also presented the Board with a report on its activities, highlighting the tasks performed by this committee in relation to its own duties for 2018. This report was made available to all shareholders for the General Meeting of Shareholders held on 22 March 2019.

REMUNERATION COMMITTEE

The regulation of the Remuneration Committee is included in the Bylaws (articles 44 and 47 ter), in the Regulations of the Board of Directors (articles 12 and 15 bis) and in the Remuneration Committee Regulations.

In 2019, article 15 of the Regulations of the Board of Directors was amended via a resolution passed by the Board on 24 July 2019 in order to include the recommendations and guidelines of Technical Guide 1/2019, of the Spanish National Securities Market Commission (CNMV) on nomination and remuneration committees and, among them, state that the rules governing the Remuneration Committee may be implemented in the Regulations of the Remuneration Committee, which were approved the same day, 24 July 2019.

The Remuneration Committee presented the Board with a report on its activities, highlighting the tasks performed by this committee in relation to its own duties for 2018. This report was made available to all shareholders for the General Meeting of Shareholders held on 22 March 2019.

RISK ADVISORY COMMITTEE

The regulation of the Risk Advisory Committee is included in the Bylaws (articles 44 and 47 ter) and the Regulations of the Board of Directors (articles 12 and 16).

In the 2019 period, the Risk Advisory Committee regulations were not amended.

The Risk Advisory Committee presented the Board with a report on its activities, highlighting the tasks performed by this committee in relation to its own duties for 2018.

BOARD RISK COMMITTEE

The regulation of the Board Risk Committee is set forth in the Bylaws (articles 44 and 48) and the Board of Directors Regulations (articles 12 and 16 bis).

In the 2019 period, the Board Risk Committee regulations were not amended.

The Board Risk Advisory Committee presented the Board with a report on its activities, highlighting the tasks performed by this committee in relation to its own duties for 2018.

The Bylaws, the Regulations of the Board of Directors, the Regulations of the Audit and Compliance Committee, the Regulations Appointments and Responsible Management and the Regulations of the Remuneration Committee, in addition to the compositions of the aforementioned committees, are permanently available on Bank's website: www.bankia.com (in the Corporate Governance and Remuneration Policy" section of "Shareholders and Investors").

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Article 35 of the Regulations of the Board of Directors

According to article 35 of the Board of Directors Regulations of Bankia, S.A., the Board of Directors shall review the transactions the Company engages in, directly or indirectly, with directors, shareholders or persons related to them.

Engaging in such transactions will require authorisation of the Board, after a favourable report from the Audit and Compliance Committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in applicable regulations.

There will be no obligation to advise the Board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions:

a) they are pursuant to contracts the terms of which are basically standardised and customarily are applied to customers contracting for the type of product or service in question;

b) they are at prices or tariffs established on a general basis by the one acting as the supplier of the goods or services in question or, when the transactions relate to goods or services for which there are no established tariffs, they are on customary market terms, comparable to those applied in commercial relationships maintained with customers having similar characteristics; and

c) the amount is no more than 1% of the Company’s annual revenue.

Transactions with directors in any event will be subject to the authorisation referred to in this article, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the Board of Directors, simultaneously satisfying conditions (a) and (b) as set forth in section above.

A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in Article 35 of the Board of Directors Regulations.

In 2019, the Audit and Compliance Committee reported, prior to approval by the Board of Directors, on the transactions that, in accordance with article 35 of the Regulations of the Board of Directors, are considered related-party transactions.

Framework agreement

With respect to relations between Bankia and BFA, signed a Framework Agreement in 2011, which was updated on 28 February whereby the relations between Bankia and BFA in effect at that time and any relations, services or transactions that might be arranged in future are referred to as the "Related-Party Transactions". For the purposes of the Framework Agreement, “related-party transactions” means the performance, between the parties, of any financial or non-financial transaction, service, transfer, acquisition or investment or disposal concluded directly between them or through any companies belonging to their consolidated groups. Bankia and BFA undertook that any intra-group service or transaction shall always have a contractual basis and, subject to the provisions of each individual contract, all related-party transactions are governed by the general principles set out in the Framework Agreement

The Framework Agreement is available at the corporate website (www.bankia.com).

D.2. Describe any transactions that are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company’s significant shareholders:

Name of significant shareholder	Name of Company within the group	Nature of the relationship	Type of transaction	Amount (Thousand of euros)
Without data				N.A.

No significant shareholder or any party related to it concluded transactions with the Bank outside the ordinary course of business or not at arm's length, in accordance with *Orden EHA/3050/2004, de 15 de septiembre*, on related-party transactions to be disclosed in half-yearly reporting by issuers of securities listed on official secondary markets.

D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or senior manager	Name of related party	Relationship	Type of transaction	Amount (Thousand of euros)
Without data				N.A.

See note 43 of the separate financial statements and note 46 of the consolidated financial statements for 2019 of Bankia, S.A. as a supplement to this section and notwithstanding that they are not related-party transactions for the purposes of the provisions of *Orden EHA/3050/2004* (Ministerial Order), on related-party transactions to be disclosed in half-yearly reporting by issuers of securities listed on official secondary markets.

None of the members of the Board of Directors or other member of the Bank's senior management, or company in which these individuals are directors, members of senior management, significant shareholders, or any related parties thereto have carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, as far as the Bank is aware, pursuant to *Orden EHA/3050/2004* (Ministerial Order), on related-party transactions to be disclosed in half-yearly reporting by issuers of securities listed on official secondary markets.

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered to be tax havens:

Name of entity within the group	Brief description of the transaction	Amount (Thousand of euros)
Without data		N.A.

There have been no transactions with such characteristics.

D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections:

Name of entity within the group	Brief description of the transaction	Amount (Thousand of euros)
Without data		N.A.

There have been no transactions with such characteristics.

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Article 32 of the Board of Directors Regulations regulates the situation of conflicts of interest. This article place the obligation for directors to notify the Board of director’s any situations of direct or indirect conflict of interest they, or persons related to them, may have with the interests of the Bank. Also, article 31 of the Board of Directors Regulations, directors must refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest.

In addition, under the scope of the Internal Rules of Conduct for Securities Markets activities (RIC), article 37 establishes the duties of covered persons and article 38 the general rules for managing conflicts. The mechanisms for detecting conflicts of interest are based fundamentally on the obligation to disclose to Regulatory Compliance Department any situation of conflict of covered persons.

On the other hand, the Bankia Group has a Code of Ethics and Conduct which must be complied with by all persons who have any type of professional relation with the group. The purpose of the Code of Ethics is to establish ethical principles and general rules that shall shape the Group's activities and the individuals subject to the Code, both within the Group and in relations with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations.

The Group has a Confidential Whistleblowing Channel, where the staff can report any irregularities they detect in the compliance with the Code of Ethics and Conduct, involving directors, employers or suppliers. The Ethics and Conduct Committee are ultimately responsible for resolving conflicts of interest and its decisions are binding.

To resolve possible conflicts of interest between BFA and other group companies, efforts have been made to promote best practices in good governance in respect of relations between BFA and Bankia, including the signing of a Framework Agreement in 2011, which was updated on 28 February 2014. The objectives of this agreement are (i) to establish relations between both entities and between their respective group companies and ensure an adequate level of coordination, thereby minimizing and regulating each company's areas of activity - at arm's length - and potential conflicts of interest that could arise in the future, (ii) to regulate the procedure to be followed should the members of Bankia's Board of Directors find themselves in a situation that conflicts directly or indirectly with the interests of BFA, establishing the obligation to declare this situation of conflict and refrain from taking part in the deliberation and discussion of issues at the heart of the conflict, (iii) to regulate information flows between Bankia and BFA to ensure both parties comply with their statutory accounting, tax and reporting obligations. In the event that a director is a member of the Boards of both BFA and Bankia, they shall refrain from being involved in the matters set forth in the Framework Agreement.

Regarding related-party transactions, the Framework Agreement establishes that related party transactions will be governed by the principles of transparency and the undertaking or render thereof on reasonable and equitable market terms, preferred treatment, and following diligence and confidentiality criteria. Bankia's Audit and Compliance Committee shall formally issue its opinion, by means of a report to the Company's Board of Directors, on whether the related-party transactions are at arm's length. Following a favourable report from the Audit and Compliance Committee, the Board of Directors shall aprove all related-party transactions. Section 6.6 of the aforementioned Framework Agreement establishes the requirements to be met in the event of Bankia were to grant financing to BFA.

In addition, on 17 December 2015, the Board of Directors approved the Conflict of Interests Policy of Bankia, S.A., which sets forth the procedures for preventing conflicts of interests.

The Conflict of Interest Policy was updated by the Board of Directors on 24 July 2019. In conformity with said Policy, a conflict of interest is understood to exist when a there is a direct or indirect contradiction, clash and/or incompatibility between the social interests of Bankia or any other Group company and the interest of its (i) directors; (ii) senior management personnel, (iii) shareholders, (iv) employees, (v) suppliers; or (vi) clients; or third parties directly or indirectly related thereto; or between clients.

D.7. Is more than one company in the group listed in Spain?

[ ] Yes
[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

Risk management is a strategic pillar in the Organisation. The primary objective of risk management is to safeguard the Group’s financial stability and asset base, while creating value and developing the business in accordance with the risk appetite and risk tolerance levels set by the Governing Bodies To this end, the Organization provides tools that allow for the assessment, control and monitoring of the requested and approved risk, delinquency management and the recovery of non-payment risks. The Group’s risk strategy is implemented with the aim to guarantee stable and recurring earnings, with an overall medium-low risk profile. To this effect, the key pillars of this strategy are as follows:

1. An effective internal control framework based on the three lines of defence approach governed by general principles, covering all types of relevant risks for the Group as a whole, independence of the risk function and the commitment of senior management, bringing behaviour to the highest ethical standards and strict compliance with laws and regulations.

2. Efficient risk governance.

3. An organisational model that is consistent with the general principles of this domain and based on a transparent organisational structure that includes clear allocation of duties and responsibilities, from senior management down to the Company’s lowest levels. It has a responsible management team and an active internal control system, in which the Board of Directors is charged with setting the risk control and management policies and overseeing the effectiveness of internal control.

Accordingly, the Group’s risk management and control model is based on the three lines of defence approach, the main functions and responsibilities of which are:

- The risk management departments, which own the risk processes and are responsible for executing the established controls, comprise the first line of defence. Specifically, the first line comprises the business units and any Company unit that takes risks. These units carry out their activities in compliance with the Group’s risk profile base on the approved risk appetite and policies.

To perform its day-to-day risk management function within the scope of its activity and responsibility, the first line of defence has resources to identify, measure, address and reports the risks taken. It applies appropriate control and reporting procedures in accordance with the internal control framework in place and the procedures for monitoring the risk limits approved in the Group’s RAF and policies.

- The second line of defence consists of the areas that oversee risks and define controls to mitigate them. It comprises the Corporate Risk Department and the Corporate Compliance Department.

In April 2015, the Board of Directors appointed the Group’s Chief Risk Officer (“CRO”), setting the conditions necessary for performance, its main responsibilities, and the rules and powers for appointment and removal. The position reinforces the independence of the Chief Risk Officer, which must maintain constant functional reporting to the Risk Advisory Committee and its Chairman. The CRO has two-way direct access to Senior Management and the governing bodies. Under the CRO’s oversight, the Corporate Risk Department’s main task is to monitor, control and oversee all the Group's risks from a comprehensive and forward-looking vision. Accordingly, there is ongoing dialogue between the department and the Board of Directors through the Risk Advisory Committee.

The Corporate Compliance Directorate is in charge of identifying and assessing compliance risk by checking compliance with the internal policies and procedures in place and exercising appropriate controls, and coordinating the preparation and execution of action plans to mitigate compliance risk. It reports to Senior Management on the results of this activity. It is also responsible for liaising with regulatory and supervisory agencies.

- The third line of defence is composed of the Corporate Internal Audit Department. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. The role of Internal Audit is to enhance and protect value in Bankia and its Group by providing objective assurance, risk-based advice and expertise, helping the Group to meet its goals by providing a systematic and disciplined approach to assess and improve the effectiveness of governance, risk management and control processes.

(KEEP IN SECTION H)

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

On 26 June 2013, the European Council approved a regulation which, from 1 January 2014, made application of the capital agreements known as BASEL III effective for the entire European Union. This regulation is articulated in a capital requirements directive and a capital requirements regulation, known as CRD IV and CRR, respectively.

One of the main features of this regulation compared to previous regulations is the introduction of Corporate Governance as a core element of risk management. In this regard, Bankia answers fully to the spirit of the new regulation, with its Governing Bodies assuming responsibility for the oversight and control of risks:

- The Board of Directors is the highest governing body. It determines and approves the general internal control strategies and procedures, as well as the policies for the assumption, management, control and reduction of risks to which the Group is exposed. It has several internal Committees, attributed different risk control and monitoring responsibilities.

- The basic responsibilities of the Audit and Compliance Committee include overseeing the efficiency of the internal control of the entity, the internal audit, where appropriate, and the risk management systems. Specifically, it is responsible for regularly reviewing internal control and risk management systems in order to properly identify, manage and report the main risks.

