

**Audit Report on Consolidated Financial Statements
issued by an Independent Auditor**

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



**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

AUDIT REPORT ON CONSOLIDATED 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 47)

To the shareholders of Bankia, S.A.:

Audit report on the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2019 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

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 consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Group's financial reporting process. The accompanying notes 2.9, 3.1 and 12 and Appendix X to the accompanying consolidated financial statements explain the main principles and criteria applied by the Group 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 Group and the internal model with applicable regulatory requirements.
- ▶ Reviewing, in the granting process, the procedures established by the Group 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 consolidated financial statements contain the disclosures required in the financial regulatory framework applied by the Group.

Estimate of impairment losses on real estate assets from foreclosures

Description In Notes 2.15.2 and 2.20 to the accompanying consolidated financial statements, the Group describes the process for estimating impairment losses on foreclosed real estate assets based on third-party appraisals adjusted to reflect the Group's experience in sales of these assets. Notes 15, 18 and Appendix IX to the accompanying consolidated financial statements describe the Group'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 Group 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 Group'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 consolidated financial statements contain the disclosures required in the financial regulatory framework applied by the Group.

Provisions for legal contingencies

Description In Notes 2.18 and 20 to the accompanying consolidated financial statements, the Group describes the legal and administrative proceedings to which it is party arising from its ordinary operations.

Based on the information available, the Group 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 20 to the accompanying consolidated 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 Group'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 Group'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 Group.
- ▶ 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 Group.

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

Description In accordance with the Group's policies, as explained in Note 2.14 to the accompanying consolidated 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 26 to the accompanying consolidated financial statements, at 31 December 2019, the Group had deferred tax assets amounting to EUR 10,421 million, of which the recovery of EUR 7,466 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 Group's ability to recover deferred tax assets based on estimates of future taxable profit using the Group's financial projections and business plans and taking into account applicable tax legislation. Therefore, the assessment of the Group'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 Group 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 Group'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: consolidated management report

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

Our opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated 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 consolidated management report or otherwise report on it.
- b) A general level applicable to the remaining information included in the consolidated management report, which consists of evaluating and reporting on the agreement of the mentioned information with the consolidated financial statements, based on the knowledge of the Group 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 consolidated 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 specific information mentioned in section a) above was included in the consolidated management report and that the remaining information included in the consolidated management report agrees with that included in the 2019 consolidated financial statements and their content and presentation comply with the applicable regulations.

Responsibilities of the parent company's directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent 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 parent 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, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.



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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 Group 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 consolidated 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

CONSOLIDATED
FINANCIAL STATEMENTS

DECEMBER 2019

BANKIA GROUP



Bankia
ASÍ DE FÁCIL

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BANKIA FINANCIAL STATEMENTS 2019 BANKIA GROUP

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated 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 | 8 | 13,202,885 | 4,753,800 |
| Financial assets held for trading | 9 | 6,690,901 | 6,307,967 |
| Derivatives | | 6,518,725 | 6,022,496 |
| Equity instruments | | 1,381 | 3,901 |
| Debt securities | | 170,795 | 281,570 |
| Loans and advances | | - | - |
| Central banks | | - | - |
| Credit institutions | | - | - |
| Customers | | - | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | | 67,682 | 590 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 10 | 34,755 | 9,348 |
| Equity instruments | | - | - |
| Debt securities | | 237 | 187 |
| Loans and advances | | 34,518 | 9,161 |
| Central banks | | - | - |
| Credit institutions | | 23,263 | - |
| Customers | | 11,255 | 9,161 |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | | - | - |
| Financial assets designated at fair value through profit or loss | | | |
| Debt securities | | - | - |
| Loans and advances | | - | - |
| Central banks | | - | - |
| Credit institutions | | - | - |
| Customers | | - | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | | - | - |
| Financial assets at fair value through other comprehensive income | 11 | 11,981,872 | 15,635,715 |
| Equity instruments | | 75,817 | 76,300 |
| Debt securities | | 11,906,055 | 15,559,415 |
| Loans and advances | | - | - |
| Central banks | | - | - |
| Credit institutions | | - | - |
| Customers | | - | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | | 7,568,250 | 7,138,310 |
| Financial assets at amortised cost | 12 | 155,968,440 | 156,461,440 |
| Debt securities | | 33,067,987 | 33,742,245 |
| Loans and advances | | 122,900,453 | 122,719,195 |
| Central banks | | - | - |
| Credit institutions | | 5,467,442 | 4,433,419 |
| Customers | | 117,433,011 | 118,285,776 |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | | 25,284,204 | 23,310,362 |
| Derivatives – Hedge accounting | 13 | 2,498,821 | 2,626,997 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | | |
| Investments in joint ventures and associates | 14 | 454,902 | 305,887 |
| Joint ventures | | 9,034 | 3,818 |
| Associates | | 445,868 | 302,069 |
| Assets under insurance or reinsurance contracts | | | |
| Tangible assets | 15 | 2,617,290 | 2,189,693 |
| Property, plant and equipment | | 2,135,988 | 1,669,319 |
| For own use | | 2,135,988 | 1,669,319 |
| Leased out under operating lease | | - | - |
| Assigned to welfare projects (savings banks and credit cooperatives) | | - | - |
| Investment property | | 481,302 | 520,374 |
| Of which: leased out under operating lease | | 481,302 | 520,374 |
| <i>Memorandum item: acquired in leasing</i> | | 504,863 | - |
| Intangible assets | 16 | 401,406 | 297,554 |
| Goodwill | | 88,462 | 90,862 |
| Other intangible assets | | 312,944 | 206,692 |
| Tax assets | | 10,863,999 | 11,088,695 |
| Current tax assets | | 443,103 | 485,289 |
| Deferred tax assets | 26 | 10,420,896 | 10,603,406 |
| Other assets | 17 | 1,601,403 | 1,639,569 |
| Insurance contracts linked to pensions | | 1,061,912 | 1,034,030 |
| Inventories | | - | - |
| Other | | 539,491 | 605,539 |
| Non-current assets and disposal groups classified as held for sale | 18 | 2,151,599 | 3,906,205 |
| TOTAL ASSETS | | 208,468,273 | 205,222,870 |

The accompanying Notes 1 to 47 and Appendices I to XIII are an integral part of the consolidated balance sheet at 31 December 2019.

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

BANKIA FINANCIAL STATEMENTS 2019 BANKIA GROUP

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated 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 | 9 | 6,750,111 | 6,046,596 |
| Derivatives | | 6,478,878 | 5,924,515 |
| Short positions | | 271,233 | 122,081 |
| Deposits | | - | - |
| Central banks | | - | - |
| Credit institutions | | - | - |
| Customers | | - | - |
| Debt securities issued | | - | - |
| 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 | | - | - |
| <i>Memorandum item: subordinated liabilities</i> | | - | - |
| Financial liabilities at amortised cost | 19 | 185,176,254 | 181,868,586 |
| Deposits | | 165,053,977 | 161,963,232 |
| Central banks | | 13,808,756 | 13,856,000 |
| Credit institutions | | 26,460,485 | 21,787,756 |
| Customers | | 124,784,736 | 126,319,476 |
| Debt securities issued | | 18,679,709 | 18,360,095 |
| Other financial liabilities | | 1,442,568 | 1,545,259 |
| <i>Memorandum item: subordinated liabilities</i> | | 2,983,031 | 2,989,889 |
| Derivatives – Hedge accounting | 13 | 87,402 | 183,189 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | - | - |
| Liabilities under insurance or reinsurance contracts | | - | - |
| Provisions | 20 | 1,754,035 | 1,922,116 |
| Pensions and other post employment defined benefit obligations | | 1,038,243 | 1,080,822 |
| Other long term employee benefits | | - | - |
| Pending legal issues and tax litigation | | 224,539 | 193,670 |
| Commitments and quarantees given | | 301,717 | 373,082 |
| Other provisions | | 189,536 | 274,542 |
| Tax liabilities | | 467,742 | 555,842 |
| Current tax liabilities | | 129 | 43 |
| Deferred tax liabilities | 26 | 467,613 | 555,799 |
| Share capital repayable on demand | | - | - |
| Other liabilities | 21 | 893,975 | 1,106,217 |
| Of which: welfare fund (only saving banks and credit cooperatives) | | - | - |
| Liabilities included in disposal groups classified as held for sale | 18 | 3,657 | 350,885 |
| TOTAL LIABILITIES | | 195,133,176 | 192,033,431 |
| Own funds | 22 | 13,141,770 | 13,029,511 |
| 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 | | 8,962,001 | 8,718,830 |
| Reserves or accumulated losses of investments in joint ventures and associates | | (138,669) | (158,969) |
| Other | | 9,100,670 | 8,877,799 |
| (-) Treasury shares | | (50,343) | (96,646) |
| Profit or loss attributable to owners of the parent | | 541,436 | 703,210 |
| (-) Interim dividends | | - | - |
| Accumulated other comprehensive income | 23 | 180,002 | 147,454 |
| Item that will not be reclassified to profit or loss | | 57,233 | 54,627 |
| Actuarial gains or (-) losses on defined benefit pension plans | | 34,056 | 29,939 |
| Non-current assets and disposal groups classified as held for sale | | (9,347) | - |
| Share of other recognised income and expense of investments in joint ventures and associates | | 4,219 | 3,183 |
| Fair value changes of equity instruments measured at fair value through other comprehensive income | | 28,305 | 21,505 |
| 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 | | - | - |
| Item that may be reclassified to profit or loss | | 122,769 | 92,827 |
| Hedge of net investments in foreign operations [effective portion] | | - | - |
| Foreign currency translation | | (113) | (293) |
| Hedging derivatives. Cash flow hedges reserve [effective portion] | | (8,006) | (2,299) |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | | 82,085 | 62,459 |
| Hedging instruments [not designated elements] | | - | - |
| Non-current assets and disposal groups classified as held for sale | | (2,674) | 4,187 |
| Share of other recognised income and expense of investments in joint ventures and associates | | 51,477 | 28,773 |
| Minority interests [Non-controlling interests] | 24 | 13,325 | 12,474 |
| Accumulated other comprehensive income | | 1,444 | 1,318 |
| Other Items | | 11,881 | 11,156 |
| TOTAL EQUITY | | 13,335,097 | 13,189,439 |
| TOTAL EQUITY AND TOTAL LIABILITIES | | 208,468,273 | 205,222,870 |
| MEMORANDUM ITEMS: OFF-BALANCE SHEET ITEMS | 27.2 | 36,704,675 | 33,820,938 |
| Loan commitments given | | 23,256,169 | 20,888,323 |
| Financial guarantees given | | 376,728 | 427,621 |
| Contingent commitments given | | 13,071,778 | 12,504,994 |

The accompanying Notes 1 to 47 and Appendices I to XIII are an integral part of the consolidated balance sheet at 31 December 2019.

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

BANKIA FINANCIAL STATEMENTS 2019 BANKIA GROUP

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated income statements for the years ended 31 December 2019 and 2018

(Thousands of euros)

| | NOTE | 2019 | 2018 (*) |
|---|------|------------------|------------------|
| Interest income | 29 | 2,459,289 | 2,454,206 |
| Financial assets at fair value through other comprehensive income | | 143,340 | 233,101 |
| Financial assets at amortised cost | | 2,180,847 | 2,240,785 |
| Other interest income | | 135,102 | (19,680) |
| (Interest expenses) | 30 | (436,262) | (405,149) |
| (Expenses on share capital repayable on demand) | | - | - |
| A) NET INTEREST INCOME | | 2,023,027 | 2,049,057 |
| Dividend income | 31 | 17,434 | 10,796 |
| Share of profit/(loss) of companies accounted for using the equity method | 32 | 60,024 | 56,290 |
| Fee and commission income | 33 | 1,167,639 | 1,149,537 |
| (Fee and commission expenses) | 34 | (86,996) | (84,548) |
| Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, net | 35 | 288,744 | 399,555 |
| Financial assets at amortised cost | | 71,247 | 1,539 |
| Other financial assets and liabilities | | 217,497 | 398,016 |
| Gains or (-) losses on financial assets and liabilities held for trading, net | 35 | 19,870 | 40,060 |
| Reclassification of financial assets out of measured at fair value through other comprehensive income | | - | - |
| Reclassification of financial assets out of measured at amortised cost | | - | - |
| Other gains or (-) losses | | 19,870 | 40,060 |
| Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net | | 905 | (429) |
| Reclassification of financial assets out of measured at fair value through other comprehensive income | | - | - |
| Reclassification of financial assets out of measured at amortised cost | | - | - |
| Other gains or (-) losses | 35 | 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 | 35 | (11,531) | (28,534) |
| Exchange differences [gain or (-) loss], net | | 15,321 | 14,708 |
| Other operating income | 36 | 55,041 | 65,651 |
| (Other operating expenses) | 37 | (304,448) | (304,381) |
| <i>Of which: Mandatory provisions to welfare fund (only savings banks and credit cooperatives)</i> | | - | - |
| Income of assets under insurance and reinsurance contracts | | - | - |
| (Expenses of liabilities under insurance or reinsurance contracts) | | - | - |
| B) GROSS INCOME | | 3,245,030 | 3,367,762 |
| (Administrative expenses) | | (1,615,728) | (1,696,323) |
| (Staff expenses) | 38 | (1,119,420) | (1,160,842) |
| (Other administrative expenses) | 39 | (496,308) | (535,481) |
| (Depreciation) | 40 | (200,952) | (173,911) |
| (Provisions or (-) reversal of provisions) | 41 | (14,552) | (9,974) |
| (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss) | 42 | (462,941) | (426,506) |
| (Financial assets at fair value through other comprehensive income) | | 552 | (971) |
| (Financial assets at amortised cost) | | (463,493) | (425,535) |
| C) TOTAL OPERATING INCOME, NET | | 950,857 | 1,061,048 |
| (Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates) | 43 | 928 | 40,623 |
| (Impairment or (-) reversal of impairment on non-financial assets) | 43 | (20,244) | (30,632) |
| (Tangible assets) | | (14,544) | (22,724) |
| (Intangible assets) | | (5,700) | (7,865) |
| (Other) | | - | (43) |
| Profit or (-) loss on the derecognition in non-financial assets and investments, net | 44 | 4,414 | 4,508 |
| Negative goodwill recognised in profit or loss | | - | - |
| Gain or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations | 45 | (180,265) | (155,434) |
| D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS | | 755,690 | 920,113 |
| (Tax expense or (-) income related to profit or loss from continuing operations) | 26.3 | (213,401) | (222,662) |
| E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS | | 542,289 | 697,451 |
| Profit or (-) loss after tax from discontinued operations | 18.5 | - | 6,047 |
| F) PROFIT OR (-) LOSS FOR THE YEAR | | 542,289 | 703,498 |
| Attributable to minority interest [non-controlling interests] | 24 | 853 | 288 |
| Attributable to owners of the parent | | 541,436 | 703,210 |
| EARNINGS PER SHARE | | | |
| Basic | 5 | 0.16 | 0.22 |
| Diluted | 5 | 0.16 | 0.22 |

The accompanying Notes 1 to 47 and Appendices I to XIII are an integral part of the consolidated income statement at 31 December 2019.

(*)The consolidated income statement for 2018 is presented solely and exclusively for comparison purposes (see Note 1.5)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP

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

| (Thousands of euros) | 2019 | 2018 |
|---|----------------|------------------|
| Profit or (-) loss | 542,289 | 703,498 |
| Other comprehensive income | 32,674 | (390,355) |
| Items that will not be reclassified to profit or loss | 2,606 | (18,641) |
| Actuarial gains or (-) losses on defined benefit pension plans | 5,881 | (26,893) |
| Non-current assets and disposal groups held for sale | (13,353) | - |
| Share of other recognised income and expense of investments in joint ventures and associates | 1,036 | (5,531) |
| Fair value changes of equity instruments measured at fair value through other comprehensive income | 9,714 | 8,164 |
| 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] | - | - |
| Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in the credit risk | - | - |
| Income tax relating to items that will not be reclassified | (672) | 5,619 |
| Items that may be reclassified to profit or loss | 30,068 | (371,714) |
| 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 | 257 | 608 |
| Translation gains or (-) losses taken to equity | 257 | 608 |
| 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 | 28,037 | (534,710) |
| Valuation gains or (-) losses taken to equity | 241,175 | (136,676) |
| Transferred to profit or loss | (213,138) | (398,034) |
| Other reclassifications | - | - |
| Non-current assets and disposal groups held for sale | (7,406) | 7,697 |
| Valuation gains or (-) losses taken to equity | (7,406) | 7,697 |
| Transferred to profit or loss | - | - |
| Other reclassifications | - | - |
| Share of other recognised income and expense of Investments in joint ventures and associates | 22,704 | (11,343) |
| Income tax relating to items that may be reclassified to profit or (-) loss | (5,371) | 154,800 |
| Total comprehensive income for the year | 574,963 | 313,143 |
| Attributable to minority interest [non-controlling interest] | 979 | 617 |
| Attributable to owners of the parent | 573,984 | 312,526 |

The accompanying Notes 1 to 47 and Appendices I to XIII 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.

BANKIA FINANCIAL STATEMENTS 2019 BANKIA GROUP

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated 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 | Minority interests | | Total |
|---|------------------|----------------|--|--------------|-------------------|----------------------|------------------|---------------------|---|-----------------------|--|--|---------------|-------------------|
| | | | | | | | | | | | | Accumulated Other Comprehensive Income | Other Items | |
| Opening balance at 31 December 2018 [before the restatement] | 3,084,963 | 619,154 | - | - | - | - | 8,718,830 | (96,646) | 703,210 | - | 147,454 | 1,318 | 11,156 | 13,189,439 |
| Effects of corrections of errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Opening balance [current period] | 3,084,963 | 619,154 | - | - | - | - | 8,718,830 | (96,646) | 703,210 | - | 147,454 | 1,318 | 11,156 | 13,189,439 |
| Comprehensive accumulated income | | | | | - | - | - | | 541,436 | | 32,548 | 126 | 853 | 574,963 |
| Other changes in equity | (15,441) | - | - | - | - | - | 243,171 | 46,303 | (703,210) | - | - | - | (128) | (429,305) |
| 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 (or remuneration to shareholders) | - | - | | | - | - | (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 | | | | | - | - | 703,210 | | (703,210) | - | - | - | - | - |
| Equity increase or (-) decrease resulting from business combinations | - | - | | | - | - | - | | | | | | - | - |
| Share based payments | - | - | | | | | | | | | | | - | - |
| Other increases or (-) decreases in equity | | | | | - | - | (59,822) | - | - | - | - | - | (128) | (59,950) |
| Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives) | | | | | - | | - | | | | | | | - |
| Closing balance at 31 December 2019 [current period] | 3,069,522 | 619,154 | - | - | - | - | 8,962,001 | (50,343) | 541,436 | - | 180,002 | 1,444 | 11,881 | 13,335,097 |

The accompanying Notes 1 to 47 and Appendices I to XIII are an integral part of the consolidated statement of changes in equity for the year 2019.

BANKIA FINANCIAL STATEMENTS 2019 BANKIA GROUP

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated 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 | Minority interests | | Total |
|---|------------------|----------------|--|--------------|-------------------|----------------------|------------------|---------------------|---|-----------------------|--|--|---------------|-------------------|
| | | | | | | | | | | | | Accumulated other comprehensive income | Other items | |
| Opening balance at 31 December 2017 (before the restatement) | 3,084,963 | 619,154 | - | - | - | - | 9,093,630 | (79,837) | 504,513 | - | 365,780 | 989 | 23,902 | 13,613,094 |
| 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 | - | - | - | - | 8,606,583 | (79,837) | 504,513 | - | 538,138 | 989 | 23,902 | 13,298,405 |
| Comprehensive accumulated income | | | | | - | - | - | | 703,210 | | (390,684) | 329 | 288 | 313,143 |
| Other changes in equity | - | - | - | - | - | - | 112,247 | (16,809) | (504,513) | - | - | - | (13,034) | (422,109) |
| Issuance of ordinary shares | - | - | | | - | - | - | | | | | | - | - |
| Issuance of ordinary shares | - | - | | | - | - | - | | | | | | - | - |
| Issuance of other equity instruments | | | | | - | - | - | | | | | | - | - |
| Exercise or expiration of other equity instruments issued | | | | | - | - | - | | | | | | - | - |
| Conversion of debt to equity | - | - | | | - | | - | | | | | | - | - |
| Capital reduction | - | - | | | - | | - | | | | | | - | - |
| Dividends (or remuneration to shareholders) | - | - | | | - | | (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 between components of equity | | | | | - | | 504,513 | | (504,513) | | | | - | - |
| Equity increase or (-) decrease resulting from business combinations | - | - | | | - | | - | | | | | | - | - |
| Share based payments | - | - | | | - | | | | | | | | - | - |
| Other increases or (-) decreases in equity | | | | | - | | (47,822) | | | | | | (13,034) | (60,856) |
| Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives) | | | | | - | | | | | | | | | - |
| Closing balance at 31 December 2018 [current period] | 3,084,963 | 619,154 | - | - | - | - | 8,718,830 | (96,646) | 703,210 | - | 147,454 | 1,318 | 11,156 | 13,189,439 |

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

(**) First adoption of IFRS9. See consolidated financial statements for the year ended 31 December 2018.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 47). In the event of a discrepancy, the Spanish-language version prevails

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated 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 | 7,447,535 | 1,394,580 |
| Consolidated profit/(loss) | 542,289 | 703,498 |
| Adjustments made to obtain cash flows from operating activities | 722,019 | 501,737 |
| Depreciation and amortisation | 200,952 | 173,911 |
| Other | 521,067 | 327,826 |
| Net increase/(decrease) in operating assets | 3,724,907 | 5,505,835 |
| Financial assets held for trading | 113,295 | (687,523) |
| Non-trading financial assets mandatorily at fair value through profit or loss | (24,502) | (1,281) |
| Financial assets designated at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | 3,905,283 | 8,247,718 |
| Financial assets at amortised cost | 408,583 | (397,819) |
| Other operating assets | (677,752) | (1,655,260) |
| Net increase/(decrease) in operating liabilities | 2,315,570 | (5,547,119) |
| Financial liabilities held for trading | 207,286 | (221,348) |
| Financial liabilities designated at fair value through profit or loss | - | - |
| Financial liabilities at amortised cost | 2,493,225 | (5,625,310) |
| Other operating liabilities | (384,941) | 299,539 |
| Income tax proceeds/(payments) | 142,750 | 230,629 |
| B) CASH FLOWS FROM INVESTING ACTIVITIES | 1,195,425 | 620,244 |
| Payments | (227,931) | (389,335) |
| Tangible assets | (63,794) | (16,789) |
| Intangible assets | (163,373) | (123,312) |
| Investments in joint ventures and associates | (17) | (5,276) |
| Subsidiaries and other business units | (3) | - |
| Non-current assets held for sale and associated liabilities | (744) | (243,958) |
| Other payments related to investing activities | - | - |
| Proceeds | 1,423,356 | 1,009,579 |
| Tangible assets | 40,445 | 29,417 |
| Intangible assets | - | - |
| Investments in joint ventures and associates | 54,594 | 138,977 |
| Subsidiaries and other business units | 1,153 | - |
| Non-current assets held for sale and associated liabilities | 1,327,164 | 841,185 |
| Other proceeds related to investing activities | - | - |
| C) CASH FLOWS FROM FINANCING ACTIVITIES | (193,875) | (1,764,935) |
| Payments | (4,378,006) | (2,863,938) |
| 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 | (2,952,660) | (2,403,682) |
| 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) | 8,449,085 | 249,889 |
| F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 4,753,800 | 4,503,911 |
| G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 13,202,885 | 4,753,800 |
| MEMORANDUM ITEMS | | |
| COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR | | |
| Cash | 951,826 | 929,837 |
| Cash equivalents at Central banks | 11,672,642 | 3,309,613 |
| Other financial assets | 578,417 | 514,350 |
| Less: Bank overdrafts refundable on demand | - | - |
| Total cash and cash equivalents at end of year | 13,202,885 | 4,753,800 |
| Of which: held by consolidated entities but not drawable by the Group | - | - |

The accompanying Notes 1 to 47 and Appendices I to XIII are an integral part of the consolidated 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. AND SUBSIDIARIES FORMING THE BANKIA GROUP

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

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

(1.1) Group description

Bankia, S.A. (hereinafter, “the Bank” or “Bankia” or the “Entity”) is a private-law entity subject to the legislation and regulations for banks operating in Spain. Its registered office is at 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 II, III and IV list the entities that form part of the scope of consolidation of the Bankia Group at 31 December 2019 (subsidiaries controlled by the Bank, 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 (hereinafter “BFA Group”).

The Bankia Group’s consolidated 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. The Bankia Group’s consolidated financial statements for 2018 were approved by the shareholders at the general meeting held on 22 March 2019.

Appendix I presents the Bank’s balance sheet at 31 December 2019, the income statement, statement of recognised income and expense, the statement of total changes in equity and the statement of cash flows for the year then ended, together with the Bank’s separate financial statements for 2018 for purposes of comparison.

(1.2) Incorporation of the Group

The Group 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 organisation 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, en 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 consolidated financial statements

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the laws of a member state of the European Union and whose securities are traded on a regulated market in any European Union country must file consolidated financial statements for periods beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS-EU").

The Bankia Group's consolidated financial statements for 2019 are presented in accordance with IFRS-EU, taking into account 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 implements and adapts IFRS-EU for Spanish credit institutions.

The Group's consolidated 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 consolidated equity and financial position of Bankia, S.A. and subsidiaries composing the Bankia Group at 31 December 2019 and of the consolidated results of its operations and consolidated 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 consolidated financial statements of the Bankia Group were prepared from the accounting records of Bankia and of the other Group entities. However, since the accounting policies and measurement bases used in preparing these consolidated financial statements may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and criteria and to make them compliant with the IFRS-EU used by the Bank.

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

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

A) New mandatory standards, amendments and interpretations applicable in the calendar year beginning 1 January 2019 approved by the European Union

Following is a list of the main mandatory standards, amendments or interpretations endorsed by the European Union with mandatory application in the annual year began on or after 1 January 2019. Therefore, they have been applied in the preparation of these dated financial statements:

- IFRS 16: "Leases"

[Effective for annual periods beginning on or after 1 January 2019, with early application permitted for entities also applying IFRS 15]

IFRS 16 was issued by the IASB in May 2017 and adopted by the European Union via Regulation (EU) 2017/1986 of 31 October 2017, and amends IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 13 and IFRS 15, IAS 1, IAS 2, IAS 7, IAS 12, IAS 16, IAS 21, IAS 23, IAS 32, IAS 37, IAS 38, IAS 39, IAS 40 and IAS 41, IFRIC 1 and IFRIC 12, and SIC 29 and SIC 32, and repeals IAS 17, IFRIC 4, SIC 15 and SIC 27.

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting is substantially unchanged from accounting under IAS 17 with the dual model, distinguishing between finance and operating leases.

For lessees, IFRS 16 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 IAS 17. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for 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.

IFRS 16 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.

First implementation by Group

The Group has chosen to apply IFRS 16 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 IFRS 16.

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 Group also applies the standard to contracts identified as containing a lease applying IAS 17 and IFRIC 4 and applies the exemptions for short-term leases or leases for which the underlying asset is of low value.

The impact of IFRS 16 first application to 1 January 2019 has resulted in the increase of the heading "Financial liabilities at amortised cost – Other financial liabilities" (Note 19) by approximately EUR 616 million, as well as the heading "Tangible assets – Property, plant and equipment", (Note 15.1), 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 15 and 30).

As indicated above, in accordance with the transitional arrangements contained in IFRS 16, the Group chose not to re-express comparative information, so that the principles, accounting policies and valuation criteria set out in the Note 2 of the Bankia Group's audited consolidated annual accounts for the year ended 31 December 2018, are applicable to comparative information contained in these consolidated financial statements.

- **Amendment to IAS 28: "Investments in associates and joint ventures"**

[[Effective for annual periods beginning on or after 1 January 2019, with early adoption permitted]]

The purpose of this amendment is to clarify that an entity should apply IFRS 9 "Financial instruments" in associates or joint ventures that is not applied the equity method and that form part of the net investment. The amendment involves applying the model of the expected loan loss of IFRS 9 to such investments.

The application of IFRS 9 implies that the Entity will not consider any loss of the associate or the joint venture, or any impairment loss of net investment, that has been recorded as an adjustment to the net investment in the associate or the joint venture application of IAS 28 "Investments in associated entities and joint ventures".

The standards described above have had no relevant impact on these consolidated financial statements or their breakdowns.

- **Annual "Improvements to IFRS" project (2015-2017 cycle)**

[[Effective for annual periods beginning on or after 1 January 2019, with early adoption permitted]]

The improvements included in this cycle affect the following standards:

- IFRS 3 "Business combinations": clarifications on the posting of acquisitions of shares in joint ventures. The requirements of the business combinations carried out in stages should be applied, again valuing the fair value of the shares previously held in the assets and liabilities of the joint venture. The Entity that acquires the stake, again values the entirety of its previous participation in the joint venture.
- IFRS 11 "Joint arrangements": clarifications on the posting of acquisitions of shares in joint ventures. The Entity that participates, but has no control, in a joint venture, and obtains joint control of that joint venture, which is a business in accordance with IFRS 3 "Business Combinations", should not reassess the fair value of the shares previously held in the assets and liabilities of the joint venture.
- IAS 12 "Income taxes": recognition of the consequences of payments on financial instruments classified as equity. The tax consequences of a dividend in results, in other comprehensive income in equity, should be recognised in the interests of how past transactions or events that generated a distributable profit are recognised.

- IAS 23 "Interest costs" means costs of capitalisation-eligible loans. They may be considered part of the overhead costs, any interest costs originally incurred to develop a qualifying asset when, substantially, all the activities necessary to prepare the asset for use or sale, have been completed.

The standards described above have had no relevant impact on these consolidated financial statements or their breakdowns.

- **Amendments to IAS 19: "Plan amendment, curtailment or settlement"**

[[Effective for annual periods beginning on or after 1 January 2019, with early adoption permitted]

IAS 19 outlines how entities should account for changes defined-benefit plan, requiring remeasurement of the present value of benefit liabilities and the fair value of plan assets. Remeasurement requires the use of current assumptions to determine the current service cost and net interest on the net defined benefit liability (assets) resulting from a plan amendment.

The standard described above have had no relevant impact on these consolidated financial statements or their breakdowns.

- **Amendment to IFRS 9: "Financial instruments"**

[[Effective for annual periods beginning on or after 1 January 2019, with early adoption permitted]

The purpose of the amendment is to allow debt instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income rather than at fair value through profit or loss.

The Group opted for the early adoption of the standard at 1 January 2018, along with the changes arising from the first-time application of IFRS 9 "Financial Instruments".

IFRIC 23: "Uncertainty over income tax treatments"

[[Effective for annual periods beginning on or after 1 January 2019, with early adoption permitted]

This interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In these circumstances, the entity shall recognise and measure its current or deferred tax assets or liabilities applying the requirements of IAS 12 to taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying this interpretation.

The standard described above have had no relevant impact on these consolidated financial statements or their breakdowns.

B) New standards, amendments and interpretations of mandatory application in fiscal years initiated from 1 January 2019 and beyond, approved by the European Union

Following is a list of the main mandatory standards, amendments or interpretations by the International Accounting Standards Board ("IASB") and endorsed by the European Union with mandatory application for annual periods beginning after 1 January 2019. Therefore, they have not been applied in the preparation of these consolidated financial statements:

- **Amendments to the IFRS Conceptual Framework**

[[Enter into force in the financial years initiated from 1 January 2020]

The conceptual framework review includes revised asset and liability definitions, as well as a new guide to their measurement, derecognition, presentation and breakdown.

- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in estimates"**

[[Enter into force in the financial years initiated from 1 January 2020]

Introduces modifications to align the materiality definition with that contained in the conceptual framework.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**

[[Enter into force in the financial years initiated from 1 January 2020, with early adoption permitted]

Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing interest rate benchmark reform.

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 interest rate benchmark reform could give rise to certain requirements of hedging relationships that might no longer be met. This could lead to the discontinuation of institutions' designated hedging relationships at the reference date.

As a result, the IASB began a two-phase project to amend accounting standards to prevent the discontinuation of the hedges affected:

- Phase 1 (completed and endorsed by the EU): required amendments during the period before the full replacement of the benchmarks.
- Phase 2 (ongoing): required amendments after existing rates are modified or replaced.

The amendments to standards in phase 1 include certain temporary reliefs from generally applying the standards (IAS 39 and IFRS 9) and additional disclosure requirements (IFRS 7) if these temporary reliefs are applied. The amendments apply to hedging relationships directly affected by the interest rate benchmark reform under way. A hedging relationship is 'directly affected' if the reform gives rise to uncertainties about the timing or the amount of interest rate benchmark-based cash flows of the hedged item or the hedging instrument.

The temporary reliefs will cease under certain conditions. These include when there is no longer uncertainty arising from the interest rate benchmark reform over the timing or amount of the benchmark-based cash flows or when the hedging relationship is discontinued.

Regarding implementation of the changes arising directly from the interest rate benchmark reform, the Group has set up a multi-disciplinary working team with members from the Risk, Systems, Legal, Business, Regulatory Compliance and other divisions to manage the transition of the arrangements that could be affected. The Finance Division is overseeing the project, reporting regularly to the Group's governing bodies on the progress of the implementation.

C) New rules, amendments and interpretations issued of mandatory application in fiscal years initiated from 1 January 2019 and pending approval by the European Union

- IFRS 17: "Insurance Contracts"

[[It shall enter into force in the financial years initiated from 1 January 2022, with early adoption permitted]

IFRS 17 sets out the principles of recognition, valuation, presentation and disclosure of insurance contracts. Its purpose is to ensure that an entity provides relevant information that faithfully represents such contracts. This information provides a basis for assessing the effect that insurance contracts have on the financial position of the entity, financial performance and cash flows. IFRS 17 replaces IFRS 4 on insurance contracts.

- Amendments to IFRS 3: "Business Combinations"

[Enter into force in the financial years initiated from 1 January 2020]

Introduces clarifications to the definition of business.

- Amendments to IAS 1 "Presentation of financial statements"

[Enter into force in the financial years initiated from 1 January 2022]

Introduces clarifications on requirements for the classification of liabilities as current or non-current.

(1.4) Responsibility for the information and estimates made

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

In the Group's consolidated 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 2.20).
- The 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 2.20).
- 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 costs 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 Group as payment of debts, regardless of the legal format pursuant to which they were acquired (see Notes 2.15, 2.17 and 2.20).
- The recoverability of recognised deferred tax assets (see Note 2.14 and 26).
- 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 Group is exposed due to its activity (see Notes 2.18 and 20).

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 consolidated financial statements on the events analysed, future events may make necessary to change these estimates (upwards or downwards). Any changes in accounting estimates would be applied prospectively in accordance with the applicable standards, recognising the effects of the change in estimates in the related consolidated income statement in the future periods affected.

(1.5) Comparative information

As required by current law, the information contained in these consolidated 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 consolidated financial statements for the year ended 31 December 2018.

As explained in Note 1.3, IFRS 16 became effective for annual periods beginning on or after 1 January 2019. The Group elected to 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 and information for the year ended 31 December 2018 with the information contained in the consolidated financial for the year ended 31 December 2019.

(1.6) Agency agreements

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

(1.7) Investments in the capital of credit institutions

The Group'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 II, III and IV.

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

(1.9) Minimum reserve ratio

At 31 December 2019, the Group 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 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 FGDEC 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 consolidated income statement (see Note 37).

At 30 July 2012, the Management Committee (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 December 2018, the Group 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 an 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 consolidated 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 consolidated financial statements other than those included in this note or other notes to the consolidated 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 Bankia 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 XIII 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 XIII attached hereto.

(1.14) Segment reporting and distribution of revenue from ordinary Group 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 Group’s activity and results, and developed in accordance with the various areas of business established with regard to the Group’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 Group management information, and the measurement, valuation bases and accounting principles applied are basically the same as those used to prepare the consolidated financial statements, with no asymmetric allocations.