- Risk Advisory Committee. Article 38 of the Law on the Regulation, Supervision and Solvency of Credit Institutions (LOSSEC) establishes the need to create a Risk Committee whose members do not have executive duties. Therefore, in 2014, the Board Risk Committee was relieved of functions not related to authorisation of transactions (non-executive). These have been transferred to the new Risk Advisory Committee, whose functions included those from the Board Risk Committee and those in the draft Royal Decree 84/2015 implementing the LOSSEC. The Risk Advisory Committee is currently the body responsible for overall risk management, taking the related decisions in accordance with the authorities delegated to it and being responsible for establishing and supervising compliance with the control mechanisms for the various types of risk, without prejudice to the supervisory authority legally corresponding to the Audit and Compliance Committee.

- The Board Risk Committee, with executive power and authority to approve the most significant transactions, may establish, as authorised by the Board of Directors, the overall limits in order for lower-ranking bodies to approve the others. With respect to credit risk, the risk approval structure and the risks, which due to their amount, are reserved for the Board Risk Committee are determined by the existing risk segments at any given time and the levels catalogued in accordance with their credit rating ("rating" or "scoring") based on models endorsed by the supervisor.

The organisational model described is rounded off with a number of committees, including:

a) Management Committee. This committee is presented with the documentation analysed at previous meetings by the organisation's various units. Under the scope of the Risk Appetite Framework, this committee is in charge of proposing the pertinent measures when limits are approached.

b) Capital Committee. Among this committee's responsibilities are the monitoring of the regulatory framework and its potential impact on the Group's regulatory capital, and the monitoring and analysis of the main capital ratios and their components, as well as the leverage ratio. It also monitors capital initiatives being carried out within the Group and the main changes in RWAs.

c) Assets and Liabilities Committee. This committee is charged with monitoring and managing structural balance sheet and liquidity risks, reviewing the balance sheet structure, business and market performance, the overall financial landscape, product profitability, earnings, and so on, with due regard to the policies and powers approved by the Board of Directors. It must also decide on investment and hedging strategies to keep risks within the approved limits and the budget for the year.

d) Risk Committee. This committee oversees the operation under its remit and performs a preliminary analysis and assessment of all credit risk which must be resolved by high-ranking levels (Board of Directors and the Board Risk Committee). It is also in charge of designing a risk authorisation system and interpreting regulations to improve operations in accordance with general criteria approved by the Board of Directors.

e) Provisioning Committee. Its responsibility is to ensure compliance with prevailing standards for recognising impairments for credit risk; approve the framework of risk classification policies, criteria and approaches and allowances under the general framework of policies established by the Board of Directors.

f) Models Committee. Its main function is to lay before the Board of Directors proposals for approval of new models and the extension/modification of existing models, and the proposed plan for implementing the models.

(KEEP IN SECTION H)

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

Using the conventional classification of risks generally used in the financial sector, Bankia analyses, measures and manages the following risks:

Credit risk

Understood as the risk of loss arising from the failure of a counterparty to meet its contractual obligations. This is the Entity's main risk.

The loans and advances to customers continuing the trend of the last year, 34% in the wholesale segment (including public sector), 66% in the retail segment.

Personal mortgages account for 56% of gross lending.

The credit risk affecting the total loan investment in the property development portfolio is 0.5% and highly provisioned.

Market risk

Market risk is the risk of loss caused by adverse fluctuations in prices of the financial instruments in which Bankia operates. Another risk related to market risk is liquidity risk.

Activity in financial markets also exposes the entity to market liquidity risk, which arises from difficulties closing or covering positions due to an absence of counterparties in the market which can cause the price to be negatively affected in the case of sale.

Structural balance sheet interest rate risk

Structural balance sheet interest rate risk relates to potential losses in the event of adverse trends in market interest rates. Interest rate fluctuations affect both net interest income and equity. The intensity of the impact depends to a large extent on the different schedule of maturities and repricing of assets, liabilities and off-balance sheet transactions.

Liquidity and financing risk

Structural liquidity risk is defined as uncertainty, in adverse conditions, regarding the availability of reasonably-priced funds that allow for punctual compliance with commitments undertaken by the entity and for the financing of investing activity growth. In addition to the various metrics, the entity has a clearly established a Contingency Plan, which identifies the alarm mechanisms and the procedures to follow in the event said plan is activated.

Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but not reputation risk.

IT and cybersecurity risk

A business risk arising from the use, ownership, operation, participation in and influence and adoption of IT systems in the Bank. Within IT risk, cybersecurity risk is the risk of breaches of confidentiality, completeness or availability of the Bank's data and IT systems.

Reputational risk

Reputational risk is expressed as the probability of incurring losses due to the occurrence of any event that fails to meet stakeholder expectations to the point that this undermines the level of recognition obtained or prevents the desired level from being reached, resulting in an adverse attitude and/or behaviour that could have a negative impact on the business.

The Entity's approach includes mechanisms to assess, measure and manage new risks, enabling the Entity to respond quickly and efficiently to adverse situations that could pose reputational risk and result in financial losses. In this respect, the new corporate risk culture has led to a more demanding and rigorous risk management model embedded in the Entity's strategy and organisation that ensures comprehensive treatment of risks.

Tax risk

In view of the possibility of sustaining a higher-than-expected tax effect on transactions, the reform to the Corporations Act included a series of measures designed to improve corporate governance, such as Tax Risk Management (TRM). Listed companies are obliged to manage tax risk appropriately and the Board of Directors of these companies is ultimately responsible in this respect.

Crime risk

Crime risk arises from the infringement by directors, employees or third parties of criminal regulations in carrying out their business that could result in potential sanctions that give rise to a liability for the Entity.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The entity has a Risk Appetite Framework that was approved by the Board of Directors.

Risk appetite is understood to be the level and type of risk that the Entity is prepared to accept in the course of its business to achieve its objectives, respecting regulatory restrictions and any commitments made. The Risk Appetite Framework establishes a set of elements that provide a complete view of the levels of appetite, tolerance and capacity for each of the risks and the comparison between same and the Entity's risk profile.

Furthermore, the Board of Directors approved the Capital Planning Framework which, together with the Risk Appetite Framework, sets out the Entity's strategic lines of action with respect to risk and capital in normal business circumstances. Both processes shape the planning of the Entity's activities and businesses.

The Recovery Plan (also approved and effective since February 2015) establishes the potential measures to be adopted in a hypothetical crisis situation. The measures would be triggered if the predefined level of any of the selected indicators in the plan were exceeded. They are consistent with those determined by the tolerance levels in the RAF.

Thus, the Board of Directors approved the necessary changes to the Risk Appetite statement, developing the relationship between the RAFT and the Strategic Plan, Business Model, Capital Planning, Recovery Plan and Budget, as well as the adaption of indicators, in order to adjust same to the various Supervisor requirements and to the risk control and monitoring needs.

E.5. State which risks, including tax compliance risks, have materialised during the year.

The Bankia Group has reduced doubtful exposures during 2019 in the amount of EUR 1,866 million. With a total amount by 31 December 2019 of EUR 5,869 million.

The decrease in the doubtful portfolio led to a reduction in the NPL ratio for loans and receivables to 4.91 %.

Also worth noting is the breakdown of doubtful assets. At 31 December 2019, 37% of assets were classified in the doubtful category for subjective criteria or are in the "curing" period. Accordingly, no loans in this portfolio are past-due that imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay. This must be verified over a period of at least six months, but can be extended to the entire grace period where applicable.

Counterparty risk

To mitigate the risk of trading in derivatives with financial and non-financial institution counterparties, Bankia has entered into CMOF or ISDA framework contracts, which enable it to net negative and positive positions of the same counterparty. At 31 December 2019, there were 2,381 netting agreements. In adittion, Bankia has collateral agreements (Appendix III of CMOF and CSA) to mitigate exposure of collateralisation to the market value of positions with the contribution of cash or bonds. There are currently 237 collateral agreements signed (124 derivatives, 75 repos and 38 securities loans). These agreements reduced the credit risk of the derivatives activity by 91.48%.

The valuation adjustment as at 31 December 2019 was EUR 96.710 million.

Market risk

Bankia’s average VaR in 2019 was EUR 0.84 million, with a maximum of EUR 1.31 million and a minimum of EUR 0.52 million.

Interest rate VaR (EUR 0.43 million, including volatility) accounted for the largest share of average VaR, followed by credit spread VaR (EUR 0.17 million).

Structural balance sheet interest rate risk

In adverse movement in the yield curve could have a negative effect on the value of the Entity's assets and liabilities and its net interest margin. The rest of sensitivity measures calculated during the year were within the regulatory limits, which establish risk levels consistent with prudent management.

Liquidity and financing risk

The average liquidity and funding position by volume of liquid assets and status of regulatory ratios remained strong throughout the year and compatible with a low risk profile.

Operational risk

The operational risks materializing in the 2019 period is EUR 48.3 million. The most important operational risks relate to “execution, delivery and process management” (EUR 21.4 million) and “client practice” (EUR 12.4 million) and “external fraud” (EUR 7.1 million). These data do not include non-recurring losses relating to past behavioural risks (Annulled Shares, Preference Shares, Floor Clauses, etc.) with legal proceedings that are still in progress and are exceptional in nature.

Losses from operational events include penalties, interest or surcharges arising from proceedings against the Bank in the tax realm.

Crime risk

Bankia has in place a crime risk prevention model in line with best practice in the industry that identifies activities to be monitored. We implement protocols and procedures to prevent conduct that could lead to criminal offences and ensure compliance with our Code of Ethics and Conduct.

The model reflects Bankia's Crime Prevention Policy and the governance model for the prevention, management and control of crime risks, both of which were approved by the Board of Directors.

The model is based on the identification of risks, as well as the implementation and regular execution of general and specific controls through software applications that can detect potential circumstances that entail heightened risk. The results of executing these controls are reported annually to the Audit and Compliance Committee and the Board of Directors.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

The entity operates a Risk Appetite Framework that sets the desired and maximum levels of risk that the Group is willing to accept. The Risk Appetite Framework is approved annually by the Board of Directors, while the Risk Advisory Committee is responsible for advising the Board on the Company's current and future overall risk appetite and strategy. With advice from the Risk Advisory Committee, the Board approves policies for the various risks to which the Bank is exposed. The Risk Appetite Framework and the Policies are reviewed annually to update the desired and maximum levels of risk indicators, add any further suitable tracking metrics and cover any new topic required by regulations or new risk trends and challenges.

Credit Risk. Credit risk is managed within the limits and guidelines established in the credit risk policy. It is supported by a set of tools that can be classified according to their functionality into the following categories:

- Risk classification.
- Risk quantification.
- Risk projection.
- Risk-adjusted return (RAR).
- Business revitalisation.
- Recovery management.
- Concentration risk management.

Counterparty risk. The following overall limits are established to control Counterparty Risk:

Overall Risk Limit (risk ceiling from all of Bankia's operations with Financial Institutions), Fixed-income Underwriting Framework (covers underwriting for different issuers assuming final assumption of zero), Limit on Trading in Government Debt (ceiling on all Bankia's trading with an issuer that is a state-owned entity), Alco Portfolio Limit (structural portfolio allowing for fixed-income investment), and Derivatives Lines for Non-Financial Institutions (individual limits per counterparty).

To mitigate counterparty risk, the Entity performs daily analysis of exposures to counterparties in order to assess cumulative risk and control potential excesses, reconciles the derivative portfolios of each counterparty regularly and calculates daily the margins to be exchanged with counterparties that have a collateral agreement signed. In addition, it calculates, on a daily basis, the credit value adjustment (CVA), which measures the adjustment we must make to the value of derivatives assuming that they are risk-free to obtain their value adjusted for the risk of the counterparty’s default.

Market risk. Market risk is controlled through the establishment of limits based on VaR, calculated using the historical simulation method, sensitivity, maximum loss and size of the position. These limits are established according to maximum exposure approved annually by Senior Management and distributed among the different areas and business centres.

The main tools used to measure and control market risk are VaR with a 1-day time horizon and a 99% confidence level and sensitivity. The main movements in market factors used in sensitivity analysis are interest rates, equity prices, exchange rates, volatility and credit spreads.

Structural interest rate risk. The Entity has a structural risk management policies and procedures framework under which it monitors regulatory and other, stricter internal limits. Based on this, it controls and monitors the sensitivity of the interest margin and the value of its assets and liabilities by simulating different interest-rate scenarios to complement regulatory scenarios. The measurement scheme covers the entire balance sheet (focusing on the impact of changes in interest rates on profit or loss) and on portfolios of held-to-maturity financial assets (mainly fixed-income).

Liquidity and financing risk. To monitor this risk, the Entity has management policies and procedures in place that enable it to identify, measure, monitor and control the risks inherent in the management of liquidity and financing. The analysis includes different approaches, the liquidity gap in accordance with maturity and the financial structure, including the current/non-current ratio, as well as the calculation of different liquidity coverage ratios, underpinned by the regulatory liquidity ratio, based on different assumptions.

In addition, the Entity has appropriate liquidity contingency plans in place it may use in the hypothetical event of a liquidity crisis.

(KEEP IN SECTION H)

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Article 4 of the Board of Directors Regulations expressly states the Board of Directors shall provide the markets with prompt, accurate and reliable information ("particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions", and approve financial reporting the Company must regularly publish.

In addition, article 36.2 of the Board of Directors Regulations stipulates that "The Board will adopt the measures necessary to guarantee that quarterly, semi-annual and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles and policies as the annual financial statements and is equally reliable".

Meanwhile, the Audit and Compliance Committee's responsibility include, inter alia, supervising the preparation and filing of regulatory financial information and, in particular, reviewing the Company's accounts.

The Board of Directors has delegated in the Audit and Compliance Committee responsibility for overseeing that ICFR operates correctly.

In relation to its risk management and control oversight duties, the Audit and Compliance Committee considers the criteria of supervisory bodies regarding anti-corruption and other irregular practices and the identification, management and control of the potential related impacts, acting with the utmost rigour.

Senior Management is responsible for designing and implementing the ICFR through the Deputy General Directorate of Finance, which performs any activities required to ensure that ICFR operates correctly, and through the other directorates involved, which must cooperate with this directorate.

The Group has an Internal Control over Financial Reporting Policy (the "ICFR Policy") approved by the Board of Directors that describes the tools and internal risk management and control systems related to the process of publishing financial information and its oversight.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

Organisation Management is responsible for defining and proposing for adoption, in accordance with established regulatory requirements, strategic guidelines and policies, structure, size and functions of the Bank's different organisational groupings, as well as the operational procedures that regulate the performance of these functions in order to achieve the most efficient distribution of functions and resources possible.

It is also responsible for defining and making any changes to the functions attributed to the Bank's groupings, upholding the principles of segregation of duties and organisational efficiency, as well as preparing and keeping up to date the Bank's Operations Manual and publishing the organisational chart on the website, both the organisational structure, the Process Map, which provides an overall view of the Bank's key processes. Specifically, the latter provides information on the activities carried out, the parties involved in carrying them out and the tools used in the different processes.

Such updates are duly approved by the pertinent authorised party in accordance with the prevailing system of Authorities and Delegated responsibilities in place for Human Resources and Organisational matters and and properly communicated to the organization.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

The Bankia group has a Code of Ethics and Conduct, approved by the Board of Directors constituting one of the essential pillars of its System of Corporate Governance to create a corporate culture and extend behavior patterns based on corporate values: integrity, professionalism, commitment, and achievement orientation.

The Code of Ethics and Conduct is mandatory for all Bankia professionals and governs their relationships both within the Company and with customers, suppliers, shareholders and others that have dealings with Bankia. It sets the standards that must their behaviour in their daily work and in their decision making. It sets forth the rules and guidelines of professional conduct applicable to all employees and directors of the Entity and all the Bankia Group’s businesses and activities.

The objective of the Code of Ethics and Conduct is to regular permitted and prohibited conduct and set out the ethical principles and general rules that must guide the actions of the Group and the people within the scope of application.

Bankia's Board of Directors and governing bodies are responsible for ensuring all activities focus on this goal, dealing with potential breaches and, if needed, taking corrective measures as and when required through the competent bodies.

All people to whom the Code of Ethics and Conduct applies have received a copy. It has also been published on the corporate intranet and on the Company's website. In addition, a specific training programme sets up for all professionals of the Entity. The objectives of this programme include teaching these professionals how to apply Code of Ethics and Conduct correctly and report any behaviour that breaches the Code by using the Confidential Whistleblowing Channel.

Bankia has an Ethics and Conduct Committee, whose functions are decided by the Board of Directors. These include operating the measures necessary to handle ethically questionable conduct; overseeing compliance with the Code of Ethics and Conduct; as well as performing annual assessments of the degree of compliance with the Code and drafting reports for Senior Management.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

The Bankia Group has a Confidential Whistleblowing Channel provided for by the Code of Ethics and Conduct, which all Entity employees and suppliers may use to file a confidential, and anonymous, if requested, written report on any possible financial or accounting irregularities that may potentially relevant or on any other behavior breaching the Code of Ethics and Conduct, found in any of the entities of the Group.

The Confidential Whistleblowing Channel has a set of regulations approved by the Audit and Compliance Committee setting out the mechanisms for receiving, filtering, classifying and handling reports submitted, all in accordance with the criteria issued by the Spanish Data Protection Agency in this respect, and guaranteeing confidentiality as it is managed by an external firm with broad experience in the field which refers complaints, queries or suggestions to the Ethics and Conduct Committee.

Both the Code of Ethics and Conduct and the Confidential Whistleblowing Channel are core elements of the crime prevention and detection model.

The Committee on Ethics and Conduct provides, within its competencies, the Audit and Compliance Committee an activity report at the end of each period, and regularly reports on the functioning of the Whistle-Blowing channel, in particular on the number of reports received, their origin, type, the results of the inquiries and the proposed actions.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

Bankia has established mechanisms to ensure individuals involved directly in collating financial information and preparing and reviewing financial reporting have the professional skills and competence to perform such duties. In this respect, these individuals are continuously updated on prevailing legal requirements and are sufficiently able to efficiently perform their tasks and duties.

The Personnel Strategy and Policy Department of Bankia's oversees the Group's training activities and programmes, and keeps an up-to-date record of all training courses provided and the content thereof. Specifically, regular training and refresher courses are provided to personnel involved in the ICFR and its oversight that cover at least accounting standards, auditing, internal control and risk management.

Presently, the Internal Control System for Financial Information Policy can be found in the Corporate Intranet available to every employee, as well as an online learning module specific of the ICFR.

As well as induction training, during the year further training may be provided to attend to specific training needs not envisaged at the offset, such as training in response to regulatory changes or in response to specific requests from departments for certain courses.

In this respect, the Deputy General Directorate of Finance is in charge of dissemination and updating, so that staff involved in ICFR have the necessary knowledge to perform their duties and responsibilities. Actions relate to the addition or modification of ICFR officers and identification of changes in processes, risks or controls arising both internally and externally. In addition, in 2019 the Controller Department has provided a training on ICFR, within the scope of the Deputy General Directorate of Finance.

F.2. **Assessment of financial information risks**

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

Bankia has developed a procedure to identify material areas and relevant processes that provide for potential risk events (including the risk of errors and fraud) that may significantly affect the Group’s financial information.

This process is documented, setting out the frequency, methodology, types of risks, controls performed, and the frequency and supervisors of such controls, where the Deputy General Directorate of Finance is responsible for implementing and updating said process, counting with the collaboration of the rest of Departments involved in the ICFR.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

This procedure, it has been designed taking into account all financial reporting objectives (existence, occurrence integrity, valuation, presentation and disclosures, and rights and obligations), it is up dated once a year, using the latest financial information. As well as when there are material changes in processes or transaction flows due to internal changes in changes outside the Entity that may uncover material risks not identified previously that require implementation of the pertinent mitigating controls.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Company therefore avails of a monthly procedure for updating and verifying the scope of consolidation performed by the - Deputy General Directorate of Finance. This procedure is based on the Group's consolidation tool and enables Bankia to ensure any variations in the scope of consolidation in the different reporting periods are correctly included in the Group's consolidated financial statements. The Groups scope is monthly reported in the corporate intranet.

The Regulations of the Board of Directors also authorise the Board to approve resolutions concerning the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and the Group.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The risk identification process takes account of the impact of other types of risks (e.g. operational, technological, financial, legal, tax, reputational, and environmental) to the extent that these could affect the Bank's financial reporting.

- The governing body within the company that supervises the process.

The Audit and Compliance Committee's duties include supervising the effectiveness of internal control and, specifically, periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed.

F.3. Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

As stated in section F.1.1, the Board of Directors has delegated the authority to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

The powers conferred on the said Committee are as follows:

1.- Supervise the effectiveness of the Company's internal controls, internal audit, regulatory compliance and risk management systems, financial and non-financial, and discuss with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit, all while safeguarding independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, along with the related follow-up period. In particular, regarding internal reporting and control systems:

- Verify the appropriateness and integrity of internal control systems and review the appointment and replacement of those responsible for them.

- Review and supervise the preparation and integrity of the financial information regarding the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements and the proper application of accounting principles.

- Periodically review the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed.

- Establish and supervise a mechanism whereby staff can confidentially report any irregularities with potentially serious implications they detect within the Company, in particular financial or accounting irregularities.

- Establish and supervise a system for preventing and detecting crimes that may result in criminal liability for the Company.

2.- Supervise the preparation and filing of regulatory financial information and make recommendations or submit proposals to the Board of Directors to safeguard the integrity of the financial information, and in particular:

- Report to the Board of Directors, in advance, on the financial information that the Company must publish periodically; espcifially considering its completeness and accuracy.

- Review the Company's accounts, to ensure compliance with legal requirements and proper application of generally accepted accounting principles, and report on changes to accounting principles and criteria proposed by management

In the interests of effective supervision the committee must hold individual meetings with management and internal audit and maintain fluid communication with the statutory auditor for the purpose of analysing the following matters: (i) The appropriateness of the scope of consolidation ; any judgements, criteria, valuations or estimates that have a material impact on the financial statements and related non-financial reports; any changes in the significant criteria applied; where applicable, the reasons why in its public reports the Company uses certain alternative performance measures (APMs) instead of the measures defined directly by the accounting standards, the extent to which those APMs provide useful information to investors and the extent to which the Company complies with international recommendations and best practice in this regard; any material weaknesses in internal control, any material adjustments identified by the statutory auditor or resulting from reviews performed by internal audit, and management's position on such adjustments, taking into account any demands sent in the current or a previous period by the Comisión Nacional del

Mercado de Valores (CNMV), in order to ensure that the same incidents identified in those demands are not repeated in future financial statements.

- review issue prospectuses and any periodic financial information the Board is required to provide to the markets and market supervisory bodies.

Deputy General Directorate of Finance include, inter alia, overseeing accounting and tax management, and the preparation of the Group's periodic financial statements, as well as the financial information disclosed to the markets and regulatory bodies.

The Controller’s Department is in charge of designing, implementing, ensuring, regularly updating and fostering the System of Internal Control Over Financial Reporting (ICFR) with the collaboration of the rest of departments involved.

Responsibility for regulated financial information published within the time limits required by the regulations lies with the Directorate-General Deputy Financial

- The preparation of regulatory half-yearly and annual financial information is the responsibility of the Controller's Department,

- The preparation of quarterly financial information as well as the Management report included in the regulated financial information semi-annual and annual, it is the responsibility of the Directorate of Planning and Financial Management

- The Annual Corporate Governance Report and the Non-Financial Statement attached to the Management Report within statutory annual financial reporting are produced by the Office of the Company Secretary and by the External Communications and Relations Department, respectively.

When preparing this information, the Deputy General Directorate of Finance call on the support of the departments and/or units responsible for collating certain supporting information that has to be disclosed in the periodic financial reports. In addition, once the information has been prepared, and before it is published, these departments and units are also required to review and give final approval of the information under their responsibility.

As part of the process of preparing half-yearly and annual reporting, the Controller’s Department is responsible for designing the accounting circuits for recording transactions in the Bank and for applying key controls as specified in the accounting close process on the basis of defined materiality thresholds. In this preparation, control procedures have been defined and implemented that guarantee the quality of information and its reasonableness ahead of its presentation to management.

In this respect, the Corporate Internal Audit Department is in charge of the proper functioning of the internal control and risk management system, as well as compliance with regulations and procedures, issuing any recommendations for improvement it deems appropriate.

The Audit and Compliance Committee is also involved in this review, notifying the Board of Directors, previously, of its conclusions on the financial information that the Company must publish periodically.

Ultimately, the Board of Directors approves the financial information that the Company must periodically disclose. These duties are set forth in the Board of Directors Regulations, as described in point F.1.1 above. This approval is formalised in the minutes of the various Board and Committee meetings.

The description of the ICFR is examined by the Deputy General Directorate of Finance and the Corporate Internal Audit Department.

Within the framework of the specific controls and activities regarding transactions that may significantly affect the financial statements, the Bankia Group has identified material areas and specific risks, as well as significant processes in these areas, differentiating between business processes and transversal processes, and has documented in detail each of the processes, flows of activities, existing risks, mitigate controls, the frequency thereof, and those responsible for carrying out these activities.

Critical areas and meaningful processes are determined by applying quantitative criteria, complemented by qualitative criteria, to the main figures of the consolidated public financial statements, taking into account the defined materiality thresholds.

The business processes identified affect the following critical areas:

- Loans and receivables.
- Financial liabilities at amortised cost.
- Debt securities and equity instruments.
- Derivatives (hedging and trading).
- Non-current assets held for sale.
- Investments.
- Tax assets and liabilities.
- Provisions.
- Fees and comisions for service transactions.

-Active and non-active treasury.

The transversal processes identified are as follows:

- Accounting close.
- Consolidation.
- Judgements and estimates.
- General IT controls.

Accordingly, the accounting close process includes the following phases:

-Accounting close. The accounting close entails review, analysis and control over the close of the separate financial statements, followed by the consolidation process.
-Preparation of financial statements and other relevant information based on public statutory statements.
-Process of planning, preparation and review of statutory public financial reporting.

The estimate and assumption process is supported by a specific Policy approved by the Board of Directors, the purpose of which is to address the most relevant elements subject to judgements and estimates, the classification thereof, generally used hypotheses and/or estimates (be they objective or subjective) and the individuals responsible for making them. This policy applies to balances and transactions identified as significant within the Bankia Group and that entail estimates or assumptions to an extensive degree due to the various tiers of the Group as a part of the process of preparing financial information, these mainly refer to the following:

- The fair value of certain financial and non-financial assets and liabilities.
- Impairment losses on certain financial assets, considering the value of the guarantees or collateral received and non-financial assets (mainly real estate), as well as the contingent liabilities.
- Financial assets classification, according to the evaluation to determine if the contractual cash flows are solely payments of principal and interest.
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and obligations and another long term obligations.