The itemised segments on which the information in these consolidated 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 | 2,458,518 | 2,453,807 |
| Export: | 771 | 399 |
| European Union | - | - |
| Other OECD countries | - | - |
| Other countries | 771 | 399 |
| Total | 2,459,289 | 2,454,206 |

The table below shows the Group's consolidated ordinary income by geographic areas for the year ended 31 December 2019 and 2018:

| (Thousands of euros) | | |
|----------------------|------------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Domestic market | 3,996,620 | 4,090,408 |
| Export: | 771 | 434 |
| European Union | - | - |
| Other OECD countries | - | - |
| Other countries | 771 | 434 |
| Total | 3,997,391 | 4,090,842 |

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

Year 2019:

| (Thousands of euros) | | | | |
|---|------------------|------------------|------------------|------------------|
| ITEM | Retail Banking | Business Banking | Corporate Centre | Group |
| External customers | 2,076,769 | 698,211 | 1,222,411 | 3,997,391 |
| Inter-segment transactions | (49,770) | (87,732) | 137,502 | - |
| Total ordinary income ⁽²⁾ | 2,026,999 | 610,479 | 1,359,913 | 3,997,391 |

Year 2018 ⁽¹⁾:

| (Thousands of euros) | | | | |
|---|------------------|------------------|------------------|------------------|
| ITEM | Retail Banking | Business Banking | Corporate Centre | Group |
| External customers | 2,077,558 | 698,952 | 1,314,332 | 4,090,842 |
| Inter-segment transactions | (180,676) | (111,674) | 292,350 | - |
| Total ordinary income ⁽²⁾ | 1,896,882 | 587,278 | 1,606,682 | 4,090,842 |

(1) Comparative information for 2018 includes reclassifications among segments from the information included in the consolidated 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 consolidated income statement period ended 31 December 2018, which can be regarded as comparable to the Group's revenue from ordinary business.

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

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

Year 2019:

| (Thousands of euros) | | | | |
|--|------------------|------------------|------------------|------------------|
| ITEM | Retail Banking | Business Banking | Corporate Centre | Group |
| NET INTEREST INCOME | 1,283,839 | 398,767 | 340,421 | 2,023,027 |
| Dividend income | - | 185 | 17,249 | 17,434 |
| Share of profit/(loss) of companies accounted for using the equity method | - | - | 60,024 | 60,024 |
| Net fees and commissions | 870,037 | 178,752 | 31,854 | 1,080,643 |
| +/- Gains and losses on financial assets and liabilities and exchange differences | 524 | 40,398 | 272,387 | 313,309 |
| +/- Other operating income and other operating expenses | (158,800) | (8,469) | (82,138) | (249,407) |
| GROSS INCOME | 1,995,600 | 609,633 | 639,797 | 3,245,030 |
| Administrative expenses | (934,499) | (61,675) | (619,554) | (1,615,728) |
| Depreciation | (91,778) | (1,840) | (107,334) | (200,952) |
| OPERATING INCOME BEFORE PROVISIONS | 969,323 | 546,118 | (87,091) | 1,428,350 |
| Provisions or (-) reversal of provisions | (3,523) | 55,137 | (66,166) | (14,552) |
| Impairments or (-) reversal of impairment of financial assets not at fair value through profit or loss | (287,760) | 102,176 | (277,357) | (462,941) |
| Impairment losses on other assets (net) and other gains and losses | (193) | - | (194,974) | (195,167) |
| PROFIT/(LOSS) BEFORE TAX | 677,847 | 703,431 | (625,588) | 755,690 |

Year 2018 ⁽¹⁾:

| (Thousands of euros) | | | | |
|--|------------------|------------------|------------------|------------------|
| ITEM | Retail Banking | Business Banking | Corporate Centre | Group |
| NET INTEREST INCOME | 1,140,778 | 389,748 | 518,531 | 2,049,057 |
| Dividend income | - | 104 | 10,692 | 10,796 |
| Share of profit/(loss) of companies accounted for using the equity method | - | - | 56,290 | 56,290 |
| Net fees and commissions | 863,036 | 156,760 | 45,193 | 1,064,989 |
| +/- Gains and losses on financial assets and liabilities and exchange differences | 273 | 46,615 | 378,472 | 425,360 |
| +/- Other operating income and other operating expenses | (148,112) | (7,697) | (82,921) | (238,730) |
| GROSS INCOME | 1,855,975 | 585,530 | 926,257 | 3,367,762 |
| Administrative expenses | (964,966) | (59,822) | (671,535) | (1,696,323) |
| Depreciation | (61,207) | (1,226) | (111,478) | (173,911) |
| OPERATING INCOME BEFORE PROVISIONS | 829,802 | 524,482 | 143,244 | 1,497,528 |
| Provisions or (-) reversal of provisions | (11,963) | 56,202 | (54,213) | (9,974) |
| Impairments or (-) reversal of impairment of financial assets not at fair value through profit or loss | (251,128) | 74,368 | (249,746) | (426,506) |
| Impairment losses on other assets (net) and other gains and losses | 59 | (7) | (140,987) | (140,935) |
| PROFIT/(LOSS) BEFORE TAX | 566,770 | 655,045 | (301,702) | 920,113 |

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

Segment assets and liabilities at 31 December 2019 and 2018 are as follows:

At 31 December 2019:

| (Thousands of euros) | | | | |
|---|--------------------|-------------------|-------------------|--------------------|
| ITEM | Retail Banking | Business Banking | Corporate Centre | Group |
| Financial assets at amortised cost - Loans and advances – Customers | 80,485,273 | 32,314,690 | 4,633,048 | 117,433,011 |
| Other assets | 27,275,570 | 13,940,844 | 49,818,848 | 91,035,262 |
| Total assets | 107,760,843 | 46,255,534 | 54,451,896 | 208,468,273 |
| Financial liabilities at amortised cost - Deposit – Customers | 102,368,845 | 11,172,148 | 11,243,743 | 124,784,736 |
| Net inter-segment financing | - | - | - | - |
| Other liabilities | 5,391,998 | 35,083,386 | 29,873,056 | 70,348,440 |
| Total liabilities | 107,760,843 | 46,255,534 | 41,116,799 | 195,133,176 |

At 31 December 2018⁽¹⁾:

| (Thousands of euros) | | | | |
|---|--------------------|-------------------|-------------------|--------------------|
| ITEM | Retail Banking | Business Banking | Corporate Centre | Group |
| Financial assets at amortised cost - Loans and advances – Customers | 84,127,060 | 28,740,947 | 5,417,769 | 118,285,776 |
| Other assets | 22,619,691 | 11,017,219 | 53,300,184 | 86,937,094 |
| Total assets | 106,746,751 | 39,758,166 | 58,717,953 | 205,222,870 |
| Financial liabilities at amortised cost - Deposit – Customers | 101,631,615 | 11,584,254 | 13,103,607 | 126,319,476 |
| Net inter-segment financing | - | - | - | - |
| Other liabilities | 5,115,136 | 28,173,912 | 32,424,907 | 65,713,955 |
| Total liabilities | 106,746,751 | 39,758,166 | 45,528,514 | 192,033,431 |

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

Amounts related to investments in associates and joint ventures accounted for using the equity method, increases in non-current assets held for sale that are not financial instruments, deferred tax assets are recognised in the Corporate Centre.

(1.15) Changes in the Groups' 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 XIII). 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 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 Group's consolidated equity following the completion of the sale in 2019 of the remaining 51% stakes (see Note 14.2).

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 14.2 and 18.5.1).

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 Group's consolidated equity (see Notes 1.11, 14.2 and 18.4).

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 applied

A summary of the main accounting policies and measurement bases applied to prepare the Bankia Group's consolidated financial statements for the year ended 31 December 2019 is as follows:

(2.1) Business combinations and consolidation**(2.1.1) Business combinations**

A business combination is a transaction or another event in which the acquirer obtains control over one or more businesses. For these purposes, an entity controls another entity when it has the power to govern its financial and operating policies, as stipulated by law, the bylaws or agreement, so as to obtain economic benefits from its activities.

Accordingly, a business is defined as an integrated set of activities and assets which can be controlled and managed for the purpose of providing a return in the form of dividends, less costs and other economic benefits, directly to the investors or other owners, members or ventures.

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

The business combinations through which the Group acquired 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 acquired assets, the liabilities assumed and any non-controlling interest in the acquiree. Other than the exceptions mentioned in IFRS 3, 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 consolidated income statement comparing the price paid in the business combination and the initial value of the identified assets, liabilities and contingent liabilities of the acquired business.

In situations in which the Group obtained 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 acquiree, previously held at fair value at the acquisition date, are remeasured and the resulting gains or losses, if any, are recognised in the consolidated income statement.

In the case of business combinations carried out without transferring consideration, such as business combinations achieved by contract alone, the Group recognises, where applicable, the amount of the net assets and liabilities of the acquiree applying the policies and bases contained in IFRS 3 (in general and with the exceptions established in IFRS 3) at fair value in the Group's equity, such that any goodwill or gains arising from the purchase are not recognised in business combinations of this type.

(2.1.2) Basis of consolidation

For the purposes of consolidation and in accordance with the criteria set out in IFRS 10, consolidated financial statements, IFRS 11 "Joint arrangements" and IAS 28 "Investments in Associates and Joint Ventures" the Group comprises four types of companies: subsidiaries, joint ventures, associates and structured entities, defined as follows:

(2.1.2.1) Subsidiaries

Subsidiaries are companies over which the Group 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.

The financial statements of subsidiaries are fully consolidated with those of the Bank except those of subsidiaries classified as non-current assets held for sale, which are recognised and measured as described in Note 2.20.

The share of non-controlling interests of subsidiaries in the Group's consolidated equity are presented under "Minority interests-[non-controlling interests]" in the consolidated balance sheet, while their share of profit and losses is presented under "Profit or loss- Attributable to minority interest" in the consolidated income statement (see Note 24).

The results of subsidiaries acquired during the period are included in the consolidated income statement from the date of acquisition to period end.

Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Appendix II contains significant information on these entities.

(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 consolidated financial statements, the party to joint operations recognises, according to their nature and in accordance with applicable IFRS:
 - 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 using the equity method in accordance with IAS 28.

The assets and liabilities assigned to jointly-controlled operations and the assets controlled jointly with other venturers are recognised in the consolidated balance sheet, classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items.

The financial statements of the joint ventures ("jointly-controlled entities companies") are consolidated with those of the Bank using the equity method, except those classified as non-current assets held for sale, which are recognised and measured as described in Note 2.20.

Appendix III and IV contains significant information on these entities.

(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.

In the consolidated financial statements, investments in associates are accounted for using the equity method, as defined by IAS 28 except those classified as non-current assets held for sale, which are recognised and measured as described in Note 2.20.

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

At 31 December 2019, the Group'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 consolidated balance sheet are immaterial and relate primarily to entities under the management of a bankruptcy administrator.

(2.1.2.4) Structured entities

Structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- Restricted activities.
- A narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Examples of entities that are regarded as structured entities include, but are not limited to :

- Securitization vehicles.
- Asset-backed financings.
- Some investment funds.

In those cases where the Group creates, or has interests in, entities designed to provide investment opportunities for customers or to transfer risks or for other purposes, it determines whether control exists over the investee using internal criteria and procedures and related regulations, and, therefore, whether it should or should not be consolidated.

These methods and procedures determine the existence of control by considering how decisions are taken regarding relevant activities and whether there is exposure to variability of returns and if there is a link between power and returns.

Consolidated structured entities:

These entities include the so-called "asset securitization funds" and vehicles, created to provide investment opportunities to customers or to transfer risks or for other purposes, and are fully consolidated where, based on analysis, it is concluded that the Group has control.

In the specific case of the securitization funds to which Group entities transfer lending portfolios, when assessing whether the Group has control, the following circumstances which indicate control are considered:

- The activities of the securitization funds are carried out on behalf of the entity, in accordance with the specific needs of the business, such that it obtains benefits or advantages from the activities of the securitization funds.
- The entity retains decision-making power to obtain most of the benefits of the activities of the securitization funds or delegates this power through an "automatic pilot" mechanism (securities funds are structured such that all decisions and activities have been predefined before their creation).
- The entity has rights to the majority of the benefits of the securitization funds and, therefore, is exposed to the risks inherent in its activity. The Entity retains most of the residual benefits of the securitization funds.
- The entity retains most of the risks of the securitization funds' assets.

If control is determined to exist on the basis of these indicators, the securitization funds are included in the consolidated Group.

The Group determined that in none of the securitizations made from 1 January 2004, the securitised assets could be derecognised from the consolidated balance sheet, and that the funds should be consolidated, as the Group manages the impairment of collateral and retains substantially the expected credit losses and possible variations in net cash flows through subordinated finance and credit facilities in favour of the securitization funds (see note 2.2.2 and 12.7). However, if the entity transfers substantially these risks, it derecognises these assets.

Unconsolidated structured entities:

The Group has vehicles that provide investment opportunities to customers or transfer risks or for other purposes. These vehicles are not consolidated as the Group does not have control and as they do not meet the criteria for consolidation in IFRS 10. The amount of the assets and liabilities of these vehicles is not material in relation to the Group's consolidated financial statements.

(2.1.2.5) Changes in levels of investments in subsidiaries, joint ventures and associates, and related impairment

Subsidiaries

Acquisitions and disposals that do not result in a change of control are accounted for as equity transactions, and gain and loss is not recognised in the income statement. Goodwill is not remeasured. The difference between the consideration paid or received and the decrease or increase in the amount of non-controlling interests, respectively, is recognised in reserves. Similarly, if a parent loses control of a subsidiary, it derecognises the assets, liabilities and non-controlling interests and any other items that could be recognised in valuation adjustments of the former subsidiary and recognises the fair value of the consideration received and any investment retained. The difference between these amounts is recognised in the income statement.

Joint ventures and associates

At the date on which joint control or significant influence is obtained, the Group estimates the fair value of the investment, which from that time is considered to be its cost, recognising any gains or losses deriving from differences between its carrying amount before joint control or significant influence was obtained and its fair value through profit or loss. The cumulative gain or loss in accumulated other comprehensive income in consolidated equity is retained until the investment is disposed, when is reclassified to reserves.

Investments, which on acquisition give rise to a situation of joint control or significant influence, are accounted for using the equity method from the moment they become a joint venture or associate. The difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is measured as follows:

- Goodwill relating to the joint venture or associate is included in the carrying amount of the investments.
- Any excess over the cost of the net fair value of the investee's identifiable assets and liabilities is recognised as income in the consolidated income statement in the year in which joint control or significant influence is obtained.

Additionally, when joint control or significant influence in a joint venture or associate is lost, the retained investment is accounted for in a similar manner as a subsidiary; i.e. as an asset at fair value. The difference between the carrying amount and fair value is recognised in profit or loss. The irrevocable option of including the investment in the portfolio of financial assets at fair value through other comprehensive income is not available for investments originally measured at fair value through profit or loss.

Impairment losses for the period are recognised as an expense in the consolidated income statement, with a balancing entry in the carrying amount of the asset. Subsequent reversals are recognised as income in the consolidated income statement.

Indications of objective evidence of impairment for these investments include:

- Significant financial difficulty of the issuer.
- Significant changes in the technological, market, economic or legal environment in which the issuer operates, which may have adverse effects on the recovery of the investment.
- A significant or prolonged decline in the fair value of an asset below its carrying amount. In these cases, a test should be carried out to assess whether the indications are clear evidence of impairment.

There is also objective evidence of impairment when the issuer has entered, or it is probable that it will enter, creditors' agreement.

The Group recognises impairment losses for these investments whenever there is objective evidence that their carrying amount is not recoverable. The amount of the impairment loss recognised is the difference between the carrying amount of the instrument and its recoverable amount, understood as the higher of fair value less costs to sell or present value of future cash flows (value in use).

(2.2) Financial instruments

(2.2.1) Initial recognition of financial instruments

Financial instruments are initially recognised on the consolidated balance sheet when the Group 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 consolidated balance sheet when the obligations are extinguished or when they are repurchased by the Group 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").

The Group 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 25 provides information on the fair value of the Group'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 consolidated 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 IFRS 9, 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 Group's consolidated 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 Group 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 Group 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 consolidated 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, is recognised under "Interest income" in the consolidated income statement. Exchange differences on securities included in this portfolio denominated in currencies other than the euro are recorded as set out in Note 2.4. Any impairment losses on these assets is recognised in accordance with Note 2.9. Debt securities included in fair value hedges are recognised in accordance 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 consolidated 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 consolidated 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 set out in 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 consolidated income statement. Dividends accrued on equity instruments classified in this category are recognised under "Dividend income" in the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

The liabilities issued by consolidated entities which, although considered capital for legal purposes, do not meet the requirements for classification as equity; i.e., basically any shares issued by the consolidated entities that do not carry voting rights and entitle their holders to receive dividends if certain conditions are met, are accounted for in the same way as the rest of the financial liabilities classified as at amortised cost, and are recognised under “Financial liabilities measured at amortised cost - Debt securities issued” in the consolidated balance sheet. 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 consolidated 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 consolidated 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 Group'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 Group 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 Group 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 IFRS 5 are recognised in the consolidated financial statements as explained in Note 2.20.

(2.2.5) Reclassification of financial instruments between portfolios

When, and only when, the Group 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 Group 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 to: | | |
|------------------------|---|---|--|---|
| | | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost |
| Reclassification from: | Fair value through profit or loss | | <ul style="list-style-type: none"> Fair value at the date of reclassification as gross carrying amount Recognition of subsequent changes in fair value in accumulated other comprehensive income | <ul style="list-style-type: none"> Fair value at the date of reclassification as gross carrying amount |
| | Fair value through other comprehensive income | <ul style="list-style-type: none"> 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 | | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Fair value at the date of reclassification as gross carrying amount Recognition of the difference between amortised cost and fair value 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 Group’s business model during the period, and therefore no reclassification of debt instruments.

In no circumstance does the Group 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 Group 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 Group has elected to continue applying the recognition and measurement criteria for hedges included in IAS 39.

The Group 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 applicable accounting regulation, they qualify for hedge accounting.

When the Group 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 Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Group 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 Group 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 Group 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 Group’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 consolidated income statement.

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

The Group'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 Group, 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 consolidated 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 consolidated profit or loss.

The Group 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 Group'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 Group 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 Group 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 consolidated 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 consolidated income statement until the gains or losses on the hedged item are recognised in the consolidated 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 consolidated 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 Group 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 consolidated income statement when they are disposed of or derecognised.

(2.4) Foreign currency transactions

(2.4.1) Functional currency

The Group’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 consolidated balance sheet at 31 December 2019 and 2018 denominated in foreign currency is as follows:

| (Thousands of euros) | | | | |
|--|------------------|------------------|------------------|------------------|
| ITEM | 31/12/2019 | | 31/12/2018 | |
| | Assets | Liabilities | Assets | Liabilities |
| Balances in US dollars | | | | |
| Cash, cash balances at Central banks and other demand deposits | 160,994 | - | 79,109 | - |
| Financial 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 | 36,695 | 19,486 | 36,781 | 31,948 |
| Total | 1,820,750 | 1,408,159 | 1,851,347 | 1,120,670 |
| 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 | - | 119,869 | - |
| Financial liabilities at amortised cost | - | 101,677 | - | 64,372 |
| Other | 8 | 1,786 | 233 | 2,843 |
| Total | 253,720 | 111,060 | 142,705 | 69,391 |
| Total foreign currency balances | 2,361,041 | 1,699,233 | 2,267,280 | 1,393,222 |

(2.4.2) Criteria for translation of foreign currency balances

Balances in foreign currencies are translated to euros in two consecutive phases:

- Translation of foreign currency to the functional currency of the Group entities, joint ventures and entities accounted for using the equity method, and
- Translation to euros of the balances of consolidated companies or companies accounted for using the equity method whose reporting currency is not the euro.

The functional currencies of all the Group entities or entities accounted for using the equity method in the consolidated financial statements are the same as their respective reporting currencies.

Translation of foreign currency to the functional currency: Foreign currency transactions performed by consolidated entities or entities accounted for using the equity method are initially recognised in their respective financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, the consolidated entities translate the foreign currency monetary items to their functional currencies using the exchange rates at year end.

Furthermore:

- 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.

Entities whose functional currency is not the euro: The balances in the financial statements of the consolidated entities and entities accounted for using the equity method whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities, at the closing rates.
- Income and expenses and cash flows, at the average exchange rates for the year.
- Equity items, at the historical exchange rates.

(2.4.3) Exchange rates applied

The exchange rates used by the Group in translating the foreign currency balances to euros for the purpose of preparing the consolidated 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 consolidated entities and their branch offices are generally recognised at their net value in the consolidated 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 consolidated 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 exchange rate differences arising in non-monetary items, whose fair value is adjusted against counterparty in equity, are recognised in consolidated equity under "Accumulated other comprehensive income- Items that may be reclassified to profit or loss-Foreign currency translation" in the consolidated balance sheet until they are realised.

The exchange differences arising on the translation to euros of the financial statements in the functional currencies of the consolidated entities, whose functional currency is not the euro, are recognised in consolidated equity under "Accumulated other comprehensive income- Items that may be reclassified to profit or loss-Foreign currency translation" in the consolidated balance sheet, whereas those translated to euros of the financial statements of entities accounted for using the equity method are recognised under "Accumulated other comprehensive income- Items that may be reclassified to profit or loss- Share of other recognised income and expense of investments in joint ventures and associates".

(2.5) Recognition of income and expenses

The most significant accounting criteria used by the Group 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 IFRS 9. Dividends received from companies other than those within the scope of consolidation of the Group are recognised as income when the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group 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 Group offsets 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.

IAS 32 “Financial Instruments: Presentation” 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 9 and 13 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 Group 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 the transferor 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 the transferor retains control of the transferred financial asset, it continues to recognise it in the consolidated 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 27.1 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 consolidated financial statements, the foreclosure of assets to recover amounts owed to consolidated 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 IAS 16 and IAS 38, 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 consolidated 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 exposed 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 consolidated 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 consolidated 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 consolidated 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 Group 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 Group 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 Group assesses whether to continue recognising 12-month expected credit losses. The Group 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group'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 Group has used the first PD available.

The Group'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 Group has not applied a longer period of time for these purposes.
- Refinance or restructuring that does not present evidence of impairment. Appendix X shows the classification and allowance policies and criteria applied by the Group 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 Group 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 Group 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 Group 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 X includes the classification and impairment policies and criteria applied by the Group/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.

Anyway, the Group's definitions of default and credit-impaired asset are aligned.

No reasonable expectations of recovery

The Group 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 Group 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 Group to cease negotiations and legal action to recover the amount.

The Group 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 Group 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 the Group estimates expected credit losses of debt instruments as 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 Group expects to obtain over the instrument's remaining term. In this regard, 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 assessment of the effectiveness of guarantees and collaterals considers, among others, 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 Group has policies and procedures on the valuation 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 Group 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 classification 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 Group's internal models for estimating capital requirements, this internal methodology includes the calculation of losses, based on internal data, through internal estimates of credit risk parameters. When calculating expected losses on a collective basis using internal methodologies, the Group considers the following:

a) *Criteria of grouping transactions*

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

Factors used by the Group 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 Group'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 consolidated financial statements are the result of a series a probability-weighted scenarios.

When making the estimate, the Group takes the most likely scenario (baseline scenario) as the starting point. The baseline scenario is consistent with the scenario used for the Group'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 Group 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 Group 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 Bankia Group 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 $\pm 0.5\%$ 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 $\pm 1.5\%$, 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 Group 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 Group 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 Group.

(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 IFRS-EU, the Group generally treats financial guarantees provided to third parties as financial instruments within the scope of IFRS 9.

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 a 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 Group 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 Group initially recognises the financial guarantees provided on the liabilities side of the consolidated 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 consolidated 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 consolidated balance sheet at the higher of the following two amounts:

- The amount determined in accordance with IRFS 9, taking into account that set forth in Appendix IX of Bank of Spain 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 IRFS 15, is charged to the consolidated 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 consolidated balance sheet. These provisions are recognised and reversed with a charge or credit, respectively, to “(Provisions or (-) reversal of provisions)” in the consolidated 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 consolidated balance sheet, are reclassified to the appropriate provision.

(2.11) Leases

In lease accounting, different treatments applies when the Group acts as a lessee or as a lessor:

A) The Group as lessee

At inception of a contract, the Group 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 Group recognises an asset in the consolidated balance sheet, which represents the right to control the use of the identified asset for a period of time. At the same time, the Group recognises a lease liability, which represents the Group'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 Group 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 consolidated income statement.

At the commencement date of the lease, the Group 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 Group uses its incremental borrowing rate. The lease liability is recognised in “Financial liabilities at amortised cost - Other financial liabilities” in the consolidated balance sheet. The finance cost related to the lease liability is recognised under “Interest expenses” in the consolidated income statement. After the commencement date, the Group 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 consolidated 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 consolidated income statement.
- Any impairment losses are recognised in “Impairment or (-) reversal of impairment on non-financial assets” in the consolidated 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 consolidated financial statements of the Bankia Group.

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 consolidated income statement.

Sale and leaseback transactions

In transactions in which the Group sells an asset it owns to a third party and leases that asset back, the Group 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 Group sells an asset it owns to a third party and leases that asset back, the Group 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 Group continues to recognise the transferred asset and recognises a financial liability equal to the consideration received.

B) The Group as lessor:

Lease contracts in which the Group 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 Group 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 Group 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 consolidated balance sheet based on the type of lessee.

When the Group acts as lessee in a finance lease, it recognises the cost of the leased assets in the consolidated 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 Group’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 consolidated income statement and the accrued interest is estimated using the effective interest method as defined in IFRS 9.

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 Group act 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 consolidated income statement”.

(2.12) Investment funds, pension funds, assets under management and savings insurance policies marketed and managed by the Group

Assets owned by third parties and managed by the consolidated entities are not presented on the face of the consolidated balance sheet. Management fees are included in “Fee and commission income” in the consolidated income statement. Details of third-party assets managed by the Group at 31 December 2019 and 2018 are disclosed in Note 27.3.

The investment funds and pension funds managed and savings insurance policies marketed and managed by the Group are not recognised on the Group’s consolidated balance sheet since the related assets are owned by third parties (see Note 27.3). The fees and commissions earned in the year for the services rendered by the Group entities to these funds (asset management and custody services, etc.) are recognised under “Fee and commission income” in the consolidated 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 Group 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 Group’s post-employment obligations to its employees are deemed to be “defined contribution plan obligations” wherever the Group 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 Group are covered by pension plans and insurance policies.

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

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

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

- Non-accrued pensions:

A system is in place whereby The Group 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 Group are externalised through the pension plan and insurance policies.

In addition to these obligations, Note 6 describes the obligations with members of the Board of Directors of Bankia, S.A. and senior executives of Bankia.

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

As a rule, the Group 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);
- 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 consolidated 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 consolidated financial statements corresponding to the issuance of high quality bonds or obligations.

(2.13.1.4) Accounting criteria for post-employment commitments

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

- *Defined-contribution plans.* Group contributions to defined contribution plans are recognised under “Administrative expenses – Staff costs” in the consolidated 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 consolidated balance sheet, the Group 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 consolidated 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 Group, 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 Group unless the assets remaining in the plan are sufficient to meet all the benefit obligations of the plan or of the Group to current and former employees, or they are returned to reimburse employee benefits already paid by the Group;
- they may not be non-transferable financial instruments issued by the Group if held by a long-term post-employment benefits fund or entity.

If the Group 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 Group 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.

Pursuant to the provisions of IAS 19, the Bankia Group recognised in its consolidated 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 consolidated 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 consolidated 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 consolidated income statement, with the special features disclosed below for each specific cases.

(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 Group 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 20).

(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 5,757 thousand (EUR 5,072 thousand on 31 December 2018) of which EUR 5,681 thousand were covered by the Employee Pension Plan and EUR 76 thousand recognised under “Administrative expenses - Staff costs” in the income statement for the year (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. Assistance 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, Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees made redundant without just cause. Termination benefits must be recognised when the Group 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 insurance policy and provisions recognised at 31 December 2019 (see Note 20).

(2.14) Income tax

Expenses for Spanish corporate income tax and similar taxes levied on foreign consolidated subsidiaries are recognised in the consolidated income statement, except when it results from a transaction recognised directly in equity. In this case, the income tax is also recognised in the Group'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 26).

The Group 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 Group to make a payment to the relevant tax authorities. A deductible temporary difference is one that will generate a right for the Group 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 Group 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 Group 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 consolidated 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 26.5 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, approved by Royal Decree-Law, for the tax period commencing on 1 January 2011, and informed the tax authorities of this decision.

Note 26.1 provides a breakdown of the companies making up the Tax Group headed by Bankia, S.A.

(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 Group 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 consolidated 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 consolidated 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 Group 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 consolidated 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 Group assess at the reporting date whether there is any internal or external indication that a tangible asset 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 consolidated income statement.

Similarly, if there is an indication of a recovery in the value of an impaired tangible asset, the consolidated 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 consolidated 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 consolidated 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 consolidated income statement in the period in which they are incurred.

Tangible assets that require more than twelve months 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 Group’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 2.20.

(2.15.2) Investment property

"Investment property" on the consolidated 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 Group 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 2.20 for assets foreclosed or received in payment of debt classified as non-current assets held for sale.

Appendix IX provides further information about foreclosed property assets and assets received by the Group in settlement of debts and classified under this consolidated 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 consolidated entities. Only intangible assets whose cost can be estimated reasonably objectively and from which the consolidated 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 depreciation and any accumulated impairment losses.

(2.16.1) Goodwill

Any differences between the cost of investments in consolidated entities accounted for by the equity method and other forms of business combinations other than those carried out with no transfer of consideration, carried out with respect to the net fair values of the assets and liabilities acquired, adjusted by the acquired percentage holding of the net assets and liabilities in the event of purchase of shareholdings, at the date of acquisition, are recognised as follows:

- If the acquisition price exceeds the aforementioned fair value, as goodwill under "Intangible assets - Goodwill" on the asset side of the consolidated balance sheet. In the case of acquisition of holdings in associates or joint ventures accounted for using the equity method, any goodwill that may arise from the acquisition is recognised as forming part of the value of the investment and not as an individual item under "Intangible assets – Goodwill".
- Any negative differences between the costs of acquisition less the aforementioned fair value are recognised, once the valuation process has been completed, as income in the consolidated income statement under "Negative goodwill recognised in profit or loss".

Positive goodwill (excess between the acquisition price of an investee or business and the net fair value of the assets, liabilities and contingent liabilities acquired from this entity or business) –which is only recognised on the consolidated balance sheet when acquired for consideration– thus represents advance payments made by the acquiring entity for future economic benefits arising from the assets of the entity or business acquired that are not individually and separately identifiable and recognisable.

Goodwill is allocated to one or more cash-generating units that are expected to benefit from the synergies of the business combination. The cash-generating units represent the smallest identifiable group of assets that generates cash inflows to the Group that are largely independent of the cash inflows from other assets or groups of assets of the Group. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.
- Is not larger than an operating segment.

The cash-generating units to which goodwill has been allocated are tested for impairment (including the amount of goodwill allocated in their carrying amount). Impairments tests are carried out at least annually, or whenever there is any indication that an asset may be impaired.

Goodwill is not amortised, but tested for impairment regularly and written down if there is evidence of impairment of goodwill. A cash-generating unit to which goodwill has been allocated is tested for impairment by comparing the unit's carrying amount, excluding any goodwill attributable to non-controlling interests if the entity has opted not to measure non-controlling interests at fair value, with its recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. To estimate value in use, the Group generally uses models based on the following assumptions:

- The recoverable value is the value in use of the investment, obtained from the present value of the cash flows that are expected to be obtained from the cash-generating unit, from its ordinary activities (adjusted for extraordinary items) or from the possible disposal thereof.
- Estimated cash flow projections usually have a maximum time horizon of five years and include cyclical growth rates based on various factors such as the economic situation at the time the assessment is performed, growth in the industry, historical rates etc. At 31 December 2019, no estimates had been made with cash flows for longer periods.
- The cash flows are discounted using specific discount rates for each asset, on the basis of a risk-free interest rate which is increased by a risk premium for each investment based on various capital-weighting factors (ratings, internal scorings, etc.).

If the carrying amount of the cash-generating unit is higher than its recoverable amount, the Group recognises an impairment loss. The impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, for any remaining amount of the impairment loss, to reduce the carrying amount of the other assets pro rata on the basis of the carrying amount of each asset in the unit. If the entity has opted to measure non-controlling interests at fair value, it would recognise the impairment of goodwill attributable to these non-controlling interests.

Impairment losses on goodwill are recognised "Impairment or (-) reversal of impairment on non-financial assets – intangible assets" in the consolidated income statement. Impairment losses recognised on goodwill recognised under "Intangible Assets-Goodwill" as indicated in the preceding paragraph cannot be reversed in a subsequent period.

(2.16.2) Other intangible assets

Intangible assets other than goodwill are recorded on the consolidated balance sheet at cost of acquisition or production, net of accumulated amortisation and any impairment losses.

Intangible assets can have an indefinite useful life – when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated entities – or a finite useful life, in all other cases.

Intangible assets with an indefinite useful life are not amortised. At the end of each reporting period, however, consolidated entities review the remaining useful life of each asset to confirm that it is still indefinite and, if this is not the case, appropriate action is taken.

Intangible assets with finite lives are amortised using the same criteria as for the depreciation of property, plant and equipment. Annual amortisation of items with a finite useful life is recognised under "Depreciation" in the consolidated income statement. None of the Group's significant intangible assets other than goodwill have an indefinite useful life. These intangible assets, which were developed by non-Group companies, have an average useful life of ten 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 applications, their functional and technical state, and their alignment with business strategy. According to applicable accounting standards, the effects of changes in useful life are applied prospectively over the estimated years of useful life remaining.

Consolidated entities recognise 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 consolidated 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 consolidated 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" 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 consolidated 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 Group 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 Group 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 IX provides further information about foreclosed property assets and assets received by the Group in settlement of debts and classified under this consolidated balance sheet heading on the basis of ultimate purpose, as referred to above.

(2.18) Provisions and contingent liabilities

When preparing the consolidated financial statements, the Group'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 Group, 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 consolidated 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 Group'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 consolidated financial statements, but rather are disclosed in accordance with the requirements of IAS 37.

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 consolidated 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 20.

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.

Processing of Summary Proceedings 1/2018 with preliminary proceedings No. 59/2012 in the Central Court of Instruction of the National Court (Nacional 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 20.

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 20, 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 Group considered the lawsuit included in the Abbreviated 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 Group 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 Group to this end (note 20), the conclusion of these proceedings and claims will not have a material impact on the Group's financial situation.

The main claims against the Group 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.

- 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 57/1968. 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 Group'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 Group 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 Group 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 consolidated financial statements, to be insurance contracts.

When the Group provides the guarantees or sureties indicated in the preceding paragraph, it recognises them under “Other Liabilities” in the consolidated 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 consolidated income statement under “Interest income” in the consolidated income statement; and the value of the amounts initially recognised in liabilities is allocated on a straight-line basis to the consolidated income statement (or, if applicable, using another method which must be indicated). In the event that, in accordance with IAS 37, 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 group classified as held for sale and discontinued operations

“Non-assets and disposal groups classified as held for sale” in the consolidated 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 consolidated 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.

Subsidiaries that meet the criteria to be classified as non-current assets held for sale are fully consolidated and their assets and liabilities are presented and measured accordingly as a disposal group. Also considered, where appropriate, as non-current assets held for sale are investments in associates or joint ventures that meet the requirements of the preceding paragraph.

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

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 Group 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 consolidated income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a counterpart in the same heading of the consolidated 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 consolidated 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 consolidated income statement.

Assets foreclosed or received in payment of debts by the Group, for the full or partial settlement of debtors’ payment obligations, are considered non-current assets held for sale unless the Group 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 to 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 Group'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 25.3.2), 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 Group 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 Group 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 the Group'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 Group 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 Group 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 consolidated 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 consolidated 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 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 Group 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 25.3.2), 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 IX provides further information about foreclosed property assets and assets received by the Group in settlement of debts and classified under this consolidated balance sheet heading on the basis of ultimate purpose, as referred to above. Notes

18.3 and 18.5.1 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) Consolidated statement of cash flows

The following terms are used in the consolidated 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 and investments in equity instruments classified as held for sale 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, non-current assets held for sale and associated liabilities, equity instruments classified as held for sale 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 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 38.8.

(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 Group at 31 December 2019 and 2018.

Note 22.2 includes the disclosures required by applicable regulations regarding transactions with treasury shares.

(2.24) Consolidated statement of recognised income and expense

As indicated above, according to the options available under IAS 1, the Group has elected to present separately, first, a statement displaying the components of consolidated profit or loss ("Consolidated income statement") and, secondly, a statement that begins with profit or loss for the year and displays the components of other comprehensive income for the year, which in these consolidated financial statements, in accordance with the Circular terminology 4/2017, is termed the "Consolidated statement of recognised income and expense".