- The estimate of costs to sell and the recoverable amount of non-current assets held for sale, investment properties and inventories acquired by the Group in payment of debt, by nature, condition and purpose.
- The useful life, fair value and recoverable amount of tangible and intangible assets.
- The recoverability of recognised tax assets.
- The estimate, at each date, of the potential impacts of legal proceedings and claims lodged against the Group in the course of its business.

The supervisor of each of the affected areas is responsible for preparing the estimates. The Directorate-General Deputy Financial is responsible for gathering said estimates and presenting them to the relevant bodies for the notification and approval thereof.

Said estimates are presented at least on an annual basis to the Management Committee, prior to being included in the Group’s Annual Accounts, where ultimately the Board of Directors is the body responsible therefor, as indicated in the Annual Accounts.

The Bank has in place a certification model for key controls within the system of Internal Control over Financial Reporting based on a "bottom-up" approach, which starts at the lower levels of the organisational structure and then rises to the Deputy General Directorate of Finance, thus ensuring that half-yearly/annual financial reporting is reliable when released to the market. In this process, each person in charge of the key controls identified certifies, for the given period, the effective execution of the controls.

The Certification Model, coupled with self-assessment of key controls, evolves by leveraging the risk management and internal control system and interdepartmental synergies, continuously monitoring business processes and creating a common language for both processes.

The Controller’s Department, which is a section of the Deputy General Directorate of Finance, is responsible for launching the Certification Process every six months and for monitoring timely compliance in the proper form so that the Finance Department can finally certify the ICFR system prior to the release date of public financial reporting.

The Bank carried out two certification processes in 2019 for the preparation of the half-yearly and annual financial statements. No significant incidents were uncovered that could have a material effect on the reliability of the financial information.

For the preparation of financial statements, the Deputy General Directorate of Finance presents the results of the certification process to the Board of Directors and the Audit and Compliance Committee.

Moreover, the Corporate Internal Audit Department carries out supervisory functions, as described in sections F.5.1 and F.5.2.

F.3.2 Policies and procedures for the internal control of the information systems (including, access security, change control, operational aspects, continuous operability and segregation of functions) that support the relevant processes of the company in relation to the drafting and publication of the financial reporting.

The Deputy General Directorate of Finance prepares specifications for the policies and procedures concerning IT systems that are used to prepare and publish financial information.

The Information Security General Policy and Regulations rolled out across the Entity's IT systems are applied to the systems on which financial reporting is based and those used for its preparation and control.

The General Directorate of People, Resources and Technology is responsible for the Bank's IT and telecommunication systems. Its duties include defining and monitoring the security policies, circular and guides, and standards for applications and infrastructures, including the IT internal control model.

The key tasks assumed by this department in relation to IT systems are as follows:

- Surveillance and control data access and physical security systems.
- Surveillance and control data access and logical security systems.
- Back-up management.
- Management of scheduled tasks.
- Incident management.
- Systems incident management.

The Bankia Group has set of rules regulations, including the Information Security General Policy and Regulations, which are mandatory for all persons who process information, within which the General policy and the General safety regulations of information are integrated. These documents are available to all employees on the Corporate intranet.

The Information Security General Policy constitutes the general regulatory framework, setting for the responsibilities with respect to data protection and covering the general philosophy, the goals, the principles and the acceptable ways of proceeding with respect to information security, and constituting the first level of this set of rules and regulations. The objective is to adequately protect the information of the Bankia Group.

The General Security Regulations detail the actions and controls applied to protect the Bankia Group's information. Its aim is to support and facilitate the Policy. In this respect, it sets out governance of information security, defining the access-protection measures and controls, and implementation of the documented operational procedures and guidelines, which are reviewed periodically in order to manage security in applications. It defines the principles of segregation of duties, the management of back-up copies, the definition of responsibilities and functions regarding security, training and raising awareness among those who process data, as well as issues regarding confidentiality, integrity and availability of information and assets.

The Company's development process, which broadly encompasses the development of new applications or modification of existing applications and appropriate management of these projects, is based on maturity models that guarantee software quality and, especially, the appropriate processing of transactions and the reliability of information.

The Entity has a Business Continuity Policy that sets out the lines of action to prevent or minimize the potential losses for the Entity caused by a disruptive event. This policy also guarantees the Bankia has defined and tested strategies for each critical function that ensure its business processes are restored and recovered. These lines of action are reviewed periodically through a test plan to ensure that all continuity preparations are performed adequately and produce optimal results in the recovery of business processes.

Bankia also has eight information security operating processes and another five business continuity processes considered internal control procedures.

The Company has back-up architecture in its main processing centers. Back-up policies and procedures also ensure information is available and can be recovered in the event of a loss.

Back-up procedures and recovery plans are evaluated by independent units to ensure they are effective and that transactions involving financial information are appropriately processed and registered.

F.3.3 Internal control policies and procedures for the supervision of the activities subcontracted to third parties, as well as the assessment, calculation or valuation aspects thereof that are commissioned to independent experts, that may substantially affect the financial statements.

The Bankia Group has a delegation policy for outsourcing services and functions approved by the Board of Directors, along with a governance model for outsourcing management of the delegation functions and services.

The delegation Policy for services and functions, understood as delegating to a third party the provision of services and/or exercise of functions inherent in the normal or typical provision of banking or investment services, outlines the criteria and guidelines necessary to address specific aspects of delegation to: comply with applicable legislation; identify, measure, control and management the inherent outsourcing risks (operational, reputational and cyberrisk); and adopt appropriate measures to prevent or mitigate exposure to potential risks, in particularly when essential services or functions are outsourced.

The Bankia Group's outsourcing Delegation Policy for the services and functions is supplemented with information and monitoring procedures, which are applied until the outsourcing arrangement is concluded (including the preparation on reasons underlying the outsourcing, the arrangement of the outsourcing agreement, completion of the agreement until its conclusion, contingency plans, exit strategy).

Before delegation outsourcing essential functions and services, the Entity conducts a feasibility study of the service or function, and selects and evaluates providers.

The prior analysis of the delegation of service or functions takes into account, among others, the following factors: cost-benefit analysis of the delegation; policy aspects that could be conditional on delegation; the impact of the delegation on the Company's business and the evaluation of the risks incurred by the entity, as well as the requirements on internal control mechanisms provided for in the current regulations resulting from implementation; the entity's capacity and experience to effectively monitor delegated functions and to adequately manage risk sassociated with such delegation, especially where such delegation is an essential service or function and/or involves the use of new technologies; and the development, implementation and maintenance of an emergency plan for disaster recovery and verification computer security mechanisms, where necessary in view of the delegated role or service.

Meanwhile, the selection and assessment of third parties is carried out taking into consideration several factors to ensure that the provider to which the function or provision of services is outsourced: has the appropriate competence, ability, experience, quality and stability, and that, depending on the characteristics of the service or function, the appropriate resources and organisational structure; the necessary authorisation required by applicable legislation to perform the outsourced function or services reliably and professionally; complies with the main laws and regulations applicable to it, especially anti-money laundering and customer protection laws; performs the outsourced function or service effectively and in accordance with applicable legislation; cooperates with the supervisory authority in all matters relating to the activities outsourced to it; protects all confidential information related to the entity and its customers and, if it accesses, processes and/or stores personal data that are responsibility of the Bankia Group, offers sufficient guarantees that it applies appropriate technical and organisational measures so that such access, processing and/or storage complies with prevailing data protection regulations. And, in particular, for services or functions considered essential: supervises the correct performance of the outsourced functions; adequately manages the outsourcing risks and, in this respect, has the appropriate measures for this, such as the performance of regular data back-ups and security checks, and has, applies and keeps up to date an emergency and contingency plan to enable it to continue its activity and limit losses in the event of serious incidents in the business.

The organisational unit that receives the services is responsible for the monitoring and continuing control over the services or functions performed by the outsourcing services provider, regarding both fulfilment of the contract and the effective performance of the outsourced service. For critical services or functions, the Outsourcing Control Centre prepares regular monitoring reports and, after their content is reviewed by the Corporate Internal Audit Department, which assesses both the risks and rewards of the outsourcing, presents them to the Board of Directors. For adequate control and monitoring of the service and depending on its nature, meetings are held regularly throughout the year with the outsourcing service provider. The arrangement sets out the frequency, the issues to be addressed and the persons attending these meetings.

In any event, no functions that are relevant or could materially affect the Group's financial information are currently outsourced by Bankia.

The entity engages independent experts to obtain certain evaluations, calculations and estimates used to prepare the financial statements published on the securities markets. In general, the main areas that outsource these services are related to actuarial calculations, real estate appraisals, and the measurement of financial instruments and investments/disposals. In this regard, the individual person in charge of each area affected monitors the results of the reports produced to determine their consistency and reasonableness. The Deputy General Directorate of Finance checks the consistency of the findings within the framework of preparing regulatory reporting, as does the external auditor under the framework of its review engagement, in addition to any review procedures that may be implemented by the Corporate Internal Audit Directorate in accordance with the approved engagement planning.

F.4. **Information and communication:**

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 A specific assigned function for the purpose of defining and keeping the accounting policies (accounting policy area or department) up-to-date and for resolving doubts or disputes in relation to the interpretation thereof, while maintaining fluid communication with the persons and units responsible for operations within the organisation, as well as an updated accounting policies manual that is provided to the units pursuant to which the company operates.

Amongst the duties of General Directorate Deputy Financial, dependant of the Chief Executive Officer, would be the following:

-Analysing the accounting standards issued by the various pertinent authorities that could have an impact on the Group's financial statements.

-Maintaining and updating existing accounting manuals and plans.

-Analysing and calculating the accounting impacts of the Group's new products, businesses and operations.

-Referring to and interpreting accounting standards in order to draft basic announcements, policies, judgments and estimates for subsequent practical application.

-Coordinating communication with the supervisory accounting authorities.

-Coordinating work schedules and liaising with external auditors.

-Preparing reports on and developing specific rules.

The General Directorate Deputy Financial is also responsible for receiving and resolving any doubts or disputes over interpretation of the accounting treatment of specific transactions in the Group (both the parent company and the subsidiaries included in the scope of consolidation).

The Bank has an Accounting Policies Manual, which is the responsibility of the Corporate Financial Controller's Department. The policy is approved by the Board of Directors and updated at least once a year to include any applicable amendments to accounting standards. All areas affected are notified and the policy is published on the Corporate Intranet.

The Bank rounds off the Accounting Policies Manual with several policies and manuals for certain matters that include specific issues requiring more in-depth development.

Indeed, as a complement to the Manual, there is a Financial Disclosure Policy, approved by the Board of Directors, which sets out the main disclosures required in regulated financial reporting and establishes the principles governing consistency between the information disclosed in the Entity's regulated financial reports and that of other regulatory information (e.g. Basel Pillar III disclosures).

F.4.2 Mechanisms for the capture and preparation of financial reporting with homogeneous formats, that are applicable and used by all of the units of the company or group, that support the main financial statements and the notes, as well as the detailed information out regarding the ICFR.

The General Directorate Deputy Financial is responsible for define accounting policies and procedures to be applied generally in the preparation of individual financial statements by companies that are majority owned by Bankia (subsidiaries hereinafter "companies" or "investees") for their reporting to the Group so it can prepare its consolidated financial statements, and compiling and listing Bankia's reporting obligations. It also regulates the minimum content and deadlines of the reporting to be provided by Group companies and the deadlines for submitting such information.

The Bankia Group boasts IT systems and applications that enable it to aggregate and standardise the individual accounting records of the Group's business areas and subsidiaries to the required level of detail, in order to prepare the individual and consolidated financial statements disclosed to the markets.

Likewise, Bankia has a procedure in place for centralising the compiling of information corresponding to companies that compose the Group which includes the criteria and models to assure receipt of consistent information. There are also a series of controls implemented that allow the reliability and accuracy of the information received from the subsidiaries to be ensured.

The General Directorate Deputy Financial is responsible for preparing public financial information of a regulatory nature.

F.5. Supervision of system performance

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Bankia's Board of Directors Regulations establishes that the internal audit function shall fulfil the information requirements of the Audit and Compliance Committee needed to perform its duties.

Bankia's Corporate Internal Audit Department, which reports functionally to the Audit and Compliance Committee and organically to the Chief Executive Officer. At 31 December 2018, the Corporate Internal Audit Department had 99 employees.

The functions of Bankia's Corporate Internal Audit Department include supporting the Audit and Compliance Committee in ensuring the internal control system operates correctly, by performing financial reviews of reporting procedures.

The Bankia Group's Corporate Internal Audit Department has annual audit plans which are submitted to the Committee of Audit and Compliance, for its favorable report, and which are subsequently approved by the Board of Directors. The reports issued refer, inter alia, to the assessment of risk management, internal control, corporate governance and IT systems processes, including an analysis of assets and their appropriate financial accounting classification.

The audit for the year 2019 Plan includes assessment activities that have covered aspects related with the process of preparation of the financial information. Furthermore, in the 2019 period, within the established rotation plan for the supervision of the internal financial information control system (SCIIF) and pursuant to the 3-year period recommended by CNMV, 7 of the processes identified at the Entity were reviewed. The scope for each of the reviewed periods is as follows:

- The sufficiency of the controls implemented to mitigate the identified risks.
- Evidence of execution of the controls identified in the ICFR documentation.
- The result of the self-assessment of controls defined and certifications corresponding to the processes analized.