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

Accordingly, this statement presents:

- Consolidated profit or loss for the years ended 31 December 2019 and 2018.
- The net revenue or expenses temporarily recognised in consolidated equity as valuation adjustments.
- The net revenue or expenses definitively recognised in consolidated equity.
- The tax accrued on the items referred to in the preceding two subparagraphs, except in relation to impairment losses on investments in associates or joint ventures using the equity method, which are presented on a net basis.
- Total recognised consolidated income and expense for the year, calculated as the sum of four previous amounts, showing separately the total amounts attributable to equity holders of the parent and to non-controlling interests.
- The amount of the income and expenses relating to entities accounted for using the equity method recognised directly in equity is presented in this statement, irrespective of the nature of the related items, under "Share of other recognised income and expense of investments in joint ventures and associates".

The changes in consolidated income and expenses recognised in consolidated 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 consolidated equity. The amounts recognised in the year under this item are maintained in this line, but in the same year are transferred to the consolidated 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 consolidated equity, even in the same year, which are taken to the consolidated income statement.
- Amount transferred to the initial carrying amount of hedged items: comprises the valuation gains and losses previously recognised in consolidated 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.

As required by the amendment of IAS 1, all items of the consolidated statement of recognised income and expense may be recognised in the consolidated income statement except "Actuarial gains or (-) losses on defined benefit pension plans".

The amounts of these items are presented gross and, except as indicated above for the items relating to Share of other recognised income and expense of Investments in joint ventures and associates, 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 consolidated equity

The consolidated statement of changes in equity (which appears in these consolidated financial statements as "Statement of changes in total equity" in accordance with the terminology used by Bank of Spain Circular 4/2017) reflects all the changes in consolidated 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 consolidated 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 Group 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 consolidated 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, 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.
 - Decentralisation 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 action 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 Group 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:

- 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.

- 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.

- 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

(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 and 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. 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. At the same time, 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, for instance, minimum requirements of transactions and customers, the Group'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 Group at any given time.
- Clear separation of roles and responsibilities. The Bank 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 with the 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 Group’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. It also allows the Group 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 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 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 Bank'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 Group 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 X shows a summary of the policies and standards established by the Group 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 transactions

Recovery management is defined as a full process that begins even before a payment is missed, covering all phases of the recovery cycle until an 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 Group.

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 ensures that the credit scoring system works properly and proposes potential changes in criteria for decision-making to the Risk Committee. The Group 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 Group 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 consolidated balance sheet is their carrying amount. The maximum credit risk exposure for financial guarantees extended by the Group is the maximum amount the Group 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 | - | 34,518 | - | - | 122,900,453 | - | 36,704,675 |
| Credit institutions | - | 23,263 | - | - | 5,467,442 | - | 363,116 |
| Government agencies | - | - | - | - | 4,885,268 | - | 912,487 |
| Others financial companies | - | - | - | - | 1,960,074 | - | 3,172,284 |
| Companies | - | 11,255 | - | - | 35,310,571 | - | 26,716,202 |
| Households | - | - | - | - | 75,277,098 | - | 5,540,586 |
| Mortgage loans | - | - | - | - | 66,829,665 | - | - |
| Consumer credit | - | - | - | - | 5,547,783 | - | - |
| Cards | - | - | - | - | 889,748 | - | - |
| Others | - | - | - | - | 2,009,902 | - | - |
| Debts securities | 170,795 | 237 | - | 11,906,055 | 33,067,987 | - | - |
| Credit institutions | - | - | - | 18,020 | 25,006 | - | - |
| Government agencies | 160,898 | - | - | 11,447,063 | 14,268,694 | - | - |
| Other financial companies | - | 148 | - | 79,319 | 18,774,287 | - | - |
| Companies | 9,897 | 89 | - | 361,653 | - | - | - |
| Households | - | - | - | - | - | - | - |
| Equity instruments | 1,381 | - | - | 75,817 | - | - | - |
| Derivatives | 6,518,725 | - | - | - | - | 2,498,821 | - |
| Total | 6,690,901 | 34,755 | - | 11,981,872 | 155,968,440 | 2,498,821 | 36,704,675 |
| <i>Memorandum item: Breakdown by country of the Public Agency</i> | | | | | | | |
| Spanish government agencies | 142,413 | - | - | 11,155,671 | 14,898,125 | - | 912,487 |
| Italian government agencies | 18,485 | - | - | 102,197 | 4,154,793 | - | - |
| French government agencies | - | - | - | 188,291 | 101,044 | - | - |
| Other government agencies | - | - | - | 904 | - | - | - |
| Total | 160,898 | - | - | 11,447,063 | 19,153,962 | - | 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 | - | - | 122,719,195 | - | 33,820,938 |
| Credit institutions | - | - | - | - | 4,433,419 | - | 3,170,181 |
| Government agencies | - | - | - | - | 5,139,351 | - | 509,456 |
| Others financial companies | - | - | - | - | 1,662,479 | - | 349,509 |
| Companies | - | 9,161 | - | - | 33,222,032 | - | 24,353,861 |
| Households | - | - | - | - | 78,261,914 | - | 5,437,931 |
| Mortgage loans | - | - | - | - | 70,524,379 | - | - |
| Consumer credit | - | - | - | - | 4,821,710 | - | - |
| Cards | - | - | - | - | 854,877 | - | - |
| Others | - | - | - | - | 2,060,948 | - | - |
| Debts securities | 281,570 | 187 | - | 15,559,415 | 33,742,245 | - | - |
| Credit institutions | - | - | - | 27,633 | 29,992 | - | - |
| Government agencies | 276,188 | - | - | 15,042,412 | 14,376,789 | - | - |
| Other financial companies | 1,992 | 136 | - | 213,477 | 19,335,464 | - | - |
| Companies | 3,390 | 51 | - | 275,893 | - | - | - |
| Households | - | - | - | - | - | - | - |
| Equity instruments | 3,901 | - | - | 76,300 | - | - | - |
| Derivatives | 6,022,496 | - | - | - | - | 2,626,997 | - |
| Total | 6,307,967 | 9,348 | - | 15,635,715 | 156,461,440 | 2,626,997 | 33,820,938 |
| <i>Memorandum item: Breakdown by country of the Public Agency</i> | | | | | | | |
| Spanish government agencies | 94,421 | - | - | 12,409,056 | 15,956,718 | - | 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 | - | - | 15,042,412 | 19,516,140 | - | 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 64.50% at 31 December 2019 (69.66% at 31 December 2018). Fixed income products represent the second-highest customer demand, accounting for 23.08% at 31 December 2019 (24.06% at 31 December 2018). The breakdown at 31 December 2019 and 2018 is as follows:

At 31 December 2019:

(Thousands of euros)

| PRODUCT | 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 credits | - | 34,518 | - | - | 117,433,011 | - | 23,632,897 |
| Fixed income | 170,795 | 237 | - | 11,906,055 | 33,067,987 | - | - |
| Interbank deposits | - | - | - | - | 5,467,442 | - | - |
| Guarantees and documentary credits | - | - | - | - | - | - | 13,071,778 |
| Derivatives | 6,518,725 | - | - | - | - | 2,498,821 | - |
| Total | 6,689,520 | 34,755 | - | 11,906,055 | 155,968,440 | 2,498,821 | 36,704,675 |

At 31 December 2018:

(Thousands of euros)

| PRODUCT | 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 credits | - | 9,161 | - | - | 118,285,776 | - | 20,887,127 |
| Fixed income | 281,570 | 187 | - | 15,559,415 | 33,742,245 | - | - |
| Interbank deposits | - | - | - | - | 4,433,419 | - | - |
| Guarantees and documentary credits | - | - | - | - | - | - | 12,933,811 |
| Derivatives | 6,022,496 | - | - | - | - | 2,626,997 | - |
| Total | 6,304,066 | 9,348 | - | 15,559,415 | 156,461,440 | 2,626,997 | 33,820,938 |

(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 Group 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, 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 Group's original 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) | | | | |
|---------------------------------|--------------------|----------------|--------|------------------|
| SEGMENT | Amount | With Rating | | Without Rating |
| | | Average rating | Amount | Amount |
| Credit institutions | 5,565,642 | A- | | 296,801 |
| Government agencies | 31,564,061 | A- | | 14,734 |
| Other financial companies | 21,057,456 | A- | | 3,110,429 |
| Companies | 58,761,666 | BBB- | | 605,928 |
| Households | 77,509,734 | BB+ | | 1,235,582 |
| Mortgage loans | 64,880,524 | BBB- | | 1 |
| Consumer credit | 5,476,386 | BB- | | 662 |
| Cards | 877,534 | BB- | | 662 |
| Rest | 6,275,290 | BB | | 1,234,257 |
| Total (default excluded) | 194,458,559 | BBB- | | 5,263,474 |
| Total (Default) | 5,062,686 | D | | - |

31 December 2018

| (Thousands of euros) | | | | |
|---------------------------------|--------------------|----------------|--------|------------------|
| SEGMENT | Amount | With Rating | | Without Rating |
| | | Average rating | Amount | Amount |
| Credit institutions | 2,478,382 | A- | | 5,176,310 |
| Government agencies | 35,171,774 | BBB+ | | 107,091 |
| Other financial companies | 21,226,722 | A- | | 328,504 |
| Companies | 53,851,193 | BB+ | | 505,638 |
| Households | 80,001,123 | BB | | 1,055,258 |
| Mortgage loans | 67,938,738 | BB | | - |
| Consumer credit | 4,773,385 | BB- | | 287 |
| Cards | 846,167 | BB- | | 388 |
| Rest | 6,442,833 | BB | | 1,054,583 |
| Total (default excluded) | 192,729,194 | BBB- | | 7,172,801 |
| Total (Default) | 6,230,716 | D | | - |

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

The distribution of 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- | 45,670,830 | | 45,929,192 |
| BBB+ to BB- | 11,922,630 | | 12,604,858 |
| B+ to B- | 412,466 | | 281,004 |
| CCC+ to C | 78,499 | | 61,825 |
| Not rated | 3,421,964 | | 5,613,177 |
| Default | 50,982 | | 78,422 |
| Total | 61,557,371 | | 64,568,478 |

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

The distribution of 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- | 45,670,830 | | 45,929,192 |
| BBB+ to BB- | 11,922,630 | | 12,604,858 |
| B+ to B- | 412,466 | | 281,004 |
| CCC+ to C | 78,499 | | 61,825 |
| Not rated | 3,421,964 | | 5,613,177 |
| Default | 50,982 | | 78,422 |
| Total | 61,557,371 | | 64,568,478 |

Credit quality. Rating distribution by exposures 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- | 41,899,429 | 37,184,274 | |
| B+ to B- | 9,983,898 | 10,258,074 | |
| CCC+ to C | 390,762 | 652,620 | |
| Not rated | 605,928 | 553,061 | |
| Default | 2,940,294 | 3,460,134 | |
| Total | 62,409,668 | 57,864,388 | |

Credit quality. Rating distribution by exposures of households

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- | 8,141,229 | 6,115,931 | |
| BBB+ to BB- | 49,994,858 | 46,611,735 | |
| B+ to B- | 19,218,720 | 27,050,181 | |
| CCC+ to C | 155,883 | 175,922 | |
| Not rated | 1,235,582 | 1,053,915 | |
| Default | 2,071,411 | 2,692,161 | |
| Total | 80,817,683 | 83,699,845 | |

Credit quality. Historical default rates

The Group's default rate, understood as the ratio between default risks at any given time and the Group's total credit risks stood at 5.0% at 31 December 2019 (6.5% at 31 December 2018). This rate increases to 5.3% (7.5% at 31 December 2018) factoring in doubtful exposures transferred to the portfolio of non-current assets and disposal groups classified as held for sale (see Note 18).

(3.1.5) Concentration of risks

Appendix X 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 | | |
| | Thousands of euros | % | Thousands of euros | % | |
| Foodstuffs | 1,018,970 | 0.50% | 958,305 | 0.46% | |
| Associations | 50,333 | 0.02% | 350,037 | 0.17% | |
| Automotive and auto services | 2,246,734 | 1.10% | 1,510,913 | 0.73% | |
| Wholesale | 6,979,378 | 3.41% | 6,536,369 | 3.17% | |
| Retail | 2,201,804 | 1.08% | 2,147,656 | 1.04% | |
| Construction and development (*) | 10,789,361 | 5.27% | 9,643,115 | 4.68% | |
| Machinery and equipment manufacturing | 3,284,791 | 1.60% | 3,461,446 | 1.68% | |
| Manufacturing of intermediate products | 4,706,941 | 2.30% | 4,549,021 | 2.21% | |
| Finance | 28,104,119 | 13.72% | 30,052,040 | 14.58% | |
| Catering and tour operators | 2,438,398 | 1.19% | 2,405,481 | 1.17% | |
| Food, beverages and tobacco industry | 3,331,889 | 1.63% | 2,924,093 | 1.42% | |
| Basic manufacturing, textiles, furniture | 830,395 | 0.41% | 815,880 | 0.40% | |
| Mining, energy and infrastructures | 4,650,834 | 2.27% | 4,583,488 | 2.22% | |
| Public sector | 31,049,552 | 15.16% | 34,566,632 | 16.77% | |
| Company services | 4,385,494 | 2.14% | 3,925,349 | 1.90% | |
| Leisure, culture, health and education | 5,007,842 | 2.45% | 4,635,816 | 2.25% | |
| Supplies: electricity, gas, steam, water | 6,225,304 | 3.04% | 5,599,447 | 2.72% | |
| Telecommunications | 1,315,525 | 0.64% | 1,172,831 | 0.57% | |
| Transport | 2,323,672 | 1.13% | 2,369,453 | 1.15% | |
| Other sectors (home included) | 83,843,384 | 40.94% | 83,925,339 | 40.71% | |
| TOTAL | 204,784,720 | 100.00% | 206,132,711 | 100.00% | |

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

The Group 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 IAS 32 (see 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) | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Derivatives (trading and hedging) | 31/12/2019 | | 31/12/2018 | |
| | Assets | Liabilities | Assets | Liabilities |
| Gross exposure | 15,779,616 | 13,328,350 | 12,678,569 | 10,136,780 |
| Amount netted (Notes 9 and 13) | (6,762,070) | (6,762,070) | (4,029,076) | (4,029,076) |
| Carrying amount | 9,017,546 | 6,566,280 | 8,649,493 | 6,107,704 |
| 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 | 893,746 | 16,504 | 876,171 | 1,964 |

(*) Guarantee value received included.

In addition, under the framework of repurchase and reverse repurchase transactions carried out by the Group (see Note 27.1), 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) | | | | | |
|----------------------|--------------|---------------|--|--------------|---------------|
| Collateral | 31/12/2019 | | | 31/12/2018 | |
| | 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) | | | | | |
|------------------------------|---|------------------|----------------------|------------------|--------------------|
| SEGMENT | Net exposure of impairment from credit risk | | | | |
| | Mortgage Collateral | Other Collateral | Unsecured Guarantees | Other Guarantees | TOTAL |
| Credit Institutions | - | - | 5,866,485 | - | 5,866,485 |
| Public Administrations | 182,956 | 142,282 | 31,296,108 | 1,003 | 31,622,349 |
| Other financial corporations | 86,773 | 15,692 | 23,962,485 | 3,586 | 24,068,536 |
| Companies | 7,852,968 | 5,820,432 | 47,933,226 | 803,040 | 62,409,666 |
| Households | 67,765,781 | 147,383 | 12,784,023 | 120,497 | 80,817,684 |
| 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 | - | - | 889,746 | - | 889,746 |
| Others | 958,333 | 139,796 | 6,340,381 | 111,980 | 7,550,490 |
| TOTAL | 75,888,478 | 6,125,789 | 121,842,327 | 928,126 | 204,784,720 |

31 December 2018

| (Thousands of euros) | | | | | |
|------------------------------|---|------------------|----------------------|------------------|--------------------|
| SEGMENT | Net exposure of impairment from credit risk | | | | |
| | Mortgage Collateral | Other Collateral | Unsecured Guarantees | Other Guarantees | TOTAL |
| Credit Institutions | - | - | 7,661,225 | - | 7,661,225 |
| Public Administrations | 219,781 | 195,846 | 34,927,549 | 1,020 | 35,344,196 |
| Other financial corporations | 91,724 | 18,083 | 21,450,650 | 2,600 | 21,563,057 |
| Companies | 7,849,113 | 6,252,901 | 42,773,878 | 988,496 | 57,864,388 |
| Households | 71,495,487 | 142,284 | 11,925,684 | 136,390 | 83,699,845 |
| Mortgage loans | 70,523,596 | 772 | 11 | - | 70,524,379 |
| Consumer Credits | - | 4,647 | 4,808,103 | 8,960 | 4,821,710 |
| Cards | - | - | 854,877 | - | 854,877 |
| Others | 971,891 | 136,865 | 6,262,693 | 127,430 | 7,498,879 |
| TOTAL | 79,656,105 | 6,609,114 | 118,738,986 | 1,128,506 | 206,132,711 |

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.

Note 12 shows additional information on the guarantees received.

(3.1.8) Renegotiated financial assets

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

Appendix X contains the classification and hedging policies and criteria applied by the Group 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 Group's impaired financial assets that were not recognised on the consolidated balance sheet because their recovery was considered unlikely, although the Group 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 | 1,831,595 | 1,980,236 |
| 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 | (206,296) | (573,826) |
| Sum | (245,496) | (673,884) |
| Net change due to exchange differences | (13) | 290 |
| Accounting balance at the end of the year | 2,388,659 | 1,831,595 |

(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 Group managing to liquidate its assets in reasonable time and price conditions.

The Group 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 Group to manage its balance sheet without short-term liquidity pressures.

For this purpose, the Group's liquidity position is identified, controlled and monitored daily. According to the retail business model underpinning the Group'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 Group has deposited certain assets in the European Central Bank (ECB) that it can use to raise liquidity immediately.

Through ongoing monitoring of assets, the Group 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 Group to confront internal and systemic stress events.

| (Thousands of euros) | | |
|-------------------------------------|------------|------------|
| ITEM | 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 (GRSC) 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. It 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 liquidity 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, as well as 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 (SLCR) 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 Group'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 |
| Securitized assets 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 |
| Securitized assets 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) | | |
|--|------------|------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Mortgage-backed securities issuance capacity (Appendix VIII) | 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 consolidated 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 | 13,202,885 | - | - | - | - | - | 13,202,885 |
| Loans and advances to credit institutions | - | 3,191,937 | 32,075 | 2,041,431 | 205,896 | - | 5,471,339 |
| Loans and advances to customers | - | 3,970,877 | 6,396,611 | 13,294,227 | 38,986,972 | 54,552,508 | 117,201,195 |
| Financial assets held for trading and financial assets at fair value through profit or loss | - | 329 | - | - | - | 170,703 | 171,032 |
| Other portfolios - Debt securities | - | 861,702 | 1,981,497 | 14,719,729 | 12,618,070 | 14,803,176 | 44,984,174 |
| Derivatives (trading and hedging) (1) | - | 265,557 | 411,762 | 1,371,477 | 6,106,962 | 7,623,858 | 15,779,616 |
| Total | 13,202,885 | 8,290,402 | 8,821,945 | 31,426,864 | 57,917,900 | 77,150,245 | 196,810,241 |
| Liabilities | | | | | | | |
| Deposits from Central banks and credit institutions | - | 13,142,365 | 114,848 | 11,754,708 | 12,929,245 | 2,462,684 | 40,403,850 |
| Customer deposits | 86,194,112 | 5,094,945 | 6,181,150 | 17,360,682 | 4,199,865 | 4,593,824 | 123,624,578 |
| Marketable debt securities | - | - | - | 2,331 | 5,180,333 | 12,443,527 | 17,626,191 |
| Other financial liabilities (2) | 930,568 | - | - | - | - | - | 930,568 |
| Derivatives (trading and hedging) (1) | - | 153,464 | 369,260 | 1,320,495 | 5,533,129 | 5,952,002 | 13,328,350 |
| Total | 87,124,680 | 18,390,774 | 6,665,258 | 30,438,216 | 27,842,572 | 25,452,037 | 195,913,537 |

(1) Gross exposure excluding netting arrangements (see Notes 3.1.6, 9 and 13).

(2) Excludes balances of tangible assets acquired under a lease whose maturity is explained in Note 19. 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.

(3)

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 | 4,753,800 | - | - | - | - | - | 4,753,800 |
| Loans and advances to credit institutions | - | 3,146,641 | 528,938 | 751,104 | - | - | 4,426,683 |
| Loans and advances to customers | - | 3,393,616 | 5,658,849 | 10,170,061 | 31,683,010 | 71,414,136 | 122,319,672 |
| Financial assets held for trading and financial assets at fair value through profit or loss | - | 6,052 | - | 1,000 | 198,646 | 76,059 | 281,757 |
| Other portfolios - Debt securities | - | 8,892 | 4,770,600 | 6,477,600 | 20,723,909 | 17,329,293 | 49,310,294 |
| Derivatives (trading and hedging) (1) | - | 224,023 | 429,460 | 1,483,597 | 5,272,130 | 5,269,359 | 12,678,569 |
| Total | 4,753,800 | 6,779,224 | 11,387,847 | 18,883,362 | 57,877,695 | 94,088,847 | 193,770,775 |
| Liabilities | | | | | | | |
| Deposits from Central banks and credit institutions | - | 9,023,709 | 2,274,908 | 3,046,133 | 18,303,610 | 2,990,798 | 35,639,158 |
| Customer deposits | 82,856,589 | 4,834,334 | 6,298,548 | 22,555,681 | 5,764,879 | 2,824,977 | 125,135,008 |
| Marketable debt securities | - | 1,508,980 | 6,927 | 1,299,190 | 5,439,731 | 9,158,446 | 17,413,274 |
| Other financial liabilities (2) | 1,545,259 | - | - | - | - | - | 1,545,259 |
| Derivatives (trading and hedging) (1) | - | 13,656 | 386,371 | 1,412,624 | 4,648,682 | 3,675,447 | 10,136,780 |
| Total | 84,401,848 | 15,380,679 | 8,966,754 | 28,313,628 | 34,156,902 | 18,649,668 | 189,869,479 |

(1) Gross exposure excluding netting arrangements (see Notes 3.1.6, 9 and 13).

(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 Group's results. Interest rate risk management is designed to lend stability to margins, maintaining levels of solvency that are appropriate for the Group's level of risk tolerance.

Interest rate risk monitoring and management at the Group 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 basic 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% (-1.97% 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 -3.18% of consolidated equity and -2.30% of economic value of the Bank (-9.70% and -4.77%, 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.

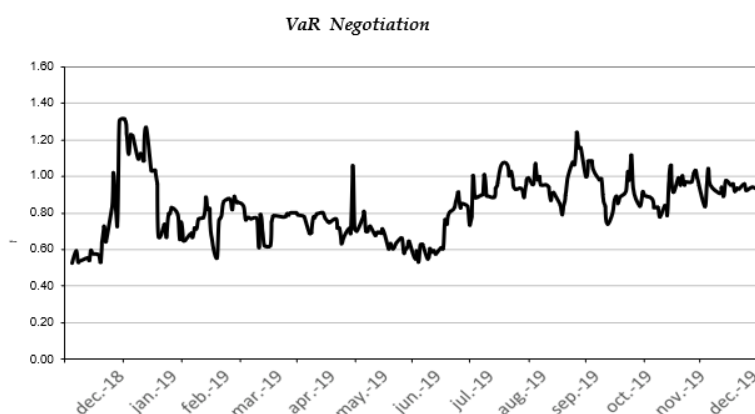
The Board of Directors delegates proprietary trading in financial markets to the Financial Department and its business areas, so they can exploit business opportunities using the most appropriate financial instruments at any given time, including interest rate, exchange rate and equity derivatives. In 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 consolidated 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 consolidated income statement of reasonable future changes in the various market risk factors at 31 December 2019 and 2018, calculated for the Group's portfolio registered at fair value (excluding investments held for trading), is as follows:

| (Thousands of euros) | | | | |
|----------------------|--|-----------|-------------------------------|-------|
| MARKET RISK FACTORS | Accumulated Other Comprehensive Income (1) | | Impact on profit and loss (1) | |
| | 2019 | 2018 | 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) | (247) | (481) |
| Financial assets at amortised cost | - | (520) | (520) | - | (522) | (522) |
| Total | (11) | (849) | (860) | (234) | (769) | (1,003) |

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 consolidated equity.
- For debt securities classified as financial assets at amortised 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 consolidated 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 Bankia Group’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 I 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 (Single Supervision Mechanism or SSM by its acronym). 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 applicable regulation:

| (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 | 70,990,148 | 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 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 Single 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 Eligible Liabilities) 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 Group 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 at 20 November 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 Group'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 Group'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 is consistent, coherent and aligned with the strategic objectives, the Group'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 planning, for shorter periods and for the budgeted period, and for the preparation of the ICAAP as a supervisory review document that includes the simulation of 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 in November 2018, which have been 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 Group and in the impact analysis of potential changes in capital adequacy regulations or those that may affect it. The Group's capital management policies are aligned with the Corporate Risk Appetite Framework and the Group'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 Group 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 Group's various divisions related to the capital planning process to achieve a common objective and that this objective fits in the Group'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) Earnings per share and dividend policy

Basic and diluted earnings per share are calculated in accordance with the criteria stipulated in IAS 33:

- Earnings per share is calculated by dividing "Profit/(loss) attributable to the the parent", adjusted for the after-tax amount corresponding to remuneration recognised in equity in connection with the contingent convertible bonds (Note 19), by the weighted average number of shares outstanding, excluding the average number of shares held as treasury stock, over the course of the reporting period.
- Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share, by adjusting the weighted average number of shares in circulation and, where applicable, the profit for the year attributable to equity holders of the parent, in order to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments) or for discontinued operations.

The table below shows loss per share for the years ended 31 December 2019 and 2018:

| (Thousands of euros) | | |
|--|---------------|---------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Net earnings/loss attributed to owners of the parent (thousands of euros) | 541,436 | 703,210 |
| Adjusted for: remuneration on contingent convertible bonds | (53,803) | (37,884) |
| Net earnings/loss attributed to owners of the parent (thousands of euros) | 487,633 | 665,326 |
| Of which: | | |
| Earnings/Loss for the year from discontinued operations (net) (thousands of euros) | - | 6,047 |
| Earnings/Loss from ordinary business (thousands of euros) | 487,633 | 659,279 |
| Weighted average number of shares outstanding | 3,050,399,004 | 3,065,240,741 |
| Basic earnings/(loss) per share (in euros) | 0.16 | 0.22 |
| Basic earnings/(loss) per share for discontinued operations (in euros) | - | - |
| Basic earnings/(loss) per share for continuing operations (in euros) | 0.16 | 0.22 |
| Dilutive effect | | |
| Entitlement to receive shares | - | - |
| Adjusted average number of shares for the calculation | 3,050,399,004 | 3,065,240,741 |
| Diluted earnings/(loss) per share (in euros) | 0.16 | 0.22 |
| Diluted earnings/(loss) per share for discontinued operations (in euros) | - | - |
| Diluted earnings/(loss) per share for continuing operations (in euros) | 0.16 | 0.22 |

Dividend Policy

At its meeting held 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 cents cash dividend out of 2019 profit.

A resolution was adopted at the General Meeting of Shareholders of Bankia held on 22 March 19 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 (Note 7).

(6) Remuneration of Board members and senior executives**(6.1) 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 Tellaache | 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 Higuera | - | 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. 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 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.

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

| Name | (Thousands of euros) | |
|--|--|---|
| | Contribution Funds and Pension Plans (1) 2019 by the Entity | Life Insurance Premiums 2019 by the Entity |
| Mr. José Ignacio Goirigolzarri Tellaache | - | - |
| 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 Higuera | - | - |
| 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 Group.

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 Group ⁽²⁾ | Total 2019 |
| Mr. José Ignacio Goirigolzarri Tellaeché | 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 Higuera | 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. 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 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.

(6.2) Remuneration of the Bank's senior executives (Management Committee)**a) Remuneration accrued at the Bank**

For the purposes of these consolidated financial statements, the members of the Management Committee, without taking into consideration the executive directors. A total of nine people, Mr. Miguel Crespo Rodríguez, Mrs. Amalia Blanco Lucas, Mr. Fernando Sobrini Aburto, Mr. Gonzalo Alcubilla Povedano, Mr. Leopoldo Alvear Trenor, Mr. Manuel Galarza Pont, Mr. David López Puig, Mr. Eugenio Solla Tomé y Mr. 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 subject 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, 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.

(6.3) 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 Higuera, Mr. Fernando Fernández 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 Tella, Mr. José Sevilla Álvarez 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.

(7) 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 | 2019 | 2018 |
| To reserves | 207,621 | 476,553 |
| To dividends | 355,328 | 357,115 |
| Net profit for the year | 562,949 | 833,668 |

(8) 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 consolidated balance is as follows:

| (Thousands of euros) | | |
|-----------------------------|-------------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Cash | 951,826 | 929,837 |
| Balances with Central banks | 11,673,382 | 3,170,075 |
| Other demand deposits | 577,677 | 653,888 |
| Total | 13,202,885 | 4,753,800 |

(9) Financial assets and liabilities held for trading**Breakdown**

The detail, by counterparty and type of instrument, of these items in the consolidated balance sheet at 31 December 2019 and 2018, showing their carrying amounts is as follows:

| (Thousands of euros) | | | | |
|----------------------------------|------------------|---------------------|------------------|---------------------|
| ITEM | 31/12/2019 | | 31/12/2018 | |
| | Asset positions | Liability positions | Asset positions | Liability positions |
| By counterparty | | | | |
| Credit institutions | 4,383,398 | 5,830,357 | 3,991,768 | 5,209,333 |
| Resident public sector | 273,336 | - | 224,060 | 35 |
| Non-resident Government agencies | 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 | 6,690,901 | 6,750,111 | 6,307,967 | 6,046,596 |
| By type of instrument | | | | |
| Trading derivatives | 6,518,725 | 6,478,878 | 6,022,496 | 5,924,515 |
| Equity instruments | 1,381 | - | 3,901 | - |
| Debt securities | 170,795 | - | 281,570 | - |
| Short positions | - | 271,233 | - | 122,081 |
| Total | 6,690,901 | 6,750,111 | 6,307,967 | 6,046,596 |

Note 3.1 contains information on the credit risk assumed by the Group 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 Group in relation to the financial assets included in this category.

Note 25 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 consolidated balance sheet at 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | | | | | |
|--|-------------------|--------------------|------------------|------------------|--------------------|------------------|
| ITEM | Fair Value | 31/12/2019 | | 31/12/2018 | | Carrying amount |
| | | Amount netted | Carrying amount | Fair Value | Amount netted | |
| 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 | 12,690,868 | (6,306,025) | 6,384,843 | 9,719,224 | (3,821,047) | 5,898,177 |
| Credit derivatives | 178 | - | 178 | 2,170 | - | 2,170 |
| Other | 59,262 | - | 59,262 | 66,133 | - | 66,133 |
| Total | 12,824,750 | (6,306,025) | 6,518,725 | 9,843,543 | (3,821,047) | 6,022,496 |
| 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 | 12,656,291 | (6,306,025) | 6,350,266 | 9,623,931 | (3,821,047) | 5,802,884 |
| Credit derivatives | 219 | - | 219 | 2,573 | - | 2,573 |
| Resto | 61,639 | - | 61,639 | 70,951 | - | 70,951 |
| Total | 12,784,903 | (6,306,025) | 6,478,878 | 9,745,562 | (3,821,047) | 5,924,515 |

The detail, by maturity, of the notional amount of the trading derivatives at 31 December 2019 and 2018, is as follows:

31 December 2019

| (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 |

31 December 2018

| (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 Group's exposure to the risks associated with these products.

Financial Assets held for trading. Equity instruments

The breakdown of this heading in the accompanying consolidated 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 consolidated balance sheet is as follows:

| (Thousands of euros) | | | |
|---------------------------------------|--|----------------|----------------|
| ITEM | | 31/12/2019 | 31/12/2018 |
| Spanish government debt securities | | 142,414 | 94,421 |
| Foreign public debt | | 18,485 | 181,767 |
| Debt issued by financial entities | | - | - |
| Other foreign fixed-income securities | | - | 1,992 |
| Other Spanish fixed-income securities | | 9,896 | 3,390 |
| Total | | 170,795 | 281,570 |

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).

(10) 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 consolidated 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 | | | |
| Other resident sectors | | 34,755 | 9,348 |
| Total | | 34,755 | 9,348 |
| By type of instrument | | | |
| Debt securities | | 237 | 187 |
| Loans and advances | | 34,518 | 9,161 |
| Central banks | | - | - |
| Credit institutions | | 23,263 | - |
| Customers | | 11,255 | 9,161 |
| Total | | 34,755 | 9,348 |

Note 3.1 contains information on the credit risk assumed by the Group 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 Group in relation to the financial assets included in this category.

Note 25 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) 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 consolidated 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 | 11,155,672 | 12,409,054 |
| Non-resident public sector | 291,393 | 2,633,356 |
| Other resident sectors | 153,308 | 174,786 |
| Other non-resident sectors | 337,549 | 365,520 |
| Doubtful assets | - | - |
| Impairment losses | (545) | (1,108) |
| Total | 11,981,872 | 15,635,715 |
| By type of instrument | | |
| Debt securities | 11,906,055 | 15,559,415 |
| Spanish government debt securities | 11,155,672 | 12,409,054 |
| Government bonds and obligations | 10,861,586 | 12,100,879 |
| Regional administrations | 294,086 | 308,175 |
| Foreign government debt securities | 291,393 | 2,633,356 |
| Issued by financial institutions | 18,020 | 27,633 |
| Other fixed-income securities | 441,515 | 490,480 |
| Impairment losses | (545) | (1,108) |
| Equity instruments | 75,817 | 76,300 |
| Total | 11,981,872 | 15,635,715 |

Note 3.1 contains information on the credit risk assumed by the Group 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 Group in relation to the financial assets included in this category.

Note 23 provides details of the gains and losses on these financial instruments recognised under "Accumulated other comprehensive income in the accompanying consolidated balance sheet.

Note 25 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 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 years 2019 and 2018 are as follows:

| (Thousands of euros) | | |
|---|--------------|--------------|
| ITEM | 2019 | 2018 |
| 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) |
| Balances at 31 December | 545 | 1,108 |
| <i>Of which by type of counterparty:</i> | | |
| Entities resident in Spain | 545 | 1,108 |
| Entities resident abroad | 300 | 852 |
| | 245 | 256 |

During 2019 and 2018, the Group has not registered in the consolidated income statement for impairment losses on equity instruments recognised under "Non-current assets and disposal group classified as held for sale".

(12) Financial assets at amortised cost**(12.1) Breakdown**

The detail of this item in the accompanying consolidated balance sheets, based on the nature of the related financial instruments, is as follows:

| (Thousands of euros) | | |
|---|--------------------|--------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Financial assets at amortised cost | | |
| Loans and advances | 125,851,369 | 126,749,755 |
| Credit institutions | 5,471,339 | 4,426,683 |
| Customers | 120,380,030 | 122,323,072 |
| Debt securities | 33,077,574 | 33,749,771 |
| Subtotal | 158,928,943 | 160,499,526 |
| Impairment losses | (3,189,159) | (4,219,010) |
| Other valuation adjustments | 228,656 | 180,924 |
| Total | 155,968,440 | 156,461,440 |

Note 3.1 contains information on the credit risk assumed by the Group 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 Group in relation to the financial assets included in this category.

Note 25 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.

(12.2) 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 | 145,047,733 | 144,313,389 |
| Stage 2 – Standard risk under special monitoring | 8,244,241 | 8,635,397 |
| Stage 3 – Doubtful risk | 5,865,625 | 7,731,664 |
| Sum | 159,157,599 | 160,680,450 |
| Impairment allowance | | |
| Stage 1 – Standard risk I | (208,660) | (226,317) |
| Stage 2 – Standard risk under special monitoring | (440,015) | (619,333) |
| Stage 3 – Doubtful risk | (2,540,484) | (3,373,360) |
| Sum | (3,189,159) | (4,219,010) |
| Net carrying amount | | |
| Stage 1 – Standard risk I | 144,839,073 | 144,087,072 |
| Stage 2 – Standard risk under special monitoring | 7,804,226 | 8,016,064 |
| Stage 3 – Doubtful risk | 3,325,141 | 4,358,304 |
| Sum | 155,968,440 | 156,461,440 |

^(*) Includes "other measurement adjustments".