The outcome of the review is set out in a report which is circulated to the groups responsible for control execution and to the Controller´s Department (which ensures that the controls continue to work as intended). Recommendations in support of an action plan are proposed and approved by the areas involved to resolve any weakness detected, which defines responsibilities and deadlines for implementing the action.

The Corporate Internal Audit Department regularly provides the Audit and Compliance Committee with outcomes of the verification and validation procedures performed by the internal audit team, which also includes the action plans designed to correct the most significant weaknesses detected.

The minutes of the meetings of the Audit and Compliance Committee set out the activities performed in relation to supervision, planning (approval of the annual operations plan, allocation of responsibilities to implement the plan, etc.) and the review of the results obtained.

F.5.2 If there is a discussion by which the accounts auditor (in accordance with the provisions of the NTA), internal auditor and other experts may communicate senior management and the audit committee or senior managers of the company of the significant internal control weaknesses identified during the review of the annual accounts or during any other processes carried out thereby. Furthermore, state whether an action plan exists for the correction or mitigation of the weaknesses detected.

Bankia's auditor has direct access to Bankia's senior management, holding regular meetings to obtain the information needed for it to conduct its engagements and to communicate any control weaknesses detected during the audit.

In addition, the auditor regularly informs the Audit and Compliance Committee of the findings of its audit and review of Bankia's financial information, including any aspect that it deems relevant, and assists this Committee when it presents financial information.

The Corporate Internal Audit Directorate, with the frequency set out in the Internal Audit Policy approved by the Board of Directors, presents to Senior Management and the Audit and Compliance Committee the results of the assurance and validation engagements arising from the Annual Audit Plan or those arising from specific reviews requested by the Audit and Compliance Committee, supervisory bodies or other associations, and the related action plans to address the most significant deficiencies uncovered.

The minutes of the meetings set out the activities performed in relation to supervision, planning (approval of the annual operations plan, allocation of responsibilities to implement the plan, etc.) and the review of the results obtained.

F.6. Other relevant information

N/A

F.7. External auditor’s report

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

In 2019, Bankia’s external auditor reviewed the information contained in section F of the annual corporate governance report regarding ICFR in accordance with generally accepted professional standards in Spain regarding the engagement of the agreed procedures and, in particular, as provided for in the guidance document on the audit report on information provided by listed companies on their ICFR issued by professional bodies and auditors, and published by the CNMV on its website.

The external auditors’ report will be included as an appendix to the annual corporate governance report.

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company’s level of compliance with recommendations from the Code of Good Governance of listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to assess the company´s actions. General explanations are unacceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

   Complies [X]   Explanation [   ]

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

   a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   Complies [   ] Complies Partially [   ] Explanation [   ] Not applicable [X]

3. That, during the course of the ordinary General Shareholders’ Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the Chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last General Shareholders’ Meeting.

   b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

   Complies [X] Complies Partially [   ] Explanation [   ]

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies [X] Complies Partially [ ] Explanation [ ]

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

   And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

   Complies [X] Complies Partially [ ] Explanation [ ]

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

   a) Report regarding the auditor's independence.

   b) Reports regarding the workings of the audit committee and the appointments and Remuneration Committee.

   c) Report by the audit committee regarding related-party transactions

   d) Report on the corporate social responsibility policy.

   Complies [X] Complies Partially [ ] Explanation [ ]

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

   Complies [X] Explanation [ ]

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the Chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

   Complies [X] Complies Partially [ ] Explanation [ ]

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies Partially [ ] Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [ ] Complies Partially [ ] Explanation [ ]Not applicable [X]

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies [ ] Complies Partially [ ] Explanation [ ]Not applicable [X]

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies [X] Complies Partially [ ] Explanation [ ]

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies [X] Explanation [ ]

14. That the Board of Directors approves a selection policy for directors that:

    a) Is concrete and verifiable.

    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

    c) Favours diversity in knowledge, experience and gender.

    That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

    And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

    The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

    Complies [X] Complies Partially [ ] Explanation [ ]

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

    Complies [X] Complies Partially [ ] Explanation [ ]

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

    This criterion may be relaxed:

    a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

    b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

    Complies [X] Explanation [ ]

17. That the number of independent directors represents at least half of the total number of directors.

    Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [X] Explanation [ ]

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies [X] Complies Partially [ ] Explanation [ ]

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [ ] Complies Partially [ ] Explanation [ ]Not applicable [X]

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, mergers or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X] Explanation [ ]

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

    And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

    Complies [X] Complies Partially [ ] Explanation [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

    Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

    Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies Partially [ ] Explanation [ ]

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items which do not originally appear on the agenda.

Complies [X] Complies Partially [ ] Explanation [ ]

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X] Complies Partially [ ] Explanation [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company’s expense.

Complies [X] Complies Partially [ ] Explanation [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X]Complies Partially [ ] Explanation [ ]

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the Chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies [X] Complies Partially [ ] Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies Partially [ ] Explanation [ ]

33. That the Chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies Partially [ ] Explanation [ ]

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: Chairman of the Board of Directors in the absence of the Chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the Chairman.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies [X] Explanation [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the Chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X] Complies Partially [ ] Explanation [ ]

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies [ ] Complies Partially [ ] Explanation [ ]Not applicable [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [ ] Complies Partially [ ] Explanation [ ]Not applicable [X]

39. That the members of the audit committee, in particular its Chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies [X] Complies Partially [ ] Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive Chairman of the Board or of the audit committee.

Complies [X] Complies Partially [ ] Explanation [ ]

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

42. That in addition to those contemplated in the applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

   a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

   b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

   c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

   a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

   b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's Independence.

   c) Monitor that the company communicates relevant facts with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

   d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

   e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X] Complies Partially [ ] Explanation [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X] Complies Partially [ ] Explanation [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the

Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) Fixing of the level of risk the company considers acceptable

c) Means identified in order to minimise identified risks in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X] Complies Partially [ ] Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] Complies Partially [ ] Explanation [ ]

47. That members of the appointment and Remuneration Committee -or of the appointments committee and the Remuneration Committee if they are separate- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X] Complies Partially [ ] Explanation [ ]

48. That high market capitalisation companies have formed separate appointments and Remuneration Committees.

Complies [X]Complies Partially [ ] Explanation [ ]

49. That the appointments committee consult with the Chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

    And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

    Complies [X] Complies Partially [ ] Explanation [ ]

50. That the Remuneration Committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

    a) Propose to the Board of Directors basic conditions of employment for senior management.

    b) Verify compliance with company remuneration policy.

    c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

    d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

    e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

    Complies [X] Complies Partially [ ] Explanation [ ]

51. That the Remuneration Committee consults with the Chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

    Complies [X] Complies Partially [ ] Explanation [ ]

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

    a) That they are composed exclusively of non-executive directors, with a majority of them independent.

    b) That their chairmen be independent directors.

    c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

    a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

    b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

    c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

    d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

    e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

    f) Supervision and evaluation of the way relations with various stakeholders are handled.

    g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

    h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

    Complies [X] Complies Partially [ ] Explanation [ ]

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

    a) The objectives of the corporate social responsibility policy and the development of tools to support it.

    b) Corporate strategy related to sustainability, the natural environment and social issues.

    c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

    d) Methods or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

    e) Mechanisms of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies Partially [ ] Explanation [ ]

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [X] Complies Partially [ ] Explanation [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies [X] Explanation [ ]

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies [X] Complies Partially [ ] Explanation [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [X] Complies Partially [ ] Explanation [ ]Not applicable [ ]

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. 3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

H. 1.-OTHER INTEREST INFORMATION

Bankia has a System of Corporate Governance approved by the Board of Directors and inspired by the Bankia Group's corporate values with respect to business ethics and corporate social responsibility: integrity, professionalism, commitment, closeness and focus on achievement.

This system is also underpinned by the principles of good governance assumed and developed by the Company in the Corporate Governance Policy and Definition of the Bankia Group Structure, and as regards internal governance approved by the Company's Board of Directors based on the recommendations of the Good Governance Code for Listed Companies approved by the Board of the CNMV in 2015.

Bankia's System of Corporate Governance comprises a set of internal policies, standards and procedures in accordance with prevailing legislation and the scope of corporate autonomy supported therein, ultimately aimed at satisfying the corporate interest, understood as the common interest of all shareholders of an independent, public listed company (sociedad anónima) focused on the profitable and sustainable pursuit of its objects and the creation of long-term value, which in the case Bankia entails a broad institutional and retail shareholder base.

Bankia's System Of Corporate Governance comprises mainly (i) Corporate Texts, (ii) Internal Procedures and Rules of Conduct and (iii) Corporate Policies.

(i) Corporate texts:

- Bylaws.
- General Meeting of Shareholders Regulations.
- Board of Directors Regulations.
- Audit and Compliance Committee Regulations.
- Appointments and Responsible Management Regulations.
- Remunerations Committe Regulations.

(ii)Internal Procedures and Rules of Conduct:

The Company and the Group also have other internal procedures and rules of conduct that comply with regulatory requirements in legal or statutory provisions, or those arising from good governance recommendations.

These include, among others, the following rules and procedures:

- Code of Ethics and Conduct.
- Internal Rules of Conduct for Securities Markets.

Said basic texts within the scope of codes of conduct are developed and complemented through other internal procedures and provisions, such as the Client Protection Regulations and the Confidential Whistleblowing Channel Regulations, as well as others addressing issues like of the prevention of money laundering and terrorist financing, all of which falls within the framework of Bankia's commitment to promote an ethical corporate culture and the fulfilment and advancement of the Entity's responsible behavior.

(iii)Corporate Policies:

These policies determine the general principles and guidelines that regulate the governing bodies, duties, activities and processes of the Company and its Group, establishing a framework for action that grants legal security to the company and its Group. They are general in nature and permanent. They were approved by the Board of Directors, taking into account the relevant legal requirements, such as good governance recommendations.

Specifically, Bankia's System of Corporate Governance includes, inter alia, the following:

- Bankia Corporate Governance Policy and Definition of the Bankia Group Structure.
- Information, communication and contacts policy with shareholders, institutional investors and voting advisors.
- Policy of Suitability of Directors General or Similar, and other holders of key bankia functions and Selection Policy,Diversity, Integration and Training of Directors.
- Policy of Selection and Appointment of the members of the Senior Management of Bankia.
- Remuneration policy of directors and directors-general or those who develop their senior management functions.
- Risk management and control policies.
- Investment and financing policy.
- Responsible management policy.
- Dividend policy.
- Policy on treasure shares.
- Conflicts of interest policy.
- Compliance policy.
- Policy of new products.

In 2019, the Board of Directors updated the corporate governance system and several policies; e.g., the Group Corporate Governance and Organisational Structure Policy, the Policy on the Suitability of Directors, General Managers and Other Key Function Holders, the Policy on the Selection, Diversity, Suitability, Integration and Training of Directors, the Policy on the Selection and Appointment of Senior Managers, and the Conflicts of Interest Policy.

H.2.-OTHER INTEREST INFORMATION SECTION A5

SECTION A.5.

On 25 January 2019, was subscribed an agreement related to the management of the indirect ownership of the FROB through BFA Tenedora de Acciones, S.A.U. in Bankia S.A.

SECTION C.1.30 (continuation)

- Engagement under contract, rotation of appointment:

- Monitoring of contract expiry dates, signing of audit reports, submission of replacement options/competition in October.
- The external auditor's Quality and Independence Manual sets out their policy on rotation of partners and key personnel.

- Fees and transparency:

- Monthly monitoring of the 70% limit on each new proposal submitted to the Audit and Compliance Committee.
- Six-monthly reconciliation of billing recorded on Bankia's systems to proposals reviewed, accounting records and billing reported by the external auditor.
- Six-monthly review of billing for services provided to Bankia in proportion to the external auditor's total revenue.

Specific mechanisms established by the Company to safeguard the independence of financial analysts, investment banks and credit rating agencies:

Moreover, article 38 of the Regulations of the Board of Directors states that the Board of Directors will establish mechanisms for the regular sharing of information with institutional investors who are among the Company's shareholders, and that the relations between the Board of Directors and institutional shareholders may not result in delivery to such shareholders of information that could give them a privilege or advantage over other shareholders.

Article 36(5) of the Regulations of the Board of Directors states that the Board of Directors shall define, promote and publish on its website a policy for communication with shareholders, institutional investors and proxy advisors that is fully consistent with the rules against market abuse and gives similar treatment to shareholders that are in the same position.

This policy is applicable to information and communications provided by the Company to financial analysts, investment banks and rating agencies. For financial analysts, regulatory compliance recommendations are adhered to. For investment banks, where they are advisors to the Bank, the relationship is governed by non-disclosure agreements and all parties involved are included on the lists of insiders as applicable in accordance with prevailing law. For rating agencies, the relationship is governed by non-disclosure agreements. Credit rating agency analysts are subject to the specific regulations of the ESMA (European Securities and Markets Authority) that apply to them.

In this respect, the Policy of Information, Communication and Contacts with shareholders, institutional investors and proxy advisors approved by the Board of Directors and which forms part of the Company's corporate governance system, aims to engage and encourage permanent dialogue with the Company's stakeholders, particularly its shareholders, institutional investors and proxy advisors, in order to generate stable and sound relations and promote transparency within the framework of corporate interest, acting in accordance with the following principles: (i) transparent communication, (ii) information and ongoing dialogue, (iii) equal treatment and non-discrimination, (iv) commitment and integrity in the dissemination, communication and management of corporate information, (v) innovation, sustainability and development in the use of new technologies, and (vi) compliance with the law and the corporate governance system.