(12.3) 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 | 144,313,389 | 8,635,397 | 7,731,664 | 160,680,450 |
| 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 | 1,461,037 | (888,225) | (1,467,866) | (895,054) |
| Failed | - | - | (627,797) | (627,797) |
| Balance at the end of the period | 145,047,733 | 8,244,241 | 5,865,625 | 159,157,599 |

31 December 2018

| (Thousands of euros) | | | | |
|--|--------------------|-------------------|-------------------|--------------------|
| ITEM | Phase 1 | Phase 2 | Phase 3 | Total |
| Balance at the beginning of the period | 140,176,548 | 11,952,799 | 11,318,382 | 163,447,729 |
| 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 | 2,916,955 | (1,716,731) | (3,552,398) | (2,352,174) |
| Failed | - | - | (415,105) | (415,105) |
| Balance at the end of the period | 144,313,389 | 8,635,397 | 7,731,664 | 160,680,450 |

(12.4) 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:

31 December 2019

| ITEM | Phase 1 | Phase 2 | Phase 3 | Total |
|---|----------------|----------------|------------------|------------------|
| Balances at the beginning of the period | 226,317 | 619,333 | 3,373,360 | 4,219,010 |
| Variations by origination and acquisition, account loss and credit risk variation (net) | (15,457) | (178,050) | 694,090 | 500,583 |
| Use of funds for amortised assets | - | - | (1,312,917) | (1,312,917) |
| Transfer to non-current assets for sale and other movements | (2,200) | (1,268) | (214,049) | (217,517) |
| Balances at the end of the period | 208,660 | 440,015 | 2,540,484 | 3,189,159 |
| Of which individually identified | - | 69,067 | 886,007 | 955,074 |
| Of which collectively identified | 208,660 | 370,948 | 1,654,477 | 2,234,085 |

31 December 2018

| ITEM | Phase 1 | Phase 2 | Phase 3 | Total |
|---|----------------|----------------|------------------|------------------|
| Balances at the beginning of the period | 226,037 | 937,888 | 5,255,830 | 6,419,755 |
| Variations by origination and acquisition, account loss and credit risk variation (net) | (7,313) | (350,725) | 884,685 | 526,647 |
| Use of funds for amortised assets | - | - | (1,958,947) | (1,958,947) |
| Transfer to non-current assets for sale and other movements | 7,593 | 32,170 | (808,208) | (768,445) |
| Balances at the end of the period | 226,317 | 619,333 | 3,373,360 | 4,219,010 |
| Of which individually identified | - | 88,649 | 1,491,116 | 1,579,765 |
| Of which collectively identified | 226,317 | 530,684 | 1,882,244 | 2,639,245 |

(12.5) 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 - Loans and Receivables in the accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|---|-------------------|-------------------|
| ITEM (*) | 31/12/2019 | 31/12/2018 |
| Value of the collateral | 75,939,912 | 81,129,164 |
| Of which: collateral with standard risks under special monitoring | 5,022,526 | 5,220,995 |
| Of which: collateral with default risks | 5,952,561 | 8,159,882 |
| Value of others collateral | - | - |
| Total | 75,939,912 | 81,129,164 |

(*) 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.

(12.6) Financial assets at amortised cost. Loans and advances. Credit institutions

The detail, by instrument type, of this caption on the consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|-------------------------------|------------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| By instrument type | | |
| Time deposits | 115,244 | 157,569 |
| Reverse repurchase agreements | 3,509,138 | 2,029,395 |
| Other financial assets | 1,842,619 | 2,233,695 |
| Doubtful assets | 4,338 | 6,024 |
| Subtotal | 5,471,339 | 4,426,683 |
| Impairment losses | (737) | (1,205) |
| Other valuation adjustments | (3,160) | 7,941 |
| Total | 5,467,442 | 4,433,419 |

The average effective annual interest rate of financial instruments included under this heading at 31 December 2019 was 0.81% (0.86% at 31 December 2018).

(12.7) Financial assets at amortised cost. Loans and advances. Customers

The detail, by loan type and status and counterparty, of this caption on the accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|------------------------------|--------------------|--------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| By counterparty | | |
| Public sector | 4,933,611 | 5,202,629 |
| Other financial corporations | 1,970,643 | 1,686,432 |
| Non-financial corporations | 37,068,929 | 35,752,981 |
| Households | 76,638,663 | 79,854,012 |
| Sum | 120,611,846 | 122,496,054 |
| Impairment losses | (3,178,835) | (4,210,278) |
| Total | 117,433,011 | 118,285,776 |

| (Thousands of euros) | | |
|--------------------------------|--------------------|--------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| By loan type and status | | |
| Commercial credit | 5,764,769 | 5,245,839 |
| Secured loans | 71,625,751 | 74,892,673 |
| Reverse repurchase agreements | 15,397 | 13,618 |
| Other term loans | 33,588,126 | 30,637,255 |
| Receivable on demand and other | 2,583,290 | 2,949,292 |
| Other financial assets | 950,032 | 867,957 |
| Doubtful assets | 5,852,665 | 7,716,438 |
| Sum | 120,380,030 | 122,323,072 |
| Impairment losses | (3,178,835) | (4,210,278) |
| Other valuation adjustments | 231,816 | 172,982 |
| Total | 117,433,011 | 118,285,776 |

The carrying amount recorded in the foregoing table, disregarding the portion relating to “Other valuation adjustments”, represents the Group'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 1.73% (1.68% at 31 December 2018).

“Financial assets at amortised cost – Loans and advances – Customers” in the accompanying consolidated 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 consolidated balance sheet (see Note 2.2.2). The amounts shown in the accompanying consolidated 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: | | |
| <i>Receivable on demand and other</i> | 2,423 | 2,324 |
| <i>Doubtful assets</i> | 467,718 | 535,652 |
| Other securitised assets | 11,530 | 3,910 |
| Total securitised assets | 9,224,531 | 10,151,156 |
| Of which: | | |
| <i>Liabilities associated with assets kept on the balance sheet (*)</i> | 1,531,026 | 1,741,860 |

(*) Recognised under "Financial liabilities at amortised cost - Marketable debt securities" in the accompanying consolidated balance sheet.

Other securitised loans were derecognised from the accompanying consolidated balance sheet as the Group did not retain substantially either the risks or rewards, as follows (see Note 2.2.2):

| (Thousands of euros) | | |
|------------------------------------|------------------|----------------|
| Securitized loans | 31/12/2019 | 31/12/2018 |
| Securitized mortgage-backed assets | 1,459,950 | 197,352 |
| Other securitized assets | 1,821 | - |
| Total (*) | 1,461,771 | 197,352 |

(*) As at 31 December 2019, this item includes transfers of assets through mortgage transfer certificates, 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 (See Note 27.1.1).

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.

(12.8) Doubtful assets

The amounts shown in the accompanying consolidated balance sheet related to doubtful assets are:

| (Thousands of euros) | | |
|--|------------------|-------------------|
| ITEM | 2019 | 2018 |
| Accounting balance at the beginning of the period | 7,722,462 | 11,305,013 |
| Additions | 1,985,463 | 2,360,845 |
| Disposals | (3,850,922) | (5,943,396) |
| Through foreclosure | (302,461) | (312,165) |
| Through portfolios sales | (410,163) | (1,312,273) |
| Through reversals and others | (1,853,877) | (2,530,704) |
| Through forgiveness and disposals of assets | (627,797) | (415,105) |
| Through to a Disposal group (*) | (656,624) | (1,373,149) |
| Accounting balance at the end of the period | 5,857,003 | 7,722,462 |

(*) Note 18.5.1 includes balance sheet heading classified as groups that, at 31 December 2019, were still recognised in the consolidated balance sheet because their disposal did not take place in 2019.

The table below shows the classification of the Bankia Group's doubtful assets related to "Financial assets at amortised cost - Loans and advances - customers" and "Financial assets at amortised cost - 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 | 125,147 |
| Other financial corporations | 15,335 | 20,668 |
| Non-financial corporations | 2,690,948 | 3,814,179 |
| Households | 3,056,421 | 3,756,444 |
| Total | 5,857,003 | 7,722,462 |
| By age | | |
| Up to 6 months (*) | 2,516,688 | 3,626,380 |
| Between 6 and 12 months | 557,293 | 660,229 |
| More than 12 months | 2,783,022 | 3,435,853 |
| Total | 5,857,003 | 7,722,462 |
| By type of collateral | | |
| Operation with full mortgage collateral | 3,803,759 | 5,412,649 |
| Operation with other collateral | 44,493 | 76,935 |
| Operation without collateral | 2,008,751 | 2,232,878 |
| Total | 5,857,003 | 7,722,462 |

(*) 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 | 545,715 |
| Greater than 40% and lower than or equal to 60% | 416,114 | 534,993 |
| Greater than 60% and lower than or equal to 80% | 475,870 | 697,593 |
| Greater than 80% | 2,584,402 | 3,711,283 |
| Total | 3,848,252 | 5,489,584 |

(12.9) 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 | 1,266 |
| Non-financial corporations | 101,373 | 467,136 |
| Households | 39,018 | 34,221 |
| Total | 203,888 | 560,313 |
| By age | | |
| Less than 1 month | 151,874 | 513,384 |
| Between 1 and 3 months | 52,014 | 34,598 |
| More than 3 months | - | 12,331 |
| Total | 203,888 | 560,313 |
| 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 | 530,146 |
| Total | 203,888 | 560,313 |

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 |

(12.10) 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 consolidated balance sheet:

31 December 2019

| (Thousands of euros) | | | |
|---|--------------------------------------|------------------------|------------------|
| ITEM | Impairment losses due to credit risk | Country risk allowance | Total |
| Balances at the beginning of the year | 4,207,166 | 4,318 | 4,211,484 |
| Individually assessed | 1,574,212 | - | 1,574,212 |
| Collectively assessed | 2,632,954 | 4,318 | 2,637,272 |
| Impairment losses for the year charged to income | 1,110,940 | 9,389 | 1,120,329 |
| Available credit loss allowance | (609,239) | (12,018) | (621,257) |
| Net provision/(release) charged/(credited) to income statement | 501,701 | (2,629) | 499,072 |
| Amounts used for depreciated assets | (1,322,647) | - | (1,322,647) |
| Exchange differences | 1,447 | - | 1,447 |
| Other changes | 209,756 | (28) | 209,784 |
| Balances at the ending of the year | 3,177,911 | 1,661 | 3,179,572 |
| Individually assessed | 955,074 | - | 955,074 |
| Collectively assessed | 2,222,837 | 1,661 | 2,224,498 |
| Of which: | | | |
| Type of counterparty: | 3,177,911 | 1,661 | 3,179,572 |
| Entities resident in Spain | 2,999,531 | - | 2,999,531 |
| 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 the beginning of the year | 5,752,977 | 4,997 | 5,757,974 |
| Individually assessed | 2,263,709 | - | 2,263,709 |
| Collectively assessed | 3,489,268 | 4,997 | 3,494,265 |
| Adjustments first application IFRS 9 | 652,914 | - | 652,914 |
| Balances at 1 January 2018 | 6,405,891 | 4,997 | 6,410,888 |
| Impairment losses for the year charged to income | 851,447 | 3,122 | 854,569 |
| Available credit loss allowance | (324,147) | (3,775) | (327,922) |
| Net provision/(release) charged/(credited) to income statement | 527,300 | (653) | 526,647 |
| Amounts used for depreciated assets | (1,958,947) | - | (1,958,947) |
| Exchange differences | 7,774 | 2 | 7,776 |
| Other changes | (774,852) | (28) | (774,880) |
| Balances at 31 December 2018 | 4,207,166 | 4,318 | 4,211,484 |
| Individually assessed | 1,574,212 | - | 1,574,212 |
| Collectively assessed | 2,632,954 | 4,318 | 2,637,272 |
| Of which: | | | |
| Type of counterparty: | 4,207,166 | 4,318 | 4,211,484 |
| Entities resident in Spain | 4,044,917 | - | 4,044,917 |
| 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 | 501,133 | 525,659 |
| Written-off assets recovered | (37,640) | (100,124) |
| Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss – Loans and receivables (Note 42) | 463,493 | 425,535 |

(12.11) Financial assets at amortised cost. Debt securities

The breakdown, by counterparty, of this consolidated balance sheet heading:

| (Thousands of euros) | | |
|------------------------------------|-------------------|-------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| By counterparty | | |
| Credit institutions | 25,006 | 29,992 |
| Resident public sector | 10,012,858 | 10,817,367 |
| Non-resident public sector | 4,255,837 | 3,559,422 |
| Other resident sectors | 18,752,317 | 19,289,243 |
| Other non-resident sectors | 22,936 | 44,544 |
| Doubtful assets | 8,620 | 9,203 |
| Subtotal | 33,077,574 | 33,749,771 |
| Impairment losses | (9,587) | (7,526) |
| Other valuation adjustments | - | - |
| Total | 33,067,987 | 33,742,245 |
| By type of instrument | | |
| Spanish government debt securities | 10,012,858 | 10,817,367 |
| Foreign government debt securities | 4,255,837 | 3,559,422 |
| Bonds and obligations | 18,808,879 | 19,372,982 |
| Impairment loss | (9,587) | (7,526) |
| Total | 33,067,987 | 33,742,245 |

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 Group (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 Group's consolidated 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 2019. Rollovers of bonds carried out in previous years also did not have any impact on the Bank's income statement for those years.

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 25 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 0.52% (0.55% at 31 December 2018).

The Group's debt securities classified as financial assets at amortised cost included assets of EUR 8,620 thousand at 31 December 2019 (EUR 9,203 thousand at 31 December 2018) that were assessed individually to be impaired due to credit risk

At 31 December 2019 and 2018, the Group had no debt securities classified as financial assets at amortised cost with past-due amounts and not impaired.

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 IFRS 9 | - | (253) |
| Balances at 1 January | 7,526 | 8,867 |
| Impairment losses for the year charged to income | 2,196 | 3,199 |
| Available credit loss allowance | (135) | (4,187) |
| Net provision/(release) charged/(credited) to income statement | 2,061 | (988) |
| Provisions used for written-off assets and other movements (net) | - | (598) |
| Other changes | - | 245 |
| 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 |

(13) Derivatives – hedge accounting

At 31 December 2019 and 2018, the Group 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 Group 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 2.3 details the Group'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 Group's designated hedging relationships as at 31 December 2019. This is because the market data of the main benchmark indices affecting the Group'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) | | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| ITEM | 31/12/2019 | | | 31/12/2018 | | |
| | Fair Value | Netting | Carrying Amount | Fair Value | Netting | Carrying Amount |
| Debit Balance: | | | | | | |
| Operations of fair value hedges | 2,952,316 | (456,045) | 2,496,271 | 2,833,235 | (208,029) | 2,625,206 |
| Operations of cash flow hedges | 2,550 | - | 2,550 | 1,791 | - | 1,791 |
| Total | 2,954,866 | (456,045) | 2,498,821 | 2,835,026 | (208,029) | 2,626,997 |
| Credit Balance: | | | | | | |
| Operations of fair value hedges | 495,522 | (456,045) | 39,477 | 344,063 | (208,029) | 136,034 |
| Operations of Cash flow hedges | 47,925 | - | 47,925 | 47,155 | - | 47,155 |
| Total | 543,447 | (456,045) | 87,402 | 391,218 | (208,029) | 183,189 |

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) | | | | |
|---------------------------|---|-------------------|--------------------|-------------------|
| ITEM | Remaining term to maturity as of 31 December 2019 | | | Total |
| | 0 to 3 years | 3 to 10 years | More than 10 years | |
| Interest rate derivatives | 5,417,650 | 15,550,519 | 8,689,051 | 29,657,220 |
| Total | 5,417,650 | 15,550,519 | 8,689,051 | 29,657,220 |

| (thousand of euros) | | | | |
|---------------------------|---|-------------------|--------------------|-------------------|
| ITEM | Remaining term to maturity as of 31 December 2018 | | | Total |
| | 0 to 3 years | 3 to 10 years | More than 10 years | |
| Interest rate derivatives | 7,273,672 | 13,722,988 | 9,217,839 | 30,214,499 |
| Total | 7,273,672 | 13,722,988 | 9,217,839 | 30,214,499 |

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

| (Thousands of euros) | | | | |
|--------------------------------------|---|------------------------------------|---|---|
| ITEMS | | 31/12/2019 | | |
| | | Carrying amount of the hedged item | Accumulated amount of fair value hedge adjustments on the hedged item | |
| Debit Balance: | | | | |
| Fixed rate debt securities | A | 9,355,790 | 315,539 | D |
| Fixed rate loans and advances | B | 90,465 | 2,685 | |
| Total | | 9,446,255 | 318,224 | |
| Credit Balance: | | | | |
| Fixed rate deposit | C | 5,949,948 | (889,968) | E |
| Fixed rate debts issued by the Group | C | 9,427,439 | (1,611,260) | F |
| Total | | 15,377,387 | (2,501,228) | |

31 December 2018

| (Thousands of euros) | | | | |
|--------------------------------------|---|------------------------------------|---|---|
| ITEM | | 31/12/2018 | | |
| | | Carrying amount of the hedged item | Accumulated amount of fair value hedge adjustments on the hedged item | |
| Debit Balance: | | | | |
| Fixed rate debt securities | A | 6,148,118 | 149,846 | D |
| Fixed rate loans and advances | B | 102,592 | 2,117 | |
| Total | | 6,250,710 | 151,963 | |
| Credit Balance: | | | | |
| Fixed rate deposit | C | 6,398,715 | (867,928) | E |
| Fixed rate debts issued by the Group | 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 accumulated amount of fair value hedge adjustments on hedged items for outstanding hedges, also recognised at 31 December 2019 and 2018 is the amount of fair value hedge adjustments of terminated hedges to be amortised 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 | 31/12/2019 | | |
|---------------------------|-------------------|------------------|------------------------------------|
| | Notional Amount | Debit Balance | Value in balance Credit Balance |
| Interest rate derivatives | 23,603,741 | 2,496,271 | 39,477 |
| Total | 23,603,741 | 2,496,271 | 39,477 |

| ITEM | 31/12/2018 | | |
|---------------------------|-------------------|------------------|------------------------------------|
| | Notional Amount | Debit Balance | Value in balance Credit Balance |
| Interest rate derivatives | 23,663,934 | 2,625,206 | 136,034 |
| Total | 23,663,934 | 2,625,206 | 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

(Thousand of euros)

| ITEM Hedged item | Hedging instruments | Gains/(losses) attributable to the hedged risk | | Ineffectiveness |
|-------------------------|---------------------------|--|--------------------|-----------------|
| | | Hedged item | Hedging instrument | |
| Debit Balance: | | | | |
| Debt securities | Interest rate derivatives | 285,699 | (287,924) | (2,225) |
| Loans at amortised cost | Interest rate derivatives | (680) | 614 | (66) |
| Total | | 285,019 | (287,310) | (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 Hedged item | Hedging instruments | Gains/(losses) attributable to the hedged risk | | Ineffectiveness |
|------------------------|---------------------------|--|--------------------|-----------------|
| | | Hedged item | Hedging instrument | |
| Debit Balance: | | | | |
| Deposit | Interest rate derivatives | 13,426 | (26,435) | (13,009) |
| Debt securities issued | Interest rate derivatives | (8,463) | 8,367 | (96) |
| Total | | 4,963 | (18,068) | (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:

31 December 2019

(Thousand of euros)

| ITEM | Remaining term to maturity as of 31 December 2019 | | | |
|--------------------------------|---|-------------------|--------------------|-------------------|
| | 0 to 3 years | 3 to 10 years | More than 10 years | Total |
| Debts | | | | |
| Interest rate derivatives | 890,217 | 8,136,100 | 12,400 | 9,038,717 |
| Loans at amortised cost | | | | |
| Interest rate derivatives | 8,965 | 48,385 | 81,468 | 138,818 |
| Deposit | | | | |
| 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 | 15,106,139 | 3,191,574 | 23,603,741 |

31 December 2018

| (Thousand of euros) | | | | |
|--------------------------------|---|-------------------|--------------------|-------------------|
| ITEM | Remaining term to maturity as of 31 December 2018 | | | Total |
| | 0 to 3 years | 3 to 10 years | More than 10 years | |
| Debts | | | | |
| Interest rate derivatives | 561,800 | 5,344,667 | 10,000 | 5,916,467 |
| Loans at amortised cost | | | | |
| Interest rate derivatives | 15,148 | 55,890 | 91,037 | 162,075 |
| Deposit | | | | |
| 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 | 13,260,177 | 3,212,033 | 23,663,934 |

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 Group'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) | | | | |
|--------------------------------------|---|---|-------------------------|---------------------|
| ITEM | | 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 euros) | | | | |
|--------------------------------------|---|---|-------------------------|---------------------|
| ITEM | | 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:

31 December 2019

| (Thousands of euros) | | | | | | | | | |
|---------------------------|------------------|-----------------|-----------------|--|--|--|---------------------------------------|--|----------|
| ITEMS | Notional amount | Carrying amount | | Change in the value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period | | | Amount reclassified to profit or loss | | |
| | | Debit balances | Credit balances | Total | Effective portion Accumulated other comprehensive income (*) | Ineffectiveness Gains or (-) losses from hedge accounting, net | Net interest income | Gains or (-) losses from hedge accounting, net | |
| | | | | | | | | | |
| Interest rate derivatives | 6,053,479 | 2,550 | 47,925 | (8,153) | (8,153) | - | - | - | - |
| Total | 6,053,479 | 2,550 | 47,925 | (8,153) | (8,153) | - | - | - | - |

31 December 2018

(Thousands of euros)

| ITEMS | Notional amount | Carrying amount | | Total | Change in the value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period | | Amount reclassified to profit or loss | |
|---------------------------|------------------|-----------------|-----------------|---------------|--|--|---------------------------------------|--|
| | | Debit balances | Credit balances | | Effective portion Accumulated other comprehensive income (*) | Ineffectiveness Gains or (-) losses from hedge accounting, net | Net interest income | Gains or (-) losses from hedge accounting, net |
| Interest rate derivatives | 6,550,565 | 1,791 | 47,155 | 11,234 | 11,234 | - | - | - |
| Total | 6,550,565 | 1,791 | 47,155 | 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 consolidated 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 consolidated income statements is as follows:

(Thousand of euros)

| ITEM | Remaining term to maturity as of 31 December 2019 | | | | TOTAL |
|--------------|---|--------------|----------------|-------------------|----------------|
| | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | |
| Losses (*) | - | (374) | (2,253) | (7,529) | (10,156) |
| Profits (*) | 1,551 | 400 | 119 | 80 | 2,150 |
| Total | 1,551 | 26 | (2,134) | (7,449) | (8,006) |

(*) Taking into consideration the related tax effect.

(Thousand of euros)

| ITEM | Remaining term to maturity as of 31 December 2018 | | | | TOTAL |
|--------------|---|--------------|--------------|-------------------|----------------|
| | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | |
| Losses (*) | - | - | (442) | (6,100) | (6,542) |
| Profits (*) | 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:

31 December 2019

(thousands of euros)

| ITEM | 0 to 3 years | Remaining term to maturity as of 31 December 2019 | | Total |
|----------------------------------|----------------|---|--------------------|------------------|
| | | 3 to 10 years | More than 10 years | |
| Interest rate derivatives | | | | |
| Notional amount | 111,622 | 444,380 | 5,497,477 | 6,053,479 |
| Average fixed interest rate (%) | 0.658 | 1.325 | 0.248 | 0.335 |
| Total | 111,622 | 444,380 | 5,497,477 | 6,053,479 |

31 December 2018

(Thousands of euros)

| ITEM | 0 to 3 years | Remaining term to maturity as of 31 December 2018 | | Total |
|----------------------------------|---------------|---|--------------------|------------------|
| | | 3 to 10 years | More than 10 years | |
| Interest rate derivatives | | | | |
| Notional amount | 81,948 | 462,811 | 6,005,806 | 6,550,565 |
| Average fixed interest rate (%) | 0.557 | 1.470 | 0.226 | 0.311 |
| Total | 81,948 | 462,811 | 6,005,806 | 6,550,565 |

(14) Investments in joint ventures and associates

(14.1) Changes in the Group's composition

Other than that disclosed in Note 1.15, there were no other material changes in the Group's composition or consolidation scope in 2019.

(14.2) Investments in joint ventures and associates

The detail of the investments included in this heading in the accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|--|----------------|----------------|
| COMPANY NAMEES | 31/12/2019 | 31/12/2018 |
| Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. | 21,871 | - |
| Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A.U. | 12,870 | - |
| Gramina Homes, S.L. | 133,422 | - |
| CACF Bankia Consumer Finance, EFC, S.A. | 9,034 | 3,818 |
| Redsys Servicios de Procesamiento, S.L. | 11,020 | 9,889 |
| Bankia Mapfre Vida, S.A., de Seguros y Reaseguros | 144,350 | 132,365 |
| Nettit Collaborative Payments, S.L. | 928 | - |
| Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. "CASER" | - | 112,947 |
| Subtotal | 333,495 | 259,019 |
| Goodwill | 121,407 | 46,868 |
| Total | 454,902 | 305,887 |

As explained in Note 1.15, after the sale in 2019 of 51% of its share capital in 2019 the Group's remaining 49% stakes in Caja Granada Vida Compañía de Seguros Reaseguros, S.A. y 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 Group's equity; at 31 December 2018, these investments were classified under "Non-current assets and disposal groups classified as held for sale (see Note 18.5.2).

As described in Note 18.5.1, Gramina Homes, S.L. was incorporated in 2019, with the Group holding a 20% interest in its share capital at 31 December 2019.

As explained in Note 1.15, in 2019, the investment in Caser was reclassified from "Investments in associates" and accounted for using the equity method, to "Non-current assets and disposal groups classified or held for sale".

As described in Note 2.16.1, the cash-generating units to which goodwill has been allocated are tested for impairment (including the amount of goodwill allocated in their carrying amount). Impairments tests are carried out at least annually, or whenever there is any indication that an asset may be impaired.

At 31 December 2019, goodwill corresponds to the cash-generating units Bankia Mapfre Vida, S.A. de Seguros y Reaseguros, CajaGranada Vida Compañía de Seguros y Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A. amounted by EUR 43,568, EUR 40,891 and EUR 36,948 thousand, respectively. At 31 December 2018, goodwill related entirely to Bankia Mapfre Vida, S.A.

As explained previously, CajaGranada Vida Compañía de Seguros y Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A., were measured at the fair value of the transaction carried out in 2019, so no evidence of impairment has been considered. Regarding Bankia Mapfre Vida, S.A., a market multiples-based valuation method was used to perform the impairment test. After the goodwill was tested for impairment, an impairment loss of EUR 3,300 thousand was recognised in 2019 (EUR 3,300 thousand in 2018) (see Note 43).

The detail of the entities in the accompanying consolidated balance sheet is as follows at 31 December 2019 and 2018:

(Thousands of euros)

| ITEMS | 31/12/2019 (*) | | | | | |
|---|---|---|---------------------|---|---|---|
| | Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. | Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A.U. | Gramina Homes, S.L. | CACF Bankia Consumer Finance, EFC, S.A. | Redsys Servicios de Procesamiento, S.L. | Bankia Mapfre Vida, S.A., de Seguros y Reaseguros |
| Received dividends | 7,167 | 8,578 | - | - | - | 52,489 |
| Current Assets | 7,427 | 14,544 | 692,744 | 4,980 | 31,447 | 92,535 |
| Non-current assets | 277,974 | 117,473 | 610 | 17,111 | 93,990 | 8,366,835 |
| Current liabilities | 14,437 | 2,001 | 25,403 | 3,651 | 48,584 | 550,056 |
| Non-current liabilities | 226,329 | 103,751 | 843 | 3 | 7,712 | 7,614,723 |
| Ordinary income | 18,878 | 23,681 | 23,127 | 284 | 192,620 | 239,379 |
| Profit or (-) loss from continuing operations | 5,104 | 5,297 | (5,151) | (7,849) | 9,376 | 96,765 |
| Other comprehensive income | 2,786 | 1,995 | - | - | - | 29,928 |
| Total comprehensive income | 7,890 | 7,292 | (5,151) | (7,849) | 9,376 | 126,693 |

(*) Latest available data unaudited.

(Thousands of euros)

| ITEMS | 31/12/2018 (*) | | | |
|---|--|---|---|---|
| | Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. "CASER" | CACF Bankia Consumer Finance, EFC, S.A. | Redsys Servicios de Procesamiento, S.L. | Bankia Mapfre Vida, S.A., de Seguros y Reaseguros |
| Received dividends | - | - | - | 109,847 |
| Current assets | 802,322 | 1,658 | 34,054 | 73,526 |
| Non-current assets | 6,714,941 | 8,465 | 87,981 | 7,884,469 |
| Current liabilities | 41,012 | 2,330 | 48,208 | 401,019 |
| Non-current liabilities | 6,723,275 | - | 11,785 | 7,286,844 |
| Ordinary income | 102,294 | 284 | 184,587 | 535,375 |
| Profit or (-) loss from continuing operations | 89,864 | (2,207) | 11,308 | 77,781 |
| Other comprehensive income | 148,658 | - | - | 78,953 |
| Total comprehensive income | 89,250 | (2,207) | 11,308 | 77,781 |

(*) Latest available data unaudited.

The reconciliation of this information with the carrying amount of the investment is as follows:

(Thousands of euros)

| ITEMS | 31/12/2019 (*) | | | | | |
|---|---|---|---------------------|---|---|---|
| | Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. | Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A.U. | Gramina Homes, S.L. | CACF Bankia Consumer Finance, EFC, S.A. | Redsys Servicios de Procesamiento, S.L. | Bankia Mapfre Vida, S.A., de Seguros y Reaseguros |
| Adjusted Parent equality | 44,635 | 26,266 | 667,108 | 18,437 | 69,142 | 294,591 |
| Current interest attributable to the parent | 49% | 49% | 20% | 49% | 16% | 49% |
| Adjusted Equity attributable to the parent | 21,871 | 12,870 | 133,422 | 9,034 | 11,020 | 144,350 |
| Consolidated current interest value (*) | 21,871 | 12,870 | 133,422 | 9,034 | 11,020 | 144,350 |

(*) Latest available data unaudited.

(Thousands of euros)

| ITEMS | 31/12/2018 (*) | | | |
|---|--|---|---|---|
| | Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. "CASER" | CACF Bankia Consumer Finance, EFC, S.A. | Redsys Servicios de Procesamiento, S.L. | Bankia Mapfre Vida, S.A., de Seguros y Reaseguros |
| Adjusted Parent equality | 752,978 | 7,793 | 62,042 | 270,132 |
| Current interest attributable to the parent | 15% | 49% | 16% | 49% |
| Adjusted Equity attributable to the parent | 112,947 | 3,818 | 9,889 | 132,365 |
| Consolidated current interest value | 112,947 | 3,818 | 9,889 | 132,365 |

(*) The goodwill is not considered in the carrying amount.

Regarding the change in the value of the stake in Bankia Mapfre Vida, S.A., de Seguros y Reaseguros, this company paid dividends in 2018, with the Group receiving EUR 109,847 thousand according to its percentage stake. This dividend was eliminated on consolidation.

(15) Tangible assets

The detail of this item in the accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | | | |
|--|--------------------|---------------------|--------------------|----------------------------|
| ITEM | For own use | Investment property | Total | Of which: lease originated |
| Cost | | | | |
| Balances at 31/12/2018 | 4,823,994 | 725,363 | 5,549,357 | - |
| Additions/disposals (net) (*) | 614,953 | (43,029) | 571,924 | 566,460 |
| Transfers to non-current assets held for sale and other changes | (48,876) | (1,299) | (50,175) | - |
| Balances at 31/12/2019 | 5,390,071 | 681,035 | 6,071,106 | 566,460 |
| Accumulated depreciation | | | | |
| Balances at 31/12/2018 | (3,039,213) | (29,640) | (3,068,853) | - |
| Additions/disposals (net) | 18,791 | 1,794 | 20,585 | - |
| Depreciation during the year (Note 40) | (141,208) | (5,163) | (146,371) | (61,597) |
| Transfers to non-current assets held for sale and other changes | 13,592 | 1,361 | 14,953 | - |
| Balances at 31/12/2019 | (3,148,038) | (31,648) | (3,179,686) | (61,597) |
| Impairment losses | | | | |
| Balances at 31/12/2018 | (115,462) | (175,349) | (290,811) | - |
| Net provision/(release) charged/(credited) to income statement (Note 43) | 22 | (14,566) | (14,544) | - |
| Transfers to non-current assets held for sale and other changes | 9,395 | 21,830 | 31,225 | - |
| Balances at 31/12/2019 | (106,045) | (168,085) | (274,130) | - |
| Total at 31 December 2018 | 1,669,319 | 520,374 | 2,189,693 | - |
| Total at 31 December 2019 | 2,135,988 | 481,302 | 2,617,290 | 504,863 |

(*) Includes the impact of the first-time application of IFRS 16 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 | 4,864,636 | 962,880 | 5,827,516 |
| Additions/disposals (net) | 22,408 | (35,433) | (13,025) |
| Transfers to non-current assets held for sale and other changes | (63,050) | (202,084) | (265,134) |
| Balances at 31/12/2018 | 4,823,994 | 725,363 | 5,549,357 |
| Accumulated depreciation | | | |
| Balances at 31/12/2017 | (2,972,394) | (59,293) | (3,031,687) |
| Additions/disposals (net) | 44,150 | 4,606 | 48,756 |
| Depreciation during the year (Note 40) | (101,141) | (11,908) | (113,049) |
| Transfers to non-current assets held for sale and other changes | (9,828) | 36,955 | 27,127 |
| Balances at 31/12/2018 | (3,039,213) | (29,640) | (3,068,853) |
| Impairment losses | | | |
| Balances at 31/12/2017 | (134,732) | (237,463) | (372,195) |
| Net provision/(release) charged/(credited) to income statement (Note 43) | 12 | (22,736) | (22,724) |
| Transfers to non-current assets held for sale and other changes | 19,258 | 84,850 | 104,108 |
| Balances at 31/12/2018 | (115,462) | (175,349) | (290,811) |
| Total at 31 December 2017 | 1,757,510 | 666,124 | 2,423,634 |
| Total at 31 December 2018 | 1,669,319 | 520,374 | 2,189,693 |

Recoverable amount at 31 December 2019 and 2018 exceeded carrying amount.

(15.1) Tangible asset for own use

The detail, by type of asset, in this heading in the accompanying consolidated balance sheet is as follows:

31 December 2019

| (Thousands of euros) | | | | |
|-------------------------------------|------------------|--------------------------|-------------------|------------------|
| ITEM | Cost | Accumulated depreciation | Impairment losses | Net balance |
| Buildings and other structures | 2,404,264 | (523,644) | (54,435) | 1,826,185 |
| Furniture and vehicles | 217,911 | (190,036) | - | 27,875 |
| Facilities | 1,600,983 | (1,329,171) | (51,610) | 220,202 |
| Office equipments and mechanization | 1,166,913 | (1,105,187) | - | 61,726 |
| Balance at 31 December 2019 | 5,390,071 | (3,148,038) | (106,045) | 2,135,988 |

31 December 2018

| (Thousands of euros) | | | | |
|-------------------------------------|------------------|--------------------------|-------------------|------------------|
| ITEM | Cost | Accumulated depreciation | Impairment losses | Net balance |
| Buildings and other structures | 1,900,977 | (469,466) | (63,839) | 1,367,672 |
| Furniture and vehicles | 217,676 | (186,626) | - | 31,050 |
| Facilities | 1,566,580 | (1,298,934) | (51,623) | 216,023 |
| Office equipments and mechanization | 1,138,761 | (1,084,187) | - | 54,574 |
| Balance at 31 December 2018 | 4,823,994 | (3,039,213) | (115,462) | 1,669,319 |

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.

(15.2) 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 Group 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 Group's investment property totalled EUR 20,411 thousand (EUR 22,677 thousand in 2018) (see Note 36).

(16) Intangible assets**(16.1) Goodwill**

The breakdown by company of goodwill in the accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|---|---------------|---------------|
| COMPANY | 31/12/2019 | 31/12/2018 |
| Bankia Pensiones, S.A. Entidad Gestora de Fondos de Pensiones | 88,462 | 90,862 |
| Total | 88,462 | 90,862 |

The movements (gross amount) in goodwill recognised under this item in the consolidated balance sheet in the years ended 31 December 2019 and 2018 were as follows:

| (Thousands of euros) | | |
|--|---------------|---------------|
| COMPANY | 31/12/2019 | 31/12/2018 |
| Accounting balance at the beginning of the year | 90,862 | 93,262 |
| Provisions charged to the income statement (Note 43) | (2,400) | (2,400) |
| Accounting balance at the beginning of end year | 88,462 | 90,862 |

As explained in Note 2.16.1, the cash-generating units to which goodwill has been allocated are tested for impairment, including the amount of goodwill allocated in their carrying amount. Impairments tests are carried out at least annually, or whenever there is any indication that an asset may be impaired. (Note 32).

(16.2) Other intangible assets

The breakdown of assets under this heading on the accompanying consolidated balance sheets is as follows:

| (Thousands of euros) | | |
|---|----------------|----------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| With a finite useful life | 313,342 | 207,353 |
| Computer software | 1,314,337 | 1,152,194 |
| Other | 453 | 1,168 |
| (Accumulated amortisation) | (1,001,448) | (946,009) |
| Total assets net of depreciation | 313,342 | 207,353 |
| Impairment losses | (398) | (661) |
| Total | 312,944 | 206,692 |

The movements in this heading of the consolidated balance sheet during the years ending on 31 December 2019 and 2018, have been the following:

| (Thousands of euros) | | |
|--|----------------|----------------|
| ITEM | 2019 | 2018 |
| With finite useful life | | |
| Carrying amount at the beginning of the year | 206,692 | 144,237 |
| Additions | 163,373 | 123,321 |
| Amortisation recognised in income (Note 40) | (54,581) | (60,863) |
| Derecognition for disposal or other | (3,684) | - |
| Other changes | 1,144 | 6 |
| Accounting balance at the end of the year | 312,944 | 206,692 |
| Total | 312,944 | 206,692 |

(17) Other assets

Details of "Other assets" on the consolidated 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 38.2) | 1,061,912 | 1,034,030 |
| Other items | 539,491 | 605,539 |
| Total | 1,601,403 | 1,639,569 |

"Other items" contains, inter alia, transactions in transit, accruals associated with operating income, and unaccrued prepayments

(18) Non-current assets and disposal groups classified as held for sale**(18.1) Breakdown**

The breakdown of this heading of the asset side of the accompanying consolidated balance sheet 31 December 2019 and 2018:

| (Thousands of euros) | | | |
|--|------------------|-------------------|------------------|
| ITEM | Cost | Impairment losses | Carrying Amount |
| Non-current Assets Held for Sale | 2,261,030 | (574,551) | 1,686,479 |
| Tangible asset for own use | 232,334 | (63,953) | 168,381 |
| Foreclosed real state or received in payment debts | 1,774,326 | (510,356) | 1,263,970 |
| Other equity instruments | 134,919 | - | 134,919 |
| Investments in joint ventures and associates | 119,451 | (242) | 119,209 |
| Disposal groups and discontinued operations | 639,897 | (174,777) | 465,120 |
| Total assets at 31 December 2019 | 2,900,927 | (749,328) | 2,151,599 |
| Liabilities included in disposal groups | 3,657 | - | 3,657 |
| Total liabilities at 31 December 2019 | 3,657 | - | 3,657 |

31 December 2018

| (Thousands of euros) | | | |
|--|------------------|--------------------|------------------|
| ITEM | Cost | Impairment losses | Carrying Amount |
| Non-current Assets Held for Sale | 2,745,359 | (682,700) | 2,062,659 |
| Tangible asset for own use | 281,110 | (80,959) | 200,151 |
| Foreclosed real state or received in payment debts | 2,308,926 | (600,526) | 1,708,400 |
| Other equity instruments | 132,227 | - | 132,227 |
| Investments in joint ventures and associates | 23,096 | (1,215) | 21,881 |
| Disposal groups and discontinued operations | 3,501,008 | (1,657,462) | 1,843,546 |
| Total assets at 31 December 2018 | 6,246,367 | (2,340,162) | 3,906,205 |
| Liabilities included in disposal groups | 350,885 | - | 350,885 |
| Total liabilities at 31 December 2018 | 350,885 | - | 350,885 |

(18.2) Tangible assets for own use

At 31 December 2019 and 2018, the balance of this item comprised mainly certain of the Group'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 2.20, the Group measures these assets at the lower of their carrying amount and fair value less costs to sell. It recognised an impairment loss in 2019 of EUR 825 thousand (EUR (-6,409 thousand in 2018)).

(18.3) Foreclosed real state or received in payment debts

This item includes assets foreclosed or received in payment of debts by the Group, for the full or partial settlement of debtors' payment obligations, which are considered non-current assets held for sale unless the Group 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 or received in settlement of debts recognised on the Group's accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|--|------------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Property assets | | |
| Finished dwellings | 821,837 | 1,133,425 |
| Managed rural property and offices, commercial and industrial premises | 314,163 | 409,656 |
| Building plots, plots and other property assets | 127,970 | 165,319 |
| Total | 1,263,970 | 1,708,400 |

Significant changes

The changes recognised in foreclosed assets in the years 2019 and 2018 are as follows:

| (Thousands of euros) | | |
|--|------------------|------------------|
| ITEM | 2019 | 2018 |
| Accounting balance at the beginning of the period | 1,708,400 | 2,731,003 |
| Additions during the year and other changes | 279,760 | 259,636 |
| Disposals during the year | (475,268) | (614,953) |
| Net impairment losses | (201,435) | (97,571) |
| Other changes | (47,487) | (569,715) |
| Accounting balance at the end of the period | 1,263,970 | 1,708,400 |

Sales of foreclosed assets are made on an arm's length basis. In 2019, financing was granted for an amount of approximately EUR 87 million, on average, 90.4% of the sales amount was financed (EUR 156 million and 90.3% in 2018).

Proceeds on disposals of foreclosed assets, by type, in the years ended 31 December 2019 and 2018 were as follows:

31 December 2019

| (Thousand of euros) | | |
|--|---------------------------------------|--|
| ITEM | Disposal of assets at carrying amount | Gain/(loss) recognised on disposal (*) |
| Finished dwellings | 341,239 | 7,883 |
| Managed rural property and offices, commercial and industrial premises | 106,160 | 6,493 |
| Building plots, plots and other property assets | 27,869 | 6,271 |
| Total | 475,268 | 20,647 |

(*) Excludes fees paid to intermediaries.

31 December 2018

| (Thousand of euros) | | |
|---------------------|--|--|
|---------------------|--|--|

| ITEM | Disposal of assets at carrying amount | Gain/(loss) recognised on disposal (*) |
|--|---------------------------------------|--|
| Finished dwellings | 493,362 | (3,537) |
| Managed rural property and offices, commercial and industrial premises | 97,559 | 12,146 |
| Building plots, plots and other property assets | 24,032 | 16,973 |
| Total | 614,953 | 25,582 |

(*)Excludes fees paid to intermediaries.

Appendix IX provides further details on the Group's property assets at 31 December 2019 and 2018, including the foreclosed assets referred to in the preceding paragraph.

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 | 84,123 | 178,691 |
| 12 months to 24 months | 134,736 | 327,676 |
| More than 24 months | 1,045,111 | 1,202,033 |
| TOTAL | 1,263,970 | 1,708,400 |

Moreover, the table below presents the detail of foreclosed 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 groups (see Note 18.5.1):

| (Thousand of euros) | | |
|--|------------|------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Property assets from financing intended for construction and property development | 307,558 | 381,862 |
| Finished products (completed property developments) | 141,167 | 182,801 |
| Work in progress (property developments under construction) | 21,857 | 29,032 |
| Lands | 144,534 | 170,029 |
| Property assets from mortgage-secured financing granted to households for home in settlement of debt | 1,391,317 | 1,742,882 |
| Other real estate received in payment of debts | 634,682 | 783,760 |

Appendix IX 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.

(18.4) Other equity instruments and investments in joint ventures and associates

This includes balances related to investments in joint ventures and associates, and other equity instruments previously registered under "Financial assets at fair value through other comprehensive income" that the Group reclassifies, to "Non-current assets held for sale" (see Note 2.20). The following table shows a breakdown of the balance by item under which the investments were recognised before their classification under "Non-current assets held for sale":

| (Thousands of euros) | | |
|---|----------------|----------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Financial assets at fair value through other comprehensive income | 134,919 | 132,227 |
| Investments in associates and joint ventures – joint ventures | 20 | 24 |
| Investments in associates and joint ventures – associates | 119,189 | 21,857 |
| TOTAL | 254,128 | 154,108 |

The shareholding in Caser, which was previously classified as an associate and accounted for using the equity method, was classified at 31 December 2019 for EUR 118,242 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 Group's consolidated equity (see Note 1.15).

Changes in the impairment of investments in joint ventures and associates in the years ended 31 December 2019 and 2018 were as follows:

31 December 2019

| (Thousand of euros) | | | |
|---|----------------|--------------|--------------|
| ITEM | Joint ventures | Associates | TOTAL |
| Accounting balance at the beginning of the year | - | (1,215) | (1,215) |
| Net provision | - | 973 | 973 |
| Total | - | (242) | (242) |

31 December 2018

| (Thousand of euros) | | | |
|---|----------------|----------------|----------------|
| ITEM | Joint ventures | Associates | TOTAL |
| Accounting balance at the beginning of the year | (5,440) | (13,447) | (18,887) |
| Net provision | 5,440 | 12,232 | 17,672 |
| Total | - | (1,215) | (1,215) |

Appendix IV provides additional information on joint ventures and associated classified as “Non-current assets and disposal groups classified as held for sale”.

(18.5) 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 Group 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 2.20).

31 December 2019

| (Thousand of euros) | | | |
|--|---------------------|-------------------|-----------------|
| ITEM | Cost or Gross value | Impairment losses | Carrying Amount |
| Assets | | | |
| Disposal groups | 639,897 | (174,777) | 465,120 |
| Loan and real estate assets portfolio | 622,592 | (174,777) | 447,815 |
| Group entities- assets | 17,305 | - | 17,305 |
| Total assets on 31 December 2019 | 639,897 | (174,777) | 465,120 |
| Liabilities | | | |
| Disposal groups | 3,657 | - | 3,657 |
| Group entities- liabilities | 3,657 | - | 3,657 |
| Total liabilities on 31 December 2019 | 3,657 | - | 3,657 |

31 December 2018

| (Thousand of euros) | | | |
|--|---------------------|--------------------|------------------|
| ITEM | Cost or Gross value | Impairment losses | Carrying Amount |
| Assets | | | |
| Disposal groups | 2,925,643 | (1,657,462) | 1,268,181 |
| Loan and real estate assets portfolio | 2,908,282 | (1,657,462) | 1,250,820 |
| Group entities- assets | 17,361 | - | 17,361 |
| Discontinued operations | 575,365 | - | 575,365 |
| Total liabilities on 31 December 2018 | 3,501,008 | (1,657,462) | 1,843,546 |
| Liabilities | | | |
| Disposal groups | 4,642 | - | 4,642 |
| Group entities- liabilities | 4,642 | - | 4,642 |
| Discontinued operations | 346,243 | - | 346,243 |
| Total liabilities on 31 December 2018 | 350,885 | - | 350,885 |

(18.5.1) 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 Group'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 consolidated balance sheet, with no significant impact on the Group's consolidated 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 27.1).

The breakdown of this item in the accompanying consolidated balance sheet by nature of the transaction is as follows:

| (Thousand of euros) | | |
|-----------------------------|------------------|--------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Loans | 356,068 | 1,377,441 |
| Tangible Assets for own use | 702 | 108,810 |
| Assets from the foreclosed | 265,822 | 1,422,031 |
| Gross value | 622,592 | 2,908,282 |
| Impairment Losses | (174,777) | (1,657,462) |
| Net carrying amount | 447,815 | 1,250,820 |

Loan 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 X 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 X 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, at 31 December 2019 and 2018:

| (Thousand of euros) | | |
|--|----------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Tangible assets for own use | 702 | 108,810 |
| Foreclosed assets | 265,822 | 1,422,031 |
| Finished dwellings - borrower's primary residence | 227,297 | 1,011,401 |
| Managed rural property and offices, commercial and industrial premises | 25,875 | 226,536 |
| Building plots, plots and other property assets | 12,650 | 184,094 |
| Total | 266,524 | 1,530,841 |

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:

| (Thousand of euros) | | |
|--|------------|------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Property assets from financing intended for construction and property development | 29,328 | 336,789 |
| Finished products (completed property developments) | 17,957 | 135,841 |
| Work in progress (property developments under construction) | 214 | 23,968 |
| Lands | 11,157 | 176,980 |
| Property assets from mortgage-secured financing granted to households for home in settlement of debt | 199,603 | 843,482 |
| Other real estate received in payment of debts | 37,647 | 241,760 |

Appendix IX 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.

(18.5.2) 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., of which the Group held 100% of share capital 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 Group'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 14.2)

(18.5.3) Group Entities – Assets and liabilities

The following table presents subsidiaries that meet the criteria for classification as “disposal groups” whose assets and liabilities are, therefore, presented as “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale”:

| Entities | % participation | |
|---|-----------------|------------|
| | 31/12/2019 | 31/12/2018 |
| Corporación Financiera Habana, S.A., en Liquidación | 60.00 | 60.00 |
| Gestión y Recaudación Local, S.L. | 99.75 | 99.75 |
| Inversión General de Granada 2, S.L. en liquidación | - | 75.00 |
| Navicoas Asturias, S.L. | - | 95.00 |

The table below provides the detail at 31 December 2019 and 2018 of the assets and liabilities corresponding to these companies by line item in the accompanying balance sheet under which they were recognised before classification as non-current assets held for sale:

| (Thousand of euros) | | | | | |
|--|---------------|---------------|---|--------------|--------------|
| | 31/12/2019 | 31/12/2018 | | 31/12/2019 | 31/12/2018 |
| Cash, cash balances at Central banks and other demand deposits | 1 | 14 | Financial liabilities at amortised cost | 2,365 | 3,099 |
| Financial assets at amortised cost | 12,949 | 13,468 | Provisions | 1,228 | 1,228 |
| Tangible assets | 4 | 21 | Other liabilities | 64 | 315 |
| Intangible assets | 118 | 159 | | | |
| Other assets | 4,233 | 3,699 | | | |
| TOTAL ASSETS | 17,305 | 17,361 | TOTAL LIABILITIES | 3,657 | 4,642 |

Appendix II provides additional information on these companies.

(19) Financial liabilities at amortised cost**Breakdown**

The detail of this item in the accompanying consolidated balance sheets, based on the counterparty and nature of the related financial instruments, is as follows:

| (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 | 26,466,157 | 21,783,188 |
| Customer deposits | 123,624,577 | 125,135,008 |
| Debt securities issued | 17,626,191 | 17,478,163 |
| Other financial liabilities | 1,442,568 | 1,545,259 |
| Sum | 183,097,186 | 179,797,588 |
| Valuation adjustments | 2,079,068 | 2,070,998 |
| Total | 185,176,254 | 181,868,586 |

Financial liabilities at amortised cost – Deposits from Central banks

The breakdown of assets under this heading in the accompanying consolidated balance sheet 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 4,853,790 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 II programme, the Group 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 Group recognised EUR 56,141 thousand in the year ended 31 December 2019 (EUR 55,905 thousand in 2018) under “Interest income” in the consolidated income statement (Note 29).

Financial liabilities at amortised cost – Deposits from credit institutions

The detail of this item in the accompanying balance sheets, based on the nature of the related operations, is as follows:

| (Thousands of euros) | | |
|-----------------------|-------------------|-------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Time deposits | 3,712,983 | 3,769,763 |
| Repos | 19,593,061 | 14,643,061 |
| Other accounts | 3,160,113 | 3,370,364 |
| Sum | 26,466,157 | 21,783,188 |
| Valuation adjustments | (5,672) | 4,568 |
| Total | 26,460,485 | 21,787,756 |

The average effective annual interest rate on deposits from Central banks and other credit institutions at 31 December 2019 was 0.25% (0.20% at 31 December 2018).

Financial liabilities at amortised cost – Customer deposits

The detail of this item in the accompanying balance sheets, based on the nature of the related operations, is as follows:

| (Thousands of euros) | | |
|------------------------------|--------------------|--------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Public sector | 4,778,218 | 6,608,051 |
| Current accounts | 4,249,765 | 5,826,475 |
| Term deposits | 528,453 | 781,576 |
| Other financial corporations | 12,608,848 | 14,510,107 |
| Current accounts | 4,926,023 | 5,730,785 |
| Term deposits | 7,637,299 | 8,735,368 |
| Repos | 45,526 | 43,954 |
| Non-financial corporations | 13,334,595 | 14,340,179 |
| Current accounts | 12,167,650 | 12,033,995 |
| Term deposits | 1,166,945 | 2,306,184 |
| Households | 94,063,075 | 90,861,139 |
| Current accounts | 67,515,663 | 59,632,449 |
| Term deposits | 26,547,412 | 31,228,690 |
| Total | 124,784,736 | 126,319,476 |

This consolidated balance sheet item includes one-off non-marketable mortgage-backed securities issued by the Group amounting to EUR 5,235,025 thousand at 31 December 2019 (EUR 6,247,854 thousand at 31 December 2018) (see Appendix VIII).

The average effective annual interest rate of these instruments at 31 December 2019 increased to 0.09% (0.12% at 31 December 2018).

Financial liabilities at amortised cost – Issued marketable debt securities

The detail of issues recognised under this heading in the consolidated balance sheet at 31 December 2019 and 2018 is set out in Appendix VI.

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 consolidated income statement for the year.

The coupons accrued on the issuances of contingent convertible bonds (convertible into ordinary shares of Bankia) have been recognised in Group equity as they are payable at the Entity's discretion. At 31 December 2019, a balance of EUR 53,803 thousand (EUR 37,884 thousand at 31 December 2018) was recognised in this respect in the consolidated equity.

The average effective annual interest rate of these instruments at 31 December 2019 has been 1.11% (1.06% 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 | Reimbursements | Value adjustments, treasury and other | 31/12/2019 |
| | Debt securities issued in an EU Member State requiring a prospectus to be registered. | 18,360,095 | 4,135,000 | (3,986,237) | 170,851 |
| Total | 18,360,095 | 4,135,000 | (3,986,237) | 170,851 | 18,679,709 |

31 December 2018

(Thousands of euros)

| TYPE OF ISSUE | 31/12/2017 | Issues | Reimbursements | Value adjustments, treasury and other | 31/12/2018 |
|---|-------------------|------------------|--------------------|---------------------------------------|-------------------|
| Debt securities issued in an EU Member State requiring a prospectus to be registered. | 19,784,810 | 1,000,000 | (2,556,587) | 131,872 | 18,360,095 |
| Total | 19,784,810 | 1,000,000 | (2,556,587) | 131,872 | 18,360,095 |

During 2019 the main issues and repurchases or repayments 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 VI and VII provide a detail of issues comprising consolidated the balance sheet disclosure item “Debt securities issued”, along with issuances, repurchases or repayments of debt securities in 2019 and 2018 by the Bank or other Group companies.

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 bonds, 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 Group 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 Group 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 Group 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 Group's main debt securities 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 consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|----------------------------------|------------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Obligations payable | 124,500 | 156,738 |
| Collateral received | 1,925 | 2,098 |
| Tax collection accounts | 274,575 | 264,317 |
| Special accounts and other items | 994,319 | 1,076,719 |
| Financial guarantees | 47,249 | 45,387 |
| Total | 1,442,568 | 1,545,259 |

"Special accounts and other items" includes the lease liabilities related to the adoption of IFRS 16 (see Note 1.3.1).

Movement in 2019 in lease liabilities:

| (Thousands of euros) | |
|---------------------------------|----------------|
| ITEM | Ejercicio 2019 |
| Total at 31/12/2018 | - |
| Additions / 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 IFRS 16 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 remaining maturity:

| (Thousands of euros) | | | | |
|----------------------|--------|--------------|-------------------|---------|
| ITEM | 1 year | 1 to 5 years | More than 5 years | Total |
| Lease liabilities | 60,220 | 161,602 | 290,178 | 512,000 |

(20) Provisions

The detail of this heading in the accompanying consolidated balance sheet at 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|--|------------------|------------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Pensions and other post employment defined benefit obligations (see Note 38) | 1,038,243 | 1,080,822 |
| Pending legal issues and tax litigation | 224,539 | 193,670 |
| Commitments and guarantees given | 301,717 | 373,082 |
| Other provisions | 189,536 | 274,542 |
| Total | 1,754,035 | 1,922,116 |

The changes in the provisions recognised in the consolidated balance sheet in the years ended 31 December 2019 and 2018 and the purposes thereof are as follows:

| (Thousands of euros) | | | | | |
|---|--|--|---------------------------------|------------------|------------------|
| ITEM | Pensions and other post-employment defined benefit obligations | Pending legal issues and tax litigations | Commitment and guarantees given | Other provisions | Total |
| Balances at 31 December 2017 | 442,407 | 363,803 | 379,484 | 848,881 | 2,034,575 |
| Adjustments first application IFRS 9 (Note 1.3.2,3) | - | - | 43,114 | - | 43,114 |
| Balances at 1 January 2018 | 442,407 | 363,803 | 422,598 | 848,881 | 2,077,689 |
| Net provisions/(reversals) charged to profit recognised for the year (Notes 38 and 41) | (10,418) | 2,104 | (51,008) | 69,296 | 9,974 |
| Provisions charged to the income statement | - | 3,975 | 11,692 | 69,762 | 85,429 |
| Reversals credited to the income statement | (10,418) | (1,871) | (62,700) | (466) | (75,455) |
| Amounts used | (31,767) | (172,237) | - | (643,635) | (847,639) |
| Transfers and other movements | 680,600 | - | 1,492 | - | 682,092 |
| Balances at 31 December 2018 | 1,080,822 | 193,670 | 373,082 | 274,542 | 1,922,116 |
| Net provisions/(reversals) charged to profit recognised for the year (Notes 38 and 41) | (28,653) | 104,233 | (72,047) | 11,019 | 14,552 |
| Provisions charged to the income statement | - | 104,233 | 27,362 | 34,390 | 165,985 |
| Reversals credited to the income statement | (28,653) | - | (99,409) | (23,371) | (151,433) |
| Amounts used | (113,580) | (127,063) | - | (56,215) | (296,858) |
| Transfers and other movements | 99,654 | 53,699 | 682 | (39,810) | 114,225 |
| Balances at 31 December 2019 | 1,038,243 | 224,539 | 301,717 | 189,536 | 1,754,035 |

Pensions and other post-employment defined benefit obligations

The balance of pension and similar obligations at 31 December 2019 and 2018, recognised under “Provisions - Pensions and other post-employment defined benefit obligations” in the accompanying consolidated balance sheets stood at EUR 1,038,243 thousand and EUR 1,080,822 thousand, as disclosed in Notes 2.13 and 38.2 to the Group’s annual consolidated financial statements for the year ended 31 December 2019. Funds used and other movements carried out during 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 Group.

As indicated in Note 2.18 the Group 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 Olivás 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 Group 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 Group 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 Group 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 Group 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, 59 were unfavourable). On appeal, a total of 43 judgements have been delivered by the provincial courts of Spain, 30 of which were unfavourable and 13 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 Group's directors consider, at 31 December 2019, that the provision is sufficient to cover the amounts that the Group 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 Group 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 27.2 to the accompanying consolidated financial statements, "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 86 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 Group transferred approximately EUR 40 million of provisions to "Pending legal issues and tax litigation".

(21) Other liabilities

The detail of this heading in the consolidated 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 items ⁽¹⁾ | 833,950 | 997,539 | |
| Total | 893,975 | 1,106,217 | |

(1) Includes, inter alia, accruals associated with operating expenses.

(22) Equity**(22.1) 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:

| Shareholder | Number of shares | | % of participation | |
|-----------------------------------|------------------|---------------|--------------------|------------|
| | 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 | 61.797% | 61.385% |

(22.2) Transactions with treasury shares

In 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:

| ITEM | 31/12/2019 | | 31/12/2018 | |
|---|-------------------|-----------------------------|-------------------|-----------------------------|
| | 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 in the first half of 2019 by capital reduction (see Note 22.1)

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 consolidated income statement.

Certain disclosures required by applicable regulations in connection with transactions involving treasury shares of Bankia, S,A, by the Group 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 (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).

(22.3) Other Reserves

The Group's consolidated statement of changes in total equity for the six months ended 31 December 2019 and 2018 includes shows the changes to consolidated equity for this item in the period.

(22.3.1) Restricted reserves

Pursuant to the Consolidated 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 consolidated 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 22.1, amounting to EUR 15,441 thousand, was established.

(22.3.2) Breakdown of reserves by entity

The detail, by fully and proportionately consolidated companies and those accounted for using the equity method, of “Reserves” in the consolidated balance sheets at 31 December 2019 and 2018 is as follows:

| (Thousand of euros) | | |
|--|-------------|-------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Bankia Inversiones Financieras, S.A.U. (See Note 1.15) | - | 538,865 |
| Bankia Mapfre Vida, S.A., de Seguros y Reaseguros | (53,536) | (38,223) |
| Bankia Habitat, S.L.U. | (2,173,112) | (2,114,501) |
| Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. | (4,148) | (3,663) |
| Cajamurcia Vida Y Pensiones de Seguros Y Reaseguros, S.A. | (9,870) | (11,512) |
| Corporación Industrial Bankia, S.A.U. | (1,038,530) | (1,017,903) |
| Geoportugal - Inmobiliaria, LDA. | (32,712) | (32,710) |
| Inversiones y Desarrollos 2069 Madrid, S.L.U. en liquidación | (19,972) | (18,798) |
| Promociones y Proyectos Murcilor, S.L. en liquidación | (20,012) | (20,012) |
| Proyectos y Desarrollos Hispanomexicanos, S.A. de C.V. | 12,968 | 12,968 |
| Share Capital, S.L. | - | (23,341) |

(22.4) Other information**(22.4.1) Investments in listed companies**

Other than Bankia, S.A., no other Group subsidiary was listed on an active market at 31 December 2019.

(22.4.2) 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.
- 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 (1,500,000,000) euro; 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.

(23) Accumulated other comprehensive income

The detail of the balances of this consolidated balance sheet item as at 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | | |
|--|----------------|----------------|--|
| ITEM | 31/12/2019 | 31/12/2018 | |
| Items that will not be reclassified to profit or loss | 57,233 | 54,627 | |
| Actuarial gains or (-) losses on defined benefit pension plans | 34,056 | 29,939 | |
| Non-current assets and disposal groups classified as held for sale | (9,347) | - | |
| Share of other recognised income and expense of investments in joint ventures and associates | 4,219 | 3,183 | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | 28,305 | 21,505 | |
| Items that may be reclassified to profit or loss | 122,769 | 92,827 | |
| Foreign currency translation | (113) | (293) | |
| Hedging derivatives. Cash flow hedges reserve [effective portion] | (8,006) | (2,299) | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | 82,085 | 62,459 | |
| Non-current assets and disposal groups classified as held for sale | (2,674) | 4,187 | |
| Share of other recognised income and expense of investments in joint ventures and associates | 51,477 | 28,773 | |
| Accumulated other comprehensive income | 180,002 | 147,454 | |

Items that may be reclassified to profit or loss. Fair value of equity instruments measured at fair value through other comprehensive income

This item in the accompanying consolidated 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 Group's equity. These changes are recognised in the consolidated 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 | (14,992) | Quoted debt securities | 92,579 | (10,494) |
| Unquoted debt securities | - | - | Unquoted debt securities | - | - |
| Total | 132,256 | (14,992) | Total | 92,579 | (10,494) |
| Total Gains (Gross) | 117,264 | | Total Gains (Net) | 82,085 | |

31 December 2018

| (Thousands of euros) | | | | | |
|----------------------------|----------------|-----------------|---------------------------|----------------|-----------------|
| Total Gross | Gains | Losses | Amounts Net Of Tax Effect | Gains | Losses |
| Quoted debt securities | 161,283 | (72,056) | Quoted debt securities | 112,898 | (50,439) |
| Unquoted debt securities | - | - | Unquoted debt securities | - | - |
| Total | 161,283 | (72,056) | Total | 112,898 | (50,439) |
| Total Gains (Gross) | 89,227 | | Total Gains (Net) | 62,459 | |

Items that may be reclassified to profit or loss. Hedging derivatives. Cash flow hedges [hedged item]

This item in the accompanying consolidated balance sheet includes the effective portion of the net gain or loss on financial derivatives designated as hedging instruments in cash flow hedges (see Note 2.3).

Items that may be reclassified to profit or loss. Foreign currency translation

This item in the accompanying consolidated balance sheet includes the amount of the exchange differences arising on monetary items whose fair value is adjusted against equity and of the differences arising on the translation to euros of the balances in the functional currencies of the consolidated entities accounted for using the equity method whose functional currency is not the euro.

The detail of this heading in the consolidated balance sheet at 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|------------------------------------|--------------|--------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Bankia, S.A. | (113) | (292) |
| Beimad Investment Services Co, Ltd | - | (1) |
| Total | (113) | (293) |

Items that may be reclassified to profit or loss. Share of other recognised income and expense of investments in joint ventures and associates

This caption in the accompanying consolidated balance sheet includes the carrying amount of valuation adjustments, of any type, recognised under equity in the consolidated financial statements of associates and joint ventures accounted for using the equity method.

The detail of this heading in the consolidated balance sheet at 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|---|---------------|---------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Bankia Mapfre Vida, S.A. de Seguros y Reaseguros | 50,107 | 35,504 |
| CajaGranada Vida Compañía Seguros y Reaseguros, S.A. | 783 | - |
| CajaMurcia Vida y Pensiones de Seguros y Reaseguros, S.A. | 587 | - |
| Caja de Seguros Reunidos, compañía de Seguros y Reaseguros, S.A."CASER" | - | (6,731) |
| Total | 51,477 | 28,773 |

Items that will not be reclassified to profit or loss. Actuarial gains or (-) losses on defined benefit pension plans

This item on the consolidated balance sheet shows the defined benefit post-employment payments profit/(loss) which not recognised in the consolidated income and expense (see Notes 2.13.1 and 38.3).

Changes in balances in those years are recognised in the consolidated income statements for 2019 and 2018 under "Accumulated other comprehensive income".

(24) Minority interests [Non-controlling interests]

The detail, by consolidated company, of "Non-controlling interests" in the accompanying consolidated balance sheet is as follows:

| (Thousands of euros) | | |
|---|---------------|---------------|
| COMPANY | 31/12/2019 | 31/12/2018 |
| Arrendadora Aeronáutica, AIE | - | 134 |
| Corporación Financiera Habana, S.A., in liquidation | 11,001 | 10,620 |
| Other Companies | 2,324 | 1,720 |
| Balances at the end of the year | 13,325 | 12,474 |

The detail, by company, of "Profit / (loss) attributable to non-controlling interests" in the accompanying consolidated income statement of the Group for 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|---|------------|------------|
| COMPANY | 31/12/2019 | 31/12/2018 |
| Arrendadora Aeronáutica, A.I.E. | - | 134 |
| Arrendadora de Equipamientos Ferroviarios, S.A. | 194 | 156 |
| Corporación Financiera Habana, S.A., in liquidation | 663 | 1 |
| Garanair, S.L. | - | (2) |
| Inversión General de Granada 2, S.L in liquidation | (4) | (1) |
| Balances at the end of the year | 853 | 288 |

The detail, by company, of the changes in the balance of "Non-controlling interests" in the consolidated balance sheet for the years ended 31 December 2019 and 2018 is as follows:

31 December 2019

| (Thousands of euros) | | | | |
|---|---------------|--|--|---------------|
| COMPANY | 31/12/2018 | Dividends paid to non-controlling shareholders | Profit or loss, capital increase and other | 31/12/2019 |
| Arrendadora Aeronáutica, AIE | 134 | - | (134) | - |
| Arrendadora de Equipamientos Ferroviarios, S.A. | 2,134 | - | 194 | 2,328 |
| Corporación Financiera Habana, S.A., in liquidation | 10,620 | (16) | 397 | 11,001 |
| Other Companies | (414) | - | 410 | (4) |
| Balances at the end of the year | 12,474 | (16) | 867 | 13,325 |

31 December 2018

| (Thousands of euros) | | | | |
|---|---------------|--|--|---------------|
| COMPANY | 31/12/2017 | Dividends paid to non-controlling shareholders | Profit or loss, capital increase and other | 31/12/2018 |
| Arrendadora Aeronáutica, AIE | 11,616 | - | (11,482) | 134 |
| Arrendadora de Equipamientos Ferroviarios, S.A. | 1,977 | - | 157 | 2,134 |
| Corporación Financiera Habana, S.A., en liquidación | 11,709 | (2,626) | 1,537 | 10,620 |
| Other Companies | (411) | (75) | 72 | (414) |
| Balances at the end of the year | 24,891 | (2,701) | (9,716) | 12,474 |

Following is a detail of the non-Group or related companies with ownership interests of 10% or more in Group companies at 31 December 2019 and 2018:

| Group company | Investment holder | Ownership interest | |
|--|--|--------------------|------------|
| | | 31/12/2019 | 31/12/2018 |
| Arrendadora de Equipamientos Ferroviarios, S.A. | CAF Investment Projects, S.A. | 15.00 | 15.00 |
| Corporación Financiera Habana, S.A., en liquidación | Banco Popular de Ahorro de Cuba, S.A | 40.00 | 40.00 |
| Inversión General de Granada 2, S.L., en liquidación | Caja Rural de Granada, Soc. Coop. de Crédito | - | 25.00 |

(25) Fair value

(25.1) 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 Group 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 scantily 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 scantily 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 scantily 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 the Bankia Group 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 consolidated 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 consolidated 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 Group's financial assets and financial liabilities are recognised in the accompanying consolidated balance sheet and their related fair value:

| ITEM | 31/12/2019 | | 31/12/2018 | |
|---|---------------------|-------------|---------------------|-------------|
| | Total balance sheet | Fair value | Total balance sheet | Fair value |
| ASSETS | | | | |
| Cash, cash balances at Central banks and other demand deposits | 13,202,885 | 13,202,885 | 4,753,800 | 4,753,800 |
| Financial assets held for trading | 6,690,901 | 6,690,901 | 6,307,967 | 6,307,967 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 34,755 | 34,755 | 9,348 | 9,348 |
| Financial assets at fair value through other comprehensive income | 11,981,872 | 11,981,872 | 15,635,715 | 15,635,715 |
| Financial assets at amortised cost | 155,968,440 | 166,555,103 | 156,461,440 | 167,886,708 |
| Non-current assets and disposal groups classified as held for sale – Other equity instruments | 134,919 | 134,919 | 132,227 | 132,227 |
| Derivatives – Hedge accounting | 2,498,821 | 2,498,821 | 2,626,997 | 2,626,997 |
| LIABILITIES | | | | |
| Financial liabilities held for trading | 6,750,111 | 6,750,111 | 6,046,596 | 6,046,596 |
| Financial liabilities at amortised cost | 185,176,254 | 185,121,750 | 181,868,586 | 182,189,468 |
| Derivatives – Hedge accounting | 87,402 | 87,402 | 183,189 | 183,189 |

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 12), 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 Group 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 consolidated balance sheet, by measurement method used to estimate fair value:

Equity instruments

| ITEM | 31/12/2019 | | | 31/12/2018 | | |
|--|-------------------|------------------|----------------|-------------------|------------------|----------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| ASSETS | | | | | | |
| Financial assets held for trading | 158,904 | 6,437,567 | 94,430 | 285,998 | 5,933,432 | 88,537 |
| Debt securities | 155,899 | 14,896 | - | 281,570 | - | - |
| Equity instruments | 1,381 | - | - | 3,901 | - | - |
| Trading derivatives | 1,624 | 6,422,671 | 94,430 | 527 | 5,933,432 | 88,537 |
| Non-trading financial assets mandatorily at fair value through profit or loss | - | 237 | 34,518 | - | 187 | 9,161 |
| Debt securities | - | 237 | - | - | 187 | - |
| Equity instruments | - | - | - | - | - | - |
| Loans and advances | - | - | 34,518 | - | - | 9,161 |
| Financial assets at fair value through other comprehensive income | 11,846,580 | 94,622 | 40,670 | 15,452,686 | 140,784 | 42,245 |
| Debt securities | 11,846,580 | 59,475 | - | 15,452,686 | 106,729 | - |
| Equity instruments | - | 35,147 | 40,670 | - | 34,055 | 42,245 |
| Non-current assets and disposal groups classified as held for sale – Other equity instruments | - | - | 134,919 | 42 | - | 132,185 |
| Derivatives- Hedging accounting | - | 2,498,821 | - | - | 2,626,993 | 4 |
| LIABILITIES | | | | | | |
| Financial liabilities held for trading | 271,233 | 6,474,061 | 4,817 | 122,121 | 5,920,496 | 3,979 |
| Derivatives | - | 6,474,061 | 4,817 | 40 | 5,920,496 | 3,979 |
| Short positions | 271,233 | - | - | 122,081 | - | - |
| Derivatives- Hedge accounting | - | 87,402 | - | - | 183,189 | - |