SECTION C.2.1. (continuation)

FUNCTIONS OF THE RISK ADVISORY COMMITTEE (continued)

The Risk Advisory Committee will perform the following functions:

a) Advise the Board of Directors on the Company’s general risk appetite, now and in the future, and its strategy in this respect, and assist the Board in overseeing the implementation of that strategy. Nevertheless, the Board of Directors will have ultimate responsibility for the risks taken by the Company.

b) Ensure that the pricing of the assets and liabilities offered to customers takes the Company’s business model and risk strategy fully into account. Where this is not the case, the Risk Advisory Committee will present the Board of Directors with a plan to remedy the situation.

c) Determine, together with the Board of Directors, the nature, quantity, format and frequency of the risk reports the Risk Advisory Committee and the Board of Directors are to receive.

d) Collaborate to establish rational remuneration policies and practices. For this purpose, without prejudice to the functions of the Remuneration Committee, the Risk Advisory Committee will monitor the incentives provided by the remuneration system to ensure that it gives proper consideration to risk, capital, liquidity and the probability and timing of profits.

e) Present risk policies to the Board of Directors.

f) Propose the Company’s and the Group’s risk control and risk management policy to the board of directors through the internal capital adequacy assessment (ICAAP) report, which must identify in particular: - The different types of financial and non-financial risk the Company and Group are exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

- The internal reporting and control systems of the Company or the Group for the management and control of risks, including contingent liabilities and off-balance-sheet risks.

- The risk levels assumed by the Company.

- The corrective measures to limit the impact of the identified risks, should they materialise.

g) Refer to the Board of Directors proposals regarding:

- Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those arising from the macroeconomic environment in relation to the current stage of the economic cycle.

- Approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.

- Periodic reports of the results of verification and control functions undertaken by the Company’s units.

h) Periodically monitor the credit quality of the Company and the Group to make proposals to the Board of Directors on control of matching the risks taken to the established risk profile, paying particular attention to the main customers of the Company and Group and the distribution of risk by business sector, geographical area and risk type.

i) Periodically check the systems, processes, assessment methods and criteria for approving transactions.

j) Make proposals to the Board of Directors for the assessment, monitoring and implementation of instructions and recommendations issued by supervisory bodies in the exercise of their function and, where applicable, refer to the Board of Directors any proposals for actions to be taken, while following the instructions received.

k) Verify that the Company’s risk reporting processes are appropriate for managing the risks taken and, where appropriate, propose any improvements that may be considered necessary to correct them.

l) Make proposals to the Board of Directors in relation to the Company’s credit risk authority framework.

m) Supervise the internal control and risk management function. The officer in charge of this year shall provide the Committee, at at the end of each year, with a report of activities, evaluating whether the risk unit has the processes, technical resources and personnel necessary for proper performance of its duties in an independent manner, consistent with the Company's risk profile.

In particular, the the Risk Advisory Committee shall supervise the functions of the risks unit with respect to:

- Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified.

- Participate actively in the preparation of risk strategies and in key decisions about their management.

- Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE (CONTINUATION)

To perform its functions more effectively, the Committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters within its remit, ensuring suitable alignment of interests and scrutinising, at the time of engagement, any potential conflicts of interest that might exist. The Committee shall receive adequate funds for this purpose and shall submit to the Board for approval an annual budget, or alternative mechanisms.

If advisors are retained to assist the Committee in its selection, appointment and assessment roles, they shall be different from any advisors who might assist the Remuneration Committee in its remuneration policy work. The above is subject to the principle of proportionality and the specific circumstances of each case.

The Committee shall record any potential conflict of interest affecting the external advisors, the detail of the fees earned by each advisor over the year and the actions taken to safeguard their independence. External advisors shall be required to disclose in their service provision proposals any conflicts of interest they may have with the Company, with the directors or with potential candidates for Chairman, CEO or director.

In the performance of its duties, the Appointments and Responsible Management Committee shall take into account, inasmuch as possible and on a continuing basis, the need to ensure that the Board of Directors' decision-making is not dominated by one individual or by a small group of individuals such as could harm the interests of the Bank as a whole.

ACTIONS:

In 2019, the Appointments and Reponsible Management Committee's key actions focused on:

- Annual verification of the status of directors: The Committee verified the status of directors and was briefed on business relations between the Bank and the independent directors. Such relations are disclosed in the annual corporate governance report.

- Reports on appointments: In 2019, the Committee submitted reports and proposals to the Board of Directors for the appointment and ratification of directors and their specific positions, and regarding senior management. The Committee reported on replacements of Board Committee members and the appointment of the Lead Independent Director.

- Policy for the selection of directors and senior managers: In 2019, the Committee reported favourably on the proposal to update the policy on the suitability of directors, general managers and other key function holders at Bankia and the policy on the selection, diversity, integration and training of directors, and on the proposal to update the policy on selection and appointment of members of senior management. The Committee was briefed on the annual verification of compliance with the policy for the selection of directors, the report on the annual verification of compliance with the policy for the selection and appointment of senior managers and the report on the annual verification of compliance with the Board diversity policy. The Committee was informed at several meetings of the steps taken to meet the gender diversity target and of the start of the process of assessing the suitability of the selected female candidates.

- Assessment: The Committee was informed of the 2019 Suitability Assessment Report, which covers some 80 people, including directors, general managers or similar positions and key personnel of Bankia, and of the proposal to update the Group's suitability manual. The Committee was also informed of the membership of the management bodies of Group companies and the suitability of their members. The Committee was briefed on the evaluation of the Board and its Committees, and on performance assessment of the Chairman, the Chief Executive Officer, the Lead Independent Director and individual directors.

- Responsible management: In 2019, the Committee reviewed, monitored and evaluated the Responsible Management Policy and Plan. The Committee was informed about the sponsorship and social action policy and the results of proxy advisors' evaluations, the proposed policy for the protection of human rights and the activity report of the Ethics and Conduct Committee. The Committee was also informed about the management of responsible and sustainable investments and the ESG criteria (Environmental, Social and Governance).

- Succession plans: At meetings throughout the year, the Committee was informed of the Company's succession plans and their updates, which are intended to ensure the continuity of the business and its leadership.

- Annual Board Training Plan and New Directors Orientation Plan: The Committee was informed about the 2020 Board Training Plan. The Committee was also informed of the New Directors Orientation Plan.

- Other activities in 2019: Monitoring and assessment to determine the identified group, amendment of the Regulations of the Board of Directors and approval of the Regulations of the Appointments and Responsible Management Committee, contracts of the members of the Management Committee, voting recommendations for the General Meeting of Shareholders, the consolidated statement of non-financial information, relations with supervisory bodies, modification of the management structure of the Bank and the Annual Corporate Governance Report within the scope of its remit, among other activities.

The Appointments and Responsible Management Committee produces a detailed annual activity report. The report is made available to shareholders when the General Meeting of Shareholders is called and is accessible on the corporate website (www.bankia.com).

FUNCTIONS OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE (CONTINUATION)

The Appointments and Responsible Management Committee will have general authority to propose and report on the appointment and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the Board, the Appointments and Responsible Management Committee shall have all the functions assigned to it by applicable legislation and, in particular and without limitation, the core responsibilities under Chapter III of the Regulations of the Committee, including:

- Assess the competencies, knowledge, diversity and experience required on the Board of Directors and, in light of that assessment, define the roles and capabilities required of the candidates to fill each vacancy, and estimate the time and commitment that will be needed for them to perform their duties effectively, ensuring that non-executive directors have sufficient time available to discharge their responsibilities effectively;

- Identify candidates and make recommendations and proposals to the Board of Directors for the appointment of independent directors by co-option or, if applicable, by vote of the shareholders in general meeting, and make proposals for the re-election or removal of such directors by the general meeting;

- Identify candidates, make recommendations and submit reports to the Board of Directors on proposals for the appointment of the remaining directors by co-option or by vote of the shareholders in General Meeting, and make proposals for their re-election or removal at the General Meeting;

- Advise, at the request of the Chairman and on a non-binding basis, to the Board on the appointment or removal of senior managers of the Group and the basic terms and conditions of their contracts, without prejudice to the powers of the Remuneration Committee with regard to remuneration, and conduct regular reviews of the Board's policy on the selection and appointment of senior managers of the Group, offering recommendations;

- Examine and organise the succession plan for the Chairman, the Deputy Chairman, as appropriate, and the Chief Executive Officer and, where appropriate, submit proposals to the Board of Directors with a view to ensuring orderly, planned succession;

- To safeguard the independence, impartiality and professionalism of the Secretary and Assistant Secretary of the Board of Directors, submit reports on their appointment and removal for approval by the full Board;

- Set a target for the level of representation of the less well represented gender on the Board of Directors and draw up guidelines on how to increase the number of people of the less well represented gender so as to meet that target. The Committee will also take steps to ensure that the selection procedures used to fill vacancies do not have implicit biases that prevent the selection of people of the less well represented gender;

- At regular intervals and at least once a year, assess the structure, size, composition and performance of the Board of Directors, making recommendations to the Board in respect of possible changes;

- At regular intervals and at least once a year, assess the suitability of the various members of the Board of Directors and of the Board as a whole and report the results to the Board;

- Report to the Board of Directors on matters of good corporate governance in areas within the Committee's remit (objectives, talent management, liability insurance, etc.) and make proposals for improvement;

- Propose the director selection policy to the Board of Directors and run an annual check on compliance with the policy;

- Without prejudice to the responsibilities attributed to the Audit and Compliance Committee, the Ethics and Conduct Committee will submit to the Appointments Committee periodically, and at least at the end of each year, a report of activities regarding the performance of the duties assigned to it and, in particular, on the oversight and monitoring of the Code of Ethics and Conduct;

- Review the Company's corporate social responsibility policy, ensuring that it is geared to value creation;

- Monitor corporate social responsibility strategy and practices and assess compliance with them;

- Oversee relations with the various stakeholder groups;

- Evaluate all matters related to social, environmental, political and reputational risks of the Company, independently of the powers that rest with the Risk Advisory Committee and other committees for supervising risks;

- Coordinate the process of reporting non-financial and diversity information, in accordance with applicable regulations and international standards of reference, independently of the powers that rest with other committees;

The duties and responsibilities of the Appointments and Responsible Management Committee are set out in Article 15 of the Regulations of the Board of Directors, and are further implemented by the Regulations of the Appointments and Responsible Management Committee. Both sets of regulations are available at the corporate website (www.bankia.com).

REMUNERATION COMMITTEE (CONTINUATION)

The Committee shall record any potential conflict of interest affecting the external advisors, the detail of the fees earned by each advisor over the year and the actions taken to safeguard their independence. External advisors shall be required to disclose in their service provision proposals any conflicts of interest they may have with the Company, with the directors or with potential candidates for Chairman, CEO or director.

ACTIONS:

The main actions carried out in 2019 by the Remuneration Committee addressed the following:

- Remuneration policy for directors and senior managers: In 2019, the Committee regularly reviewed the remuneration policy for directors and senior managers, reported on the modification of the remuneration policy for directors, updated the remuneration policy for Bankia's employees and was informed on the alignment of the 2019 objectives with the Risk Appetite Framework (RAF), variable remuneration for 2018, the remuneration of the new members of the Management Committee, multi-year variable remuneration for 2019 and the disclosures on remuneration to be included in the financial statements for 2018 and in the half-yearly financial statements for 2019. The Committee was also briefed on authorisation from the European Central Bank as to payment of variable remuneration.

- 2018 Annual Report on Directors' Remuneration and Annual Corporate Governance Report: The Committee reported favourably on the 2018 Annual Corporate Governance Report regarding matters within its scope of concern and on the 2018 Annual Report on Directors' Remuneration.

- Other actions: In 2019, the Committee was briefed on, among other matters, the identification and updating of the Identified Group, the process of setting targets for 2019 and performance review for 2018, the Group's consolidated statement of non-financial information, voting recommendations for the 2019 General Meeting of Shareholders issued by the main proxy advisors, and the amendment of the Regulations of the Board of Directors and approval of the Regulations of the Remuneration Committee. The Committee was informed about the amendments under CRD V (Directive EU 2019/878 of the European Parliament and of the Council) regarding remuneration, and the impact on the Company's remuneration policy of *Ley 5/2019*, on mortgage lending.

The Remuneration Committee produces a detailed annual activity report. The report is made available to shareholders when the General Meeting of Shareholders is called and is accessible on the corporate website (www.bankia.com)).

FUNCTIONS OF THE REMUNERATION COMMITTEE (continued)

In addition to any other tasks assigned to it by the Board, the Remuneration Committee has general powers to report on and propose remuneration for directors and senior managers. In particular, and without limitation, the Committee shall have the powers under Chapter III of its Regulations, including but not limited to:

- Submit proposals to the Board of Directors for the policy on the remuneration of directors and general managers or senior managers who report directly to the Board, an executive committee or the CEO, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance;

- Report on senior management remuneration. The Committee will oversee the remuneration of the heads of Internal Audit, Risks and Compliance;

- Periodically review the Company's remuneration programmes, assessing their appropriateness and effectiveness, the remuneration policy applied to directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the Company;

- Ensure transparency in remuneration and the inclusion of information about directors’ remuneration in the annual report on directors’ remuneration and the annual corporate governance report, submitting such information as may be necessary to the Board for that purpose;

- Monitor compliance with the remuneration policy set by the Company;

- Submit proposals to the Board on any remuneration decisions to be made by the Board that may have an impact on risk and the Company’s risk management, taking the long-term interests of shareholders, investors and other stakeholders into account, as well as the public interest, all this without prejudice to the functions assigned to the Risk Advisory Committee in this matter;

- Ensure that conflicts of interest do not undermine the independence of any external advice the Committee engages;

- Verify the information on director and senior managers’ pay contained in corporate documents, including the annual report on directors’ remuneration, which shall require a report to the Board of Directors.

The duties and responsibilities of the Remuneration Committee are set out in Article 15 *bis* of the Regulations of the Board of Directors, and are further implemented by the Regulations of the Remuneration Committee. Both sets of regulations are available at the corporate website (www.bankia.com).

FUNCTIONS OF THE BOARD RISK COMMITTEE (continued)

The Board Risk Committee shall have the following functions, among others:

a) Make decisions within the scope of the authority delegated by the Board of Directors in risk matters specifically provided for in the Board’s current delegation resolution.

b) Within its scope of authority, set the overall preclassification limits for account holders or customer groups in relation to exposures by risk class.

c) Report to the Board of Directors on risks that may affect the Company’s capital adequacy, recurring results, operations or reputation.

d) With respect to the approval of risk types other than credit risk, the authorities of the Board Risk Committee will be those delegated to it by the Board of Directors at any given time.

AUDIT AND COMPLIANCE COMMITTEE (CONTINUATION)

ACTIONS:

In 2019, the Audit and Compliance Committee's key actions focused on:

- Financial and non-financial reporting and related internal control mechanisms: In 2019, the Committee oversaw the preparation and fairness of the Company's separate and consolidated financial statements and the Bankia Group's consolidated non-financial statement. The Committee was briefed on the proposals and update reports on accounting policies and manuals (Financial Disclosure Policy, Accounting Policies Manual, IFRS 9 Business Models Manual (an implementation of the Accounting Policies Manual), IFRS 9 SPPI Test Manual (an implementation of the Accounting Policies Manual) and Internal Methodology Manual for Repossessed Assets. Over the year, the Committee regularly oversaw the effectiveness of the Company's internal control, internal audit and risk management systems and, in particular, the system of Internal Control over Financial Reporting (ICFR) and the ICFR Policy update. The Committee was briefed on the activities of the Ethics and Conduct Committee and the Whistleblowing Channel and their updated Regulations.

The Committee was briefed on the activities of the Ethics and Conduct Committee and the Whistleblowing Channel and their updated Regulations.

- Regulatory Compliance: The Committee is the oversight body for our compliance risk control systems and monitors the Compliance function. The Committee was informed on the progress of the Annual Compliance Plan for 2018 and the content and monitoring of the Plan for 2019, which it regularly monitors, and the Compliance Transformation Plan. The Committee was briefed on the progress of compliance control activities, including: activity reports on crime risk and the updating of Bankia's Crime Prevention Policy, anti-money laundering and terrorist financing and reports by external experts, reports on the Internal Rules of Conduct in the Securities Market, compliance with the Market Abuse Prevention

Policy, personal data protection and related compliance initiatives, the updating of the Outsourcing Policy, the Conflicts of Interest Policy, monitoring of requirements and inspections by supervisory bodies, quarterly reports on investment and banking services, reports on related-party transactions, the Order Execution Policy and the Customer Asset Protection Policy, inter alia.

- Corporate governance: The Committee oversaw the effectiveness of and compliance with governance rules and procedures, review and updating of the Company's Corporate Governance System and Corporate Policies, the 2018 Corporate Governance Report, the suitability of the content that the Board of Directors includes in annual public documentation, the amendment of the Regulations of the Board of Directors and the approval of the Regulations of the Appointments and Responsible Management Committee and the Regulations of the Remuneration Committee.

- Related-party transactions: In 2019, the Committee reported on related-party transactions involving members of the Board and transactions with significant shareholders, supervised the Framework Agreement between Bankia and BFA and was briefed on the agreement for the management by the FROB of its indirect interest in Bankia (through BFA).

- Risk management and control: Within its sphere of concern, the Committee took part in the management and control of the Bank's risks, supervising risk management systems in the financial reporting process, including tax risks. The Committee also evaluated the Company’s regulatory and litigation risks and was briefed on Bankia's Lending and Funding Policy over the year and on the report on protection of customer assets. As part of its risk management and control duties, in 2019 the Committee held two joint meetings with the Risk Advisory Committee.

- Internal audit activity: Bankia's Corporate Internal Audit Department reports to the Audit and Compliance Committee. The Chairman of the Committee may approach the department at any time to request information on its activities. In this domain, the Committee was briefed on the progress of the 2018 Audit Plan and the 2019 Plan, the assessment of the performance of the internal audit unit, and the department’s budget and resource plan. Furthermore, the Committee received monthly reports on the independence of the external auditors, on the reviews associated with the appointment of the external auditor and the follow-up report on the external auditor’s recommendations.

- External audit activity: The external auditors were invited to attend 7 meetings of the Committee in 2019, at which they confirmed their independence, presented the conclusions of the audit of the 2018 financial statements and the planning, scope and conclusions of the audit engagement as at 30 June 2019 and for the financial statements for 2019. The Committee verified the fees paid to the external auditor for its engagements. The Committee received written confirmation from the external auditor of its independence from the Bankia Group and from entities directly or indirectly related to the Bank. The external auditor also presented the Committee with a report supplementing the audit report and the annual report on customer asset protection. Among other activities in this domain, the Committee was informed of the survey on the external auditor’s performance. In compliance with Bankia’s External Auditor Selection Policy, the Committee was briefed on a timely basis on the progress of the selection process.

Having analysed the proposals, verified compliance with the External Auditor Selection Procedure and examined the proposals submitted within the competitive process, the Audit and Compliance Committee stated that it had been properly informed, and, free from any third-party influence, expressed a preference for the audit firm KPMG to audit the financial statements for 2020, 2021 and 2022. The Committee resolved to lay this recommendation before the Board of Directors for consideration and, as the case might be, submission to the shareholders at a General Meeting.

- Follow-up to the Committee's action plans: The Audit and Compliance Committee received reports throughout 2019 on the schedule of planned and recurring matters to be examined, and regularly followed up action plans, meeting on a monthly schedule, in addition to ad hoc meetings convened as appropriate over the year.

- Other activities: In 2019, the Committee examined and supervised the following matters, inter alia: tax information, supervision of dividend policy, treasury share transactions, policy on signing powers, registration documents and issuance programmes, documentation relating to the 2018 year-end and the annual report of the Customer Service Department.

In 2019, the Bank did not create or acquire shares in special purpose vehicles or entities domiciled in countries or territories listed as tax havens. Therefore the Audit and Compliance Committee did not report to the Board of Directors on this matter.

The Audit and Compliance Committee produces a detailed annual activity report. The report is made available to shareholders when the General Meeting of Shareholders is called and is accessible on the corporate website (www.bankia.com).

FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE (CONTINUATION)

Without prejudice to any other tasks that may be assigned to it by the Board of Directors, and in accordance with article 14 of the Regulations of the Board of Directors and the Regulation of the Audit and Compliance Committee, the Audit and Compliance Committee has all the functions assigned to it under applicable law and, in particular and without limitation:

- Report to the General Meeting on issues that fall within its remit and, in particular, on the audit findings, explaining how the audit has contributed to the integrity of the financial information and the Committee's role in this process.

- Supervise the effectiveness of the internal control of the Company, the internal audit (where applicable), and risk management systems, and discuss with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit, without comprising its independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, along with the related follow-up period.

- Supervise the preparation and filing of regulatory financial information and make recommendations or submit proposals to the Board of Directors to safeguard the integrity of the financial information.

- Make recommendations to the Board of Directors for the selection, appointment, re-election and removal of the statutory auditor, and oversee the selection process in accordance with EU legislation and the terms and conditions of engagement.

- Establish appropriate relations with the external auditors so as to receive information on matters that could jeopardize the external auditor's independence, so that they may be examined by the committee, and on any other matters arising from the auditing of the Company's accounts and, as appropriate, authorise the services permitted under the terms of EU legislation and regulations regarding independence, and make any other disclosures required under applicable legislation and auditing standards. In any event, the Committee will also receive an annual statement from the external auditors certifying their independence in relation to the Company or entities directly or indirectly related to it, as well as detailed information about any additional services of any kind provided and the fees received from these entities by the independent auditor, or by individuals or entities related to it, in accordance with the laws on auditing.

- Issue a report each year, prior to the release of the auditors' report, expressing an opinion on whether the independence of the external auditor or audit firms has been compromised. This report will contain an assessment of any additional non-audit services provided, as referred to in the previous section, considered individually and in the aggregate, in relation to the auditors' independence and compliance with auditing standards.

- Examine and supervising compliance with the Regulations of the Board of Directors, the internal regulations on the Company's conduct in securities markets, the anti-money laundering manuals and procedures and, in general, the Company's governance and compliance rules, making the necessary proposals for improvement thereof.

- Report to the Board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories classified as tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the group.

- Report in advance to the Board of Directors on any matters within its remit under the law, the Bylaws or the Regulations of the Board.

- Any other functions which have been assigned to it, or for which it has been granted authority, by the Board.

- The Audit and Compliance committee will also report to the Board on related-party transactions, before the Board makes any decision in this respect.

- The Audit and Compliance Committee shall be informed of any fundamental changes or corporate transactions the Company is planning, so the Committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

The duties and responsibilities of the Audit and Compliance Committee are set out in Article 14 of the Regulations of the Board of Directors, and are further implemented by the Regulations of the Audit and Compliance Committee. Both sets of regulations are available at the corporate website (www.bankia.com).

SECTIONS E.1 (CONTINUATION)

The Board of Directors of the Company is consistently committed to ensure that the risk control and management model, especially with regard to crime prevention, prevents or minimises the probability of irregular practices and ensures, when any such conduct is detected, that it is stopped and the persons responsible are brought to account, to the strictest standards. The Audit and Compliance Committee takes the above into account as part of its role of monitoring the effectiveness of internal control and internal audit, in accordance with the criteria of the supervisory bodies and mandatory disclosures to the markets via the Non-Financial Statement and this Annual Corporate Governance Report.

• Tax risk:

A tax risk control procedure has been in place since 2015. The associated process describing this control is documented. In accordance with this procedure, all transactions approved by Centralised Committees or Governing Bodies are backed, where necessary, by an opinion from a tax advisor or, in his absence, a certified, external tax advisor. This is also required by the New Products Committee for the launch of each new product or service. For the remaining Committees, the groups responsible for making proposals must verify whether a tax opinion has been issued if so required in accordance with the established criteria.

Work will continue on the planned activities in the Entity's transformation process in 2020.

SECTION E.2. (CONTINUATION)

g) Contingency Committee. This committee meets quarterly and its duties include identifying, monitoring and measuring legal and tax contingencies, analysing their probability of occurrence and adopting mitigation measures, as well as analysing the sufficiency of the provisions set aside for the contingencies.

h) Risk Control and Oversight Committee. Its risk-related functions include controlling, overseeing and exercising effective challenge to trends in the Group’s risk profile, the risk appetite approved by the Board of Directors, and the business model from a holistic and forward-looking perspective, analysing any deviations affecting the Group's risk profile, solvency and/or liquidity, proposing, where necessary, any measures considered appropriate

i) Regulatory Compliance Committee. This committee meets monthly. Its duties related to risk include mainly identifying, assessing and managing compliance risks related to the Group's operations; updating and managing codes of conduct; and drafting, maintaining and overseeing compliance manuals and policies.

j) Operational and Technological Risk Committee. Its functions related to risk include knowing the Group's operational risk profile through a qualitative self-assessment, analysing actual operational losses and monitoring various indicators. It must also propose the annual operational and technological risk appetite and tolerance framework and approve the implementation of specific policies and procedures affecting operational and technological risk.

k) Cybersecurity Committee. Its functions include monitoring the status of cybersecurity and reporting regularly to the Board of Directors. In addition, its competencies include strategic decision-making on cybersecurity investments and deciding the Cybersecurity Risk Appetite Framework.

SECTION E.6. (CONTINUATION)

Operational risk. In 2013, the Entity chose the standardized approach for calculating its capital requirements, subsequently making improvements in operational risk management on several fronts, including the real loss database and the extension of the self-assessment to all Group companies.
For the follow-up of this risk, the Entity counts with management policies and procedures established which allow us to identify, measure, monitor and control the operational risks of the Entity.

Bankia's operational risk management objectives are to foster a culture of operational risk management, especially with regard to risk awareness, assume responsibility and commitments, and service quality, ensure operational risks are identified and measured in order to prevent possible damages that could affect results.

Bankia performs Operational and Technological Risk Management that not only covers the recognition of events that generate losses and the accounting thereof, but also promotes the control thereof, in order to minimize potential negative effects through the continuous improvement of the processes and the reinforcement of operational controls.

Operational and Technological Risk Management must be implemented throughout the entity to contribute to the realisation of the institutional objectives, through the management, prevention and mitigation of associated risks.

Reputational risk. To monitor this risk, the entity has procedures in place that enable it to identify, measure, monitor and control its reputational risks. Based on these policies, the entity is able to identify and quantify this type of risk and to identify potential additional sources of reputational risk.