Below are the amounts recognised in the consolidated income statement for 2019 and 2018 due to changes in the fair value of the Group'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:

31 December 2019

| (Thousands of euros) | | | | | | |
|--|--|---------------|--------------------|---|----------------|------------------|
| ITEM | Unrealized gains or losses booked in the consolidated income statement | | | Accumulated fair value changes booked in the consolidated balance sheet | | |
| | Level 2 | Level 3 | Total | 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 | - | - | - | - | - | - |
| Trading 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 advances | - | - | - | - | - | - |
| Financial assets held for trading | 17,762 | (807) | 16,955 | 24,563 | 18,852 | 43,415 |
| Equity securities | 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 |

31 December 2018

| (Thousands of euros) | | | | | | |
|--|--|---------------|--------------------|---|----------------|------------------|
| ITEM | Unrealized gains or losses booked in the consolidated income statement | | | Accumulated fair value changes booked in the consolidated 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 | - | - | - | - | - | - |
| Trading 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 advances | - | - | - | - | - | - |
| Financial assets held for trading | 1 | - | 1 | 17,154 | 20,134 | 37,288 |
| Equity securities | - | - | - | 10,930 | 20,134 | 31,064 |
| Debt securities | 1 | - | 1 | 6,224 | - | 6,224 |
| Derivatives – Hedge accounting | (406,184) | (2) | (406,186) | 2,261,489 | 2 | 2,261,491 |
| TOTAL ASSETS | (2,261,408) | 15,433 | (2,245,975) | 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 |
| Trading derivatives | 3,185,917 | 206 | 3,186,123 | 5,932,998 | (2,686) | 5,930,312 |
| Derivatives – 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:

| | | | | (Million of euros) |
|-------------------------------|---|---|---|---|
| Level 2 financial instruments | Valuation techniques | Main assumptions | Inputs | Fair Value |
| Debt securities | Present value method (discounted cash flows or DCF) LMM | 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. | <ul style="list-style-type: none"> - Yield Curves - Credit spread - Correlation | Debt securities: 75 |
| Equity instruments | Present value method | Calculation of the present value of future cash flows. Considering: <ul style="list-style-type: none"> - Issuer credit spreads - Prepayment Rates - Yield Curves - Risk Neutrality, non-arbitrage | <ul style="list-style-type: none"> - Yield Curves - Credit spreads | Equity instruments: 35 |
| Derivatives | Interest rate derivatives: Black and Libor Market Model | For measurement of widely traded instruments, e.g, caps, floors, European swaptions, etc. | For equity, inflation, currency or commodity derivatives: <ul style="list-style-type: none"> - Forward structure of the underlying - Option Volatility - Observable correlations among underlyings | Trading Derivatives: Assets: 6,423 Liabilities: 6,474 |
| | For equity, currency or commodity derivatives: Black Scholes, Skew Model | For measurement of widely traded instruments, e.g, call, put, straddle, etc. | For interest rate derivatives: <ul style="list-style-type: none"> - Term structure of interest rates - Volatility of the underlying | Hedging Derivatives: Assets: 2.499 |
| | For inflation derivatives: analytical formula | Absence of correlation between interest rates and inflation. Risk neutrality, absence of arbitrage opportunities. | For credit derivatives: <ul style="list-style-type: none"> - Quoted Credit Default Swaps (CDS) prices | Liabilities: 87 |
| | For credit derivatives: analytical formula | Calculation of probability of default (PD) levels to ensure compliance with the risk neutrality and non-arbitrage assumptions. | | |
| | | | | (Million of euros) |
| Level 3 financial instruments | Valuation techniques | Main assumptions | Not observable inputs | Fair Value |
| Debt securities | Present value method, The Gaussian Copula Model Libor Market model. | 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. | <ul style="list-style-type: none"> • Prepayment rates • Credit spread • Default correlation • Interest rate correlation | Debt securities: (*) Loans and advances: 35 |
| Equity instruments | Present value method | Net asset value (NAV) for hedge funds and for equity instruments listed in thin or less active markets. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • Correlation • Term structure of volatilities based on the underlying | Trading Derivatives: Assets: 94 |
| | 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. | <ul style="list-style-type: none"> • Correlation • Term structure of volatilities • Dividends | Liabilities: 5 |
| | Inflation derivatives: Jarrow y Yildirim | 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. | <ul style="list-style-type: none"> • Correlation • Inflation curve • Nominal rates | |
| | Credit baskets: Gaussian Copula | The Gaussian Copula measurement method, which is widely accepted in financial markets for its simplicity. | <ul style="list-style-type: none"> • 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 Group 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 Group 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 | Nivel 3 | Nivel 1 | Nivel 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 | Nivel 3 | Nivel 1 | Nivel 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 consolidated balance sheets at 31 December 2019 and 2018 follow:

| (Thousands of euros) | | | | | |
|-----------------------------------|----------------|--------------|----------------|--------------|--|
| | 2019 | | 2018 | | |
| | Assets | Liabilities | Assets | Liabilities | |
| Opening balance | 139,947 | 3,979 | 128,614 | 4,982 | |
| Gains (losses) | 4,882 | (1,060) | 1,156 | (1,324) | |
| To profit and loss | 5,626 | (1,060) | (3,786) | (1,324) | |
| To reserves for sale | 538 | - | 21 | - | |
| To equity | (1,282) | - | 4,921 | - | |
| Purchases, sales and settlements | 22,349 | 1,819 | (4,757) | (3) | |
| Net inflows/(outflows) in Level 3 | 2,440 | 79 | 14,934 | 324 | |
| Closing balance | 169,618 | 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 consolidated 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 | 132,185 | 208,074 |
| Gains (losses) | (17,958) | 8,208 |
| Other net variations | 20,692 | (84,097) |
| Closing balance | 134,919 | 132,185 |

(25.2) Fair value of assets and liabilities included in disposal groups and discontinued operations

Note 18.5.1 includes information on the sale of a portfolio of real estate loans and assets that make up a disposal group. These assets are stated at the sale price less the related costs to sell, so their fair value coincides with their carrying amount.

The table below provides a comparison between the carrying amount of financial assets and financial liabilities by line item in the accompanying consolidated balance sheet under which they were recognised before classification under “Non-current assets and disposal groups classified as held for sale” and their corresponding fair value:

| (Thousands of euros) | 31/12/2019 | | 31/12/2018 | |
|--|---------------------|------------|---------------------|------------|
| Assets | Total balance sheet | Fair Value | Total balance sheet | Fair Value |
| Cash and balances with Central banks and other demand deposits | 1 | 1 | 14 | 14 |
| Financial assets at amortised cost | 12,949 | 12,949 | 13,468 | 13,468 |
| Liabilities | Total balance sheet | Fair Value | Total balance sheet | Fair Value |
| Financial liabilities at amortised cost | 2,365 | 2,365 | 3,099 | 3,099 |

At 31 December 2019 and 2018, there were no import financial assets and liabilities measured at fair value were recognised before its classification under financial assets held for trading - disposal groups in the accompanying consolidated balance sheet.

(25.3) Fair value of other assets, not considered as disposal group nor discontinued groups

(25.3.1) 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 | 1,826,185 | 2,147,180 | 1,367,672 | 1,693,616 |
| Investment property | 481,302 | 672,405 | 520,374 | 717,261 |
| Total | 2,307,487 | 2,819,585 | 1,888,046 | 2,410,877 |

(*) Includes the carrying amount from lease assets from IFRS 16 (see Note 1.3.1).

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 IFRS 16 (see Note 1.3.1) and their amount at 31 December 2019 (see Note 15), their carrying amount does not differ significantly from their fair value.

As explained in Note 2.17, at 31 December 2019, the Group 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 43).

The amounts recognised in the 2019 and 2018 income statements relating to tangible assets were EUR 146,371 thousand and EUR 113,048 thousand, respectively, under "Depreciation and amortisation", along with a reversal of EUR 14,544 thousand and a charge of EUR 22,724 thousand recognised under "(Impairment or (-) reversal of impairment on 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 Group, where the building and facilities are considered as assets for the purpose of measuring land.

(25.3.2) Real estate assets classified as non-current assets held for sale

The fair values at 31 December 2019 and 2018 of the Bankia Group's property, plant and equipment for own use classified under "Non-current assets held for sale" at those dates were EUR 168,381 thousand and EUR 200,151 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 2.20, 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 Group 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 | 13.07% | 4.96% | |
| Tecnitasa | 5.42% | 14.17% | |
| Tinsa | 47.00% | 55.52% | |
| Sociedad de tasación | 12.46% | - | |
| Arco Valoraciones | 13.43% | 25.18% | |
| KRATA | 8.62% | - | |
| Others | - | 0.17% | |
| Total | 100.00% | 100.00% | |

These valuations are considered Level 3 inputs according to the approaches described in the consolidated 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 18.

(25.3.3) Investments classified as Non-current assets and disposal groups classified as held for sale

The following table details the fair value hierarchy for investments in joint ventures and associates classified as Non-current assets and disposal groups classified as held for sale at 31 December 2019 and 2018:

| (Thousands of euros) | | | | | | |
|---|---------|-----------------|---------|---------|-----------------|--------|
| ITEM | Level 2 | 2019 Level 3 | Total | Level 2 | 2018 Level 3 | Total |
| Accounting balance at the end of the year | - | 119,209 | 119,209 | - | 21,881 | 21,881 |

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) | | |
|--|----------------|---------------|
| ITEM | 2019 | 2018 |
| Balances at the beginning of the year | 21,881 | 34,669 |
| Transfers | 111,292 | 9,609 |
| Allowances, Settlements and Sales | (13,964) | (22,397) |
| Closing balance | 119,209 | 21,881 |

(26) Tax matters**(26.1) Consolidated tax group**

The entities within the tax consolidation group headed by Bankia, S.A., are, in addition to the parent itself:

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 (ANTES CAJA MADRID CIBELES, S.A.)
 BANKIA MEDIACIÓN BANCA SEGUROS (ANTES CAJA SEGOVIA OPERADOR DE BANCA SEGUROS, S.A.)
 BANKIA PENSIONES, S.A. E.G.F.P.
 BANKIA HABITAT S.L
 BMN MEDIACIÓN OPERADOR DE BANCA-SEGUROS VINCULADO, S.L.U.
 CENTRO DE SERVICIOS OPERATIVOS E INGENIERIA DE PROCESOS
 CORPORACION INDUSTRIAL BANKIA (ANTES CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.)
 GESTIÓN GLOBAL DE PARTICIPACIONES, S.L.U. (antes GESNOSTRUM SOCIEDAD GESTORA, S.L.U.)
 GESTION Y RECAUDACION LOCAL, S.L.
 GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U. (ANTES GESMARE SOCIEDAD GESTORA, S.L.U.)
 INMOGESTION Y PATRIMONIOS, S.A.
 NAVIERA CATA,S.A.
 PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L. (PACIN)
 PUERTAS DE LORCA DESARROLLOS EMPRESARIALES, S.L.U. in liquidation
 SEGURBANKIA S.A.U CORREDURÍA DE SEGUROS DEL GRUPO BANKIA
 VALENCIANA DE INVERSIONES MOBILIARIAS, S.L
 VALORACION Y CONTROL, S.L.
 VECTOR CAPITAL, S.L.U.

All other subsidiaries and other entities included in the scope of consolidation of the Bankia Group at 31 December 2019 file individual income tax returns.

(26.2) 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 issuance of the corresponding penalty agreement, EUR 6.2 million was paid 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 Group 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 Group lodged the corresponding appeals. The Group 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 Fundació Pinnae); that sentence left a balance pending payment of EUR 741 thousand, mainly in respect of corporate income tax from 2001 to 2004. The Group had yet to receive notification of enforcement of the sentence at the reporting date.

In 2019, Bankia paid the corresponding amount as the ruling was enforced.

Inspection actions in investee companies

- Meanwhile, on 16 November 2015, inspections began at Bankia Habitat S,L,U, in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

| ITEM | PERIOD |
|---|--------------------|
| Income tax | 2011 to 2012 |
| Value added tax | 2011 to 2012 |
| Withholdings / Payments on account for leases | 09/2011 to 12/2012 |
| Withholdings on account on non-resident income | 09/2011 to 12/2012 |
| Withholdings / Payments on account of earned income | 09/2011 to 12/2012 |

Verification and inspection activities are still ongoing to date.

On 3 April 2018, the assessment for value added tax for 2012 of EUR 2,436 thousand of tax payable, EUR 470 thousand of late-payment interest and a penalty of EUR 119 thousand was signed in agreement, with payment made on 18 May 2018.

- On 21 June 2018, the tax authorities began an inspection of Bankia Inversiones Financieras 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 | 2011 to 2012 |

Currently, the indicated verification and inspection actions are on going.

- On 25 July 2018, the tax authorities began an inspection of Sociedad Promoción y Participación Empresarial 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 | 2011 to 2012 |

Currently, the indicated verification and inspection actions are on going.

- On 10 September 2018, the tax authorities began an inspection of Corporación Industrial Bankia SAU 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 | 2011 TO 2012 |

Currently, the indicated verification and inspection actions are on going.

(26.3) Reconciliation of accounting and tax profit

The detail of income tax expense in the accompanying consolidated income statements for 2019 and 2018 to the consolidated 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 | 755,690 | 920,113 |
| Adjustment to profit | (157,584) | (25,594) |
| Return on equity instruments | (17,434) | (10,796) |
| Share of profit/loss of entities accounted for using the equity method | (60,024) | (56,290) |
| Other permanent differences or adjustments | (80,126) | 41,492 |
| Profit before adjusted tax | 598,106 | 894,519 |
| Tax expense (Taxed income * 30%) | (179,432) | (268,356) |
| Deductions | 51,236 | 57,086 |
| Income tax expense | (128,196) | (211,270) |
| Income tax adjustments | (98,277) | (65,065) |
| Profit or (-) loss of the tax rates of gains or (-) losses on the continuing operations | (213,401) | (222,662) |
| Income tax for the year (income/(expense)) | (226,473) | (276,335) |
| Effective rate | 29.97% | 30.03% |
| Income tax for previous years (income/(expense)) | 5,164 | 11,180 |
| Other movements of deferred tax | 7,908 | 42,493 |

(26.4) Tax recognised directly in consolidated equity

In addition to the income tax recognised in the consolidated income statement for 2019 and 2018, the Bank recognises in consolidated 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 consolidated balance sheet.

The amount of income tax related to each component of "Other comprehensive income" in 2019 and 2018 is as follows:

| ITEM | 31/12/2019 | 31/12/2018 |
|---|----------------|----------------|
| Income tax relating to items that will not be reclassified to profit or (-) loss | (672) | 5,619 |
| Actuarial gains or (-) losses on defined benefit pension plans | (1,764) | 8,068 |
| Financial assets – Equity instruments | 1,092 | (2,449) |
| Income tax relating to items that may be reclassified to profit or (-) loss | (5,371) | 154,800 |
| Currency translation | (77) | (180) |
| Hedging derivatives. Cash flow hedges | 2,446 | (3,370) |
| Financial assets at fair value through other comprehensive income | (8,411) | 160,413 |
| Non-current assets and disposal groups held for sale | 671 | (2,063) |
| Total | (6,043) | 160,419 |

In addition, income tax recognised by the Group directly in "Equity - Other reserves" in the accompanying consolidated balance sheet is detailed in the movement of deferred tax assets and liabilities (see Note 26.5).

(26.5) 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:

- 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.
- 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

ELaw 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, consolidated 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 96,082 thousand (EUR 96,583 thousand in 2018 without BMN) and recognized in the epigraph "Tax expense or income related to profit or loss from continuing operations" of the consolidated 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 IFRS 9, 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 IFRS 9 (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 Bank included an amount of EUR 9,988 thousand this year. It still has EUR 9,988 thousand left to include.

Accounting for equity instruments under IFRS 9 (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 IFRS 9 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 consolidated 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 article 19.3 of the TRLIS, today the article 11.12 of the TRLIS, are as follows:

| (Thousands of euros) | | |
|---|-------------------|-------------------|
| ITEMS | 31/12/2019 | 31/12/2018 |
| Monetisable: | 7,466,027 | 7,473,350 |
| 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 |
| Other, originating from Group companies | 606,516 | 606,516 |
| Non-monetisable: | 2,954,869 | 3,130,056 |
| Allowances for credit impairment | 210,027 | 402,615 |
| Impairment losses of foreclosed assets | 3,778 | 11,690 |
| Impairment losses recognised against equity instruments | 48,355 | 63,247 |
| Provisions for pension funds | 7,875 | 7,875 |
| Other charges | 177,815 | 175,021 |
| Unused tax credits | 139,606 | 88,367 |
| Losses on financial assets | 13,505 | 27,347 |
| Tax assets recognised in respect of unused tax losses | 2,353,908 | 2,353,894 |
| Total deferred tax assets | 10,420,896 | 10,603,406 |

| (Thousands of euros) | | |
|---|----------------|----------------|
| ITEMS | 31/12/2019 | 31/12/2018 |
| Deferred tax liabilities arising at the Bank | 452,530 | 536,195 |
| Unrealised gains on financial assets | 307,949 | 378,830 |
| Unrealised gains on real estate | 136,194 | 148,923 |
| Other items | 8,387 | 8,442 |
| Deferred tax liabilities arising at other Group entities | 15,083 | 19,604 |
| Total | 467,613 | 555,799 |

The movements in 2019 and 2018 were as follows:

Year 2019

| (Thousands of euros) | | | | | |
|--------------------------|------------------------|---|----------------------------------|-----------------|------------------------|
| ITEM | 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 | 10,603,406 | (190,389) | 9,395 | (1,516) | 10,420,896 |
| Deferred tax liabilities | (555,799) | 79,232 | 7,654 | 1,300 | (467,613) |
| Total | 10,047,607 | (111,157) | 17,049 | (216) | 9,953,283 |

(*) Does not include taxes related to non-current assets held for sale.

(**) Include expenses for tax related to non-current assets held for sale.

Year 2018

| (Thousands of euros) | | | | | |
|--------------------------|------------------------|---|----------------------------------|-----------------|------------------------|
| ITEM | 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 | 10,529,975 | (169,841) | 238,228 | 5,044 | 10,603,406 |
| Deferred tax liabilities | (705,448) | 78,143 | 73,786 | (2,280) | (555,799) |
| Total | 9,824,527 | (91,698) | 312,014 | 2,764 | 10,047,607 |

(*) Does not include taxes related to non-current assets held for sale.

(**) Include expenses for tax related to non-current assets held for sale.

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 | | 33,895 | 10,106 |
| 2017 | | 94,550 | 28,365 |
| TOTAL | | 10,666,537 | 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 for R&D&I | 3 | 3 |
| 2008 - Deduction for reinvestment | 23,201 | 9 |
| 2008 - Deduction for R&D&I | 1,326 | 1,079 |
| 2009 - Deduction for reinvestment | 7,472 | 7,472 |
| 2009 - Deduction for 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 for 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 for 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 for 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 for 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 for 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 for R&D&I | 6,158 | 6,158 |
| 2015 - Other deductions | 801 | - |
| 2016 - Deduction for international double taxation | 1,457 | 86 |
| 2016 - Deduction for 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 for R&D&I | 7,011 | 7,011 |
| 2017 - Other deductions | 1,729 | 1,729 |
| 2018 - Deduction for international double taxation | 1,144 | - |
| 2018 - Deduction for R&D&I | 4,322 | 2,985 |
| 2018 - Other deductions | 1,218 | 1,218 |
| Total | 176,204 | 139,563 |

(26.6) Other tax information

In accordance with prevailing law, Bankia's individual financial statements for 2019 and prior years 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.

(26.7) Information regarding the assessment of the recoverability of tax assets

To assess the recoverability of the net deferred tax assets recognised by the Group at 31 December 2019, amounting to EUR 9,953 million (EUR 10,047 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 to 2029 was 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 to 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 Group had deferred tax assets amounting to EUR 7,466 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.

(27) Other significant disclosures

(27.1) Asset transfers

(27.1.1) Securitization

Group entities 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 consolidated balance sheet when all the associated risks were not substantially transferred (see Notes 2.2.2 and 2.7).

The consolidation of special-purpose vehicles entails the elimination of the related transactions between Group entities, including most notably: loans to special-purpose vehicles, liabilities associated with assets not derecognised, credit enhancements granted to special-purpose vehicles and bonds acquired by Group entities.

"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) | | |
|---|------------------|-------------------|
| ITEM | 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 securitised 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 |

As explained in Note 18.5.1, in 2019, the Group transferred the economic rights of a portfolio of loans and credits through mortgage transfer certificates to a wholly owned vehicle of a third party, which then transferred them to a Spanish mortgage securitisation fund (Verde Iberia Loans, Fondo de Titulización). This resulted in their derecognition. They amounted to EUR 1,209,643 thousand at 31 December 2019.

In addition, in 2019, the Group transferred the economic rights of a portfolio of loans and credits, mostly non-performing, through mortgage transfer certificates to a wholly owned vehicle of a third party, which then transferred them to a Spanish mortgage securitisation fund (SLF, Fondo de Titulización). This resulted in their derecognition. They amounted to EUR 262,063 thousand at 31 December 2019.

Regarding the transferred loans and credits, for a total amount at 31 December 2019 of EUR 1,471,706 thousand, contributed by the buyers to those securitisation funds, the Group does not manage the transferred loans and credits or retain expected credit losses or potential variability in net cash flows, nor has it granted subordinated finance or credit facilities in favour of the securitisation funds.

Securitised loans derecognised from the consolidated balance sheet at 31 December 2018 related to transactions involving the securitisation of Bancaja 6, Fondo de Titulización de Activos loans, which were settled in 2019.

Appendix V to these consolidated financial statements shows detail of securitization transactions at 31 December 2019 and 2018.

(27.1.2) Repurchase and resale agreements

At 31 December 2019, the Group 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).

(27.1.3) Assets assigned to other own and third-party obligations

At 31 December 2019 and 2018, the Group 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 12 and Appendix VIII) which, pursuant to the Mortgage Market Law are considered eligible to guarantee the issue of long-term mortgage covered bonds.

(27.2) 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 Group.

Financial guarantees are contracts that require the Group, 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 | 23,256,169 | 20,888,323 |
| Immediately drawable | 16,661,672 | 15,543,376 |
| Conditionally drawable | 6,594,497 | 5,344,947 |
| Financial guarantees given | 376,728 | 427,621 |
| Contingent commitments given | 13,071,778 | 12,504,994 |
| Other guarantees, indemnities and other contingent risks | 7,658,488 | 7,390,264 |
| Irrevocable documentary credits issued | 462,430 | 426,209 |
| Irrevocable documentary credits confirmed | 204,772 | 67,872 |
| Other contingent risk | 416 | 416 |
| Other commitments given ⁽¹⁾ | 4,745,672 | 4,620,233 |
| Total | 36,704,675 | 33,820,938 |

(1) Includes mainly commitments to purchase financial assets and documents presented for collection in the various clearing systems.

Note 3.1 shows the maximum credit risk assumed by the Group in relation to these instruments at 31 December 2019 and 2018, and contains other information relating to the credit risk assumed by the Group in this connection.

A significant portion of these guarantees will expire without any payment obligation materialising for the consolidated 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 Group to third parties.

The income generated on guarantee instruments is recognised in the consolidated 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 consolidated balance sheet as "Provisions - Commitments and guarantees given" (see Note 20).

In addition, 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 loans | 23,256,169 | 20,888,323 |
| <i>Of which, classified as normal in special surveillance</i> | 396,192 | 673,937 |
| <i>Of which, classified as doubtful</i> | 361,942 | 447,095 |
| <i>Recognised as liabilities in the balance sheet ⁽¹⁾</i> | 91,017 | 76,423 |
| Total commitments and given loans | 23,256,169 | 20,888,323 |
| Commitments and given guarantees | 376,728 | 427,621 |
| <i>Of which, classified as normal in special surveillance</i> | 13,774 | 31,850 |
| <i>Of which, classified as doubtful</i> | 63,903 | 81,526 |
| <i>Recognised as liabilities in the balance sheet ⁽¹⁾</i> | 10,224 | 17,624 |
| Total commitments and given guarantees | 376,728 | 427,621 |
| Other given commitments | 13,071,778 | 12,504,994 |
| <i>Of which, classified as normal in special surveillance</i> | 726,650 | 963,637 |
| <i>Of which, classified as doubtful</i> | 535,639 | 602,424 |
| <i>Recognised as liabilities in the balance sheet ⁽¹⁾</i> | 200,476 | 279,035 |
| Other given commitments | 13,071,778 | 12,504,994 |
| Total guarantees issued provided by the third party | 36,704,675 | 33,820,938 |

(1) Amount related to "Provision - Commitments and guarantees given" (Note 20).

(27.3) Third party funds managed and marketed by the Group

The breakdown of off-balance sheet funds managed and commercialized by the Group 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 Group markets off-balance-sheet customer funds managed by third parties outside the Group. These amounted to EUR 11,377,769 thousand at 31 December 2019 (EUR 11,023,117 thousand at 31 December 2018).

(27.4) Leases

(27.4.1) Finance leases

In the normal course of its business the Group 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 Group 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 consolidated 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 |

(27.4.2) 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 Group acts as the lessee, the amount of leases and subleases recognised as an expense in the consolidated income statement amounted to EUR 7,947 thousand for the year ended 31 December 2019 (EUR 73,362 thousand at 31 December 2018).

(27.5) Exchanges of assets

In the years ended 31 December 2019 and 2018, the Group 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 Group's debtors is not considered an exchange of assets. Information concerning this type of transaction is shown in Note 2.8 above.

(28) Contribution to consolidated profit or loss by company

The contribution by entity within the scope of consolidation of the Bankia Group to consolidated profit/(loss) for the years ended 31 December 2019 and 2018 is as follows:

| COMPANY | 31/12/2019 | | 31/12/2018 | |
|---|--|--|--|--|
| | Fully consolidated entities of the Group | Share of profit/(loss) of entities accounted for using the equity method | Fully consolidated entities of the Group | Share of profit/(loss) of entities accounted for using the equity method |
| Arrendadora Aeronáutica, AIE | - | - | 422 | - |
| Bankia Fondos, S.G.I.I.C., S.A. | 33,119 | - | 28,943 | - |
| Bankia Inversiones Financieras, S.A.U. | - | - | 172 | - |
| Bankia Mediación, Operador de Banca Seguros Vinculado, S.A.U. | 5,117 | - | 40,079 | - |
| Bankia Pensiones, S.A., Entidad Gestora de Fondos de Pensiones | 19,048 | - | 14,006 | - |
| Bankia, S.A. | 400,200 | - | 604,745 | - |
| BMN Mediación Operador de Banca-Seguros Vinculado, S.L.U. | - | - | (65,015) | - |
| Corporación Industrial Bankia, S.A.U. | (1,713) | - | 5,805 | - |
| Bankia Mapfre Vida, S.A., de Seguros y Reaseguros | - | 49,810 | - | 40,476 |
| Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A., "CASER" | - | 10,157 | - | 10,017 |
| Othter entities | 25,641 | 57 | 17,763 | 5,797 |
| TOTAL | 481,412 | 60,024 | 646,920 | 56,290 |

(29) Interest income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|--|---------------------|------------------|
| ITEM | Income / (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| By counterparty | | |
| Debt securities | 316,974 | 424,303 |
| Public sector | 298,303 | 380,438 |
| Credit institutions | 1,181 | 10,555 |
| Other financial corporations | 2,323 | 21,821 |
| Non-financial corporations | 15,167 | 11,489 |
| Loans and advances (1) | 2,009,424 | 2,052,857 |
| Public sector | 52,415 | 61,624 |
| Credit institutions | 6,916 | 48,350 |
| Other financial corporations | 11,649 | 10,559 |
| Non-financial corporations | 687,303 | 749,660 |
| Households | 1,251,141 | 1,182,664 |
| Other assets (2) | 166,294 | 84,271 |
| Derivatives – Hedge accounting, interest rate risk | (33,403) | (107,225) |
| Total | 2,459,289 | 2,454,206 |

(1) Of which interest income from, the doubtful assets profit at 31 December 2019 was EUR 195,093 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 II programme (55,905 at 31 December 2018) (See Note 19)

(30) Interest expense

The breakdown of this item in the accompanying consolidated 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 |
| By counterparty | | |
| Deposits | (343,205) | (395,779) |
| Central banks | (3,979) | (29) |
| Public sector | (1,999) | (2,463) |
| Credit institutions | (40,923) | (47,694) |
| Other financial corporations | (272,101) | (297,156) |
| Non-financial corporations | (5,053) | (15,122) |
| Households | (19,150) | (33,315) |
| Debt securities issued | (474,733) | (550,477) |
| Other financial liabilities | (21) | (103) |
| Derivatives – Hedge accounting, interest rate risk | 450,385 | 553,387 |
| Other liabilities ⁽¹⁾ | (68,688) | (12,177) |
| Total | (436,262) | (405,149) |

(1) Of which, in 2019 included expenses accrued on operating leases for EUR 12,810 thousand.

(31) Dividend income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|---|---------------|---------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Financial assets held for trading | 185 | 104 |
| Non-current assets held for sale – equity instruments | 17,249 | 10,692 |
| Total | 17,434 | 10,796 |

(32) Share of profit/loss of entities accounted for using the equity method

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|----------------------|--------------------|---------------|
| ITEM | (Expense) / Income | |
| | 31/12/2019 | 31/12/2018 |
| Associates | 63,875 | 52,536 |
| Joint ventures | (3,851) | 3,754 |
| Total | 60,024 | 56,290 |

This caption includes the share of attributable profit after tax of each associate and joint venture entity of the Bankia Group (see Appendices III and IV). Thus, the Group's income tax expense shown in the consolidated income statement does not reflect any tax effect in respect of profits or losses from entities accounted for using the equity method.

The detail of the contribution to profit or loss of entities accounted for using the equity method for the main companies is disclosed in Note 28 above.

Impairment tests of goodwill in Bankia Pensiones, S.A. Entidad Gestora de Fondos de Pensiones (Note 16.1), excluding the portion related to the business received, are carried out using projections of estimated cash flows based on a business plan for the next five years assuming 1% annual growth and growth to perpetuity after the fifth years of 2%. The rate used to discount the future cash flows was 10%.

The Group also performs a sensitivity analysis on the main variables as a supplement to the baseline scenario. Potential variations in the model's key assumptions, discount rate (-1% and +1%) and growth rate (-1% and +1%) are calculated.

As a result of the above and based on the information available on the performances of the various cash-generating units that could give indications of impairment, the directors concluded that in 2019, an impairment loss of EUR 2.4 million (EUR 2.4 million in 2018) (see Note 43) was recognised based on the trend of the business received by the company at the date of the business combination.

In addition, the consolidated balance sheet includes goodwill under "Investments in joint ventures and associates - Associates" at 31 December 2019 and 2018 (see Note 14).

(33) Fee and commission income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|-------------------------------------|------------------|------------------|
| ITEM | Income | |
| | 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 | 57,076 |
| Non-banking financial product sales | 343,025 | 336,234 |
| Other fees | 242,197 | 244,803 |
| Total | 1,167,639 | 1,149,537 |

(34) Fee and commission expense

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|--|-----------------|-----------------|
| ITEM | (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| Fees and commissions assigned to other entities and correspondents | (48,506) | (44,400) |
| Brokerage fees on asset and liability transactions | (7,407) | (12,223) |
| Other commissions | (31,083) | (27,925) |
| Total | (86,996) | (84,548) |

(35) Gains and losses on financial assets and liabilities

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 by financial instrument portfolio, is as follows:

| (Thousands of euros) | | |
|---|---------------------|----------------|
| ITEM | Income / (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| Origin of operations | | |
| Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, net | 288,744 | 399,555 |
| Financial assets at fair value through other comprehensive income | 213,138 | 398,034 |
| Financial assets at amortised cost - Debt securities | 71,247 | 1,539 |
| Financial liabilities measured at amortised cost | 4,359 | (18) |
| Gains or (-) losses on financial assets and liabilities held for trading, net | 19,870 | 40,060 |
| Gains or (-) on non-trading financial assets mandatorily at fair value through profit or loss, net | 905 | (429) |
| Gains or (-) losses from hedge accounting, net | (11,531) | (28,534) |
| Total | 297,988 | 410,652 |

The most significant gains and losses were financial assets at fair value through other comprehensive income related to public and private debt securities sales, for EUR 213 million in 2019 (EUR 398 million in 2018).

(36) Other operating income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|--|---------------|---------------|
| ITEM | Income | |
| | 31/12/2019 | 31/12/2018 |
| Income from investment property (Note 15.2) | 20,411 | 22,677 |
| Financial fees and commissions offsetting direct costs | 26,366 | 25,710 |
| Other items | 8,264 | 17,264 |
| Total | 55,041 | 65,651 |

(37) Other operating expenses

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|--|------------------|------------------|
| ITEM | (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.10) | (231,063) | (221,215) |
| Other operating expenses | (73,385) | (83,166) |
| Total | (304,448) | (304,381) |

(38) Administrative expenses – Staff costs

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018, by type of cost, is as follows:

| (Thousands of euros) | | |
|---|---------------------|--------------------|
| ITEM | Income / (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| Wages and salaries | (816,694) | (881,829) |
| Social security costs | (227,330) | (219,453) |
| Contributions to defined contribution pension plans (Note 38.3) | (50,309) | (31,714) |
| Contributions to defined benefit pension plans | (76) | (643) |
| Termination benefits | (4,375) | (17,870) |
| Training costs | (7,656) | (8,119) |
| Other staff costs | (12,980) | (1,214) |
| Total | (1,119,420) | (1,160,842) |

(38.1) Composition and distribution by gender of employees

The numbers of Group 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 | Headcount at 31 December 2019 | | | Average headcount for 2019 | Average headcount with disabilities >= 33% 2019 (1) |
|--|-------------------------------|--------------|--------------------|----------------------------|---|
| | Men | Women | Year-end headcount | | |
| 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 |
| Other Group companies | 187 | 239 | 426 | 423 | 3 |
| Total | 7,021 | 9,014 | 16,035 | 15,918 | 185 |

(1) The Bankia Group has adopted alternative measures for complying with the reserve quota for employees with disabilities.

| REMUNERATION LEVELS | Headcount at 31 December 2018 | | | Average headcount for 2018 | Average headcount with disabilities >= 33% 2018 (1) |
|--|-------------------------------|--------------|--------------------|----------------------------|---|
| | Men | Women | Year-end headcount | | |
| 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 |
| Other Group companies | 199 | 239 | 438 | 508 | 4 |
| Total | 6,970 | 8,954 | 15,924 | 16,687 | 198 |

(1) The Bankia Group has adopted alternative measures for complying with the reserve quota for employees with disabilities.

(38.2) Provisions for pensions and similar obligations (obligations to employees) and insurance contracts linked to pensions

As described in Note 2.13, the Group 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 Group's consolidated balance sheet:

| (Thousands of euros) | | | |
|--|--|------------------|------------------|
| ITEM | | 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 | | 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 |
| <i>of which:</i> | | | |
| 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 consolidated balance sheet.

(2) Recognised under "Provisions - Provisions for pensions and similar obligations" in the accompanying consolidated balance sheet (Note 20).

(3) The Group 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 consolidated 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 17).

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 consolidated balance sheet, and those for which the obligations covered by plan assets with unrelated companies exceeds the present value of obligation which, under current regulations, are recognised at their net amount in "Other assets - Other" in the consolidated balance sheet:

31 December 2019

| (Thousands of euros) | | | | | | | |
|--|-----------------------------|---------------------------|----------------------|--|--------------------------|---------------------|------------------|
| ITEM | Post-employment benefits | | | Pre-retirement and other long-term commitments | | | |
| | 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) | Total (III + VI) |
| 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) | | | | | | | |
|--|-----------------------------|---------------------------|----------------------|--|--------------------------|---------------------|------------------|
| ITEM | Post-employment benefits | | | Pre-retirement and other long-term commitments | | | |
| | 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) | Total (III + VI) |
| 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 |

(38.3) Post-employment benefits

Details of the various post-employment benefit obligations, under both defined benefit and defined contribution plans, assumed by the Group are as follows:

Defined-contribution plans

As indicated in Note 2.13 above, the consolidated 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 Group made contributions to external pension funds in the amount of EUR 51,628 thousand in 2019 of which EUR 1,318 thousand were covered by the employee pension plan and EUR 50,309 thousand were recognised under "Administrative expenses - Staff expenses" in the consolidated income statement. The Group made contributions to external pension funds in the amount of EUR 46,607 thousand in 2018 of which EUR 15,418 thousand were covered by the employee pension plan and EUR 31,714 thousand were recognised under "Administrative expenses - Staff expenses" in the consolidated income statement (see note 38).