Tax risk. Tax risk control was first implemented in 2015 and the associated process describing this control was documented. Where required, all transactions approved by centralized committees or governing bodies are backed by an opinion from a tax advisor or, in his absence, an certified, external tax advisor. This is also required by the New Products Committee for the launch of each new product or service. For the remaining Committees, the groups responsible for making proposals must verify whether a tax opinion has been issued if so required in accordance with the established criteria.

SECTION G.6.

The Company publishes the reports indicated in the recommendation sufficiently in advance of the General Meeting of Shareholders. In particular, the Audit and Compliance Committee's annual report is included in the information on auditor independence, related-party transactions and the functioning of the Audit and Compliance Committee.

SECTION G.37 Y G.38

The Bylaws and the Board of Directors Regulations allow the Board of Directors to create an Executive Committee. However, one has not been set up and no members to it have been appointed. Therefore, in accordance with article 45 of the Bylaws, when the Executive Committee is not constituted, the Board of Directors will retain its authority.

SECTION G.62

To date, no executive directors have received shares from remuneration schemes because they have expressly waived their entitlement to the variable remuneration system or because the deferral period has not elapsed.

In addition, for Bankia, based on the restrictions to variable remuneration provided in Ministerial Order ECC/1762/2012, the variable remuneration that may be awarded each year to executive directors may not exceed 60% of their annual fixed remuneration; i.e. a maximum of EUR 300,000, of which 50% is received in shares (maximum of EUR 150,000 gross), over a deferral and retention period of 4-6 years.

H.3.- OTHER INTEREST INFORMATION

In terms of Corporate Governance, the Company is not subject to other than Spanish Legislation.

Institutional initiatives adhered to by Bankia:

• Code of Best Tax Practices of the Spanish Tax Authorities (CBPT). In 2016, the Board of Directors of Bankia agreed to adhere to the Code of Best Tax Practices of the Spanish Tax Authorities (CBPT). The Code of Best Tax Practices contains recommendations, which are undertaken voluntarily by the Spanish Tax Authorities and signatories, to enhance the application of the Spanish tax system by increasing legal security, mutual cooperation based on good faith and legitimate trust between the Tax Authorities and companies, and the application of responsible tax policies at companies with the knowledge of the Board of Directors.

Date of adhesion: March 31, 2016

•The Code of Best Practices for the able restructuring of mortgage loans for normal residence. Adhesion to the Code is voluntary and implies accepting a series of mechanisms designed to enable the restructuring of mortgage loans of borrowers experiencing extraordinary difficulties in meeting their payment obligations, as set forth in Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgagors without funds.

Date of adhesion: April 10, 2012.

•Housing Social Fund. The fund was created pursuant to an agreement spearheaded by the Economy and Competitiveness Ministry, the Health, Social Services and Equality Ministry, the Development Ministry, the Bank of Spain, the Spanish Federation of Towns and Provinces (FEMP), the Third Sector Platform (non-governmental organisations), the banking employers' association and 33 credit institutions. The Social Housing Fund provides housing to families in a particularly vulnerable situation that have been evicted since 1 January 2008 for non-payment of a mortgage loan or other regulated circumstances. Bankia has contributed 2,921 homes to the Fund.

Date of adhesion: January 17, 2013.

•United Nations Global Compact. Bankia promotes and embraces the 10 universal principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Date of adhesion: November 15, 2013.

• SpainSIF. Platform created in Spain to promote socially responsible investment (SRI). The platform includes financial institutions, fund managers, SRI service providers and not-for-profit organisations.

Date of adhesion: January 1, 2011.

• Forética (Forum for the Assessment of Ethical Management). A multi-stakeholder organisation that works together with companies to promote ethical and socially responsible policies based on the engagement and participation of all stakeholders through decision forums.

Date of adhesion: November 2012.

• Diversity Charter. Initiative framed under European Union non-discrimination policies implying a voluntary commitment to support diversity and non-discrimination in the workplace.

Date of adhesion: April 23, 2014.

• Fundación SERES (Responsible Society and Businesses). Spanish non-governmental organisation (NGO) comprising more than 100 companies set up to foster commitment of companies to improve society through responsible actions aligned to the strategy of each company that creates value for everyone.

Date of adhesion: July 29, 2014.

• Fundación LEALTAD. A not-for-profit organisation that offers individuals and companies independent, objective and consistent information on NGOs to help them decide which one to collaborate with, and guide them in monitoring their donations. This information is based on free analysis of transparency by the foundation of NGOs that request it voluntarily.

Date of adhesion: July 2, 2014.

•Fundación ETNOR (foundation for ethics in business and organisations). Non-profit organisation founded in 1991 to promote acknowledgement, dissemination and respect for the ethical values inherent to economic activity and the quality of public and private organisations and institutions.

Date of adhesion: November 5, 2015.

•Plan de Educación Financiera (financial literacy plan) of the CNMV and the Bank of Spain. Plan to spread a financial culture in society, providing tools and knowledge to aid in financial decisión-making.

Date of adhesion: January 1, 2011.

• *Asociación para la Autorregulación de la Comunicación Comercial* (Autocontrol). Platform comprising self-regulation systems, as industry's response to the demands of society for guarantees of confidence and credibility in advertising, without intending to replace legal control, but rather to complement this was co-regulation.

Date of adhesion: January 1, 2011.

• The Spanish Association of Advertisers is the non-profit professional association that represents advertising companies in the defence of their interests in all matters affecting commercial communication. It represents advertising companies (more than 200 associates) so that they can communicate and dialog with society ethically, responsibly and efficiently. The association defends the freedoms of communication and competition and seeks the recognition of the value of their brands' communication.

Date of adhesion: January 1, 2011.

• Spanish Association of Social Responsibility Directors (DIRSE). The purpose of this association is to know, define and demarcate the status of the profession of CSR managers with rigour and, accordingly, dignify their management function and professional performance. It also aims to identify and transfer to Spain the trends of similar associations in other countries that have provided inspiration.

Date of adhesion: December 16, 2015.

• The Spanish Green Growth Group is an association that promotes public-private collaboration to make joint progress regarding environmental challenges, through solutions regarding climate change mitigation and adaptation, the decarbonisation of the economy and the promotion of a circular economy. This association encourages companies to participate in national and international debate forums and shares information to point out opportunities for Spanish companies.

Date of adhesion: November 2, 2017.

• The Company and Society Foundation is an organization that drives social change through business innovation and promotes innovative ideas through studies, collaborative forums and services. It works through a permanent observatory on business, economy and society, and provides associative services to identify business solutions and contents, form part of innovation committees and collaborate with business work groups.

Date of adhesion: September 6, 2017.

• Dow Jones Sustainability Index (DJSI). Bankia was included in this index 2016, which recognises it as one of the most sustainable companies in the world. Only 28 banks in the world (of which 11 are European, including three Spanish banks) are included in the index. The DSJI evaluates companies' economic, environmental and social performance. Bankia left the index in 2018, but on recognition by analyst RobecoSam, it rejoined the Dow Jones Sustainability Index Europe in September 2019

Date of adhesion: September 9, 2016.

• FTSE4Good Index. This is an internationally renowned index, in which Bankia was included for the first time in 2016. It is designed to facilitate investment in companies that manage their businesses in accordance with ESG (environmental, social and Corporate Governance) criteria and that are international benchmarks for sustainability (understood as corporate social responsibility).

Date of adhesion: December 30, 2016.

• CDP is an independent organization, not-for-profit organisation with the world's largest database of corporate information on climate change and representing more than 820 institutional investors. It provides the only global system for companies to report on their environmental impacts and the measures adopted to reduce them.

Date of participation: January 1, 2012.

• Fundación Ecología y Desarrollo (ECODES) It promotes achievement of a sustainable economic and social development model by generating, implementing and disseminating activity models that factor in environmental and social costs in institutional, business and personal decision-making processes. Moreover, through ECODES, Bankia has become a strategic ally in the #PorElClima community, whose objective is to help and facilitate pro-climate actions and raise awareness about the efforts of social agents to stop climate change.

Date of adhesion: April 4, 2018.

• Corporate Excellence – Centre for Reputation Leadership. Fundación Excelencia Corporativa en Comunicación y Reputación (Fundación ECCR), under the brand name "Corporate Excellence – Centre for Reputation Leadership", whose purpose is to develop and encourage initiatives and actions that can help enhance corporate and business reputation. Its main objectives are: to boost organisations' competitiveness and legitimacy through excellent management of their reputation, brand, communication, public affairs, sustainability, metrics and training; to demonstrate the economic impact of intangible assets and resources; to promote long-term strategies with a multi-stakeholder vision; and to promote cooperation between different social actors as a means of regaining trust and generating economic, social and environmental value.

Date of adhesion: 11 July, 2018.

• TCFD. Bankia has undertaken to abide by the recommendations on financing and climate change of the Task Force on Climate-related Financial Disclosure (TCFD) promoted by the UN Financial Stability Board. Bankia will follow the recommendations of the UN Financial Stability Board (FSB) in assessing its climate -related risks and opportunities to promote its transition to a low-carbon economy. The recommendations of the Task Force on Climate-related Financial Disclosure focus on four thematic areas: governance, strategy, risk management, and metrics and targets. Addressing these recommendations will help Bankia to measure and manage its climate-related risks.

Date of adhesion: 5 June, 2018.

• UNEPFI. UN Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. Bankia has signed up for two initiatives promoted by UNEPFI:

• Principles for Responsible Banking. This commitment implies that signatories of the principles recognise their active role in creating a sustainable economy and their commitment to integrating environmental and social considerations in their operations to achieve a sustainable banking industry.

• Collective Commitment to Climate Action. The entity is committed to developing products and services that facilitate the economic transition required to achieve climate neutrality. The signatories undertake to align their operations with the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

Date of adhesion: 22 September, 2019.

This Annual Corporate Governance Report was approved by the Company’s Board of Directors at its meeting held on:

21/02/2020

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

[ ] Yes
[√] No

Statement to certify that the Board of Directors of BANKIA, S.A., at its meeting of 21 February 2020, has formulated the individual Annual Accounts and individual Management Report for the period from 1 January 2019 to 31 December 2019, comprising: financial statements and notes thereto on 187 pages, numbered from 1 to 187, and Management Report on 64 pages, numbered 1 to 64, to which the Annual Corporate Governance Report is attached as a schedule. These documents have been approved with the signatures affixed below of the members of the Board of Directors of BANKIA, S.A., and have been flourished on all pages by the Secretary of the Company. The directors declare that, to the best of their knowledge, said accounts have been prepared in accordance with the applicable accounting principles and give a true and fair view of the net assets, of the financial position and of the earnings of the Company. The Management Report also includes a true and fair analysis of the performance and earnings and of the position of the Company, together with a description of the main risks and uncertainties that they face.

Madrid, 21 February 2020.

Mr. José Ignacio Goirigolzarri Tellaeche
Chairman

Mr. José Sevilla Álvarez
Chief Executive Officer

Mr. Joaquín Ayuso García
Director

Mr. Francisco Javier Campo García
Director

Ms. Eva Castillo Sanz
Director

Mr. Jorge Cosmen Menéndez-Castañedo
Director

Mr. Carlos Egea Krauel
Director

Mr. José Luis Feito Higueruela
Director

Mr. Fernando Fernández Méndez de Andés
Director

Ms. Laura González Molero
Director

Mr. Antonio Greño Hidalgo
Director

Mr. Antonio Ortega Parra
Director

Mr. Miguel Crespo Rodríguez
Secretary of the Board

Report for 2019 on the Information Relating to the System of Internal Control over Financial Reporting (ICFR)

BANKIA, S.A.

Building a better
working world

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 915 727 200
Fax: 915 727 238
ey.com

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF BANKIA, S.A.

To the Board of Directors of Bankia, S.A.:

As requested by the Board of Directors of Bankia, S.A. ("the Company") and in accordance with our engagement letter dated 23 September 2019, we have applied certain procedures to the "Information relating to the ICFR system" contained in the Section "F. Internal control over financial reporting (ICFR) risk control and management systems" of Bankia, S.A.'s 2019 Annual Corporate Governance Report, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the system of ICFR.

It should be noted in this regard, irrespective of the quality of the design and operating capacity of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Auditing Standards generally accepted in Spain, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission (CNMV), on its website, which sets out the work to be performed, the minimum scope of this work, and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2019 described in the accompanying information relating to the system of ICFR. Therefore, had procedures additional to those provided for in the engagement letter been applied or an audit or a review of the system of internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Understanding of the information prepared by the Company in relation to the system of ICFR - disclosure information included in the managements' report- and assessment of whether this information addresses all the information required in section F, relating to the description of the system of ICFR, of the Annual Corporate Governance Report model established in Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013 as modified by Circular nº 7/2105 of the National Securities Market Commission, dated December 22, 2015 and by Circular nº 2/2018 of the National Securities Market Commission, dated October 12, 2018.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Company.

3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit and Compliance Committee.

4. Comparison of the information detailed in point 1 above with the Company's knowledge of the system of ICFR obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.

5. Reading the minutes of meetings of the Board of Directors, the Audit and Compliance Committee and of other Company committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the system of ICFR did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively under the framework of the requirements established by article 540 of the Consolidated Text of the Corporates Act (Ley de Sociedades de Capital) and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013 as modified by Circular nº 7/2105 of the National Securities Market Commission, dated December 22, 2015 and by Circular nº 2/2018 of the National Securities Market Commission, dated October 12, 2018 for the purposes of describing ICFR in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(signed in the original version)

February 24, 2020

Jaume Pallerols Cat