Defined-benefit plans

The table below shows the reconciliation between the present value of defined-benefit pension obligations assumed by the Group 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 consolidated balance sheet at those dates:

| (Thousands of euros) | | |
|--|------------------|------------------|
| ITEM | 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 consolidated balance sheet | 812,302 | 774,685 |
| Recognised under "Other Assets – Other " on the consolidated balance sheet | (3,559) | (23,631) |
| Fair value of Insurance contracts assets linked to other long-term obligations "non-qualifying assets" | 836,660 | 772,825 |

"Fair value of Insurance contracts assets linked to other long-term obligations 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 Bank of Spain Circular 4/2017.

The fair value of plan assets stated in the above table is presented on the consolidated balance sheet as a reduction of the present value of the Group'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% |
| CPI Cumulative inflation | 1.75% | 2.00% |
| Annual salary increases (2) | No applicable | No 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, 31.12.2019, 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 Group's defined-benefit obligations is as follows:

| (Thousands of euros) | | |
|--|------------------|----------------|
| ITEM | 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 change | (16,268) | 15,248 |
| Benefits paid | (54,136) | (50,290) |
| Additions to obligation due to new commitments | 1,875 | 174,663 |
| Additions 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 consolidated 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) | | |
|---|----------------|----------------|
| ITEM | 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 ⁽¹⁾ : | 14,907 | (32,742) |
| a) Expected return on plan assets, excluding interest on the plan | 14,907 | (32,742) |
| Net contributions/ (reimbursements) ⁽¹⁾ | (136) | (34) |
| Benefits paid | (12,642) | (27,174) |
| Additions 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 consolidated 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 consolidated balance sheet as assets under "Other assets - Insurance contracts linked to pensions is as follows:

| (Thousands of euros) | | |
|---|----------------|----------------|
| ITEM | 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) |
| Additions to obligation - business combination | - | - |
| Increase in reimbursement rights – Reclassification of the value of the assets (transfer to linked insurance) | 1,875 | 376,592 |
| Settlements | - | (14,676) |
| Fair value at 31 December | 836,660 | 772,825 |

(*) These amounts are recognised directly in "Accumulated Other Comprehensive Income" in equity in the consolidated 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) | | |
|----------------------|------------|------------|
| ITEM | 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 paragraph 142 of IAS 19.

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 rated corporate bonds in the euro area.

(38.4) 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 Group 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 consolidated balance sheet at those dates:

| (Thousands of euros) | | |
|---|----------------|----------------|
| ITEM | 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" of the consolidated balance sheet | 225,922 | 306,138 |
| Recognised under "Other assets – Other" of the consolidated 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 compatible. 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 (2.19 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 Group is as follows:

| (Thousands of euros) | | |
|---|----------------|----------------|
| ITEM | 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 |
| Addition due to business combination | - | - |
| Settlements | - | (22) |
| Fair value at 31 December | 227,057 | 313,471 |

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) | | |
|--|--------------|---------------|
| ITEM | 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 |
| <i>a) Expected return on plan assets, excluding interest on the plan</i> | 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 consolidated balance sheet for pre-retirement and other long-term obligations (all corresponding to the Group's Spanish entities):

| (Thousands of euros) | | |
|--|----------------|----------------|
| ITEM | 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) |
| <i>a) Expected return on insurance contracts, excluding interest on insurance contracts linked to pensions</i> | (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) | | |
|----------------------|------------|------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Insurance policies | 1,135 | 7,331 |

(38.5) 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 estimate used by the Group indicates that the amount of contributions to be made in respect of the pension and similar obligations assumed by the Group in 2020 will not be material with respect to the profit and equity estimated for the Group at the end of the year.

(38.6) 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) | | |
|-----------------------------|---------------------|----------------------------|
| | Pension commitments | Pre-retirement commitments |
| Technical interest rate | | |
| <i>50bp increase</i> | 940,504 | 225,070 |
| <i>50bp decrease (*)</i> | 1,070,930 | 227,057 |
| Annual salary increase (**) | | |
| <i>50bp increase</i> | Not applicable | Not applicable |
| <i>50bp decrease</i> | Not applicable | Not applicable |
| Annual pension increase | | |
| <i>50bp increase</i> | 1,069,153 | 227,057 |
| <i>50bp decrease</i> | 941,524 | 227,057 |
| Cumulative inflation | | |
| <i>50bp increase</i> | 1,043,695 | 227,057 |
| <i>50bp decrease</i> | 965,002 | 227,057 |

(*) As the interest rate for pre-retired employees was 0.00%, the measurement with the 0.5% decrease was made at 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 99.92% of the obligations are guaranteed.

(38.7) Remuneration in kind

The Group'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.

(38.8) 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.

(39) Administrative expenses - Other general administrative expenses

The detail, by nature, of this item in the accompanying consolidated income statement for the financial years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|---|------------------|------------------|
| ITEM | (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| From property, fixtures and supplies ⁽¹⁾ | (59,292) | (119,573) |
| IT and communications | (207,166) | (191,649) |
| Advertising and publicity | (54,375) | (51,591) |
| Technical reports | (36,662) | (27,452) |
| Surveillance and security courier services | (18,122) | (18,154) |
| Levies and taxes | (32,243) | (29,508) |
| Insurance and self-insurance premiums | (3,603) | (3,630) |
| Other expenses | (84,845) | (93,924) |
| Total | (496,308) | (535,481) |

(1) In 2018, included expenses accrued on operating leases for EUR 73,362 thousand before IFRS 16 became effective (see Note 1.3.1)

The detail of the fees paid by the various Bankia Group companies to firms belonging to the worldwide organisation of Ernst & Young (the auditor of Bankia, S.A. and the Bankia Group) in 2019 is as follows:

- For the audit of the annual financial statements of Bankia, S.A. and of the consolidated interim and annual financial statements of the Bankia Group for 2019: EUR 1,804 thousand (2018: EUR 1,803 thousand).
- For the audit and review of the financial statements of foreign subsidiaries and companies comprising the Bankia Group, all for 2019: EUR 210 thousand (2018: EUR 230 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).

Meanwhile, in 2019, the various Bankia Group companies paid audit fees to firms other than the Parent's auditor amounting to EUR 8 thousand (EUR 12 thousand in 2018) and have not paid fees for other audit-related assurance or similar services (EUR 3 thousand in 2018).

The services engaged by the Bankia Group 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.

(40) Depreciation

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|---|------------------|------------------|
| ITEM | (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| Depreciation of tangible assets (Note 15) | (146,371) | (113,048) |
| Depreciation of intangible assets (Note 16.2) | (54,581) | (60,863) |
| Total | (200,952) | (173,911) |

(41) Provisions or reversal of provisions

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows (see note 20):

| (Thousands of euros) | | |
|--|---------------------|----------------|
| ITEM | (Expenses) / Income | |
| | 31/12/2019 | 31/12/2018 |
| Pensions and other post employment defined benefit obligations | 28,653 | 10,418 |
| Pending legal issues and tax litigation | (104,233) | (2,104) |
| Commitments and guarantees given | 72,047 | 51,008 |
| Other provisions | (11,019) | (69,296) |
| Total | (14,552) | (9,974) |

(42) Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

The net provision recognised for this item of the consolidated income statement for the years ended 31 December 2019 and 2018 relates to the following financial instruments, by category:

| (Thousands of euros) | | |
|---|---------------------|------------------|
| ITEM | (Expenses) / Income | |
| | 31/12/2019 | 31/12/2018 |
| Financial assets at amortised cost (Note 12) | (463,493) | (425,535) |
| Financial assets at fair value through other comprehensive income (Note 11) | 552 | (971) |
| Total | (462,941) | (426,506) |

(43) Impairment or reversal of impairment on non-financial assets and investments in joint ventures and associates

The detail by nature of the amount recognised for this item in the accompanying consolidated 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 |
| Impairment losses (net) on goodwill and other intangible assets (Notes 14.2 and 16.1) | (5,700) | (7,865) |
| Impairment losses (net) on investment property (Note 15) | (14,566) | (22,736) |
| Impairment losses (net) on property, plant and equipment for own use (Note 15) | 22 | 12 |
| Impairment losses (net) on inventories (Note 17) | - | (43) |
| Impairment losses (net) on investments in joint ventures and associates (Note 32) | 928 | 40,623 |
| Total | (19,316) | 9,991 |

(44) Gains/ (losses) on disposal of non-financial assets and investments, net

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2019 and 2018 is as follows:

| (Thousands of euros) | | |
|--|---------------------|--------------|
| ITEM | Income / (Expenses) | |
| | 31/12/2019 | 31/12/2018 |
| Gain/(loss) on disposal of tangible assets | 3,088 | 560 |
| Gain/(loss) on disposal of investment properties | 962 | 3,158 |
| Gain/(loss) on disposal of investments | 364 | 801 |
| Other items | - | (11) |
| Total | 4,414 | 4,508 |

(45) 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 consolidated 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 | (199,328) | (162,101) |
| Non-current assets - Investments in joint ventures and associates | 19,063 | 6,667 |
| Total | (180,265) | (155,434) |

“Non-current assets –Tangible assets” in 2019 includes losses of impairment in assets amounting to EUR 200,610 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 38,022 thousand.

(46) Related parties

In addition to the disclosures made in Note 6 regarding the remuneration earned by members of the Board of Directors and senior executives of the Group, following is a detail of the balances recognised in the consolidated balance sheet at 31 December 2019 and the gains and losses recognised in the consolidated income statement for the year ended 31 December 2019 arising from transactions with related parties:

| (Thousands of euros) | | | | | |
|---|--------------------------|--|--|-----------------------|-----------------|
| ITEM | Significant shareholders | Board of Directors and senior executives | Individuals, companies or Group entities | Other related parties | Total |
| PROFIT OR LOSS | | | | | |
| (Interest expense) | 59 | - | 4,500 | 185 | 4,744 |
| Leases | - | - | - | - | - |
| Services reception | - | - | - | - | - |
| Goods purchase (finished or under construction) | - | - | - | - | - |
| Other expenses | - | - | (62,638) | 45 | (62,593) |
| Total | 59 | - | (58,138) | 230 | (57,849) |
| Financial income | 2 | 7 | 1,727 | 100 | 1,836 |
| Received dividends | - | - | - | 5,882 | 5,882 |
| Services | 3,790 | 117 | 1,118 | 477 | 5,502 |
| Inventory sales | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Total | 3,792 | 124 | 2,845 | 6,459 | 13,220 |

| (Thousands 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 | (97,866) | 3,577 | (191,104) |
| Financing agreements: loans and capital contributions (borrower) | (10,723) | 4,296 | (220,010) | 11,347 | (215,090) |
| Collateral and guarantees given | (264) | (9) | (10,426) | (1,477) | (12,176) |
| Collateral and guarantees received | - | - | - | - | - |
| Commitments acquired | - | 36 | (1,343) | 67 | (1,240) |
| Dividends and other benefits distributed | (219,360) | - | - | - | (219,360) |
| Other transactions | 728 | - | - | - | 728 |

(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 | 111,655 | 5,279 | 121,836 |
| Other receivables | - | - | - | - | - |
| Total receivables | 564 | 4,338 | 111,655 | 5,279 | 121,836 |
| Trade payables | - | - | - | - | - |
| Loans and credit received | 24,978 | 7,464 | 238,935 | 96,639 | 368,016 |
| Other payment obligations | - | - | - | - | - |
| Total payables | 24,978 | 7,464 | 238,935 | 96,639 | 368,016 |

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 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 | - | 4,699 | 144 | 4,945 |
| Leases | - | - | - | - | - |
| Services reception | - | - | - | - | - |
| Goods purchase (finished or under construction) | - | - | - | - | - |
| Other expenses | - | - | 231 | (5) | 226 |
| Total | 102 | - | 4,930 | 139 | 5,171 |
| Financial income | 52 | 1 | 6,054 | 27 | 6,134 |
| Dividends received | - | - | - | - | - |
| Services | 21,650 | 109 | 918 | 614 | 23,291 |
| Inventory sales | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Total | 21,702 | 110 | 6,972 | 641 | 29,425 |

(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) | (29,966) | 1,230 | 23,657 |
| Financing agreements: loans and capital contributions (borrower) | 27,578 | 1,770 | 323,120 | 40,434 | 392,902 |
| Collateral and guarantees given | (205) | - | (1,150) | 2,540 | 1,185 |
| Collateral and guarantees received | - | - | - | - | - |
| Commitments acquired | - | 30 | 1,548 | 153 | 1,731 |
| Dividends and other benefits distributed | 219,360 | - | - | - | 219,360 |
| Other transactions | 919 | - | (1,488) | - | (569) |

(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 | 209,521 | 1,702 | 312,940 |
| Other receivables | - | - | - | - | - |
| Total receivables | 100,795 | 922 | 209,521 | 1,702 | 312,940 |
| Trade payables | - | - | - | - | - |
| Loans and credit received | 35,701 | 3,168 | 458,945 | 85,292 | 583,106 |
| Other payment obligations | - | - | - | - | - |
| Total payables | 35,701 | 3,168 | 458,945 | 85,292 | 583,106 |

Appendices III and IV to these consolidated financial statements show the details of associates and joint ventures 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 Group and its related parties were performed on an arm's-length basis.

At 31 December 2019, 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 2019 are disclosed in the following notes to the consolidated financial statements:

- Note 9 Financial Assets and Liabilities held for trading.
- Note 10 Financial Assets non-trading financial assets mandatorily at fair value through profit or loss.
- Note 11 Financial assets at fair value with changes in other comprehensive income.
- Note 12 Financial assets at amortised cost - Loans and advances – Customers.
- Note 19 Financial liabilities at amortised cost – Customers deposits.

The income and expense recognised in the consolidated income statements for 2019 and 2018 are as follows:

| (Thousands of euros) | | |
|---|------------|------------|
| ITEM | 31/12/2019 | 31/12/2018 |
| Spanish government agencies interest incomes (*) | 47,368 | 56,339 |
| (Spanish government agencies interest expenses) (*) | (1,999) | (2,375) |

(*) 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 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:

- "Deposits-customers" on the liability side of the balance sheet includes a demand deneposit (interest-bearing) made by BFA for EUR 25 million;
- "Other assets" includes the balance related to the accrual of fees and commissions explained below;
- "Collaterals granted" 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.

(47) Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1.3), 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 - Separate financial statements

| BANKIA, S.A. | | |
|--|--------------------|-----------------------|
| Balance sheet at 31 December 2019 and 2018 | | |
| (Thousands of euros) | | |
| ASSETS | 31/12/2019 | 31/12/2018 (*) |
| Cash, cash balances at Central banks and other demand deposits | 12,826,591 | 4,354,390 |
| Financial assets held for trading | 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 | - | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | <i>67,682</i> | <i>590</i> |
| Non-trading financial assets mandatorily at fair value through profit or loss | 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 |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | <i>-</i> | <i>-</i> |
| Financial assets designated at fair value through profit or loss | - | - |
| Debt securities | - | - |
| Loans and advances | - | - |
| Central banks | - | - |
| Credit institutions | - | - |
| Customers | - | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | <i>-</i> | <i>-</i> |
| Financial assets at fair value through other comprehensive income | 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 | - | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | <i>7,568,250</i> | <i>7,138,310</i> |
| Financial assets at amortised cost | 156,179,198 | 156,747,204 |
| Debt securities | 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 |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | <i>25,284,204</i> | <i>23,310,362</i> |
| Derivatives – Hedge accounting | 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 | 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 | 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 (saving banks and credit cooperatives) | - | - |
| Investment property | 474,503 | 513,740 |
| Of which: assigned under operating leases | 474,503 | 513,740 |
| <i>Memorandum item: acquired under a leasing</i> | <i>504,863</i> | <i>-</i> |
| Intangible assets | 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 | 9,782,816 | 9,989,189 |
| Other assets | 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 | 2,047,280 | 3,459,184 |
| TOTAL ASSETS | 208,879,982 | 206,345,732 |

(*) Presented solely and exclusively for comparison purposes (See Note .1.5).

| BANKIA, S.A. | | |
|--|--------------------|-----------------------|
| Balance sheet at 31 December 2019 and 2018 | | |
| (Thousands of euros) | | |
| LIABILITIES AND EQUITY | 31/12/2019 | 31/12/2018 (*) |
| Financial liabilities held for trading | 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 | - | - |
| <i>Memorandum item: subordinated liabilities</i> | - | - |
| Financial liabilities measured at amortised cost | 186,159,113 | 184,060,914 |
| Depósitos | 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 |
| <i>Memorandum item: subordinated liabilities</i> | 2,983,031 | 2,989,889 |
| Derivatives – Hedge accounting | 85,541 | 182,331 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - |
| Provisions | 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 quarantees given | 301,731 | 373,119 |
| Other provisions | 134,915 | 209,467 |
| Tax liabilities | 452,531 | 536,194 |
| Current tax liabilities | - | - |
| Deferred tax liabilities | 452,531 | 536,194 |
| Share capital repayable on demand | - | - |
| Other liabilities | 885,606 | 1,106,381 |
| Of which: welfare fund (only saving banks and credit cooperatives) | - | - |
| Liabilities included in disposal groups classified as held for sale | - | - |
| TOTAL LIABILITIES | 196,051,348 | 193,811,322 |
| Own Funds | 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 | - | - |
| <i>Memorandum item: Uncalled capital</i> | - | - |
| 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 | 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) | - |
| Accumulated changes in fair value 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] | - | - |
| Amount of changes 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 | - | - |
| 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 comprehensive 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 | 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 Balance sheet in 2018 is presented solely for comparison purposes. See Note 1.5.

| BANKIA, S.A. | | |
|--|------------------|------------------|
| Income statement for the years ended 31 December 2019 and 2018 | | |
| (Thousands of euros) | | |
| | 2019 | 2018 (*) |
| Interest income | 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) | (468,641) | (442,758) |
| (Expenses on share capital repayable on demand) | - | - |
| A) NET INTEREST INCOME | 1,989,316 | 2,028,596 |
| Dividend income | 234,890 | 411,016 |
| Fee and commission income | 1,058,368 | 1,042,062 |
| (Fee and commission expenses) | (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 | 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 | 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 | 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 | (11,531) | (28,534) |
| Exchange differences [gain or (-) loss], net | 15,455 | 14,735 |
| Other operating income | 55,302 | 57,101 |
| (Other operating expenses) | (303,033) | (297,562) |
| <i>Of which: Mandatory provisions to welfare fund (only savings banks and credit cooperatives)</i> | - | - |
| B) GROSS INCOME | 3,272,375 | 3,596,805 |
| (Administrative expenses) | (1,596,289) | (1,659,474) |
| (Staff expenses) | (1,100,444) | (1,124,440) |
| (Other administrative expenses) | (495,845) | (535,034) |
| (Amortisation) | (199,677) | (172,485) |
| (Provisions or (-) reversal of provisions) | (21,658) | 16,755 |
| (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss) | (457,260) | (429,581) |
| (Financial assets at fair value through other comprehensive income) | 552 | (971) |
| (Financial assets measured 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) | (95,276) | (160,522) |
| (Impairment or (-) reversal of impairment on non-financial assets) | (14,022) | (22,970) |
| (Tangible assets) | (14,022) | (22,970) |
| (Intangible assets) | - | - |
| (Other) | - | - |
| Gains or (-) losses on the derecognition in nonfinancial assets accounts and investments, net | (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 | (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) | (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 PERIOD | 562,949 | 833,668 |

(*) The income statement in 2018 is presented solely for comparison purposes. See Note 1.5.

BANKIA, S.A.
Statement of recognised income and expense for the years ended 31 December 2019 and 2018

(Thousands of euros)

| | 2019 | 2018(*) |
|---|----------------|------------------|
| Profit or (-) loss for the period | 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 value 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] | - | - |
| Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in the credit risk | - | - |
| 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 | - | - |
| Debt instruments 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 for the period | 576,725 | 459,451 |

(*) The Statement of recognised income and expense in 2018 is presented solely for comparison purposes. See Note 1.5.

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 Equity | Other equity | Retained earnings | Revaluation reserves | Other reserves | (-) Treasury shares | Profit or (-) loss of the period | (-) Interim dividends | Accumulated Other Comprehensive Income | Total |
|---|------------------|----------------|---|--------------|-------------------|----------------------|------------------|---------------------|----------------------------------|-----------------------|--|-------------------|
| Opening balance 31/12/2018 [before 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 |
| Total comprehensive income for the period | | | | | | | | | 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 among components of equity | - | - | - | - | - | - | 833,668 | - | (833,668) | - | - | - |
| Equity increase or (-) decrease resulting from business combinations | - | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increase or (-) decrease in equity | - | - | - | - | - | - | 86,854 | - | - | - | - | 86,854 |
| Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives) | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing balance 31/12/2019 [current period] | 3,069,522 | 619,154 | - | - | - | - | 8,500,365 | (50,343) | 562,949 | - | 126,987 | 12,828,634 |

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 Equity | Other equity | Retained earnings | Revaluation reserves | Other reserves | (-) Treasury shares | Profit or (-) loss of the period | (-) Interim dividends | Accumulated Other Comprehensive Income | Total |
|---|------------------|----------------|---|--------------|-------------------|----------------------|------------------|---------------------|----------------------------------|-----------------------|--|-------------------|
| Opening balance 31/12/2017 [before 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 |
| Total comprehensive income for the period | | | | | | | | | 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 among components of equity | - | - | - | - | - | - | 468,752 | - | (468,752) | - | - | - |
| Equity increase or (-) decrease resulting from business combinations | - | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increase or (-) decrease in equity | - | - | - | - | - | - | (41,444) | - | - | - | - | (41,444) |
| Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives) | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing balance 31/12/2018 [current period] | 3,084,963 | 619,154 | - | - | - | - | 7,980,060 | (96,646) | 833,668 | - | 113,211 | 12,534,410 |

(*) Presented solely for comparison purposes (see Note 1.5).

BANKIA, S.A.
Statement of cash flows for the year ended 31 December 2019 and 2018

(Thousand of euros)

| | 2019 | 2018(*) |
|---|--------------------|--------------------|
| A) CASH FLOWS USED IN OPERATING ACTIVITIES | 7,161,341 | 2,635,201 |
| Profit/(loss) for the period | 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 THE PERIOD | | |
| 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 Statement of cash flows in 2018 is presented solely for comparison. See Note 1.5.

Appendix II - 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 | Location | % Ownership interest owned by the Group | | |
|---|---|------------------------------------|---|----------|--------------------------|
| | | | % 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.U. | Product commercialization | 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.U. | Real Estate | Valencia - Spain | 100.00 | - | 100.00 |
| BANKIA MEDIACIÓN, OPERADOR DE BANCA SEGUROS VINCULADO, S.A.U. | 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 | La Habana - Republic of Cuba | 60.00 | - | 60.00 |
| CORPORACIÓN INDUSTRIAL BANKIA, S.A.U. | Corporate management | Madrid - Spain | 100.00 | - | 100.00 |
| COSTA EBORIS, S.L.U., EN LIQUIDACIÓN ⁽²⁾ | Real Estate | Valencia - Spain | - | 100.00 | 100.00 |
| ENCINA LOS MONTEROS, S.L.U., EN LIQUIDACIÓN ⁽²⁾ | Real Estate | Valencia - Spain | - | 100.00 | 100.00 |
| GEOPORTUGAL - INMOBILIARIA, 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.U., EN LIQUIDACIÓN ⁽²⁾ | 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.U., EN LIQUIDACIÓN ⁽²⁾ | Real Estate development | Madrid - Spain | 100.00 | - | 100.00 |
| SEGURBANKIA, S.A.U., CORREDURÍA DE SEGUROS DEL GRUPO BANKIA | Insurance intermediary | Madrid - Spain | 100.00 | - | 100.00 |
| VALENCIANA DE INVERSIONES MOBILIARIAS, S.L.U. | 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 III - Associates and Joint ventures

The key details on associates entities 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 |
| CAJA GRANADA 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 IV – Joint ventures and associates classified under Non-current assets and disposal groups classified as 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 interest | | Total ownership interest | 2019 | | |
| | | | Direct | Indirect | | Asset (*) | Asset (*) | Profit/(loss) (*) |
| Associates | | | | | | | | |
| 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) - Mexico | - | 72.57 | 72.57 | 884 | 2 | (9,047) |
| INMOBILIARIA PIEDRA BOLAS, S.A. DE CV | Real estate | Playa del Carmen (Quintana Roo) - Mexico | 55.93 | 16.64 | 72.57 | 45,367 | 138,713 | 69 |
| METRO HOUSE INVEST, S.L. | Real estate development | Palma de Mallorca (Balears) - Spain | - | 50.00 | 50.00 | - | 6,902 | - |
| PLAYA PARAISO MAYA, S.A. DE CV | Real estate | Playa del Carmen (Quintana Roo) - Mexico | 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) - Mexico | - | 72.57 | 72.57 | 59,948 | 56,747 | (3,687) |
| SOL EDIFICAT PONENT, S.L. | Real estate development | Villafranca del Penedés (Barcelona) – Spain | 50.00 | - | 50.00 | 11,330 | 36,526 | - |

(*) Latest available data unaudited

(1) Companies in the process of liquidation

Appendix V – 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 | 18,920 | 2036 | 22,753 | 2036 |
| AYT CAJA MURCIA Mortgage I | 42,639 | 2035 | 51,385 | 2035 |
| AYT CAJA MURCIA Mortgage II | 45,959 | 2036 | 54,301 | 2036 |
| Loan AYT Mortgage Mix V, ASF | 54,067 | 2041 | 62,759 | 2041 |
| AyT HIPOTECARIO MIXTO Loan securitization | 10,453 | 2033 | 12,082 | 2033 |
| AyT CAJA GRANADA HIPOTECARIO I Loan securitization | 95,285 | 2037 | 107,707 | 2037 |
| TDA 22 - MIX, ASF | 10,149 | 2044 | 12,273 | 2044 |
| TDA 27, FTA | 52,918 | 2047 | 60,542 | 2047 |
| CAIXA PENEDES 1 TDA | 2,217 | 2043 | 2,507 | 2043 |
| CAIXA PENEDES 2 TDA | 1,428 | 2045 | 1,567 | 2045 |
| CAIXA PENEDES FTGENCAT 1 TDA | 3,306 | 2049 | 3,857 | 2049 |
| CAIXA PENEDES SEMs 1 TDA | 4,907 | 2045 | 5,697 | 2045 |
| TDA 20 - MIX, ASF | 20,054 | 2036 | 23,238 | 2036 |
| TDA SA NOSTRA Entities 1, ASF | - | 2040 | 10,870 | 2040 |
| TDA SA NOSTRA Entities 2, ASF | - | 2051 | 45,780 | 2051 |
| Total balance | 9,567,031 | | 10,496,141 | |

Appendix VI - Financial liabilities at amortised cost - Debt securities issues

The breakdown of this item, as of 31 December 2019 and 2018 on the accompanying balance sheet is as follows:

(Thousands of euros)

| TYPE OF DEBT SECURITY | Currency | Latest maturity | Nominal amount 2019 | Annual nominal interest rate | Nominal amount 2018 | Credit rating Issuer/Issue (1) | Type of guarantee extended |
|---|----------|-----------------|---------------------|------------------------------|---------------------|--------------------------------|---------------------------------|
| Marketable debt securities | | | | | | | |
| Bankia 2014-1 bonds | euro | 2019 | - | 3.50% | 1,000,000 | BBB (high) | Bankia Personal Guarantee |
| Bankia 2014-8 ICO facility bonds | euro | 2020 | 524 | EUR 6M+ 2.35% | 1,050 | - | Bankia Personal Guarantee |
| Bankia 2014-15 ICO facility bonds | euro | 2020 | 1,262 | EUR 6M+ 2.35% | 2,522 | - | Bankia Personal Guarantee |
| Bankia 2014-20 ICO facility bonds | euro | 2020 | 546 | EUR 6M+ 2.35% | 1,091 | - | Bankia Personal Guarantee |
| Granada Senior Bonds | euro | 2022 | 30,000 | Inflation-linked coupon | 30,000 | BBB (high) | Bankia Personal Guarantee |
| BN BANKIA 2019-1 | euro | 2024 | 500,000 | 0.88% | - | BBB (high) | Bankia Personal Guarantee |
| BN BANKIA SNP 2019-1 | euro | 2024 | 500,000 | 1.00% | - | BBB | Bankia Personal Guarantee |
| BN BANKIA 2019-2 | euro | 2026 | 750,000 | 0.75% | - | BBB (high) | Bankia Personal Guarantee |
| BANKIA SNP 2019-2 | euro | 2026 | 750,000 | 1.13% | - | BBB | Bankia Personal Guarantee |
| CM 29/12/28 bonds | euro | 2028 | 65,000 | 4.76% | 65,000 | BBB (high) | Bankia Personal Guarantee |
| Caymadrid Bonds | euro | 2032 | 5,032 | Variable and zero coupon | 5,352 | BBB (high) | Bankia Personal Guarantee |
| Securitization bonds | euro | - | 1,369,538 | - | 1,601,774 | - | - |
| CM 28/06/19 mortgage bond | euro | 2019 | - | 5.00% | 1,600,000 | AAA | Mortgage Portfolio-Mortgage Law |
| BMN 4 ^a mortgage bond | euro | 2019 | - | EUR 12M + 5.00% | 1,300,000 | AAA | Mortgage Portfolio-Mortgage Law |
| BMN 5 ^a mortgage bond | euro | 2019 | - | 3.13% | 500,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2016-1 mortgage bond | euro | 2021 | 1,000,000 | 0.88% | 1,000,000 | AAA | Mortgage Portfolio-Mortgage Law |
| CM 26/04/22 mortgage bond | euro | 2022 | 1,500,000 | 4.50% | 1,500,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2015-2 mortgage bond | euro | 2022 | 1,250,000 | 1.13% | 1,250,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2014-1 mortgage bond | euro | 2023 | 2,500,000 | EUR 1M+1.40% | 2,500,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2016-2 mortgage bond | euro | 2023 | 1,000,000 | 1.00% | 1,000,000 | AAA | Mortgage Portfolio-Mortgage Law |
| CM 03/02/25 mortgage bond | euro | 2025 | 2,000,000 | 4.00% | 2,000,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2015-1 mortgage bond | euro | 2025 | 1,285,500 | 1% | 1,285,500 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2018-1 mortgage bond | euro | 2026 | 100,000 | EUR 6M+0.18% | 100,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2018-2 mortgage bond | euro | 2026 | 400,000 | EUR 6M+0.28% | 400,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2014-2 mortgage bond | euro | 2027 | 2,500,000 | EUR 1M+1.40% | 2,500,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2019-1 mortgage bond | euro | 2027 | 475,000 | EUR 6M + 0.50% | - | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2019-2 mortgage bond | euro | 2027 | 160,000 | 0.15% | - | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2014-3 mortgage bond | euro | 2028 | 2,500,000 | EUR 1M+1.40% | 2,500,000 | AAA | Mortgage Portfolio-Mortgage Law |
| CM 24/03/36 mortgage bond | euro | 2036 | 2,000,000 | 4.13% | 2,000,000 | AAA | Mortgage Portfolio-Mortgage Law |
| Bankia 2014 -1 Subordinated bonds-1 | euro | 2024 | - | 4.00% | 1,000,000 | BBB- | Bankia Personal Guarantee |
| Bankia 2017-1 subordinated bonds | euro | 2027 | 500,000 | 3.38% | 500,000 | BBB- | Bankia Personal Guarantee |
| Bankia AT1 Bonds | euro | PERP | 750,000 | 6.00% | 750,000 | BB- | Bankia Personal Guarantee |
| BANKIA AT1 2018 Bonds | euro | PERP | 500,000 | 6.38% | 500,000 | BB- | Bankia Personal Guarantee |
| BMN Subordinated bonds | euro | 2026 | 175,000 | 9.00% | 175,000 | BBB- | Bankia Personal Guarantee |
| 2019-1 3,75% Subordinated Bond | EUR | 2029 | 1,000,000 | 3.75% | - | BBB- | Bankia Personal Guarantee |
| Sum | | | 25,567,402 | | 27,067,289 | | |
| Own shares | | | (7,941,211) | | (9,589,126) | | |
| Valuation adjustments and other | | | 1,053,518 | | 881,932 | | |
| Balances at the end of the year (amortised cost) | | | 18,679,709 | | 18,360,095 | | |

- (1) The ratings on the Bankia AT1 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, Subordinated Bond BMN, Subordinated Bond Bankia 2017-1 and BANKIA 2019-1 subordinated bond 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.

Appendix VII – Movement in issues

Details of issues, repurchases and repayments of debt securities in 2019 and 2018 by the Bank or Group companies:

31/12/2019

(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 | Subordinate Bond 2019-1 | 15/02/2019 | 15/02/2029 | Dublin | euro | 1,000 | 1,000 | 0.0375 | Bankia Personal Guarantee |
| Spain | Issue | AAA | ES0413307150 | Mortgage Certificate BANKIA 2019-1 | 25/01/2019 | 25/01/2027 | AIAF | euro | 475 | 475 | EUR 6M+0.50% | Mortgage Portfolio-Mortgage Law |
| Spain | Issue | BBB (high) | ES0313307201 | BANKIA Bond 2019-1 | 25/03/2019 | 25/03/2024 | AIAF | euro | 500 | 500 | 0.00875 | Bankia Personal Guarantee |
| Spain | Issue | BBB | ES0313307219 | Non-Preferential Ordinary Bonds 2019-1 | 25/06/2019 | 25/06/2024 | AIAF | euro | 500 | 500 | 0.01 | Bankia Personal Guarantee |
| Spain | Issue | AAA | ES0413307168 | Cédula hipotecaria BANKIA 2019-2 | 22/11/2019 | 22/11/2027 | AIAF | euro | 160 | 160 | 0.0015 | Mortgage Portfolio-Mortgage Law |
| Spain | Issue | BBB | ES0213307061 | Non-Preferential Ordinary Bonds 2019-2 | 12/11/2019 | 12/11/2026 | AIAF | euro | 750 | 750 | 0.01125 | Bankia Personal Guarantee |
| Spain | Issue | BBB (high) | ES0213307053 | BANKIA Bond 2019-2 | 09/07/2019 | 09/07/2026 | AIAF | euro | 750 | 750 | 0.0075 | Bankia Personal Guarantee |
| Spain | Repayment | BBB (high) | ES0313307003 | BANKIA Bond 2014-1 | 17/01/2019 | 17/01/2019 | AIAF | euro | 1,000 | - | 0.035 | Bankia Personal Guarantee |
| Spain | Repayment | BBB (high) | ES0413056047 | Mortgage Certificate BMN 5* Emission | 21/01/2019 | 21/01/2019 | AIAF | euro | 500 | - | 0.03125 | Mortgage Portfolio-Mortgage Law |
| Spain | Repayment | BBB (low) | ES0213307004 | Subordinate Bond 2014-1 | 22/05/2019 | 22/05/2024 | AIAF | euro | 1,000 | - | 0.04 | Bankia Personal Guarantee |
| Spain | Repayment | AAA | ES0414950693 | Mortgage Certificate CM 28/06/19 | 28/06/2007 | 28/06/2019 | AIAF | euro | 1,600 | - | 0.05 | Mortgage Portfolio-Mortgage Law |
| Spain | Repayment | AAA | ES0413056039 | Mortgage Certificate BMN 5* Emission | 12/07/2012 | 12/07/2019 | AIAF | euro | 1,300 | - | EUR 12M + 5.00% | Mortgage Portfolio-Mortgage Law |
| Spain | Repayment | BBB (high) | XS0147547177 | Caymadrid Bond | 06/05/2002 | 01/04/2032 | B.Luxembourg | euro | - | 5 | Irregular coupon until 2013. after zero coupon | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0213307012 | Bankia 2014-8 ICO facility Bonds | 10/01/2019 | 10/07/2020 | AIAF | euro | 1 | 1 | EUR 6M+ 2.75% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0213307020 | Bankia 2014-15 ICO facility Bonds | 10/04/2019 | 10/10/2020 | AIAF | euro | 1 | 1 | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0213307038 | Bankia 2014-20 ICO facility Bonds | 10/06/2019 | 10/12/2020 | AIAF | euro | 1 | 1 | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Various | Repayment | - | Various | Securitisation bonds | Various | Various | Various | Various | 232 | - | - | - |

(1) The ratings on the Bankia AT1 Bonds are those assigned by S&P Global Ratings on 31 May 2019. The ratings on the covered bonds (CH) were assigned by DBRS on 20 September 2019. The rest of the ratings were assigned by DBRS 2 July 2019.

31/12/2018

| (Millions of euros) | | | | | | | | | | | | |
|----------------------|-------------|--------------------------------|--------------|---|------------------|---------------|---------------------|----------------|---|---------------------|---|---------------------------------|
| 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 | AAA | ES0413307135 | CED BANKIA 2018-1 | 01/06/2018 | 01/06/2026 | AIAF | euro | 100 | 100 | EUR 6M+0.18% | Mortgage Portfolio-Mortgage Law |
| Spain | Issue | BB- | XS1880365975 | BN BANKIA AT1 | 19/09/2018 | PERP | Dublin | euro | 500 | 500 | 6.40% | Bankia Personal Guarantee |
| Spain | Issue | AAA | ES0413307143 | CED BANKIA 2018-2 | 09/10/2018 | 09/10/2026 | AIAF | euro | 400 | 400 | EUR 6M+0.28% | Mortgage Portfolio-Mortgage Law |
| Spain | Repayment | BBB (high) | ES0214950190 | BN CM 16/06/23 | 16/06/2018 | 16/06/2023 | AIAF | euro | 172 | - | 0.058 | Bankia Personal Guarantee |
| Spain | Repayment | BBB (high) | ES0214977110 | BN BANCAJA 22/05/18 | 22/05/2006 | 22/05/2018 | AIAF | euro | 50 | - | 1.50% | Bankia Personal Guarantee |
| Spain | Repayment | BBB (high) | XS0362375544 | BN CM EMTN 2008-2 14/05/18 | 14/05/2008 | 14/05/2018 | B.London | euro | 25 | - | EUR 3M+0.98% | Bankia Personal Guarantee |
| Spain | Repayment | AAA | ES0414950651 | CH CM 25/05/18 | 25/05/2006 | 25/05/2018 | AIAF | euro | 2,060 | - | 0.043 | Mortgage Portfolio-Mortgage Law |
| Spain | Repayment | BBB (high) | XS0147547177 | Caymadrid Bond | 06/05/2002 | 01/04/1932 | 8.Luxembourg | euro | - | 5 | Irregular coupon until 2013, after zero | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307029 | Bankia 2014-2 ICO facility Bonds | 10/05/2014 | 10/05/2018 | AIAF | euro | - | - | EUR 6M+3.50% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307045 | Bankia 2014-4 ICO facility Bonds | 10/06/2014 | 10/06/2018 | AIAF | euro | - | - | EUR 6M+2.75% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307052 | Bankia 2014-5 ICO facility Bonds | 10/06/2014 | 10/06/2018 | AIAF | euro | - | - | EUR 6M+3.00% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307078 | Bankia 2014-7 ICO facility Bonds | 10/07/2014 | 10/07/2018 | AIAF | euro | 2 | - | EUR 6M+ 2.75% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0213307012 | Bankia 2014-8 ICO facility Bonds | 10/07/2014 | 10/07/2020 | AIAF | euro | 1 | 1 | EUR 6M+ 2.75% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307102 | Bankia 2014-11 ICO facility Bonds | 11/08/2014 | 10/08/2018 | AIAF | euro | 1 | - | EUR 6M+ 2.75% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307136 | Bankia 2014-14 ICO facility Bonds | 10/10/2014 | 10/10/2018 | AIAF | euro | 1 | - | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0213307020 | Bankia 2014-15 ICO facility Bonds | 10/10/2014 | 10/10/2020 | AIAF | euro | 1 | 3 | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307151 | Bankia 2014-17 ICO facility Bonds | 10/11/2014 | 10/11/2018 | AIAF | euro | 2 | - | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0313307177 | Bankia 2014-19 ICO facility Bonds | 10/12/2014 | 10/12/2018 | AIAF | euro | 1 | - | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Spain | Repayment | - | ES0213307038 | Bankia 2014-20 ICO facility Bonds | 10/12/2014 | 10/12/2020 | AIAF | euro | 1 | 1 | EUR 6M+ 2.35% | Bankia Personal Guarantee |
| Various | Repayment | - | Various | Securitisation bonds | Various | Various | Various | Various | 239 | - | - | - |

(1) The ratings on the Bankia AT1 Bonds are those assigned by S&P Global Ratings on 6 April de 2018. The ratings on the covered bonds (CH) were assigned by DBRS on 21 September 2018. The rest of the ratings were assigned by DBRS on 4 July 2018.

Appendix VIII – Information on the mortgage market

Mortgage-backed securities bonds, marketable and non-marketable, issued by the Group and outstanding at 31 December 2019 are recognised in the consolidated balance sheet under "Financial liabilities at amortised cost" (Note 19). The Group 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 Group by means of a system of authorities and delegated powers.

The Group 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. It describes the criteria and guidelines for carrying out an adequate management of the admission, monitoring, recovery process, as well as the classification and coverage of operations throughout their life cycle and to be able to establish limits of action setting general principles that are adjusted 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.
- 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 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.

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 are mandatory for the Committee resulting from applying the powers to the transaction, so at this level in terms of powers the person in charge of enforcing compliance with the Policies should appear in the approval of the transaction.

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 group.

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 covered 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 bonds and covered bonds issued by Bankia

Pursuant to current legislation, the principal and interest of the mortgage bonds issued by Bankia are specially secured (entry in the Property Register is not required) by mortgages on all the mortgage bonds that are registered in Bankia's name at any time, without prejudice to its unlimited liability. The mortgage 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.

Information concerning covered bonds

Note 19 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 covered bonds outstanding at 31 December 2019 and 2018 issued by Bankia, regardless of whether or not they are recognised as liabilities of the Bank (in the latter case, due to the fact that they were not placed with third parties or because they were repurchased by Bankia), based on their residual maturity period, with a distinction made, in the case of those recognised by 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 Bankia and outstanding at 31 December 2019 and 2018, with their average residual maturity period.

(Thousands of euros)

| | Nominal value | Average residual maturity period (months) | Nominal value | Average residual maturity period (months) |
|---|-------------------|---|-------------------|---|
| MORTGAGE SECURITIES | 31/12/2019 | | 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 ⁽¹⁾ (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 ⁽¹⁾ (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⁽²⁾ (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 19).

(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 19).

(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)

| ITEM | Undrawn Principals (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 Group 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 had 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 Group 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 consolidated 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 |
| <i>Of which: loans maintained on the assets of the balance sheet (c)</i> | 330,046 | 439,357 |
| Mortgage transfer certificates issued | 10,342,905 | 9,843,602 |
| <i>Of which: loans maintained on the assets of the balance sheet (c)</i> | 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 | 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.

(g) Amount of the loans, eligible according to the criteria established in article 3 of Royal Decree 716/2009, not computable to hedge the issuance of mortgage 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)

| ITEMS | Nominal value | |
|---|---------------|------------|
| | 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 Group 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 Group 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)

| ITEM | Loans that back mortgage bonds and covered bonds (a) | | Of which: eligible loans (b) | |
|---|--|-------------------|------------------------------|-------------------|
| | 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 |
| <i>Of which: construction and property developments (land included)</i> | <i>732,463</i> | <i>680,928</i> | <i>239,404</i> | <i>258,661</i> |
| 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 |
| <i>Of which: government-subsidised housing</i> | <i>2,270,496</i> | <i>2,364,210</i> | <i>1,935,044</i> | <i>1,952,266</i> |
| 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 |
| <i>Of which: government-subsidised housing</i> | <i>15,039</i> | <i>5,966</i> | <i>98</i> | <i>593</i> |
| 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) | | | | Total |
|---|---|---------------------------------|---|---------------|-------------------|
| | 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% | |
| 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) | | | | Total |
|---|---|---------------------------------|---|---------------|-------------------|
| | 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% | |
| 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 | 31/12/2019 | 31/12/2018 | 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 |
| Others | - | - | 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 Group's mortgaged-backed issues.

Appendix IX - 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 Group 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)

| ITEM | Gross carrying amount (b) | Surplus of gross exposure over the maximum recoverable amount of effective collateral (c) | Accumulated impairment charges (d) |
|--|---------------------------|---|------------------------------------|
| Loans recognised by credit institutions comprising the Group (transactions in Spain) (e) | 727,316 | 178,023 | (103,590) |
| Of which: Doubtful | 173,140 | 96,496 | (95,425) |
| Memorandum item: | | | |
| Assets written off (f) | 350,300 | | |

Memorandum item (Consolidated Group figures):

(Thousands of euros)

| Item | Amount |
|---|-------------|
| Loans to customers, excluding the public sector (transactions in Spain) (carrying amount) (g) | 111,657,346 |
| Total consolidated assets (all transactions) (carrying amount) | 208,468,273 |
| Impairment and provisions for performing exposures (all transactions) (h) | (726,458) |

(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)

| ITEM | Gross carrying amount (b) | Surplus of gross exposure over the maximum recoverable amount of effective collateral (c) | Accumulated impairment charges (d) |
|--|---------------------------|---|------------------------------------|
| Loans recognised by credit institutions comprising the Group (transactions in Spain) (e) | 748,964 | 243,138 | (158,326) |
| Of which: Doubtful | 300,970 | 164,632 | (145,404) |
| Memorandum item: Assets written off (f) | 333,794 | | |

Memorandum item (Consolidated Group figures):

(Thousands of euros)

| Item | Importe |
|---|-------------|
| Loans to customers, excluding the public sector (transactions in Spain) (carrying amount) (g) | 112,322,538 |
| Total consolidated assets (all transactions) (carrying amount) | 205,222,870 |
| Impairment and provisions for performing exposures (all transactions) (h) | (931,654) |

(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).

The table below breaks down construction and property development financing granted by Group credit entities at 31 December 2019 and 2018:

(Thousands of euros)

| ITEM | Finance intended for construction and property development (gross) (a) | |
|---------------------------------------|--|----------------|
| | 31/12/2019 | 31/12/2018 |
| 1. Not mortgage-secured | 41,876 | 59,106 |
| 2. Mortgage-secured (b) | 685,440 | 689,858 |
| 2.1. Finished buildings (c) | 379,580 | 441,861 |
| 2.1.1. Housing | 219,755 | 231,948 |
| 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 | 146,712 |
| 2.3.1. Urban land | 77,628 | 107,045 |
| 2.3.2. Other land | 29,280 | 39,667 |
| Total | 727,316 | 748,964 |

(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 Group for the purpose of home purchase (business in Spain) (a):

(Thousands of euros)

| ITEM | Gross carrying amount (b) | | Gross carrying amount (b) | |
|--------------------------|---------------------------|--------------------|---------------------------|--------------------|
| | 31/12/2019 | Of which: Doubtful | 31/12/2018 | Of which: Doubtful |
| 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 readings.

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)

| ITEMS | LTV ranges (a) | | | | | Total |
|------------------------|---------------------------|---|---|--|----------------|------------|
| | 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 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 appraisal.

(b) Amount prior to the deduction of accumulated impairment losses, if any.

31 December 2018

(Thousands of euros)

| ITEM | LTV ranges (a) | | | | | Total |
|------------------------|---------------------------|---|---|--|----------------|------------|
| | 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 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 appraisal.

(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 2.20).

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, including all portfolio from BMN.

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 Group through (transactions in Spain) at 31 December 2019 and 2018, classified by type (a):

31 December 2019

(Thousands of euros)

| | Gross carrying amount (b) | Impairment allowance | Of wich: post allocation impairment allowance | Net carrying amount |
|---|---------------------------|----------------------|---|---------------------|
| 1. Property assets from financing intended for construction and property development (c) | 516,120 | (301,015) | (121,821) | 215,065 |
| 1.1. Finished buildings | 238,459 | (118,678) | (39,343) | 119,781 |
| 1.1.1. Housing | 182,714 | (92,358) | (30,969) | 90,356 |
| 1.1.2. Other | 55,745 | (26,320) | (8,374) | 29,425 |
| 1.2. Buildings under construction | 33,066 | (20,007) | (9,052) | 13,019 |
| 1.2.1. Housing | 32,312 | (19,510) | (8,514) | 12,802 |
| 1.2.2. Other | 754 | (497) | (538) | 217 |
| 1.3. Land | 244,595 | (162,330) | (73,426) | 82,265 |
| 1.3.1. Urban land | 150,610 | (99,216) | (42,067) | 51,394 |
| 1.3.2. Other land | 93,985 | (63,114) | (31,359) | 30,871 |
| 2. Property assets from mortgage-secured financing granted to households for home purchases | 2,466,678 | (1,374,764) | (499,006) | 1,091,914 |
| 3. Other property assets received in settlement of debt (d) | 985,271 | (440,720) | (127,778) | 544,551 |
| 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) | - | - | - | - |
| 6. Financing to entities holding the foreclosed property assets or assets received in payment of debts (e) | - | - | - | - |

(a) Includes foreclosed assets or assets received in payment of debts from financing granted by the Entity in relation to its businesses in Spain, as well as equity investments in and financing granted to the entities holding these assets.

(b) Amounts before the deduction of any impairment.

- (c) Includes property asset arising in connection with loans to construction and property development companies, 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)

| ITEM | Gross carrying amount (b) | Impairment allowance | Of wich: post allocation impairment allowance | Net carrying amount |
|---|---------------------------|----------------------|---|---------------------|
| 1. Property assets from financing intended for construction and property development (c) | 1,051,089 | (642,972) | (310,534) | 408,117 |
| 1.1. Finished buildings | 460,098 | (247,568) | (106,112) | 212,530 |
| 1.1.1. Housing | 344,873 | (182,454) | (85,440) | 162,419 |
| 1.1.2. Other | 115,225 | (65,114) | (20,672) | 50,111 |
| 1.2. Buildings under construction | 78,832 | (50,192) | (24,360) | 28,640 |
| 1.2.1. Housing | 75,488 | (48,760) | (23,631) | 26,728 |
| 1.2.2. Other | 3,344 | (1,432) | (729) | 1,912 |
| 1.3. Land | 512,159 | (345,212) | (180,062) | 166,947 |
| 1.3.1. Urban land | 215,290 | (148,933) | (59,563) | 66,357 |
| 1.3.2. Other land | 296,869 | (196,279) | (120,499) | 100,590 |
| 2. Property assets from mortgage-secured financing granted to households for home purchases | 3,832,178 | (2,232,769) | (986,956) | 1,599,409 |
| 3. Other property assets received in settlement of debt (d) | 1,532,454 | (739,592) | (232,657) | 792,863 |
| 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) | - | - | - | - |
| 6. Financing to entities holding the foreclosed property assets or assets received in payment of debts (e) | - | - | - | - |

- (a) Includes foreclosed assets or assets received in payment of debts from financing granted by the Entity in relation to its businesses in Spain, as well as equity investments in and financing granted to the entities holding these assets.
- (b) Amounts before the deduction of any impairment.
- (c) Includes property asset arising in connection with loans to construction and property development companies, 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.

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 Group 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 consolidated balance sheet consolidated 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 Group would have to pay if the guarantee or collateral was called, which could exceed the amount recognised under liabilities in the consolidated 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 consolidated balance sheet | - | 32 |

Appendix X – 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 Group 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).

Three different 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 data.
- 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 | | | Second 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 IX of 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 transaction 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).
 - Not 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 of 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:
 - i) 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. This information will be considered where available, but it may be replaced with expert criteria based on objective facts
 - ii) 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 to 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 Stage 1 - standard exposure 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 | | |
| | Number of operations | Gross carrying amount | Number of operations | Gross carrying amount | Maximum amount of the collateral | | Number of operations | Gross carrying amount | Number of operations | Gross carrying amount | Maximum amount of the collateral | | | |
| | | | | | Property-based collateral | | | | | | Other collateral | | 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 Non-financial institutions and natural person entrepreneurs (financial business) | 60 | 9,256 | 12 | 1,878 | 1,860 | 9 | (6,719) | 35 | 6,845 | 7 | 543 | 534 | 9 | (6,632) |
| Of which: Construction y property development | 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) | | | | | | | |
| ADDITIONAL 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 | | | | | | | Del cual: DUDOSOS | | | | | | |
| | 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 |
| | Number of operations | Gross carrying amount | Number of operations | Gross carrying amount | Maximum amount of the collateral | | | Number of operations | Gross carrying amount | Number of operations | Gross carrying amount | Maximum amount of the collateral | | |
| Property-based collateral | | | | | Other collateral | 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 entrepreneurs (financial business) | 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 y property development | 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) | | | | | | | |
| ADDITIONAL 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 | 31/12/2019 | 31/12/2018 |
|---|------------------|------------------|
| Opening balance | 6,727,511 | 9,241,383 |
| (+) Refinancing and restructuring | 447,236 | 402,715 |
| (-) Depreciations, 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 accumulated impairment at the year end 2019 was EUR 788,406 thousand (EUR 1,205,229 thousand at the year end 2018).

(1) In 2019 y 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. Total activity (a):

31 December 2019

(Thousands of euros)

| ITEM | TOTAL | Spain | Other European Union country | America | Rest of the world |
|--|--------------------|--------------------|------------------------------|----------------|-------------------|
| Central banks and credit institutions | 23,381,264 | 14,958,913 | 7,961,942 | 179,548 | 280,861 |
| Government agencies | 30,938,843 | 26,246,619 | 4,568,759 | 904 | 122,561 |
| Central Administration | 25,569,818 | 20,920,584 | 4,568,759 | 904 | 79,571 |
| Other | 5,369,025 | 5,326,035 | - | - | 42,990 |
| Other government agencies and individual companies (financial business activities) | 23,765,882 | 22,345,612 | 1,353,549 | 35,148 | 31,573 |
| Non-financial companies and individual companies (non-financial business activities) (by the purposes) | 46,012,815 | 42,789,057 | 2,594,041 | 419,425 | 210,292 |
| Constructions and property developments (land included) (b) | 2,059,474 | 2,017,745 | 39,488 | 2,234 | 7 |
| Civil engineering construction | 1,711,190 | 1,553,027 | 97,170 | 28,290 | 32,703 |
| Other | 42,242,151 | 39,218,285 | 2,457,383 | 388,901 | 177,582 |
| Large enterprises (c) | 23,162,033 | 21,032,847 | 1,732,416 | 265,958 | 130,812 |
| SMEs and sole proprietors (c) | 19,080,118 | 18,185,438 | 724,967 | 122,943 | 46,770 |
| Other households (d) (by the purposes) (e) | 74,484,781 | 73,122,887 | 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 | 5,100,069 | 5,072,851 | 18,704 | 2,719 | 5,795 |
| TOTAL | 198,583,585 | 179,463,088 | 17,442,861 | 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 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 69.2.e) of Circular 4/2017.

31 December 2018

| (Thousands of euros) | | | | | |
|---|--------------------|--------------------|------------------------------|----------------|-------------------|
| ITEM | TOTAL | Spain | Other European Union country | America | Rest of the world |
| Central banks and credit institutions | 13,350,707 | 6,247,450 | 6,748,969 | 153,616 | 200,672 |
| Government agencies | 35,011,494 | 28,520,466 | 6,377,666 | 883 | 112,479 |
| Central Administration | 29,601,929 | 23,143,933 | 6,377,666 | 883 | 79,447 |
| Other | 5,409,565 | 5,376,533 | - | - | 33,032 |
| Other government agencies and individual companies (financial business activities) | 24,918,593 | 23,316,453 | 1,565,352 | 24,239 | 12,549 |
| Non-financial companies and individual companies (non- financial business activities) (by the purposes) | 43,149,769 | 40,305,361 | 2,049,170 | 572,321 | 222,917 |
| Constructions and property developments (land included) (b) | 1,816,778 | 1,812,591 | 2,395 | 1,789 | 3 |
| Civil engineering construction | 1,560,874 | 1,379,558 | 109,639 | 37,832 | 33,845 |
| Other | 39,772,117 | 37,113,212 | 1,937,136 | 532,700 | 189,069 |
| Large enterprises (c) | 21,603,038 | 19,478,140 | 1,551,476 | 432,025 | 141,397 |
| SMEs and sole proprietors (c) | 18,169,079 | 17,635,072 | 385,660 | 100,675 | 47,672 |
| Other households (d) (by the purposes) (e) | 77,053,136 | 75,644,473 | 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 | 5,017,827 | 4,991,131 | 16,893 | 2,842 | 6,961 |
| TOTAL | 193,483,699 | 174,034,203 | 17,745,357 | 848,511 | 855,628 |

(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.º2.e) of Circular 4/2017.

| (Thousands of euros) | | 31/12/2019 | | | | | | | | | | | |
|---|--|--------------------|-------------------|------------------|--------------------|------------------|------------------------|-------------------|----------------------|------------------|------------------|------------------|-------------------|
| | | TOTAL (*) | Andalucía | Canarias | Castilla-La Mancha | Castilla y León | Autonomous communities | | | La Rioja | Murcia | Baleares | Other |
| | | | | | | | Cataluña | Madrid | Comunidad Valenciana | | | | |
| Central banks and credit institutions | | 14,958,913 | 387,130 | - | - | - | 570 | 13,268,396 | 159,389 | - | - | - | 1,143,428 |
| Government agencies | | 26,246,619 | 392,370 | 16,366 | 48,685 | 656,697 | 345,786 | 1,887,209 | 414,237 | 101,181 | 53,549 | 341,109 | 1,068,846 |
| Central Administration | | 20,920,584 | - | - | - | - | - | - | - | - | - | - | - |
| Other | | 5,326,035 | 392,370 | 16,366 | 48,685 | 656,697 | 345,786 | 1,887,209 | 414,237 | 101,181 | 53,549 | 341,109 | 1,068,846 |
| Other government agencies and individual companies (financial business activities) | | 22,345,612 | 19,451 | 1,452 | 1,013 | 2,516 | 43,998 | 22,002,504 | 258,520 | 294 | 3,836 | 3,923 | 8,105 |
| Non-financial companies and individual companies (non- financial business activities) (by the purposes) | | 42,789,057 | 3,313,824 | 1,372,354 | 1,022,363 | 1,239,161 | 5,248,226 | 16,656,714 | 4,762,849 | 346,035 | 1,674,918 | 1,388,799 | 5,763,814 |
| Constructions and property developments (land included) | | 2,017,745 | 246,704 | 49,301 | 69,404 | 45,582 | 177,324 | 891,290 | 260,702 | 18,111 | 59,839 | 69,056 | 130,432 |
| 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 | | 39,218,285 | 2,824,733 | 1,311,400 | 920,260 | 1,188,163 | 4,818,844 | 15,055,748 | 4,448,852 | 326,405 | 1,606,034 | 1,308,589 | 5,409,257 |
| Large enterprises | | 21,032,847 | 873,560 | 474,427 | 233,601 | 318,939 | 2,569,517 | 10,675,261 | 1,326,314 | 89,309 | 516,486 | 445,287 | 3,510,146 |
| SMEs and sole proprietors | | 18,185,438 | 1,951,173 | 836,973 | 686,659 | 869,224 | 2,249,327 | 4,380,487 | 3,122,538 | 237,096 | 1,089,548 | 863,302 | 1,899,111 |
| Other households (by the purposes) | | 73,122,887 | 9,102,716 | 3,095,025 | 2,971,991 | 2,233,923 | 8,224,365 | 23,251,059 | 11,500,673 | 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 | | 5,072,851 | 636,698 | 164,086 | 106,948 | 108,436 | 475,687 | 1,999,295 | 757,609 | 57,007 | 294,417 | 349,977 | 122,691 |
| TOTAL | | 179,463,088 | 13,215,491 | 4,485,197 | 4,044,052 | 4,132,297 | 13,862,945 | 77,065,882 | 17,095,668 | 1,086,350 | 6,025,008 | 5,763,470 | 11,766,144 |

(*) Included the items of the consolidated balance sheet: Deposits in 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.

| (Thousands of euros) | | 31/12/2018 | | | | | | | | | | | |
|---|--|--------------------|-------------------|------------------|--------------------|------------------|------------------------|-------------------|----------------------|------------------|------------------|------------------|-------------------|
| | | TOTAL (*) | Andalucía | Canarias | Castilla-La Mancha | Castilla y León | Autonomous communities | | | La Rioja | Murcia | Baleares | Other |
| | | | | | | | Cataluña | Madrid | Comunidad Valenciana | | | | |
| Central banks and credit institutions | | 6,247,450 | 353,370 | 252 | 171 | 155 | 21,794 | 4,848,027 | 143,369 | 26 | 255 | 26 | 880,005 |
| Government agencies | | 28,520,466 | 278,926 | 34,055 | 56,963 | 582,708 | 408,566 | 1,875,269 | 598,830 | 121,410 | 71,009 | 319,017 | 1,029,780 |
| Central Administration | | 23,143,933 | - | - | - | - | - | - | - | - | - | - | - |
| Other | | 5,376,533 | 278,926 | 34,055 | 56,963 | 582,708 | 408,566 | 1,875,269 | 598,830 | 121,410 | 71,009 | 319,017 | 1,029,780 |
| Other government agencies and individual companies (financial business activities) | | 23,316,453 | 19,332 | 1,470 | 1,177 | 2,963 | 42,888 | 22,909,207 | 269,660 | 354 | 3,389 | 3,659 | 62,354 |
| Non-financial companies and individual companies (non- financial business activities) (by the purposes) | | 40,305,361 | 3,027,830 | 1,266,567 | 971,951 | 1,197,113 | 4,927,212 | 15,350,170 | 4,675,082 | 360,609 | 1,680,389 | 1,400,550 | 5,447,888 |
| Constructions and property developments (land included) | | 1,812,591 | 203,840 | 51,086 | 41,430 | 49,208 | 186,866 | 731,972 | 260,547 | 14,025 | 69,931 | 70,273 | 133,413 |
| 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 | | 37,113,212 | 2,748,022 | 1,204,021 | 898,486 | 1,142,586 | 4,487,192 | 13,967,507 | 4,365,312 | 344,972 | 1,599,520 | 1,320,730 | 5,034,864 |
| Large enterprises | | 19,478,140 | 824,534 | 523,679 | 223,126 | 295,043 | 2,194,557 | 10,025,470 | 1,182,873 | 85,000 | 544,313 | 450,334 | 3,129,211 |
| SMEs and sole proprietors | | 17,635,072 | 1,923,488 | 680,342 | 675,360 | 847,543 | 2,292,635 | 3,942,037 | 3,182,439 | 259,972 | 1,055,207 | 870,396 | 1,905,653 |
| Other households (by the purposes) | | 75,644,473 | 9,597,162 | 3,136,708 | 3,087,016 | 2,322,783 | 8,578,886 | 23,705,124 | 11,857,231 | 659,977 | 4,539,063 | 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 | | 4,991,131 | 672,222 | 146,592 | 97,725 | 99,574 | 475,449 | 1,840,963 | 726,254 | 53,604 | 338,645 | 410,332 | 129,771 |
| TOTAL | | 174,034,203 | 13,276,620 | 4,439,052 | 4,117,278 | 4,105,722 | 13,979,346 | 68,687,797 | 17,544,172 | 1,142,376 | 6,294,105 | 5,914,455 | 11,389,347 |

(*) Included the items of the consolidated balance sheet: Deposits in 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 2019 and 2018 (a)

31 December 2019

(Thousands of euros)

| 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 | 4,842,252 | 177,568 | 112,568 | 57,164 | 113,005 | 46,753 | 63,003 | 10,211 |
| Other government agencies and individual companies (financial business activities) | 1,215,223 | 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) | 36,134,230 | 7,312,792 | 4,904,309 | 4,288,702 | 2,518,169 | 1,296,296 | 355,888 | 3,758,046 |
| Constructions and property developments (land included) | 719,293 | 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 | 34,794,641 | 6,721,215 | 4,285,360 | 3,783,163 | 2,164,405 | 1,101,823 | 304,414 | 3,652,770 |
| Large enterprises (d) | 17,583,141 | 1,171,612 | 3,662,485 | 1,074,901 | 450,808 | 255,840 | 38,263 | 3,014,285 |
| SMEs and sole proprietors (d) | 17,211,500 | 5,549,603 | 622,875 | 2,708,262 | 1,713,597 | 845,983 | 266,151 | 638,485 |
| Other households (e) (by the purposes) (f) | 74,307,893 | 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 | 4,923,181 | 2,695,789 | 52,970 | 1,014,307 | 792,581 | 399,925 | 195,419 | 346,527 |
| TOTAL | 116,499,598 | 73,738,404 | 5,120,861 | 22,196,061 | 26,253,408 | 18,469,367 | 4,065,059 | 7,875,370 |
| 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) | 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 | 5,107,841 | 213,992 | 243,759 | 114,234 | 173,892 | 78,892 | 82,987 | 7,746 |
| Other government agencies and individual companies (financial business activities) | 1,671,783 | 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) | 33,796,128 | 8,172,976 | 5,286,954 | 4,610,998 | 2,645,889 | 1,485,132 | 596,029 | 4,121,882 |
| Constructions and property developments (land included) | 611,967 | 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 | 32,483,651 | 7,681,184 | 4,571,777 | 4,158,669 | 2,329,687 | 1,234,944 | 543,245 | 3,986,416 |
| Large enterprises (d) | 15,924,653 | 1,310,648 | 3,908,444 | 1,255,651 | 348,085 | 163,539 | 199,450 | 3,252,367 |
| SMEs and sole proprietors (d) | 16,558,998 | 6,370,536 | 663,333 | 2,903,018 | 1,981,602 | 1,071,405 | 343,795 | 734,049 |
| Other households (e) (by the purposes) (f) | 76,854,627 | 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 | 4,819,318 | 2,639,800 | 58,591 | 970,493 | 775,182 | 397,343 | 145,459 | 409,914 |
| TOTAL | 117,430,379 | 77,979,905 | 5,640,211 | 22,450,351 | 26,872,610 | 20,247,103 | 4,953,552 | 9,096,500 |
| 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 69.2.e).

Appendix XI - Detail of agents and disclosures required by Article 21 of Royal Decree 584/2015 of 13 February

Information at 31 December 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/ CAMAMILLA 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) |

| 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 |
| 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) |
| VALLENNOVA 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 XII – Annual banking report

On 27 June 2014, Law 10/2014 of 26 June 2014 on regulation, supervision and solvency of credit institutions was published in the Spanish Official State Gazette (Boletín Oficial del Estado), thereby transposing into Spanish law article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD-IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with article 87 and the Twelfth Transitional Provision of Law 10/2014, credit institutions will be obliged to disclose for the first time, specifying the countries where they have an establishment, the following information on a consolidated basis for the last financial year closed:

- a) Name, nature of activities and geographical location.
- b) Turnover and number of full-time employees.
- c) Gross profit before tax and income tax.
- d) Government grants and assistance received.

Pursuant to the above, the aforesaid required information is set out below:

a) Name, nature of activities and geographical location

Bankia, S.A. is a private-law entity subject to the legislation and regulations for banks operating in Spain. Its registered office is at calle Pintor Sorolla, 8, Valencia. The company bylaws may be consulted, together with other relevant legal information, at its registered office and on its website (www.bankia.es).

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 26/1988, of 29 July, on the regulation, supervision and solvency of credit institutions.

The company is registered in the Commercial Register of Valencia in volume 9,341, book 6,623, sheet 104, page V-17274, 183rd entry and in the Registry of Banks and Bankers of the Bank of Spain under number 2038.

It holds taxpayer identification number A-14010342.

In addition to the operations it carries out directly, Bankia is a subsidiary of the Grupo BFA Tenedora de Acciones and, in turn, the parent of a business group. At 31 December 2018, the scope of consolidation of the Bankia Group encompassed 63 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.

The consolidated Group fundamentally carries on its activity in Spain. Appendices II, III and IV detail the companies operating in each jurisdiction, along with their name, geographic location and the nature of their business.

b) Turnover and number of full-time employees

This includes information on turnover and the number of full-time employees at the end of 2019 and 2018, on a consolidated basis. The turnover has been taken to be the gross income as reported in consolidated income statement of the Group for the years ended 31 December 2019 and 2018:

(Thousands of euros)

| | Turnover | | Number of employees (full-time) | |
|-------------------|------------------|------------------|---------------------------------|---------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| Spain | 3,244,405 | 3,367,595 | 16,029 | 15,909 |
| Rest of countries | 625 | 167 | 6 | 15 |
| TOTAL | 3,245,030 | 3,367,762 | 16,035 | 15,924 |

c) Gross profit before tax and income tax

This item discloses information on profit before tax and income tax as they appear in the Group's consolidated income statement for the years ended 31 December 2019 and 2018:

(Thousands of euros)

| | Profit before tax | | Income tax | |
|-------------------|-------------------|----------------|------------------|------------------|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| Spain | 753,744 | 920,111 | (213,112) | (222,662) |
| Rest of countries | 1,946 | 2 | (289) | - |
| TOTAL | 755,690 | 920,113 | (213,401) | (222,662) |

d) Government grants or assistance received

See Note 1.2 on the BFA-Bankia Group Restructuring Plan.

The Management Report at the year-end 2019 shows the shows relevant indicators and ratios of the Group. The return on assets ratio of year 2019, calculated as net profit on the total balance sheet, was 0.26% (0.34% in year 2018)

Appendix XIII – Other information

Customer care service

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 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 BFA 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 Group entities subject to these duties and obligations are as follows:

31/12/2019

| 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 |
| Bankia Fondos, S.G.I.I.C., S.A. | 54 | 51 | 3 | 30 | 5 | 15 |
| Bankia Pensiones, S.A., E.G.F.P. | 115 | 114 | 1 | 71 | 11 | 42 |
| Segurbankia, S.A. | - | - | - | - | - | - |

(1) Claims dismissed in 2019

31/12/2018

| 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 |
| Bankia Fondos, S.G.I.I.C., S.A. | 71 | 68 | 3 | 21 | 3 | 25 |
| Bankia Pensiones, S.A., E.G.F.P. | 136 | 133 | 3 | 73 | 4 | 37 |
| Segurbankia, S.A. | - | - | - | - | - | - |

(1) Claims dismissed in 2018

The breakdown by type of all claims resolved and dismissed in 2019 and 2018 is as follows:

| Type of claim | Number of claims | |
|---------------------------------|------------------|----------------|
| | 31/12/2019 (1) | 31/12/2018 (1) |
| Asset transactions | 10,400 | 19,987 |
| Liabilities transactions | 15,639 | 16,953 |
| Other banking products | 107 | 203 |
| Collection and payment services | 8,671 | 7,409 |
| Investment services | 577 | 643 |
| Insurance and pension funds | 862 | 1,074 |
| Miscellaneous | 5,120 | 6,066 |
| Total | 41,376 | 52,335 |

(1) Not included claims dismissed.

At last, the claims pending resolution by Group entities subject to these obligations at 31 December 2019 and 2018 are as follows:

| Company | Number of claims pending resolution | |
|----------------------------------|-------------------------------------|------------|
| | 31/12/2019 | 31/12/2018 |
| Bankia, S.A. | 1,402 | 1,451 |
| Bankia Fondos, S.G.I.I.C., S.A. | 7 | 22 |
| Bankia Pensiones, S.A., E.G.F.P. | 12 | 27 |

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 Group 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 Group's entities resident in Spain and to payments to suppliers made by Spanish Group 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 | 8.9 |
| 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 between Bankia S.A. and Bankia Inversiones Financieras, S.A.U, at 31 December 2018

Balance sheet of 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 | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledged</i> | 224,986 |
| 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 |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | - |
| Financial assets designated at fair value through profit or loss | - |
| Debt securities | - |
| Loans and advances | - |
| Central banks | - |
| Credit institutions | - |
| Customers | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | - |
| 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 | - |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | 6,794,067 |
| 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 |
| <i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i> | 22,257,594 |
| 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 (savings banks and credit cooperatives) | - |
| Investment property | 513,740 |
| Of which: leased out under operating leases | 513,740 |
| <i>Memorandum item: acquired in leasing</i> | - |
| 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 | - |
| <i>Memorandum item: subordinated liabilities</i> | - |
| 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 |
| <i>Memorandum item: subordinated liabilities</i> | 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 |
| <i>Of which: welfare fund (only savings banks and credit cooperatives)</i> | - |
| 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 | - |
| <i>Memorandum item: Uncalled capital</i> | - |
| 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 comprehensive 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. Registered 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 |